

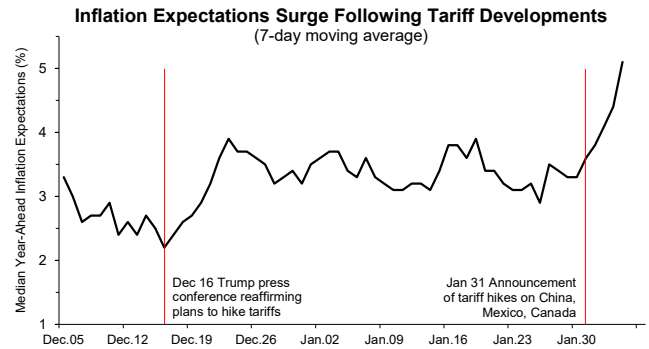


Preliminary results from the February 2025 survey

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Consumer sentiment fell for the second straight month, dropping about 5% to reach its lowest reading since July 2024. This decrease was pervasive, with Republicans, Independents, and Democrats all posting sentiment declines from January, along with consumers across age and wealth groups. Furthermore, all five index components deteriorated this month, led by a 12% slide in buying conditions for durables, in part due to a perception that it may be too late to avoid the negative impact of tariff policy. Expectations for personal finances sank about 6% from last month, again seen across all political affiliations, reaching its lowest value since October 2023. Many consumers appear worried that high inflation will return within the next year. Interviews for this release concluded on February 4.



Year-ahead inflation expectations jumped up from 3.3% last month to 4.3% this month, the highest reading since November 2023 and marking two consecutive months of unusually large increases. This is only the fifth time in 14 years we have seen such a large one-month rise (one percentage point or more) in year-ahead inflation expectations. The current reading is now well above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations ticked up from 3.2% last month to 3.3% this month. Long-run inflation expectations remain elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

Even amid the busy start to the Trump presidency, news about tariffs—whether rhetoric about trade or concrete policy announcements from the White House—appears to be filtering down to consumers. About one-third of consumers spontaneously mentioned tariffs, up from 27% last month and less than 2% prior to the election. More importantly, consumers appear to be folding economic policy developments into their expectations. The chart above displays seven-day moving averages of median short-run inflation expectations. Over the past two months, we have seen two separate upswings in inflation expectations. The first began on December 16th, after Trump held his first news conference following his election win and reaffirmed his commitment to hiking tariffs. Year-ahead inflation expectations rose consistently for about a week and remained elevated thereafter. After the January 31st announcement that tariffs on China, Canada, and Mexico would be implemented, year-ahead inflation expectations immediately began to soar and continued through the final day of interviewing, one day after the North American tariffs were suspended.

Partisan gaps in economic expectations have undergone the anticipated post-election transition. Since Trump’s election, expectations have climbed sharply for Republicans and fallen steeply for Democrats in accordance with their disparate beliefs about the impact of anticipated economic policies; Independents remain in the middle. This month, the data are clear: views across the political spectrum moved broadly in parallel and worsened from January. Republicans appear to be moderating somewhat from their immediate surge in confidence following the election, while Democrats continue to worry about the implications of Trump’s economic policies. Uncertainty around policy remains high and will likely continue to weigh down on consumer attitudes toward the economy.

| | Feb 2024 | Mar 2024 | Apr 2024 | May 2024 | Jun 2024 | Jul 2024 | Aug 2024 | Sep 2024 | Oct 2024 | Nov 2024 | Dec 2024 | Jan 2025 | Feb Prelim |
|--------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|------------|
| Index of Consumer Sentiment | 76.9 | 79.4 | 77.2 | 69.1 | 68.2 | 66.4 | 67.9 | 70.1 | 70.5 | 71.8 | 74.0 | 71.1 | 67.8 |
| Current Economic Conditions | 79.4 | 82.5 | 79.0 | 69.6 | 65.9 | 62.7 | 61.3 | 63.3 | 64.9 | 63.9 | 75.1 | 74.0 | 68.7 |
| Index of Consumer Expectations | 75.2 | 77.4 | 76.0 | 68.8 | 69.6 | 68.8 | 72.1 | 74.4 | 74.1 | 76.9 | 73.3 | 69.3 | 67.3 |
| Index Components | | | | | | | | | | | | | |
| Personal Finances - Current | 98 | 104 | 95 | 91 | 81 | 79 | 79 | 80 | 81 | 82 | 85 | 86 | 84 |
| Personal Finances - Expected | 116 | 122 | 116 | 111 | 106 | 105 | 108 | 111 | 110 | 116 | 111 | 108 | 102 |
| Economic Outlook - 12 Months | 93 | 95 | 92 | 79 | 84 | 86 | 88 | 93 | 92 | 97 | 88 | 81 | 80 |
| Economic Outlook - 5 Years | 92 | 94 | 96 | 84 | 88 | 84 | 92 | 94 | 95 | 96 | 94 | 88 | 87 |
| Buying Conditions - Durables | 106 | 109 | 109 | 88 | 88 | 81 | 78 | 82 | 85 | 82 | 108 | 104 | 92 |