



**October 2023 Survey Results**

October 27, 2023

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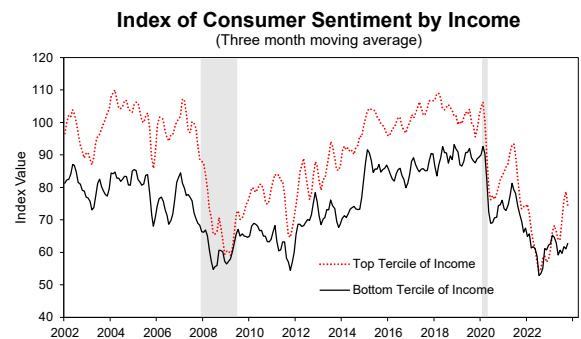
Consumer sentiment confirmed its early-month reading, falling back about 6% this October following two consecutive months of very little change. This decline was driven in large part by higher-income consumers and those with sizable stock holdings, consistent with recent weakness in equity markets. Across all consumers, one-year expected business conditions plunged 16% and expectations over consumers' own personal finances in the year ahead fell 8%, reflecting ongoing concerns about inflation and, to a lesser degree, uncertainty over the implications of negative news both domestically and abroad.

Year-ahead inflation expectations rose from 3.2% last month to 4.2% this month, the highest reading since May 2023. Long-run inflation expectations edged up from 2.8% last month to 3.0% this month, again staying within the narrow 2.9-3.1% range for 25 of the last 27 months. Long-run inflation expectations remained elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

The convergence in sentiment across income groups seen as inflation emerged in 2022 has recently reversed (see chart). As inflation slowed from its June 2022 peak, sentiment had lifted together for all income groups. Likewise, sentiment fell together as the threat of a debt ceiling breach grew in May of 2023. However, a divergence followed the resolution of the debt ceiling crisis. Attitudes of higher-income consumers resumed their surge at that time, which was interrupted this month with an 11% decline. In contrast, sentiment for consumers in the lowest tercile of incomes inched up slowly over the last several months, with a 2% increase in October. The growing income gap in sentiment is consistent with the fact that consumer spending, the majority of which is generated by higher-income families, remains robust. This month's decline for higher-income consumers, if it persists, could pose downside risks for spending in the months ahead.

Signs of consumers' frustration over inflation appeared throughout the interviews. Year-ahead gas price expectations reached their highest reading since June 2022. Over 80% of consumers specified that inflation would cause greater hardship for consumers in the year ahead than unemployment, the highest share in 11 months. About 47% of consumers blamed high prices for eroding their living standards, up from 39% last month and the highest share in 15 months. While consumers recognize that inflation has slowed down from its peak last summer, they cannot ignore that their budgets remain stretched and their purchasing power reduced. Even so, strength in incomes continues to support aggregate spending.

The overall index of economic news heard by consumers worsened about 15% between last month and this month, reaching its lowest reading since June 2023. The drumbeat of other negative headlines—war in the Middle East, the just-resolved leadership crisis in the House of Representatives, daily developments with Trump's legal troubles, among others—has produced its own drag on sentiment as well. After three months of little change, consumers' confidence in government economic policies fell 8% to its lowest reading since May when the debt ceiling crisis was at its peak. About 15% of consumers spontaneously mentioned the autoworkers' strike, up from 10% last month. So far, the end of the student loan repayment pause this month has had little impact on sentiment, but this may change in the months ahead.



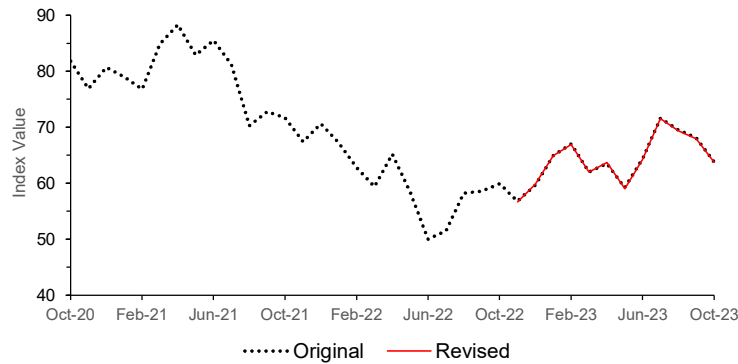
	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023
Index of Consumer Sentiment	59.9	56.7	59.8	64.9	66.9	62.0	63.7	59.0	64.2	71.5	69.4	67.9	63.8
Current Economic Conditions	65.6	58.7	59.6	68.5	70.7	66.3	68.5	65.1	68.9	76.5	75.5	71.1	70.6
Index of Consumer Expectations	56.2	55.5	60.0	62.6	64.5	59.2	60.6	55.1	61.1	68.3	65.4	65.8	59.3
Index Components													
Personal Finances - Current	78	77	76	89	91	88	84	85	85	96	93	86	79
Personal Finances - Expected	106	106	107	112	111	104	105	104	107	113	115	110	101
Economic Outlook - 12 Months	48	49	61	59	67	58	60	49	63	73	70	73	61
Economic Outlook - 5 Years	69	65	71	77	79	73	76	65	73	86	76	79	74
Buying Conditions - Durables	90	73	77	87	90	82	91	82	92	101	102	97	102

Revisions to Estimates

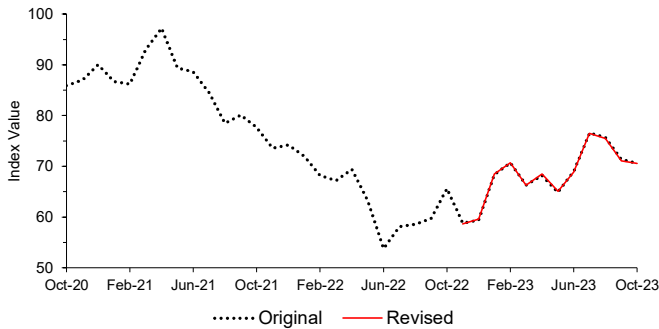
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There was a minor technical error in the generation of the weights used to compute aggregate estimates between November 2022 and September 2023. We have since corrected the weights. The revised estimates in the October 2023 final release databook, along with all charts and tables that appear in the summary report, our main site ([www.sca.isr.umich.edu](http://www.sca.isr.umich.edu)), our data site ([data.sca.isr.umich.edu](http://data.sca.isr.umich.edu)), and our microdata repository ([sda.umsurvey.org](http://sda.umsurvey.org)) reflect these revisions. Overall, the differences between the estimates originally released and the revised estimates are almost negligible, as seen in the comparisons below. We are notifying users of this correction in keeping with our commitment to the transparency, accuracy, and integrity of the data we provide to the public.

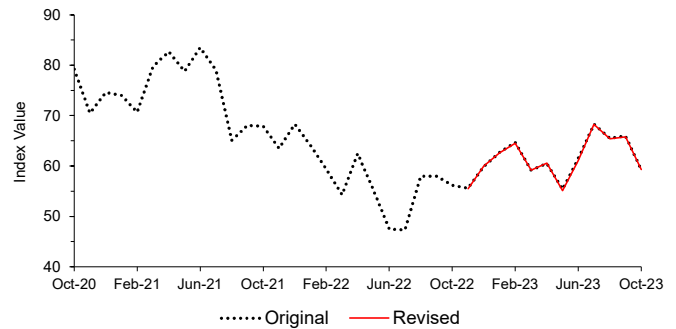
Index of Consumer Sentiment



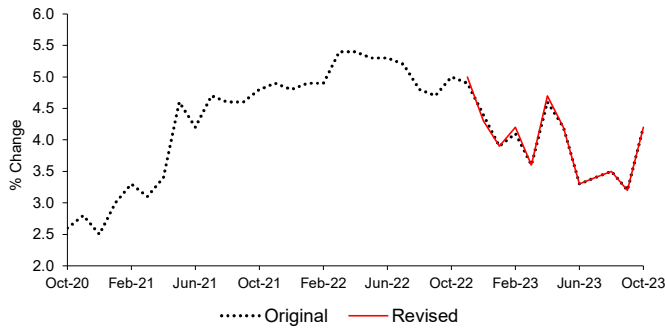
Current Economic Conditions



Index of Consumer Expectations



Year-Ahead Inflation Expectations



Five-Year Inflation Expectations

