

More People have Grim Outlooks on their Financial Situations - Consumer Expectations

With high inflation and a recessionary environment being landmarks of 2022, many households have started to doubt the economy. Going further back to the start of the pandemic, households have tackled everything from shrinking savings to layoffs along with extended periods of unemployment. Financial conditions worsened for an increasing number of households this past year, and consumers' expectations for this year's financial situation are increasingly negative.

In a survey conducted by the Federal Reserve Bank of New York, a historically high nearly 51% of people claim their financial situation in the past year has worsened, while only 15% of people claim that their financial situation has improved. Reflecting on pre-pandemic levels, more households claimed that their financial situation improved rather than worsened for a stretch of nearly six years. The current percentage of people who claim their financial situation has worsened has increased by over 35% since its lows, marking extraordinary hardships for households in post-pandemic years.

In examining their future financial outlooks, people are increasingly pessimistic about their future situations. In the summer of 2022, a high of nearly 45% of people expected their financial situations to worsen over the next 12 months. This has since dissipated to 37% as of October 2022, yet is still much higher than the optimistic pre-pandemic expectations, where only 9% of households expected their financial situation to worsen. Currently, only 22% of people expect their financial situation to improve over the next year.

Sources: Federal Reserve Bank of New York; Federal Reserve Beige Book

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