

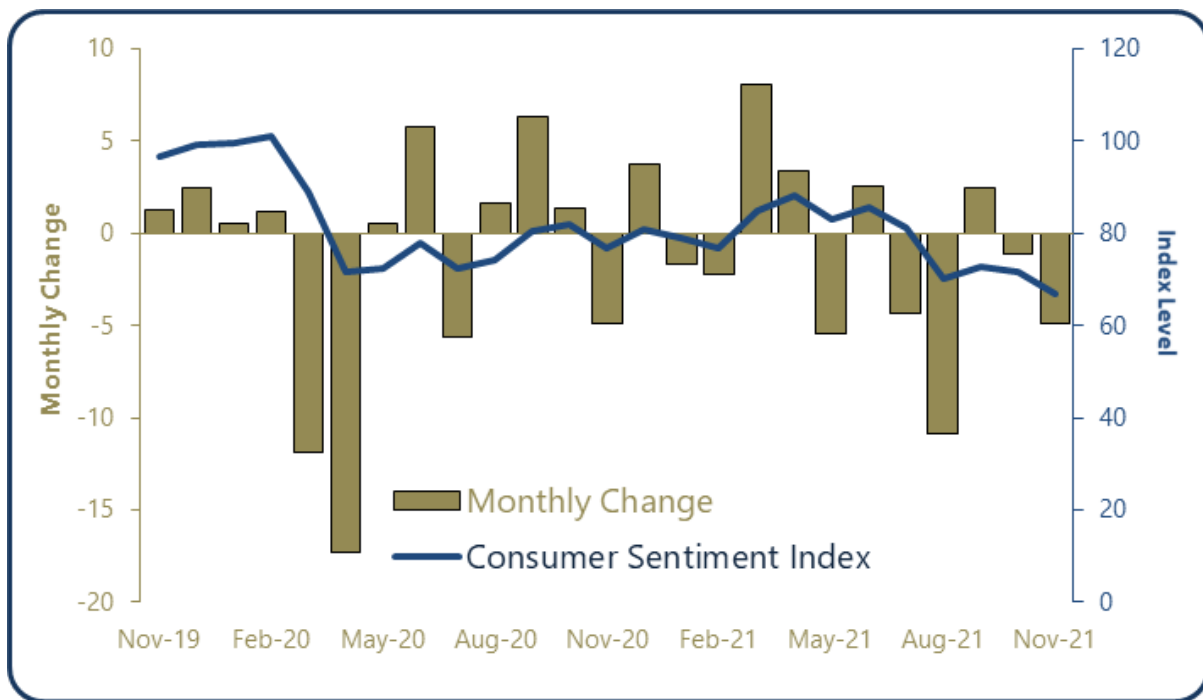
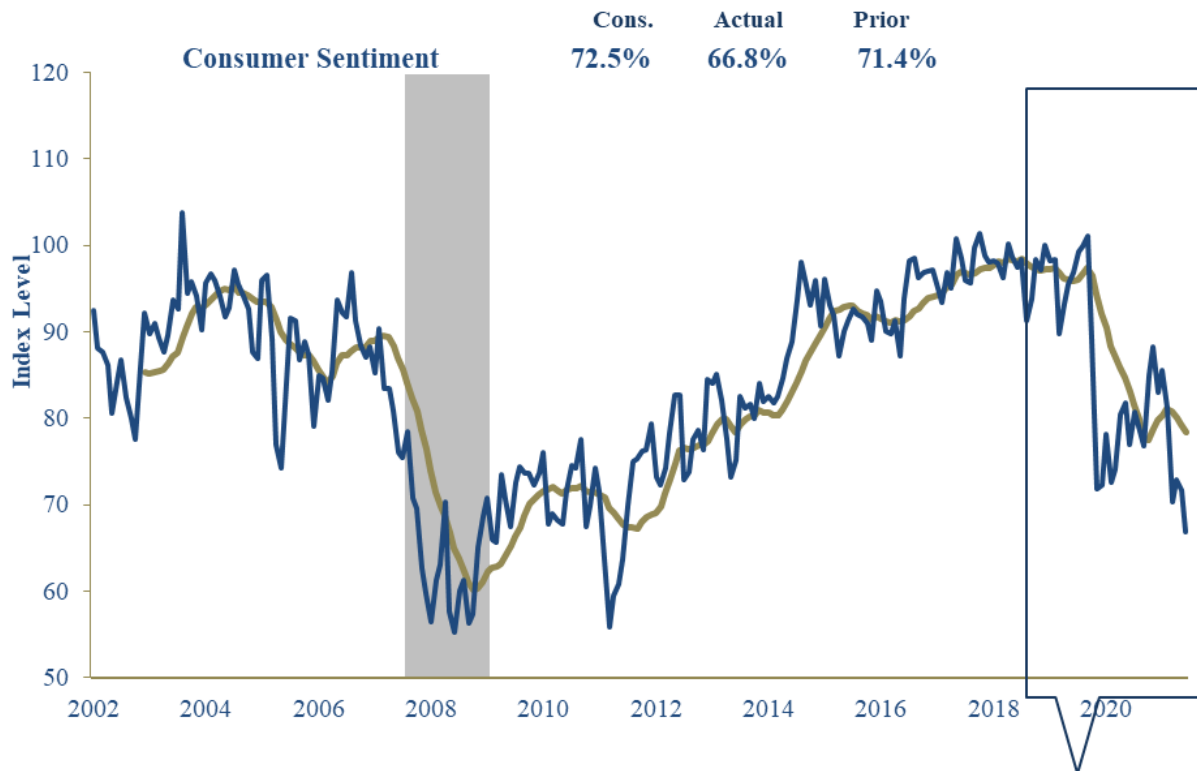
12.Nov.2021

Consumer Sentiment: Inflation, A Major Consumer Fear

Bottom Line: Consumer sentiment fell sharply in the first half of November, with the sentiment index coming in well below expectations for a slight increase. The index hit its lowest level in over a decade as consumers expressed major concerns about inflation. One in four consumers cited inflation reducing their living standards. While many reported nominal income gains, half reported expecting lower real incomes next year. Moreover, rising prices for homes, vehicles, and durables were reported more frequently than any other time in more than 50 years.

Overall, the aggregate US consumer remains well-positioned to spend with stronger personal balance sheets at an aggregate level from the pandemic-fueled stimulus payments. However, they are more concerned about the purchasing power of their assets and incomes than at any time since the 1980s. As a result, the potential for consumers to pull back on spending is very high, though so far, it has been only modest.

Consumer Sentiment



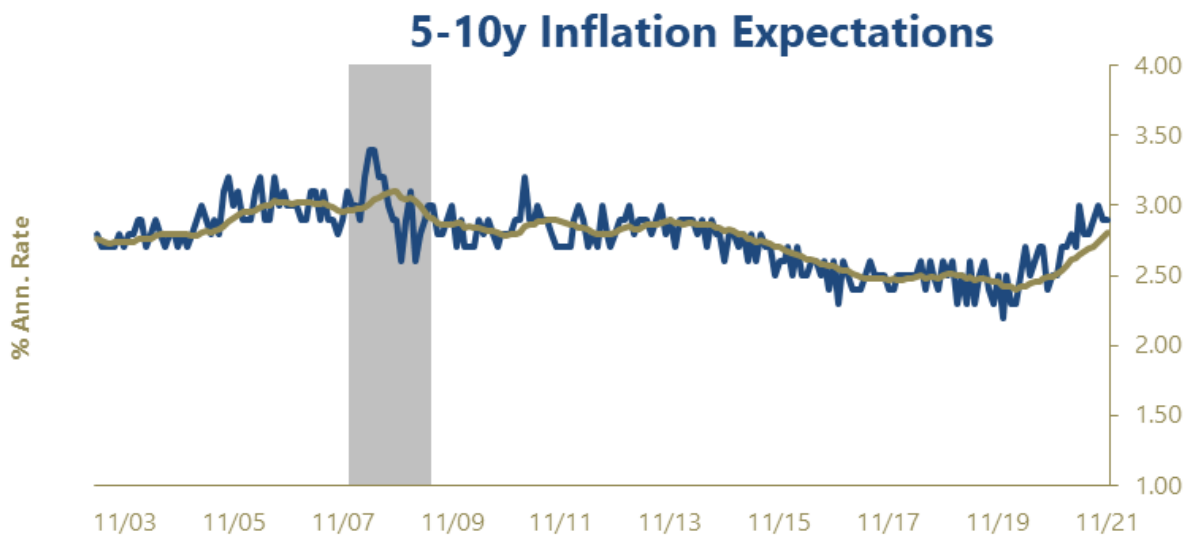
Consumer Sentiment FELL by 4.9 points in early November to 66.8%, compared with market expectations for an increase to 72.5%.

With this month's modest decline, sentiment is now 13.1% BELOW its year-ago level.

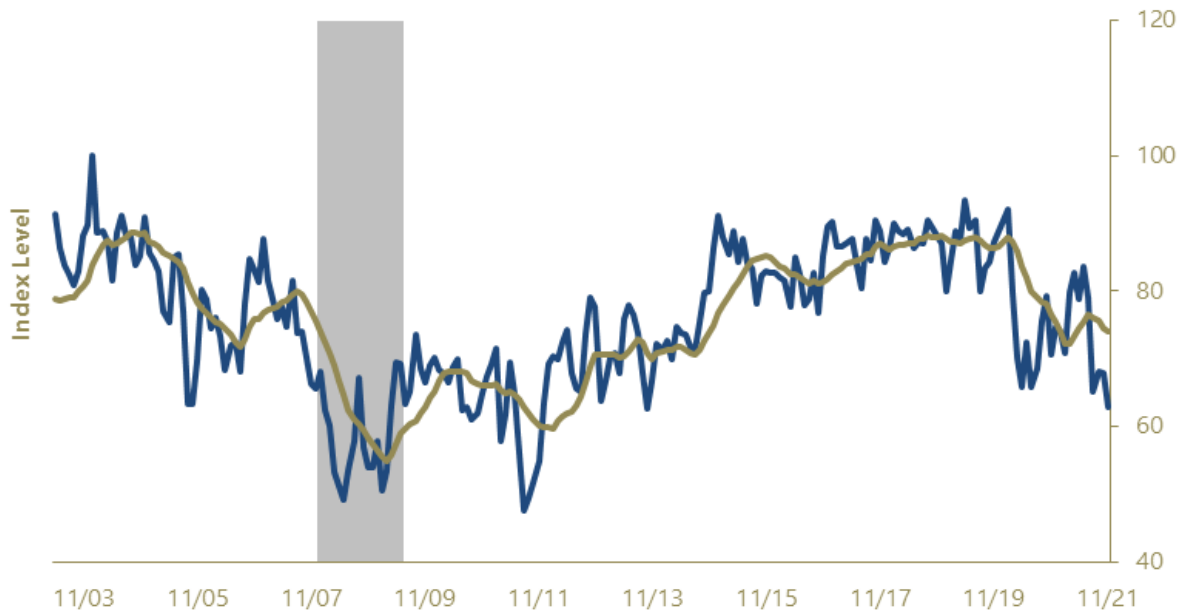
Current Conditions FELL by 4.5 points to 73.2%. This is 15.9% BELOW their year-

ago level. **Consumer Expectations** FELL by 5.1 points to 62.8%. With this month's moderate decline, expectations are 10.9% BELOW its year-ago level.

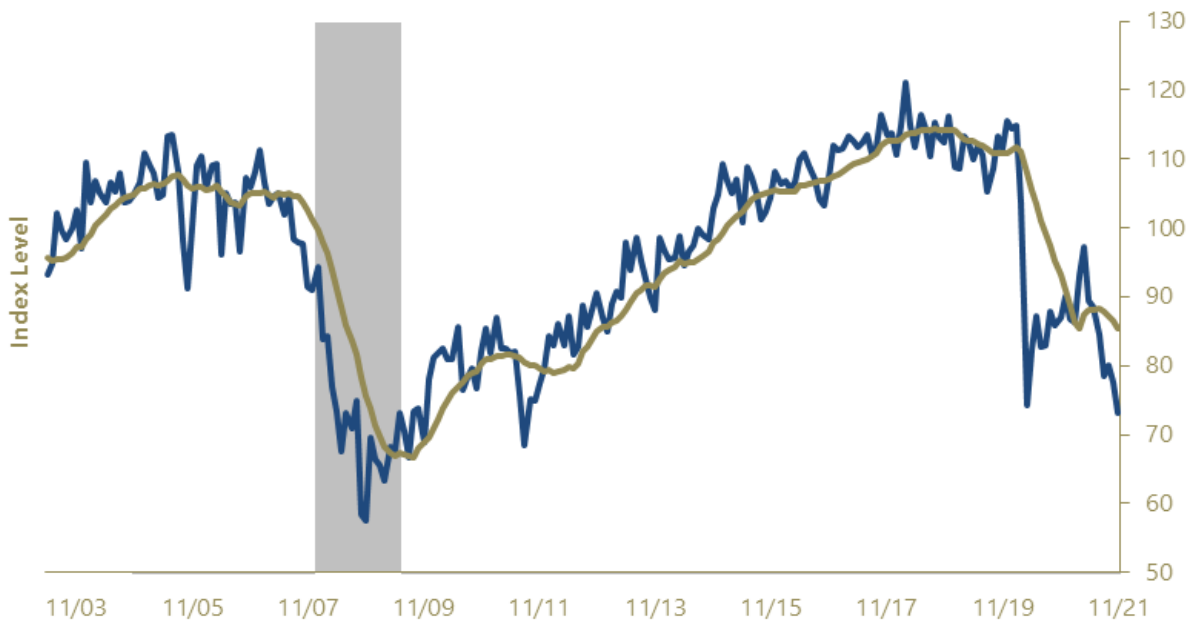
1-year ahead inflation expectations were higher at 4.90%, while **5-year expectations** were unchanged at 2.90%



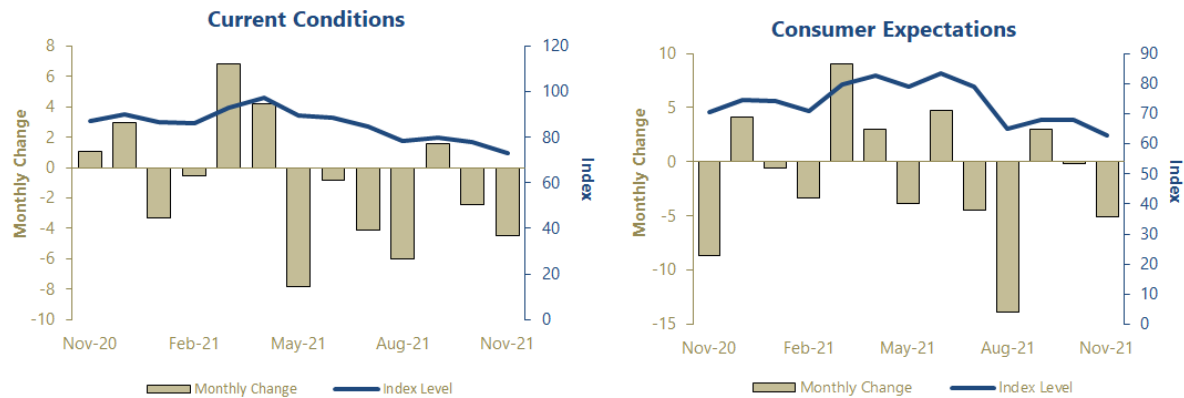
Expectations



Current Conditions



	Index Levels										
	Monthly				Averages for						
	Nov Prelim.	Oct-21	Sep-21	Aug-21	Three Month	Six Month	Twelve Month	2020	2019	Re-cessions	Ex-pansions
Consumer Sentiment	66.8	71.7	72.8	70.3	70.4	74.7	78.4	80.7	99.3	68.3	86.9
Current Conditions	73.2	77.7	80.1	78.5	77.0	80.4	85.4	90.0	115.5	80.8	98.9
Consumer Expectations	62.8	67.9	68.1	65.1	66.3	71.1	73.9	74.6	88.9	60.5	79.1
1-year Inflation Expectation	4.9	4.8	4.6	4.6	4.8	4.6	4.0	2.7	2.6		
5-year Inflation Expectation	2.9	2.9	3.0	2.9	2.9	2.9	2.8	2.5	2.4		



Source: University of Michigan via Bloomberg. Our calculations.

Copyright © 2018 Contingent Macro Advisors, LLC. All rights reserved. Reproduction and/or redistribution are expressly prohibited. "Economic Advisory Service" is a registered trademark of Contingent Macro Advisors, LLC. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed.

T.J. Connelly, Head of Research

November 12, 2021

Steven A. Wood, Senior Economic Adviser