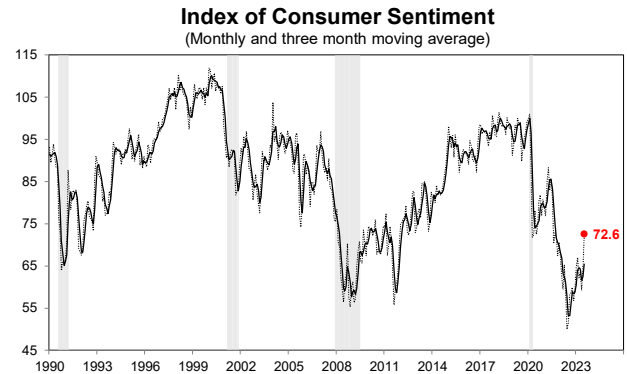




Subject: Preliminary results from the July 2023 survey
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July 14, 2023

Consumer sentiment rose for the second straight month, soaring 13% above June and reaching its most favorable reading since September 2021. All components of the index improved considerably, led by a 19% surge in long-term business conditions and 16% increase in short-run business conditions. Overall, sentiment climbed for all demographic groups except for lower-income consumers. The sharp rise in sentiment was largely attributable to the continued slowdown in inflation along with stability in labor markets. As seen in the chart, sentiment is now about halfway between the all-time historic low of 50 from June 2022 and the February 2020 pre-pandemic reading of 101.



Year-ahead inflation expectations were little changed, inching up from 3.3% in June to 3.4% in July. The current reading is well below the high point of 5.4% from April 2022 but remains above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations were also virtually unchanged from June at 3.1%, again staying within the narrow 2.9-3.1% range for 23 of the last 24 months. These expectations remained elevated relative to the 2.2-2.6% range seen between 2018 and 2020. While high prices remain salient for consumers, the share of consumers spontaneously blaming high prices for eroding their living standards fell to 35%, the lowest reading in a year and a half, compared with 41% last month and the all time high of 49% a year ago.

Overall, consumers' views of their personal finances were on an upswing this month. Assessments of their current living standards surged 12% from June, reaching its highest reading since April 2022. In addition, consumers expect these improvements to continue; the year-ahead expected change in personal financial situations rose 7% from last month and reached their most favorable reading in over two years. Consumers' views are buoyed not only by cooling inflation but also continued strength in labor markets. Consumers expect unemployment rates to remain low over the next year, and a majority of consumers expect their incomes to rise at least as much as inflation.

While consumers overall expressed greater confidence in the economy in July relative to the the last several months, views varied across the income distribution. Lower-income consumers reported a 9% decline in sentiment, while middle- and higher-income consumers both showed about 20% increases. In particular, lower-income consumers expect their incomes to rise by only 0.3% over the next year, down from 0.9% last month, whereas middle- and higher-income consumers expected increases of 2.4 and 2.8%, at least as high as June. Higher-income consumers were also supported by recent trends in stock markets and have recovered from the turbulence in financial markets earlier this year. Year-ahead stock price expectations rose to their highest level since April 2022, indicating that consumers anticipate further gains ahead. Relative to those with higher incomes, lower-income consumers have less portfolio exposure to stock markets, and their views are dominated by the offsetting effects of an expected cooling in both inflation and incomes.

	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul Prelim
Index of Consumer Sentiment	51.5	58.2	58.6	59.9	56.8	59.7	64.9	67.0	62.0	63.5	59.2	64.4	72.6
Current Economic Conditions	58.1	58.6	59.7	65.6	58.8	59.4	68.4	70.7	66.3	68.2	64.9	69.0	77.5
Index of Consumer Expectations	47.3	58.0	58.0	56.2	55.6	59.9	62.7	64.7	59.2	60.5	55.4	61.5	69.4
Index Components													
Personal Finances - Current	75	80	80	78	77	75	89	91	88	84	85	85	95
Personal Finances - Expected	96	107	105	106	106	106	112	111	104	105	104	108	116
Economic Outlook - 12 Months	34	54	59	48	49	61	60	67	58	60	50	64	74
Economic Outlook - 5 Years	56	69	66	69	65	71	78	79	73	76	66	73	87
Buying Conditions - Durables	73	69	73	90	73	77	87	90	82	91	81	92	104