



Subject: June 2023 survey results  
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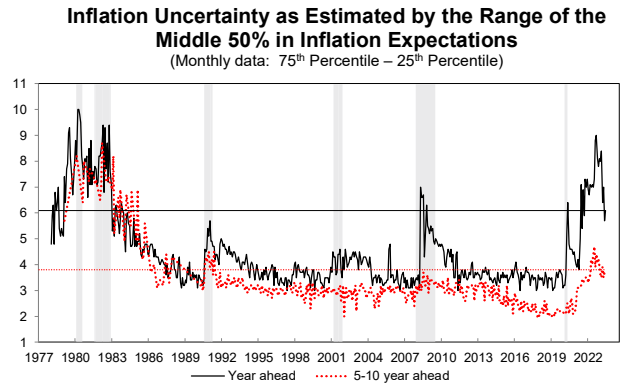
June 30, 2023

Consumer sentiment rose 9% this month, a consensus improvement across all demographic groups. The year-ahead economic outlook soared 28% over last month, and long-run expectations rose 11% as well. Overall, this striking upswing reflects a recovery in attitudes generated by the early-month resolution of the debt ceiling crisis, along with more positive feelings over softening inflation. Views of their own personal financial situation were unchanged, however, as persistent high prices and expenses continued to weigh on consumers.

Year-ahead inflation expectations receded for the second consecutive month, falling to 3.3% in June from 4.2% in May. The current reading is the lowest since March 2021. Declines in short-run inflation expectations were visible across age, income, and education groups. These declines reflect consumers' experiences and perceptions of prices across a variety of goods, including durables, cars, and homes. Long-run inflation expectations were little changed from May at 3.0%, again staying within the narrow 2.9-3.1% range for 22 of the last 23 months. These expectations remained elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

As shown in the chart, as the economy entered the current inflationary environment just over two years ago, uncertainty over inflation expectations (measured by the interquartile range of expectations) rose substantially. Uncertainty over both short and long-run expectations reached peaks last year comparable to the high inflationary periods in the late 1970s and early 80s. While long-run inflation expectations have been remarkably stable over the last two years, consumers' high uncertainty about long-run inflation loomed in the background, suggesting that the anchoring of those expectations might be tenuous. However, uncertainty over both long and short-term expectations have since declined considerably. Thus, consumer expectations over inflation are coming into greater focus, with fewer consumers expecting extremely high or low inflation to come. A substantial 41% of consumers continue to blame high prices for eroding their living standards, indicating the fight against inflation has far to go before consumers feel settled about their economic circumstances.

Easing inflation boosted sentiment across all demographic groups this month, and those with large stock holdings were further supported by recent strength in stock markets. Consumers with no stock holdings showed a 21% rise in one-year expectations for business conditions, while those in the top tercile of stock holdings exhibited a whopping 58% surge, their highest reading since December 2021. That said, one-third of consumers have no exposure to stock markets and typically react very little to trends in financial markets. Stock market performance played a much smaller supporting role in this month's rise in sentiment relative to the critical importance of inflation and the resolution of the debt ceiling. Indeed, the fall and rise in sentiment over the last several months mirrors historical patterns; during the 2011 debt ceiling crisis, sentiment also slid sharply and recovered quickly when the ceiling was lifted.



	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023
Index of Consumer Sentiment	50.0	51.5	58.2	58.6	59.9	56.8	59.7	64.9	67.0	62.0	63.5	59.2	64.4
Current Economic Conditions	53.8	58.1	58.6	59.7	65.6	58.8	59.4	68.4	70.7	66.3	68.2	64.9	69.0
Index of Consumer Expectations	47.5	47.3	58.0	58.0	56.2	55.6	59.9	62.7	64.7	59.2	60.5	55.4	61.5
Index Components													
Personal Finances - Current	72	75	80	80	78	77	75	89	91	88	84	85	85
Personal Finances - Expected	95	96	107	105	106	106	106	112	111	104	105	104	108
Economic Outlook - 12 Months	35	34	54	59	48	49	61	60	67	58	60	50	64
Economic Outlook - 5 Years	57	56	69	66	69	65	71	78	79	73	76	66	73
Buying Conditions - Durables	65	73	69	73	90	73	77	87	90	82	91	81	92