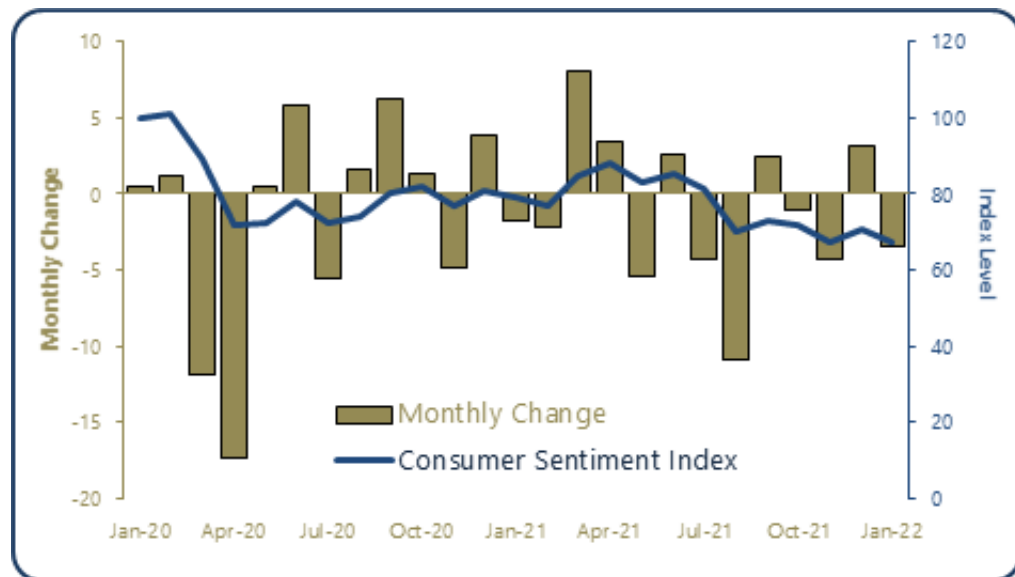
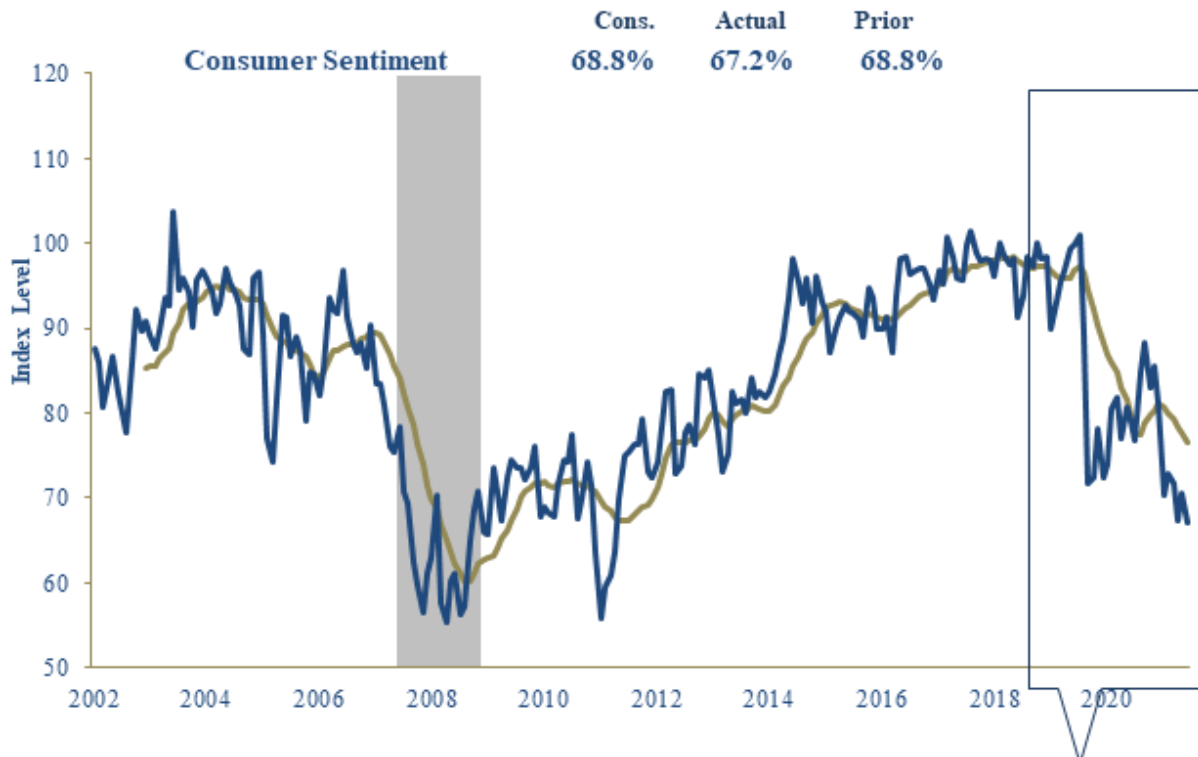


28.Jan.2022

Consumer Sentiment: Fading Tailwind for Higher-incomes

Bottom Line: Consumer sentiment fell further in the second half of January as consumers perceive lower real income gains due to inflation amid the lingering impact of Covid variants and increasing concern about geopolitical instability. Moreover, the survey found that overall confidence in government economic policies was the lowest since 2014. Lower-income households reported being walloped by the regressive impact of inflation. And while higher-income households remain better positioned to spend, the effect of slower year-on-year gains in home prices and stock market prices is becoming a headwind. Finally, the survey's economist noted that consumer uncertainty has grown as many households lack experience with high inflation and potentially sharp increases in the Fed policy rate. Overall, consumer surveys continue income inequality and the regressive impact of inflation on lower-income households, and now the steady tailwind for higher-income households is starting to fade.

Consumer Sentiment

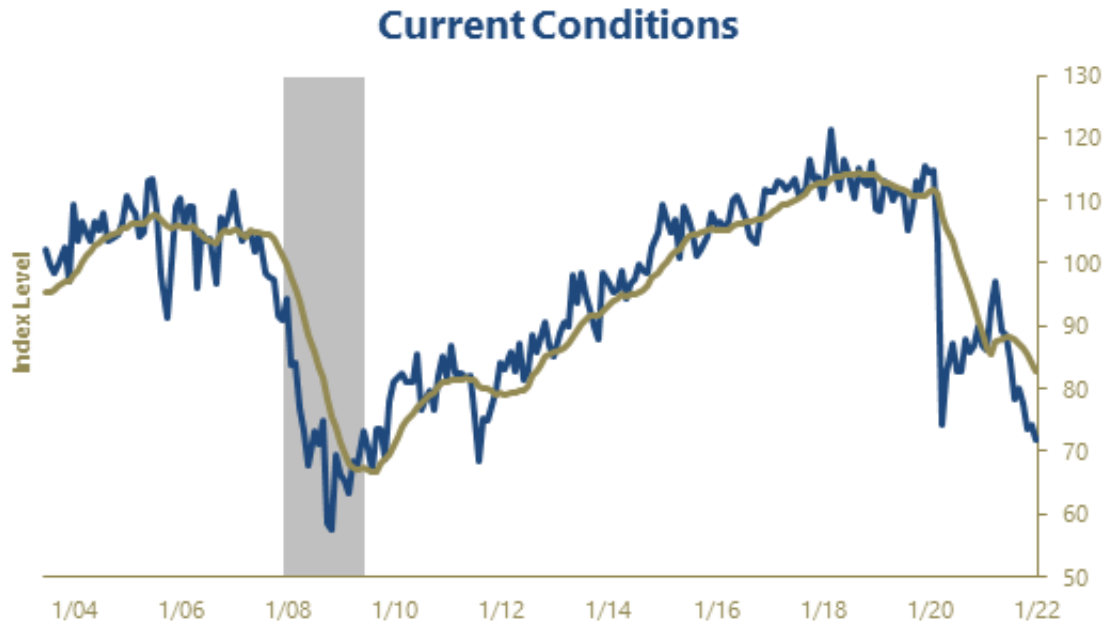


Consumer Sentiment was REVISED DOWN by 1.6 points in late January to 67.2, compared with market expectations for no change to 68.8.

Sentiment has deteriorated by -4.5 points over the past 3 months. Despite this month's modest decline, compared to December's final level of 70.6, sentiment is 14.9% BELOW its year-ago level.

Current Conditions were REVISED DOWN by 1.2 points to 72.00. Current conditions are now 17.0% BELOW their year-ago level.

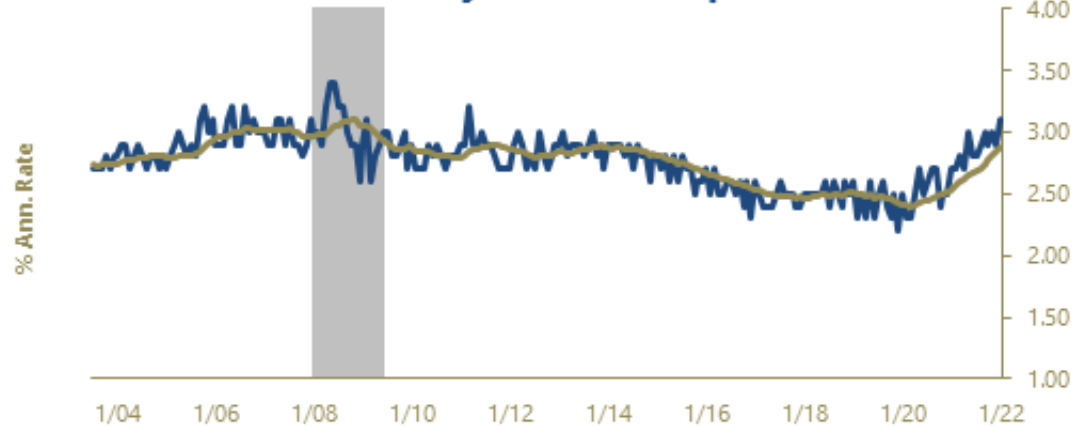
Consumer Expectations were REVISED DOWN by 1.8 points to 64.1. Despite this month's modest decline, compared to December's final level of 68.3, expectations are 13.4% BELOW their year-ago level.



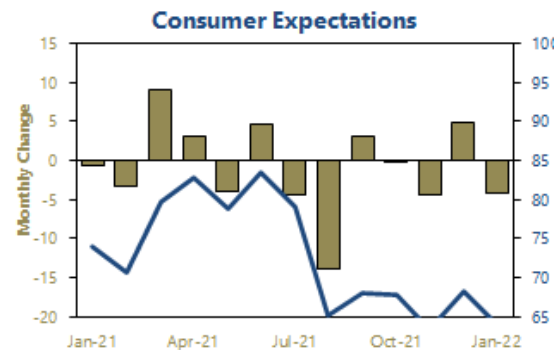
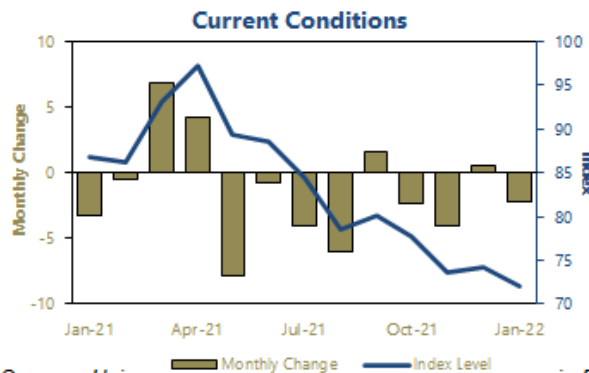
1y Inflation Expectations



5-10y Inflation Expectations



	Index Levels										
	Monthly				Averages for						
	Jan Final	Jan Prelim.	Dec-21	Nov-21	Three Month	Six Month	Twelve Month	2020	2019	Re- cessions	Ex- pansions
Consumer Sentiment	67.2	68.8	70.6	67.4	68.4	70.0	76.6	80.7	99.3	68.3	86.9
Current Conditions	72.0	73.2	74.2	73.6	73.3	76.0	82.9	90.0	115.5	80.8	98.9
Consumer Expectations	64.1	65.9	68.3	63.5	65.3	66.2	72.6	74.6	88.9	60.5	79.1
1-year Inflation Expectation	4.9	4.9	4.8	4.9	4.9	4.7	4.2	2.7	2.6		
5-year Inflation Expectation	3.1	3.1	2.9	3.0	3.0	2.9	2.8	2.5	2.4		



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