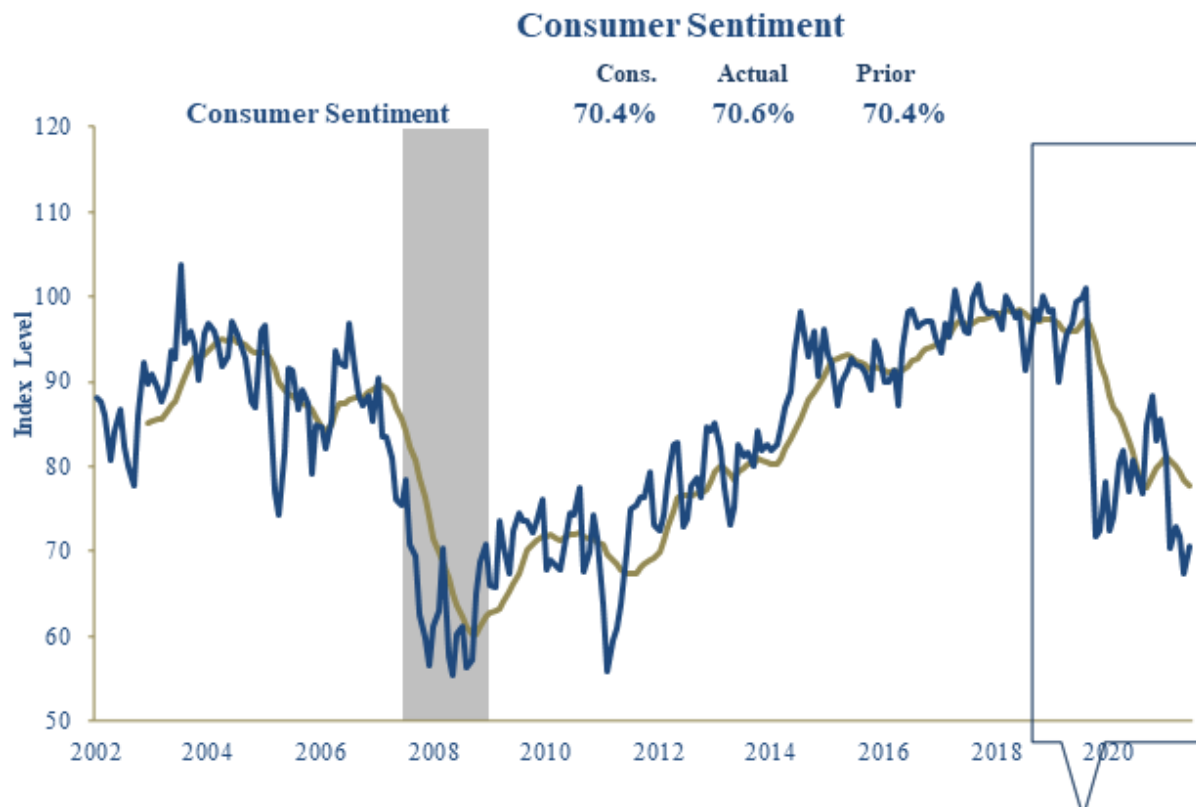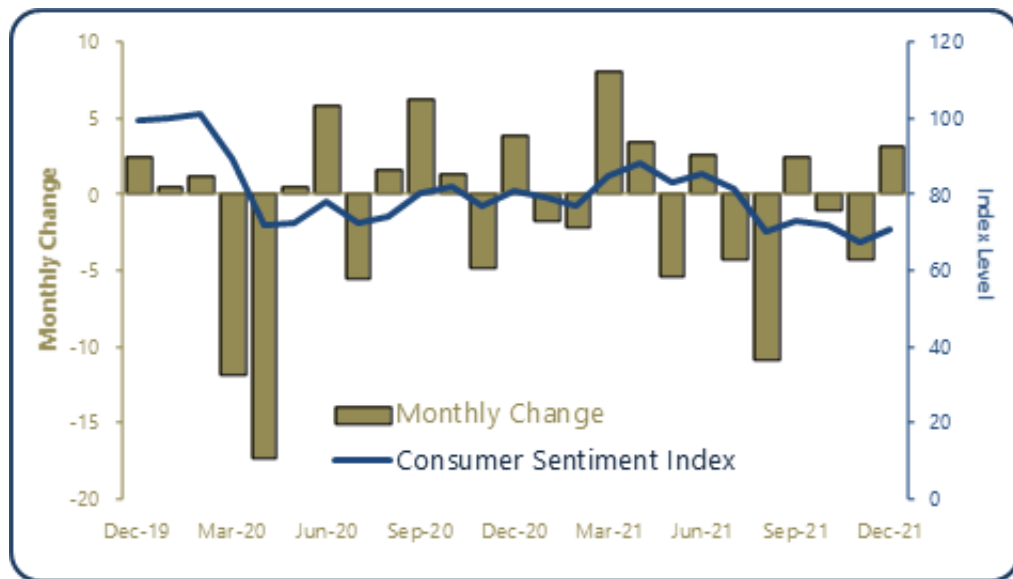23.Dec.2021

Consumer Sentiment: Rebound Confirmed, Risks Remain

Bottom Line: After hitting post-pandemic lows in November, consumer sentiment rose in December, according to the University of Michigan survey results. The final reading released this morning showed few changes to the preliminary results. Current conditions were a touch higher than in November, but expectations improved notably. 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, any reduction in spending has been modest.

Consumer Sentiment

	Cons.	Actual	Prior
	70.4%	70.6%	70.4%

Consumer Sentiment was REVISED UP by 0.2 points in late December to 70.6, compared with market expectations for no change to 70.4.
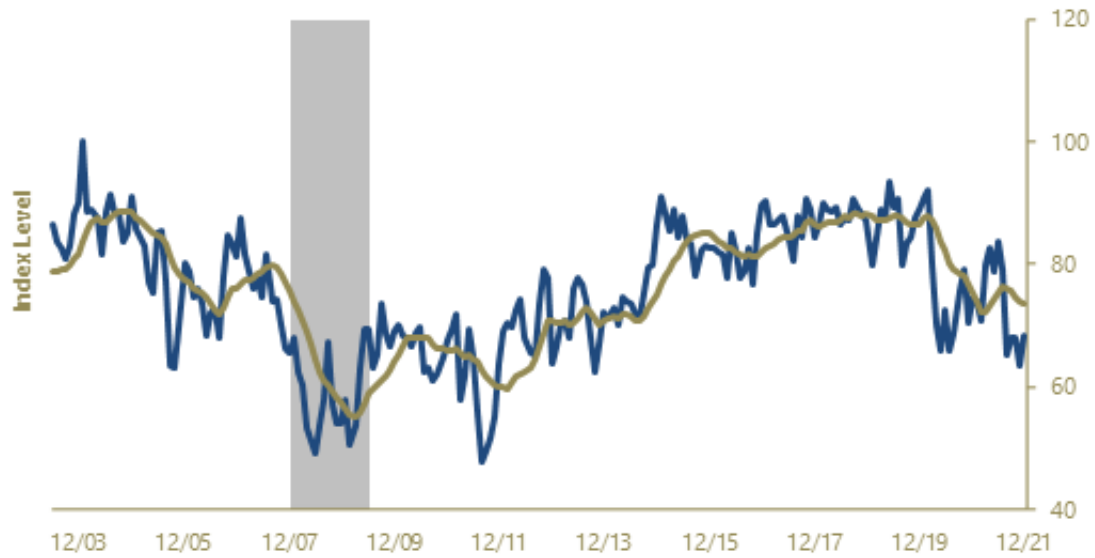
Sentiment has deteriorated by -2.2 points over the past 3 months. With this month's modest increase, compared to November's final level of 67.4, sentiment is 12.5% BELOW its year-ago level.

Current Conditions were REVISED DOWN by 0.4 points to 74.20. Current conditions are now 17.6% BELOW their year-ago level.
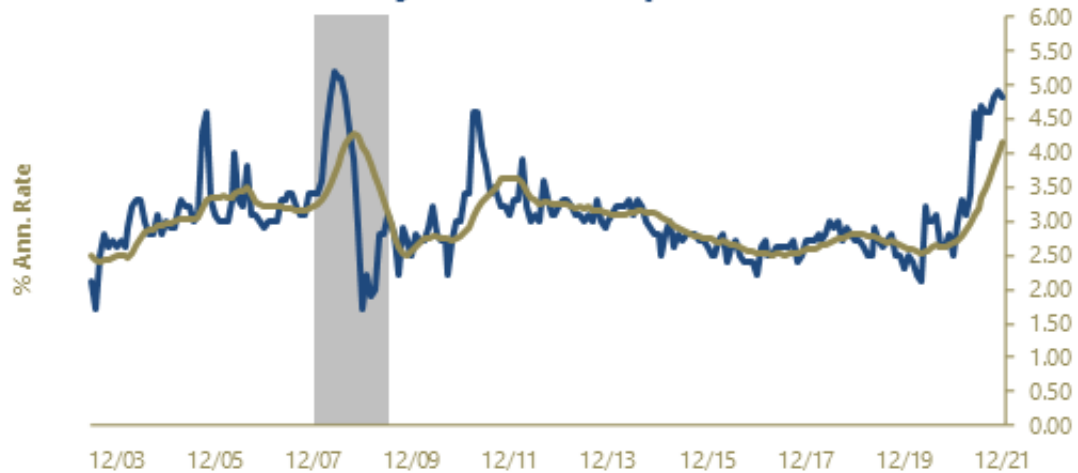
Consumer Expectations were REVISED UP by 0.5 points to 68.3.   With this month's modest increase, compared to November's final level of 63.5, expectations are 8.4% BELOW their year-ago level.
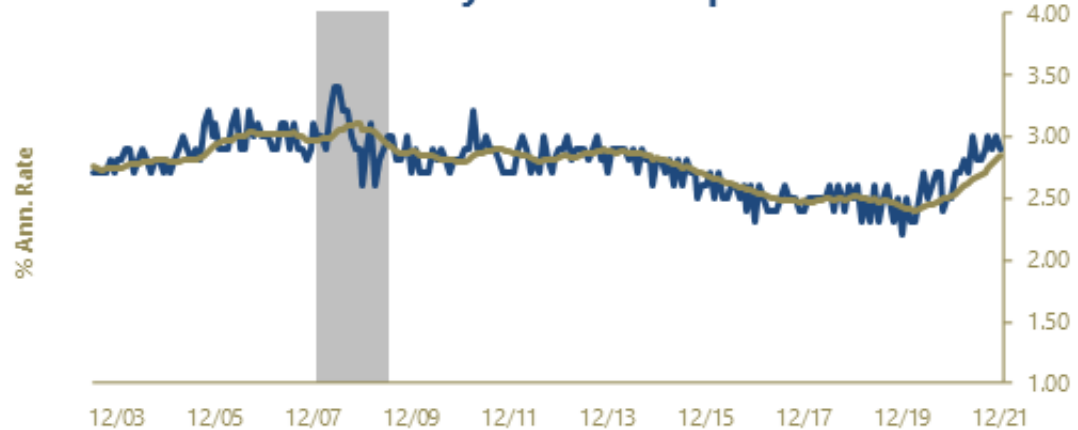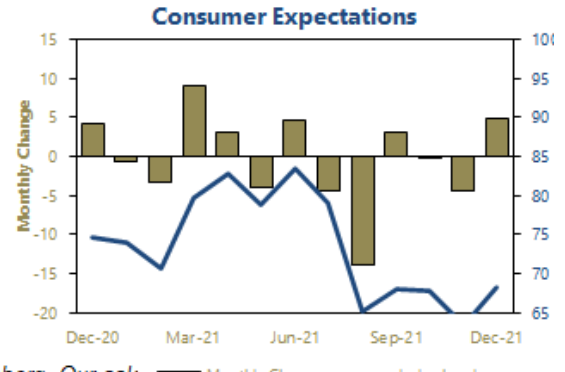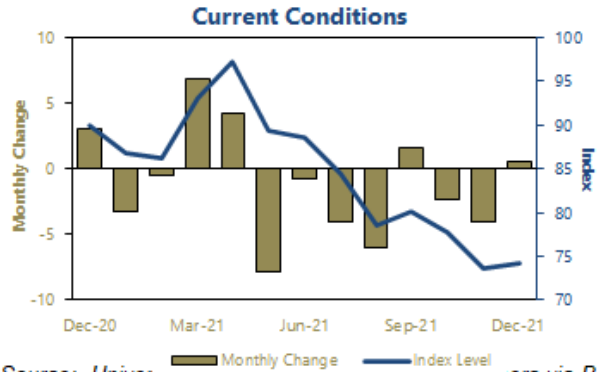
Expectations

1y Inflation Expectations

5-10y Inflation Expectations

| | Index Levels | | | | | | | | | | |
| | Monthly | | | | Averages for | | | | | | |
	Dec Final	Dec Prelim.	Nov-21	Oct-21	Three Month	Six Month	Twelve Month	2020	2019	Re-cessions	Ex-pansions
Consumer Sentiment	70.6	70.4	67.4	71.7	69.9	72.3	77.6	80.7	99.3	68.3	86.9
Current Conditions	74.2	74.6	73.6	77.7	75.2	78.1	84.1	90.0	115.5	80.8	98.9
Consumer Expectations	68.3	67.8	63.5	67.9	66.6	68.7	73.4	74.6	88.9	60.5	79.1
1-year Inflation Expectation	4.8	4.9	4.9	4.8	4.9	4.6	4.0	2.7	2.6		
5-year Inflation Expectation	2.9	3.0	3.0	2.9	3.0	2.9	2.8	2.5	2.4		

Current Conditions

Monthly Change / Index Level

Consumer Expectations

Monthly Change / Index Level

Source: University of Michigan Surveys of Consumers via Bloomberg. Our calc