



Consumer Sentiments VS. Economy Realities

A Longitudinal Analysis of Changing Consumer Perceptions in Relation  
to Employment

Zupeng Zeng & Troy (Shengkun) Liu

December 2025

<https://github.com/zzeng05/ZENG1-LIU2-727FINAL-scaVSeply.git>

## Socio-Economic Background

Since the Global Financial Crisis, U.S. households have experienced two unusually severe labor-market downturns—the Great Recession of 2008–2009 and the COVID-19 recession in 2020—plus a long, uneven recovery in between. These shocks were accompanied by historically large swings in both objective indicators such as the unemployment rate and subjective indicators such as the University of Michigan Index of Consumer Sentiment.

Understanding how quickly households anticipate or react to changes in employment conditions is important for policy-makers and forecasters: if survey-based expectations move in advance of labor-market data, they could serve as an early-warning signal of recessions or turning points. Our exploratory analysis focuses on the joint evolution of consumer sentiment, expectations about unemployment over the next year, and realized unemployment and payroll job growth since 2008, a period that covers both crises and the subsequent recovery phases.

## Exploratory Data Analysis Executive Summary

- **Project Objective:** We examine whether monthly changes in consumer sentiment and unemployment expectations from the Michigan Survey of Consumers predict near-term labor-market outcomes. We test whether these shifts are associated with changes in the unemployment rate and payroll employment 1–12 months later.
- **Data Source:** Three publicly available sources: (1) Michigan Survey of Consumers tables for the Index of Consumer Sentiment (Table 1) and expected unemployment change (Table 30), scraped from the Survey’s web data archive; (2) BLS Current Population Survey (CPS) unemployment rate series (LNS14000000); (3) BLS Current Employment Statistics (CES) total non-farm employment series (CES0000000001), from which we construct monthly job changes. All series are monthly across 2008–2025.
- **Data Reliability:** Sentiment and expectations measures are nationally representative but subject to sampling error and mode and nonresponse bias. CPS unemployment rate and CES payroll employment are federal statistics with consistent, transparent methodology. These sources support descriptive and predictive analysis but not causal inference.
- **Theme Emerged:** Broad sentiment aligns with major business-cycle shifts but has weak links to near-term unemployment or job growth. By contrast, expected unemployment shows a clearer negative relationship with actual unemployment changes 3–12 months later: when more respondents expect unemployment to rise, it generally does, though predictability is modest.
- **Limitations of the Analysis:** The analysis is descriptive and restricted to 2008–2025. We do not control for other macroeconomic factors. Lead–lag correlations rely on overlapping horizons, limiting inference. Survey measures are treated as error-free despite sampling and measurement noise. Without structural models, results reflect correlation, not causation.

## Research Questions

- Do monthly changes in the Index of Consumer Sentiment anticipate short-run changes in the unemployment rate and payroll employment, and if so, at what lead times?
- Do qualitative expectations about unemployment have predictive content for subsequent changes in the unemployment rate, beyond what is captured by the aggregate sentiment index more directly?

## Data Source & Assumptions

Our primary predictors come from the University of Michigan Survey of Consumers. We programmatically request historical tables through the Survey's web interface, using a small wrapper function to POST table numbers, years, and frequency parameters and then parse the resulting HTML tables. Table 1 provides the headline Index of Consumer Sentiment; Table 30 provides the distribution of responses about expected change in unemployment during the next year. From Table 30 we construct a "net unemployment expectation" measure equal to the percentage expecting less unemployment minus the percentage expecting more unemployment.

Outcome variables come from the BLS API. We query the CPS unemployment rate (seasonally adjusted) and CES total nonfarm employment, both at monthly frequency from 2008 onward. We compute monthly job changes as first differences in employment. Throughout, we assume that the SCA and BLS time stamps are aligned to the same reference month and that seasonal adjustment and revisions have already been applied by the source agencies. We treat the post-2008 period as a single sample, implicitly assuming that survey questions and measurement practices are stable enough over time to allow pooling.

## Data Cleaning

For the SCA tables, we first standardize column names, drop repeated header rows, and coerce month/year fields to integers. We then create a calendar date variable set to the first day of each month and convert index and share variables to numeric form, handling the occasional “DK; NA” responses as missing. For the unemployment expectations table, we compute the net expectation series and reshape the component shares into long format for visualization.

For the BLS data, we query multiple series IDs in a single API call and then unnest them into a long tibble with explicit series\_id, year, period, and value columns. We keep only monthly records (M01–M12), derive numeric month values, and again construct a date variable. We then split the long table into a CPS unemployment-rate series and a CES employment series, calculating monthly job changes from the latter. Finally, we merge the SCA and BLS datasets by date, resulting in a panel where each row corresponds to a month with consumer sentiment, unemployment expectations, unemployment rate, and employment growth aligned.

## Notable Findings

**Finding 1.** Consumer Sentiment co-moves with, but does not sharply lead, unemployment or job growth.

Across a range of leads from 0 to 8 months, smoothed dual-axis plots show that the sentiment index falls sharply during the 2008–2009 and 2020 downturns while unemployment rises and job growth turns negative (Visualization 1). However, the turning points in sentiment and the labor market often occur within a few months of each other, and the lines

do not reveal a clean, stable lead of 6–12 months by sentiment. This suggests that the headline index captures broad business-cycle conditions but has limited incremental power for timing short-run labor-market changes.

**Finding 2.** Net unemployment expectations are systematically related to future unemployment changes.

When we convert the expectations table into a net balance ('more' minus 'less' unemployment) and relate it to subsequent changes in the unemployment rate, we obtain consistently negative slopes and correlations that strengthen with the horizon (Visualization 2). For 6–12-month horizons, the correlation between net expectations and future unemployment changes reaches roughly  $-0.3$  to  $-0.4$ , and a 10-point deterioration in net expectations is associated with about a 0.3–0.5 percentage-point increase in unemployment over the following year. Although the R-Squared values are modest (around 0.10–0.18), this pattern indicates that households' specific views about unemployment contain forward-looking information.

**Finding 3.** Time-series comparisons confirm that expectations move ahead of realized unemployment around major turning points.

In time-series plots that overlay net unemployment expectations and the unemployment rate shifted forward by several months (Visualization 3), we observe that expectations often deteriorate before unemployment peaks and improve before unemployment bottoms out, especially around the 2008–2009 and 2020 episodes. The smoothed series highlight a broad inverted relationship: when a larger share of respondents expects higher unemployment, the future unemployment rate tends to be elevated. This supports the idea that expectations embed information about upcoming labor-market conditions beyond contemporaneous sentiment.

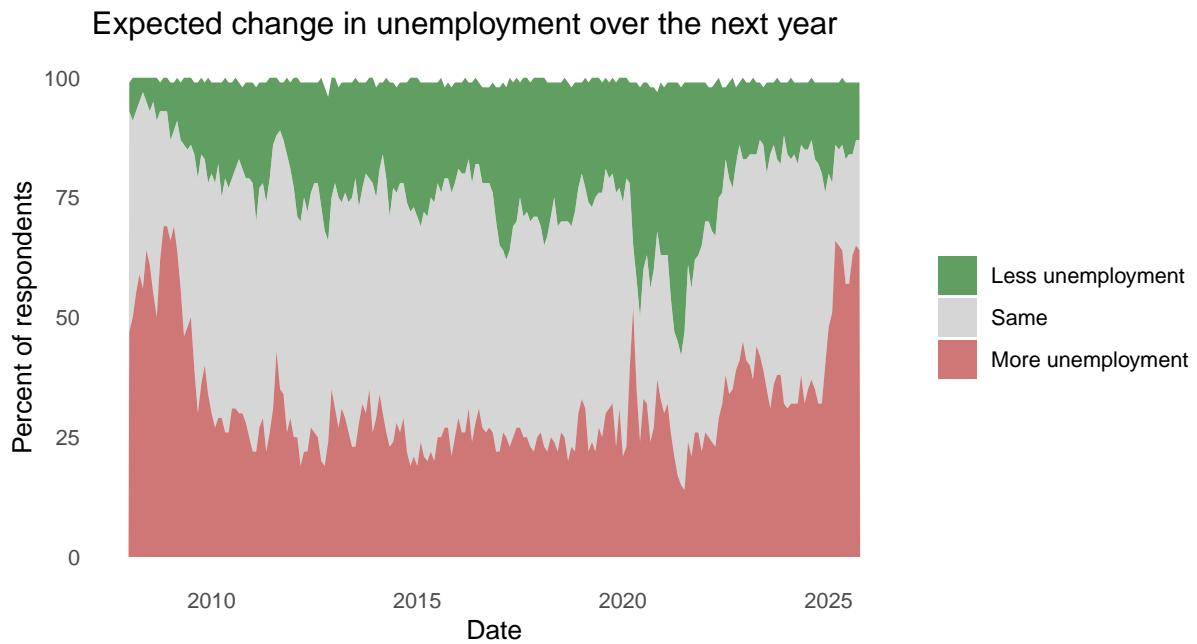
## Visualizations

### Preview of Consumer Sentiment Data

```
# A tibble: 6 x 4
  date       cs   year month
  <date>     <dbl> <int> <int>
1 2008-01-01 78.4  2008     1
2 2008-02-01 70.8  2008     2
3 2008-03-01 69.5  2008     3
4 2008-04-01 62.6  2008     4
5 2008-05-01 59.8  2008     5
6 2008-06-01 56.4  2008     6
```

### Preview of Expected Change in Unemployment During the Next Year

```
# A tibble: 6 x 8
  date      Month Year Less Same More `DK; NA` Relative
  <date>    <int> <int> <dbl> <dbl> <dbl> <dbl> <dbl>
1 2008-01-01     1 2008     6   46   47     1    59
2 2008-02-01     2 2008     9   41   50     0    59
3 2008-03-01     3 2008     7   38   55     0    52
4 2008-04-01     4 2008     5   36   59     0    46
5 2008-05-01     5 2008     3   41   56     0    47
6 2008-06-01     6 2008     5   31   64     0    41
```



- The stacked area chart shows how the composition of unemployment expectations has shifted over time. During recessions and early recovery periods, the share expecting ‘more unemployment’ rises sharply and dominates the distribution, while the share expecting ‘less unemployment’ collapses. In expansions, the pattern reverses and ‘same’ or ‘less unemployment’ responses become more common. These swings suggest that respondents’ unemployment expectations are highly cyclical and therefore promising candidates for leading indicators.

## Preview of BLS Data - Unemployment Rate and Job Change

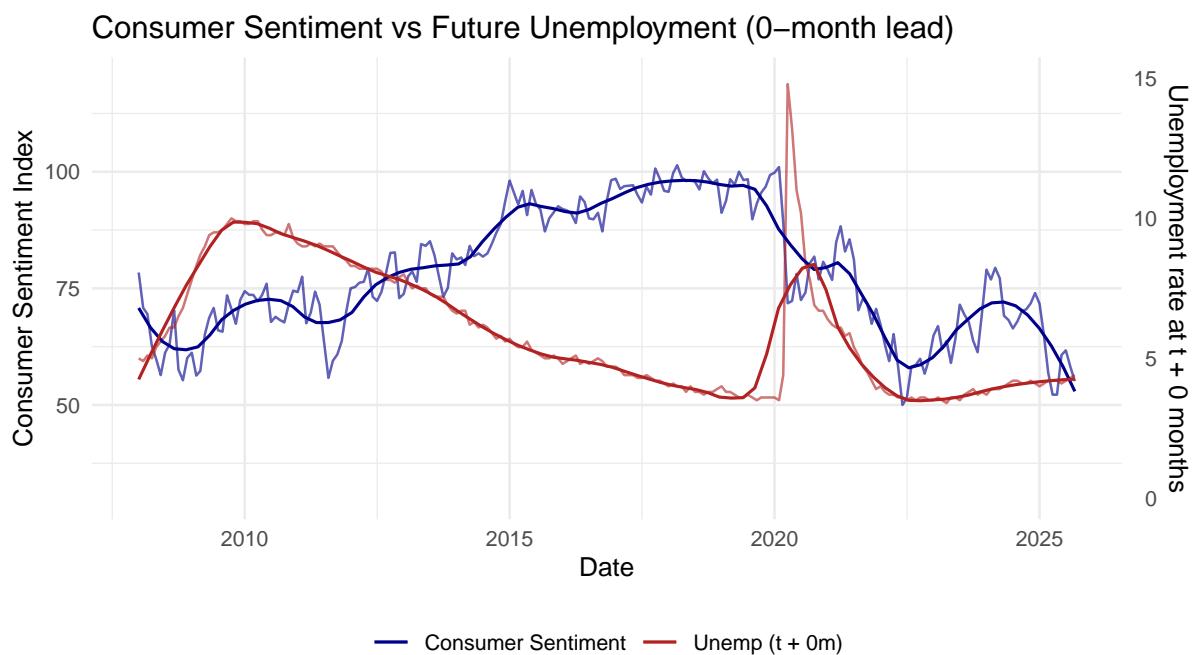
```
# A tibble: 6 x 2
  date      unrate
  <date>    <dbl>
1 2008-01-01     5
2 2008-02-01    4.9
3 2008-03-01    5.1
4 2008-04-01     5
5 2008-05-01    5.4
6 2008-06-01    5.6

# A tibble: 6 x 3
  date      nonfarm_emp job_change
  <date>    <dbl>        <dbl>
1 2008-01-01   138391        NA
2 2008-02-01   138327       -64
3 2008-03-01   138257       -70
4 2008-04-01   138038      -219
5 2008-05-01   137851      -187
6 2008-06-01   137698      -153
```

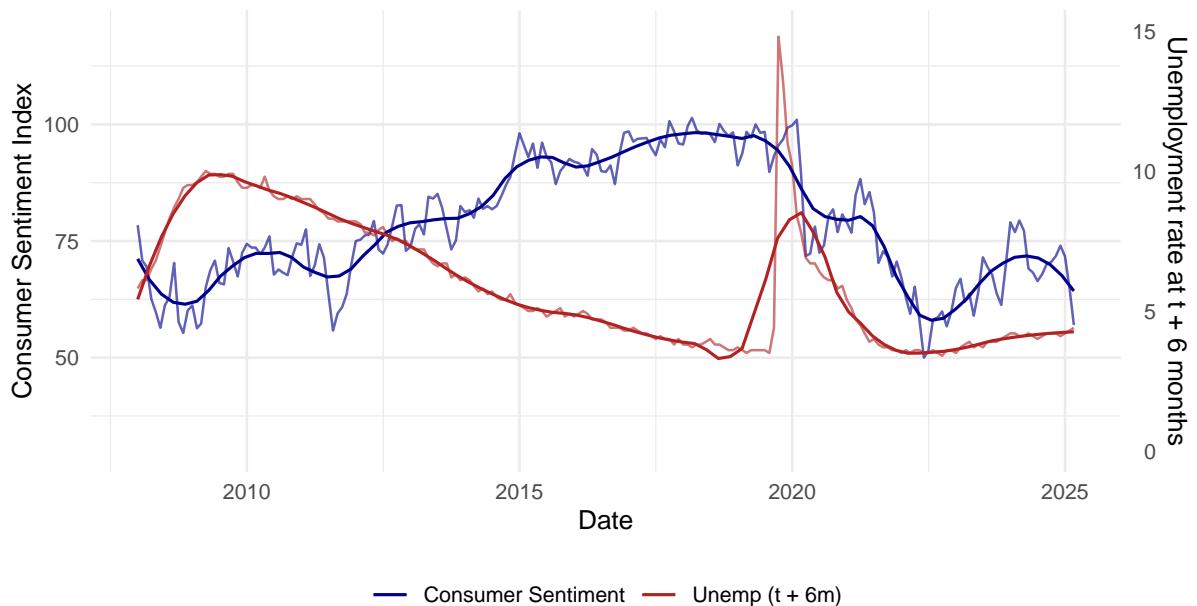
## Visualization 1. Lagged Time-Series of Consumer Sentiment & Unemployment Rate/Job Change

### Preview of Merged Monthly Aligned Macro Data

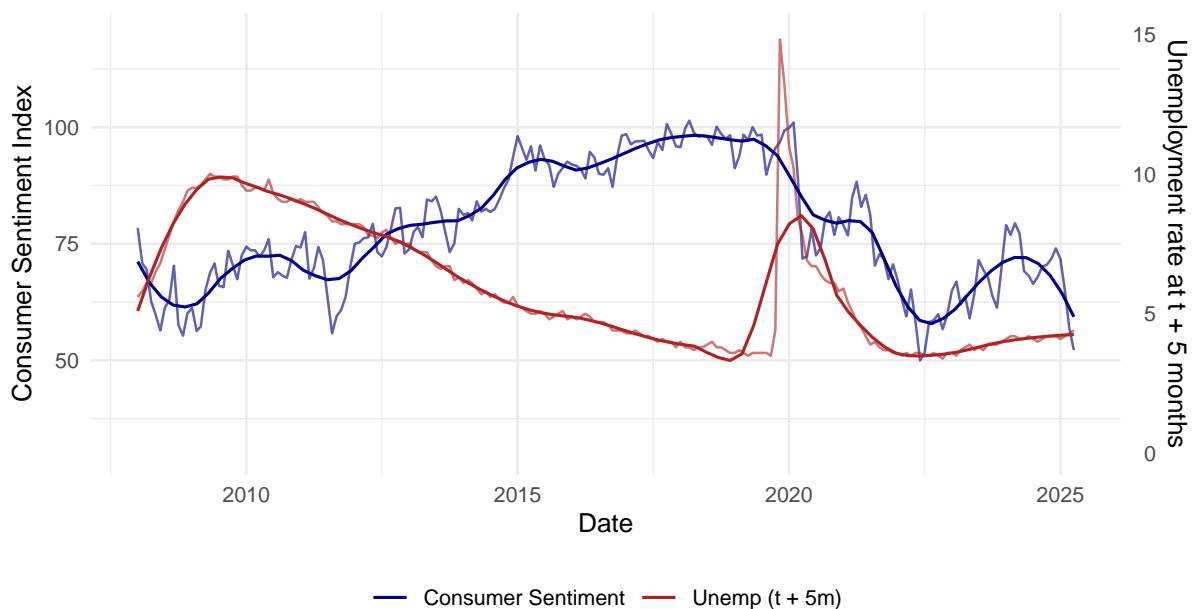
```
# A tibble: 6 x 5
  date          cs  unrate nonfarm_emp job_change
  <date>     <dbl>   <dbl>      <dbl>      <dbl>
1 2008-01-01  78.4     5.0    138391       NA
2 2008-02-01  70.8     4.9    138327     -64
3 2008-03-01  69.5     5.1    138257     -70
4 2008-04-01  62.6     5.0    138038    -219
5 2008-05-01  59.8     5.4    137851    -187
6 2008-06-01  56.4     5.6    137698    -153
```



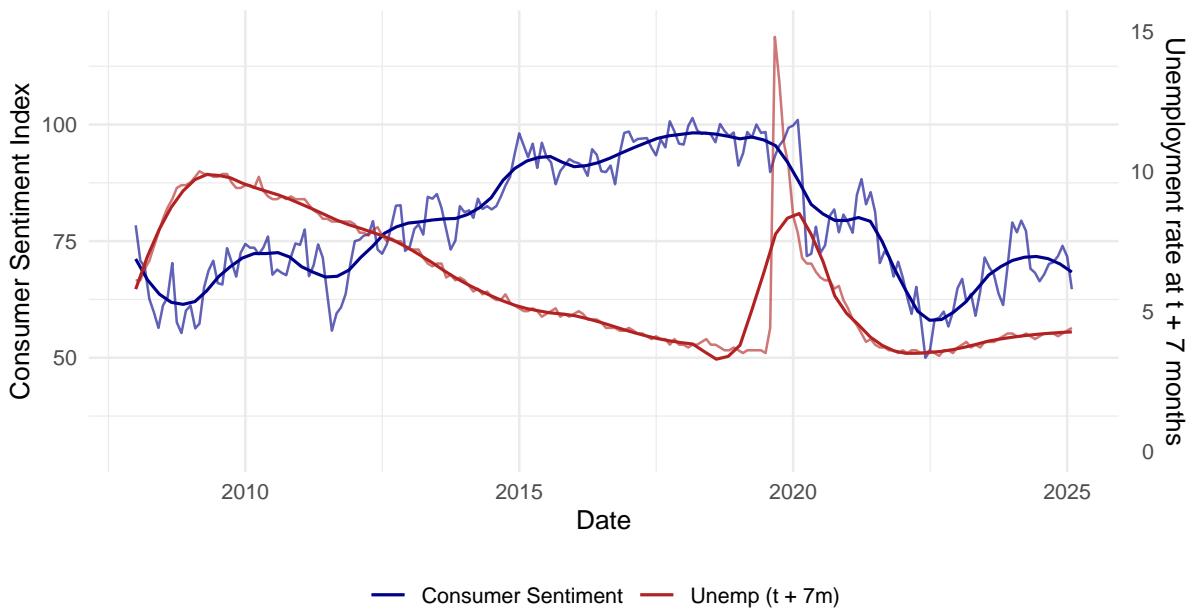
Consumer Sentiment vs Future Unemployment (6-month lead)



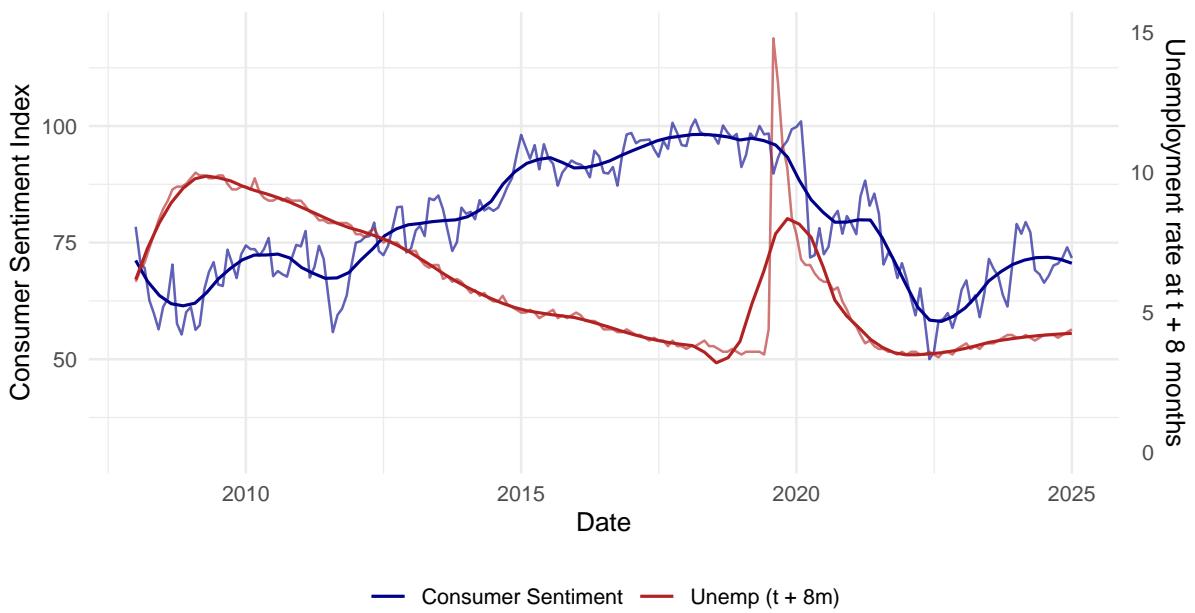
Consumer Sentiment vs Future Unemployment (5-month lead)



Consumer Sentiment vs Future Unemployment (7-month lead)



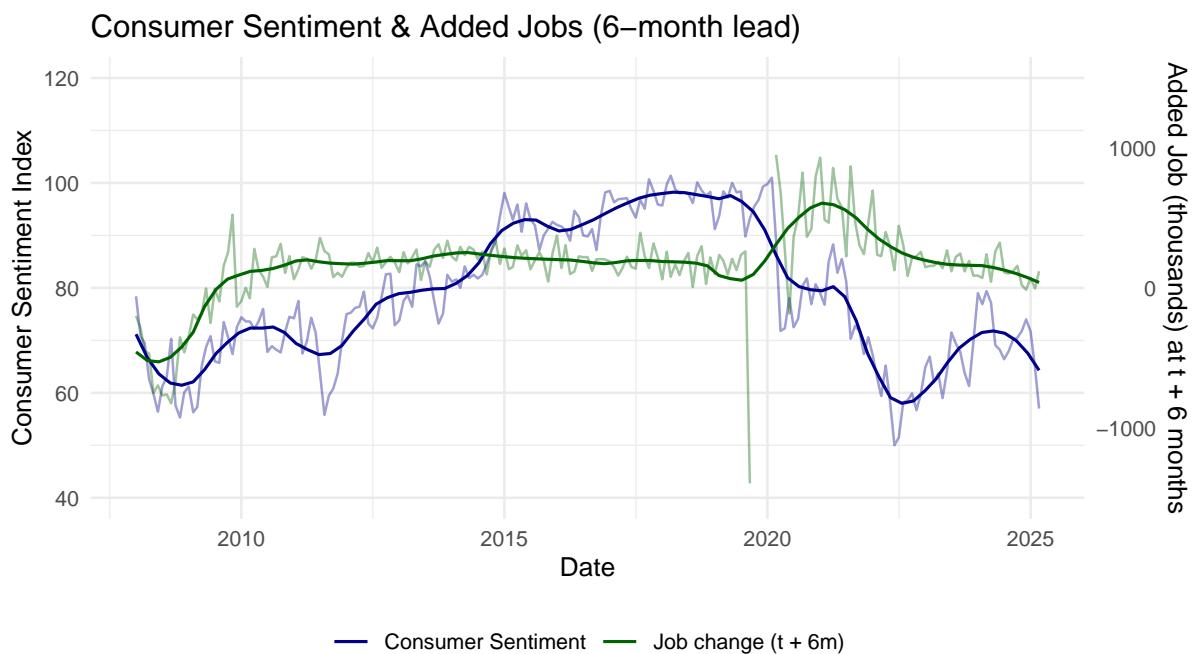
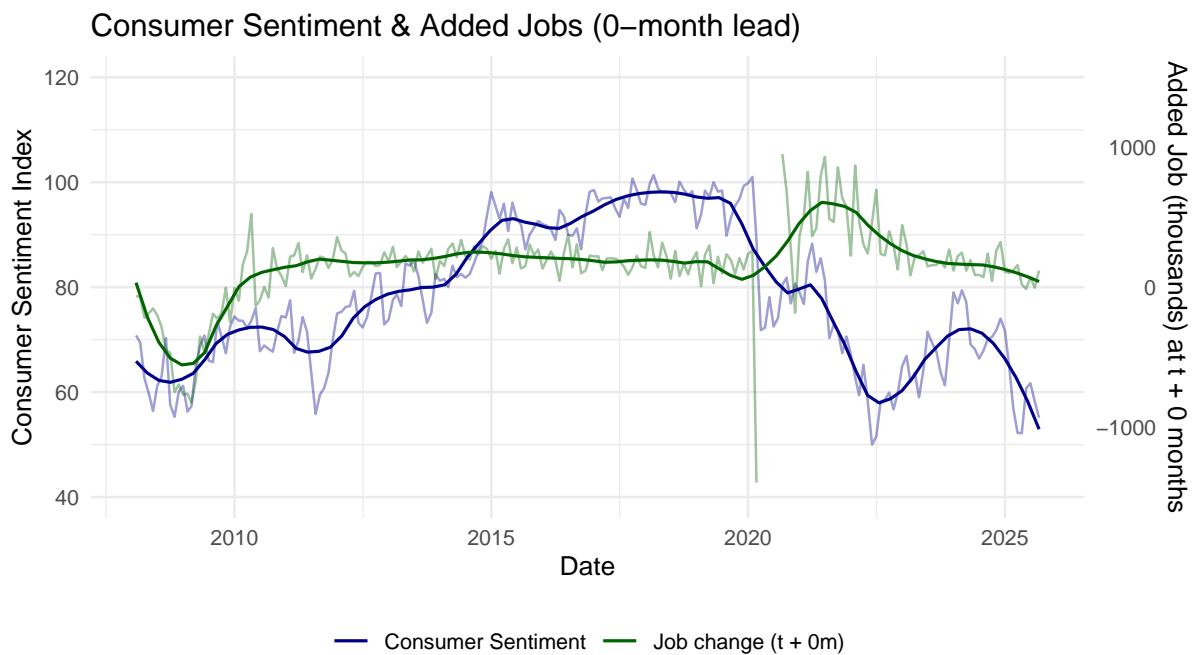
Consumer Sentiment vs Future Unemployment (8-month lead)

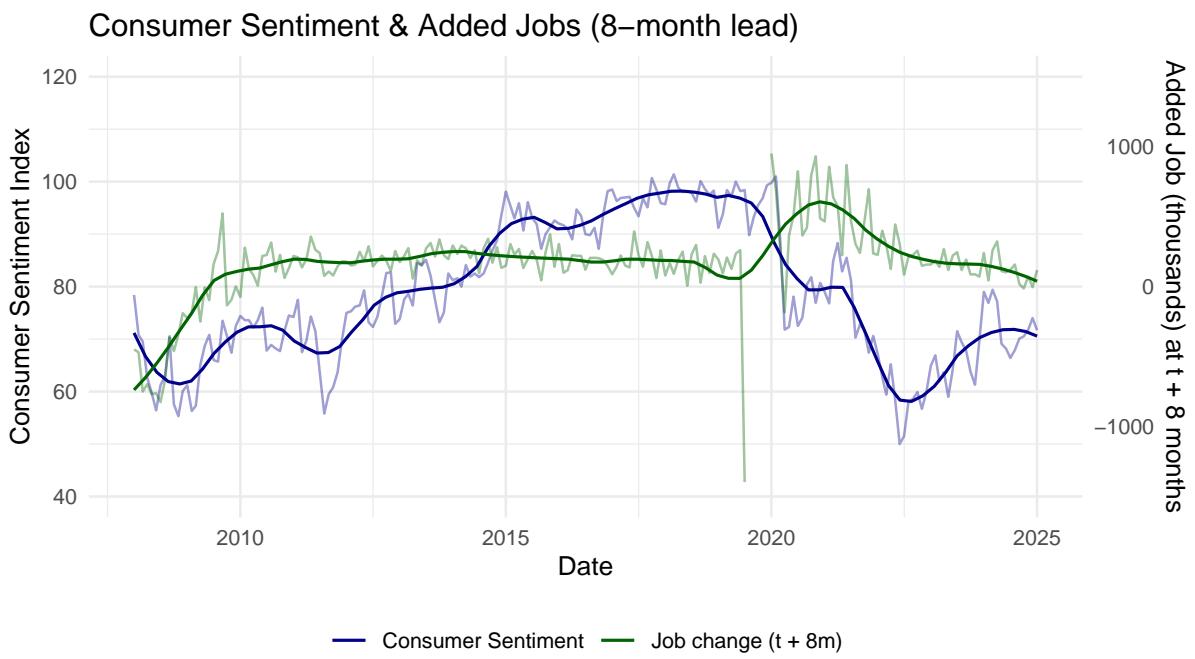
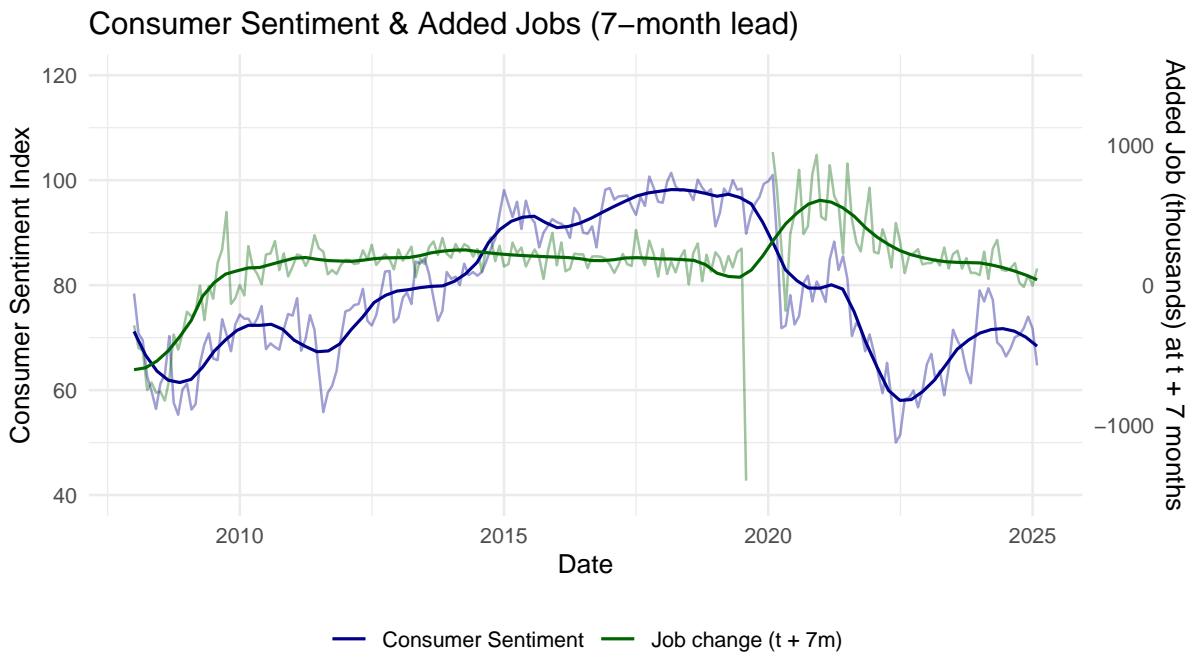


- The smoothed dual-axis plots indicate that the Consumer Sentiment Index and labor-market outcomes share broad cyclical movements: sentiment falls steeply during

the Great Recession and the COVID-19 downturn, while unemployment spikes and payroll employment contracts. However, the relative timing is not perfectly stable. In some episodes sentiment begins to fall slightly before the unemployment rate rises, but in others the two move almost simultaneously. Likewise, job growth improves as sentiment recovers, but the relationship is noisy at monthly frequency.

- We overlay light raw lines with LOESS-smoothed curves to reduce monthly volatility and emphasize medium-run swings. Smoothing helps reveal that the major peaks and troughs of unemployment typically lag the troughs and peaks of sentiment by several months, but also makes clear that there is no single ‘magic’ lag that fits the entire sample.
- Overall, the level of consumer sentiment appears more contemporaneous than decisively leading with respect to unemployment and job growth. Sentiment is clearly informative about whether the economy is in a good or bad state, but it does not on its own deliver precise short-term forecasts of the labor market.





- When we compare sentiment to future payroll job changes, the sign of the relationship is intuitive—low sentiment is associated with large job losses, and high sentiment with

job gains—but the association is again diffuse. Around 2008–2009 and 2020, sharp drops in sentiment coincide with substantial negative job changes, while the subsequent recoveries in sentiment line up with strong job growth. Outside of these extreme episodes, however, the month-to-month co-movement is weaker.

- We experimented with leads from within 0 to 8 months. Short leads primarily line up with contemporaneous movements, while moderate leads of 5–8 months show that exceptionally weak sentiment often precedes periods of continued job losses. Nonetheless, the visual evidence does not point to a single optimal lead; instead, sentiment seems to anticipate the direction of labor-market conditions over the next several quarters rather than exact turning dates.
- As with the unemployment plots, we apply LOESS smoothing to both series, plotting raw lines at low opacity and smoother curves on top. This helps us see underlying trends across recessions and expansions without over-interpreting short-lived spikes in monthly payroll data.

## Visualization 2. Net expectations vs Subsequent unemployment change

From the Survey of Consumers, we also obtained the percentages of respondents who expect unemployment to be less, the same, or more during the next year, plus a small “don’t know / no answer” category. We summarize these answers in a net unemployment pessimism index defined as %More – %Less, which ranges roughly from –60 to +60 in our sample.

Positive values indicate that more people expect unemployment to rise than to fall (pessimism), while negative values indicate that more people expect unemployment to fall than to rise (optimism).

[[1]]

Net unemployment pessimism vs. 0–month unemployment change

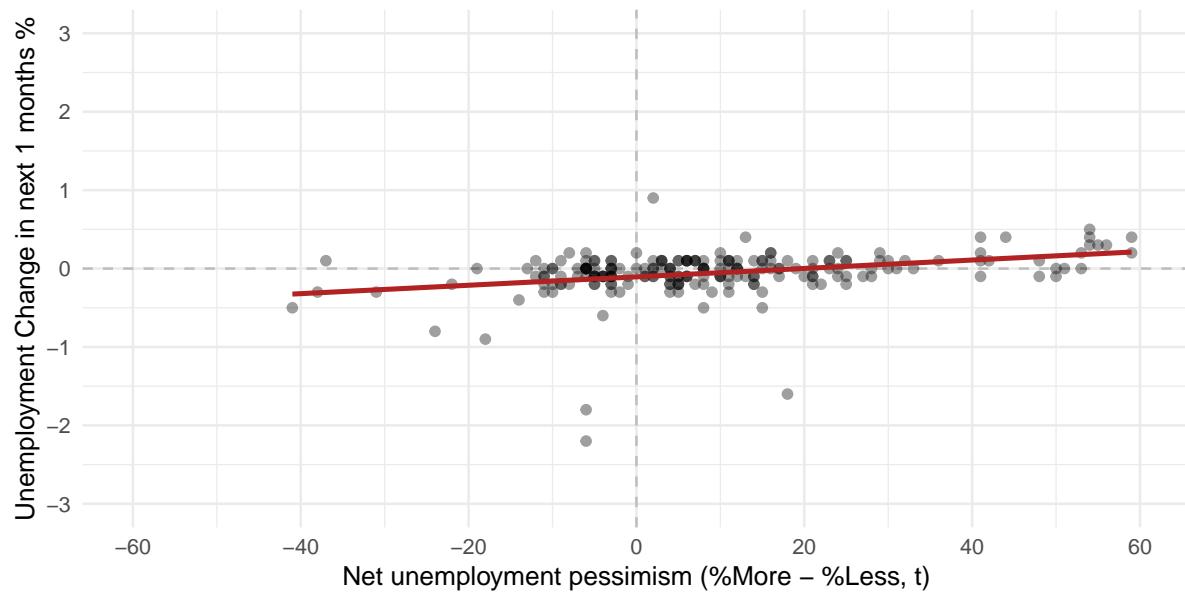
Slope .0 pp / 1-pt net pessimism, R<sup>2</sup>. NaN



[[2]]

### Net unemployment pessimism vs. 1-month unemployment change

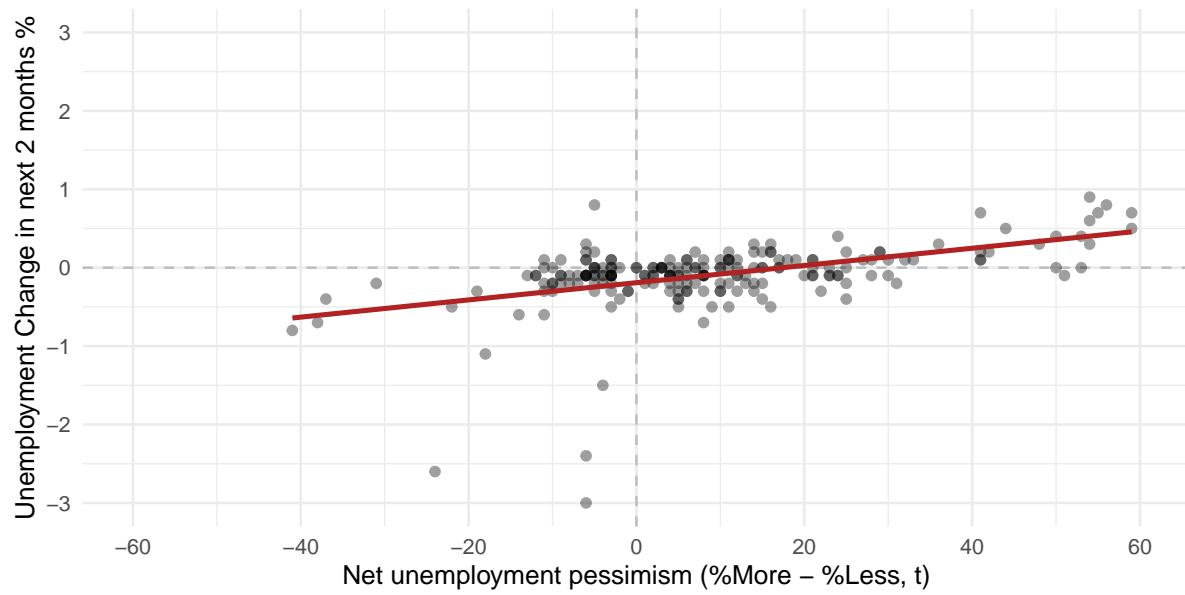
Slope . 0.007 pp / 1-pt net pessimism,  $R^2$  . 0.03



[[3]]

### Net unemployment pessimism vs. 2-month unemployment change

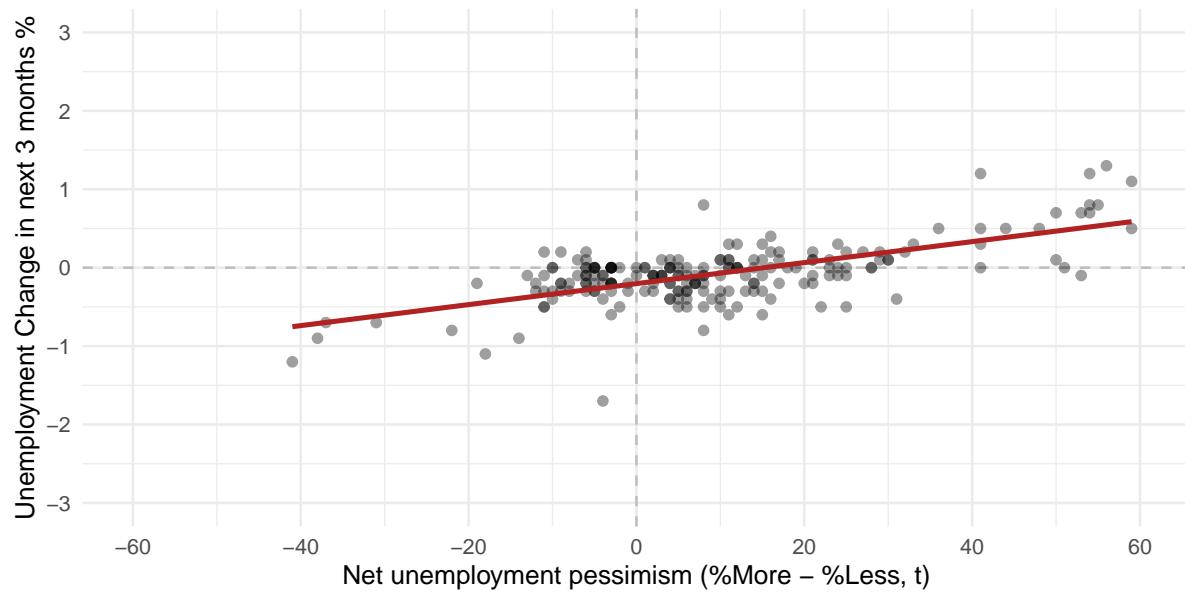
Slope . 0.011 pp / 1-pt net pessimism,  $R^2$  . 0.04



[[4]]

### Net unemployment pessimism vs. 3-month unemployment change

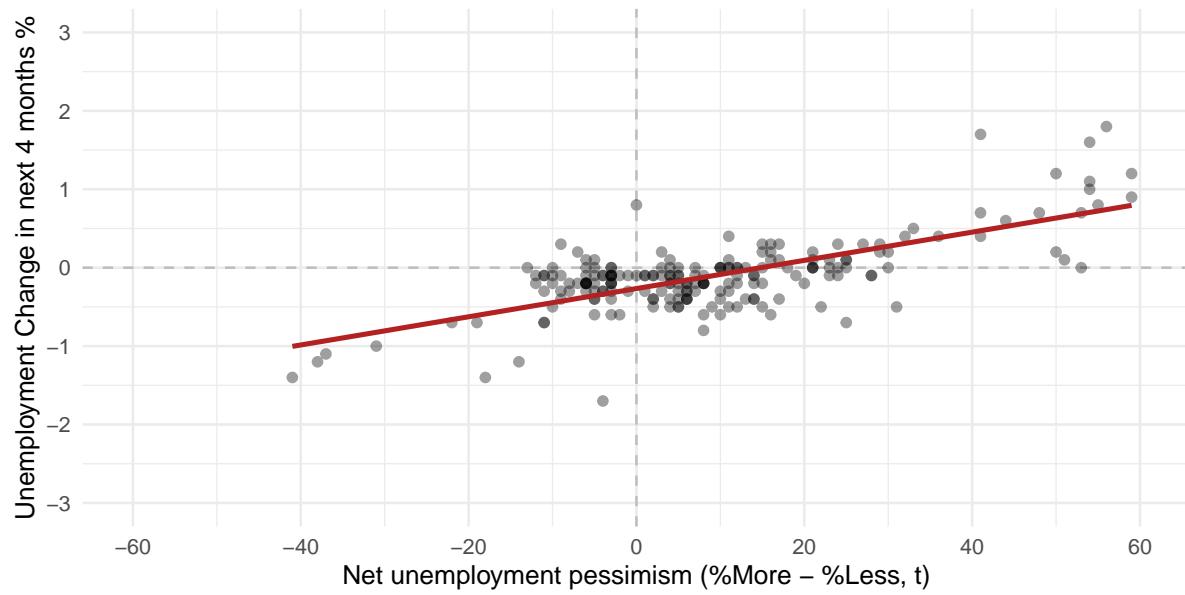
Slope . 0.014 pp / 1-pt net pessimism,  $R^2$  . 0.04



[[5]]

### Net unemployment pessimism vs. 4-month unemployment change

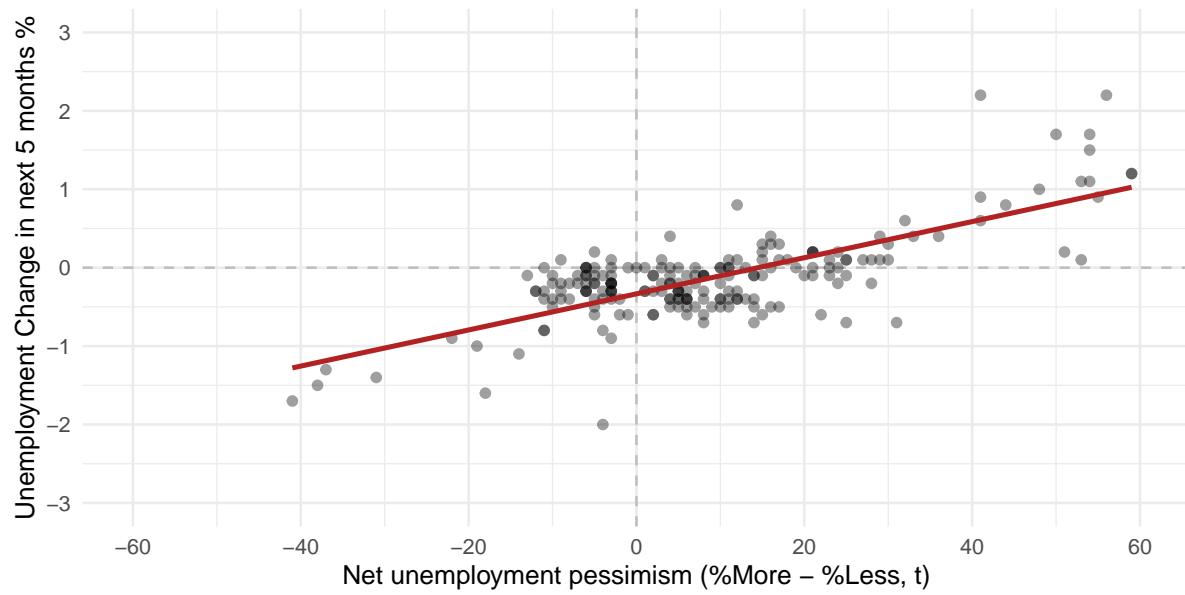
Slope . 0.02 pp / 1-pt net pessimism,  $R^2$  . 0.06



[[6]]

### Net unemployment pessimism vs. 5-month unemployment change

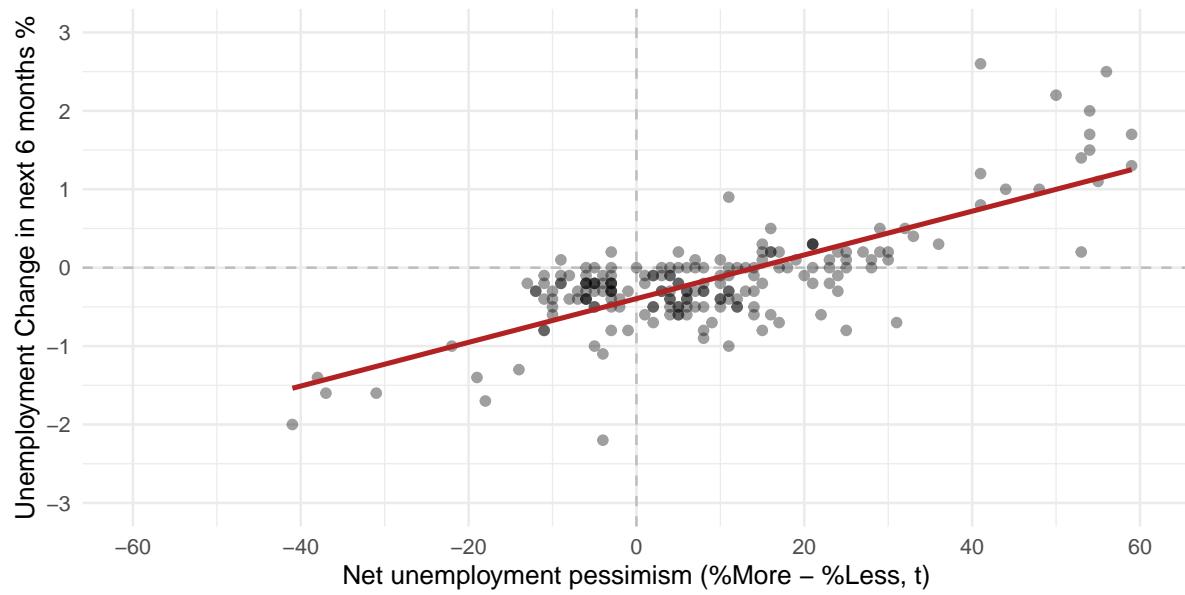
Slope . 0.024 pp / 1-pt net pessimism,  $R^2$  . 0.08



[[7]]

### Net unemployment pessimism vs. 6-month unemployment change

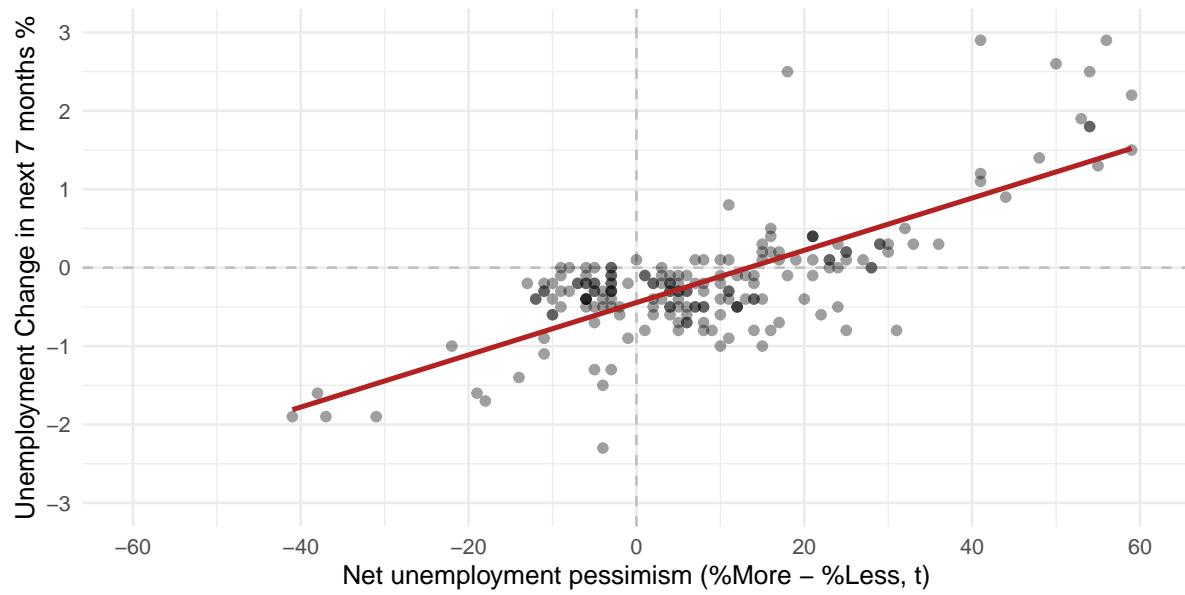
Slope . 0.03 pp / 1-pt net pessimism,  $R^2$  . 0.1



[[8]]

### Net unemployment pessimism vs. 7-month unemployment change

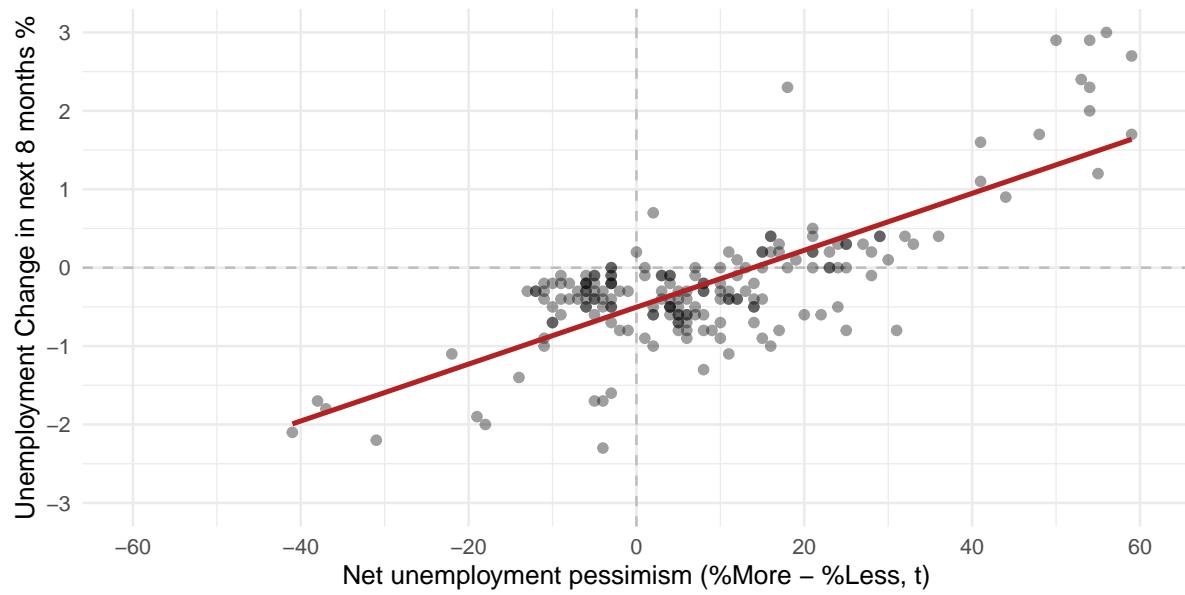
Slope . 0.035 pp / 1-pt net pessimism,  $R^2$  . 0.13



[[9]]

### Net unemployment pessimism vs. 8-month unemployment change

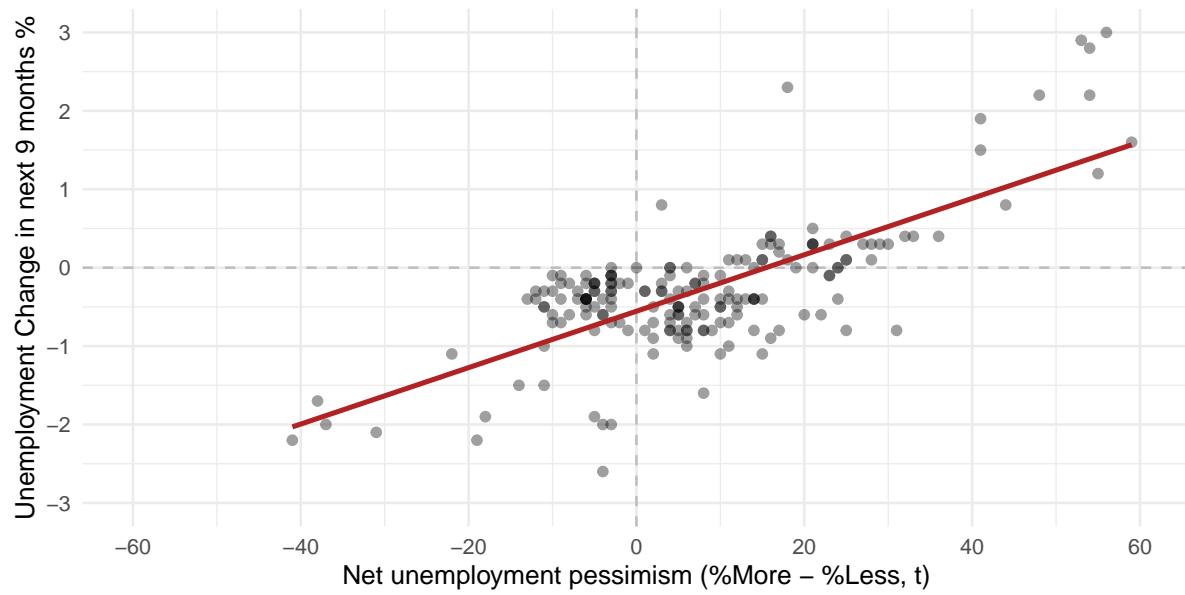
Slope . 0.04 pp / 1-pt net pessimism,  $R^2$  . 0.16



[[10]]

### Net unemployment pessimism vs. 9-month unemployment change

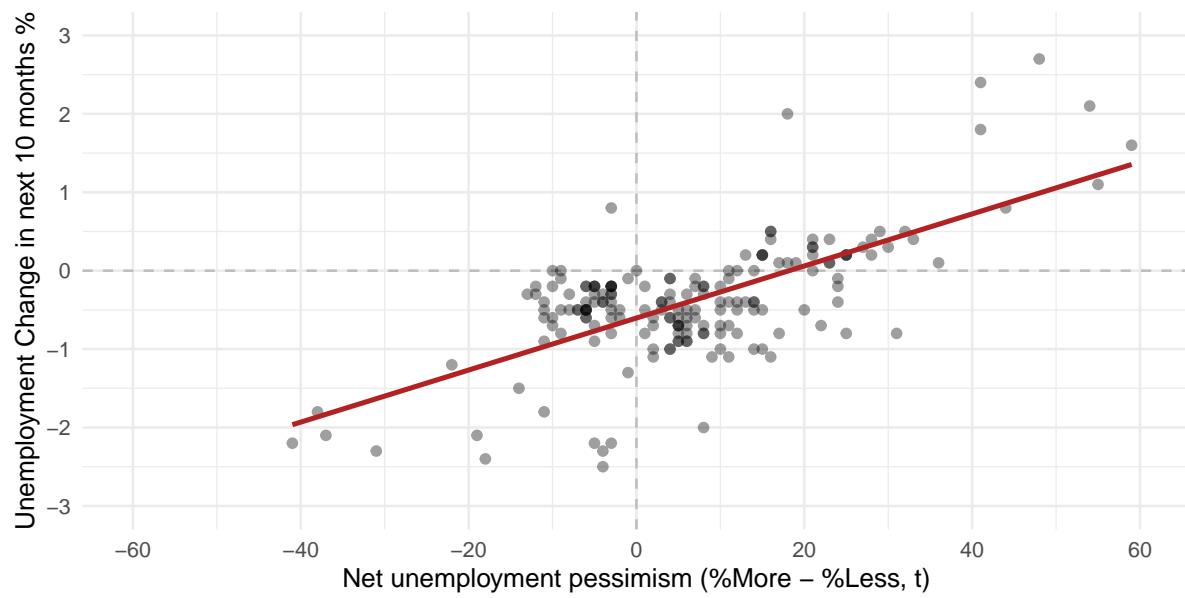
Slope . 0.043 pp / 1-pt net pessimism,  $R^2$  . 0.17



[[11]]

### Net unemployment pessimism vs. 10-month unemployment change

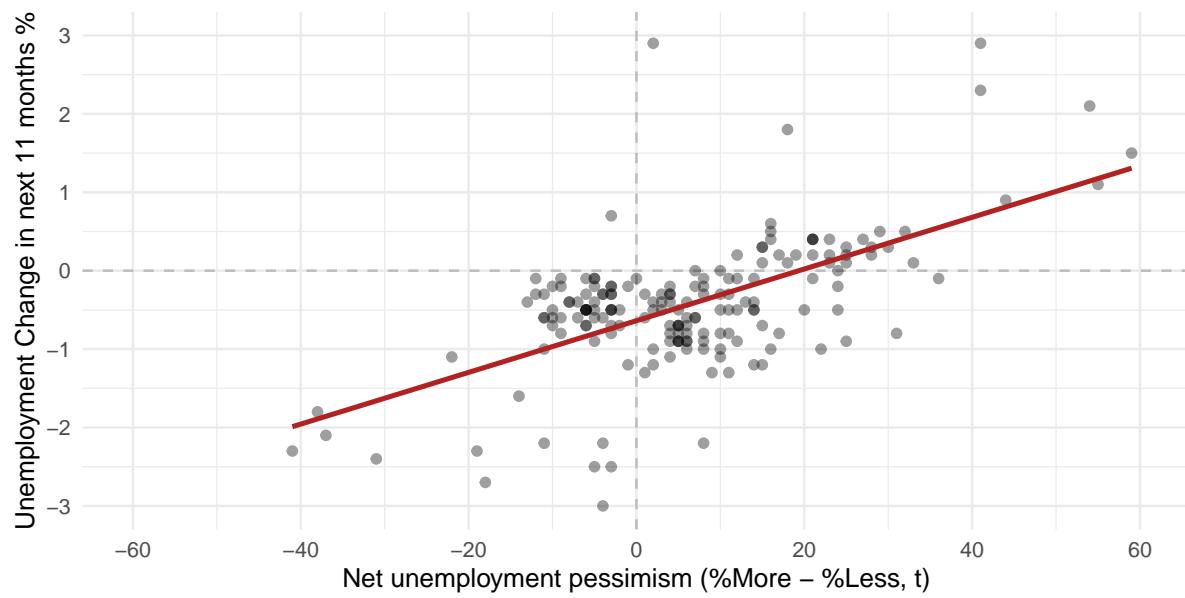
Slope . 0.045 pp / 1-pt net pessimism,  $R^2$  . 0.18



[[12]]

### Net unemployment pessimism vs. 11-month unemployment change

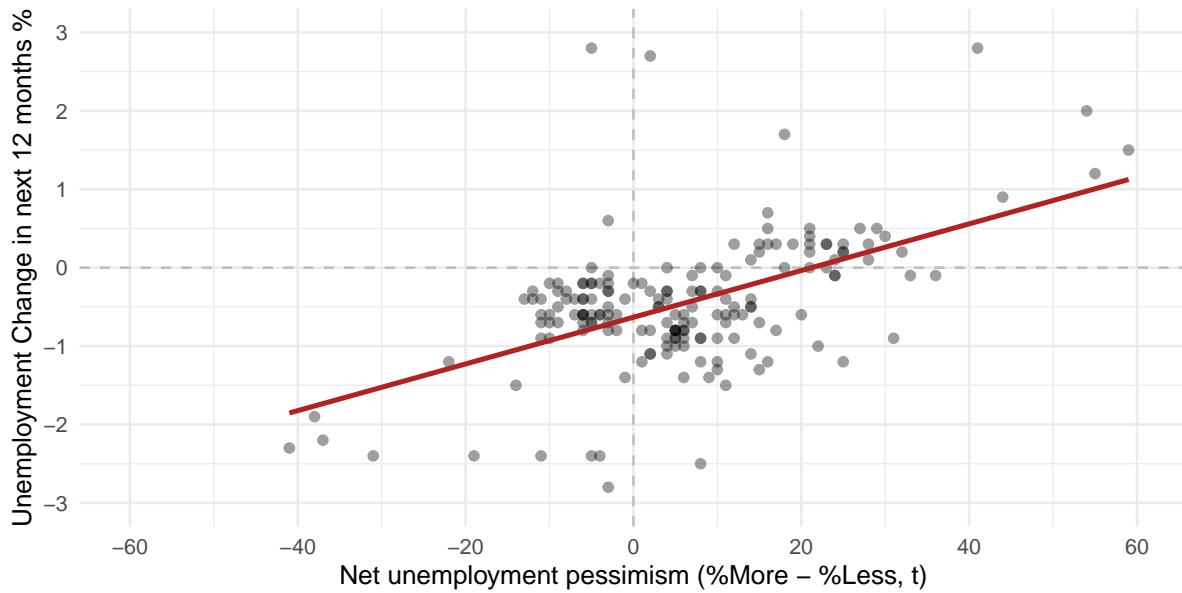
Slope . 0.047 pp / 1-pt net pessimism,  $R^2$  . 0.18



[[13]]

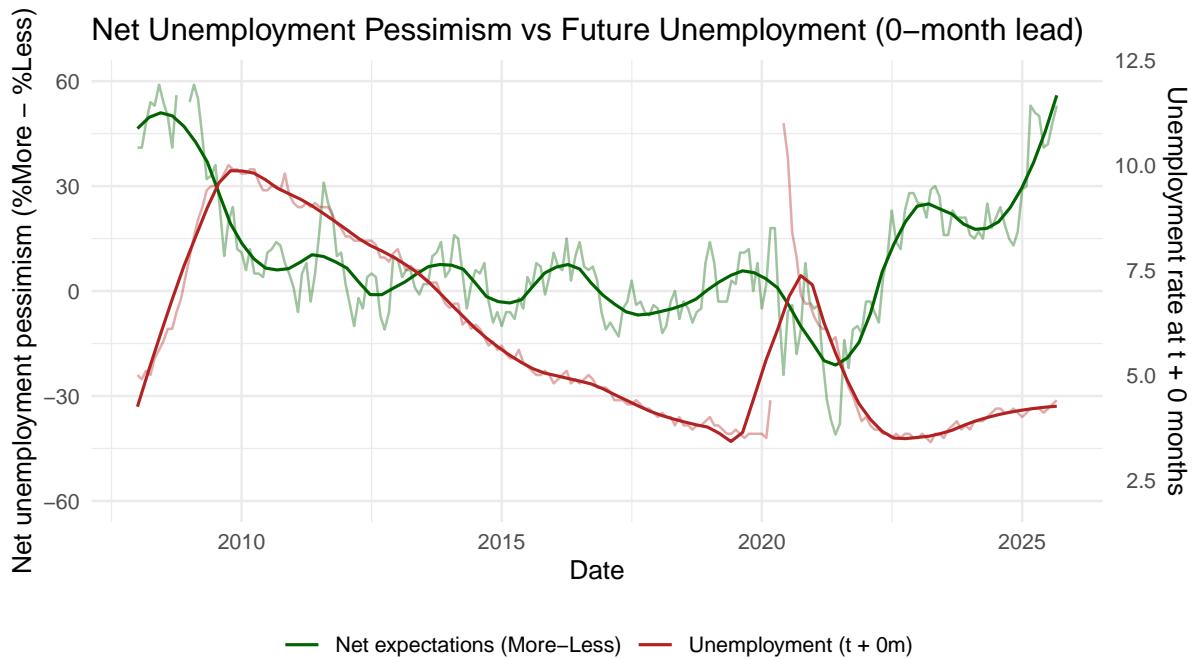
### Net unemployment pessimism vs. 12-month unemployment change

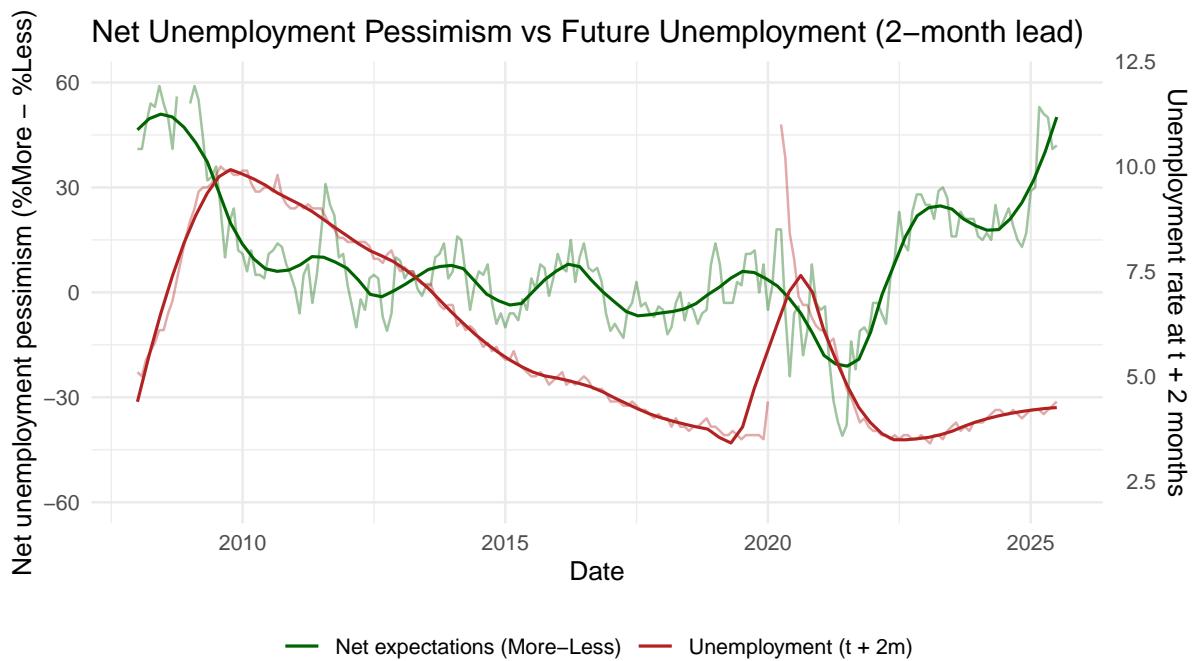
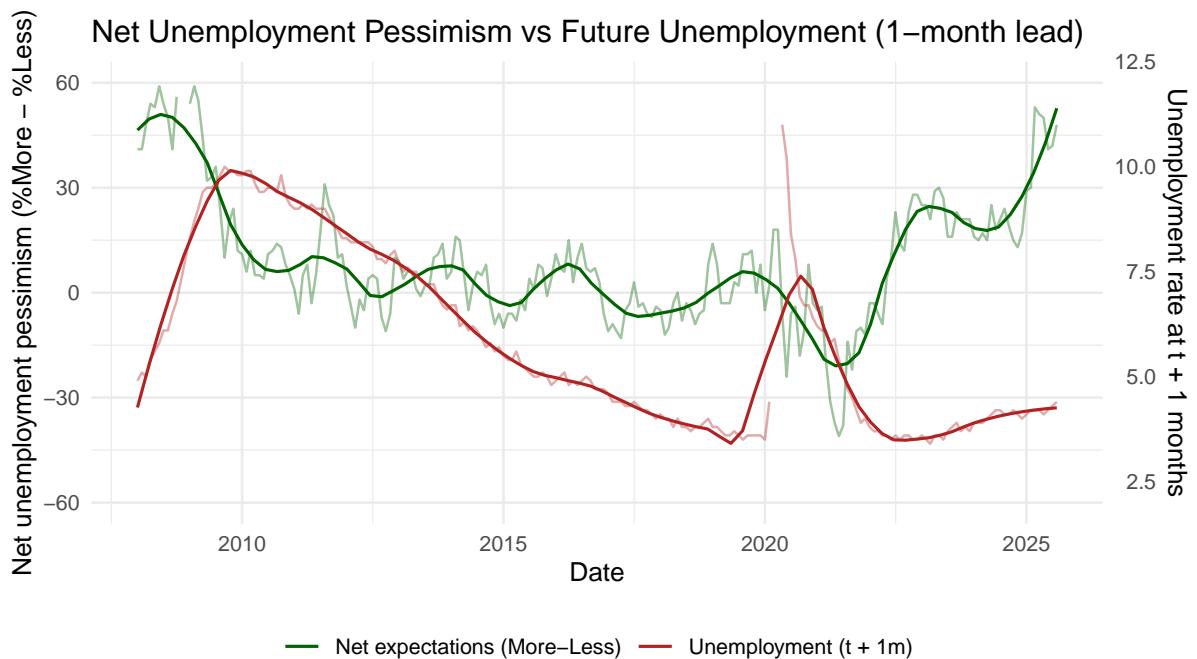
Slope . 0.048 pp / 1-pt net pessimism,  $R^2$  . 0.17

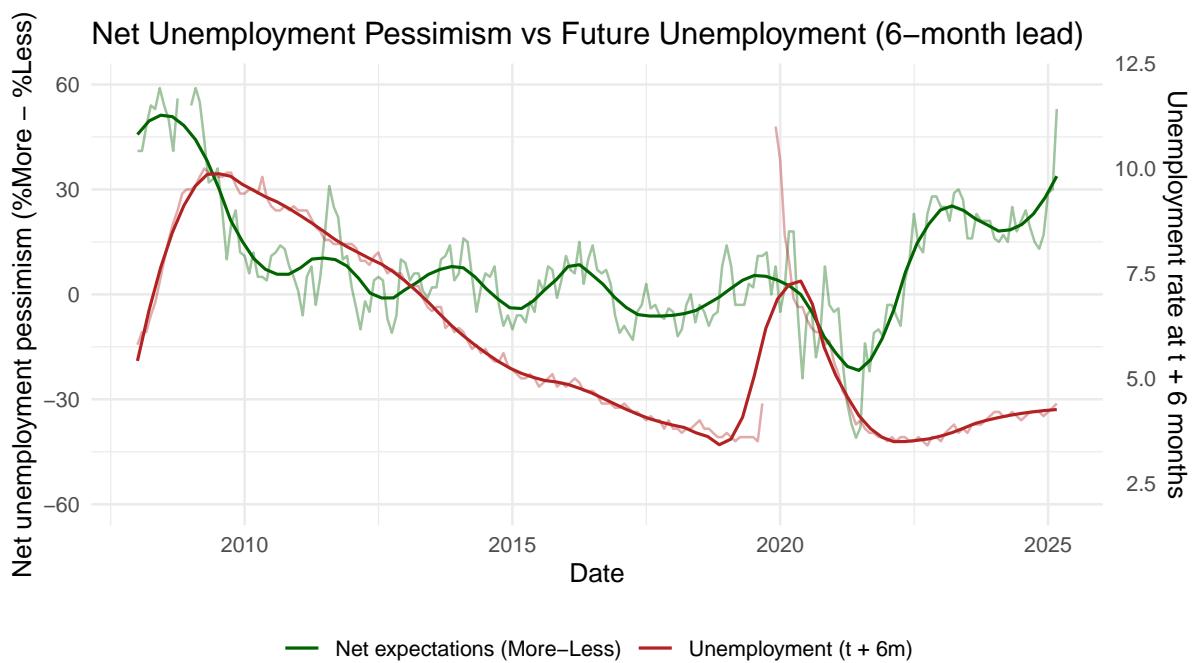
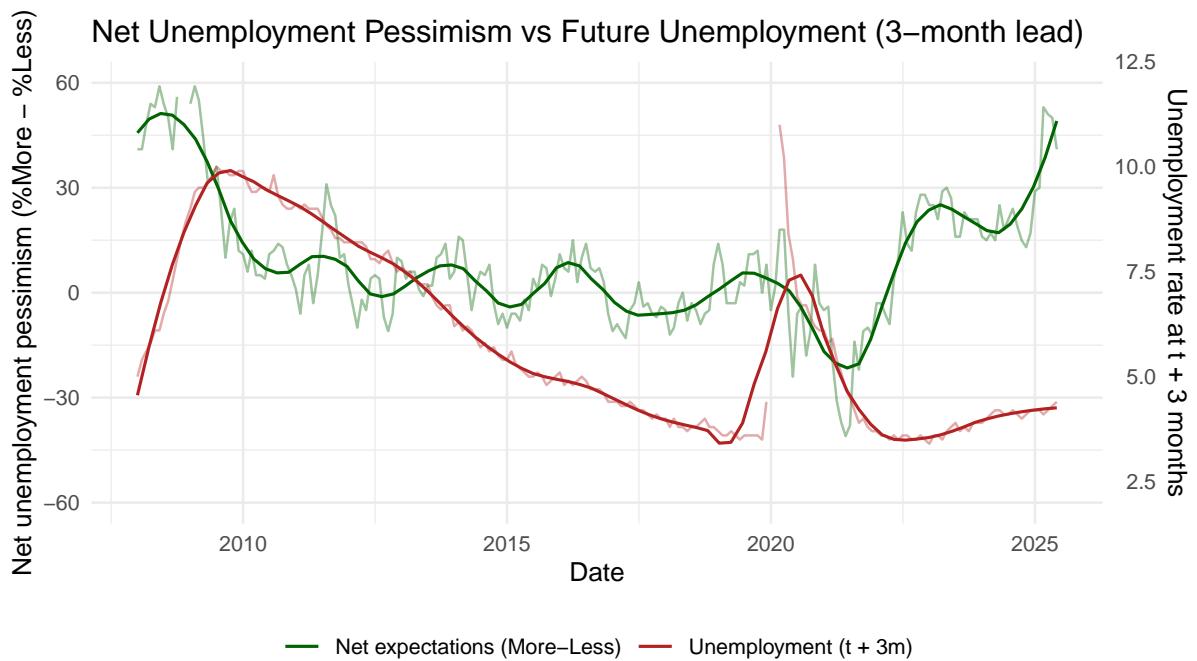


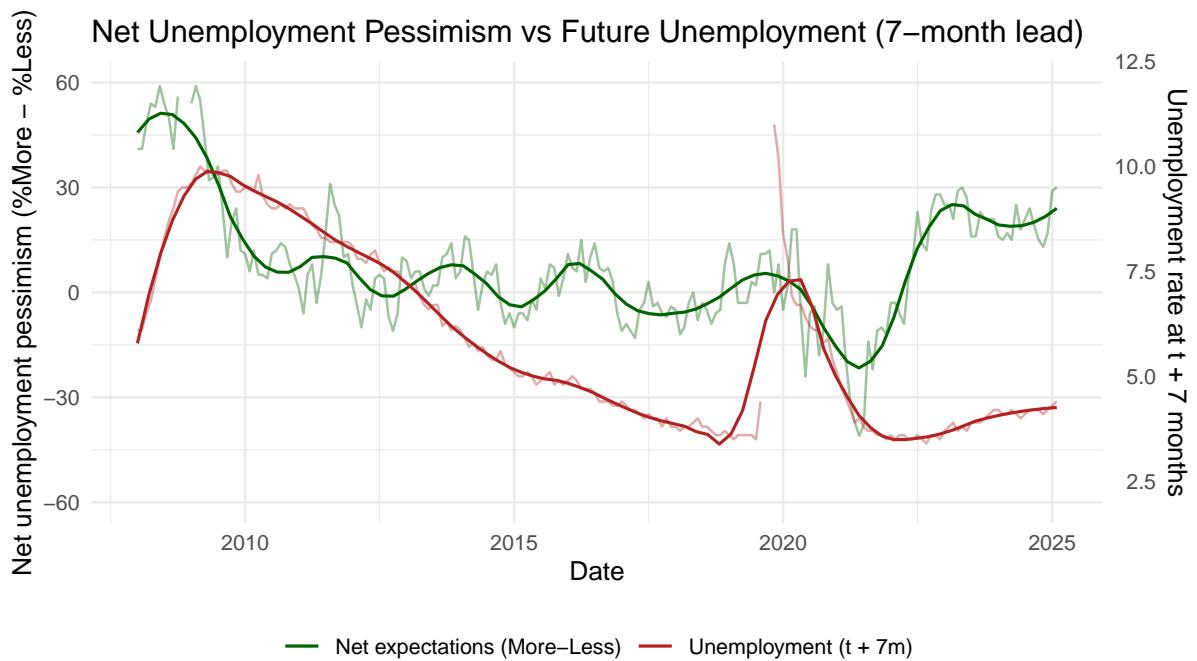
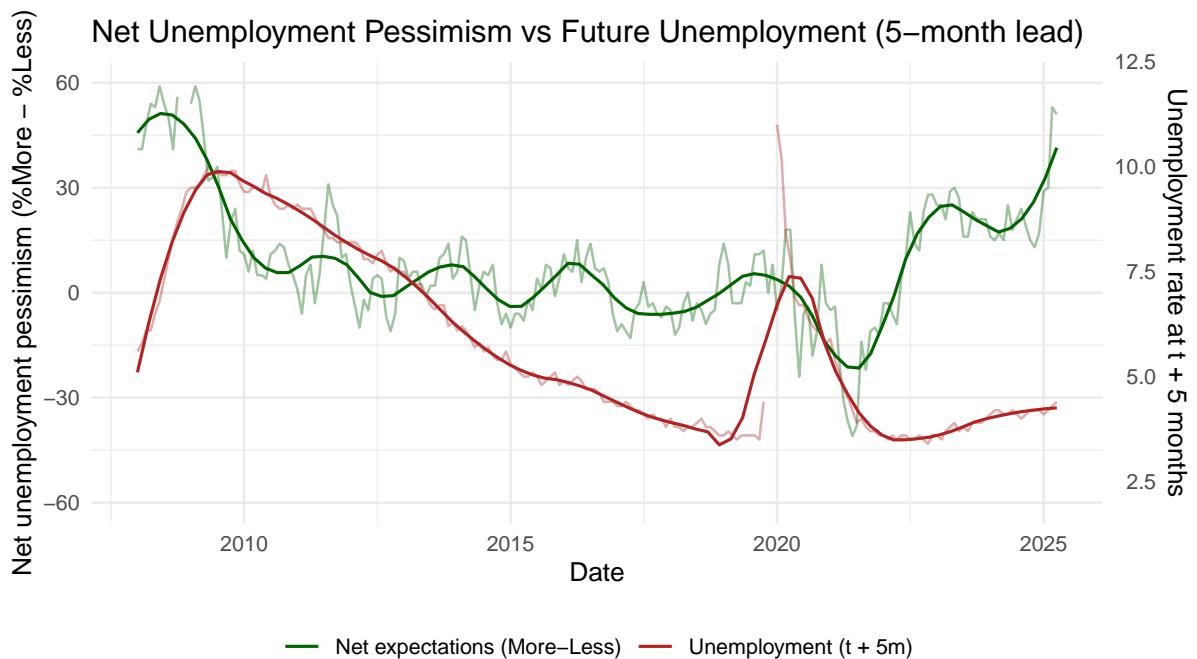
- For each horizon from 1 to 12 months, we compute the change in the unemployment rate between month  $t$  and month  $t + h$  and regress this change on the net unemployment pessimism index at time  $t$  ( $\%More - \%Less$ ). The resulting scatter plots and regression summaries show an increasingly strong positive relationship as the horizon lengthens: at a 3-month horizon the correlation is about +0.21 with a small positive slope, while by 9–12 months the correlation reaches roughly +0.4 and the slope is around +0.04 to +0.05 percentage points of unemployment per 1-point increase in net pessimism. In practical terms, a 20-point shift toward expecting more unemployment is associated with about a 0.8–1.0 percentage-point increase in the unemployment rate over the following year.  $R^2$  values rise from near zero at short horizons to around 0.17–0.18 at 10–12 months, indicating that expectations explain a non-trivial, though still limited, share of future unemployment variation. Together, these results suggest that the net pessimism index is a moderately informative leading indicator of labor-market deterioration.

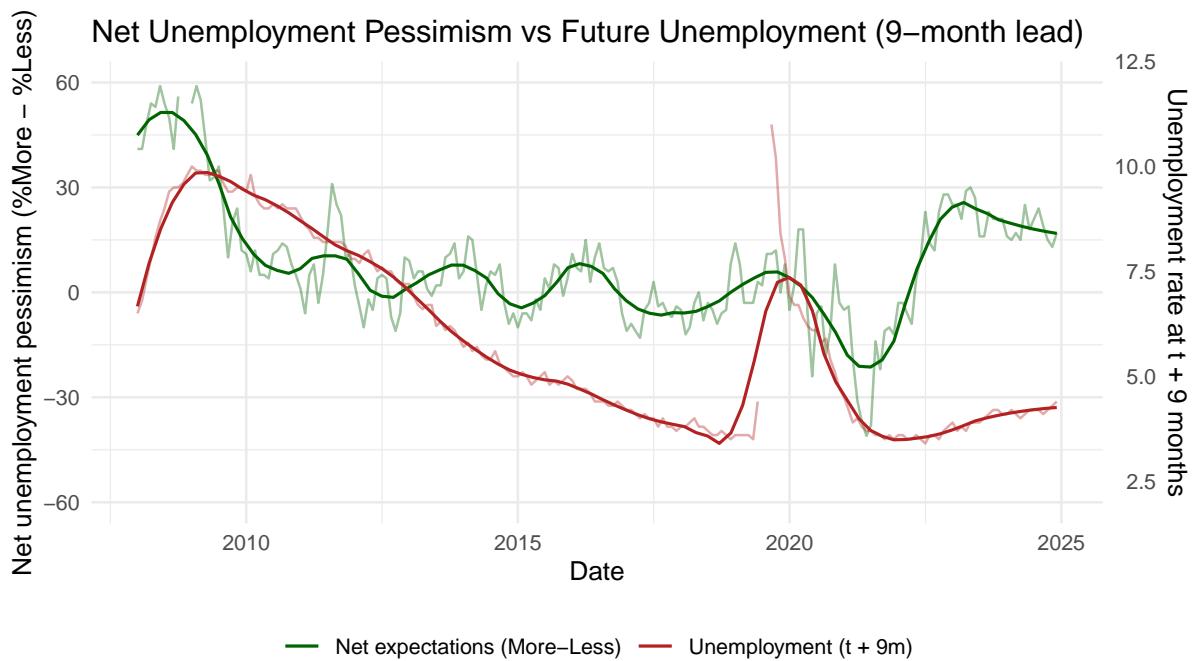
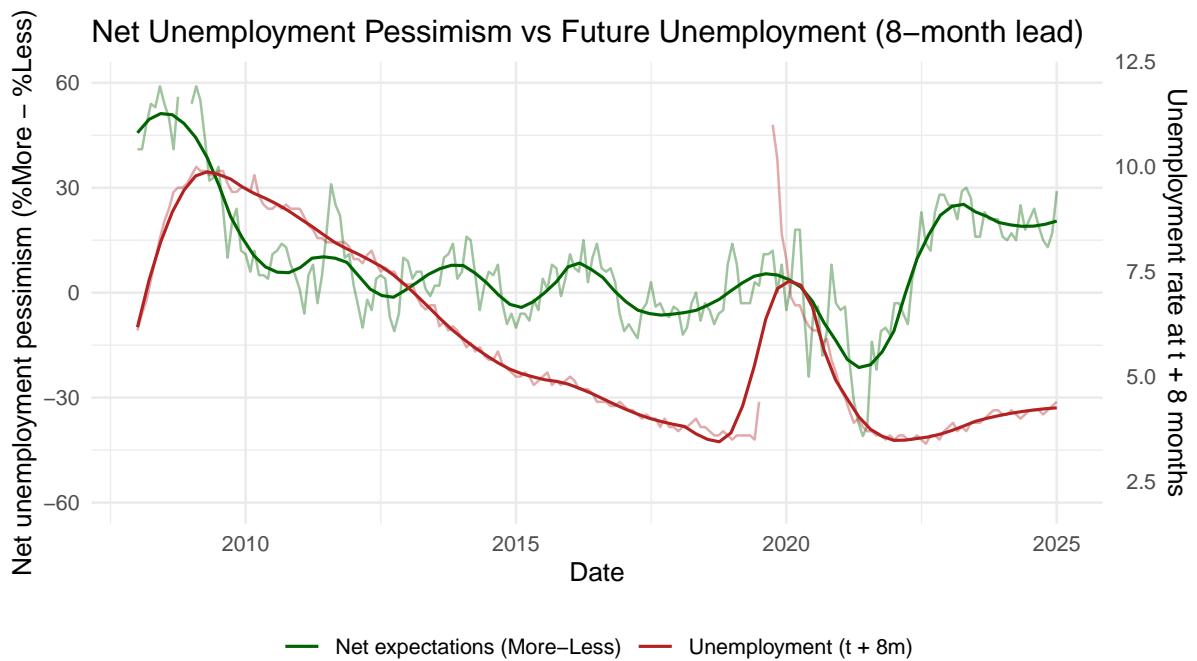
### Visualization 3. Net expectations & Actual Unemployment

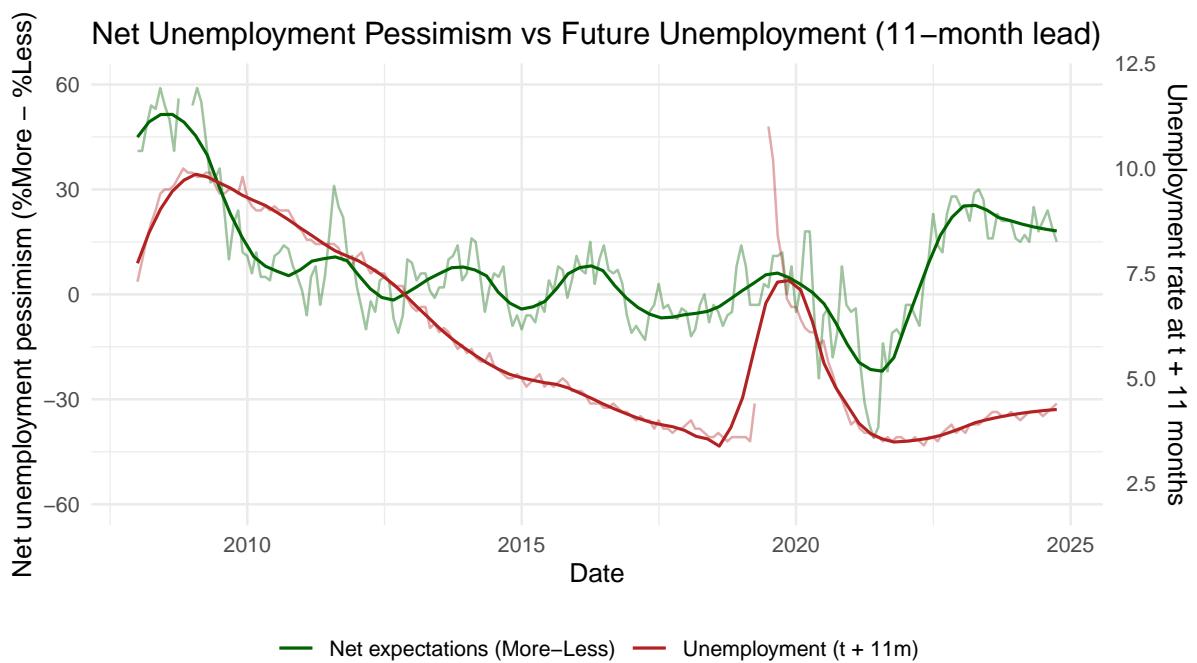
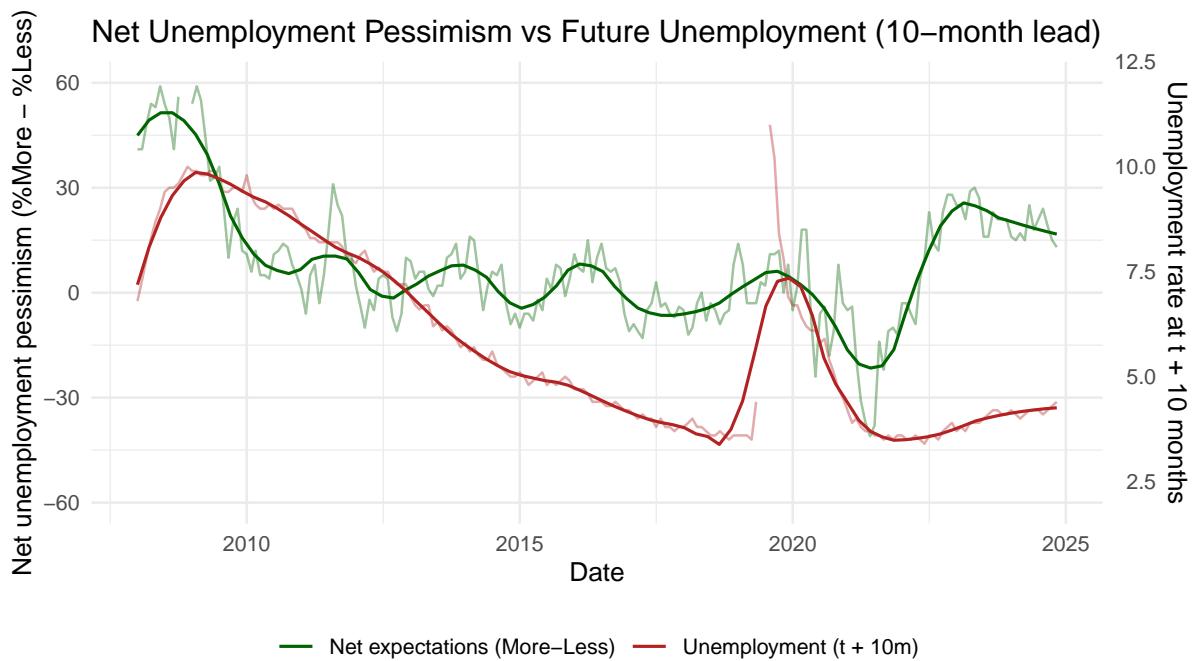


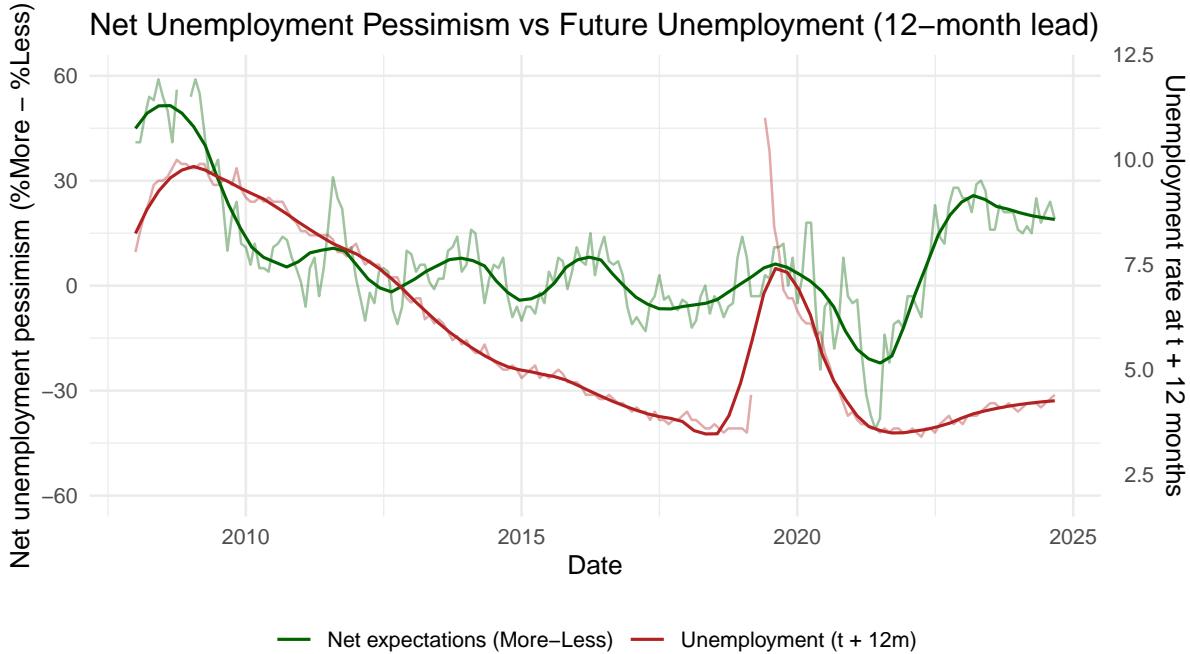












- To complement the scatter plots, we construct time-series overlays of the net unemployment expectations index and the unemployment rate shifted forward by multiple leads. For each lead  $h$ , we rescaled the future unemployment rate to the expectations index range and plot raw and smoothed lines for 0–12-month leads. This highlights the timing of peaks and troughs rather than exact linear fit.
- The time-series plots reinforce the scatter-plot result: net unemployment pessimism tends to rise before actual unemployment increases and falls before declines. The alignment is especially clear around the 2008–2009 and 2020 recessions, where expectations begin to signal trouble several months before unemployment surges. While not perfectly synchronized—expectations sometimes move on false alarms or react to news that does not fully materialize—the patterns suggest that households absorb forward-looking information about the labor market and that this information shows up in the Survey of Consumers before it is fully visible in official unemployment statistics.

## Implications

Our findings imply that survey-based expectations can add value to traditional labor-market monitoring. Policy-makers and forecasters who track the Michigan survey might gain several months of advance warning about shifts in unemployment risk, particularly when net expectations move sharply negative. For central banks, a deterioration in unemployment expectations could signal upcoming slack in the labor market and downward pressure on wage growth; for fiscal authorities, it might justify earlier consideration of counter-cyclical support. At the same time, the modest variance explained (R-Squared) remind us that expectations are only one piece of the forecasting puzzle and should be combined with other indicators rather than used in isolation.

## Conclusion & Outlook

Our analysis shows that broad Consumer Sentiment Index co-moves with unemployment and job growth, but the targeted unemployment-expectations question provides the strongest predictive signal for future labor-market changes. Net expectations of unemployment are negatively correlated with future changes in the unemployment rate, with the relationship strengthening over 6–12-month horizons, suggesting that households react not only to current conditions but also to news and perceptions about the near-term economic outlook.

Looking ahead, we could extend the sample before 2008 to test whether the relationships hold across earlier cycles, estimate multivariate forecasting models that control for inflation and interest rates, and analyze heterogeneity by income, age, or other demographic factors if micro-level data are available. A further extension is to compare the predictive content of Michigan expectations with other surveys (e.g., Conference Board, professional forecasters) or with financial-market measures of labor-market expectations.

## Limitation

This project has several important limitations. The analysis is confined to the post-2008 period, potentially overweighting the unique dynamics of the Great Recession and the COVID-19 shock. Second, all relationships are estimated using simple correlations and bivariate regressions with overlapping horizons, without correcting for serial correlation or testing out-of-sample performance. Third, sentiment and expectations contain survey error and may be influenced by factors unrelated to the labor market (e.g., political events), which we do not model. Finally, our dual-axis plots involve rescaling, which aids interpretation but should not be interpreted as implying proportional relationships.

## **References**

<https://data.sca.isr.umich.edu/data-archive/mine.php>

<https://www.bls.gov/cps>

<https://www.bls.gov/ces>