July 2025 survey results August 1, 2025

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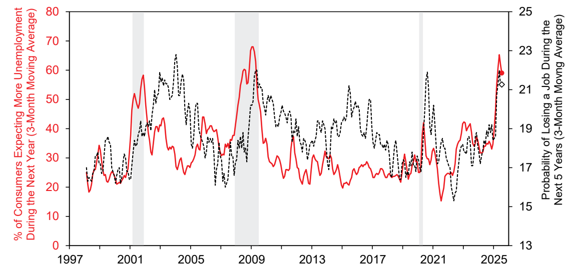
Despite Recent Improvements, Consumers Still Anticipate Rising Unemployment and Elevated Risks of Personal Job Loss



Consumer sentiment improved for the second straight month, inching up a scant single index point from June. Current conditions rose about 5% to its highest reading since February 2025, while the expectations index fell slightly. A rise in sentiment among stock holders was partially offset by a decline among consumers who do not own stocks. Perceptions of this month's economic developments were similar across the political spectrum; Republicans, Independents, and Democrats all saw some minor increases in sentiment this month. Although recent trends show sentiment moving in a favorable direction, sentiment remains broadly negative. Consumers are hardly optimistic about the trajectory of the economy, even as their worries have softened since April 2025.

Year-ahead inflation expectations fell for a second straight month, plunging from 5.0% last month to 4.5% this month. This is the lowest reading since February 2025 but above December 2024 just after the election. Long-run inflation expectations receded for the third consecutive month, falling back from 4.0% in June to 3.4% in July. This is the lowest reading since January 2025 but, again, still considerably higher than the December 2024 reading.

Labor market expectations improved just a touch but remain considerably weaker than a year ago. About 57% of consumers expect unemployment to rise in the year ahead, down from the two-thirds seen in March and April, but well above the 35% seen a year ago (see chart, red solid line). Aside from the last five months, this is the highest reading since 2009. Moreover, consumers continue to perceive elevated risks of personal job loss (see chart, black dotted line). Expectations of own incomes remain extremely low and are less than half of what was seen in December 2024.

Sentiment this year has tracked the salience of tariffs to consumers. The share of consumers spontaneously offering comments about tariffs has fallen from a height of two-thirds of consumers in May to 57%, still a solid majority, in July. While tariff policy appears to be stabilizing below the levels threatened in April, recent announcements include tariff rates that are still very high from a historical perspective. Tariff concerns are particularly strong among higher-income, high-stock-wealth, and college-educated consumers. These consumers note that their personal finances have been boosted by strong asset values, but their personal views of the economy are still relatively gloomy, which presents its own risks given their large contribution to aggregate spending.

Overall, the survey reveals risks to both of the Fed's mandates. While inflation expectations have fallen considerably from the initial shock of the April tariff threats, they remain notably higher than the pre-pandemic period. Consumers clearly do not believe that the risk of accelerating inflation has passed. Meanwhile, expectations remain poor for business conditions and elevated for unemployment; critically, consumers anticipate they may be personally affected. Despite recent improvements, this combination of views is consistent with a slowdown in spending, as consumers may respond to these risks with more cautious financial behavior. At the same time, a cautionary pullback in spending could potentially mediate any inflationary effects of tariffs.

	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 2025
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	61.7
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	68.0
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	57.7
Index Components													
Personal Finances - Current	79	79	80	81	82	85	87	82	74	71	67	78	83
Personal Finances - Expected	105	108	111	110	116	111	109	99	86	78	79	94	91
Economic Outlook - 12 Months	86	88	93	92	97	88	81	73	56	48	50	63	66
Economic Outlook - 5 Years	84	92	94	95	96	94	88	83	66	60	60	74	72
Buying Conditions - Durables	81	78	82	85	82	108	106	86	89	82	83	88	91

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