



Subject: April 2023 survey results
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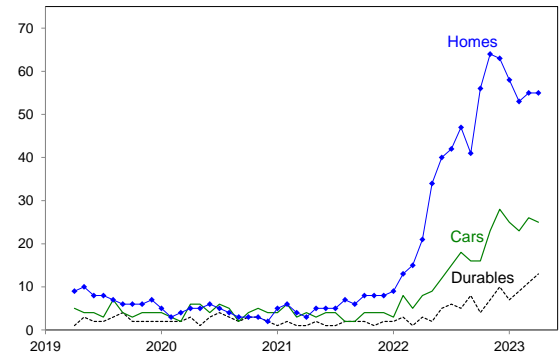
Consumer sentiment was little changed this month, inching up less than two index points from March. Buying conditions for durables improved 11% primarily on the basis of easing perceptions of unaffordability. Despite the increasingly negative news on business conditions heard by consumers, their short and long-run economic outlook improved modestly from last month. These improvements were balanced by worsening assessments of personal finances due to higher expenses, reflecting the ongoing pain stemming from continued high prices.

Year-ahead inflation expectations rose to 4.6% this month, up from 3.6% in March. These expectations have vacillated month to month since the beginning of the year. Uncertainty over short-run inflation expectations rose this month, and thus the volatility in expected year-ahead inflation is likely to continue. Long-run inflation expectations inched up to 3.0% but remained remarkably stable, staying within the narrow 2.9-3.1% range for 20 of the last 21 months.

The Fed has increased interest rates by 50 basis points since the beginning of the year, and turbulence in the financial sector due to bank failures could put additional pressure on credit conditions. On net, however, consumers expressed mixed perceptions on recent developments in consumer credit or mortgage financing conditions. On one hand, a rising share of consumers cited high interest rates or tight credit for poor buying conditions for durables, reaching 13% this month, the highest since 1983 (see chart). On the other hand, relative to four to five months ago, fewer consumers blamed high mortgage rates for weighing down the housing market. Concerns over auto financing conditions were essentially unchanged from last month and down slightly from December. About 70% of consumers expected interest rates to continue rising in the year ahead, down from 72% last month, so the effect of tighter credit on consumers may yet to be seen. Given that tighter credit would be one of the ways that bank failures could pass through to consumers, these patterns are consistent with the very mild effects of the recent banking sector turbulence on consumer sentiment so far.

Consumers still perceive relative strength in labor markets and incomes, but signs of weakening labor market expectations have emerged. About 44% expected the unemployment rate to rise in the year ahead, well above the 37% seen last month. The deterioration in unemployment expectations was visible across age, income, education, and political identification. Furthermore, consumers' confidence over their own jobs is waning somewhat; their perceived likelihood of being laid off has been rising for the last several months, reaching their highest reading in over two years. Still, the probability of job loss sat near its historical average, reflecting the current strength in labor markets. Indeed, income expectations have remained stable in the last few months. While consumers are not expecting the strength in labor markets to continue indefinitely, their own prospects remained favorable and supportive of spending. With 28% of consumers mentioning hearing negative news about unemployment, up from 19% just five months ago, the growth of labor market concerns poses a threat to resilience in spending going forward.

% Mentioning High Interest Rates or Tight Credit Reasons for Poor Buying Conditions



	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 2023
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	68.2
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	60.5
Index Components													
Personal Finances - Current	98	91	72	75	80	80	78	77	75	89	91	88	84
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	76
Buying Conditions - Durables	80	71	65	73	69	73	90	73	77	87	90	82	91