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August 2026 survey results August 28, 2026

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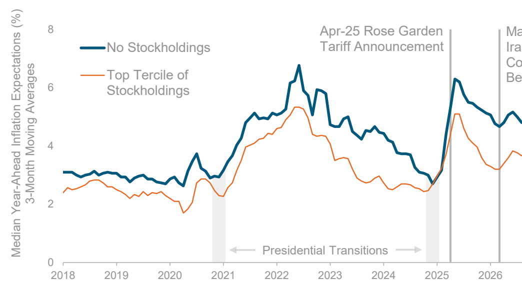
Despite variation in views, inflation expectations remain elevated across the wealth distribution



Consumer sentiment confirmed its early month reading, falling about 6% from last month and landing about 11% below a year ago amid continued worries that inflation will remain elevated for the foreseeable future. Sentiment declines in August were seen for all political groups and were particularly acute among Republicans. Moreover, groups who are typically less-equipped to absorb increases in cost of living also exhibited stronger decreases in sentiment, including older consumers, lower- and middle-income consumers, and those with no stock holdings. With ongoing policy uncertainty including the Iran conflict, consumers anticipate further increases in gasoline prices both in the short and long run. In addition to the pocketbook issues that have been central to consumers' views of the economy, they are increasingly worried that prospects elsewhere in the economy could be weakening. Expected year-ahead business conditions fell back 10%, along with a 13% drop for the five-year horizon. Any re-escalation of trade tensions will likely exacerbate these trends. This release covers interviews completed between July 28 and August 24.

Year-ahead inflation expectations ticked down from 4.2% in July to 4.0%. The current reading substantially exceeds the 3.4% seen in February before the Iran conflict began, along with all 2024 readings. Long-run inflation expectations held steady at 3.3% for the third consecutive month, remaining a bit higher than its 2024 range of 2.8% to 3.2%.

As seen in the chart, inflation expectations vary across the wealth distribution. Historically, non-stockowning consumers hold slightly higher inflation expectations than consumers with the highest tercile of stockholdings. Inflation expectations for both groups climbed in the wake of the pandemic and peaked in mid-2022. Expectations then moderated more rapidly for the wealthiest consumers and leveled off throughout 2024. For non-stockholders, inflation expectations declined gradually, leading to a widening wealth gap in those expectations. They finally converged with high-wealth consumers at the end of 2024, though the less-wealthy did not recover to their pre-pandemic readings.

Inflation expectations for both groups reversed course and surged in early 2025 as tariff developments intensified. As usual, low-wealth consumers had higher expectations than wealthier counterparts. As tariff policy moderated later in the year, the wealthiest consumers again exhibited fairly steep declines in expectations, while that of non-stockholding consumers eased more gradually. Consequently, the wealth gap in inflation expectations has consistently exceeded a full percentage point for the past year. Critically, inflation expectations across the wealth distribution currently remain above readings from 2024 as well as the pre-pandemic period. As such, consumers expect elevated inflation to persist, suggesting little prospect of relief from the well-documented frustration that consumers have with high prices.

Gasoline price expectations rose this month after easing earlier in the summer. All groups by age, income, education, wealth, and geographic region expect gas prices to rise in the year ahead. That said, notable differences are visible across the political spectrum. Following the start of the Iran conflict, gas price expectations surged among Democrats and independents. They climbed again this month, partially reversing a softening earlier this summer. In contrast, Republicans have expected all year that gas prices would remain flat, though they briefly expected *deflation* in April and June. These differences likely reflect divergent beliefs about how imminently the Iran conflict will resolve, and how gas prices will adjust in response.

	Aug 2025	Sep 2025	Oct 2025	Nov 2025	Dec 2025	Jan 2026	Feb 2026	Mar 2026	Apr 2026	May 2026	Jun 2026	Jul 2026	Aug 2026
Index of Consumer Sentiment	58.2	55.1	53.6	51.0	52.9	56.4	56.6	53.3	49.8	44.8	49.5	55.2	51.7
Current Economic Conditions	61.7	60.4	58.6	51.1	50.4	55.4	56.6	55.8	52.5	45.8	47.7	54.8	51.9
Index of Consumer Expectations	55.9	51.7	50.3	51.0	54.6	57.0	56.6	51.7	48.1	44.1	50.7	55.4	51.5
Index Components													
Personal Finances - Current	77	76	78	66	68	74	77	74	67	58	63	70	67
Personal Finances - Expected	91	86	82	85	93	95	93	84	80	73	84	88	86
Economic Outlook - 12 Months	61	57	57	56	59	63	65	56	48	45	51	61	55
Economic Outlook - 5 Years	70	62	59	61	64	68	66	64	61	56	65	71	62
Buying Conditions - Durables	80	78	72	64	60	67	67	68	66	58	58	69	65