

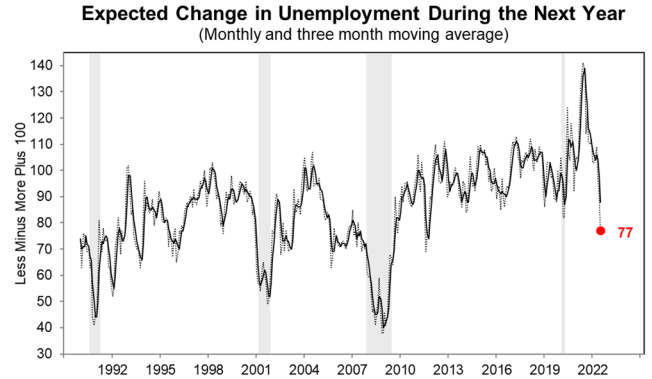


Subject: July 2022 survey results

July 29, 2022

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The final July reading showed little change in consumer sentiment from its historic low in June. The one-year economic outlook fell to its lowest reading since 2009. At the same time, concerns over global factors have eased somewhat. This easing provided some limited support to buying conditions for durables, which remained near the all-time low reached last month, as well as a modest retreat in long run inflation expectations. However, inflation continued to dominate consumers' attention, and labor market expectations continued to soften. This month's Sentiment Index was the second lowest reading on record, and the Q2 slowdown in personal consumption expenditures was no surprise.



The final July reading of the median expected year-ahead inflation rate was 5.2%, little changed from mid-month or the preceding two months. Long run expectations came in at 2.9%, remaining within the 2.9-3.1% range seen in the past 11 months. Concerns over global factors have become less heightened; the share of consumers spontaneously mentioning supply shortages fell below 50% for the first time in ten months, down from a peak of 61% last November. Ukraine or Russia were mentioned by only 5% of consumers this month, down from a peak of 25% in March. Although these global factors appear to be less salient for consumers now, considerable uncertainty remains on how these factors, such as fuel supplies to Europe or COVID-related restrictions in China, will evolve in the months ahead.

With overall inflation and short-run inflation expectations remaining elevated, 49% of consumers cited inflation for weighing on their personal finances, which was exceeded only once before in 1951. In spite of the moderation of gas prices over the past month, 46% of consumers spontaneously mentioned gas prices during the interviews. Similarly, 26% of consumers mentioned high food prices, up from 8% a year ago. A growing share of consumers cited lower expenditures as a supporting factor for their financial situation, suggesting that consumers are finding ways to cope by altering their spending patterns as high prices persist.

Going forward, these behavioral adjustments are likely to grow, as only 17% of consumers expect real income gains in the year ahead. Furthermore, consumers' perceptions of the trajectory of the labor market continues to ebb. Unemployment expectations deteriorated for the third consecutive month, worsening by 14% from last month and 44% from a year ago, reaching its lowest reading since 2011 (see chart). These sizable declines were reported across age, income, education, and political groups. These shifting labor market expectations thus far have not translated to increased expectations of personal job loss, and the vast majority of consumers believe that inflation will cause more serious economic hardship for people over the next year than unemployment. Further weakening of labor markets would generate more downside pressure on consumer spending.

	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022
Index of Consumer Sentiment	81.2	70.3	72.8	71.7	67.4	70.6	67.2	62.8	59.4	65.2	58.4	50.0	51.5
Current Economic Conditions	84.5	78.5	80.1	77.7	73.6	74.2	72.0	68.2	67.2	69.4	63.3	53.8	58.1
Index of Consumer Expectations	79.0	65.1	68.1	67.9	63.5	68.3	64.1	59.4	54.3	62.5	55.2	47.5	47.3
Index Components													
Personal Finances - Current	116	109	116	115	110	109	106	96	93	98	91	72	75
Personal Finances - Expected	120	111	112	112	106	110	114	102	93	110	107	95	96
Economic Outlook - 12 Months	109	74	84	81	73	80	67	66	51	62	46	35	34
Economic Outlook - 5 Years	88	75	76	78	73	83	75	68	72	77	66	57	56
Buying Conditions - Durables	102	94	90	85	79	82	79	78	80	80	71	65	73