

Datanote: US University Of Michigan Consumer Sentiment

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- The March Michigan consumer
sentiment index fell trivially to 76.5,
from 76.9, marginally below the

consensus, 77.1.

Consumers remain more upbeat than in 2023, despite the small deterioration in sentiment in March, which probably was due to the recent increase in gas prices. The key number in this report is the expectations index, which has a relatively close relationship with real consumption growth. It edged down to 74.6 in March, from 75.2 in February, but its Q1 average, 75.6, was the highest since Q2 2021 and consistent with real consumption growing at a

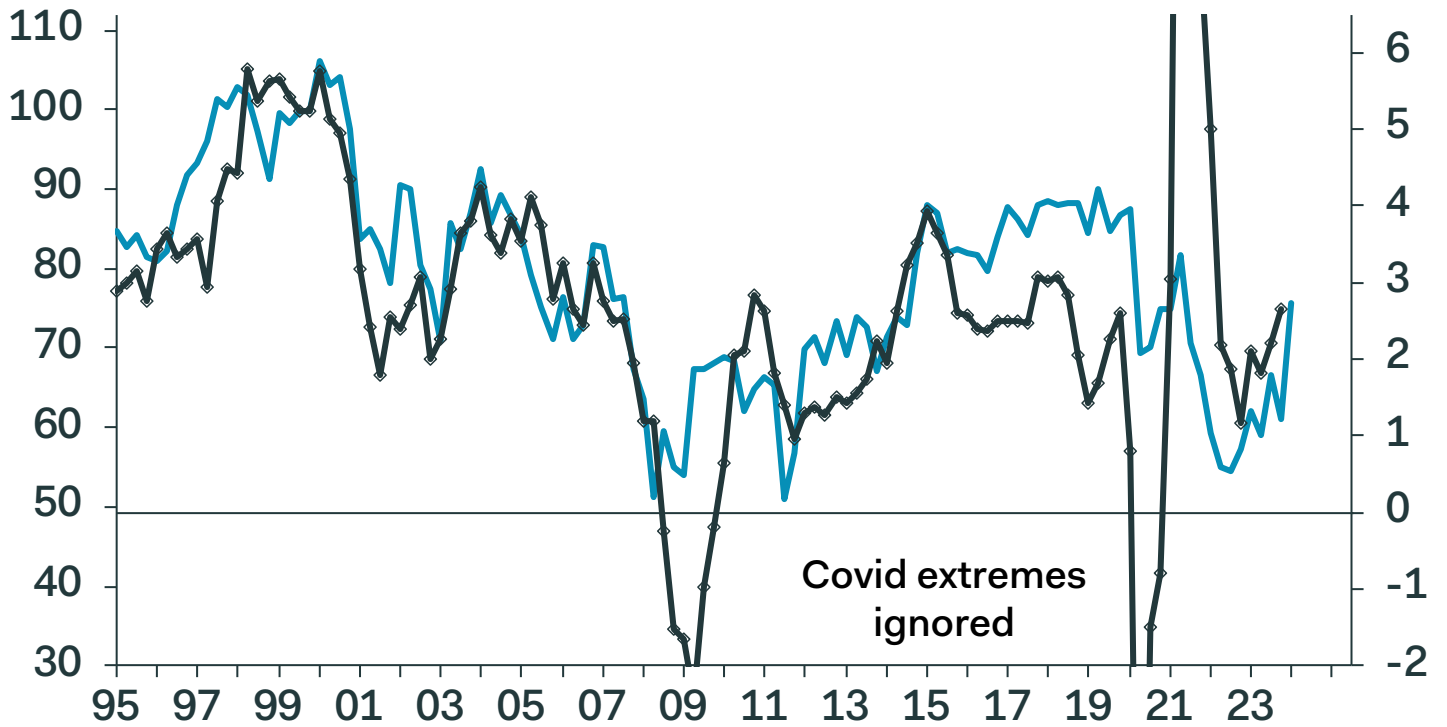
near-3% annualised rate. This index is rarely pin-point accurate, but it does provide some reassurance that quarter-to-quarter annualized growth in real consumption will not slow further, after probably fading to about 1.5% in Q1, from a downwardly-revised 2.8% in Q4. This will change, however, if the labor market deteriorates meaningfully in the spring, as some key leading indicators now suggest.

Meanwhile, consumers' expectations for inflation held steady at 3.0% for the

next year and 2.9% for the next five-to-10 years. The latter remains stuck slightly above its 2.7% average in the 2010s. The FOMC, however, does not seem unduly concerned, describing medium-to-long term measures of inflation expectations as "broadly in line with the levels seen in the decade before the pandemic" in the minutes of January's meeting. Medium-term expectations also likely will drift lower in the coming months as actual inflation makes further downward progress.

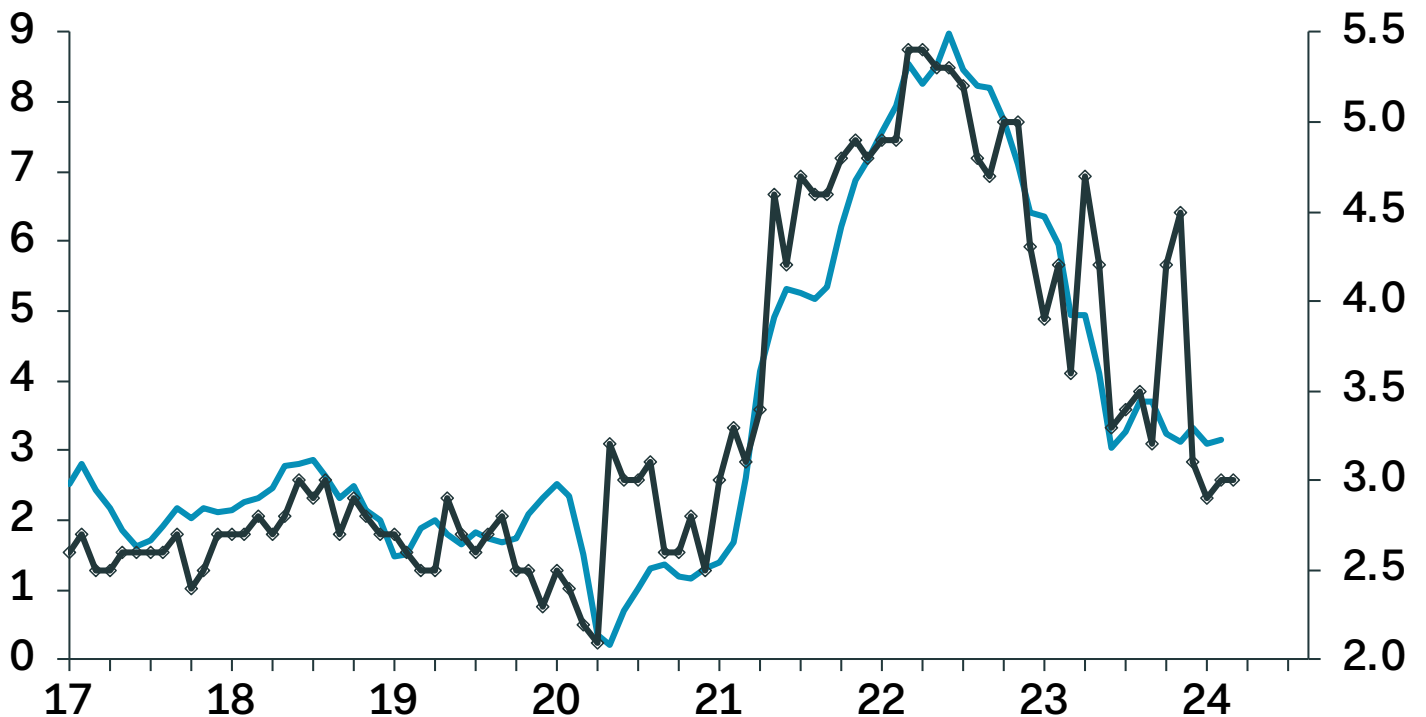
— Michigan survey expectations index, quarter average (Left)

— Real consumption, y/y% (Right)



— Headline CPI, y/y% (Left)

— Michigan one-year inflation expectations, % (Right)



— Headline CPI, y/y% (Left)

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

