

Subject: Preliminary results from the October 2022 survey
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Consumer sentiment is essentially unchanged at 1.2 index points above September, in spite of a 23% improvement in current buying conditions for durables owing to an easing in supply constraints. Sentiment is now 9.8 points above the all-time low reached in June, but this improvement remains tentative, as the expectations index declined by 3% from last month. Continued uncertainty over the future trajectory of prices, economies, and financial markets around the world indicate a bumpy road ahead for consumers.

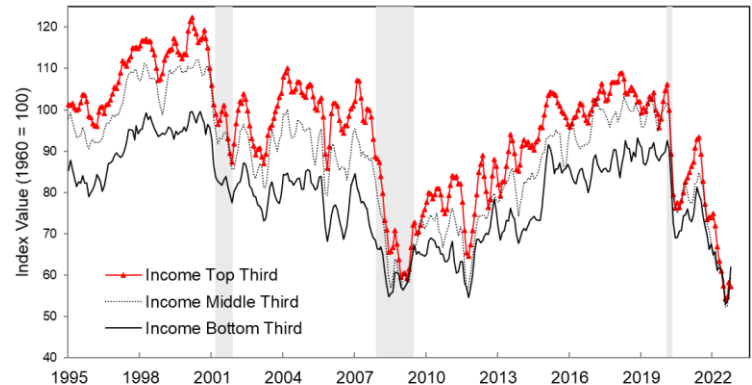
The median expected year-ahead inflation rate rose to 5.1%, with increases reported across age, income, and education. Last month, long run inflation expectations fell below the narrow 2.9-3.1% range for the first time since July 2021, but since then expectations have returned to that range at 2.9%. After 3 months of expecting minimal increases in gas prices in the year ahead, both short and longer run expectations rebounded in October.

Assessments of personal finances were little changed from last month, but this obscures patterns across the income distribution that diverged in unusual ways in October. Typically, higher-income consumers view their personal finances more favorably than lower-income consumers. However, the current data show that for higher-income consumers, assessments of personal finances continued declining in recent months and are now worse than their lower-income counterparts. Recent turbulence in financial markets weighed on higher-income consumers, with 17% spontaneously mentioning declining asset values as a negative influence on their personal finances, the highest share in 5 months. Their expectations over their own incomes and their personal finances more generally in the year ahead both deteriorated considerably this month as well. In addition, higher-income consumers expressed worsening outlooks for business conditions, over both the short and long term, and labor markets.

In contrast, despite the recent uptick in gas prices, the personal finances of lower-income consumers reached their most favorable reading in six months. This improvement was driven primarily by stronger current incomes. Relative to September, lower-income consumers also reported more favorable expectations for their future incomes and personal finances in the year ahead, as well as for the labor market more generally. Lower-income consumers' outlooks for the macroeconomy in the short and long run also both improved notably over last month.

Still, overall sentiment remains low by historical standards and highlights the risk of recession. The recent rise for lower-income consumers reflects ongoing strength in the labor market, particularly for segments with lower-wage workers. But these workers will be particularly vulnerable when labor markets begin to weaken. In addition, given the greater spending power of high-income households, their gloomy outlook is likely to produce drag on consumption, particularly if volatility in real wealth or income leads them to pull back their spending for precautionary reasons.

The Index of Consumer Sentiment
(3 Month Moving Average)



	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct Prelim
Index of Consumer Sentiment	71.7	67.4	70.6	67.2	62.8	59.4	65.2	58.4	50.0	51.5	58.2	58.6	59.8
Current Economic Conditions	77.7	73.6	74.2	72.0	68.2	67.2	69.4	63.3	53.8	58.1	58.6	59.7	65.3
Index of Consumer Expectations	67.9	63.5	68.3	64.1	59.4	54.3	62.5	55.2	47.5	47.3	58.0	58.0	56.2
Index Components													
Personal Finances - Current	115	110	109	106	96	93	98	91	72	75	80	80	78
Personal Finances - Expected	112	106	110	114	102	93	110	107	95	96	107	105	106
Economic Outlook - 12 Months	81	73	80	67	66	51	62	46	35	34	54	59	51
Economic Outlook - 5 Years	78	73	83	75	68	72	77	66	57	56	69	66	66
Buying Conditions - Durables	85	79	82	79	78	80	80	71	65	73	69	73	90