



Subject: Preliminary results from the January 2023 survey  
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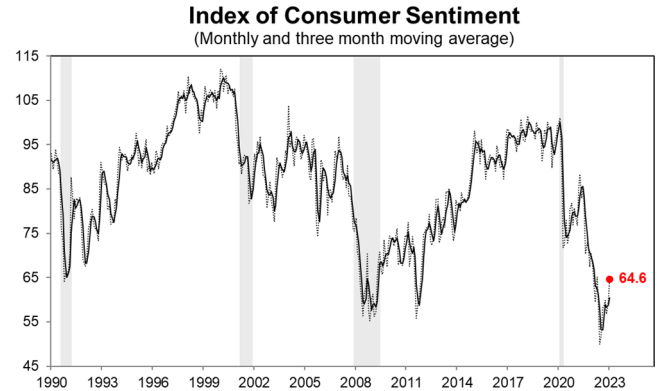
Consumer sentiment remained low from a historical perspective but continued lifting for the second consecutive month, rising 8% above December and reaching about 4% below a year ago. Current assessments of personal finances surged 16% to its highest reading in eight months on the basis of higher incomes and easing inflation. Although the short-run economic outlook fell modestly from December, the long-run outlook rose 7% to its highest level in nine months and is now 17% below its historical average.

Year-ahead inflation expectations receded for the fourth straight month, falling to 4.0% in January from 4.4% in December. The current reading is the lowest since April 2021 but remains well above the 2.3-3.0% range seen in the two years prior to the pandemic.

Declines in short-run inflation expectations were visible across age, income, and education groups, with the exception of college-educated consumers, whose expectations rose from last month. In contrast, long-run inflation expectations were little changed from December at 3.0%, again staying within the narrow 2.9-3.1% range for 17 of the last 18 months. Long-run inflation expectations remain elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic. Uncertainty over both inflation expectations measures remains high, and changes in global factors in the months ahead may generate a reversal in recent improvements.

While consumers' perceptions of their personal finances remained about 20% below the historical average, the recent easing of inflation boosted consumer attitudes. Consumers, who voiced fewer concerns over gas and food prices during interviews this month, already anticipated the decreases in CPI reported yesterday. Still, a sizable 36% of consumers cited high prices for the erosion of their living standards, though this share declined to its lowest point since April 2022. Consumers also continued to note rising borrowing costs; for the third straight month, over 30% of consumers spontaneously mentioned high interest rates weighing down buying conditions for durables, vehicles, or homes. The share of consumers expecting further rate hikes this year fell from the all-time peak of 88% in April 2022 but remained high at 69%, indicating that these concerns will remain salient and may offset the positive effects of easing inflation on consumers' willingness to spend, particularly if their savings become depleted or asset values fall.

Consumer spending has slowed over the past year but remains relatively robust, with support from continued strength in incomes; in January, consumers expected a median of 2.6% growth in incomes, virtually unchanged from the past two months. Furthermore, about 56% of consumers expected their incomes to rise as least as fast as prices in the year ahead, the largest share since October 2021. At the same time, consumers were more downbeat about the trajectory of labor markets, with 41% of consumers expecting unemployment to worsen in the year ahead, compared with 26% a year ago. When asked whether unemployment or inflation will cause more hardship for people in the year ahead, 19% reported unemployment, up from only 9% last June. Furthermore, two-thirds of consumers expect an economic downturn in the year ahead, reflecting how low sentiment remains despite recent improvements. That said, given current historic lows in unemployment and strength in expected incomes, a gradual slowdown in spending appears more likely than a cliff-like drop.



	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan Prelim
Index of Consumer Sentiment	67.2	62.8	59.4	65.2	58.4	50.0	51.5	58.2	58.6	59.9	56.8	59.7	64.6
Current Economic Conditions	72.0	68.2	67.2	69.4	63.3	53.8	58.1	58.6	59.7	65.6	58.8	59.4	68.6
Index of Consumer Expectations	64.1	59.4	54.3	62.5	55.2	47.5	47.3	58.0	58.0	56.2	55.6	59.9	62.0
Index Components													
Personal Finances - Current	106	96	93	98	91	72	75	80	80	78	77	75	87
Personal Finances - Expected	114	102	93	110	107	95	96	107	105	106	106	106	113
Economic Outlook - 12 Months	67	66	51	62	46	35	34	54	59	48	49	61	57
Economic Outlook - 5 Years	75	68	72	77	66	57	56	69	66	69	65	71	76
Buying Conditions - Durables	79	78	80	80	71	65	73	69	73	90	73	77	89