



February 2024 survey results

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Consumer sentiment moved sideways this month, slipping just two index points below January and holding the gains in sentiment seen over the past three months. Expected business conditions remained substantially higher than last autumn, with short-run expectations now 63% above and long-run expectations 46% above November 2023 readings. For all but one index component, readings this month were higher than all values between mid-2021 and the end of 2023. Consumers perceived few changes in the state of the economy since the start of the new year, and they appear to be assured that inflation will continue on a favorable trajectory. Sentiment is currently 8 points shy of the historical average since 1978.

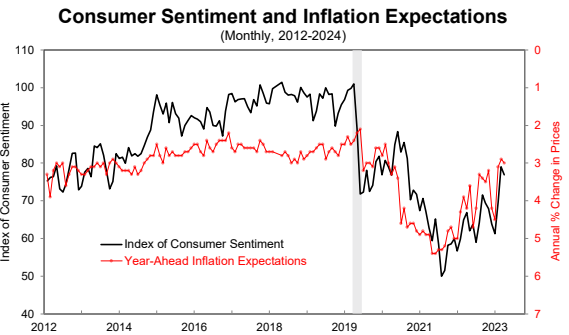
Year-ahead inflation inched up from 2.9 in January to 3.0% in February.

For the second straight month, short-run inflation expectations have fallen within the 2.3-3.0% range seen in 2018 and 2019. 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 modestly elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

As seen in the chart, in the recent inflationary episode, sentiment and inflation expectations have tracked each other remarkably closely. Inflation expectations (red line, reversed scale) reached a peak of 5.4% in March and April of 2022. Two months later, sentiment (black line) reached its historic trough. Since then, the two measures improved and deteriorated together across months. As sentiment climbed 30% between November and January, year-ahead inflation expectations also fell by about one-third, from 4.5% in November to 2.9% in January. Furthermore, sentiment and inflation expectations both slightly deteriorated in February. Overall, both measures have improved and moderated from their mid-2022 peak and trough.

While the two measures co-moved throughout the post-COVID inflationary episode, the two measures differ greatly in comparison to their pre-pandemic levels. Inflation expectations are now within the range seen prior to the pandemic, but sentiment is only halfway between the mid-2022 trough and the values seen in early 2020. Similarly, the share of consumers blaming high prices for eroding their personal finances stood at 35%, down from the peak of 49% in mid-2022 but still much higher than the single digit percents seen throughout 2020. These patterns suggest that current and expected inflation play distinct roles in how consumers view the economy, and illustrate the different narratives that arise when focusing on the level of sentiment versus its trends over time.

In contrast to the improvements in sentiment seen in December and January, which were consistent across various areas of the economy and seen across all demographic groups, the February results reflected an offsetting mix of increases and decreases. Expectations for business conditions climbed, while views of personal finances dipped modestly. Sentiment for Republicans improved 11% this month, while that of Democrats fell 7%. In spite of continued strength in many stock market indicators, stock owners reported declines in sentiment, while for non-owners sentiment rose 5%. On net, however, sentiment measures were little changed from January and remain considerably improved relative to November 2023.



	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 2024
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	76.9
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	79.4
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	75.2
Index Components													
Personal Finances - Current	91	88	84	85	85	96	93	86	79	84	88	100	98
Personal Finances - Expected	111	104	105	104	107	113	115	110	101	106	112	122	116
Economic Outlook - 12 Months	67	58	60	49	63	73	70	73	61	57	73	93	93
Economic Outlook - 5 Years	79	73	76	65	73	86	76	79	74	63	84	94	92
Buying Conditions - Durables	90	82	91	82	92	101	102	97	102	92	100	111	106