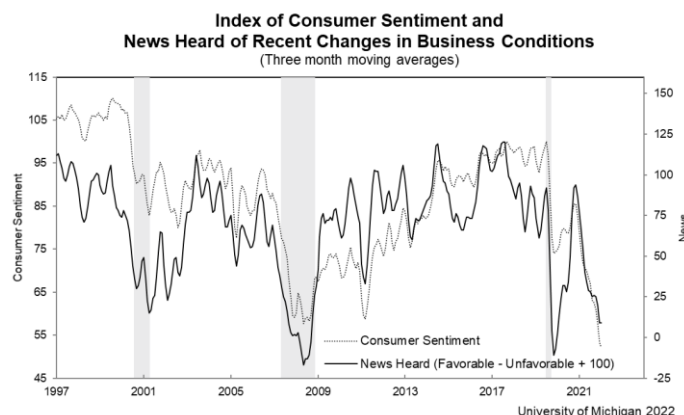


Subject: Preliminary results from the August 2022 survey

August 12, 2022

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Consumer sentiment moved up very slightly this month to about 5 index points above the all-time low reached in June. All components of the expectations index improved this month, particularly among low and middle income consumers for whom inflation is particularly salient. The year-ahead economic outlook rose substantially to just above its average reading from the second quarter 2022, while the two other expectations index components remain at or below their second quarter averages. At the same time, high income consumers, who generate a disproportionate share of spending, registered large declines in both their current personal finances as well as buying conditions for durables.



With continued declines in energy prices, the median expected year-ahead inflation rate fell to 5.0%, its lowest reading since February but still well above the 4.6% reading from a year ago. At 3.0%, median long run inflation expectations remained within the 2.9-3.1% range seen over the past year. Uncertainty over long run inflation receded a bit, with the interquartile range in expectations falling from 4.7 last month to 3.8 this month, remaining above the 3.3 range seen last August. Still, the share of consumers blaming inflation for eroding their living standards remained near 48%. Buying conditions for durables declined to just above its all-time low from June, primarily due to persistently high prices.

While consumers' views of their personal finances are essentially unchanged from last month, when asked specifically about the trajectories of their incomes over the next year the median expected change was 2.1%, up from 1.1% the past two months. About 36% of consumers expected unemployment to rise in the year ahead, down from 38% last month and up from 24% a year ago.

In spite of this strength in the labor market and some signs of improvement in inflation, consumer sentiment remains very low by historical standards. Their views are informed not only by their own experiences but also by their observations and impressions of the economic environment around them, including news they encounter. Notably, consumers continue to report hearing unusually negative news about the economy. The index of news heard about business conditions has plummeted precipitously from a reading of over 90 last spring to an average of 9 over the last 3 months (see chart). This index has only been lower during two episodes in the last 60 years, during the summer of 2020 just after the pandemic began, and during the trough of the Great Recession. For 7 consecutive months, at least 29% of consumers have specifically mentioned hearing about high prices negatively impacting business conditions; previously, this had only occurred in three other months, all during the Great Recession. In contrast, during the inflationary periods of the late 1970s, this measure peaked at 21%. In the current context, even strong labor markets have been raised as negative news for business conditions, as consumers recognize the challenges businesses may face with hiring. The apparent proliferation and salience of bad news is likely to weigh down consumers' impressions of business conditions, which dampens sentiment overall.

	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug Prelim
Index of Consumer Sentiment	70.3	72.8	71.7	67.4	70.6	67.2	62.8	59.4	65.2	58.4	50.0	51.5	55.1
Current Economic Conditions	78.5	80.1	77.7	73.6	74.2	72.0	68.2	67.2	69.4	63.3	53.8	58.1	55.5
Index of Consumer Expectations	65.1	68.1	67.9	63.5	68.3	64.1	59.4	54.3	62.5	55.2	47.5	47.3	54.9
Index Components													
Personal Finances - Current	109	116	115	110	109	106	96	93	98	91	72	75	76
Personal Finances - Expected	111	112	112	106	110	114	102	93	110	107	95	96	104
Economic Outlook - 12 Months	74	84	81	73	80	67	66	51	62	46	35	34	50
Economic Outlook - 5 Years	75	76	78	73	83	75	68	72	77	66	57	56	64
Buying Conditions - Durables	94	90	85	79	82	79	78	80	80	71	65	73	66