

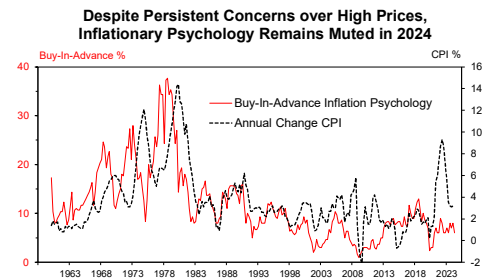


**Preliminary results from the July 2024 survey**

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For the second straight month, consumer sentiment is essentially unchanged. July’s reading was a statistically insignificant 2 index points below last month, well within the margin of error. Although sentiment is more than 30% above the trough from June 2022, it remains stubbornly subdued. Nearly half of consumers still object to the impact of high prices, even as they expect inflation to continue moderating in the years ahead. With the upcoming election, consumers perceived substantial uncertainty in the trajectory of the economy, though there is little evidence that the first presidential debate altered their economic views.



Year-ahead inflation expectations fell for the second consecutive month, reaching 2.9%. In comparison, these expectations ranged between 2.3 to 3.0% in the two years prior to the pandemic. Long-run inflation expectations came in at 2.9%, down from 3.0% last month and remaining remarkably stable over the last three years. These expectations remain somewhat elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

At the same time, a small but meaningful share of consumers continue to report extremely high long-run inflation expectations. These outliers have led to an increase in mean long-run expectations. However, as discussed in a [special report](#) released today, the recent growth in the mean relative to the median is driven by extreme views voiced by a small number of consumers. Thus, it is unlikely to reflect an underlying worsening in overall consumer views about inflation. Further evidence can be found in measures of inflationary psychology – motives for buying-in-advance to avoid future price increases, the proliferation of which would generate further momentum for inflation. As seen in the chart, prior to 1980, buy-in-advance psychology consistently preceded realized inflation by about two years. Since then, with inflation considerably lower than in the 60s and 70s, lead times between inflationary psychology and realized inflation have been more variable. Buy-in-advance motives did not become entrenched among consumers during the post-pandemic inflationary episode and have followed a downward trajectory over the past year, providing further evidence that consumers do not expect inflation to come roaring back.

Despite expecting inflation to ease, consumers remain vociferously frustrated at the persistence of high prices. Almost half of consumers spontaneously expressed complaints that high prices are eroding their living standards, matching the all-time high reached two years ago at the peak of the post-pandemic inflationary episode. In recent months, these comments have been much more prevalent among lower-income consumers, who typically have fewer financial resources to help buffer the pain of high prices. Furthermore, lower-income consumers have reported much weaker income expectations (in both nominal and real terms) than their higher-income counterparts. Financial vulnerabilities among lower-income consumers, consistent with concerning trends with rising delinquencies, are concerning from a well-being perspective but at this time pose limited risks to the outlook for economic growth. This is attributable to the fact that higher-income consumers, who are responsible for a substantial majority of aggregate spending, continue to be supported by relatively strong expectations for their incomes and fewer worries about high prices. If income growth weakens higher up the income distribution, however, robust spending is unlikely to continue.

	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul Prelim
Index of Consumer Sentiment	71.5	69.4	67.8	63.8	61.3	69.7	79.0	76.9	79.4	77.2	69.1	68.2	66.0
Current Economic Conditions	76.5	75.5	71.1	70.6	68.3	73.3	81.9	79.4	82.5	79.0	69.6	65.9	64.1
Index of Consumer Expectations	68.3	65.4	65.7	59.3	56.8	67.4	77.1	75.2	77.4	76.0	68.8	69.6	67.2
Index Components													
Personal Finances - Current	96	93	86	79	84	88	100	98	104	95	91	81	79
Personal Finances - Expected	113	115	110	101	106	112	122	116	122	116	111	106	101
Economic Outlook - 12 Months	73	70	73	61	57	73	93	93	95	92	79	84	83
Economic Outlook - 5 Years	86	76	79	74	63	84	94	92	94	96	84	88	84
Buying Conditions - Durables	101	102	96	102	92	100	111	106	109	109	88	88	85

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.