

May 2025 survey results

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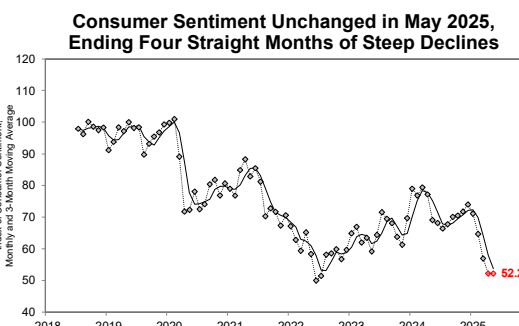
Consumer sentiment was unchanged from April, ending four consecutive months of plunging declines. Sentiment had ebbed at the preliminary reading for May but turned a corner in the latter half of the month following the temporary pause on some tariffs on China goods. Expected business conditions improved after mid-month, likely a consequence of the trade policy announcement. However, these positive changes were offset by declines in current personal finances stemming from stagnating incomes throughout May. Overall, consumers see the outlook for the economy as no worse than last month, but they remained quite worried about the future.

Year-ahead inflation expectations were little changed at 6.6%, inching up from 6.5% last month. This is the smallest increase since the election and marks the end of a four-month streak of extremely large jumps in short-run expectations. Notably, long-run inflation expectations fell back from 4.4% in April to 4.2% in May. This is the first decline seen since December 2024 and ends an unprecedented four-month sequence of increases. Given that consumers generally expect tariffs to pass through to consumer prices, it is no surprise that trade policy has influenced consumers' views of the economy. In contrast, despite the many headlines about the tax and spending bill that is moving through Congress, the bill does not appear to be salient to consumers at this time.

These attenuations in inflation expectations are a welcome sign, particularly following a period of uncomfortably steep climbs, even if those expectations remain elevated. Tariffs have clearly been a major factor influencing inflation expectations. This month, about two-thirds of consumers—including a majority of Republicans—offered unsolicited comments about tariffs, generally citing potential negative effects on the economy. Many consumers specifically cited policy uncertainty itself as a negative factor for the economy. This suggests that if some of this uncertainty is resolved, say, through finalizing trade agreements, consumers might upgrade their views of the economy.

At this time, however, consumers broadly expect the economy to slow, with few changes to their views from last month. About 64% of consumers expect business conditions to worsen in the next year, unchanged from April but up from 29% six months ago. The share of consumers expecting unemployment to rise has hovered around two-thirds for three straight months, up from less than one-third in November 2024. Consumers continue to worry that they may be personally impacted by a macroeconomic slowdown. Nominal and real income expectations continue to slow, and the expected probability of job loss remains elevated. These factors will likely dampen consumers willingness to spend going forward.

More immediately, costs of living and purchasing power continue to be top of mind for consumers, consistent with the views they have been espousing since the pandemic. Indeed, consumers remain frustrated by the persistence of high prices, with 38% citing that their personal finances have been eroded by those high prices, down from 44% in November 2024 but still by far the top-cited factor. Furthermore, a rising share of consumers report their incomes are stagnating, generating further downward pressure on their purchasing power.



	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
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	52.2
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	58.9
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	47.9
Index Components													
Personal Finances - Current	91	81	79	79	80	81	82	85	87	82	74	71	67
Personal Finances - Expected	111	106	105	108	111	110	116	111	109	99	86	78	79
Economic Outlook - 12 Months	79	84	86	88	93	92	97	88	81	73	56	48	50
Economic Outlook - 5 Years	84	88	84	92	94	95	96	94	88	83	66	60	60
Buying Conditions - Durables	88	88	81	78	82	85	82	108	106	86	89	82	83