surveys of consumers
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Preliminary results from the August 2025 survey August 15, 2025

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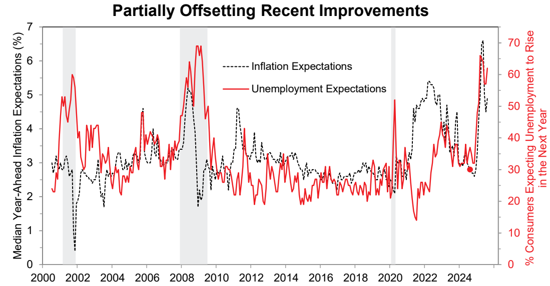
Unemployment and Inflation Expectations Worsen in August, Partially Offsetting Recent Improvements



Consumer sentiment fell back about 5% in August, declining for the first time in four months. This deterioration largely stems from rising worries about inflation. Buying conditions for durables plunged 14%, its lowest reading in a year, on the basis of high prices. Current personal finances declined modestly amid growing concerns about purchasing power. In contrast, expected personal finances inched up a touch along with a slight firming in income expectations, which remain subdued. Overall, consumers are no longer bracing for the worst-case scenario for the economy feared in April when reciprocal tariffs were announced and then paused. However, consumers continue to expect both inflation and unemployment to deteriorate in the future.

Year-ahead inflation expectations rose from 4.5% last month to 4.9% this month. This increase was seen across multiple demographic groups and all three political affiliations. Long-run inflation expectations also lifted from 3.4% in July to 3.9% in August. This month ended two consecutive months of receding inflation for short-run expectations and three straight months for long-run expectations. Still, both readings remain well below the highs seen briefly in April and May 2025.

Even beyond the uptick in expectations for future inflation, consumers expressed throughout the interviews that their concerns about *current* high prices have returned to prominence this month after waning somewhat earlier in the summer. About 44% of consumers mentioned that their living standards are being eroded by high prices, up from 36% in June and the highest since last November. When asked about buying conditions for durables, 35% of consumers cited high prices as a negative factor, up from 27% the last three months and also the highest since last November. These results on current and future inflation coincide with an escalation of trade policy developments in recent weeks. Tariffs were spontaneously mentioned during interviews by 57% of consumers last month, rising to over 60% in August. This marks the fifth straight month that tariffs have been mentioned by a majority of consumers.

Monthly developments with labor market expectations were mixed in August. Unemployment expectations worsened, with about 62% of consumers expecting unemployment to rise in the year ahead, up from 57% the last two months. In contrast, personal income expectations improved modestly, though they remain muted. Given the relatively weak income prospects perceived by consumers, it is unsurprising that a majority have expressed that they intend to pull back their spending on items that exhibit large price increases (see the special report, "Trade Policy and Expected Consumer Spending"). Following through with these spending intentions would weigh on economic growth but could help mitigate the anticipated inflationary effects of high tariffs.

The share of consumers expecting interest rates to fall in the year ahead has increased over the past three months to 31%, the highest reading since January 2025. This obscures substantial and unusually large differences by political party. This month, about 64% of Republicans expect interest rates to fall, compared with 30% of independents and only 14% of Democrats. The current partisan gap in interest rate expectations is the largest on record and dwarfs the gaps seen during the last two presidential administrations. In contrast, the average size of the partisan gap in sentiment seen this year has been within the range seen during the last two administrations. For both variables, national trends follow independents, as usual.

	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug Prelim
Index of Consumer Sentiment	67.9	70.1	70.5	71.8	74.0	71.7	64.7	57.0	52.2	52.2	60.7	61.7	58.6
Current Economic Conditions	61.3	63.3	64.9	63.9	75.1	75.1	65.7	63.8	59.8	58.9	64.8	68.0	60.9
Index of Consumer Expectations	72.1	74.4	74.1	76.9	73.3	69.5	64.0	52.6	47.3	47.9	58.1	57.7	57.2
Index Components													
Personal Finances - Current	79	80	81	82	85	87	82	74	71	67	78	83	78
Personal Finances - Expected	108	111	110	116	111	109	99	86	78	79	94	91	92
Economic Outlook - 12 Months	88	93	92	97	88	81	73	56	48	50	63	66	62
Economic Outlook - 5 Years	92	94	95	96	94	88	83	66	60	60	74	72	73
Buying Conditions - Durables	78	82	85	82	108	106	86	89	82	83	88	91	78