

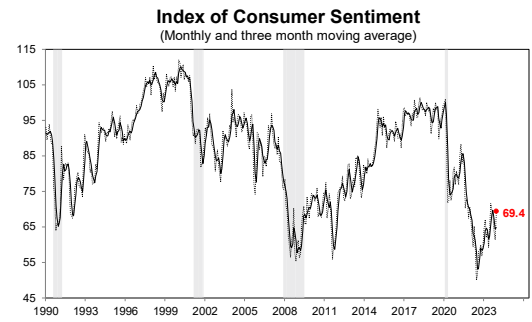


Preliminary results from the December 2023 survey

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Consumer sentiment soared 13% in December, erasing all declines from the previous four months, primarily on the basis of improvements in the expected trajectory of inflation. Sentiment is now about 39% above the all-time low measured in June of 2022 but still well below pre-pandemic levels. All five index components rose this month, led by surges of over 24% for both the short and long-run outlook for business conditions. There was a broad consensus of improved sentiment across age, income, education, geography, and political identification. A growing share of consumers—about 14%—spontaneously mentioned the potential impact of next year’s elections. Sentiment for these consumers appears to incorporate expectations that the elections will likely yield results favorable to the economy.



Year-ahead inflation expectations plunged from 4.5% last month to 3.1% this month. The current reading is the lowest since March 2021 and sits just above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations fell from 3.2% last month to 2.8% this month, matching the second lowest reading seen since July 2021. Long-run inflation expectations remain elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

Short-run inflation expectations in 2023 have been characterized by considerable volatility and uncertainty, reflecting variation over the course of the year in how quickly realized inflation has slowed, along with changes in gas prices. December is the third time this year in which year-ahead expectations changed by over one percentage point in a single month. The first two large swings, in April and October, were increases that were accompanied by elevated uncertainty as measured by the middle 50% of expectations. This month, in contrast, uncertainty over inflation declined, indicating that expectations are coming into focus. For both short-run and long-run inflation expectations, uncertainty reached its lowest levels since mid-2021.

Indeed, consumers across all demographic groups and political persuasions agreed that the outlook for inflation had improved in December. Consumers who spontaneously mention concerns over food or gas prices generally have higher inflation expectations than others, and even this group showed declines in expectations compared with last month. Concerns over high prices of durables goods and vehicles waned modestly. At the same time, the share of consumers blaming high prices for eroding their living standards was little changed from last month; consumers still feel pinched by high prices.

Consumer views of business conditions, buying conditions for durables, inflation, and the stock market all showed marked gains this month. Similarly, consumers also reported hearing much more favorable news about the economy. The index of economic news heard reached its most favorable reading since 2021, supported by huge improvements among higher-income consumers, college-educated consumers, and Republicans. The share who reported negative news about inflation fell from 17% last month to 12% this month. Only 19% of consumers reported negative news about labor markets, down from 25% in November and the lowest in over a year. Overall, consumers feel more confident about the economy than they did over the past few months, which will likely provide some support to spending despite a modestly weakening labor market. However, uncertainty from the upcoming elections and international conflicts pose risks in the months ahead.

	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec Prelim
Index of Consumer Sentiment	59.8	64.9	66.9	62.0	63.7	59.0	64.2	71.5	69.4	67.9	63.8	61.3	69.4
Current Economic Conditions	59.6	68.5	70.7	66.3	68.5	65.1	68.9	76.5	75.5	71.1	70.6	68.3	74.0
Index of Consumer Expectations	60.0	62.6	64.5	59.2	60.6	55.1	61.1	68.3	65.4	65.8	59.3	56.8	66.4
Index Components													
Personal Finances - Current	76	89	91	88	84	85	85	96	93	86	79	84	86
Personal Finances - Expected	107	112	111	104	105	104	107	113	115	110	101	106	110
Economic Outlook - 12 Months	61	59	67	58	60	49	63	73	70	73	61	57	71
Economic Outlook - 5 Years	71	77	79	73	76	65	73	86	76	79	74	63	83
Buying Conditions - Durables	77	87	90	82	91	82	92	101	102	97	102	92	104