



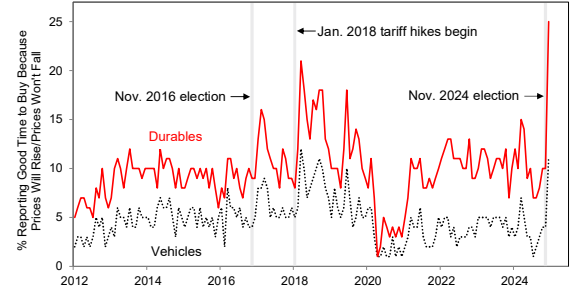
Preliminary results from the December 2024 survey

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Consumer sentiment improved for the fifth consecutive month, rising about 3% to its highest reading in seven months. A surge in buying conditions for durables led Current Economic Conditions to soar more than 20%. Rather than a sign of strength, this rise in durables was primarily due to a perception that purchasing durables now would enable buyers to avoid future price increases. The expectations index continued the post-election re-calibration that began last month, climbing for Republicans and declining for Democrats in December. Independents were, as usual, in the middle between the two major parties, with readings close to the national average. This adjustment process is consistent with a response to actual underlying changes in expectations for the national economy, and not merely an expression of partisanship. For example, throughout this month’s interviews, Democrats voiced concerns that anticipated policy changes, particularly tariff hikes, would lead to a resurgence in inflation. Republicans disagreed; they expect the next president will usher in an immense slowdown in inflation. As such, national measures of sentiment and expectations continue to reflect the collective economic experiences and observations of the American population as a whole.

Surge in Concerns that Prices of Major Purchases Will Rise



Overall, year-ahead inflation expectations rose from 2.6% last month to 2.9% this month, the highest reading in six months but within the 2.3-3.0% range seen in the two years pre-pandemic. Long-run inflation expectations edged down from 3.2% last month to 3.1% this month, modestly elevated relative to the range of readings seen in the two years pre-pandemic.

Divergent views across the political spectrum reflect, in part, heterogeneity in how consumers view the economic policies proposed by the next president. Nearly 20% of consumers spontaneously mentioned tariffs during interviews this month, up from 10% in November and only 2% in September. The sizable increase in tariff mentions in December was driven by both Democrats and Independents, whereas only 3% of Republicans commented on tariffs this month. Tariffs were almost always mentioned in a negative context: consumers referring to tariffs reported much worse expectations for business conditions and inflation than consumers who did not.

Buying conditions for durables and cars also show how consumers incorporated tariffs into their economic views. As seen in the chart, 25% of consumers spontaneously reported that buying durables now would avoid future price increases (“buy-in-advance” motives)—the highest reading on record—up from only 10% in both October and November. Many of the consumers favoring large purchases now specifically cited tariffs as a key driver. This month's growth in “buy-in-advance” motives for durables was seen among both Democrats and Independents. In contrast, the small share of Republicans with these motives was comparable to pre-election. Similar trends were seen for cars, albeit at a lower level.

In 2016, Trump’s campaign platform also included tariff increases, and his win was followed quickly by an increase in “buy-in-advance” motives shared by Republicans, Independents, and Democrats alike. These motives waned until the tariffs were actually implemented in 2018, when they again escalated among all political groups. This month, however, Republicans’ views of buying conditions continued to be dominated by high *current* prices; future prices appeared to be much less salient to them. These views are consistent with the fact that, after Trump’s election, Republicans now broadly expect inflation to slow dramatically in both the short and long run.

| | Dec 2023 | Jan 2024 | Feb 2024 | Mar 2024 | Apr 2024 | May 2024 | Jun 2024 | Jul 2024 | Aug 2024 | Sep 2024 | Oct 2024 | Nov 2024 | Dec Prelim |
|--------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|------------|
| Index of Consumer Sentiment | 69.7 | 79.0 | 76.9 | 79.4 | 77.2 | 69.1 | 68.2 | 66.4 | 67.9 | 70.1 | 70.5 | 71.8 | 74.0 |
| Current Economic Conditions | 73.3 | 81.9 | 79.4 | 82.5 | 79.0 | 69.6 | 65.9 | 62.7 | 61.3 | 63.3 | 64.9 | 63.9 | 77.7 |
| Index of Consumer Expectations | 67.4 | 77.1 | 75.2 | 77.4 | 76.0 | 68.8 | 69.6 | 68.8 | 72.1 | 74.4 | 74.1 | 76.9 | 71.6 |
| Index Components | | | | | | | | | | | | | |
| Personal Finances - Current | 88 | 100 | 98 | 104 | 95 | 91 | 81 | 79 | 79 | 80 | 81 | 82 | 85 |
| Personal Finances - Expected | 112 | 122 | 116 | 122 | 116 | 111 | 106 | 105 | 108 | 111 | 110 | 116 | 107 |
| Economic Outlook - 12 Months | 73 | 93 | 93 | 95 | 92 | 79 | 84 | 86 | 88 | 93 | 92 | 97 | 88 |
| Economic Outlook - 5 Years | 84 | 94 | 92 | 94 | 96 | 84 | 88 | 84 | 92 | 94 | 95 | 96 | 91 |
| Buying Conditions - Durables | 100 | 111 | 106 | 109 | 109 | 88 | 88 | 81 | 78 | 82 | 85 | 82 | 115 |