

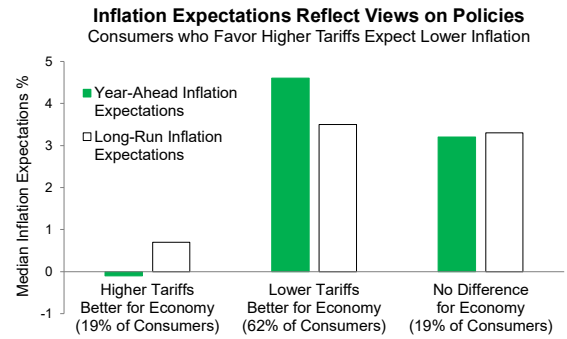


January 2025 survey results

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Consumer sentiment fell for the first time in six months, edging down 4% from December. While assessments of personal finances inched up for the fifth consecutive month, all other index components pulled back. Indeed, sentiment declines were broad based and seen across incomes, wealth, and age groups. Buying conditions for durables softened but remained about 30% better than six months ago amid persistent views that purchasing now would avoid future price increases. Despite reporting stronger incomes this month, concerns about unemployment rose; about 47% of consumers expect unemployment to rise in the year ahead, the highest since the pandemic recession. January’s data closed on Inauguration Day, and consumers of all political leanings will continue to refine their views as Trump’s policies are clarified and implemented.



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 3.2% this month, the same reading seen in November 2024. For both the short and long run, inflation expectations rose across income and educational groups. Concerns over the future trajectory of inflation were visible throughout the interviews and were tied to beliefs about anticipated policies like tariffs. Consumers continued to spontaneously express motives for buying-in-advance to avoid future price increases, and robust auto and retail sales data suggest that consumers are indeed acting on these views.

Consumers’ concerns over the path of inflation appear closely tied to their views on anticipated economic policies under the new president. Since the election, inflation expectations have risen for Democrats and fallen for Republicans. These trends are consistent with historical patterns. During the Trump to Biden transition, the inflation expectations of Republicans and Democrats similarly rotated around the national average, albeit against a backdrop of sustained low inflation in the 2010s. This month’s interviews make it abundantly clear that the current divergence in inflation expectations is shaped by beliefs about future policy, rather than a form of political expression divorced from economic factors.

In January, consumers were asked if they thought higher tariffs would be better for the economy, or if lower tariffs would be better, or if tariff policy would make no difference for the economy. As seen in the chart, about 19% of consumers reported higher tariffs would be better for the economy, while 62% favored lower tariffs. Strikingly, those favoring higher tariffs had much lower inflation expectations, both year-ahead and long-run, than those favoring lower tariffs and those who believed tariff policy has little economic impact. These patterns suggest that consumers expect Trump to hold true to his plan to hike tariffs and have incorporated the anticipated policy change into their economic expectations.

Responses to the tariff question were not fully correlated with party affiliation; less than half of Republicans reported that higher tariffs would be better for the economy. Younger, more-educated, or higher-income consumers were more likely to favor lower tariffs for the economy. Note that the interview focused on the perceived impact of tariffs on the economy, rather than the overall policy preferences of the consumer. Some consumers may believe that lower tariffs are better for the economy but prefer higher tariffs for non-economic reasons, say as a negotiating strategy or to advance other goals.

	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 2025
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	71.1
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	74.0
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	69.3
Index Components													
Personal Finances - Current	100	98	104	95	91	81	79	79	80	81	82	85	86
Personal Finances - Expected	122	116	122	116	111	106	105	108	111	110	116	111	108
Economic Outlook - 12 Months	93	93	95	92	79	84	86	88	93	92	97	88	81
Economic Outlook - 5 Years	94	92	94	96	84	88	84	92	94	95	96	94	88
Buying Conditions - Durables	111	106	109	109	88	88	81	78	82	85	82	108	104