

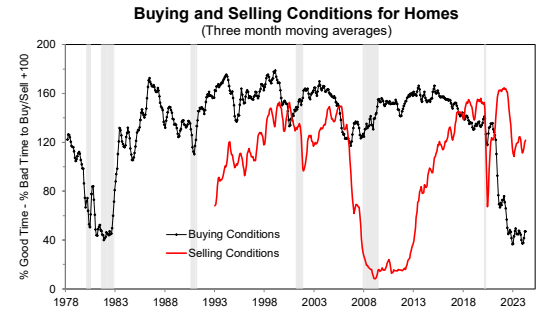


Preliminary results from the April 2024 survey

Joanne Hsu, PhD, Director

April 12, 2024

Sentiment moved sideways for the fourth straight month, as consumers perceived few meaningful developments in the economy. Since January, sentiment has remained remarkably steady within a very narrow 2.5 index point range, well under the 5 points necessary for a statistically significant difference in readings. Consumers perceived little change in the state of the economy since the start of the new year. Expectations over personal finances, business conditions, and labor markets have all been stable over the last four months. However, a slight uptick in inflation expectations in April reflects some frustration that the inflation slowdown may have stalled. Overall, consumers are reserving judgment about the economy in light of the upcoming election, which, in the view of many consumers, could have a substantial impact on the trajectory of the economy.



Year-ahead inflation expectations ticked up from 2.9% last month to 3.1% this month, lifting just above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations also edged up, from 2.8% last month to 3.0% this month; they have been within the narrow 2.9-3.1% range for 29 of the last 33 months. Long-run inflation expectations remain elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

These increases in inflation expectations are modest enough that consumers do not appear worried that high inflation will come roaring back. However, signs of their frustration over high prices were visible throughout the survey. The share of consumers blaming high prices for eroding their living standards rose from 33% last month to about 39% this month. A modestly rising percentage of consumers mentioned that high prices were to blame for poor buying conditions for vehicles and durable goods. While consumers are fully aware that inflation has come down substantially since 2022, they are not satisfied by the current pace of disinflation.

The recent settlement announced by the National Association of Realtors on commissions had little immediate impact on perceived buying and selling conditions for homes. A small minority of consumers spontaneously mentioned the settlement when asked about housing markets; some perceived this development as favorable to buyers, other as favorable to sellers. As seen in the black line of the chart, buying conditions for homes have remained bleak for the past year, hovering near historic lows last seen in the early 1980s. This month, about 54% of consumers blamed high prices, and nearly 60% cited high borrowing costs. Consumers expect these factors to continue dragging down home buying conditions; only about 34% of consumers expect interest rates to fall in the year ahead, though up from 10% about a year ago. Only about 6% of consumers expect home values will fall in the year ahead, down from 17% a year ago. In addition, over two-thirds of consumers expect home values to rise over the next 5 years. Meanwhile, selling conditions (red line on the chart) have remained stable for the past year at above-average readings. Currently, selling conditions are 78 index points higher (more favorable) than buying conditions, whereas for most of its history, selling conditions have been *less* favorable than buying conditions. Given that sellers are often also buyers of their next residence, consumer views suggest that stubbornly poor buying conditions will continue hindering potential sellers from listing their homes.

	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr Prelim
Index of Consumer Sentiment	63.7	59.0	64.2	71.5	69.4	67.8	63.8	61.3	69.7	79.0	76.9	79.4	77.9
Current Economic Conditions	68.5	65.1	68.9	76.5	75.5	71.1	70.6	68.3	73.3	81.9	79.4	82.5	79.3
Index of Consumer Expectations	60.6	55.1	61.1	68.3	65.4	65.7	59.3	56.8	67.4	77.1	75.2	77.4	77.0
Index Components													
Personal Finances - Current	84	85	85	96	93	86	79	84	88	100	98	104	97
Personal Finances - Expected	105	104	107	113	115	110	101	106	112	122	116	122	118
Economic Outlook - 12 Months	60	49	63	73	70	73	61	57	73	93	93	95	95
Economic Outlook - 5 Years	76	65	73	86	76	79	74	63	84	94	92	94	95
Buying Conditions - Durables	91	82	92	101	102	96	102	92	100	111	106	109	108

The minimum monthly change required for significance at the 95% level in the Sentiment Index is 4.8 points; for the Current and Expectations Indexes, the minimum is 6.0 points.