Consumer sentiment was relatively unchanged, remaining near all-time lows. Current assessments of personal finances continued to deteriorate, reaching its lowest point since 2011. Buying conditions for durables adjusted upwards, owing both to consumers who cited easing supply constraints and those who believed that one should buy now to avoid future price increases, which would exacerbate inflation going forward. Even with the adjustment, buying conditions remained 26% lower than a year ago.

Consumers remained in agreement over the deleterious effect of prices on their personal finances, consistent with this week’s CPI reading of 9.1%. The share of consumers blaming inflation for eroding their living standards continued its rise to 49%, matching the all-time high reached during the Great Recession. Consumers under the age of 45, lower-income consumers, and less-educated consumers—groups that tend to have less wealth to buffer against shocks—all reported substantial worsening of personal finances. These negative views endured in the face of the recent moderation in gas prices at the pump. Consumers updated their expectations of gas prices with median short and long-run changes of less than one cent, suggesting that they may believe gas prices have crested. However, gas prices remain painfully high and were spontaneously mentioned during interviews by nearly half of consumers.

At the same time, inflation expectations have held steady or improved somewhat. The median expected year-ahead inflation rate was 5.2%, little changed from the past five months. Median long run expectations fell to 2.8%, just below the 2.9-3.1% range seen in the preceding 11 months. Inflation uncertainty continued to grow, with 26% of consumers expecting prices to stay the same or fall over the next 5 to 10 years, up from 11% a year ago.

Amidst deteriorating sentiment over the past year, strength in the economy has centered on labor markets, but signs of weakness began to surface. Almost 40% of consumers expected unemployment to rise in the year ahead, up from 32% last month and 14% a year ago. When asked about their own incomes, the median expected change was only an increase of 0.6%, reaching its lowest value since May of 2020. At the same time, consumers do not perceive greater risks to their own employment; their expected probability of job loss over the next 5 years has changed little over the past 6 months.

Mixed patterns in overall sentiment emerged across demographic groups: modest increases in sentiment for those with higher incomes and greater purchasing power were offset by declines for lower-income consumers. Similarly, falling sentiment for those under the age of 45 was offset by rising sentiment for older consumers. Broadly, the historically low sentiment readings suggest that consumers anticipate a downturn on the horizon. Downside risks to spending remain, particularly as consumers’ income expectations come into alignment with their dismal views on their personal finances and the macroeconomy.