

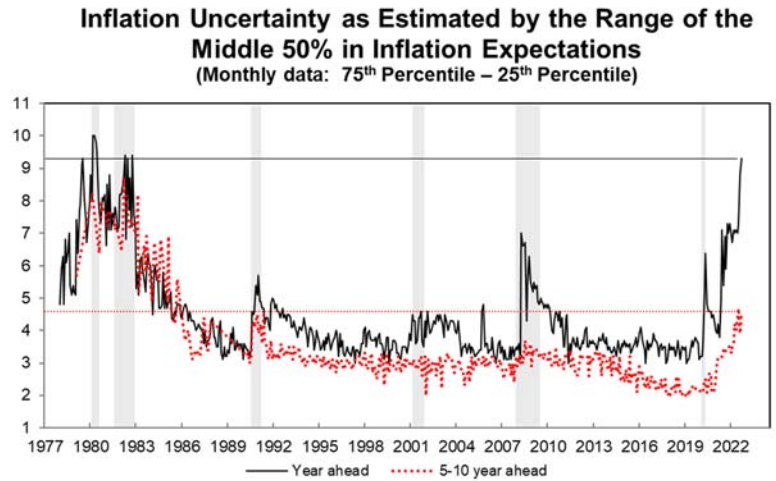


Subject: Preliminary results from the September 2022 survey
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Consumer sentiment was essentially unchanged in September, just 1.3 index points above August. The one-year economic outlook continued lifting from the extremely low readings earlier in the summer, but these gains were largely offset by modest declines in the long run outlook. Personal finance components of the index as well as buying conditions for durables remained at similar, relatively low levels from last month. After the marked improvement in sentiment in August, consumers showed signs of uncertainty over the trajectory of the economy.

With continued declines in energy prices, the median expected year-ahead inflation rate declined to 4.6%, the lowest reading since last September. At 2.8%, median long run inflation expectations fell below the 2.9-3.1% range for the first time since July 2021. Democrats and Republicans alike reported lower inflation expectations for both measures compared with last month. However, it is unclear if these improvements will persist, as consumers continued to exhibit substantial uncertainty over the future trajectory of prices (see chart). Uncertainty over short-run inflation reached levels last seen in 1982, and uncertainty over long run inflation rose from 3.9 to 4.5 this month, well above the 3.4 level seen last September.



The variety of perceptions of the future path of inflation likely stems from seeing conflicting signals in the economy. Consumers perceived some easing of global pressures on inflation; fewer consumers – 39%, down from 58% in May – spontaneously mentioned supply shortages, for example. But in contrast to the recent decline in energy prices over the last several months, food prices and core inflation have not improved in such a visible manner. At the same time, while buying conditions for durables remained near its all-time low from June, concerns about the high prices of durable goods have started to ease. Still, 58% of consumers blamed high prices for worsening buying conditions for vehicles. As conflicting information about prices continues to fuel consumers’ uncertainty, inflation expectations are likely to remain relatively unstable in the months ahead.

All told, the tentative slowdown in inflation last month has not, as of yet, translated to meaningful improvements in how consumers feel about their financial situations. About 42% of consumers continue to cite high prices eroding their living standards, down from a peak of 49% in July but more than double the 18% from a year ago. Consumers reported little change in their outlook for labor markets; about 33% expected unemployment to rise in the year ahead, similar to last month and up from 21% a year ago.

	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep Prelim
Index of Consumer Sentiment	72.8	71.7	67.4	70.6	67.2	62.8	59.4	65.2	58.4	50.0	51.5	58.2	59.5
Current Economic Conditions	80.1	77.7	73.6	74.2	72.0	68.2	67.2	69.4	63.3	53.8	58.1	58.6	58.9
Index of Consumer Expectations	68.1	67.9	63.5	68.3	64.1	59.4	54.3	62.5	55.2	47.5	47.3	58.0	59.9
Index Components													
Personal Finances - Current	116	115	110	109	106	96	93	98	91	72	75	80	81
Personal Finances - Expected	112	112	106	110	114	102	93	110	107	95	96	107	109
Economic Outlook - 12 Months	84	81	73	80	67	66	51	62	46	35	34	54	63
Economic Outlook - 5 Years	76	78	73	83	75	68	72	77	66	57	56	69	67
Buying Conditions - Durables	90	85	79	82	79	78	80	80	71	65	73	69	69