

Macro Roundup Article

Headline: [The Pandemic Has Broken a Closely Followed Survey of Sentiment](#)

Article Link: <https://www.economist.com/graphic-detail/2023/09/07/the-pandemic-has-broken-a-closely-followed-survey-of-sentiment>

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Tweet: Since the pandemic, the University of Michigan's consumer sentiment survey has been much lower than expected based on strong economic indicators. Gloomy sentiment has not yet impacted consumer spending.

Summary: We built a statistical model to predict the monthly consumer-sentiment index between 1980 and 2016 using a broad battery of economic data. A combination of 13 variables, including inflation, unemployment and petrol prices explained 86% of the variation in the index in this period, a very good fit. Before the pandemic, the relationships between these indicators and consumer sentiment were relatively stable. Although Americans report being worried about their finances, they are behaving as flush as ever—and in economic forecasting, actions speak louder than words. When used to project future spending rather than consumer sentiment, the same battery of economic variables has fully maintained its forecasting power since 2020. In contrast, since covid began, the correlation between sentiment and both current and future spending has vanished.

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