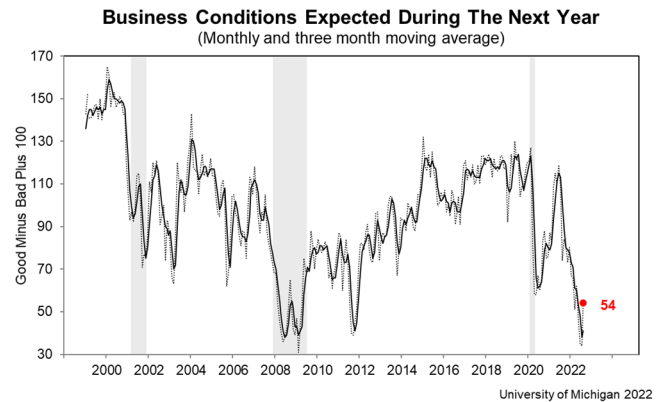




Subject: August 2022 survey results
From: Joanne Hsu, PhD, Director

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The final August reading continued the early month improvement in consumer sentiment, rising 13.0% above July but remaining 17% below a year ago. Most of this increase was concentrated in expectations, with a 59% surge in the year-ahead outlook for the economy following two months at its lowest reading since the Great Recession (see chart). In addition, personal financial expectations rose 12% since July. The gains in sentiment were seen across age, education, income, region, and political affiliation, and can be attributed to the recent deceleration in inflation. Lower-income consumers, who have fewer resources to buffer against inflation, posted particularly large gains on all index components. Their sentiment now even exceeds that of higher-income consumers, when it typically lags higher-income sentiment by over 15 points. Hopefully this tentative improvement will continue, as overall sentiment remains extremely low by historical standards.



Inflation continues to weigh down sentiment, but a bit less heavily than earlier in the summer; 44% of consumers cited the negative influence of inflation on their personal finances, down from 49% last month. Likewise, fewer consumers spontaneously mentioned gas prices or food prices at any point in the survey this month. The share of consumers who mentioned hearing negative news about inflation fell from 37% last month to 29% in August. Still, all of these measures remained elevated relative to last year, showing that these factors have not fully abated.

The relative relief felt by consumers reflected in their inflation expectations as well. The median expected year-ahead inflation rate was 4.8%, down from 5.2% last month and its lowest reading in 8 months. This decline was driven by an increase in consumers expecting extremely low inflation. Uncertainty over expectations rose considerably, particularly among lower-educated consumers. Long run expectations came in at 2.9%, remaining within the 2.9-3.1% range seen in the past year. In addition, consumers saw a bit more strength in labor markets this month. The median expected change in their own incomes was 2.3%, up from 1.1% the past two months. Lower-income consumers posted a substantial gain in expected wage increases, nearly converging with higher-income consumers. The share of consumers expecting unemployment to rise in the year ahead fell from 38% last month to 34%, though up from 24% a year ago.

That said, nearly half of consumers still expected inflation to exceed any wage gains in the next year. Early evidence shows that two-thirds of consumers have already coped with inflation by altering their buying habits, with lower-income consumers pulling back particularly strongly. For higher-income consumers, their assessment that buying conditions for durables worsened 29% this month, owing primarily to continued high prices, may signal less willingness to spend going forward.

With an active month of new legislation passed by Congress, consumers' opinions about the government's economic policy posted notable improvements but remain well below their long-run average. Only 17% of consumers reported that the government is doing a good job fighting inflation or unemployment. While consumer sentiment has lifted modestly from its historic low in June, its future trajectory hinges on the persistence of improvements in inflation.

	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 2022
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	58.2
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	58.6
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	58.0
Index Components													
Personal Finances - Current	109	116	115	110	109	106	96	93	98	91	72	75	80
Personal Finances - Expected	111	112	112	106	110	114	102	93	110	107	95	96	107
Economic Outlook - 12 Months	74	84	81	73	80	67	66	51	62	46	35	34	54
Economic Outlook - 5 Years	75	76	78	73	83	75	68	72	77	66	57	56	69
Buying Conditions - Durables	94	90	85	79	82	79	78	80	80	71	65	73	69