

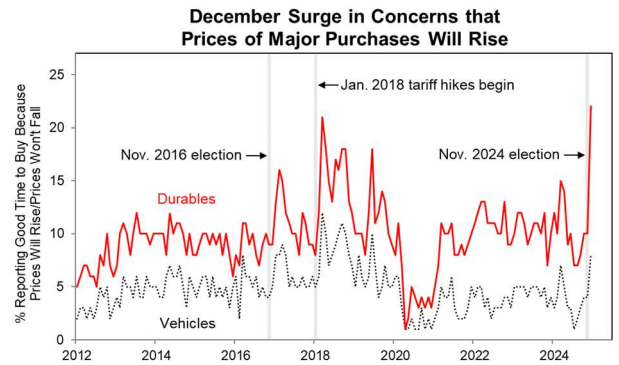


**December 2024 survey results**

December 20, 2024

Joanne Hsu, PhD, Director

Consumer sentiment confirmed its early-month reading, rising for the fifth consecutive month and reaching its highest value since April 2024. Buying conditions exhibited a particularly strong 32% improvement, primarily due to a surge in consumers expecting future price increases for large purchases. The expectations index continued the post-election re-calibration that began last month, climbing for Republicans and declining for Democrats in December. Importantly, for Independents, expectations were essentially unchanged from the past month or so for personal finances, short-run business conditions, and long-run business conditions. Broadly speaking, consumers believe that the economy has improved significantly as inflation has slowed, but they do not feel that they are thriving; sentiment is currently about midway between the all-time low reached in June 2022 and pre-pandemic readings.



Year-ahead inflation expectations rose from 2.6% last month to 2.8% this month, the first month-over-month increase since May, 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 3.0% this month, modestly elevated relative to the range of readings seen in the two years pre-pandemic.

Uncertainty over both short- and long-run inflation expectations, as measured by the interquartile range of expectations, are considerably higher now than a year ago. One reason for the elevated uncertainty is the dispersion in beliefs about the consequences of anticipated economic policy changes. December interviews revealed a surge in the share of consumers who believe that durables should be purchased now to avoid higher prices in the future, in part due to anticipated tariffs: 36% of Democrats, 23% of Independents, and only 8% of Republicans. If sufficient numbers of consumers follow through with pre-emptive purchasing to avoid future price escalations, such a burst of spend could in itself exert upward pressure on inflation and could potentially contribute to a self-fulfilling prophecy.

High *current* prices remain the top-cited factor influencing consumers’ personal finances, though December saw a softening in these concerns. While a sizable 35% of consumers reported that high prices were eroding their personal finances, this is the lowest share seen since March 2024. Strong differences by income are clearly visible. Lower- and middle-income consumers report being much more weighed down by current high prices than higher-income consumers. Furthermore, lower-income consumers expect very weak growth in incomes in the year ahead, in contrast to higher-income consumers who anticipate more robust increases in incomes, and furthermore, are supported by wealth from rising asset values.

At the same time, consumers broadly agree that gas prices will continue to be relatively low. Year-ahead gas inflation expectations declined this month to zero, the lowest seen since the 1980s; long-run gas inflation expectations fell as well. In December, only 7% of consumers spontaneously mentioned gas prices during interviews, generally in a negative context, down from the 14% seen for much of this year.

	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 2024
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	75.1
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	73.3
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	111
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	94
Buying Conditions - Durables	100	111	106	109	109	88	88	81	78	82	85	82	108