

Preliminary results from the July 2025 survey

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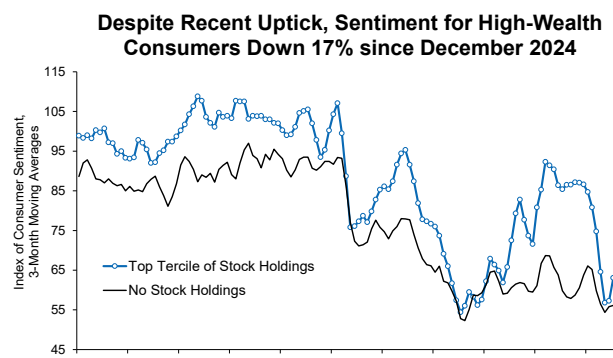
Consumer sentiment was little changed from June, inching up about one index point to 61.8. While sentiment reached its highest value in five months, it remains a substantial 16% below December 2024 and is well below its historical average. Short-run business conditions improved about 8%, whereas expected personal finances fell back about 4%. Consumers are unlikely to regain their confidence in the economy unless they feel assured that inflation is unlikely to worsen, for example if trade policy stabilizes for the foreseeable future. At this time, the interviews reveal little evidence that other policy developments, including the recent passage of the tax and spending bill, moved the needle much on consumer sentiment.

Year-ahead inflation expectations fell for a second straight month, plunging from 5.0% last month to 4.4% this month. Long-run inflation expectations receded for the third consecutive month, falling back from 4.0% in June to 3.6% in July. Both readings are the lowest since February 2025 but remain above December 2024, indicating that consumers still perceive substantial risk that inflation will increase in the future.

July's improvement in current personal finances was supported by strong asset values, with sentiment gains among stock market participants. However, those without stock wealth experienced a sentiment decline. The chart illustrates how the trajectory of sentiment evolved for high-wealth consumers—those with the top tercile of stock holdings—compared with consumers who hold no stock. While sentiment for the two groups converged in mid-2022 during the height of post-pandemic inflation, high-wealth consumer sentiment recovered quite rapidly, leading to a new divergence in views through 2024 that dwarfed the wealth gaps in sentiment seen prior to the pandemic. The surging strength of sentiment for wealthier consumers in 2023 and 2024 helped support robust consumer spending during this period.

This wealth gap in sentiment collapsed in 2025. Sentiment of wealthy consumers sank and converged with that of non-stockholding consumers amid heightened worry about the potential for tariff-induced inflation. During the past two months, sentiment for high-wealth consumers ticked up as stock markets shrugged off tariff worries, but even so, their sentiment is 20% below a year ago. In contrast, for non-stockholders, sentiment is at virtually the same low level as last year. Given that the lion's share of aggregate consumer spending is generated by high-wealth and high-income consumers, the lack of confidence among this group is concerning and suggests that robust spending will be difficult to sustain going forward.

Sentiment trends this year have been driven by the evolution of concerns over tariffs, primarily due to concerns that trade policy could worsen the prices consumers face. Moreover, consumers' expectations over business conditions, labor markets, and even their own incomes continue to be weaker than a year ago. That said, the recent two-month lift in sentiment suggests that consumers believe that the risk of the worst-case scenarios they expected in April and May has eased, given the slowdown of trade policy developments thereafter. Still, with reciprocal tariffs now paused another month, policy remains very uncertain and substantial tariff hikes remain on the table. If higher tariffs are announced, or if inflation continues to rise, sentiment is likely to remain subdued. As it stands, consumers appear to have pulled back some spending this year, consistent with the rapid decline in their sentiment earlier this year.



	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul Prelim
Index of Consumer Sentiment	66.4	67.9	70.1	70.5	71.8	74.0	71.7	64.7	57.0	52.2	52.2	60.7	61.8
Current Economic Conditions	62.7	61.3	63.3	64.9	63.9	75.1	75.1	65.7	63.8	59.8	58.9	64.8	66.8
Index of Consumer Expectations	68.8	72.1	74.4	74.1	76.9	73.3	69.5	64.0	52.6	47.3	47.9	58.1	58.6
Index Components													
Personal Finances - Current	79	79	80	81	82	85	87	82	74	71	67	78	82
Personal Finances - Expected	105	108	111	110	116	111	109	99	86	78	79	94	90
Economic Outlook - 12 Months	86	88	93	92	97	88	81	73	56	48	50	63	68
Economic Outlook - 5 Years	84	92	94	95	96	94	88	83	66	60	60	74	74
Buying Conditions - Durables	81	78	82	85	82	108	106	86	89	82	83	88	89