

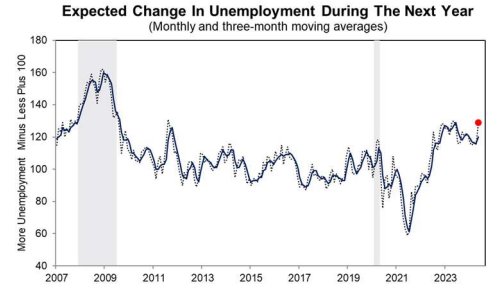


**Preliminary results from the May 2024 survey**

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Consumer sentiment retreated about 13% this May following three consecutive months of very little change. This 10 index-point decline is statistically significant and brings sentiment to its lowest reading in about six months. This month’s trend in sentiment is characterized by a broad consensus across consumers, with decreases across age, income, and education groups. Consumers in western states exhibited a particularly steep drop. While consumers had been reserving judgment for the past few months, they now perceive negative developments on a number of dimensions. They expressed worries that inflation, unemployment and interest rates may all be moving in an unfavorable direction in the year ahead. All of these patterns (and the patterns discussed hereafter) are visible when looking at trends within phone interviews alone or web interviews alone, and thus they are not an artifact of the [survey’s methodological transition](#).



Year-ahead inflation expectations rose from 3.2% last month to 3.5% this month, remaining above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations inched up, from 3.0% last month to 3.1% this month. Although they have been within the narrow 2.9-3.1% range for 30 of the last 34 months, long-run inflation expectations remain elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

Expectations over labor markets, which had remained quite strong for much of the last year in spite of frequent news about layoffs and strikes, fell markedly this month. Almost 40% of consumers now anticipate that unemployment rates will rise in the year ahead, compared with about 32% in the preceding five months. This surge is unusually large, about double the size of the typical month-to-month change, suggesting that consumer views on labor markets have materially changed in May. Strength in household incomes has been the primary source of support for robust consumer spending over the past couple of years, so a softening in labor market expectations is concerning and—if it continues—may lead to a pullback in consumers’ willingness to spend. That said, as seen in the chart, unemployment expectations were at their current level just a year ago, after which they improved; time will tell if labor market expectations will continue to sink.

Consumers expressed growing concerns over the negative impact of high interest rates. Buying conditions for both large durable goods and homes slid this month, primarily on the basis of continued high borrowing costs. Worse yet, consumers expect the pain to continue, as expectations for interest rates deteriorated considerably this month. Only one quarter of consumers expect interest rates to fall in the year ahead, compared with 32% in April.

With weakening consumer views regarding inflation, interest rates, and labor markets, it is no surprise that consumers expressed dour expectations for business conditions as well. In particular, for short-run business conditions, expectations tumbled across all demographic groups. The data suggest an increase in downside risks for the economy given the emerging unease across the population regarding multiple facets of the economy. That said, the election remains a source of substantial uncertainty for consumers, so some volatility in their views should be expected.

	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May Prelim
Index of Consumer Sentiment	59.0	64.2	71.5	69.4	67.8	63.8	61.3	69.7	79.0	76.9	79.4	77.2	67.4
Current Economic Conditions	65.1	68.9	76.5	75.5	71.1	70.6	68.3	73.3	81.9	79.4	82.5	79.0	68.8
Index of Consumer Expectations	55.1	61.1	68.3	65.4	65.7	59.3	56.8	67.4	77.1	75.2	77.4	76.0	66.5
Index Components													
Personal Finances - Current	85	85	96	93	86	79	84	88	100	98	104	95	88
Personal Finances - Expected	104	107	113	115	110	101	106	112	122	116	122	116	111
Economic Outlook - 12 Months	49	63	73	70	73	61	57	73	93	93	95	92	73
Economic Outlook - 5 Years	65	73	86	76	79	74	63	84	94	92	94	96	81
Buying Conditions - Durables	82	92	101	102	96	102	92	100	111	106	109	109	89

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.