

Preliminary results from the September 2025 survey

Joanne Hsu, PhD, Director

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Consumer sentiment moved down less than three index points in early September. This month's easing in economic views was particularly strong among lower and middle income consumers. Buying conditions for durables improved, while all other index components fell. Consumers continue to note multiple vulnerabilities in the economy, with rising risks to business conditions, labor markets, and inflation. Likewise, consumers perceive risks to their pocketbooks as well; current and expected personal finances both eased about 8% this month. Trade policy remains highly salient to consumers, with about 60% of consumers providing unprompted comments about tariffs during interviews, little changed from last month. Still, sentiment remains above April and May 2025 readings, immediately after the initial announcement of reciprocal tariffs.

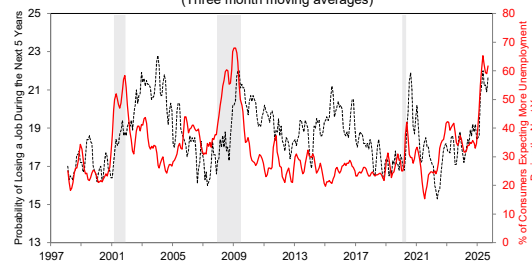
Year-ahead inflation expectations held steady at 4.8%, unchanged from August. Long-run inflation expectations moved up for the second straight month to 3.9% in September. This current reading is considerably lower than the 4.4% seen in April.

As seen in the chart, the share of consumers expecting unemployment to rise in the year ahead surged in between January and May of this year (red line). Since then, these expectations have remained persistently poor, comparable to levels seen in 2009. This month, they ticked up to 65% from 63% last month. September marks eight consecutive months in which a majority of consumers have reported that they anticipate rising unemployment. Recent retrospective jobs data have been consistent with consumers' forward-looking expectations. Notably, while labor market expectations have worsened considerably over the past year, labor market news heard by consumers has been flat year-over-year. This month, about 23% of consumers reported hearing unfavorable news about labor markets, compared with 24% a year ago.

Weak labor market expectations may have limited influence on spending if consumers do not expect to be personally affected. But in fact, responses to multiple survey questions all show that the financial outlook for consumers has deteriorated as well. Expected personal finances fell back 8% this month and is now about 24% below a year ago. Consumers' expected probability of personal job loss grew sharply this year and ticked up in September as well (see chart, black dashed line), suggesting that consumers are indeed concerned that they may be personally affected by any negative developments in labor markets. Moreover, consumers also feel squeezed by the persistence of high prices. About 45% of consumers spontaneously mentioned that high prices are eroding their personal finances, which is the highest share since August 2024 and comparable to 2022 readings. On real income expectations, about 70% of consumers expect inflation to exceed any income gains in the year ahead, up from 60% in September 2024. Taken together, confidence in incomes has ebbed, reducing a key factor that supported robust spending in 2022 even amid unfavorable levels of consumer sentiment.

Buying conditions for durables have moved up and down this year, and thus this month's improvement is not necessarily a signal of strength in the economy. While consumers are broadly in agreement that price considerations are paramount, consumers do not necessarily agree on what the price trends will look like. Some emphasize the current high level of prices, while others cite expectations that prices will either remain high or increase further, say due to tariffs. With continued uncertainty over trade policy, these buying conditions are unlikely to stabilize in the near future.

Consumers Continue to Expect Unemployment to Rise, with Heightened Risks of Personal Job Loss
(Three month moving averages)



	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep Prelim
Index of Consumer Sentiment	70.1	70.5	71.8	74.0	71.7	64.7	57.0	52.2	52.2	60.7	61.7	58.2	55.4
Current Economic Conditions	63.3	64.9	63.9	75.1	75.1	65.7	63.8	59.8	58.9	64.8	68.0	61.7	61.2
Index of Consumer Expectations	74.4	74.1	76.9	73.3	69.5	64.0	52.6	47.3	47.9	58.1	57.7	55.9	51.8
Index Components													
Personal Finances - Current	80	81	82	85	87	82	74	71	67	78	83	77	71
Personal Finances - Expected	111	110	116	111	109	99	86	78	79	94	91	91	84
Economic Outlook - 12 Months	93	92	97	88	81	73	56	48	50	63	66	61	58
Economic Outlook - 5 Years	94	95	96	94	88	83	66	60	60	74	72	70	62
Buying Conditions - Durables	82	85	82	108	106	86	89	82	83	88	91	80	85