

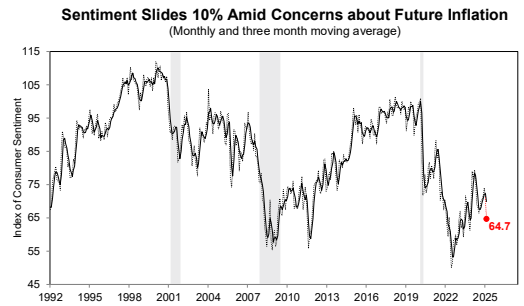


**February 2025 survey results**

February 21, 2025

Joanne Hsu, PhD, Director

Consumer sentiment extended its early month decline, sliding nearly 10% from January. The decrease was unanimous across groups by age, income, and wealth. All five index components deteriorated this month, led by a 19% plunge in buying conditions for durables, in large part due to fears that tariff-induced price increases are imminent. Expectations for personal finances and the short-run economic outlook both declined almost 10% in February, while the long-run economic outlook fell back about 6% to its lowest reading since November 2023. While sentiment fell for both Democrats and Independents, it was unchanged for Republicans, reflecting continued disagreements on the consequences of new economic policies.



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. 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 rose over the course of the month and climbed from 3.2% in January to 3.5% in February. This is the largest month-over-month increase seen since May 2021. For both short- and long-run inflation expectations, this month's increases were widespread and seen across income and age groups. Inflation expectations rose this month for Independents and Democrats alike; they fell slightly for Republicans.

Overall, inflation expectations are trending in an unfavorable direction. Over the last two months, expectations have risen a cumulative 1.5 percentage points for short-run inflation and 0.5 percentage points for long-run inflation. However, it remains to be seen if these increases will stick. In May 2008, long-run inflation expectations posted a similarly sized two-month rise, but they receded fairly quickly. At that time, expectations were influenced by concurrent shocks to oil prices, which reached historic highs in June 2008 and ultimately collapsed soon thereafter. In contrast, the current surge in inflation expectations is anticipatory: consumers are bracing for a resurgence in inflation that has not yet materialized. The coming months will be critical to understanding whether inflation expectations remain stable.

Expectations matter because consumers have shown that they will act upon them. Survey results in November and December revealed widespread beliefs that making large purchases at that time would enable buyers to avoid future price increases; these views were borne out in the strong sales figures for durables and vehicles seen at the end of the year. If consumers continue to ramp up their spending to avoid large anticipated price increases, higher inflation expectations could become self-fulfilling. On the other hand, consumers expressed unease this month about multiple economic factors for the year ahead, which could generate headwinds for sentiment and therefore spending as well. More than half of consumers expect unemployment to rise over the next year, the highest since 2020 during the pandemic recession. Economic policy concerns continue to weigh on consumers; about 40% of consumers spontaneously mentioned tariffs this month, generally unfavorably, up from about 27% in January. While consumers appear relatively secure about their own incomes, with most expecting gains in the year ahead, only 16% expect their income gains to outpace inflation. This is yet another sign that consumers are worried about the trajectory of prices.

	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 2025
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	71.7	64.7
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	75.1	65.7
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	69.5	64.0
Index Components													
Personal Finances - Current	98	104	95	91	81	79	79	80	81	82	85	87	82
Personal Finances - Expected	116	122	116	111	106	105	108	111	110	116	111	109	99
Economic Outlook - 12 Months	93	95	92	79	84	86	88	93	92	97	88	81	73
Economic Outlook - 5 Years	92	94	96	84	88	84	92	94	95	96	94	88	83
Buying Conditions - Durables	106	109	109	88	88	81	78	82	85	82	108	106	86

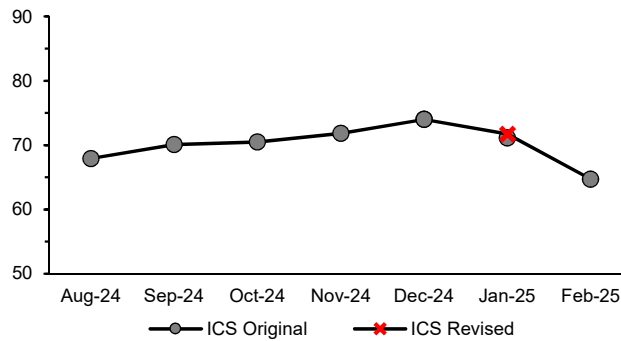
Revisions to Estimates

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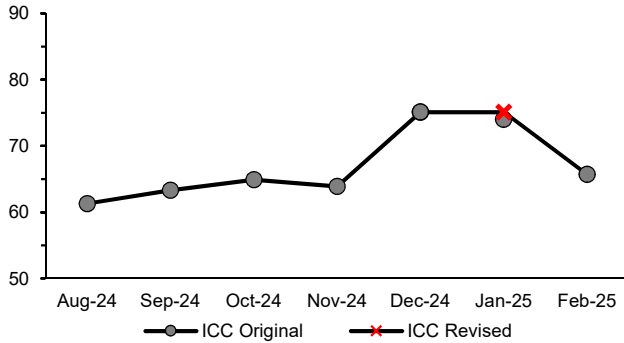
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There was a minor technical error in the generation of the weights used to compute aggregate estimates for January 2025. We have since corrected the weights. Overall, the differences between the estimates originally released and the revised estimates are almost negligible, as seen in the comparisons below. The revised estimates in the February final release databook, along with all charts and tables that appear in the summary report, our main site ([www.sca.isr.umich.edu](http://www.sca.isr.umich.edu)) and our data site ([data.sca.isr.umich.edu](http://data.sca.isr.umich.edu)) reflect these revisions. The final February 2025 databook and data site also reflect revisions to parts of Table 46 (Expected Change in Home Values During the Next Year) between May 2024 and January 2025 to correct a minor processing issue. Data on the main site and summary reports were all unaffected by this issue. All revisions will be reflected in the next monthly update of the microdata repository ([sda.umsurvey.org](http://sda.umsurvey.org)), which will occur in about a week as regularly scheduled. We are notifying users of the revisions in keeping with our commitment to the transparency, accuracy, and integrity of the data we provide to the public.

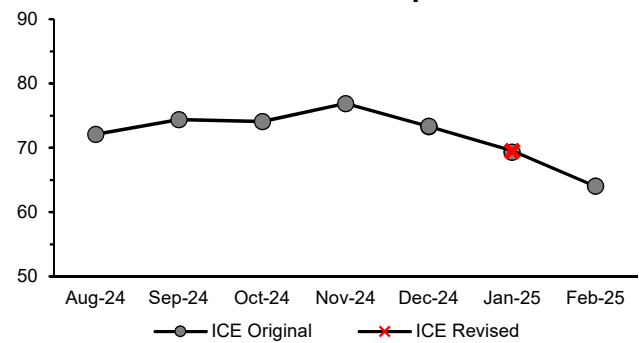
Index of Consumer Sentiment



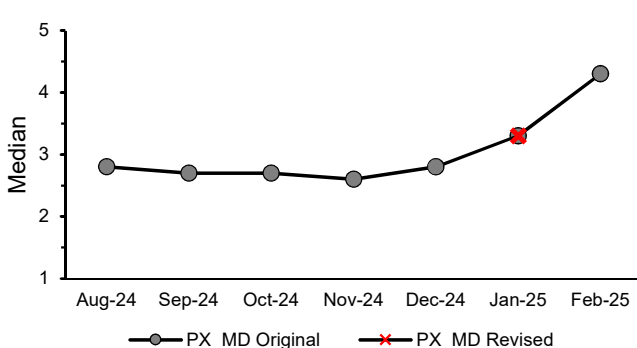
Current Economic Conditions



Index of Consumer Expectations



Year-Ahead Inflation Expectations



Five-Year Inflation Expectations

