



Preliminary results from the November 2023 survey

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Consumer sentiment slipped for the fourth straight month, falling 5% in November. While current and expected personal finances both improved modestly this month, the long-run economic outlook slid 12%, in part due to growing concerns about the negative effects of high interest rates. Ongoing wars in Gaza and Ukraine weighed on many consumers as well. Overall, lower-income consumers and younger consumers exhibited the strongest declines in sentiment. In contrast, sentiment of the top tercile of stock holders improved 10%, reflecting the recent strengthening in equity markets.

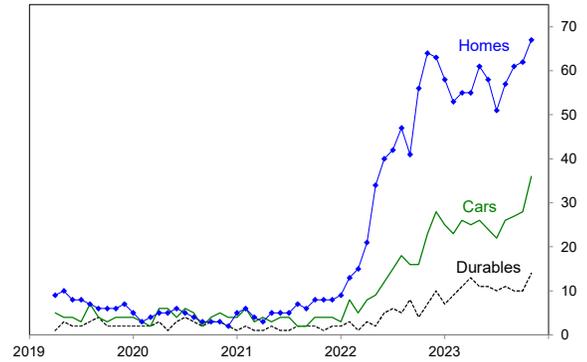
Year-ahead inflation expectations inched up to 4.4%, indicating that the large increase between September’s 3.2% reading and October’s 4.2% reading was no fluke. The current reading is the highest since April 2023 and remains well above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations also rose, from 3.0% last month to 3.2% this month, the highest reading since 2011. Gas price expectations, both over the short and long run, rose to their highest readings this year.

Home buying conditions plummeted 25% this month, tying the all-time low last reached a year ago. Buying conditions for large durable goods plunged 16%. For vehicles, buying conditions reached their worst since December 2022. High interest rates are a major factor for all three types of purchases, as seen in the chart, for low- and high-income consumers alike. About 36% of consumers spontaneously blamed high interest rates or tight credit for poor buying conditions for vehicles; this is the highest share on record. Similarly, the share of consumers blaming similar factors for poor home and durables buying conditions are both at their highest since 1982. Given that 54% of consumers expect interest rates to rise even further in the year ahead with an additional 32% expecting rates to remain unchanged, these credit concerns are unlikely to abate anytime soon.

High price concerns for durables, vehicles, and homes declined steadily in 2022 following their mid-year peaks, but those improvements all stalled in 2023 as price worries remained highly salient for consumers. In November, about 46% of consumers mentioned high prices for vehicles, little changed over the past six months, and 35% mentioned the same for durables, up from 31% in October. In terms of the actual impact of inflation consumers’ personal finances, 39% of consumers in November spontaneously mentioned inflation eroding their living standards, down from 47% last month and comparable to the 39% reading the month before.

About 18% of consumers reported that unemployment will cause more serious hardship for the economy in the year ahead than inflation, up from 15% last month. These increases were concentrated primarily among younger consumers, those with lower incomes, and those with less education, all of whom are more vulnerable to economic shocks. The index of economic news heard by consumers declined 18%, with a large jump in the share of consumers mentioning negative news about labor markets. The combination of expectations for persistently high prices, high borrowing costs, and labor market weakness does not bode well for the prospect of continued strength in consumer spending and economic growth.

% Mentioning High Interest Rates or Tight Credit Reasons for Poor Buying Conditions



	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov Prelim
Index of Consumer Sentiment	56.7	59.8	64.9	66.9	62.0	63.7	59.0	64.2	71.5	69.4	67.9	63.8	60.4
Current Economic Conditions	58.7	59.6	68.5	70.7	66.3	68.5	65.1	68.9	76.5	75.5	71.1	70.6	65.7
Index of Consumer Expectations	55.5	60.0	62.6	64.5	59.2	60.6	55.1	61.1	68.3	65.4	65.8	59.3	56.9
Index Components													
Personal Finances - Current	77	76	89	91	88	84	85	85	96	93	86	79	82
Personal Finances - Expected	106	107	112	111	104	105	104	107	113	115	110	101	104
Economic Outlook - 12 Months	49	61	59	67	58	60	49	63	73	70	73	61	57
Economic Outlook - 5 Years	65	71	77	79	73	76	65	73	86	76	79	74	65
Buying Conditions - Durables	73	77	87	90	82	91	82	92	101	102	97	102	86