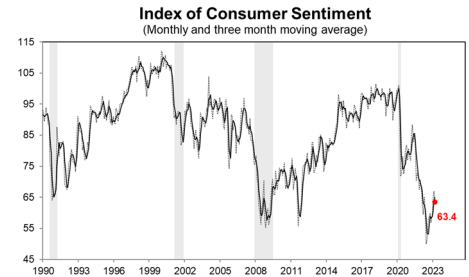




Subject: Preliminary results from the March 2023 survey
From: Joanne Hsu, PhD, Director

March 17, 2023

Consumer sentiment fell for the first time in four months, sitting about 5% below February but remaining 7% above a year ago. This month's decrease was already fully realized prior to the failure of Silicon Valley Bank, at which time about 85% of our interviews for this preliminary release had been completed. Sentiment declines were concentrated among lower-income, less-educated, and younger consumers, as well as consumers with the top tercile of stock holdings. Overall, all components of the index worsened relatively evenly, primarily on the basis of persistently high prices, creating downward momentum for sentiment leading into the financial turmoil that began last week.



Year-ahead inflation expectations receded from 4.1% in February to 3.8%, the lowest reading since April 2021, but remain well above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations edged down to 2.8%, falling below the narrow 2.9-3.1% range for only the second time in the last 20 months. Long-run inflation expectations remain elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic. With ongoing turbulence in the financial sector and uncertainty over the Fed's possible policy response, inflation expectations are likely to be volatile in the months ahead.

While inflation has eased from its peak last summer and, likewise, sentiment has lifted from its all-time low, high prices continued to be a primary drag on consumer attitudes. About 38% of consumers cited inflation for eroding their personal finances, essentially unchanged over the last three months. Growing shares of consumers blamed high prices for poor buying conditions for durable goods, vehicles, and homes. About 77% of consumers expect inflation to cause more serious hardship in the year ahead than unemployment, down only slightly from a year ago. Despite highly publicized layoffs, consumers broadly still expect strength in labor markets; the share of consumers expecting unemployment rates to worsen in the next year fell to 35%, the lowest in 6 months.

Economic news this past week has been dominated by stories about SVB, Credit Suisse, and potential vulnerabilities in the financial sector. Our data indicate little impact of these developments on consumer attitudes. Overall, the average consumer has little portfolio exposure to financial markets and typically does not pay close attention to financial market developments that do not directly impact them. Of the interviews completed after March 9, only a handful spontaneously mentioned bank failures. Even for consumers with the largest stock holdings, sentiment had already fallen 9% between February and March 9 and moved very little thereafter.

That said, today's environment for news and information dissemination is very different than other periods of severe market turbulence prior to the pandemic, so it remains to be seen if the salience of financial developments to consumers will increase going forward. Given that sentiment was already falling across demographic groups in the two weeks leading to SVB's collapse, any growing financial market instability could very well produce stronger downward pressure on overall consumer sentiment, particularly if consumers perceive threats to their own personal finances. In turn, consumers' willingness to spend, particularly out of shrinking savings or costly borrowing, could soften, especially if financial institutions further tighten their supply of credit to consumers.

	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar Prelim
Index of Consumer Sentiment	59.4	65.2	58.4	50.0	51.5	58.2	58.6	59.9	56.8	59.7	64.9	67.0	63.4
Current Economic Conditions	67.2	69.4	63.3	53.8	58.1	58.6	59.7	65.6	58.8	59.4	68.4	70.7	66.4
Index of Consumer Expectations	54.3	62.5	55.2	47.5	47.3	58.0	58.0	56.2	55.6	59.9	62.7	64.7	61.5
Index Components													
Personal Finances - Current	93	98	91	72	75	80	80	78	77	75	89	91	87
Personal Finances - Expected	93	110	107	95	96	107	105	106	106	106	112	111	105
Economic Outlook - 12 Months	51	62	46	35	34	54	59	48	49	61	60	67	63
Economic Outlook - 5 Years	72	77	66	57	56	69	66	69	65	71	78	79	76
Buying Conditions - Durables	80	80	71	65	73	69	73	90	73	77	87	90	83