

Stock Ownership and Stock Price Expectations

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Ownership of stocks, including directly held assets and assets held indirectly in mutual funds and retirement accounts, fell to an average of 66% of all households in 2023, down from 68% in 2022 and the lowest participation rate since 2019 (see table, left panel). Developments in financial markets over the last two years have affected the attractiveness of investing in risky assets, with major stock market indices seeing considerable declines in 2022 after reaching highs in late 2021. In 2023, bank failures dominated headlines in the spring, and cryptocurrencies experienced substantial turbulence. At the same time, returns on alternative safer assets have been vastly outstripped by high inflation. More recently, values of stock indices

have returned to strength. While the salience of these factors varies across consumers, on net, lower- and higher-income consumers alike modestly scaled back their participation in the stock market in 2023.

Between the fourth quarters of 2018 and 2021, the conditional median value of equities held by stock market participants rose about 42% from about \$104,000 to \$148,000, then declined about 19% by the end of 2022 (see table, middle panel). These trends were similar in magnitude to growth in the Dow Jones Industrial Average over this time period. Since then, the most recent data show that median stock holdings have returned to 2021 levels; overall, consumers have fully recovered any losses in stock holdings from the 2022 declines in stock market indices. However, this masks substantial heterogeneity

Figure 1: Stock Price Expectations

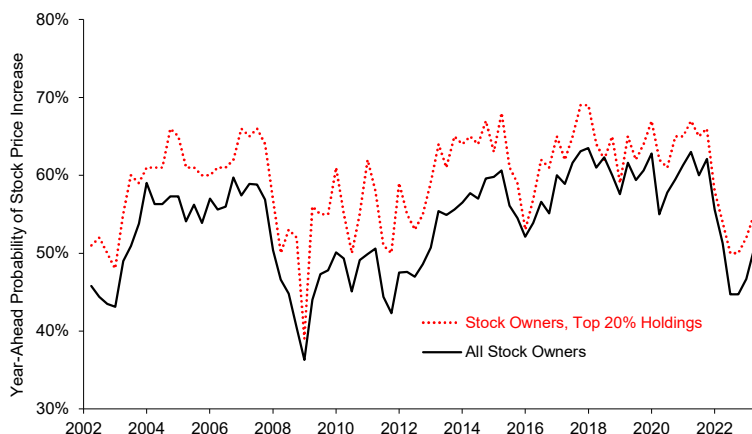


Table: Stock Ownership Rates, Value of Stock Holdings, and Probability of Gains in Stock Prices

| | Stock Ownership Rates % | | | | | | Median Holdings Current \$ in Thousands | | | | | | Probability of Stock Price Gain in Year Ahead | | | | | | |
|---------------------------|----------------------------|------|------|------|------|-------|--|---------|---------|---------|---------|---------|--|------|------|------|------|------|------|
| | (All Households) | | | | | | (Stock Owners) | | | | | | (Stock Owners) | | | | | | |
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023P | 18:4 | 19:4 | 20:4 | 21:4 | 22:4 | 23:2 | 21:4 | 22:1 | 22:2 | 22:3 | 22:4 | 23:1 | 23:2 |
| All | 66 | 66 | 69 | 68 | 68 | 66 | \$104 | \$117 | \$120 | \$148 | \$120 | \$148 | 62 | 56 | 51 | 45 | 45 | 47 | 51 |
| Age of Householder | | | | | | | | | | | | | | | | | | | |
| 18 - 44 | 64 | 64 | 67 | 68 | 66 | 65 | \$49 | \$40 | \$42 | \$49 | \$48 | \$49 | 66 | 61 | 55 | 46 | 49 | 49 | 54 |
| 45 - 64 | 70 | 71 | 72 | 71 | 72 | 68 | \$195 | \$202 | \$207 | \$251 | \$199 | \$237 | 61 | 52 | 48 | 44 | 42 | 43 | 49 |
| 65 or older | 62 | 64 | 66 | 65 | 66 | 65 | \$203 | \$291 | \$350 | \$306 | \$304 | \$291 | 58 | 53 | 50 | 44 | 42 | 48 | 47 |
| Household Income | | | | | | | | | | | | | | | | | | | |
| Bottom Third | 35 | 35 | 38 | 40 | 42 | 38 | \$19 | \$21 | \$26 | \$21 | \$20 | \$24 | 58 | 54 | 49 | 42 | 45 | 44 | 48 |
| Middle Third | 73 | 75 | 77 | 76 | 74 | 74 | \$77 | \$80 | \$77 | \$90 | \$98 | \$76 | 62 | 55 | 53 | 44 | 44 | 45 | 48 |
| Top Third | 91 | 91 | 92 | 91 | 92 | 89 | \$297 | \$297 | \$298 | \$362 | \$273 | \$300 | 64 | 57 | 52 | 47 | 46 | 49 | 53 |
| Top 10% | 94 | 94 | 94 | 94 | 94 | 94 | \$700 | \$780 | \$529 | \$888 | \$624 | \$543 | 63 | 58 | 53 | 52 | 46 | 52 | 56 |
| Stock Holdings | | | | | | | | | | | | | | | | | | | |
| Bottom 20% | 100 | 100 | 100 | 100 | 100 | 100 | \$8 | \$5 | \$7 | \$6 | \$5 | \$6 | 63 | 59 | 50 | 45 | 44 | 48 | 49 |
| Second 20% | 100 | 100 | 100 | 100 | 100 | 100 | \$41 | \$40 | \$44 | \$50 | \$41 | \$46 | 60 | 54 | 54 | 40 | 44 | 39 | 48 |
| Middle 20% | 100 | 100 | 100 | 100 | 100 | 100 | \$111 | \$110 | \$123 | \$148 | \$120 | \$147 | 60 | 53 | 51 | 46 | 44 | 46 | 50 |
| Fourth 20% | 100 | 100 | 100 | 100 | 100 | 100 | \$300 | \$304 | \$346 | \$396 | \$304 | \$385 | 64 | 57 | 52 | 47 | 45 | 48 | 53 |
| Top 20% | 100 | 100 | 100 | 100 | 100 | 100 | \$962 | \$1,033 | \$1,039 | \$1,177 | \$999 | \$1,024 | 66 | 58 | 54 | 50 | 50 | 52 | 55 |
| Top 10% | 100 | 100 | 100 | 100 | 100 | 100 | \$1,546 | \$1,952 | \$2,000 | \$2,028 | \$1,928 | \$1,650 | 67 | 59 | 54 | 51 | 53 | 54 | 58 |

Note: Stock ownership was defined to include any directly held stock, stock in mutual funds, or any stock held in retirement related accounts.

in losses and gains across households. Among stock market participants, higher income households have larger holdings but have not fully recovered the value of their holdings since 2021. In contrast, lower-income households still holding stock have actually gained about 12%. Note, however, that stock market participation rates for this group declined over the last year. Three of five quintiles of stock holdings saw lower values in 2023Q2 relative to 2021Q4, ranging from 13% declines to 5% increases in their holdings, while the other two quintiles saw gains; there is no clear gradient across the distribution.

After deteriorating substantially in 2022, consumer expectations for stock market performance lifted over the first two quarters of 2023 (figure 1 and right panel of table). The current reading is now about 51%, the highest in over a year but well below the 62% in the fourth quarter of 2021. Larger stock holdings are associated with more optimistic expectations about future stock price gains. However, compared with the fourth quarter of 2021, consumer expectations are less favorable throughout the distribution of holdings, with differences ranging between 9 to 14 percentage points.

As seen in figure 2, stock market participants, particularly those with larger holdings, typically have more favorable levels of sentiment than non-participants. However, with declines in real asset values last year, stemming both from high inflation as well as declining nominal values, sentiment for these groups converged. The improvement in sentiment from its all-time historic low reading in June 2022 was seen almost identically for stock owners and non-owners alike. Similarly, even amid the highly publicized bank failures in March, sentiment was largely unmoved for both groups. That said, in the months since the resolution of the debt ceiling crisis, sentiment lifted more strongly for stock market investors. Taking consumer sentiment and stock market expectations together, we see that overall confidence has strengthened for those with larger stock holdings who are supported not only by softening inflation but also rising asset values. Given that wealthier, higher-income consumers generate a disproportionate share of spending, these patterns support continued robustness in personal consumption expenditures.

Figure 2: Consumer Sentiment by Stock Ownership
(Three Month Moving Average)

