

Datanote: Michigan Consumer Sentiment, February

**In one line: No winter blues for
consumers**

-The February Michigan consumer sentiment index ticked up to 79.6, from 79.0, trivially below the consensus, 80.0.

The small increase in the headline index was the third consecutive monthly rise, leaving it at the highest

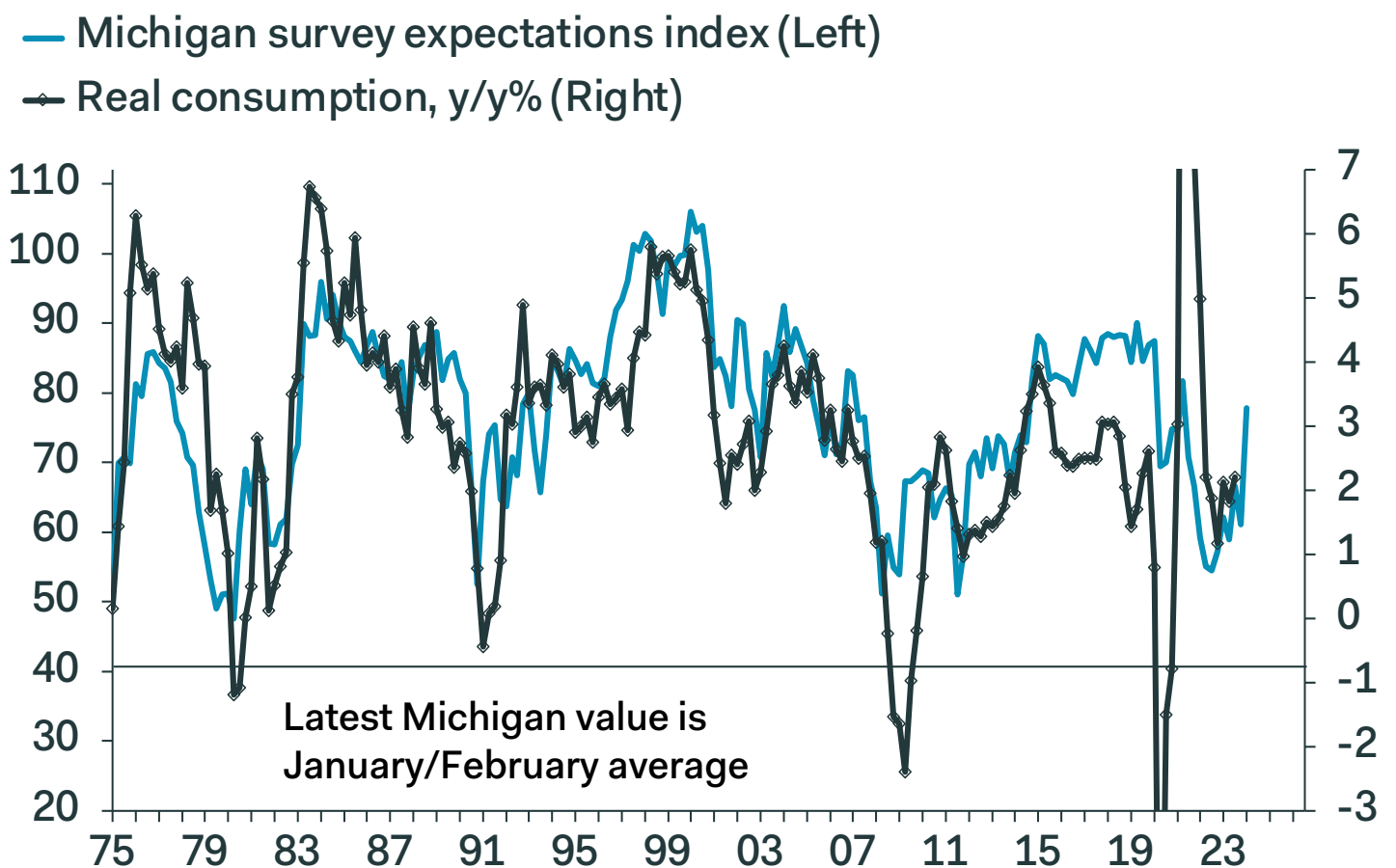
level since mid-2021. Short-term moves in the Michigan survey tend to be driven by shifts in stock and gasoline prices, and while gas prices have edged up in recent weeks stocks have continued to climb. The key number in this report is the expectations index, which is a reasonable guide to growth in consumer spending, as our first chart shows. The further uptick in the expectations index, to 78.4 from 77.1, puts the average for Q1 so far at 77.8, well above the 61.2 average in Q4. The

current conditions index of the survey dipped trivially in January, to 81.5 from 81.9.

A meaningful acceleration in consumption growth in Q1 is unlikely, given that the pace of growth in the second half of last year looked unsustainable. But the robust consumer confidence numbers provide some reassurance that yesterday's poor January retail sales report was a blip, rather than the start of a marked downturn in spending.

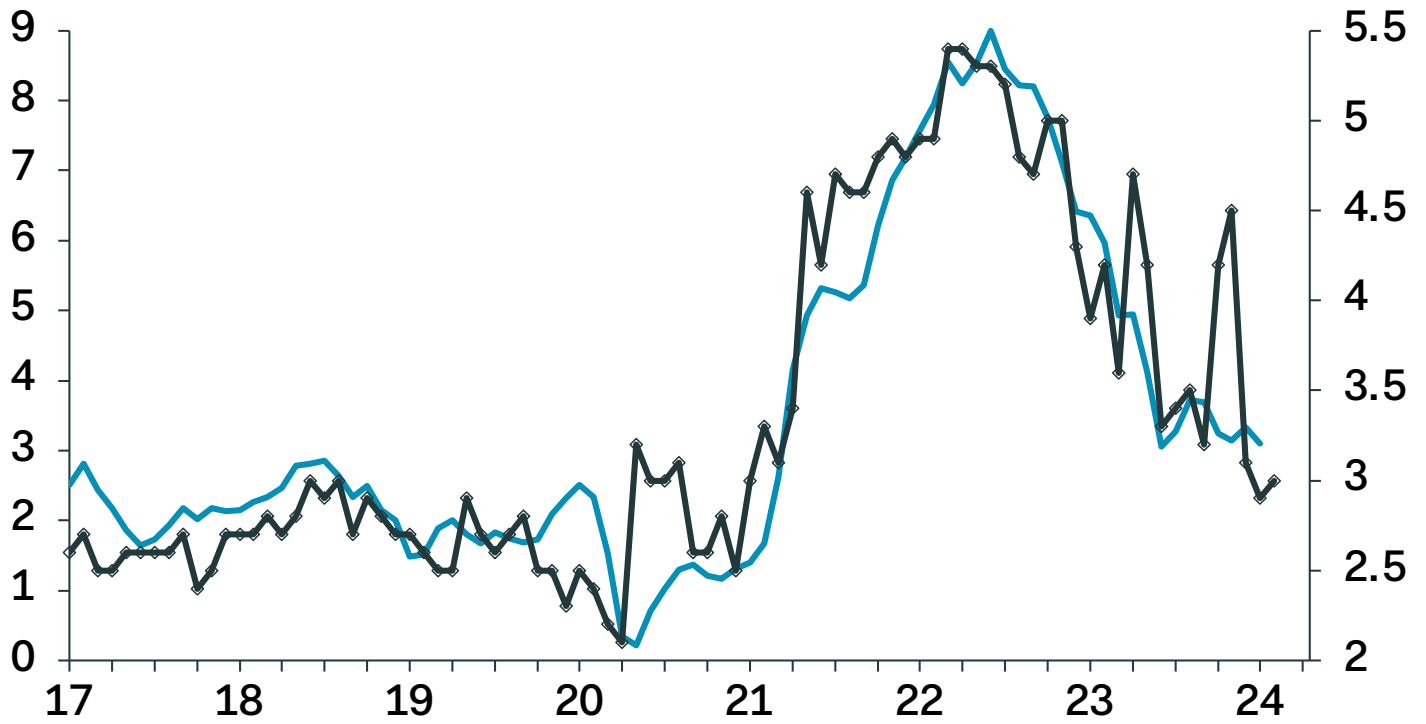
Consumers' one-year ahead expectations for inflation increased slightly, to 3.0% from 2.9%, although this measure essentially oscillates around the trend in contemporaneous CPI inflation but had undershoot recently. The measure of consumers' expectations over the next five-to-ten years, meanwhile, was unchanged at 2.9% and appears stuck some way above its pre-COVID average. That said, we suspect that those medium-term expectations will drift lower in

the coming months as actual inflation makes further downward progress.



— Headline CPI, y/y% (Left)

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



— Headline CPI, y/y% (Left)

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

