

## **Datanote: US Univ. of Michigan Consumer Sentiment, April prelim.**

**In one line: Still high, but likely peaked**

- The Michigan consumer sentiment index dipped to 77.9 from 79.4, below the consensus, 79.0.

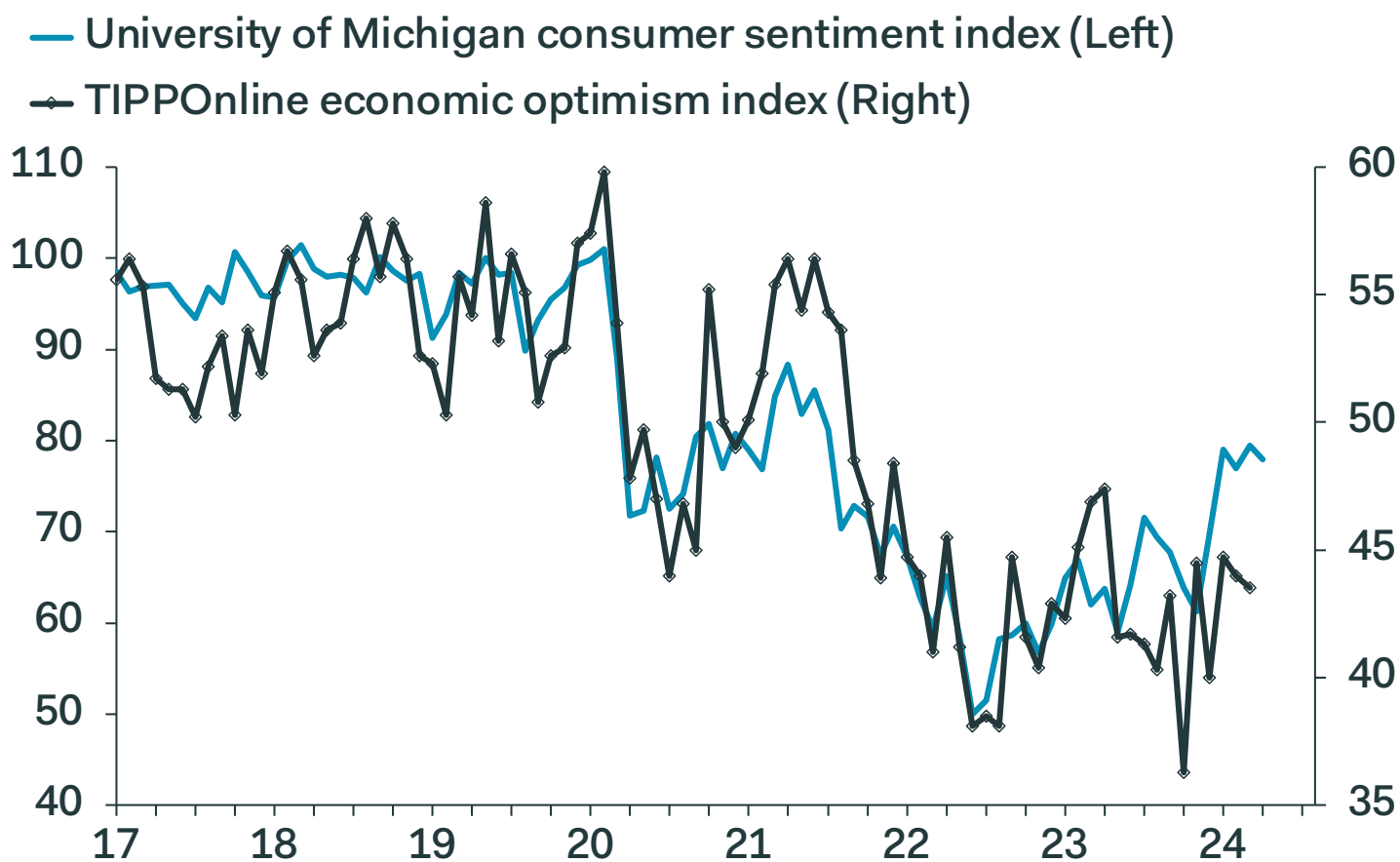
Sentiment jumped sharply across the turn of the year but has made no further net progress, despite the stock market hitting new highs. A

combination of higher gas prices and increased fears of job loss likely explains the recent deterioration, which probably will continue. The dip in the April headline index is due mostly to a 2.9-point decline in the current conditions component, with expectations down a trivial 0.4 points. The expectations index is a better guide to spending and remains consistent with robust growth in spending, but our chart shows that the relationship between the survey and the hard data is variable. Note too that

almost all the deterioration in April sentiment is among Republicans, with a small dip among independents and a small increase among Democrats. Perhaps Rs are more focussed on gas price while Ds are looking at the stock market and the payroll numbers?

Five-to-10-year inflation expectations rose to 3.0% from 2.8%, still below the top of the recent range but relatively high compared to its historical relationship with the inflation numbers. We suspect that lingering price-level

shock is keeping inflation expectations elevated. It will fade, but it will take time.



— Michigan survey expectations index (Left)

— Real consumption, y/y% (Right)



— Headline CPI, y/y% (Left)

— Michigan five-to-10 year inflation expectations, % (Right)

