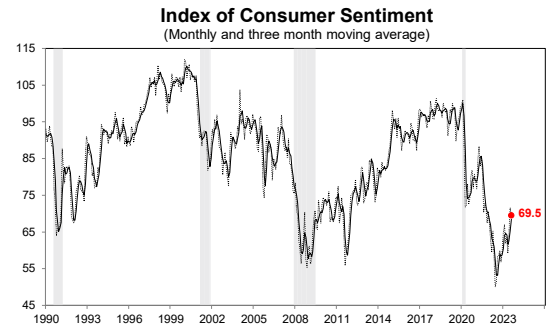




Subject: August 2023 survey results  
From: Joanne Hsu, PhD, Director

August 25, 2023

After rising sharply for the past several months, consumer sentiment moved sideways in August with a small decline that is not statistically different from July. Sentiment reached its second highest reading in 21 months and is now about 39% above the all-time historic low reached in June of 2022. While buying conditions for durables and expectations over living conditions both improved, the long-run economic outlook fell back about 12% this month but remains higher than just two months ago. Consumers weighed a combination of positive and negative factors in the economy, which led to differing offsetting trends across demographic groups. Consumers perceive that the rapid improvements in the economy from the past three months have moderated, particularly with inflation, and they are tentative about the outlook ahead.



Year-ahead inflation expectations edged up from 3.4% last month to 3.5% this month. The current reading remains above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations came in at 3.0% for the third consecutive month, staying within the narrow 2.9-3.1% range for 24 of the last 25 months. These expectations are elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

Consumer views were mixed this month, with some consumers emphasizing the improvements in the economy relative to 2022 and others noting the slowdown in such improvements in recent weeks. This was particularly notable in spontaneous mentions about the stock market. A few consumers mentioned downward movements in stock market, but most mentions referenced strength in stock markets, particularly relative to last year. Overall, stock market developments this month were not a catalyst for the slight decline in sentiment this month. Across demographic groups, sentiment rose 9% for lower-income consumers, while it fell 11% for middle-income consumers. For Democrats, sentiment declined, but it rose for Independents and Republicans.

While consumers noted that inflation is nowhere near the peaks from last summer, their views continue to be influenced by high prices. About 37% of consumers spontaneously reported that high prices are eroding their living standards, up slightly from 36% last month but down from 44% a year ago. A growing share of consumers spontaneously mentioned gas or fuel prices, up from 12.5% last month to 15.4% in August, but considerably lower than the 37% seen a year ago. That said, any current concerns regarding gas prices did not pass through to short-run gas price expectations, which were little changed this month; consumers expected a median increase of less than one cent per gallon for the year ahead. Longer-run expectations for gas prices, a median increase of 20 cents over the next five years, were well within the range of readings seen over the last few months.

Despite mixed views driving the lack of movement in sentiment this month, two areas saw broad agreement across consumers. Labor market expectations remained strong, which supports continued consumer spending even amid a consensus decline in the long-run economic outlook. The lowest share of consumers since October 2021 expect their income growth to be exceeded by inflation in the year ahead. Unemployment expectations were also essentially unchanged from last month. Given this, consumer views of business conditions may recover in the months ahead.

	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023
Index of Consumer Sentiment	58.2	58.6	59.9	56.8	59.7	64.9	67.0	62.0	63.5	59.2	64.4	71.6	69.5
Current Economic Conditions	58.6	59.7	65.6	58.8	59.4	68.4	70.7	66.3	68.2	64.9	69.0	76.6	75.7
Index of Consumer Expectations	58.0	58.0	56.2	55.6	59.9	62.7	64.7	59.2	60.5	55.4	61.5	68.3	65.5
Index Components													
Personal Finances - Current	80	80	78	77	75	89	91	88	84	85	85	96	93
Personal Finances - Expected	107	105	106	106	106	112	111	104	105	104	108	113	115
Economic Outlook - 12 Months	54	59	48	49	61	60	67	58	60	50	64	73	70
Economic Outlook - 5 Years	69	66	69	65	71	78	79	73	76	66	73	86	76
Buying Conditions - Durables	69	73	90	73	77	87	90	82	91	81	92	101	102