

US Consumer Sentiment Increases Sharply at Start of 2024

- University of Michigan final January index rises to 79
- Year-ahead inflation views at 2.9% vs 3.1% in prior month

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US consumer sentiment surged in January from a month earlier by the most since 2005 as retreating inflation helped bolster views about the economy and household finances.

The University of Michigan's final sentiment index for the month rose 9.3 points from December to 79, according to data issued Friday. The preliminary January reading was 78.8.

US Consumer Sentiment Surges at Start of Year

The 9.3-point increase in January from a month earlier was largest since 2005



Americans expect prices will climb at a 2.9% rate over the next year, compared with the 3.1% in the prior month. They see costs rising 2.9% over the next five to 10 years.

“After reserving judgment last fall about whether the slowdown in inflation would persist, consumers now feel assured that inflation will continue to soften,” Joanne Hsu, director of the survey, said in a statement.

The greatest level of confidence since July 2021 has the potential of sustaining household demand and keeping the economy on its expansion path. At the same time, declining inflation expectations may reassure Federal Reserve policymakers as they consider when to begin reducing interest rates.

Separate figures earlier on Friday suggested central bankers won't be in a rush to cut rates. Employers added a whopping 353,000 jobs in January, the most in a year, and wage gains accelerated, Labor Department data showed.

The Michigan sentiment report indicated buying conditions for durable goods rose sharply in January. Consumers' perceptions of their current financial situation and the outlook also picked up from the end of 2023.

The overall current conditions gauge increased to 81.9 from December's 73.3. The January measure of expectations rose to 77.1 from 67.4 a month earlier.

— *With assistance from Kristy Scheuble*

(Adds graphic)