surveys of consumers UNIVERSITY OF MICHIGAN

Monitoring trends for over 75 years

Preliminary results from the October 2026 survey

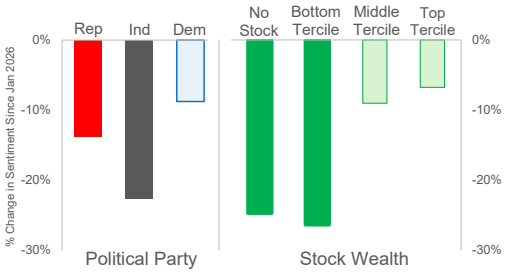
October 9, 2026

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Consumer sentiment was little changed this month, inching down a scant 1.8 index points from September. While year-ahead expectations for personal finances and business conditions crept up slightly, buying conditions for durables plummeted amid high prices and borrowing costs. Increases in sentiment among Democrats and Republicans were offset by a decline among independents this month. Overall, sentiment for lower-income consumers and those with smaller stock portfolios dropped steeply this month, groups that have fewer resources to weather increases in prices. Frustration over cost-of-living continues to mount, as consumers across the political spectrum believe that the trajectory of the economy has weakened since the beginning of the year.

Sentiment Falls Unanimously Since Jan 2026

Substantial Drops for Republicans, Independents, and Least Wealthy



Year-ahead inflation expectations ticked up from 4.6% last month to 4.7% this month. 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 also stepped up from 3.4% in September to 3.5%, notably higher than their 2024 range of 2.8% to 3.2%. Inflation expectations over both time horizons increased for the second straight month to their highest readings since May.

Since the start of the Iran conflict, consumers increasingly report that inflation, rather than unemployment, is the greater challenge facing the economy. In January 2026, about 23% of consumers reported that inflation was the more serious risk, while 14% chose unemployment (the remaining 61% of consumers reported that both problems were equal). This month, almost 40% of consumers picked inflation, nearly twice the share seen at the beginning of the year. Only 5% reported unemployment, while a 54% majority stated both problems equally. About 59% of consumers report that high prices are eroding their personal finances, up from 45% in January.

Differences in trends across the wealth distribution reflect substantial heterogeneity in financial security across the population. The right panel of the chart displays changes in sentiment by stock holdings. Sentiment among low-wealth consumers—non-stockowners along with those with the smallest stock portfolios—has collapsed about 25% since January. In contrast, those in the middle and largest tercile of stock holdings have had far more modest declines of less than 10%. These patterns reflect the fact that strong asset values can cushion the pain of high prices, but only for asset owners.

The left panel of the chart shows how sentiment trends this year have varied across the political spectrum. While Republicans continue to hold more favorable views of the economy than Democrats, Republican sentiment has pulled back nearly 15% since the start of the year, dwarfing the 9% decline seen among Democrats. Notably, independents have declined the most, sliding more than 20% over the course of the year. Despite their differences, consumers of all political identifications agree that the outlook for the economy has softened since the beginning of the year prior to the Iran conflict.

Consumers have taken note of interest rate trends seen since the September FOMC meeting, driving down buying conditions for major purchases. Home buying conditions plunged near record lows this month, with 41% of consumers blaming high prices and 65% citing high interest rates, the highest share since August 2024. Concerns over high interest rates soared for durables and vehicle purchases as well. Consumers broadly expect interest rate pressures to persist, with 74% anticipating rising interest rates over the course of the next year, the highest since 2022.

	Oct 2025	Nov 2025	Dec 2025	Jan 2026	Feb 2026	Mar 2026	Apr 2026	May 2026	Jun 2026	Jul 2026	Aug 2026	Sep 2026	Oct Prelim
Index of Consumer Sentiment	53.6	51.0	52.9	56.4	56.6	53.3	49.8	44.8	49.5	55.2	51.7	48.1	46.3
Current Economic Conditions	58.6	51.1	50.4	55.4	56.6	55.8	52.5	45.8	47.7	54.8	51.9	50.9	44.7
Index of Consumer Expectations	50.3	51.0	54.6	57.0	56.6	51.7	48.1	44.1	50.7	55.4	51.5	46.3	47.3
Index Components													
Personal Finances - Current	78	66	68	74	77	74	67	58	63	70	67	61	61
Personal Finances - Expected	82	85	93	95	93	84	80	73	84	88	86	77	79
Economic Outlook - 12 Months	57	56	59	63	65	56	48	45	51	61	55	42	44
Economic Outlook - 5 Years	59	61	64	68	66	64	61	56	65	71	62	63	63
Buying Conditions - Durables	72	64	60	67	67	68	66	58	58	69	65	68	52

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