

U.S. Data Review

- Consumer sentiment: recovery in expectations after notable decline in recent months
- Long-term inflation expectations: within recent range, but low by historical standards

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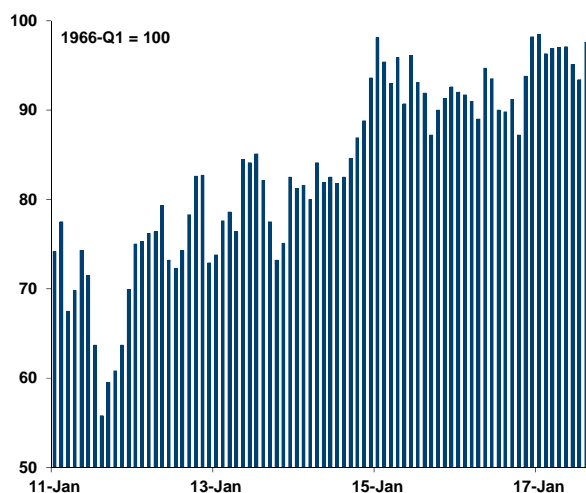
Consumer Sentiment

The Reuters/University of Michigan sentiment index jumped 4.2 index points (or 4.5 percent) to 97.6, easily beating the expected pickup to 94.0. The increase reversed slippage in the prior two months and left the level of the index only modestly below the recent peak of 98.5 in January (chart, left). While the latest result was encouraging, we view it with some skepticism. Turmoil surrounding the Trump administration has dominated the news in the past few days, and it has introduced a dose of volatility into the markets. We suspect that recent events may negatively influence the attitudes of consumers in coming weeks.

The expectations component drove the advance in the sentiment index in early August, surging 8.5 index points (10.6 percent). The increase erased back-to-back declines and left expectations near the top of the range of the current expansion and comfortably within the range of the previous expansion. In contrast, the current conditions component slipped 2.4 index points (2.1 percent), although it remained in the upper portion of both the ranges of the current and previous expansions.

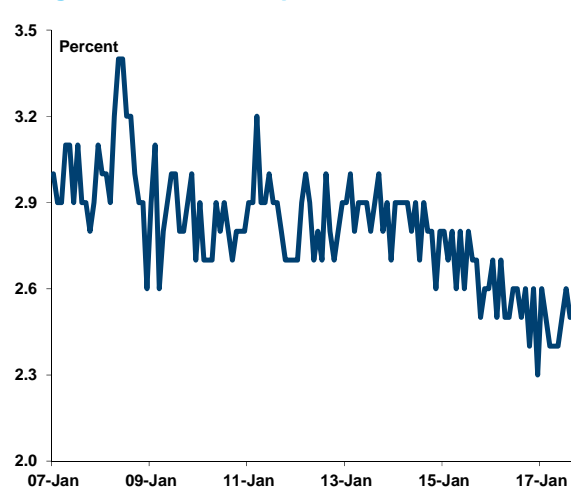
The long-term measure of expected inflation dipped 0.1 percentage point to 2.5 percent. The latest reading was within the range of recent observations, but it was low by historical standards (chart, right).

Consumer Sentiment



Source: Reuters/University of Michigan Survey Research Center

Long-Term Inflation Expectations*



* Expected change in prices during the next five to 10 years
 Source: Reuters/University of Michigan Survey Research Center