



Consumer Sentiment in a Year of Change

Joanne Hsu

Director, Surveys of Consumers

Research Associate Professor, Institute for Social Research

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The big picture for consumer sentiment (as of Nov 7)

Inflation, cost of living, purchasing power

Sentiment exhibited a post-election rise in December 2024

CHART 1A: THE INDEX OF CONSUMER SENTIMENT

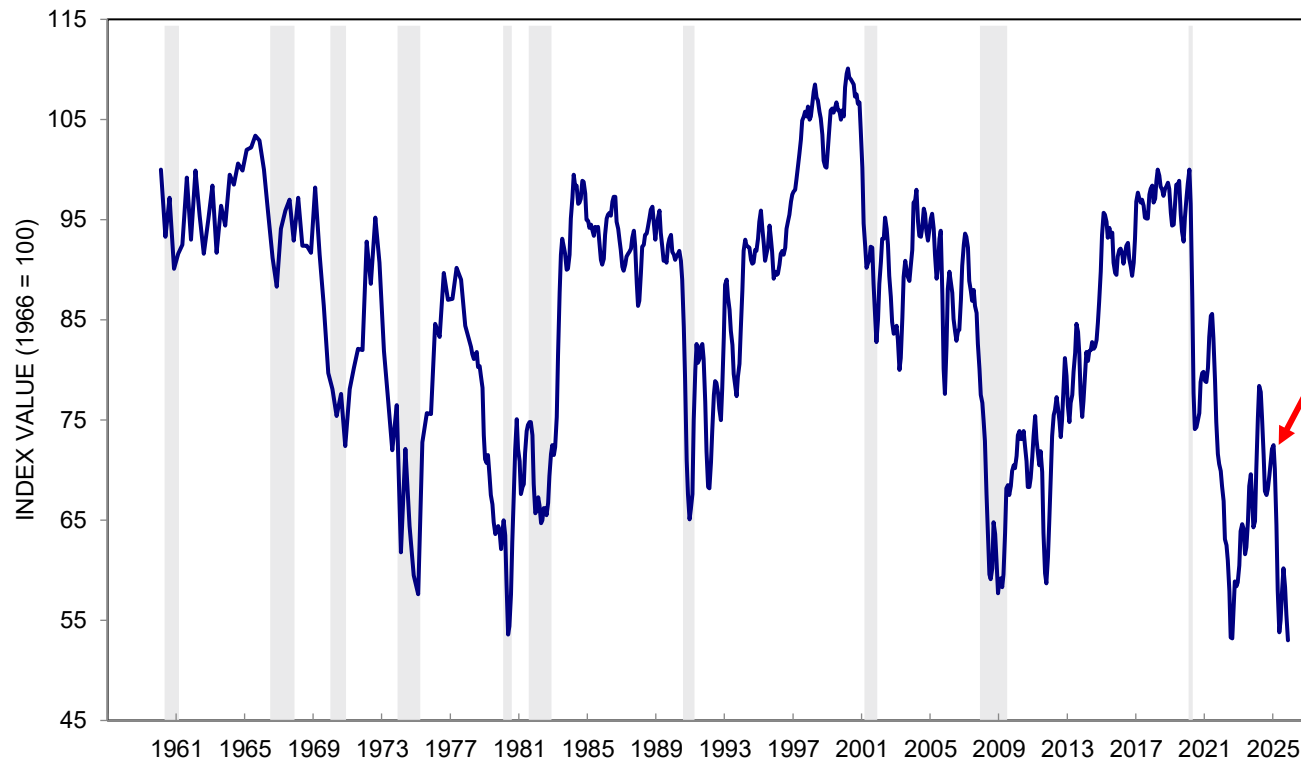
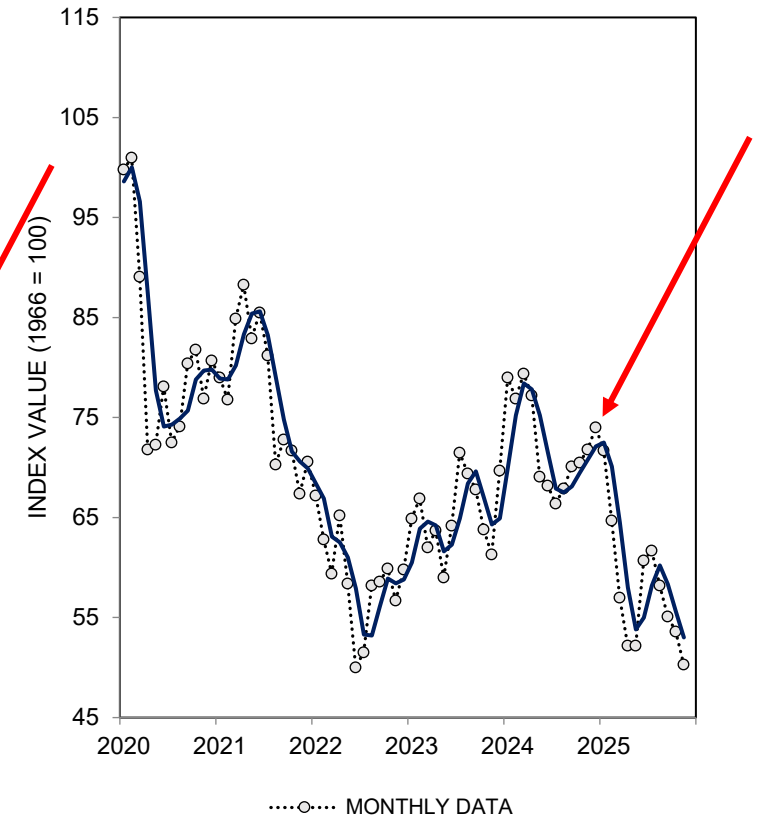


CHART 1A: THE INDEX OF CONSUMER SENTIMENT



Then plunged through April/May 2025 in the wake of major tariff announcements

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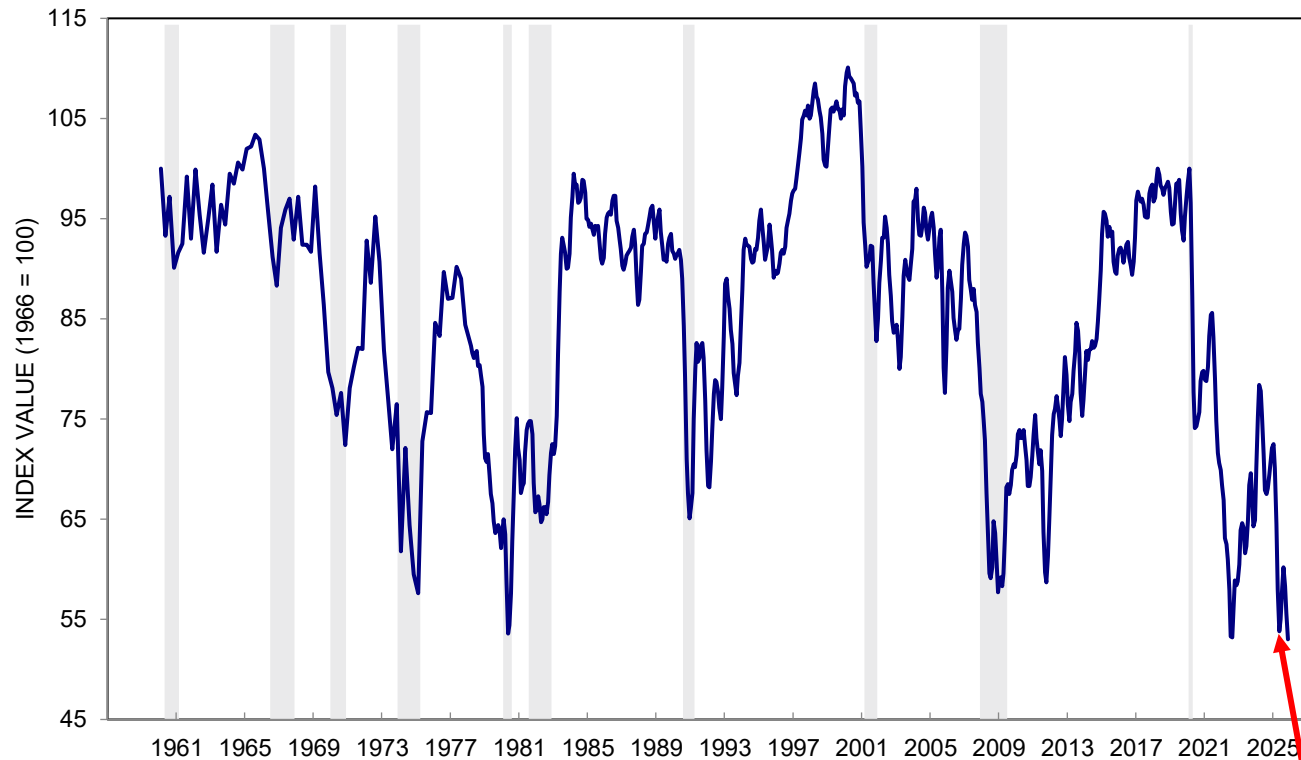
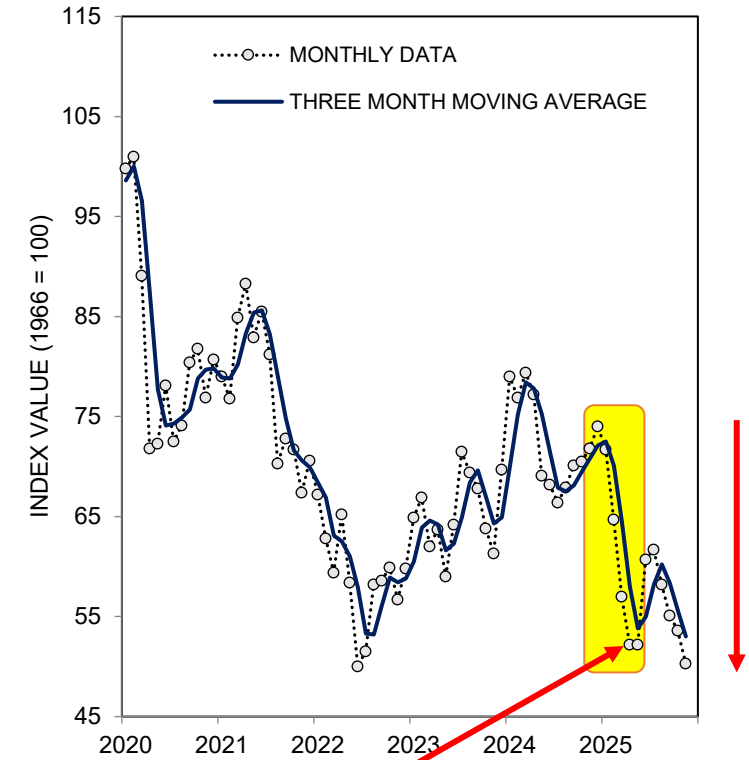


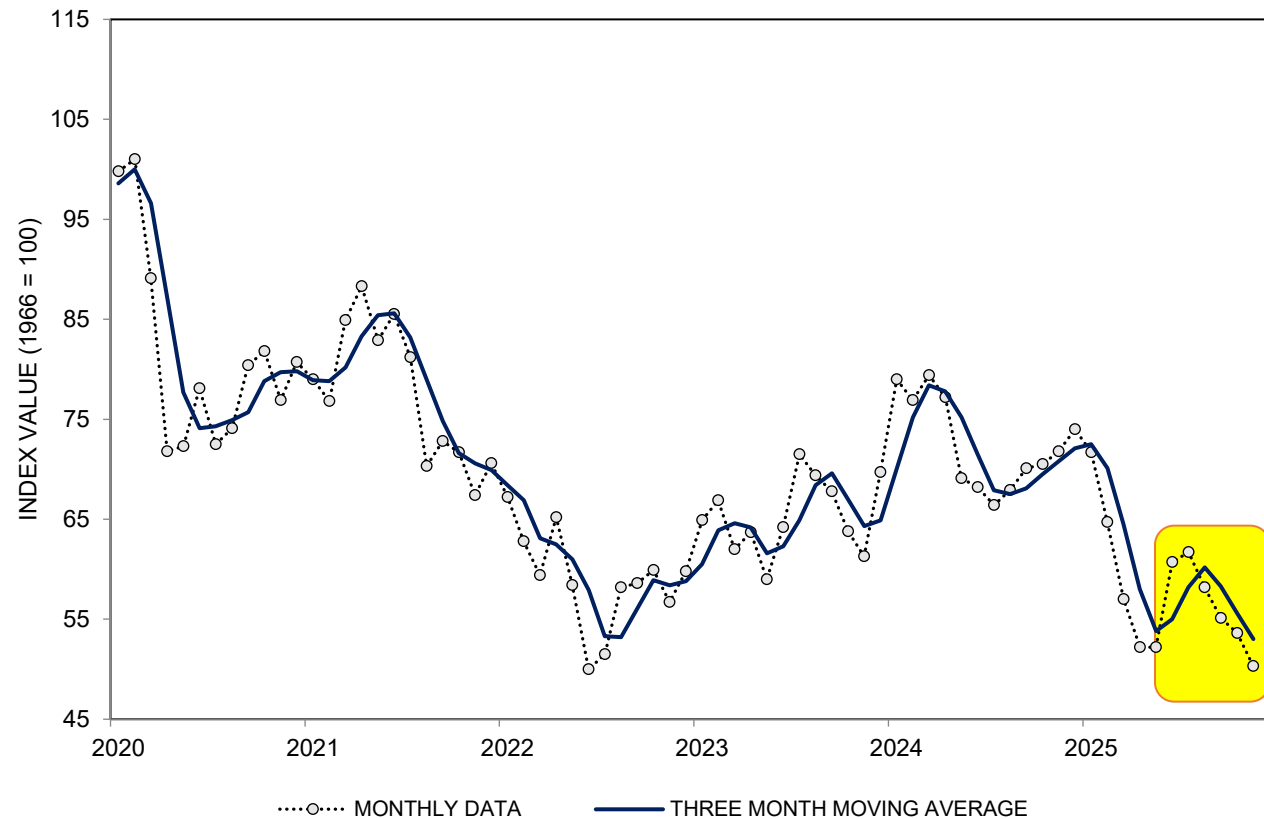
CHART 1A: THE INDEX OF CONSUMER SENTIMENT



April/May 2025

6 months onward, sentiment remains very unfavorable

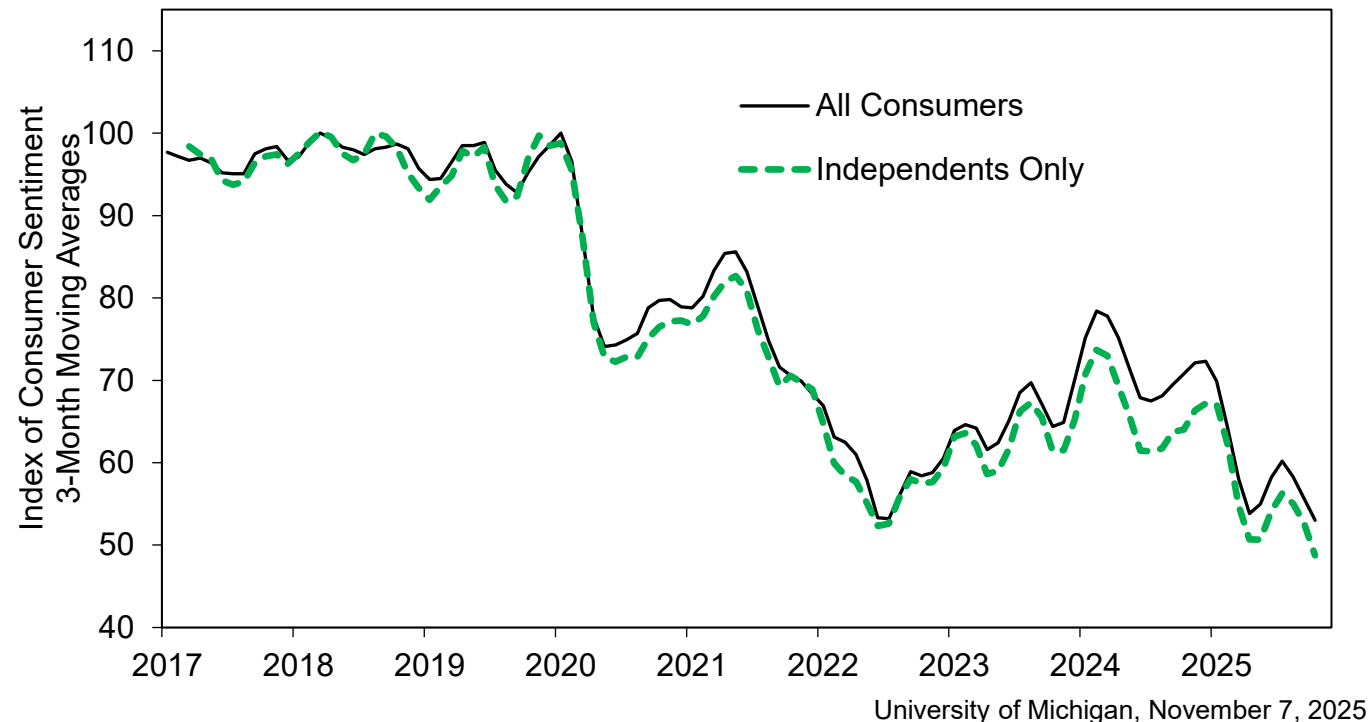
CHART 1A: THE INDEX OF CONSUMER SENTIMENT



- Modest improvement in the summer as tariff developments calmed and worst-case scenarios did not come to fruition
- Downward again in the fall (stubborn inflation; weakening labor markets; government shutdown)

Results not being driven by political polarization

- National trends, including recent declines, remain fully aligned with views of Independents

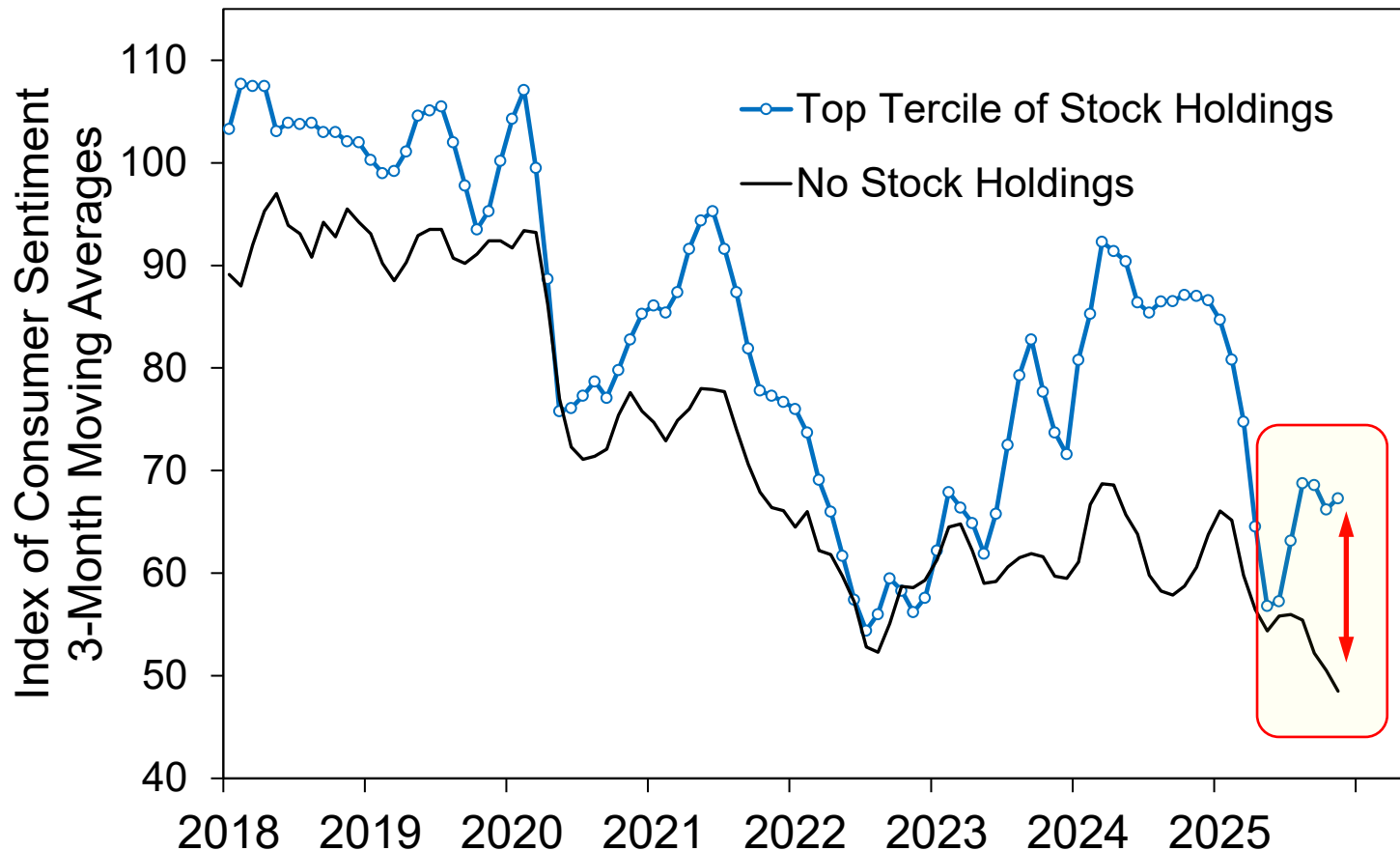


Pocketbook issues at root of concerns for the present and the future

And dominate signals of strength in the macroeconomy

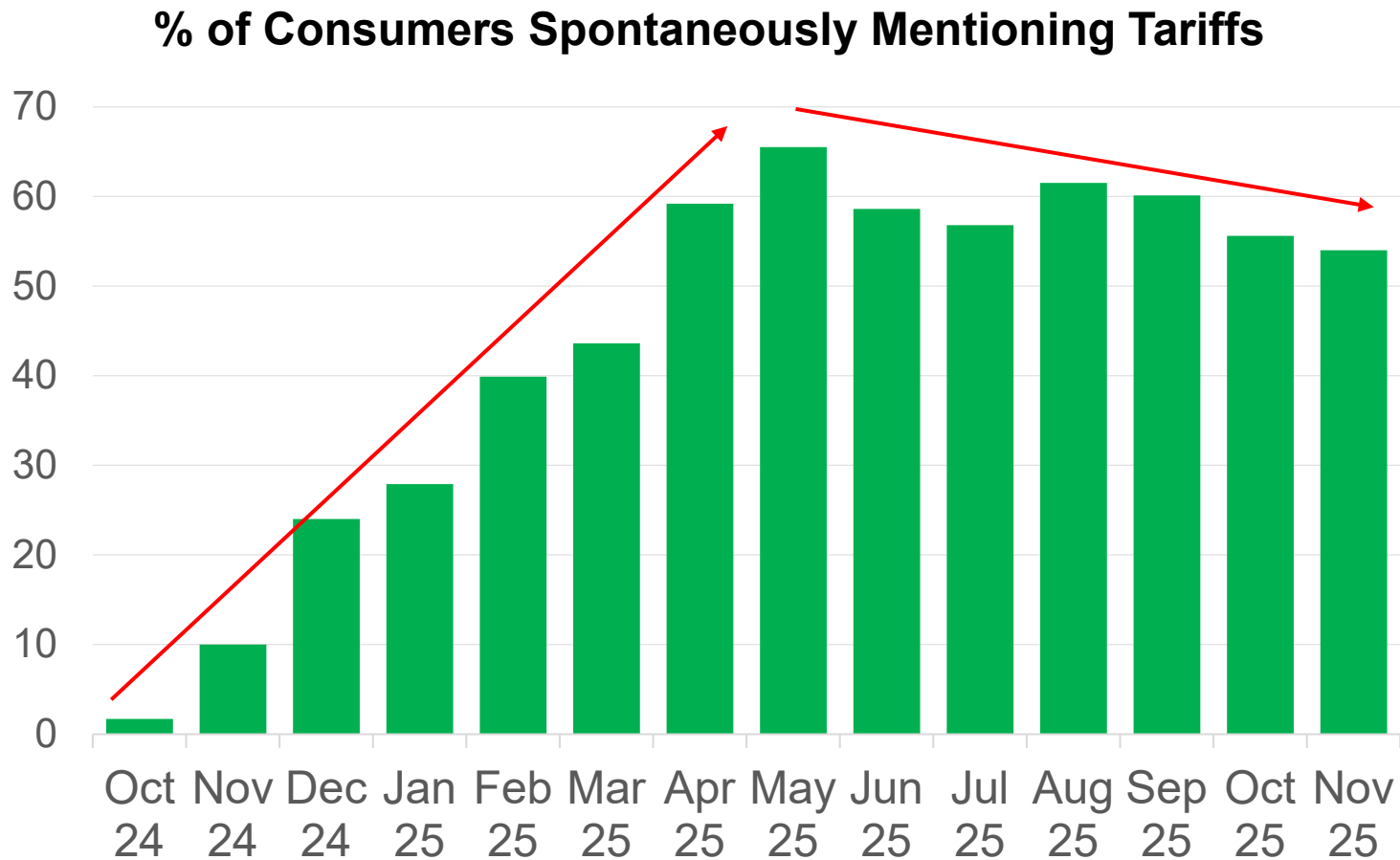
Strong stock market performance only supporting the sentiment of the wealthy

Sentiment by Stock Wealth



- Wealth gap in sentiment closed with the major tariff developments in April/May
- Since then, sentiment of top stockholders has lifted; sentiment for non-stockholders declined further
- Wealthy consumers much less bothered by high prices, labor market risk

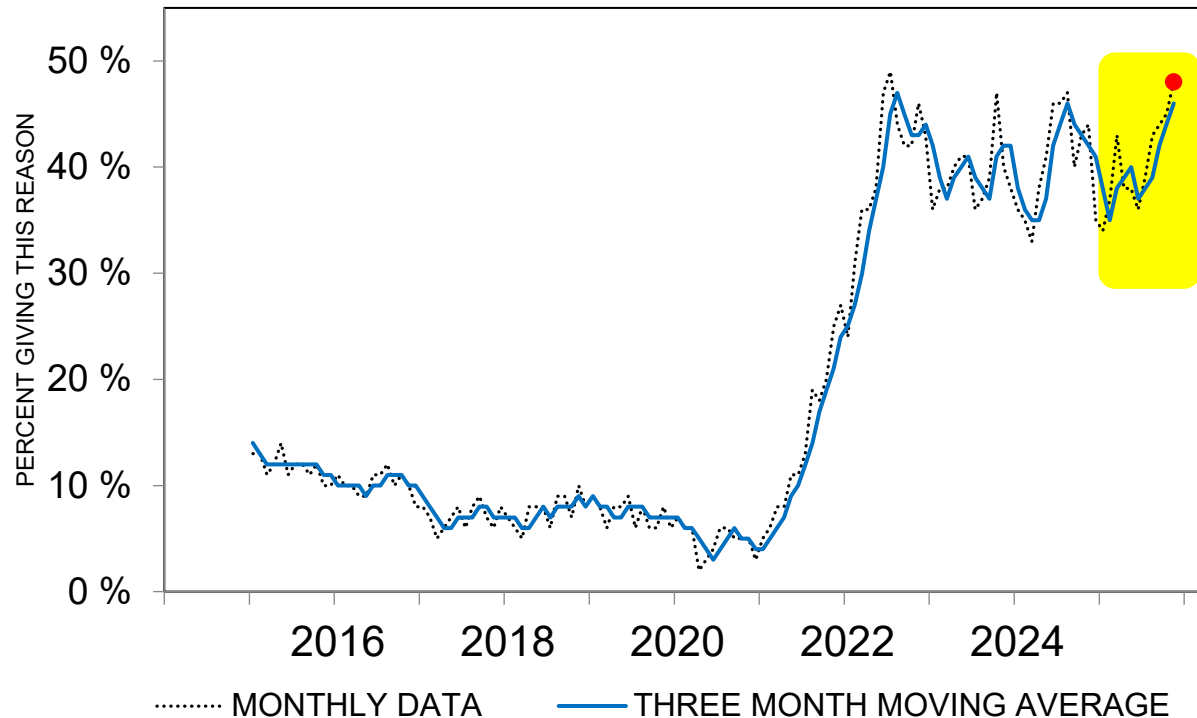
Tariff concerns are widespread and persistent



- Consumers providing unsolicited comments on tariffs tend to have lower sentiment and worse expectations
- **Despite slowdown in tariff developments, they remain highly salient for consumers**
- Consistent with prices being top of mind
- Comparison: government shutdown mentions (<10%)

Current weakness: Consumers remain frustrated by the pain of high prices

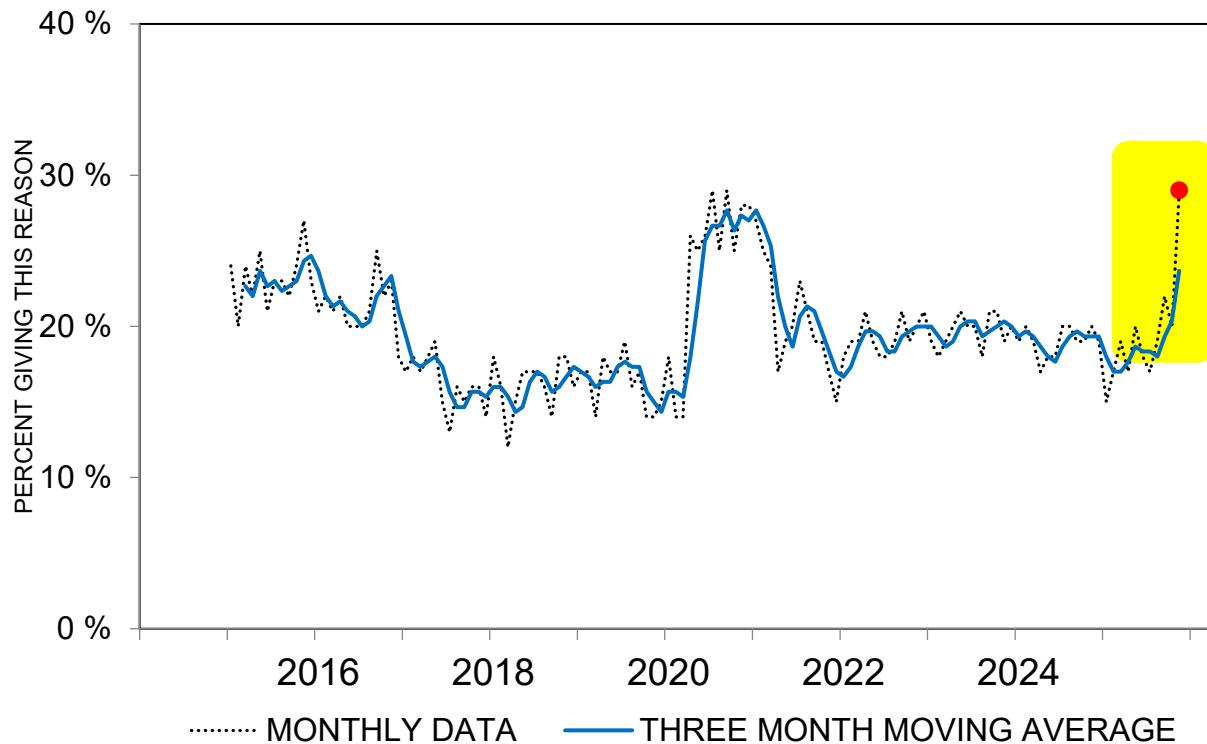
% of Consumers Citing High Prices as Reason for Worse Personal Finances



- Jan-25: 34% of consumers blamed high prices for
- **Nov-25: 48%**, matching peaks from height of 2022 inflation
- Note: wealthiest consumers much less bothered

Current weakness: Rising share of consumers citing weakening incomes

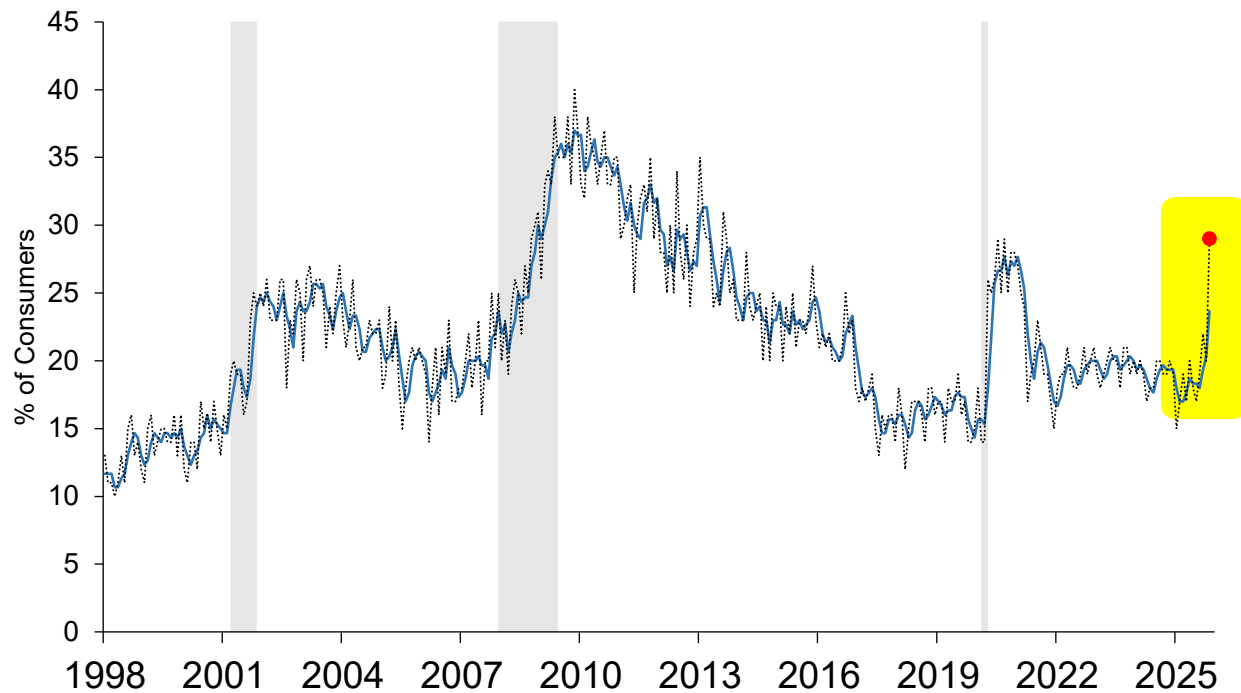
% of Consumers Citing Lower Incomes as Reason for Worse Personal Finances



- Share of consumers citing lower incomes for worse personal finances surged from 20% in Oct to **29% in Nov**
- Approaching highs seen during pandemic recession
- Note: wealthiest consumers much less bothered – close to historical average

Current weakness: Rising share of consumers citing weakening incomes (historical view)

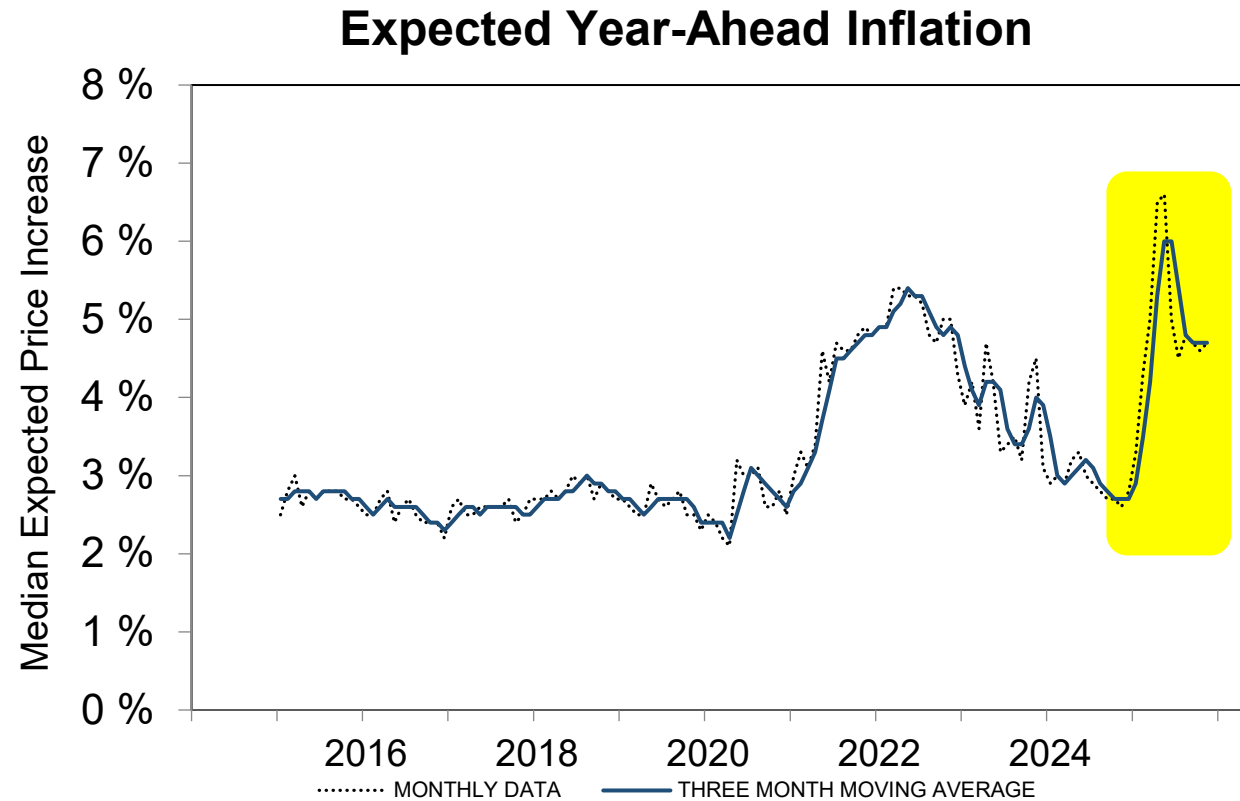
% of Consumers Citing Lower Incomes as Reason for Worse Personal Finances



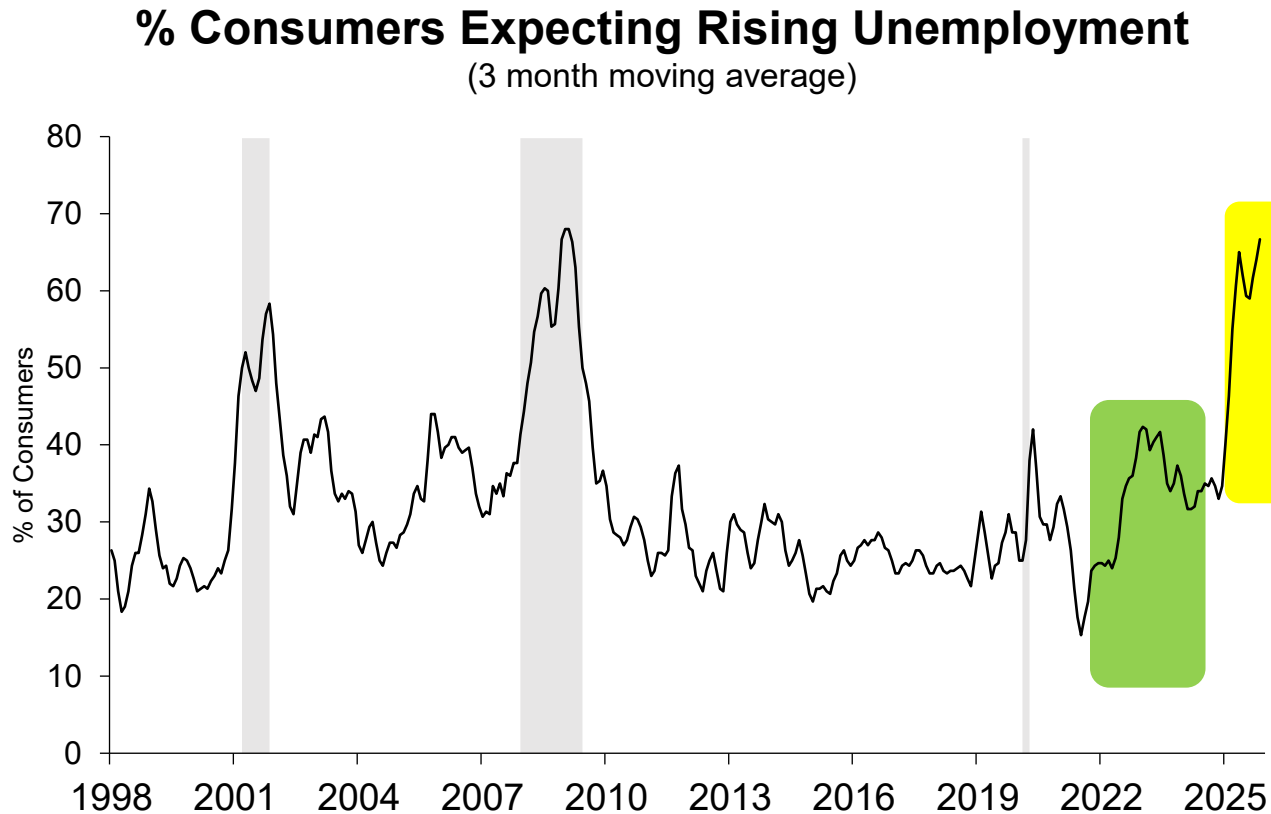
- Share of consumers citing lower incomes for worse personal finances surged from 20% in Oct to **29% in Nov**
- Approaching highs seen during pandemic recession (**but lower than Great Recession**)
- Note: wealthiest consumers much less bothered – close to historical average

Looking forward: Consumers expect **inflation to worsen**

- 2025 trends reversed ~2 years of declines in inflation expectations
- Decline that started in June still nowhere near enough to return to 2024 expectations
- Consumers exhibiting a lot of uncertainty here



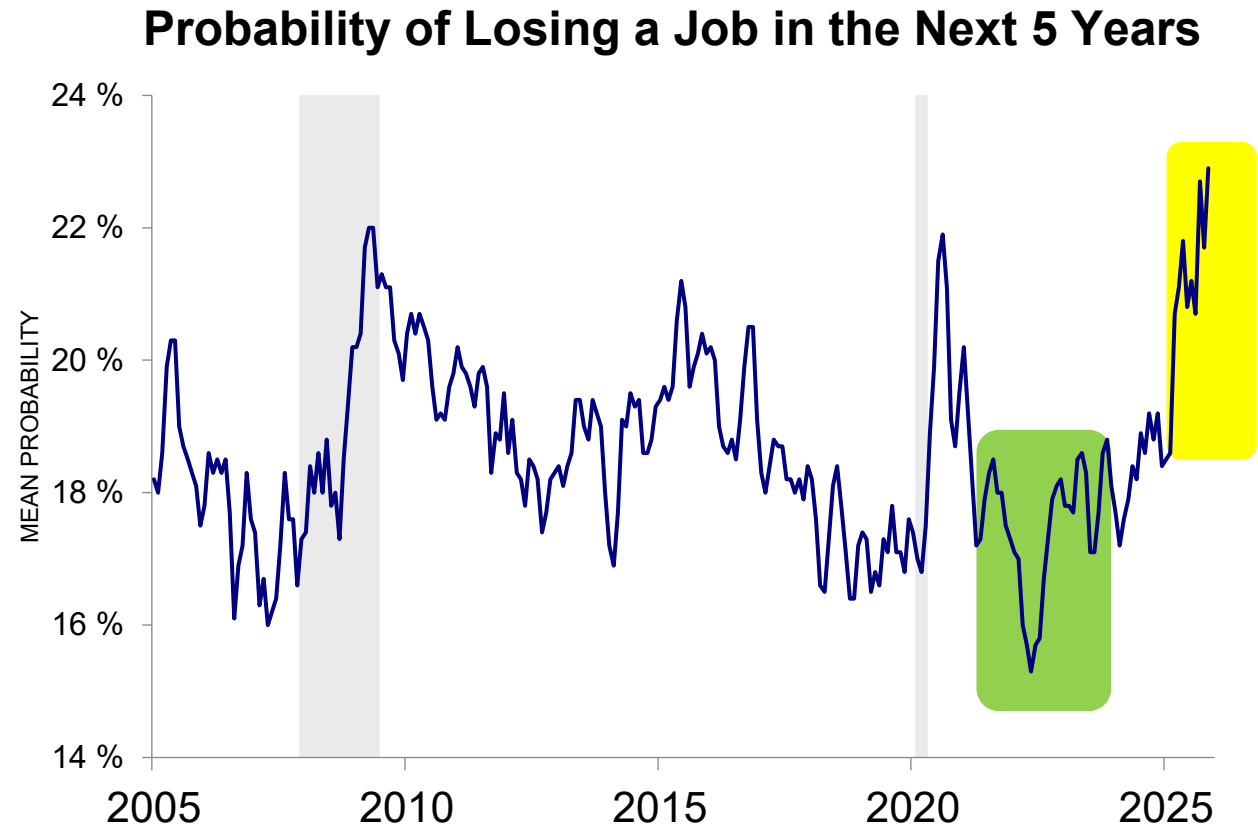
Looking forward: consumers believe that unemployment rates will rise in the year ahead



- 71% of consumers expect unemployment to worsen soon – **highest since 2009**
- Improvement in June nowhere near enough to return to Dec-24; uptick in Nov
- Sharp contrast to post-pandemic inflationary period

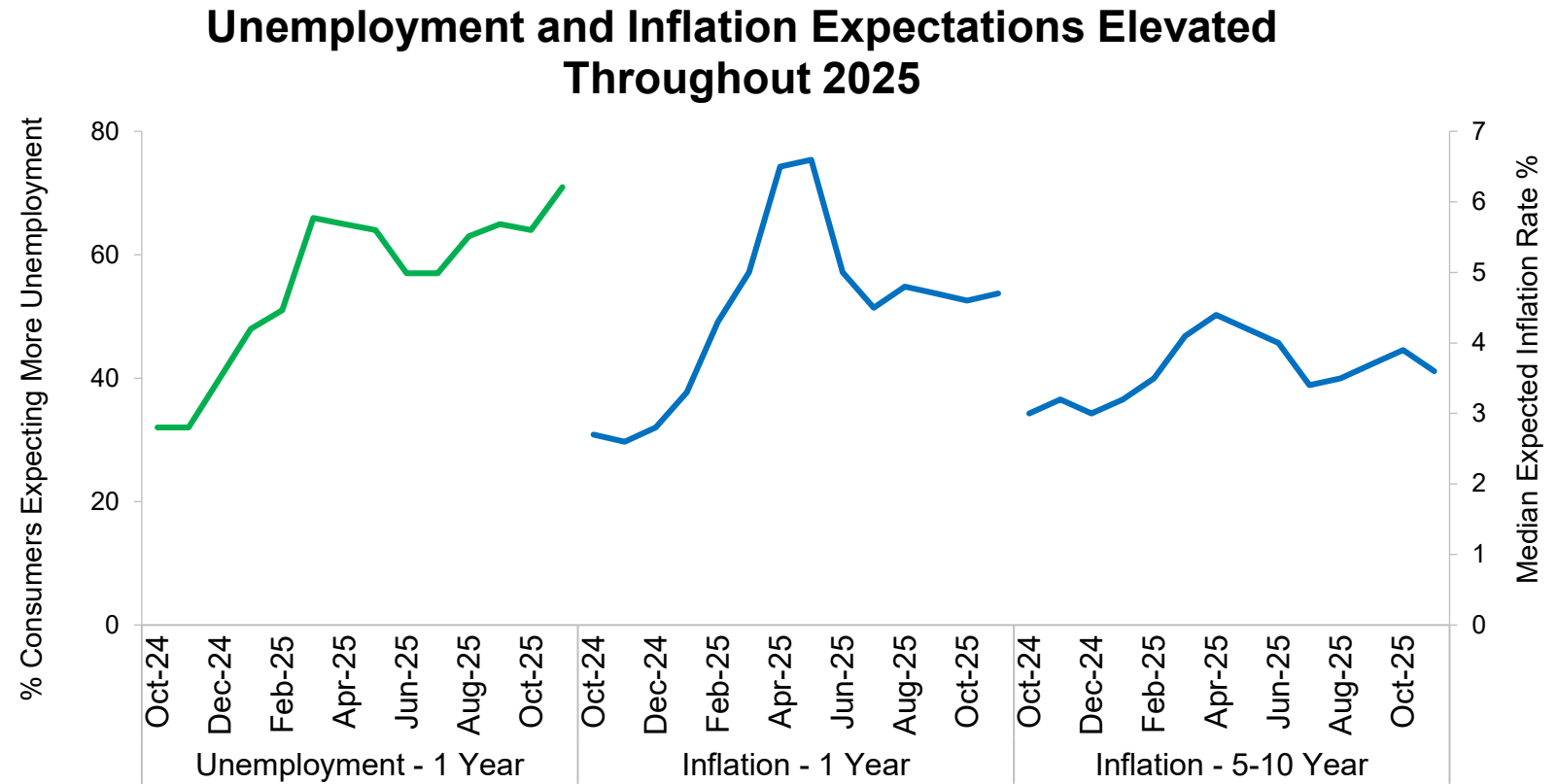
Looking forward: consumers expect to be **personally affected** by weakening labor markets

- Expected income growth has weakened
 - Expected probability of job loss spiked repeatedly in 2025
 - Improvement in June nowhere near enough to return to Dec 2024
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- Sharp contrast to post-pandemic inflationary period



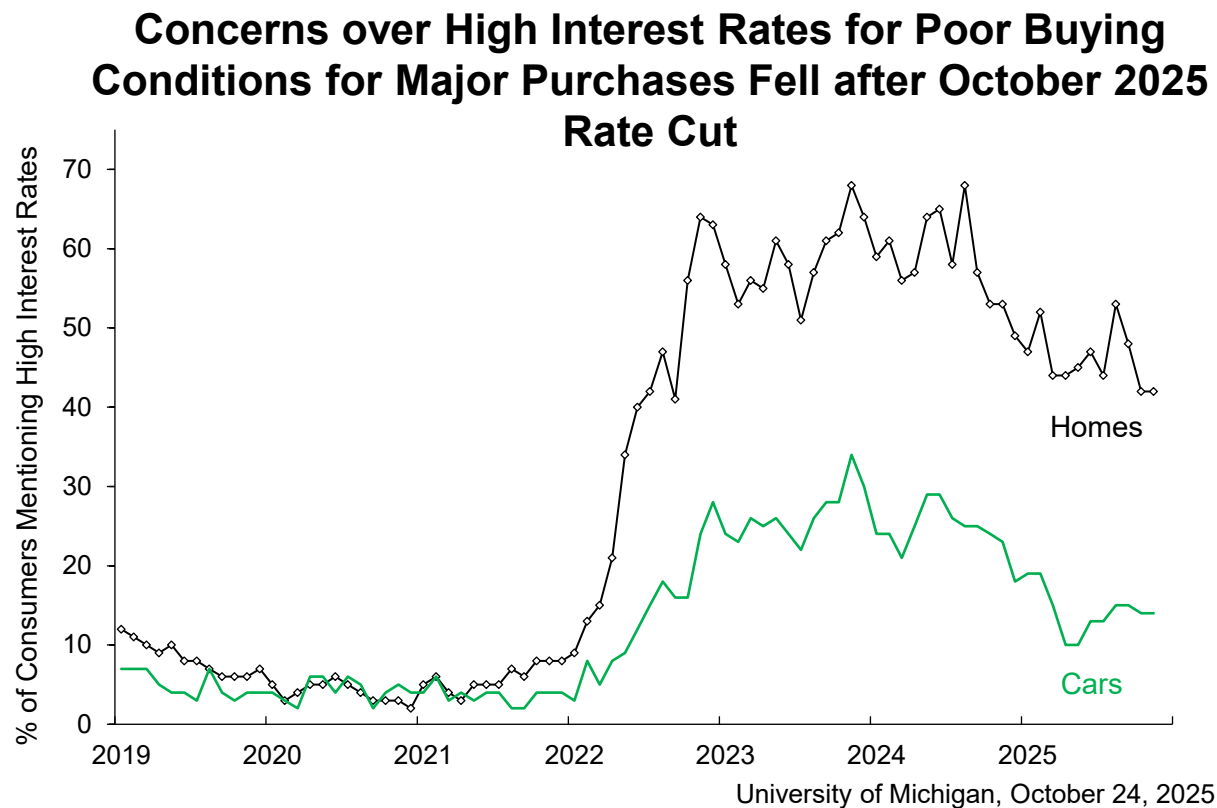
Bad news for policymakers: consumers worried about both inflation and unemployment

- Puts policymakers in a very challenging position
- Policies to address **inflation** will exacerbate **unemployment**, and vice versa



University of Michigan, Nov 7, 2025

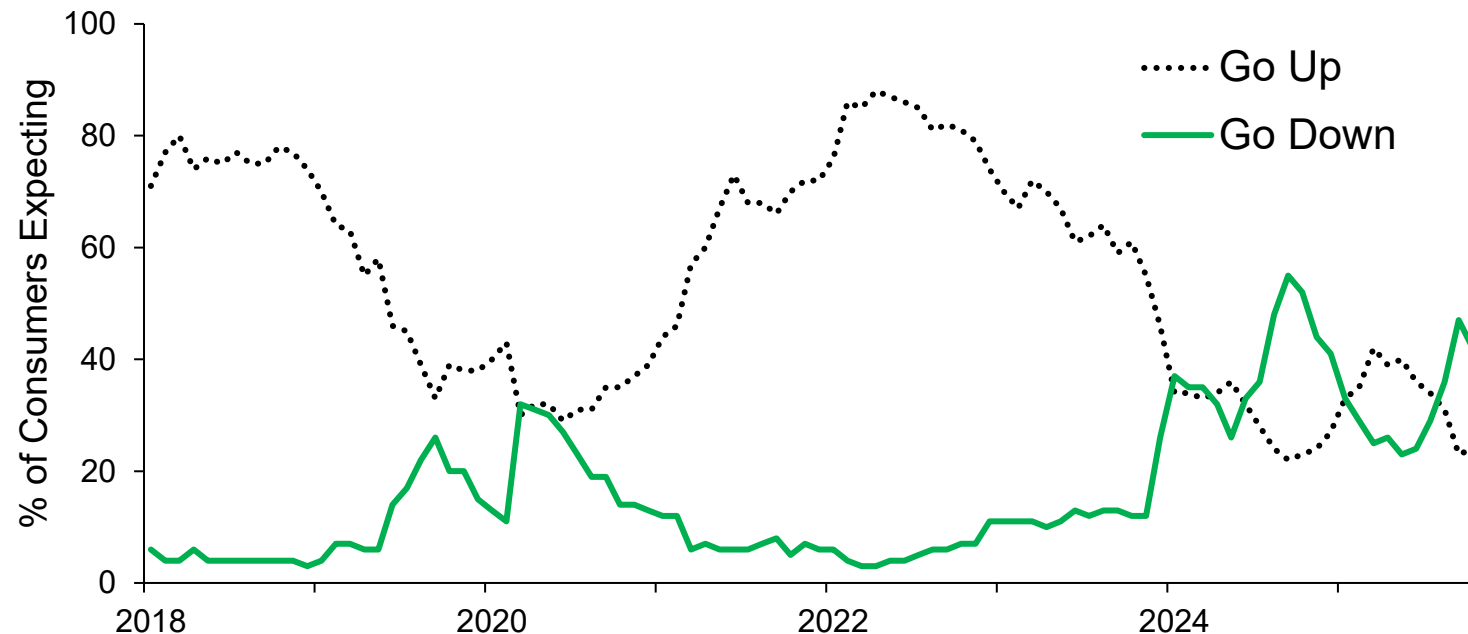
Modest reaction to interest rate cuts



- Slight dip in share of consumers citing high interest rates as reason for poor buying conditions for major purchases
- Consumers express unwillingness for big ticket purchases – high prices dominate

Consumers broadly expecting further interest rate cuts

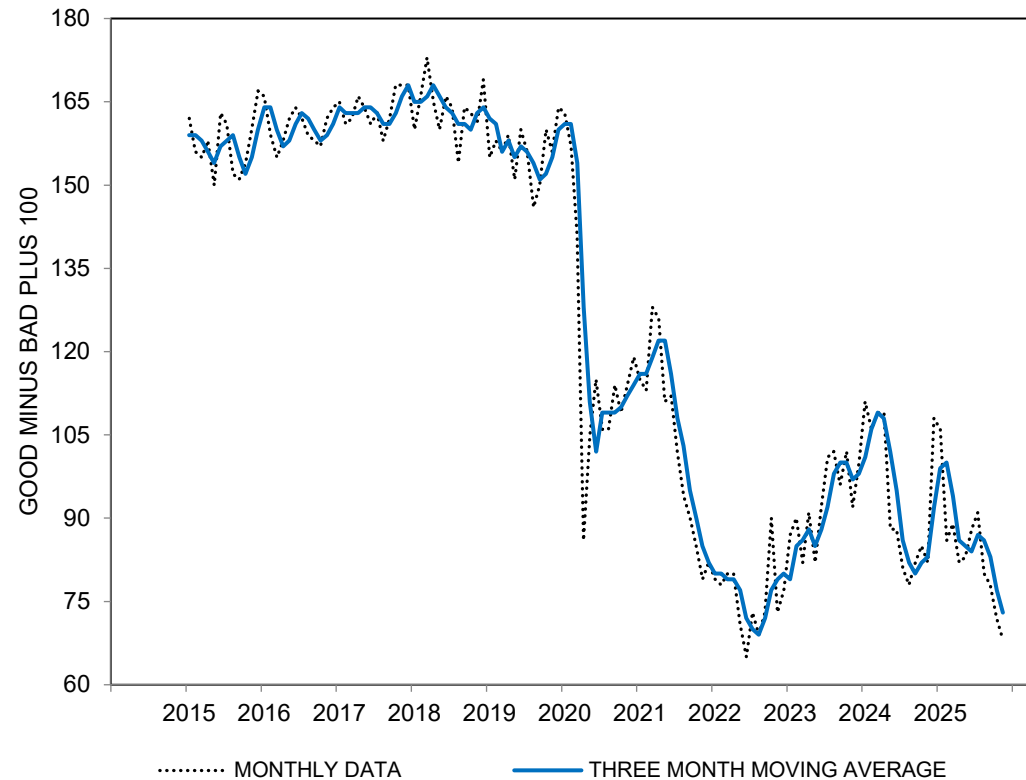
Year-Ahead Expected Change in Interest Rates
(% Expecting Higher and % Expecting Lower)



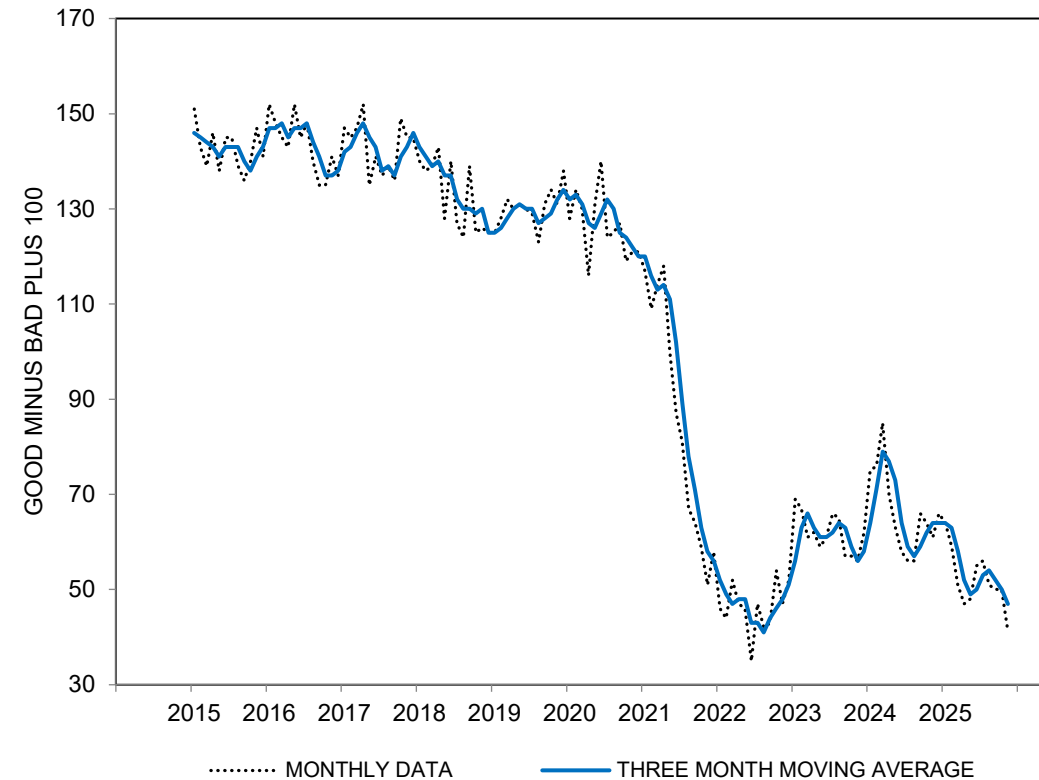
- 43% of consumers expect rates to fall
- 30% expect rates to stay the same
- 27% expect rates to rise

Buying conditions for major purchases remain poor, primarily due to prices (and tariffs)

Buying Conditions for Durable Goods



Buying Conditions for Vehicles



What will it take for sentiment to improve?

- **Consumers are looking for some meaningful relief with cost of living and affordability**
 - Consumers expressing pain with both sides of the coin – income and costs
- Major wild card: Supreme Court tariff case (or if WH continues to roll back tariffs)
- As of November 7, consumers exhibited some alarm over the government shutdown; but in 2019, post-shutdown bounceback was limited

Wrapping up with a glass half full...

- In April/May, consumers braced for a worst-case scenario
- **That scenario has yet to come to fruition**
 - Latest data still suggest inflation has not roared back; unemployment rates have not surged
- Many consumers are still waiting for the other shoe to drop, but may still be willing to spend in the meantime (particularly those with higher incomes/wealth)

Where to find the Survey

- Most up to date headline data posted <http://www.sca.isr.umich.edu>
 - Links to data archive and analytical tools
 - Links to special reports, including
 - [Stock Ownership and Stock Price Expectations](#)
 - [Confidence in Financial Institutions](#)
 - [Trade Policy and Expected Consumer Spending](#)
 - [Partisan Perceptions and Sentiment Measurement](#)
- For questions or data inquiries, email umsurvey@umich.edu