



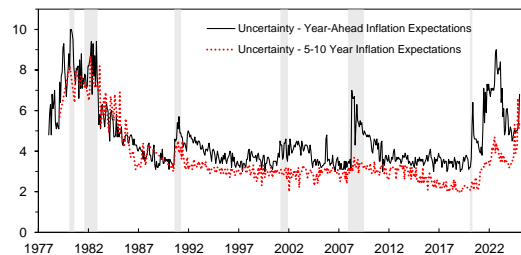
Preliminary results from the January 2025 survey

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Consumer sentiment was essentially unchanged in January, inching down less than one index point from December, well within the margin of error. Assessments of personal finances improved about 5%, while the economic outlook fell back 7% for the short run and 5% for the long run. January’s divergence in views of the present and the future reflects easing concerns over the current cost of living this month, but surging worries over the future path of inflation. Overall, this month’s deterioration in the expectations index was seen across political affiliations, including declines of about 3% for Independents and 1.5% for Republicans.

Consumers Express Rising Uncertainty Over Path of Inflation
Uncertainty Estimated by 75th Percentile – 25th Percentile of Expectations
3-Month Moving Averages



Year-ahead inflation expectations soared from 2.8% last month to 3.3% this month. The current reading is the highest since May 2024 and is above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations rose from 3.0% last month to 3.3% this month. This is only the third time in the last four years that long-run expectations have exhibited such a large one-month change. For both the short and long run, inflation expectations rose across multiple demographic groups, with particularly strong increases among lower-income consumers and Independents. Note that inflation uncertainty—as estimated using the interquartile range in inflation expectations—has climbed considerably over the past year, though it remains well below levels seen in the 1970s (see chart). [October 2024’s special report](#) provides additional context for understanding the path of long-run inflation expectations over the last seven years.

Inflation expectations are being shaped by beliefs about future policy. The share of consumers worried about the prospect of tariff hikes continues to rise. Nearly one-third of consumers spontaneously mentioned tariffs, up from 24% in December and less than 2% prior to the election. These consumers generally report that tariff hikes will pass through to consumers in the form of higher prices, thus pushing up their inflation expectations.

Concerningly, recent data show an emergence of inflationary psychology—motives for buying-in-advance to avoid future price increases, the proliferation of which would generate further momentum for inflation. Like in December, 22% of consumers this month reported that purchasing durables now would enable buyers to avoid future price hikes, the highest since 1990. That said, these buy-in-advance price rationales were far more prevalent in the 1970s, averaging 41% in 1978.

Expectations for the future weakened on other dimensions as well. Half of consumers expect unemployment rates to rise in the year ahead, up from 40% last month and 31% a year ago. This month’s worsening was concentrated among Independents and Republicans. Consumers’ expectations over their own income growth also fell from last month in both nominal and real terms. Only one-third of consumers expect interest rates to fall over the next year, down from 41% in December and falling for the fourth straight month. All told, consumers perceive numerous sources of downside risk to the economy.

Despite their worries for the future, consumers are fully aware that current inflation has slowed over the past two or so years. In fact, the 4% increase in Current Conditions this month was largely supported by softening worries over current prices. About 32% of consumers spontaneously cited high prices as weighing down their personal finances, down from 47% in August 2024 and the lowest seen since February 2022. For buying conditions for large purchases, spontaneous mentions of high prices have fallen over the last five months for durable goods and are the lowest since May 2021 for vehicles.

	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan Prelim
Index of Consumer Sentiment	79.0	76.9	79.4	77.2	69.1	68.2	66.4	67.9	70.1	70.5	71.8	74.0	73.2
Current Economic Conditions	81.9	79.4	82.5	79.0	69.6	65.9	62.7	61.3	63.3	64.9	63.9	75.1	77.9
Index of Consumer Expectations	77.1	75.2	77.4	76.0	68.8	69.6	68.8	72.1	74.4	74.1	76.9	73.3	70.2
Index Components													
Personal Finances - Current	100	98	104	95	91	81	79	79	80	81	82	85	89
Personal Finances - Expected	122	116	122	116	111	106	105	108	111	110	116	111	110
Economic Outlook - 12 Months	93	93	95	92	79	84	86	88	93	92	97	88	82
Economic Outlook - 5 Years	94	92	94	96	84	88	84	92	94	95	96	94	89
Buying Conditions - Durables	111	106	109	109	88	88	81	78	82	85	82	108	112