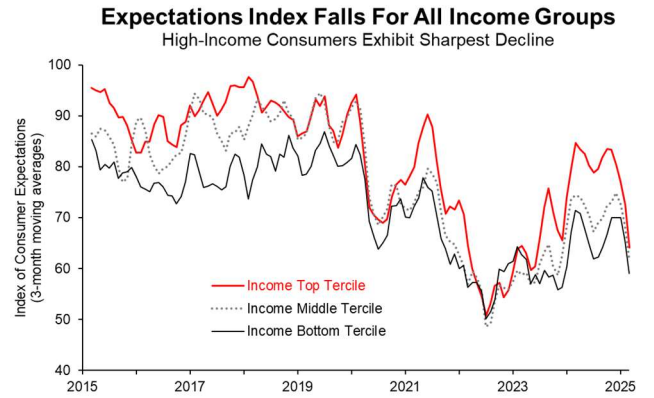




March 2025 survey results
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Consumer sentiment confirmed its early month reading and fell for the third straight month, plummeting 12% from February. The expectations index plunged a precipitous 18% and has now lost more than 30% since November 2024. This month's decline reflects a clear consensus across all demographic and political affiliations; Republicans joined independents and Democrats in expressing worsening expectations since February for their personal finances, business conditions, unemployment, and inflation. Consumers continue to worry about the potential for pain amid ongoing economic policy developments. Notably, two-thirds of consumers expect unemployment to rise in the year ahead, the highest reading since 2009. This trend reveals a key vulnerability for consumers, given that strong labor markets and incomes have been the primary source of strength supporting consumer spending in recent years.



Year-ahead inflation expectations jumped up from 4.3% last month to 5.0% this month, the highest reading since November 2022 and marking three consecutive months of unusually large increases of 0.5 percentage points or more. This month's rise was seen across all three political affiliations. Long-run inflation expectations surged from 3.5% in February to 4.1% in March, reflecting from a large surge among independents plus a sizable rise among Republicans. Here, as is the case for other measures from the Surveys of Consumers, aggregate trends are driven by and align closely with the views of independents, and thus are not being swung by polarization across the two major parties.

Following the pandemic, consumer spending remained robust amid below-average sentiment readings in part due to two primary factors, both of which are exhibiting signs of weakness in the surveys. First, consumers had been supported by tight labor markets and the strong personal incomes that resulted from them. Consumers are increasingly worried these supports will disappear. Labor market expectations have soured considerably this month across demographic and political groups, which suggests that consumers' appetite for spending is likely to weaken going forward.

Second, spending had been supported by the broadly upward path of sentiment and expectations from its historic low in June 2022 through most of 2024, which were seen most prominently among higher-income consumers (see chart, red line). In fact, by 2024, expectations for higher-income consumers had recovered close to levels seen in 2019 prior to the pandemic, further supporting robust spending. This group generates the lion's share of aggregate consumption, which means that total consumer spending would be sensitive to any pulling back within this group. The fact that expectations of high-income consumers tanked nearly 26% this month is thus worrisome for the trajectory of the economy. This group perceives widespread deterioration in multiple dimensions of the economy, but critically, they are also concerned about their own personal circumstances: only 26% of higher-income consumers expect to be better off financially in a year, down from 42% in August 2024. Similar patterns are visible among consumers with the largest stock portfolios as well. The unmistakable deterioration in their confidence suggests that they may be unwilling to maintain the high level of spending that has sustained strong consumer expenditures over the past several years.

	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	Feb 2025	Mar 2025
Index of Consumer Sentiment	79.4	77.2	69.1	68.2	66.4	67.9	70.1	70.5	71.8	74.0	71.7	64.7	57.0
Current Economic Conditions	82.5	79.0	69.6	65.9	62.7	61.3	63.3	64.9	63.9	75.1	75.1	65.7	63.8
Index of Consumer Expectations	77.4	76.0	68.8	69.6	68.8	72.1	74.4	74.1	76.9	73.3	69.5	64.0	52.6
Index Components													
Personal Finances - Current	104	95	91	81	79	79	80	81	82	85	87	82	74
Personal Finances - Expected	122	116	111	106	105	108	111	110	116	111	109	99	86
Economic Outlook - 12 Months	95	92	79	84	86	88	93	92	97	88	81	73	56
Economic Outlook - 5 Years	94	96	84	88	84	92	94	95	96	94	88	83	66
Buying Conditions - Durables	109	109	88	88	81	78	82	85	82	108	106	86	89