Trade Policy and Expected Consumer Spending August 15, 2025

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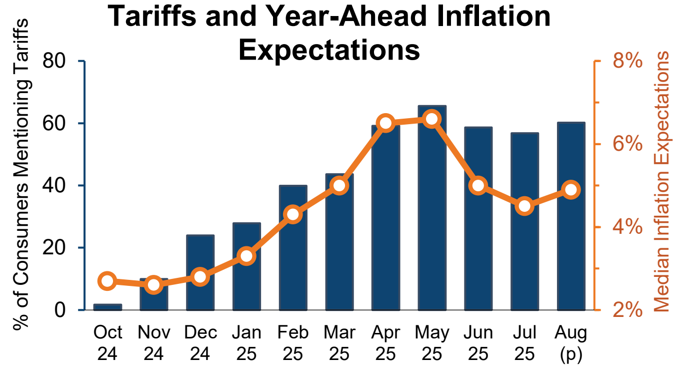
Since the election, trade policy has captured the attention of consumers, specifically in terms of their anticipated effects on the prices they face. This attention comes as no surprise, given that concerns about high prices and inflation have dominated consumer attitudes toward the economy since the pandemic. Under these circumstances, how consumer spending will evolve is critical to understanding the trajectory of the economy. In May, June, and July of this year, the surveys asked consumers about changes in their attitudes and anticipated future spending, particularly on items that exhibit large price increases. This report compares these results to readings from 2022 near the height of post-pandemic inflation. Some measures were also collected in 1979 and 1981, providing some historical context, though by then consumers had already adjusted to a decade of high inflation.

Figure 1: Spontaneous Mentions of Tariffs and Year-Ahead Inflation Expectations



As seen in Figure 1, the share of consumers spontaneously mentioning tariffs during interviews grew progressively between November 2024 and May 2025, just after the April announcement and pause of the initial reciprocal tariff schedule, and moderated somewhat in the months since. Inflation expectations follow a similar pattern: a sharp rise through May, and a softening thereafter but remaining well above readings from earlier in 2024. Although CPI inflation has not surged, our data show that consumers are still bracing for an increase in inflation to come. Moreover, consumers are also concerned that labor markets will weaken. The share of consumers expecting unemployment to worsen in the year ahead was about 32% in 2022 and as recently as November 2024, but is now about 60%, a reading last seen in the Great Recession.

Year-Ahead Anticipated Spending Response to Inflation
Responses from May through July 2025

	Will Spend As Usual	Will Cut Back	Will Stop
All Consumers	24%	58%	13%
August - October 2022	*36*	*53*	*8*
Age			
18-44	22	63	15
45-64	24	61	14
65 and older	31	58	11
Income			
Lower Third	18	61	16
Middle Third	25	59	13
Upper Third	31	58	9
Education			
No college degree	25	61	14
College degree	26	60	13
Political Affiliation			
Democrat	18	64	17
Independent	22	64	14
Republican	44	49	6
Stock Ownership			
Do not own stock	20	62	17
Lower Third of Holdings	19	64	17
Middle Third of Holdings	28	61	11
Upper Third of Holdings	39	53	9

Only about 24% of consumers expect to spend as usual in the year ahead on items that have large price increases**.** The remaining consumers report that they would reduce their spending on such items, either by cutting back or stopping their spending on such items altogether. These results stand in contrast to the 2022 period (August through October), during which 36% of consumers expected to spend as usual. There are two key differences in the economic context. First, contemporaneous inflation was much higher in 2022 than now. Second, and more critically, consumers currently expect labor markets to weaken, which would reduce their income prospects and their ability to spend.

Note that for historical comparability, the questions asked specifically about goods that have large price increases, without any reference to what those goods might be, nor what might cause specific price increases. Consumers could potentially reduce spending on some items without necessarily reducing their overall expenditures.

As seen in the table, expected spending responses vary across the population. Higher income consumers are much more likely to continue spending as usual than their lower-income counterparts, with similar patterns by terciles of stock wealth. These consumers generally have the resources to buffer against some price or income shocks. However, these groups expect to be more responsive to inflation now than they reported in 2022. As an example, 31% of higher-income consumers expect to hold their spending steady this year, down from 45% in 2022.

Across political affiliation, a clear majority of each political group anticipate reducing their spending on items that experience inflation. Still, partisan differences are visible; Republicans are less likely to expect reducing their spending than independents or Democrats. These patterns are consistent with historical patterns in which consumers tend to hold more favorable economic views when their party is in the White House. Critically, research has shown that partisanship patterns are seen in actual spending behavior (as well as portfolio choice, entrepreneurship, patents, tax evasion, and other economic behaviors), so partisan differences in these survey responses cannot be dismissed as mere political posturing unrelated to behavior.

When asked about what purchases consumers anticipate cutting back or delaying the most, the most common responses included car buying (19% of consumers), household items (17%), eating out (14%), and luxury purchases (13%).

Consumers who expect to scale back their spending have lower sentiment and higher inflation expectations.

Anticipated Spending Response	%	Sentiment Index	Inflation Expectations		% Expecting Unemployment to Rise (1 Year)
			1 Year	5-10 Year	
Will Spend As Usual	24	89	2.9	2.8	39
Will Cut Back	58	50	5.4	4.4	65
Will Stop	13	33	9.8	9.0	79

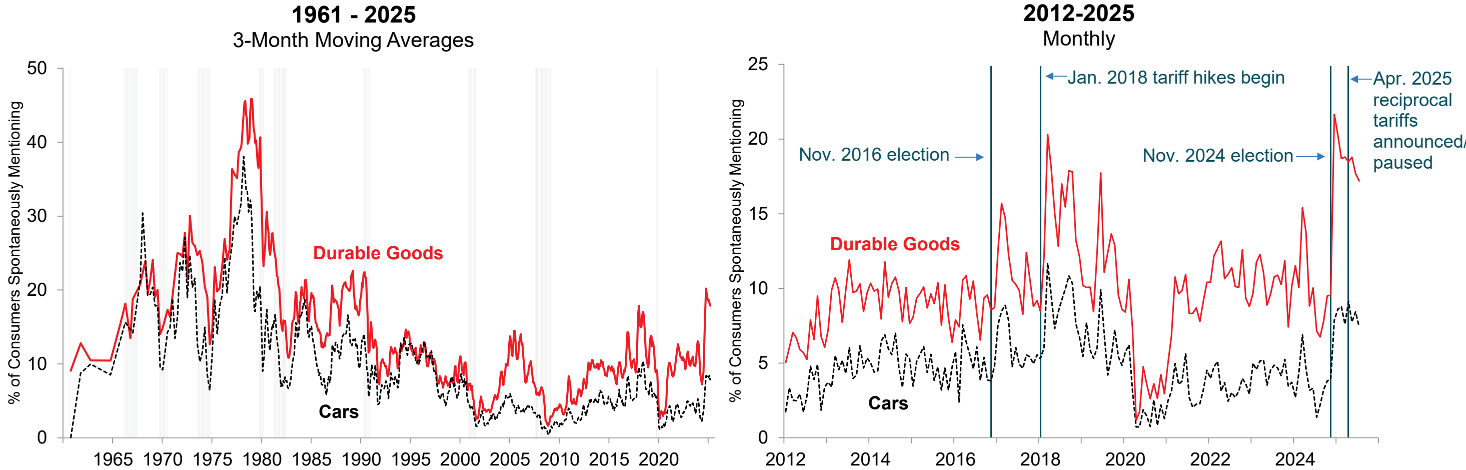
Variation in anticipated spending responses reflect differences in underlying views and expectations for the economy, and not just differences in demographic characteristics or circumstances. Among the majority of consumers who expect to cut back some of their spending, sentiment and inflation expectations are squarely in the middle between the those who plan to stop their spending and those who plan to spend as usual. The 13% who expect to stop spending reported extremely low sentiment as well as extremely high inflation and unemployment expectations. These consumers anticipate a stagflationary economy to come, with pressures on the pocketbook stemming from both higher prices as well as weakening income prospects. Conversely, the 24% of consumers who expect to spend as usual exhibit far more favorable sentiment, strong labor market expectations, and modest inflation expectations. These results reaffirm that consumers' spending intentions are influenced by their confidence and expectations for the economy.

Advance buying motives have increased sharply in 2025, comparable to levels seen around the enactment of tariffs in 2018, but remain much lower than readings from the 1970s and 80s.

While making plans to cut back on future spending may be one way to deal with an expected inflationary environment, another strategy could be to pre-emptively make large purchases in order to avoid future price increases. Such advance buying motives can turn high inflation expectations into a self-fulfilling phenomenon, as accelerated buying would create further upward pressure on inflation. Thus, these motives are an important component of inflationary psychology.

Since the 1960s, the surveys have tracked spontaneous mentions of advance buying motives when consumers are asked about buying conditions for various large purchases. Figure 2 plots the share of consumers spontaneously referencing that it is a favorable time to buy to avoid future price increases for durable goods or cars. Note that spontaneous mentions of "tariffs" or "taxes" alone, without also explicitly referencing prices, would not be included in this measure and will be analyzed separately below. In the 1960s and 70s, sharp increases in advance buying motives preceded each resurgence of inflation. As seen in the full history in the left panel of Figure 2, recent levels of buy-in-advance motives have risen sharply this year, but remain substantially lower than was seen in the late 1970s.

Figure 2: Spontaneous References to Advance Buying Motives for Major Purchases

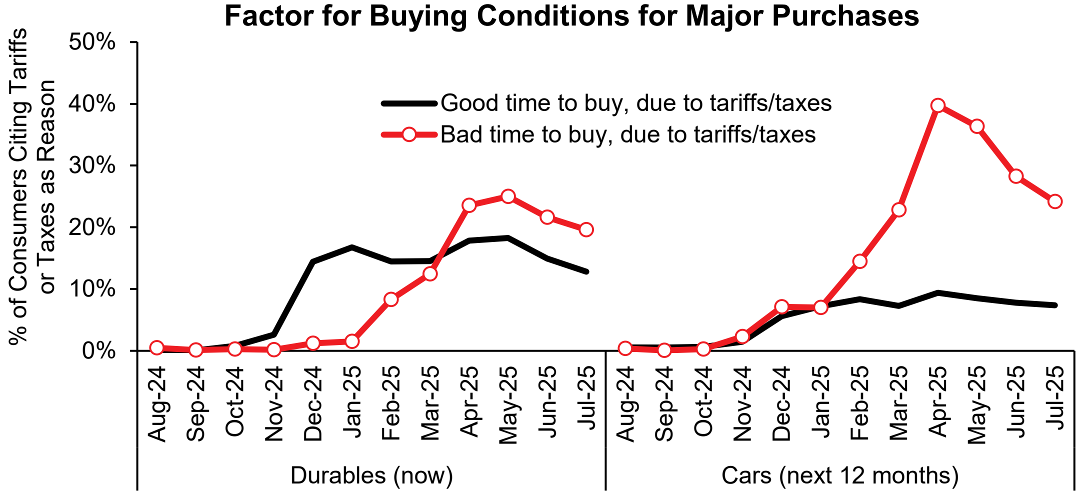


The right panel of Figure 2 focuses on a more recent history. Advance buying motives climbed steeply immediately following the 2024 election; they have eased since then but remain much higher than levels seen in the two years prior. A key comparison is 2016 and 2018. During the 2016 campaign season, Trump discussed his plans for tariff hikes, and indeed advance buying motives spiked after his election. They came down soon thereafter with little immediate movement on tariff policy. In January 2018, tariffs were enacted on solar panels and washing machines. Advance buying motives increased leading into the enactment and continued rising for two months thereafter. These patterns were consistent with the belief that even after the implementation of tariffs, opportunities may have remained for buyers to pre-empt any eventual passthrough to consumer prices.

Indeed, looking at specific references to tariffs in the context of buying conditions for durables and cars over the past year (with or without a reference to prices as well), Figure 3 shows that consumers have mentioned tariffs in both positive and negative contexts. Positive mentions typically reflect beliefs that it is a good time to buy in order to avoid the effects of tariffs in the future. Negative mentions typically express that it is already too late to avoid the impact of tariffs.

For buying conditions for durable goods (left panel), references to tariffs for "good time to buy" surged immediately after the election, while very few people cited tariffs for "bad time to buy" until several months later. These attitudes appear to have passed through to actual spending behavior, as seen in the strong durables spending data in the fourth quarter of 2024. By April, the "bad time to buy" tariff mentions surpassed the "good time to buy" tariff mentions. The pattern is slightly different for cars (right panel), consistent with the many gyrations specifically for tariffs that affect them, and the more complex and often lengthy process for such purchases. Throughout this past year, tariff mentions for "good time to buy" have never exceeded "bad time to buy." For both durables and cars, the "bad time to buy" tariff mentions have softened since April/May but remain quite elevated relative to the months leading into the election.

Figure 3: Tariffs Cited Both Positively and Negatively as Factor for Buying Conditions for Major Purchases



Favor advance buying? (Direct Question)	%				Sentiment Index 2025	Inflation Expectations		% Expecting Unemployment to Rise (1 Year)
	1979	1981	2022	2025		1 Year	5-10 Year	
Yes, buy now	18	23	27	30	59	5.3	4.5	65
No	71	66	62	60	58	4.9	3.5	58

While spontaneous references of advance buying motives have been continuously tracked since the 1960s, the surveys have occasionally queried consumers directly about such motives. In 1979, 1981, 2022, and 2025, consumers were asked "Should people buy large things such as houses, cars, appliances, or furniture before they are really needed to avoid higher prices in the future?" As seen in the table above, in 1979 and 1981, 18% and 23% of consumers favored advance buying. This share rose to 27% in 2022 and has further lifted to 30% this year.

As seen in the right panel, in 2025, consumers favoring advance buying reported higher inflation expectations than those who do not, again indicating that consumers' buying attitudes are consistent with their future expectations, at least for prices. Differences in sentiment and labor market expectations are more modest.

Consumers continue to be more reluctant to borrow for major purchases than to dissave.

The table to the right displays responses to two questions on consumers' willingness to use savings or debt to finance major purchases. The distaste for debt now closely resembles readings from 2022 as well as 1981, despite the very different historical contexts for both contemporaneous inflation and consumer credit markets. Consumers are somewhat more willing to use savings for major purchases now relative to 2022, but less so than in 1979 and 1981 when consumers had adjusted to a long period of high inflation.

	To make major purchases given their current situation…	
	OK to use savings	**OK to use credit**
2025	24%	14%
2022	20	14
1981	29	14
1979	29	16

Appendix

Results for 2025 are based on 3563 interviews between April 22 and and July 28. Results for 2022 are based on interviews collected between July 27 and October 24; more details are available in the November 2022 special report, "Five Consumer Responses to Inflation." Missing values are omitted from all tables and charts. The table on the direct question on favoring advance buying omits responses of "depends," which were not recorded consistently across all time periods.

Question text

Next, there are several questions related to your reactions to trade policies.

If there were a major purchase that you wanted to make, do you think that now is a time when it would be O.K., to use some of your savings or is now a time when you would be especially reluctant to use some of your savings?

If there were something big that you wanted to buy, do you think that now is a time when it would be O.K. for you to buy on credit, or is now a time when you would be especially reluctant to take on new debt?

Should people buy large things such as houses, cars, appliances, or furniture before they are really needed to avoid higher prices in the future?

In the next 12 months, will you (and your family living there) stop buying things which have had particularly large price increases, cut down your buying, or continue to buy as usual?

What purchases will you (and your family living there) cut back or delay the most? [Open ended question]