

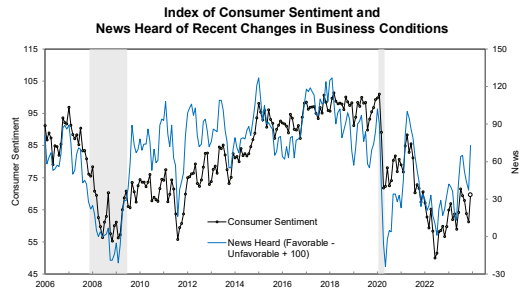


December 2023 survey results

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Consumer sentiment confirmed its mid-month reading and soared 14% in December, reversing all declines from the previous four months. These trends are rooted in substantial improvements in how consumers view the trajectory of inflation. All five index components rose this month, which has only occurred in 10% of readings since 1978. Expected business conditions surged over 25% for both the short and long run. All age, income, education, geographic, and political identification groups saw gains in sentiment this month. The index is now just shy of the midpoint between the pre-pandemic reading and the historic low reached in June 2022.



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 2.9% this month, staying within the narrow 2.9-3.1% range for 26 of the last 29 months. Long-run inflation expectations remain elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

In 2023, monthly changes in consumer sentiment have generally followed the same pattern as the index of news heard of recent changes in business conditions. Sentiment and news fell together August through November, and likewise they surged together this month. The news index is at its most favorable level since 2021. All demographic subgroups expressed sizable improvements in the economic developments they heard, with particularly large jumps among higher-income consumers, middle-aged consumers, and Republicans. Note that news does not necessarily drive sentiment; indeed, individuals may be more likely to seek out information that confirms their prior beliefs or experiences. Regardless of the direction of causality, the overall tenor of economic news in circulation could reinforce any ongoing trends in consumer views.

Amid historically strong labor markets in 2022 and 2023, many consumers reported hearing about negative economic developments regarding employment. Their comments often alluded to the difficulties businesses face in finding workers; in this context, even good news about unemployment rates could still be construed as bad news for business conditions. All year, the most commonly cited economic news topic has been negative news about labor markets, but in December only 17% mentioned the topic, down from 25% last month and now the lowest reading since prior to the pandemic. In the context of their own labor market and income prospects, consumer views have improved this month as well. About 55% of consumers expect their incomes to rise at least as fast as inflation in the year ahead, up from 49% last month. Still, this reading is well below the share seen in the months just prior to the onset of the pandemic.

The second most commonly cited news topic is, unsurprisingly, high prices or inflation. The net favorability of news about prices rose in December to its most favorable reading since February 2021, consistent with the marked decline in consumers' expectations on the path of inflation. Similarly, consumers reported fewer concerns that high prices are to blame for poor buying conditions for both vehicles as well as durable goods. At the same time, high prices continue to weigh on consumers' own economic experiences; about 38% of consumers continue to blame high prices for eroding their living standards, little changed from the 40% from November. Overall, sentiment has returned to the general upward trend seen since inflation peaked last June, though with the weight of high prices it has a long way to go before reaching pre-pandemic levels.

	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 2023
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	69.7
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	73.3
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	67.4
Index Components													
Personal Finances - Current	76	89	91	88	84	85	85	96	93	86	79	84	88
Personal Finances - Expected	107	112	111	104	105	104	107	113	115	110	101	106	112
Economic Outlook - 12 Months	61	59	67	58	60	49	63	73	70	73	61	57	73
Economic Outlook - 5 Years	71	77	79	73	76	65	73	86	76	79	74	63	84
Buying Conditions - Durables	77	87	90	82	91	82	92	101	102	97	102	92	100