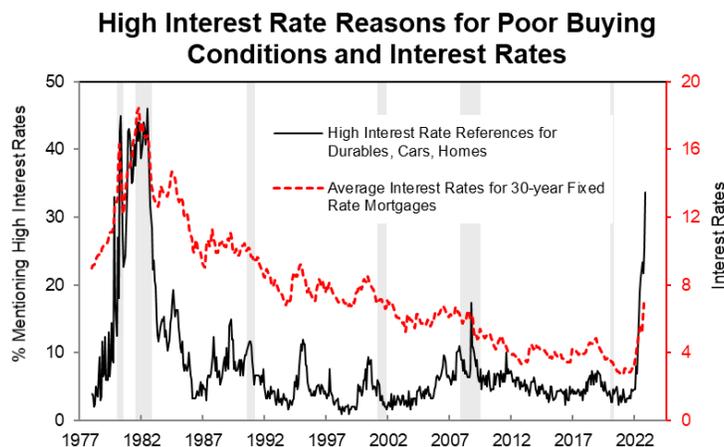




Subject: Preliminary results from the November 2022 survey
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Consumer sentiment fell about 9% below October, erasing about half of the gains that had been recorded since the historic low in June. All components of the index declined from last month, but buying conditions for durables, which had markedly improved last month, decreased most sharply in November, falling back 21% on the basis of high interest rates as well as continued high prices. Overall, declines in sentiment were observed across the distribution of age, education, income, geography, and political affiliation, showing that the recent improvements in sentiment were tentative. Instability in sentiment is likely to continue, a reflection of uncertainty over both global factors and the eventual outcomes of the election.



Inflation expectations are little changed. The median expected year-ahead inflation rate was 5.1%, up from 5.0% last month. Long run inflation expectations, currently at 3.0%, have remained in the narrow (albeit elevated) 2.9-3.1% range for 15 of the last 16 months. That said, the share of consumers expressing that one should make large purchases now to avoid future price increases fell from 13% last month to 10% this month, indicating that buy-in-advance psychology has yet to set in. Still, continued uncertainty over inflation expectations suggests that such entrenchment in the future is still possible.

Although inflation expectations have yet to recede, consumers have taken notice of rising interest rates, and 80% of consumers expect rates to continue increasing in the year ahead. High interest rates are a concern not just for durable goods but other purchases as well. An average of 34% of consumers spontaneously cited high interest rates as a reason for poor buying conditions for durables, cars, or homes, the highest share found since 1982 and more than double the share from just 6 months ago (see chart). In contrast to 1982, amid a recession and double-digit interest rates, current interest rates are much lower and unemployment remains near historic lows. Still, interest rates have increased borrowing costs well above what consumers had grown accustomed to in recent years, dragging down sentiment.

Given current strength in labor markets and incomes, spending may be supported in the short run in spite of this unease over high interest rates. However, consumers' expectations on unemployment continued to worsen, which means that such support may not endure. About 43% of consumers expected unemployment to rise in the year ahead, a share last exceeded at the start of the pandemic and before that in 2009. Furthermore, about half of consumers expected prices to rise faster than their household incomes. With 47% of consumers citing inflation as eroding their living standards, many consumers—particularly those from middle and lower income families—have already made adjustments to their spending and are likely to continue doing so. Higher-income consumers, whose outlooks were darkened by continued turbulence in stock and housing markets, will likely pull back their spending going forward. With overall sentiment remaining low, these factors highlight the risk of recession in the quarters ahead.

	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov Prelim
Index of Consumer Sentiment	67.4	70.6	67.2	62.8	59.4	65.2	58.4	50.0	51.5	58.2	58.6	59.9	54.7
Current Economic Conditions	73.6	74.2	72.0	68.2	67.2	69.4	63.3	53.8	58.1	58.6	59.7	65.6	57.8
Index of Consumer Expectations	63.5	68.3	64.1	59.4	54.3	62.5	55.2	47.5	47.3	58.0	58.0	56.2	52.7
Index Components													
Personal Finances - Current	110	109	106	96	93	98	91	72	75	80	80	78	77
Personal Finances - Expected	106	110	114	102	93	110	107	95	96	107	105	106	105
Economic Outlook - 12 Months	73	80	67	66	51	62	46	35	34	54	59	48	44
Economic Outlook - 5 Years	73	83	75	68	72	77	66	57	56	69	66	69	59
Buying Conditions - Durables	79	82	79	78	80	80	71	65	73	69	73	90	71