



Three Stylized Facts About Post-2019 Consumer Sentiment

*Why Consumers and Economists See Different Economies
FRBC & NORC at the University of Chicago
September 30, 2026*

Scott A. Brave

Senior Economist and Economic Advisor

Federal Reserve Bank of Chicago

The views expressed herein do not necessarily reflect the views of the Federal Reserve Bank of Chicago or the Federal Reserve System.

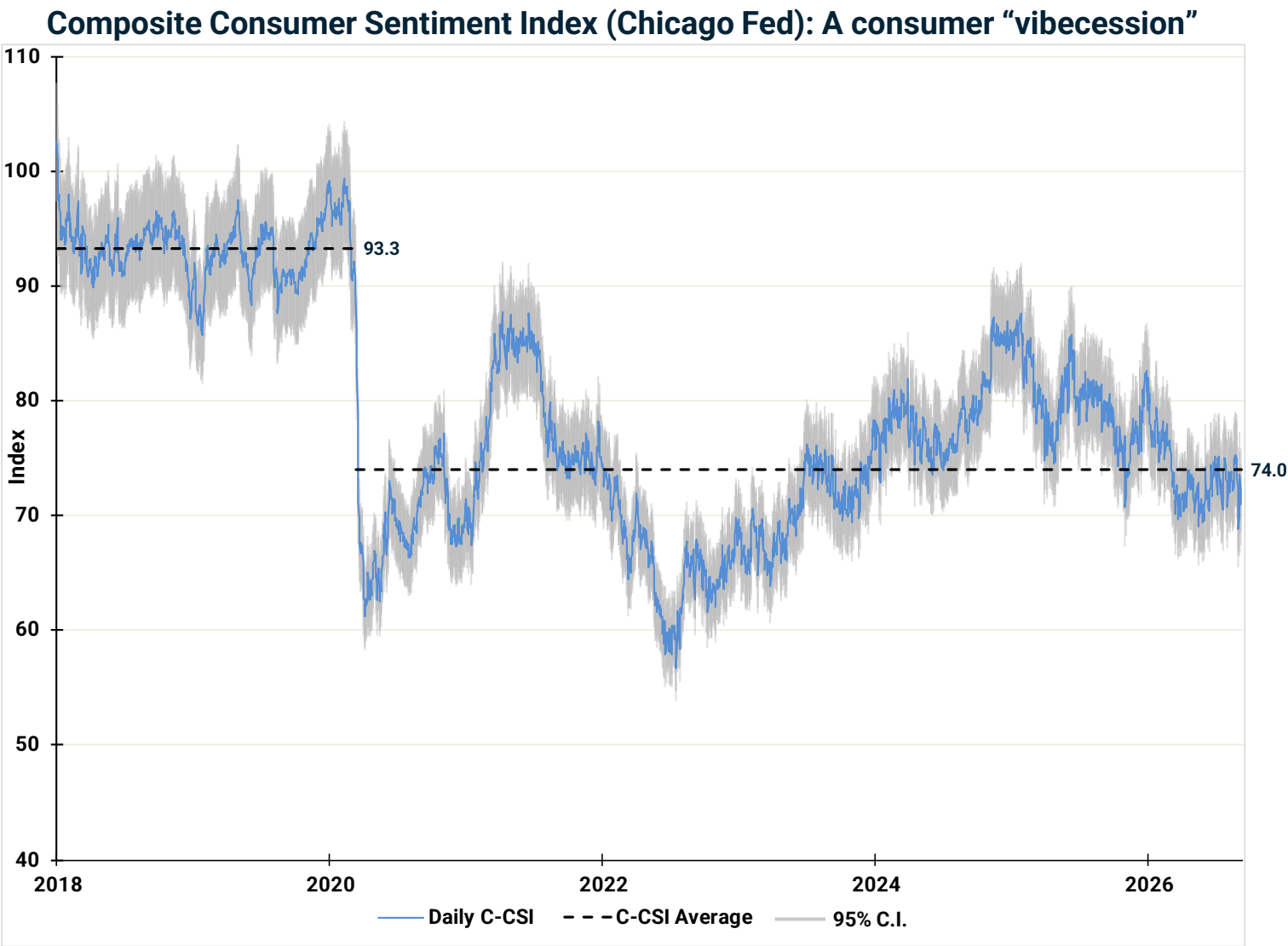
Follow me on [LinkedIn](#) and [X](#).

Three Stylized Facts...

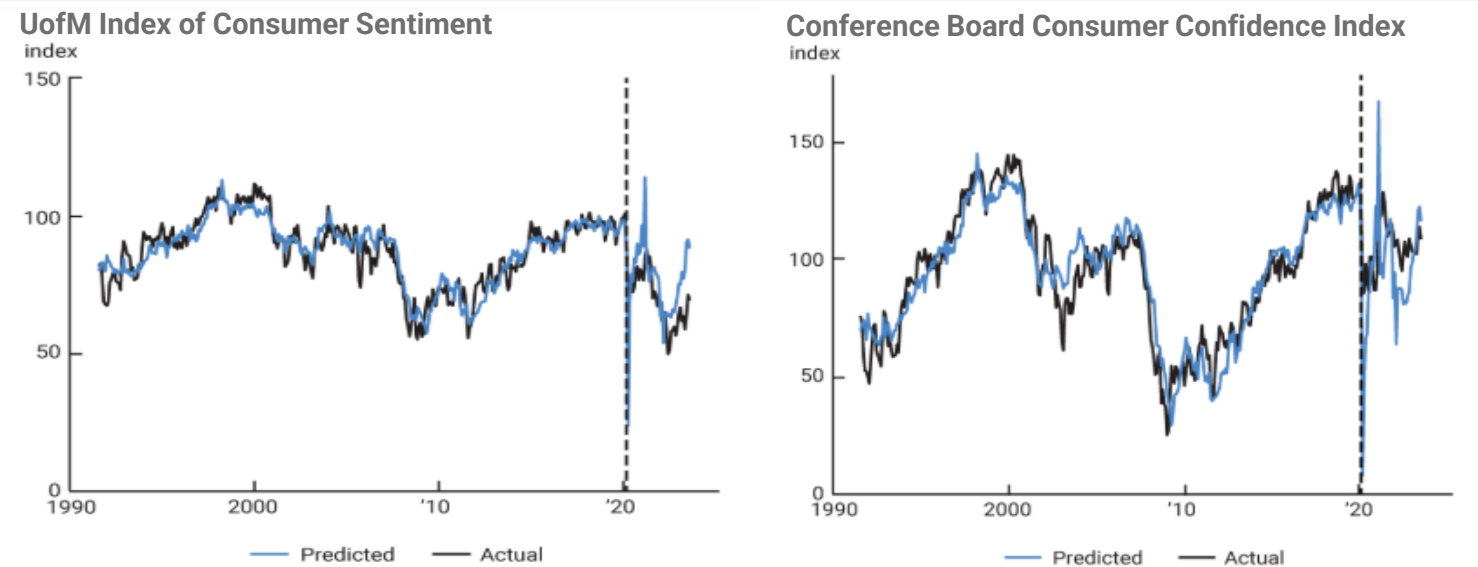
Since the COVID-19 Pandemic...

1. **Consumer sentiment has broadly declined and remained low.**
2. **Economic fundamentals now less accurately predict consumer sentiment.**
3. **Consumer sentiment now less accurately predicts consumer spending growth.**

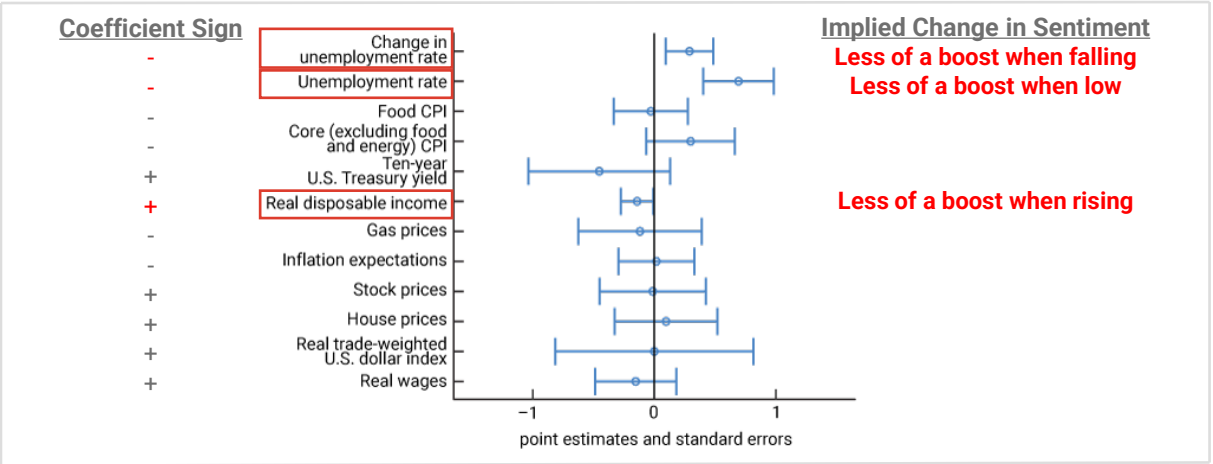
Fact 1: A missing recovery in consumer sentiment after 2019



Fact 2: Sentiment began to diverge from fundamentals



Post-March 2020 to Nov 2023 changes in predictive model coefficients



Source: Brave & Herbstman (Chicago Fed Letter, Nov 2023)

What changed and why did it change?

Consumers are not reacting to UR and DPI improvements as strongly as in the past

1. Sentiment, labor markets, and inflation may share a nonlinear relationship

- The magnitude of the post-COVID inflation spike (not seen since the 1980's)
- The strong labor market prior to the pandemic (shifting reference point)
- [Lorenzoni & Werning \(NBER WP, Apr 2023\)](#), [Guerreiro et. al \(ECMA, Sep 2026\)](#), and [Hurst et. al \(NBER WP, Aug 2026\)](#)

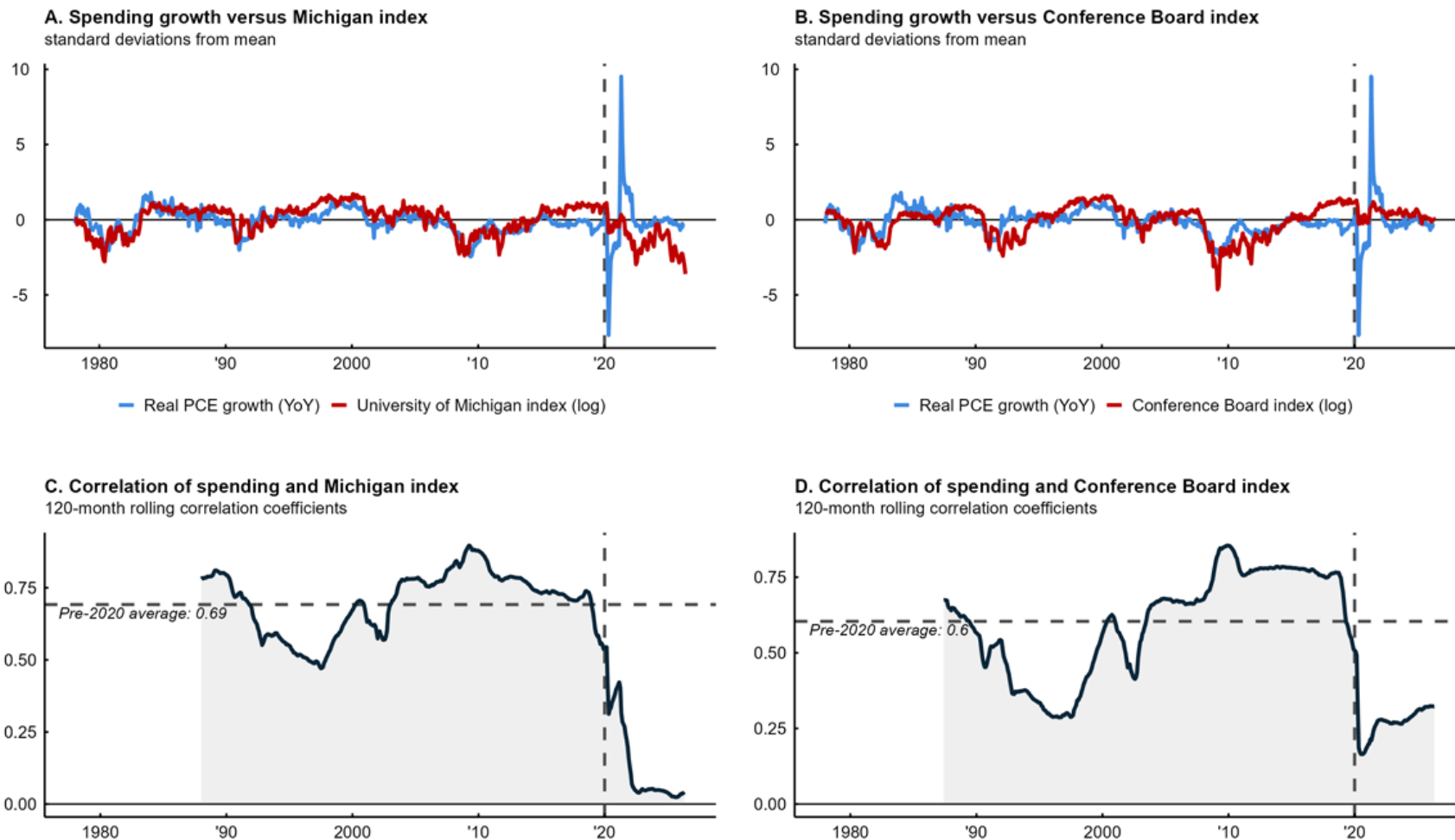
2. May be capturing perceptions of cost-of-living rather than economic growth

- “Affordability” – Inflation came down, but remains elevated compared to 2019
- Prices did not come down, particularly in salient consumer goods
- [Bolhius et. al \(NBER WP, Feb 2024\)](#) and [Bernstein & Posthumus \(SIEPR, May 2026\)](#)

Fact 3: Spending growth disconnected from sentiment

Key Observations

- Broken correlation with consumer spending growth
- Consistent across both traditional and alternative measures of sentiment
- Some improvement in recent years, but not back to 2019



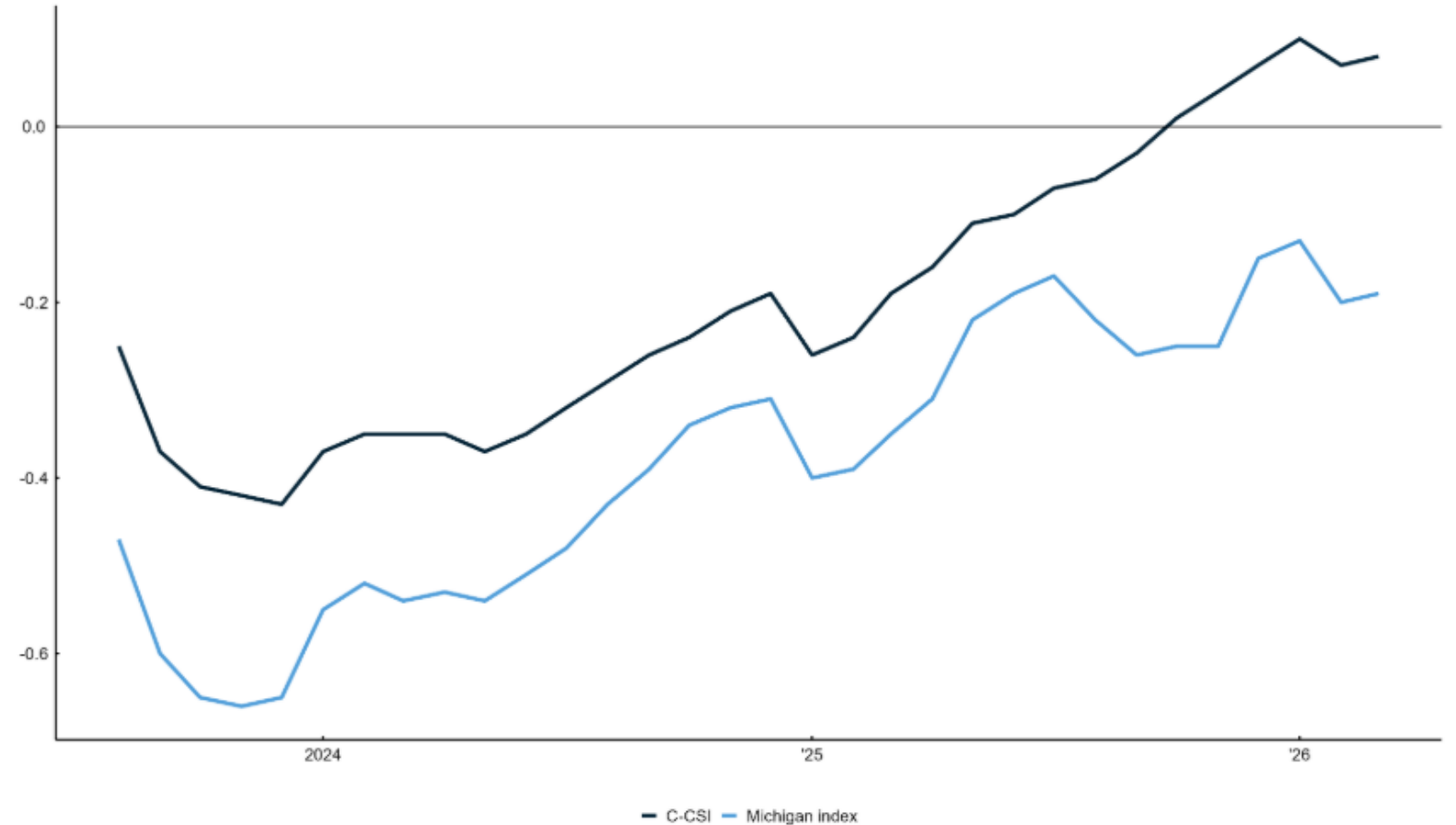
Source: Brave, Henken, & Jolley (Chicago Fed Letter, June 2026)

Is sentiment still a reliable real-time indicator?

Key Takeaways

- Sentiment has historically had mixed success at forecasting spending
- Other real-time measures often outperform sentiment for long periods of time
- However, we can improve forecast performance by using multiple measures

Forecast model performance relative to no-sentiment benchmark
Difference in 12-month rolling MAEs relative to a no-sentiment benchmark model



Source: Brave, Henken, & Jolley (Chicago Fed Letter, June 2026)



www.chicagofed.org