New York • London • Boston • Chicago
DECISION ECONOMICS, INC.
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New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

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Consumer Sentiment: Inflation Concerns?

As expected, the April University of Michigan Consumer Sentiment index shows little change, slipping 0.5 point to 75.7 (Consensus: +0.3 point; Decision Economics: -0.2 point).

Conforming to perceptions that the rough stability of the overall result reflects a highly charged standoff between damage from higher gasoline prices and benefit from improving general conditions, the headline result reflected a 5.4-point drop in the current conditions index and 2.7-point rise in the double-weighted expectations index.

Somewhat uncomfortably for Fed observers, the year-ahead inflation expectations index fell 0.5 point, to 3.4% while the five-year-ahead index held steady at 3.0%. The five-year index was at 2.7% as recently as January, and the failure of it to settle back with near-term expectations hints--for now--at some lasting acceleration.

Fed reactions will be cautious, with the hawkish players watching for just this kind of indication also tending to be those most dubious of sentiment-survey data. Doves may focus on the sharp current-conditions drop as a near-term risk to overall confidence.

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