

Preliminary results from the May 2025 survey

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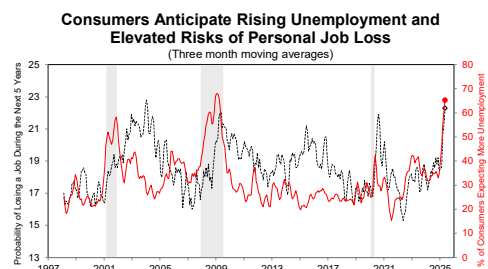
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Consumer sentiment was essentially unchanged this month, inching down a scant 1.4 index points following four consecutive months of steep declines. Sentiment is now down almost 30% since January 2025. Slight increases in sentiment this month for independents were offset by a 7% decline among Republicans. While most index components were little changed, current assessments of personal finances sank nearly 10% on the basis of weakening incomes. Tariffs were spontaneously mentioned by nearly three-quarters of consumers, up from almost 60% in April; uncertainty over trade policy continues to dominate consumers' thinking about the economy. Note that interviews for this release were conducted between April 22 and May 13, closing two days after the announcement of a pause on some tariffs on imports from China. Many survey measures showed some signs of improvement following the temporary reduction of China tariffs, but these initial upticks were too small to alter the overall picture – consumers continue to express somber views about the economy. The initial reaction so far echoes the very minor increase in sentiment seen after the April 9 partial pause on tariffs, despite which sentiment continued its downward trend.

Year-ahead inflation expectations surged from 6.5% last month to 7.3% this month. This month's rise was seen among Democrats and Republicans alike. Long-run inflation expectations lifted from 4.4% in April to 4.6% in May, reflecting a particularly large monthly jump among Republicans. The final release for May will reveal the extent to which the May 12 pause on some China tariffs leads consumers to update their expectations.

A whopping 73% of consumers offered unsolicited comments about tariffs, including nearly two-thirds of Republicans, showing that these concerns cross partisan lines. A substantial share of these comments specifically mentioned the high level of uncertainty and unpredictability of trade policy, suggesting that this week's development is unlikely to result in a resurgence of confidence in the economy, consistent with trends seen following the April 9 pause on reciprocal tariffs. Temporary pauses are unlikely to convince consumers that trade policy has stabilized enough for consumers or businesses to plan effectively for the future. Overall, consumers are still bracing for prices to escalate in the year ahead. This month, only about 17% of consumers reported that they expect to continue spending as usual on items with high price increases. In contrast, in August through October 2022, twice as many consumers—about 36%—expected to hold such spending steady amid post-pandemic inflation. These early results suggest that the resilience of consumer spending this year may be in question.

Spending is likely to be much more responsive to price increases this year compared with the post-pandemic inflationary episode due to the much weaker income prospects reported by consumers now. May readings for multiple measures of labor market perceptions and expectations continued to come in soft. About 65% of consumers expect unemployment to rise in the year ahead, unchanged from last month and more than double the reading from six months ago (see chart, solid red line). Critically, consumers are increasingly worried they will be personally affected by these anticipated developments. Expectations for consumers' own incomes, both nominal and real, declined in May, even among Republicans. The average probability of losing one's own job has reached historically high readings (see chart, dashed black line), the second highest since July 2020, another sign that worries over the economy are likely to spill into their spending behavior.



	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025 Prelim
Index of Consumer Sentiment	69.1	68.2	66.4	67.9	70.1	70.5	71.8	74.0	71.7	64.7	57.0	52.2	50.8
Current Economic Conditions	69.6	65.9	62.7	61.3	63.3	64.9	63.9	75.1	75.1	65.7	63.8	59.8	57.6
Index of Consumer Expectations	68.8	69.6	68.8	72.1	74.4	74.1	76.9	73.3	69.5	64.0	52.6	47.3	46.5
Index Components													
Personal Finances - Current	91	81	79	79	80	81	82	85	87	82	74	71	64
Personal Finances - Expected	111	106	105	108	111	110	116	111	109	99	86	78	76
Economic Outlook - 12 Months	79	84	86	88	93	92	97	88	81	73	56	48	48
Economic Outlook - 5 Years	84	88	84	92	94	95	96	94	88	83	66	60	58
Buying Conditions - Durables	88	88	81	78	82	85	82	108	106	86	89	82	83