

Subject: Preliminary results from the April 2023 survey
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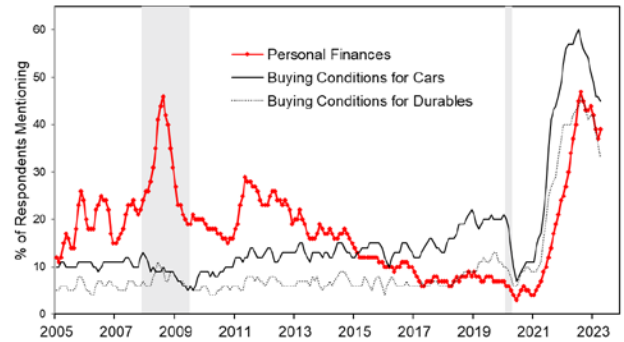
Consumer sentiment was essentially unchanged this month, inching up less than two index points from March. Sentiment is now about 3% below a year ago but 27% above the all-time low from last June. Rising sentiment for lower-income consumers was offset by declines among those with higher incomes. While consumers have noted the easing of inflation among durable goods and cars, they still expect high inflation to persist, at least in the short run. On net, consumers did not perceive material changes in the economic environment in April.

Year-ahead inflation expectations rose from 3.6% in March to 4.6% in April. These expectations have been seesawing for four consecutive months, alternating between increases and decreases. Uncertainty over short-run inflation expectations continues to be notably elevated, indicating that the recent volatility in expected year-ahead inflation is likely to continue. The bumpiness in inflation expectations is limited to the short run as long-run inflation expectations remained remarkably stable. They came in at 2.9% for the fifth consecutive month and have stayed within the narrow 2.9-3.1% range for 20 of the last 21 months.

Official inflation readings continue to cool, and indeed, this month fewer consumers spontaneously cited high prices as negative factor for buying conditions for durables, vehicles, and homes (see chart, solid and dotted black lines). In fact, high price mentions for durable goods reached its lowest point in 18 months. However, the prices consumers face day-to-day remain painfully high. About 42% of consumers blamed high prices for eroding their personal finances, up from 38% last month (see chart, red line), and comparable to the average over the previous 12 months when overall inflation was even higher. Concerns over gas prices are starting to grow again, with nearly 20% of consumers spontaneously mentioning gas, fuel, or energy prices, up from 14% last month. One-year gas price expectations reached their highest level in six months, and five-year expectations reached their highest level in almost a year. These patterns reveal that consumers are fully aware that inflation has softened from its peak, but that high prices continue to make them feel less financially secure.

The month of data now available following the collapse of Silicon Valley Bank confirms that the financial turbulence that ensued had little measurable impact on overall consumer sentiment. That said, the recent developments have weighed on a small subset of consumers. In April, 15% of consumers, primarily those with higher-incomes and college degrees, spontaneously mentioned bank failures during their interviews, up from 8% in March. Furthermore, early evidence suggests that confidence in banks deteriorated markedly compared with last fall. These factors have likely contributed to the relatively pessimistic views about the 12-month economic outlook for higher-income consumers relative to lower-income consumers. For the long run, though, consumers of all income levels hold similar expectations. In fact, consumers mentioning bank failures had more favorable long-run economic outlooks than those who did not. Furthermore, those concerned about bank failures have stronger views of their personal finances and may feel better equipped to weather any economic downturn to come. On net, sentiment levels were similar whether or not bank failures were mentioned.

Spontaneous Mentions of High Prices
(3 Month Moving Average)



	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr Prelim
Index of Consumer Sentiment	65.2	58.4	50.0	51.5	58.2	58.6	59.9	56.8	59.7	64.9	67.0	62.0	63.5
Current Economic Conditions	69.4	63.3	53.8	58.1	58.6	59.7	65.6	58.8	59.4	68.4	70.7	66.3	68.6
Index of Consumer Expectations	62.5	55.2	47.5	47.3	58.0	58.0	56.2	55.6	59.9	62.7	64.7	59.2	60.3
Index Components													
Personal Finances - Current	98	91	72	75	80	80	78	77	75	89	91	88	87
Personal Finances - Expected	110	107	95	96	107	105	106	106	106	112	111	104	105
Economic Outlook - 12 Months	62	46	35	34	54	59	48	49	61	60	67	58	60
Economic Outlook - 5 Years	77	66	57	56	69	66	69	65	71	78	79	73	74
Buying Conditions - Durables	80	71	65	73	69	73	90	73	77	87	90	82	89