

US: Preliminary July UMich sentiment ebbs further

The preliminary July survey of consumer sentiment from the University of Michigan disappointed with a further slide to 66.0 from 68.2 for the June final release. While the headline sentiment measure has been trending higher since reaching its all-time low in the summer of 2022, it has declined in each of the past four months and now stands below its end-2023 level. Despite higher stock prices, lower gasoline prices, and the recent news of cooling CPI inflation, lingering dissatisfaction with the cumulative rise in prices since the pandemic appears to still weigh significantly on respondents. Indeed, the UMich survey remains far more negative than the Conference Board's survey of consumer confidence, which appears to reflect a still-solid labor market than the weaker purchasing power of households. Within the preliminary July UMich survey, both current conditions and expectations moved down from their final June levels. The current conditions component has been the weaker of the two more recently and now stands at a two-and-a-half year low.

Despite the survey director noting that nearly half of respondents spontaneously mentioned high prices eroding their standard of living (tying an all-time high), both 1-year and 5-to-10-year ahead consumer inflation expectations ticked down a tenth to 2.9% for each, suggesting expectations remain fairly well-contained. [A special report](#) from UMich researchers notes that a small share of respondents continue to offer extremely high long-run inflation expectations, biasing up the mean relative to the reported median measure. This behavior also was observed in the 1980s and into the early 1990s in the aftermath of the inflation surge years earlier. In addition, the now-completed methodological shift to online from telephone-based interviewing appears to have significantly biased up the mean level of longer-run inflation expectations, but not the median nor the broad stability of either inflation measure over time.

Economic and Policy Research

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University of Michigan consumer sentiment

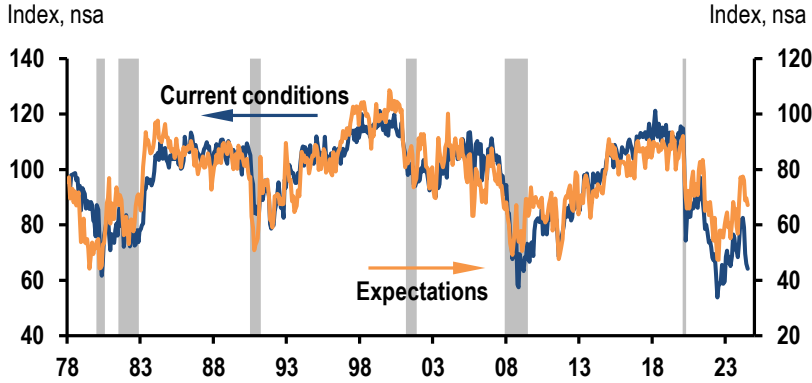
Index, nsa



Source: University of Michigan, J.P. Morgan

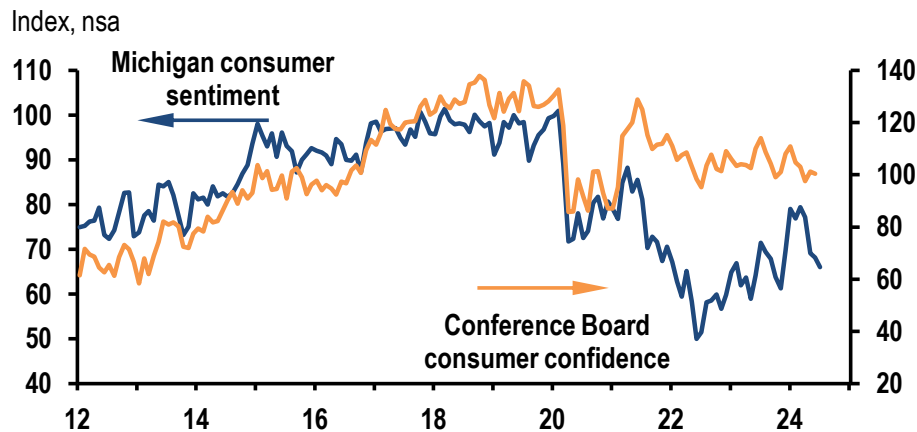
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University of Michigan current conditions vs expectations



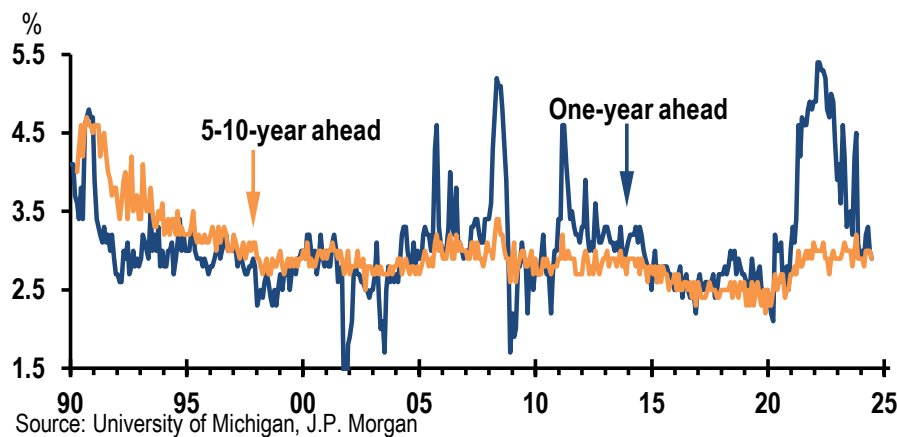
Source: University of Michigan, J.P. Morgan

University of Michigan and Conference Board consumer indicators



Source: University of Michigan, Conference Board, J.P. Morgan

Michigan survey inflation expectations



Source: University of Michigan, J.P. Morgan

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University of Michigan sentiment index

Not seasonally adjusted 1Q66=100

	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Pre Jul 24
Consumer sentiment	69.7	79.0	76.9	79.4	77.2	69.1	68.2	66.0
Current conditions (40%) ¹	73.3	81.9	79.4	82.5	79.0	69.6	65.9	64.1
Expectations (60%)	67.4	77.1	75.2	77.4	76.0	68.8	69.6	67.2
Median 1-year-ahead inflation expectations	3.1	2.9	3.0	2.9	3.2	3.3	3.0	2.9
Median 5-year-ahead inflation expectations	2.9	2.9	2.9	2.8	3.0	3.0	3.0	2.9

Source: University of Michigan. 1. Weights in parentheses.

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