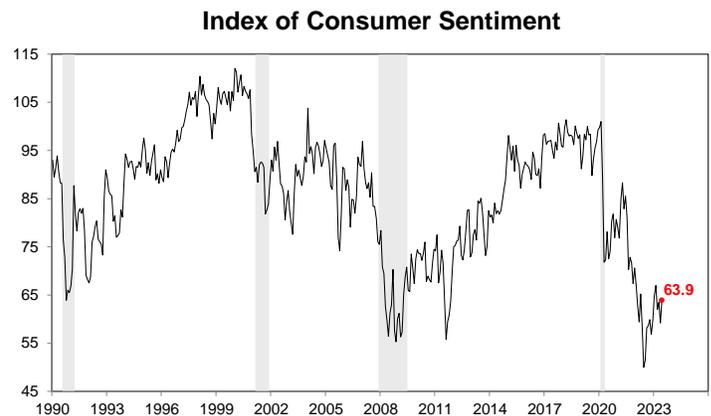




Subject: Preliminary results from the June 2023 survey
From: Joanne Hsu, PhD, Director

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Consumer sentiment lifted 8% in June, reaching its highest level in four months, reflecting greater optimism as inflation eased and policymakers resolved the debt ceiling crisis. The outlook over the economy surged 28% over the short run and 14% over the long run. The fact that nearly all demographic groups exhibited these improvements—with the exception of the youngest consumers—illustrates the near-consensus that macroeconomic prospects improved this month. Sentiment is now 28% above the historic low from a year ago and may be resuming its upward trajectory since then. As it stands, though, sentiment remains low by historical standards as income expectations softened. A majority of consumers still expect difficult times in the economy over the next year.



Year-ahead inflation expectations receded for the second consecutive month, falling to 3.3% in June from 4.2% in May. The current reading is the lowest since March 2021. Declines in short-run inflation expectations were visible across age, income, and education groups. In contrast, long-run inflation expectations were little changed from May at 3.0%, again staying within the narrow 2.9-3.1% range for 22 of the last 23 months. Long-run inflation expectations remained elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic. Buying conditions for durables, cars, and homes improved this month, as consumers see that prices for all three have become relatively more affordable this month, though they still expressed concerns over high interest rates.

Improvements in business conditions this month were supported both by easing inflation as well as the lifting of the debt ceiling, which curbed consumers' sense of unease that pervaded the last several months. After declining since January, confidence in government economic policy rose with the lifting of the debt ceiling. About 59% of consumers expect interest rates to rise in the year ahead, down from 67% last month and 86% a year ago; this is the lowest reading since April 2021. (Note that nearly all interviews were completed prior to the Fed's FOMC announcement on Wednesday.)

In contrast, views of consumers' personal financial situations deteriorated this month, particularly for younger individuals who anticipated worsening unemployment in the year ahead. Consumers overall shared concerns about a weakening labor market; they downgraded their own income expectations for the year ahead in both nominal and inflation-adjusted terms. Given that strong incomes have supported robust spending amid dismal sentiment over the last year, weakening labor market expectations are concerning and could offset the positive effects of slowing inflation on consumers' living standards. Still, three-quarters of consumers considered inflation to be a more serious problem for the economy than unemployment. About 42% of all consumers blamed high prices for eroding their purchasing power, little changed from 41% in May and up from 36% in January.

	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun Prelim
Index of Consumer Sentiment	50.0	51.5	58.2	58.6	59.9	56.8	59.7	64.9	67.0	62.0	63.5	59.2	63.9
Current Economic Conditions	53.8	58.1	58.6	59.7	65.6	58.8	59.4	68.4	70.7	66.3	68.2	64.9	68.0
Index of Consumer Expectations	47.5	47.3	58.0	58.0	56.2	55.6	59.9	62.7	64.7	59.2	60.5	55.4	61.3
Index Components													
Personal Finances - Current	72	75	80	80	78	77	75	89	91	88	84	85	82
Personal Finances - Expected	95	96	107	105	106	106	106	112	111	104	105	104	105
Economic Outlook - 12 Months	35	34	54	59	48	49	61	60	67	58	60	50	64
Economic Outlook - 5 Years	57	56	69	66	69	65	71	78	79	73	76	66	75
Buying Conditions - Durables	65	73	69	73	90	73	77	87	90	82	91	81	92