

Macro Roundup Article

Headline: [What's Behind the Recent Slump in Consumer Sentiment?](#)

Article Link: <https://www.stlouisfed.org/on-the-economy/2024/jan/what-behind-recent-slump-consumer-sentiment>

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Tweet: The disconnect between strong employment numbers and consumer sentiment has likely been driven by real income growth being under its 1980-2019 average since Q1 2022; however real income growth has started to accelerate. @stlouisfed

Summary: Throughout most of the years since 1980, annual income growth and sentiment hit their peaks and troughs almost perfectly in step. Furthermore, except for a few quarters between 2001 and 2003, and again in 2016, sentiment never stayed elevated while real income growth remained below average for an extended period. Most importantly, since 2020, real personal income growth has been below its long-term average and quite significantly. Even though economic output and employment were both up in 2021, households began to experience a sharp increase in the cost of living. Rapid increases in consumer prices eroded income gains, causing real income growth to be negative in the final three quarters of 2022; more generally, real income growth has been below its long-term average since the first quarter of 2022. This run of lagging incomes may have put downward pressure on consumer sentiment starting in the second half of 2021. But, as inflation slowed and real income growth accelerated, consumer sentiment also showed signs of improving, with sentiment steadily increasing since headline inflation passed its peak in June 2022. Related: Just How Bad Is the US Cost-of-Living Squeeze? We Did the Math and Digesting Inflation and Asymmetric Amplification and the Consumer Sentiment Gap

Primary Topic: Business Cycle

Topics: Business Cycle, Database, GDP, Inflation, Op-Ed/Blog Post, Wages/Income, Workforce

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