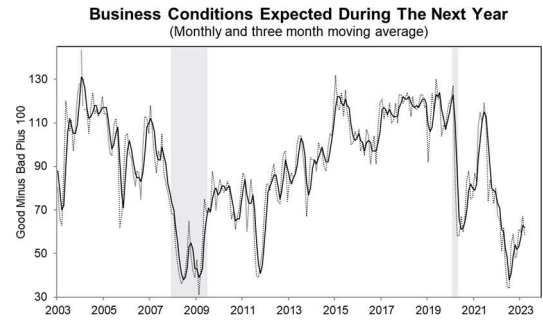




Subject: March 2023 survey results
From: Joanne Hsu, PhD, Director

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Consumer sentiment fell for the first time in four months, dropping about 8% below February but remaining 4% above a year ago. This month's turmoil in the banking sector had limited impact on consumer sentiment, which was already exhibiting downward momentum prior to the collapse of Silicon Valley Bank. Overall, our data revealed multiple signs that consumers increasingly expect a recession ahead. While sentiment fell across all demographic groups, the declines were sharpest for lower-income, less-educated, and younger consumers, as well as consumers with the top tercile of stock holdings. All five index components declined this month, led by a notably sharp weakening in one-year business conditions.



Year-ahead inflation expectations receded from 4.1% in February to 3.6%, the lowest reading since April 2021, but remained well above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations came in at 2.9% for the fourth consecutive month and stayed within the narrow 2.9-3.1% range for 19 of the last 20 months.

Sentiment fell from 67 index points in February to 63 by March 9, the eve of the failure of SVB, at which time about 63% of this month's interviews had been completed. Thereafter, sentiment declined just one additional index point. Despite widespread news coverage of these recent bank failures, the share of consumers hearing negative news about the economy was unchanged from February. This month, about 7% of consumers mentioned hearing about bank failures or other turmoil in the banking sector, compared with 23% that reported negative news about unemployment and 19% about inflation. Indeed, news about bank risk and financial markets are much less relatable to the typical consumer than news about inflation or unemployment. Overall, the modest sentiment response to the recent bank failures is consistent with trends seen during previous bank failures associated with the Global Financial Crisis or the savings and loan crisis. However, if the current turbulence in the banking sector leads to tightening credit conditions for consumers, sentiment declines are likely to follow.

While inflation has moderated from its peak and sentiment has lifted from its trough last summer, consumers remained relatively downbeat about the trajectory of the economy, sinking 13% from February to March (see chart). Lower-income and less-educated consumers showed particularly strong declines this month. Overall, about 66% of consumers expect "bad times" for business conditions over the next year, up from 61% last month though well below the 79% from last June. Likewise, buying conditions for durables deteriorated 9% from last month. A growing share of consumers blamed a poor or worsening economy (26% in March, compared with 21% in February). In addition, consumer views on buying durables continue to be weighed down by high prices (cited by 38%) and expensive borrowing costs (11%). Consumers voiced similar perspectives on buying conditions for vehicles and homes.

In spite of their deteriorating outlook over the economy, consumers still expect strength in their incomes and in labor markets. The share of consumers expecting unemployment rates to worsen in the next year dropped to its lowest in half a year, though at 37% it remains considerably higher than the 24% seen a year ago. College educated consumers had particularly large improvements in their outlook for labor markets; their views indicate consumers do not necessarily expect recent layoffs, which disproportionately affect higher-wage jobs, to spread throughout the economy.

	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 2023
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	62.0
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	66.3
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	59.2
Index Components													
Personal Finances - Current	93	98	91	72	75	80	80	78	77	75	89	91	88
Personal Finances - Expected	93	110	107	95	96	107	105	106	106	106	112	111	104
Economic Outlook - 12 Months	51	62	46	35	34	54	59	48	49	61	60	67	58
Economic Outlook - 5 Years	72	77	66	57	56	69	66	69	65	71	78	79	73
Buying Conditions - Durables	80	80	71	65	73	69	73	90	73	77	87	90	82