

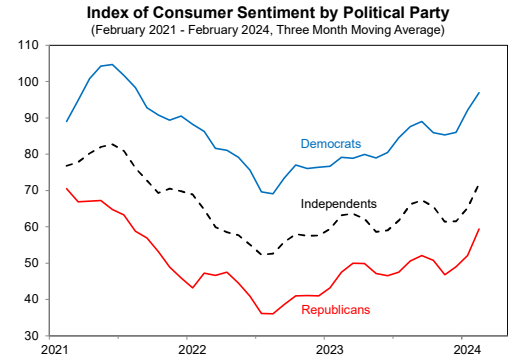


Preliminary results from the February 2024 survey

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Consumer sentiment was essentially unchanged from January, rising 0.6 index points this month and solidifying the large gains from the past two months. The fact that sentiment lost no ground this month suggests that consumers continue to feel more assured about the economy, confirming the considerable improvements in December and January across various aspects of the economy. Consumers continued to express confidence that the slowdown in inflation and strength in labor markets would continue. Five-year expectations for business conditions rose 5% to its highest reading since December 2020. Sentiment is currently about 30% above November 2023 and about 6% below its historical average since monthly data collection began in 1978.



Year-ahead inflation inched up from 2.9 in January to 3.0% in February. For the second consecutive month, short-run inflation expectations have fallen within the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations remained at 2.9% for the third straight month, staying within the narrow 2.9-3.1% range for 28 of the last 31 months. Long-run inflation expectations were elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

Consumers’ assessments of their personal finances are at their most favorable reading since January 2022. Consumers are now feeling the effects of strong labor markets more personally; over one-third reported that their finances have improved due to strong incomes, up from about 25% last October. Meanwhile, the share of consumers blaming high prices for eroding their living standards dipped to 35%, the lowest since February 2022. These patterns reflect the fact that consumers are feeling greater confidence about their financial circumstances on a number of dimensions.

Partisan gaps in sentiment are well-documented; consumers whose political party is in the White House tend to have higher levels of sentiment than those whose party is not, with Independents in the middle. As seen in the chart, sentiment of Democrats, Independents, and Republicans have all moved in parallel throughout the current administration, and thus the surges in sentiment of the last several months are not attributable to a single party. The sharp increases in sentiment that began in December were visible across all three political groups, reflecting the broad based perceptions of improvement in the trajectory of the economy. Republicans and Independents are now at least 20 index points above their November 2023 readings; Democrats lifted over 14 points since then.

In February, across the three political groups, Republicans had the largest monthly increase at over 15%. Like consumers with other political affiliations, Republicans saw positive developments in different facets of the economy. Year-ahead inflation expectations for Republicans fell from 4.9% in November to 3.4% this month. Republicans also reported their strongest prospects for real income gains since mid-2021. While the index of economic news heard declined for Democrats and went sideways for Independents this month, for Republicans it improved substantially in February to its most favorable reading since November 2020. Taken together, although Republicans’ levels of sentiment may continue to be lower than Independents and Democrats, as is typical under a Democratic White House (and vice versa under a Republican White House), patterns seen within the three political groups all mirror national trends, and thus those national trends are not driven by one group or another.

	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb Prelim
Index of Consumer Sentiment	66.9	62.0	63.7	59.0	64.2	71.5	69.4	67.9	63.8	61.3	69.7	79.0	79.6
Current Economic Conditions	70.7	66.3	68.5	65.1	68.9	76.5	75.5	71.1	70.6	68.3	73.3	81.9	81.5
Index of Consumer Expectations	64.5	59.2	60.6	55.1	61.1	68.3	65.4	65.8	59.3	56.8	67.4	77.1	78.4
Index Components													
Personal Finances - Current	91	88	84	85	85	96	93	86	79	84	88	100	101
Personal Finances - Expected	111	104	105	104	107	113	115	110	101	106	112	122	119
Economic Outlook - 12 Months	67	58	60	49	63	73	70	73	61	57	73	93	97
Economic Outlook - 5 Years	79	73	76	65	73	86	76	79	74	63	84	94	99
Buying Conditions - Durables	90	82	91	82	92	101	102	97	102	92	100	111	109