



Subject: February 2023 survey results  
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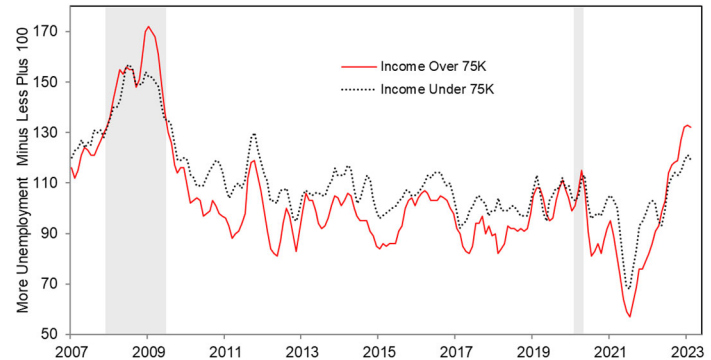
Consumer sentiment confirmed the preliminary February reading, rising a modest 3% above January. After lifting for the third consecutive month, sentiment is now 17 index points above the all-time low from June 2022 but remains almost 20 points below its historical average. Consumers with larger stock holdings exhibited particularly large increases in sentiment. Overall, February’s reading was supported by a 12% improvement in the short-run economic outlook, while all other index components were essentially unchanged.

Year-ahead inflation expectations rebounded to 4.1% this month, from 3.9% in January and 4.4% in December. Much of this increase was concentrated among consumers with less education and those over the age of 65. Consumers continued to exhibit considerable uncertainty over short-run inflation, and thus their expectations may be unstable in the months to come. Long-run inflation expectations remained at 2.9% for the third straight month and stayed within the narrow 2.9-3.1% range for 18 of the last 19 months.

About 21% of consumers reported hearing negative news about inflation, but an even higher 28% heard unfavorable news about unemployment. With unemployment at its lowest rate in nearly 70 years, about 40% of consumers expect unemployment to increase in the year ahead, compared with only 25% a year ago. Overall, concerns are strongest among consumers with more income (see chart, solid red line), consistent with well-publicized layoffs largely affecting white-collar jobs, including in the technology sector. In contrast, lower income consumers (dotted black line) have a more positive outlook for labor markets. This runs counter to the typical pattern, where higher-income consumers tend to have more favorable expectations for labor markets than their lower-income counterparts.

In spite of having weaker expectations for labor market conditions across the economy, higher-income consumers continue to expect stronger growth for their own incomes in the next year relative to lower-income consumers. Comparisons by education groups show similar patterns. Taken together, our data suggest that while some groups of consumers may expect deterioration in labor markets this year, they generally do not expect to be personally affected. Indeed, there are few differences across income in their expected probabilities of losing one’s job. On average, consumers report an 18% probability of losing their job over the next 5 years, just below the historical average. As such, while consumers continue to adjust their spending in light of high prices and interest rates, their total spending is likely to remain robust at least in the short run given their expectations for continued strong incomes. Furthermore, confidence in income growth is strongest among higher-income families, who generate a disproportionate share of overall consumption. That said, such confidence will wane if labor markets weaken enough to influence consumers’ outlook over their own incomes, which would in turn lower their willingness to spend.

Expected Change In Unemployment During The Next Year  
(Three month moving averages)



	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023
Index of Consumer Sentiment	62.8	59.4	65.2	58.4	50.0	51.5	58.2	58.6	59.9	56.8	59.7	64.9	67.0
Current Economic Conditions	68.2	67.2	69.4	63.3	53.8	58.1	58.6	59.7	65.6	58.8	59.4	68.4	70.7
Index of Consumer Expectations	59.4	54.3	62.5	55.2	47.5	47.3	58.0	58.0	56.2	55.6	59.9	62.7	64.7
Index Components													
Personal Finances - Current	96	93	98	91	72	75	80	80	78	77	75	89	91
Personal Finances - Expected	102	93	110	107	95	96	107	105	106	106	106	112	111
Economic Outlook - 12 Months	66	51	62	46	35	34	54	59	48	49	61	60	67
Economic Outlook - 5 Years	68	72	77	66	57	56	69	66	69	65	71	78	79
Buying Conditions - Durables	78	80	80	71	65	73	69	73	90	73	77	87	90