

## Sentiment remains shaky amongst US consumers

The University of Michigan reports that consumer sentiment remained weak as Covid's resurgence and the rising cost of living weigh on peoples' minds. Nonetheless, consumers continue to spend and with household finances and incomes in decent shape, and Covid showing signs of peaking out, we think this will continue

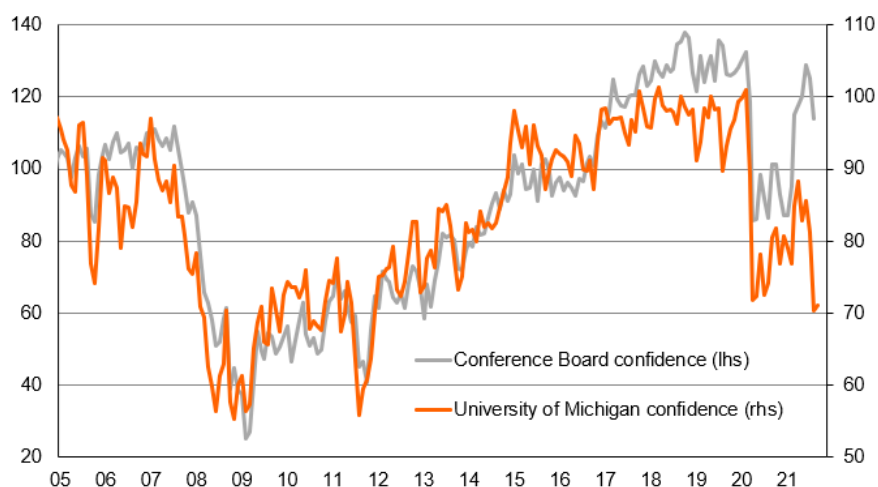


Shoppers at a technology store in Houston

### At least it didn't get worse...

The September University of Michigan consumer sentiment report has posted an underwhelming rise to 71.0 from 70.3, below the consensus 72.0 forecast. A combination of Covid resurgence and anxiety about the rising cost of living were responsible for the seventh largest ever drop in sentiment in August and the hope was that this was an outsized reaction that would be at least partially reversed. Unfortunately, all we got was a 0.7 point increase with confidence remaining weaker than in the depths of the lockdowns last year, keeping it on a par with levels last seen a decade ago.

## US consumer confidence



Source: Macrobond, ING

## Not a great time to buy... but they still keep spending

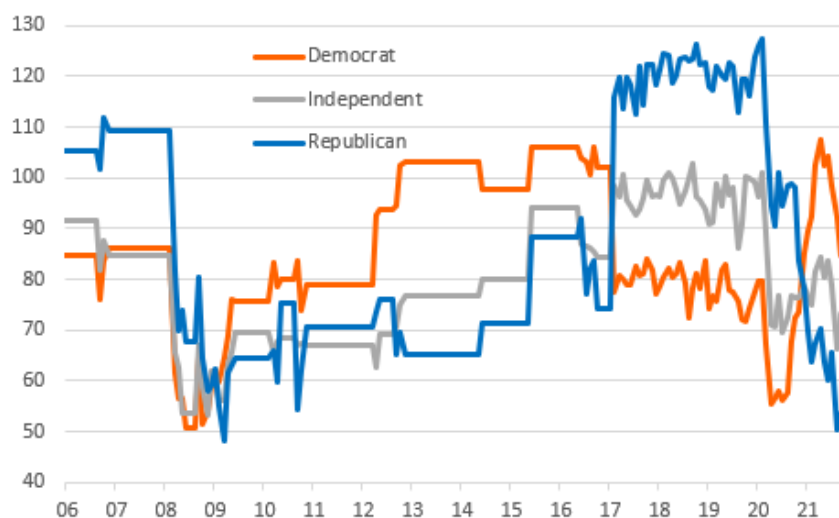
The details show the main issue is that households feel it isn't a great time to make major purchases. The "good time to buy" responses to car, home and major appliance purchases all fell sharply. Prices have certainly risen for all these things, while supply issues mean there aren't many cars or homes to buy anyway.

Yesterday's retail sales report suggests that while households may be nervous, for now they are still happy to spend more broadly. The Conference Board measure hasn't fallen anywhere near as far, which also gives us some comfort. Moreover, our hope is that with Covid case numbers now falling, we are at the bottom for sentiment and we will see a recovery in coming months. After all, household incomes are being supported by rising wages and employment gains while household finances are in good shape with stimulus payments allowing more households to build a savings buffer.

## Republicans feeling a bit better

It is always interesting to look at the political dynamics although they don't tell us much that we shouldn't already know in that Republicans never feel as upbeat when there is a Democrat president and vice-versa. However, this month we actually see a decent improvement in sentiment amongst Republicans while Democrats appear to be increasingly anxious. These sorts of things can have implications for voter turnout at elections so are always worth watching.

## Sentiment by political affiliation

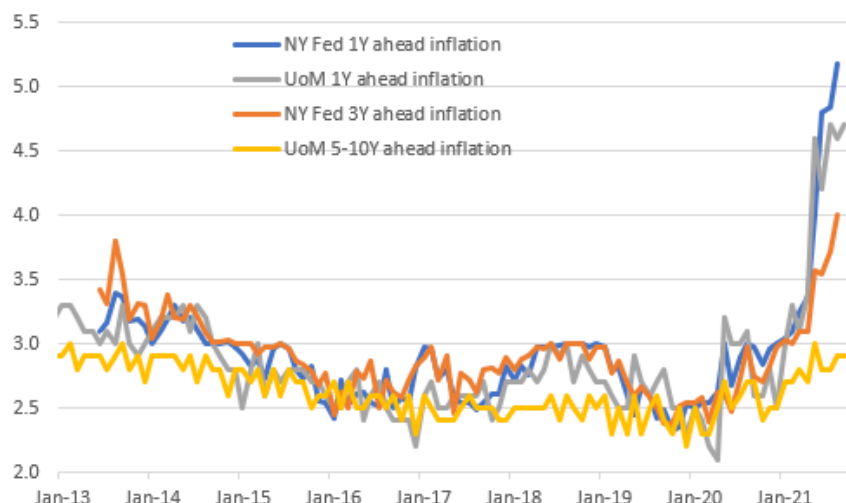


Source: Macrobond, ING

## Inflation expectations are looking less anchored

Finally, inflation expectations were little changed with 1Y ahead price rises pegged at 4.7% while 5-10Y ahead price rise expectations remain at 2.9%. The Federal Reserve continues to state that “longer-term inflation expectations remain well anchored at 2 percent” and this phrase will again be included in next Wednesday’s FOMC statement – click [here](#) for our preview. However, as the chart below shows, the surveys are suggesting that this anchor may not be quite as strong as it once was, with the Fed’s own survey conducted by the New York Fed, casting quite a bit of doubt on the Fed’s assertion.

## Consumer inflation expectations



Source: Macrobond, ING

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