Why have consumers been so sour on the economy?

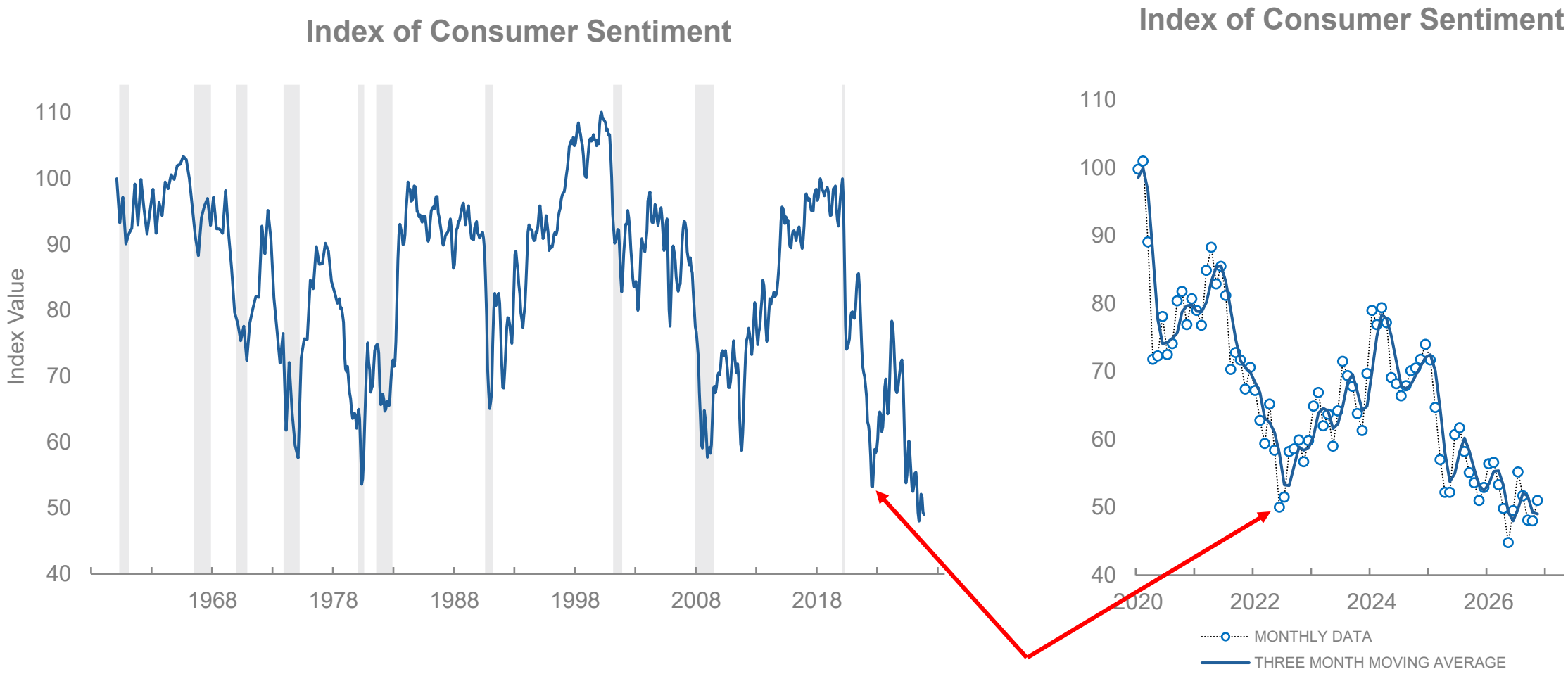
Joanne W. Hsu, Director, Surveys of Consumers

November 19, 2026

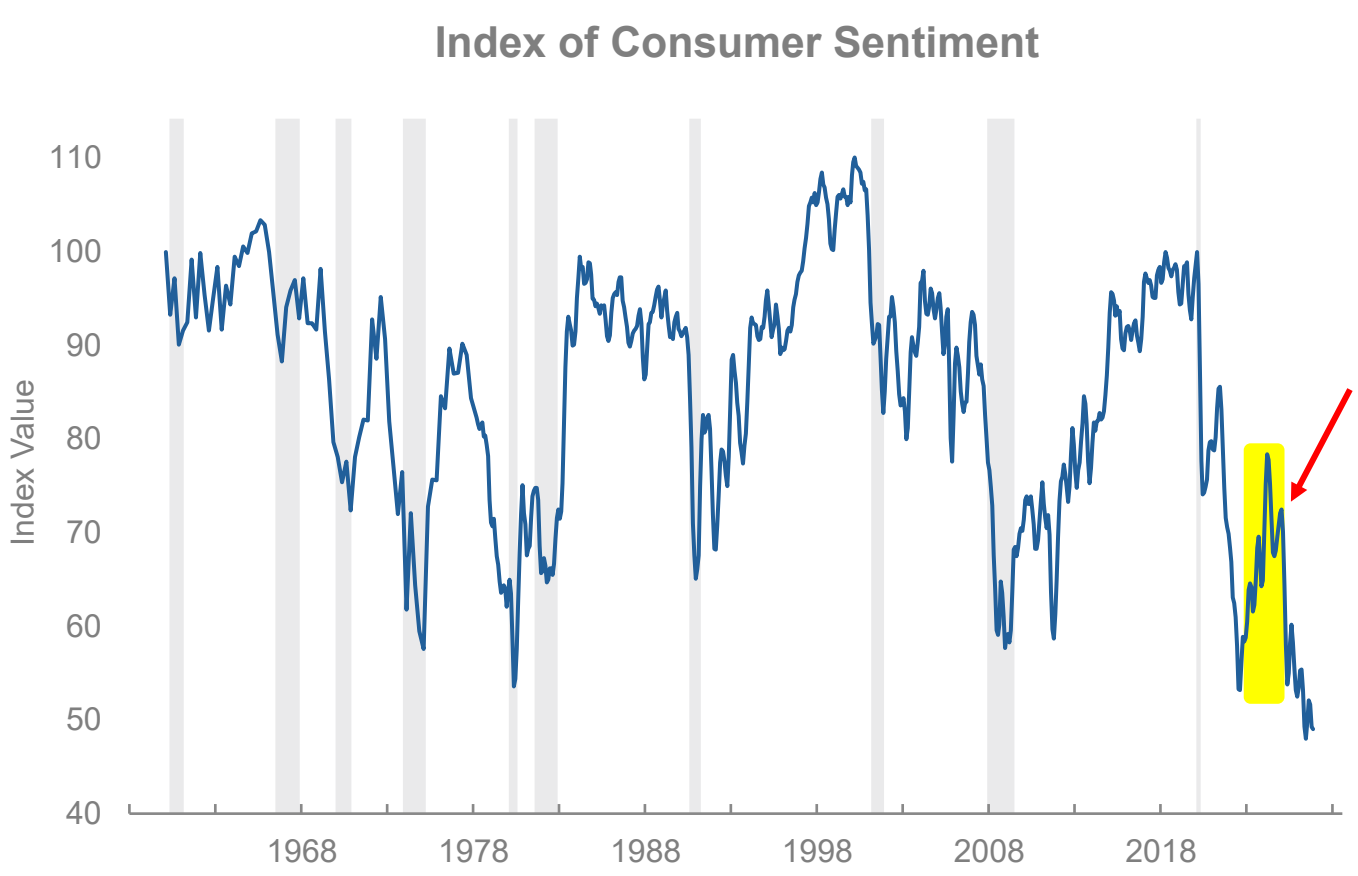
surveys of consumers
UNIVERSITY OF MICHIGAN

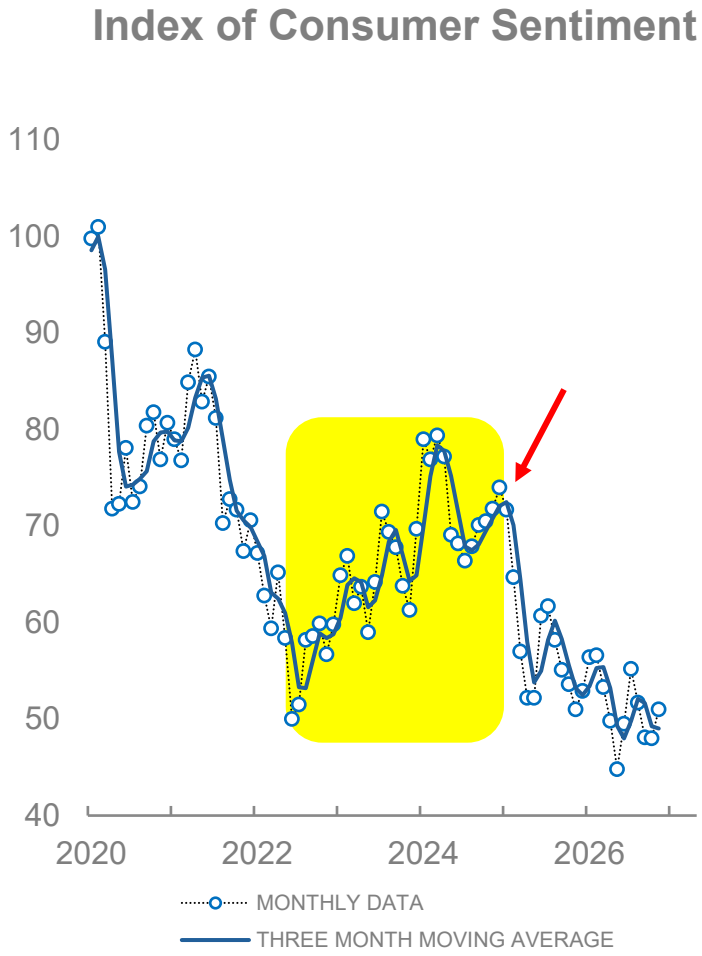
Recent consumer sentiment trends in context

Sentiment reached an all-time low in 2022, as inflation grew



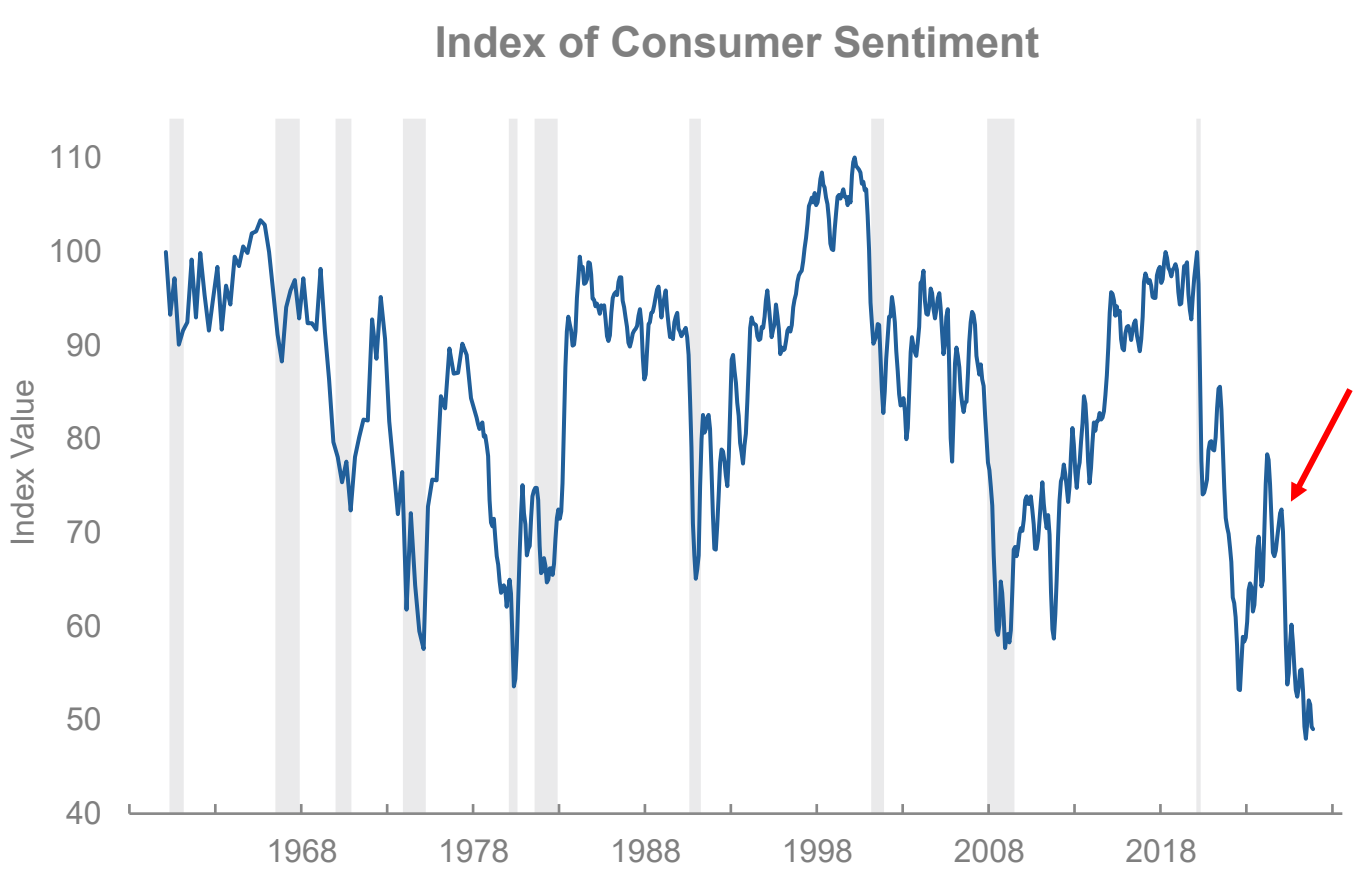
Sentiment improved through 2024, but remained below historical average

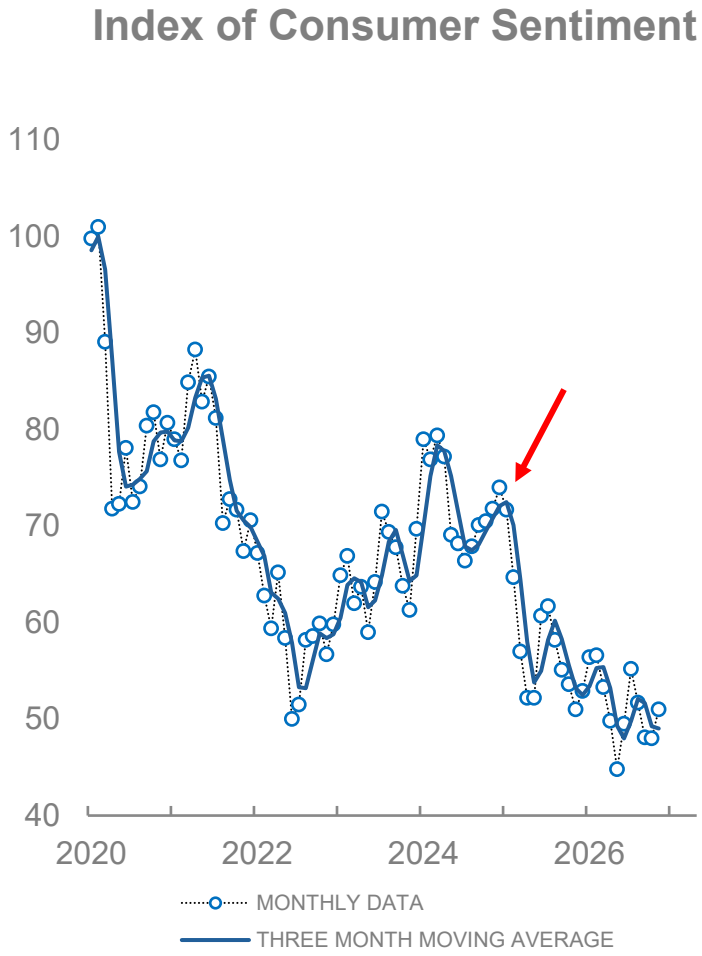




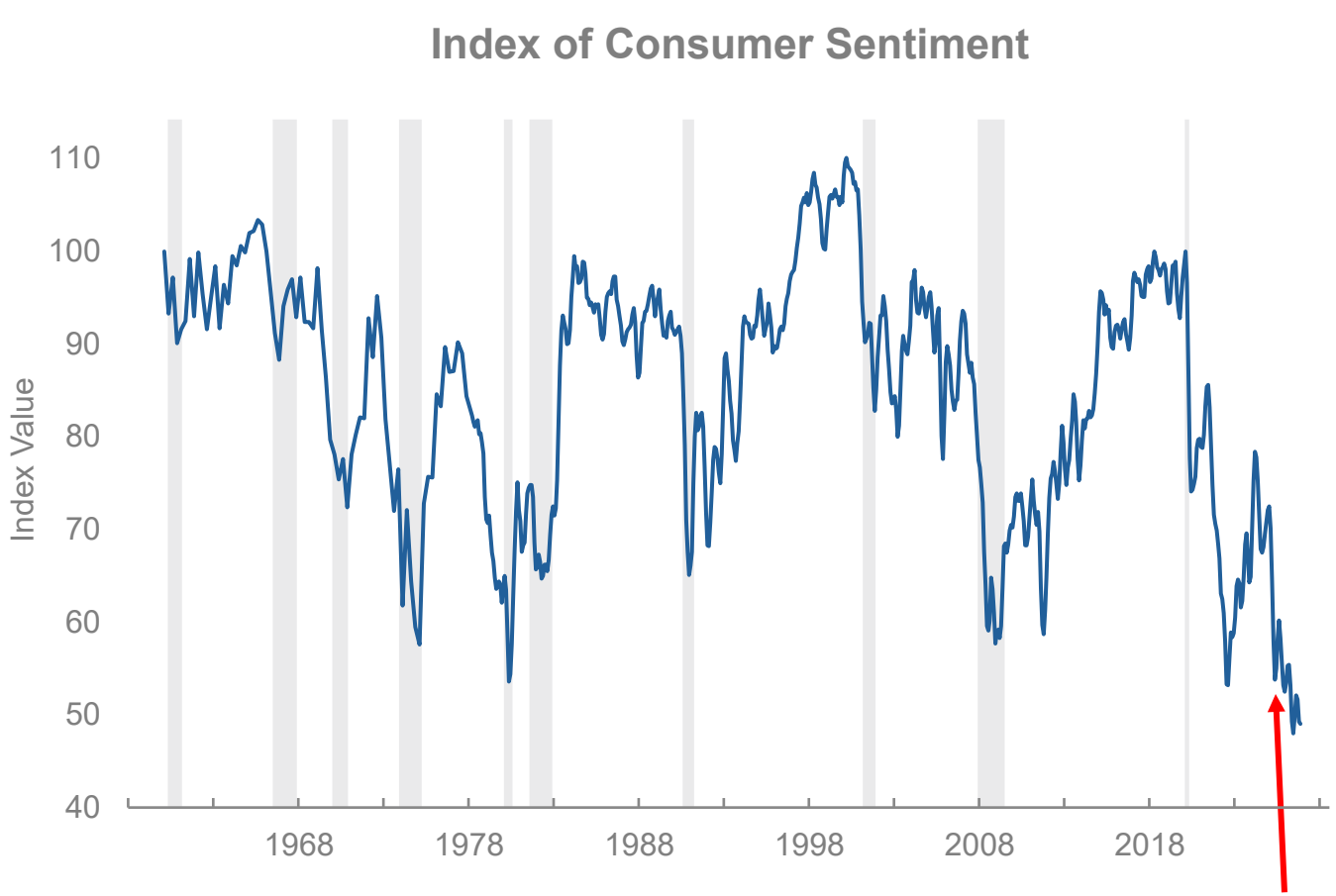
Recovery driven primarily by higher-income consumers

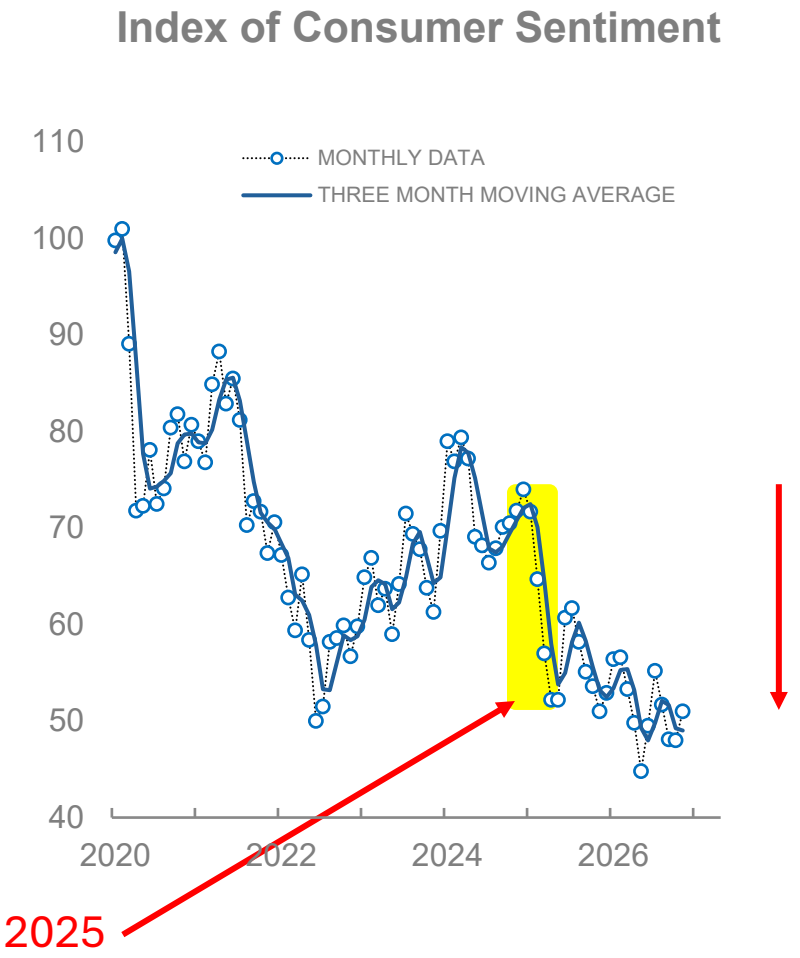
Sentiment exhibited a post-election rise in Dec 2024/Jan 2025



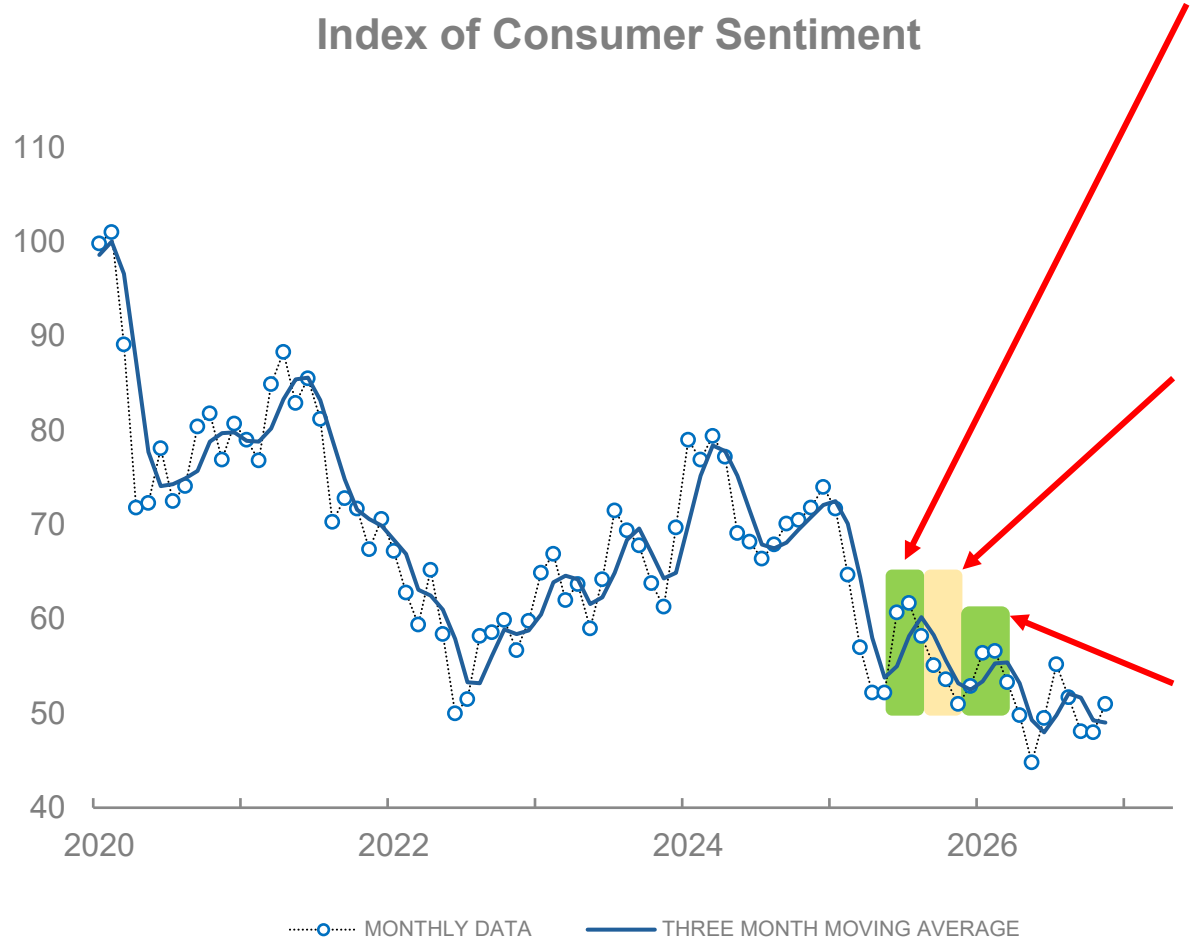


Then plunged through April/May 2025 in the wake of major tariff announcements



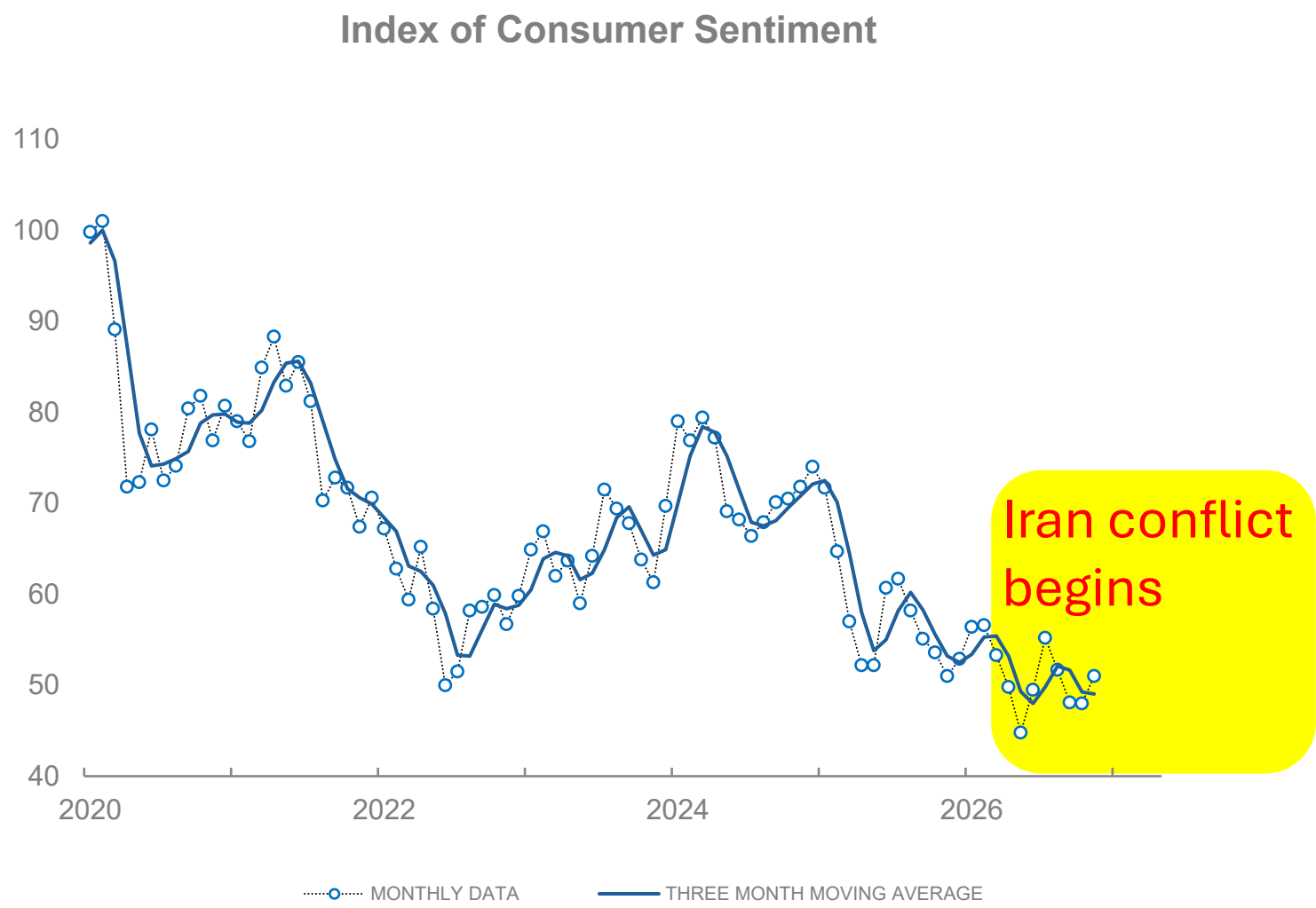


Sentiment remained unfavorable throughout 2025



- Summer 2025: **modest rise** as tariff developments calmed; worst-case scenarios did not come to fruition
- Fall 2025: **downward again** amid stubborn inflation; weakening labor markets; government shutdown
- Winter 2025-26: **increase as** consumers perceive some relief from negative factors

2026 dominated by gas prices & Iran conflict,
potential passthrough to broader inflation and macroeconomy

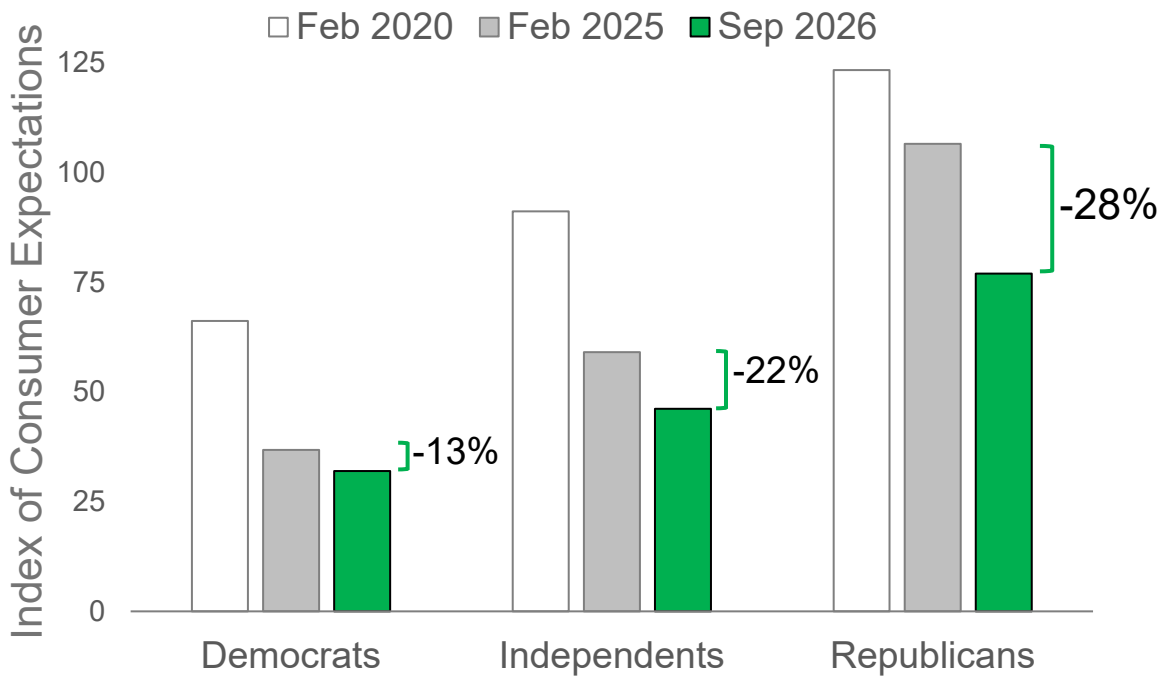


Trends not being driven by one end of the political spectrum

National Trends Fully Aligned with Views of Independents



Expectations Among Republicans Retreat 28% Since February 2025



Consumers broadly anticipated midterm election results; major shifts in preferences

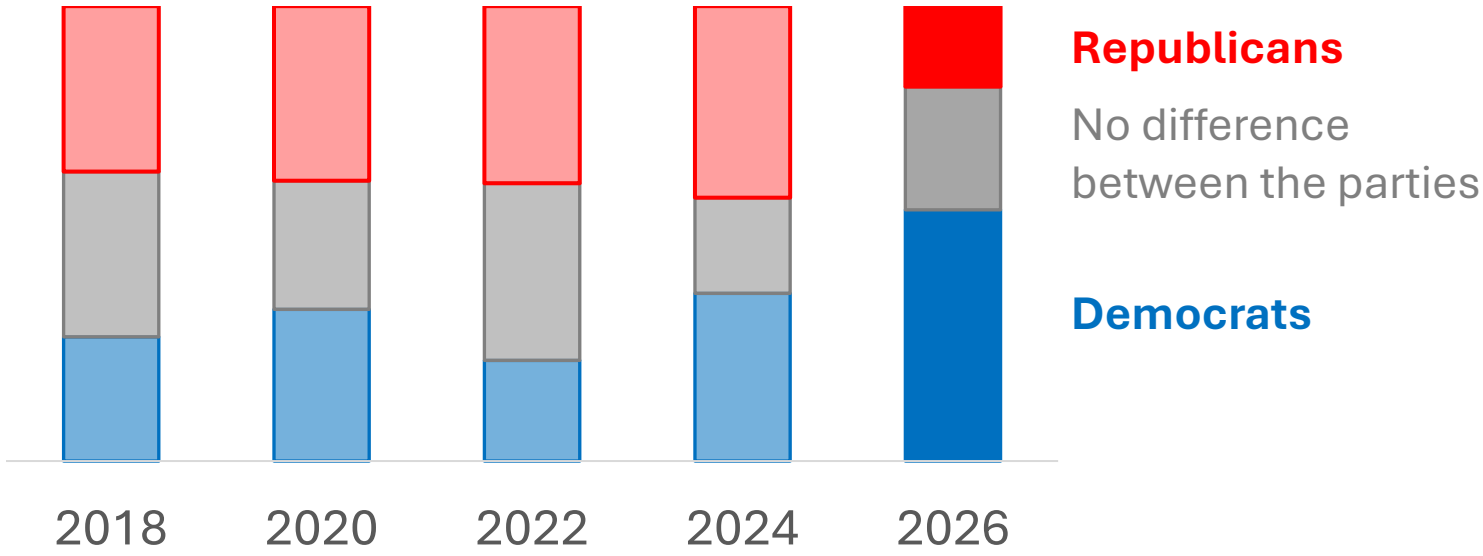
Which party will control the House?

- 67% D; 26% R
- Balance: D+41

Which party will control the Senate?

- 52% D; 40% R
- Balance: D+12

Which party better for the national economy?



Different data capture different things:

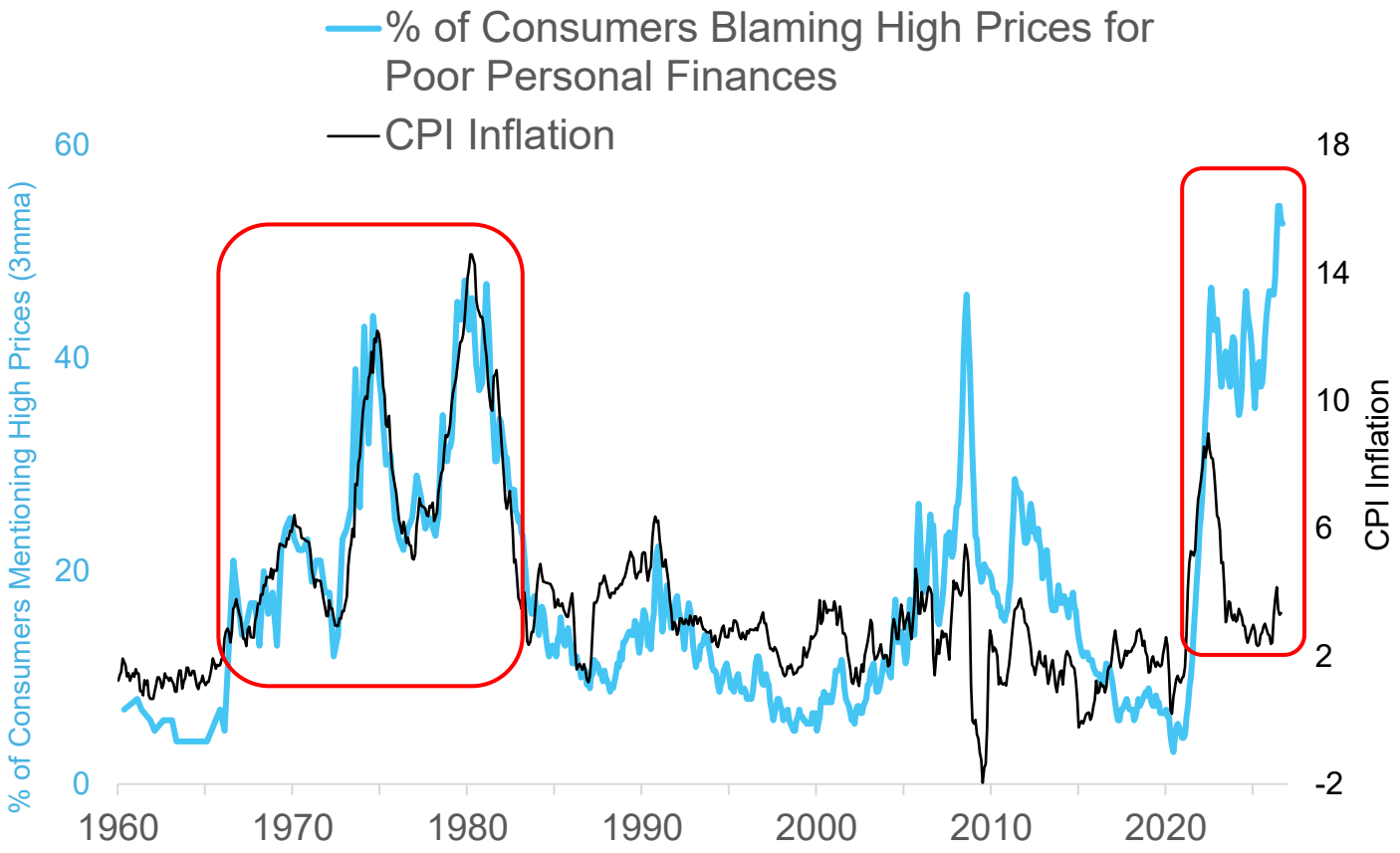
One person one vote, versus one dollar one vote

Why is sentiment so low when…

… Inflation is currently lower than in 2022?

Post-pandemic views dominated by the cost-of-living

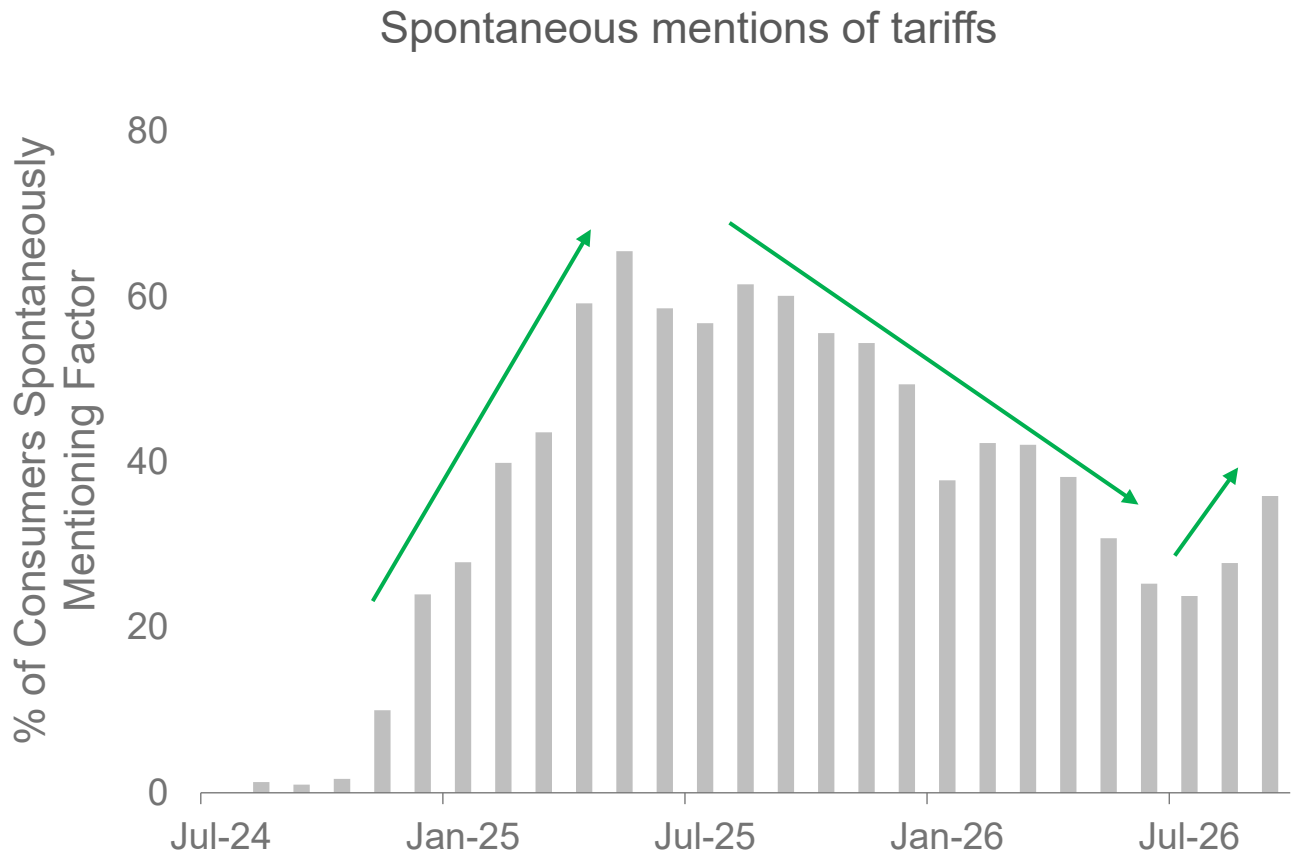
(even as inflation and inflation expectations softened)



- **In 1960s-80s**, references to high prices rose and fell with each inflationary episode
- **Post-pandemic**: even as inflation fell, high-price mentions remained stubbornly high
- Different households face different inflation rates

… Inflation is currently lower than in 2022?

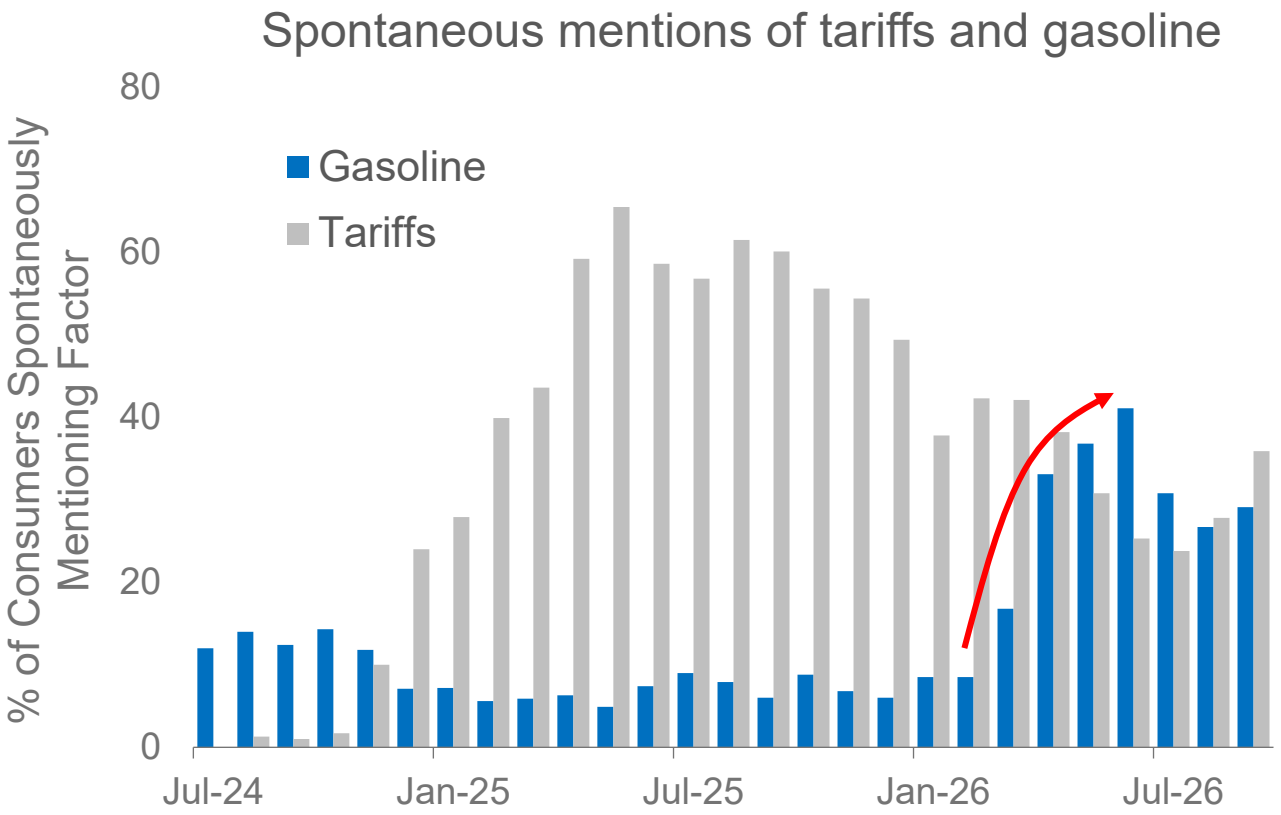
Widespread, persistent concern about tariffs



- Substantial worries that tariffs will pass through to inflation, business conditions, labor markets
- Downward trend as tariff developments slowed, but ticking up with recent re-escalation of trade tensions

… Inflation is currently lower than in 2022?

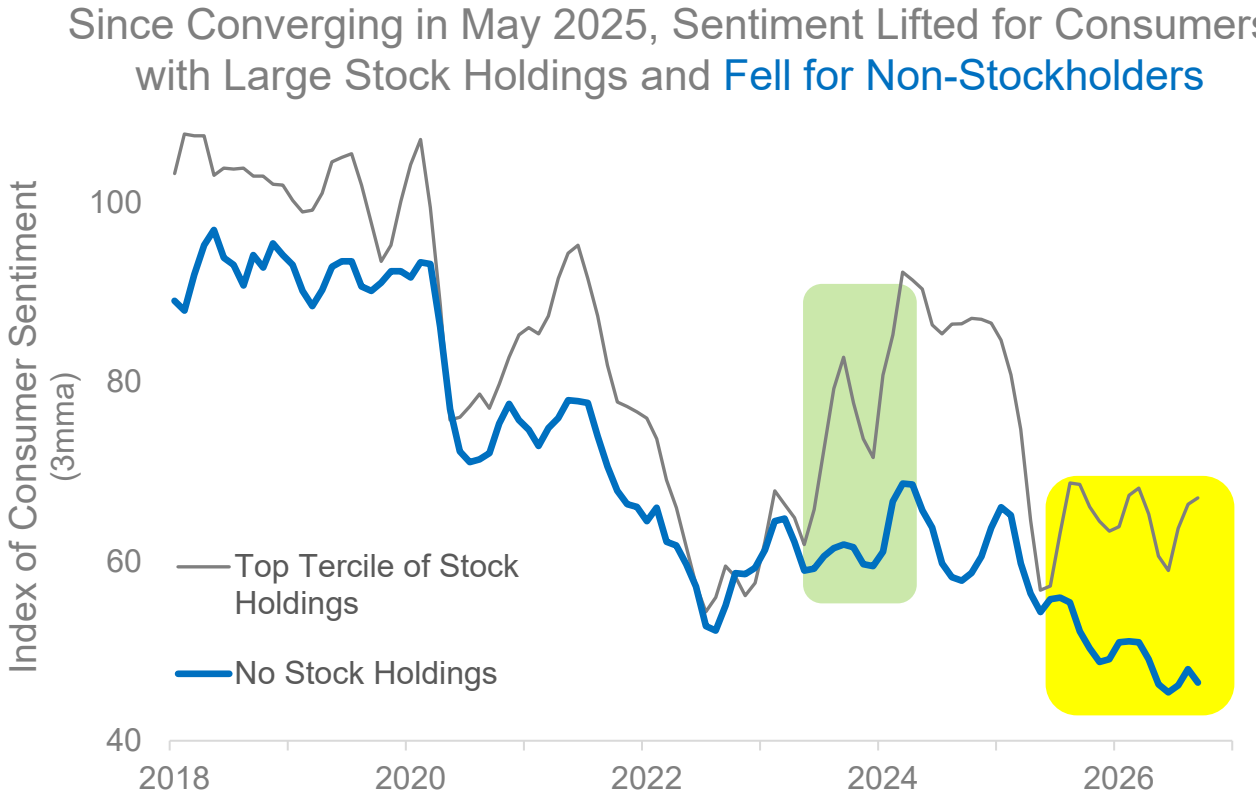
2026 decline in tariff worries offset by sharp increase in gas price concerns



- Gas mentions in 2025/early 2026: mix of positive and negative references
- Since Iran conflict began, gas comments nearly all negative

… Stock market values are so strong?

Only those with larger portfolios see benefit



- Sentiment for consumers without stocks did not recover after 2025 tariff developments, 2026 shock of Iran conflict calmed down
- Similar to post-pandemic period

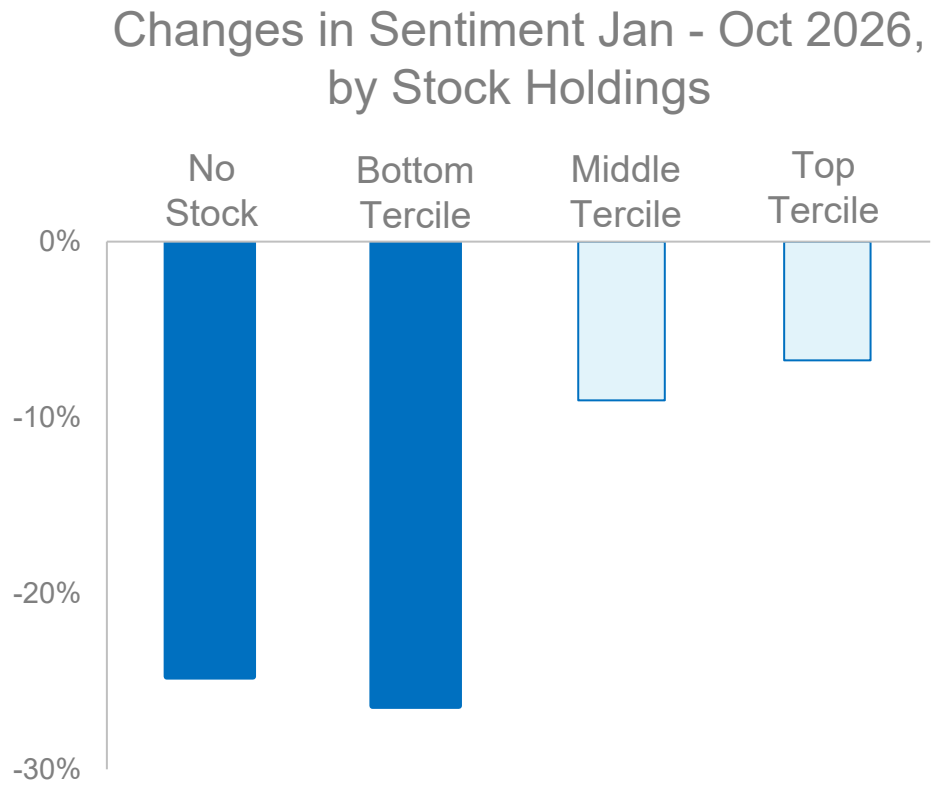
Differences by wealth consistent with stable aggregate spending

Sentiment: 1 **person** 1 vote Aggregate stats: 1 **dollar** 1 vote

… Stock market values are so strong?

Only those with larger portfolios see benefit

- Unanimous sentiment declines since Jan 2026
- **But declines are concentrated among consumers with little or no stock holdings**



Differences by wealth consistent with stable aggregate spending

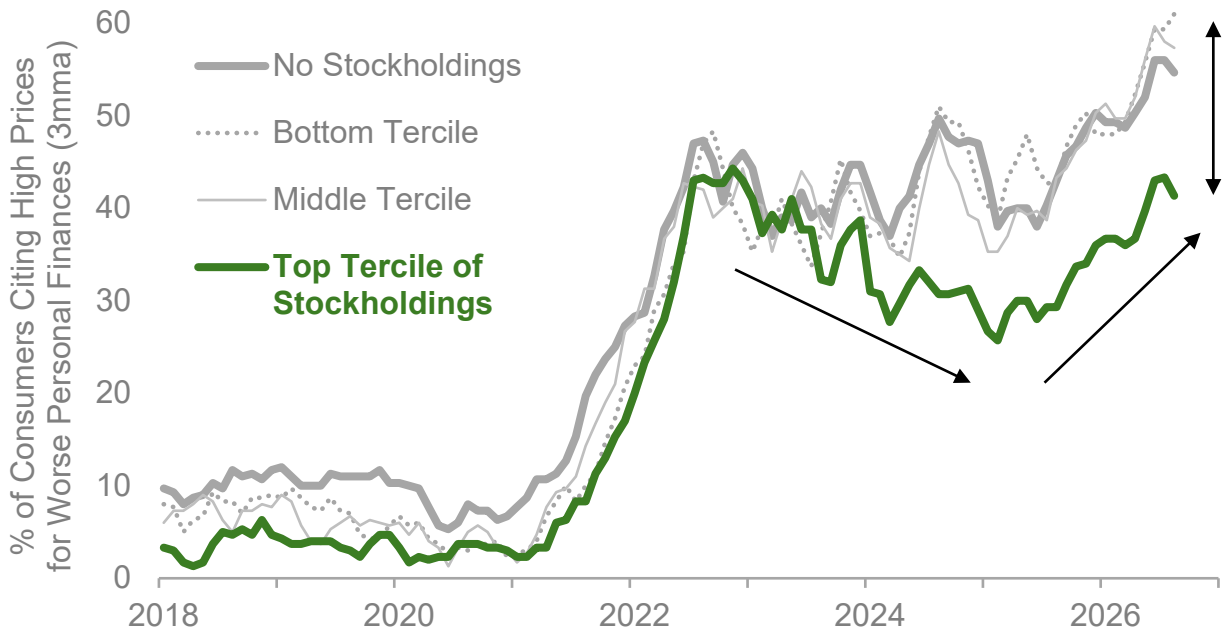
Sentiment: 1 **person** 1 vote

Aggregate stats: 1 **dollar** 1 vote

… Stock market values are so strong?

Only those with larger portfolios see benefit

Wealthiest consumers express less pain over high prices



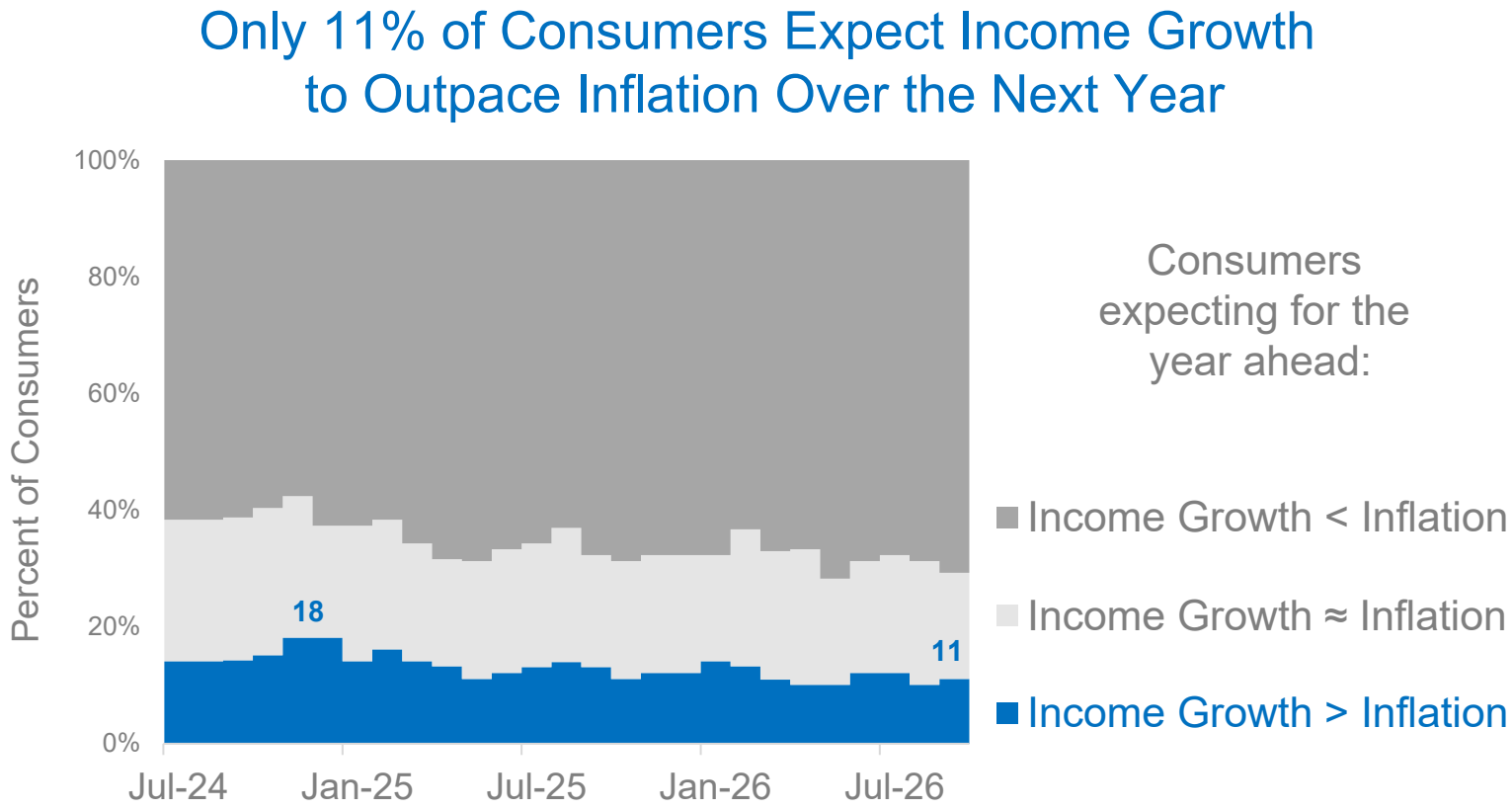
- 2023: high price concerns decline only for wealthiest consumers
- 2025-26: unanimous increase in high price concerns
- Sizable wealth gap remains
- **Different households face different inflation rates**

Differences by wealth consistent with stable aggregate spending

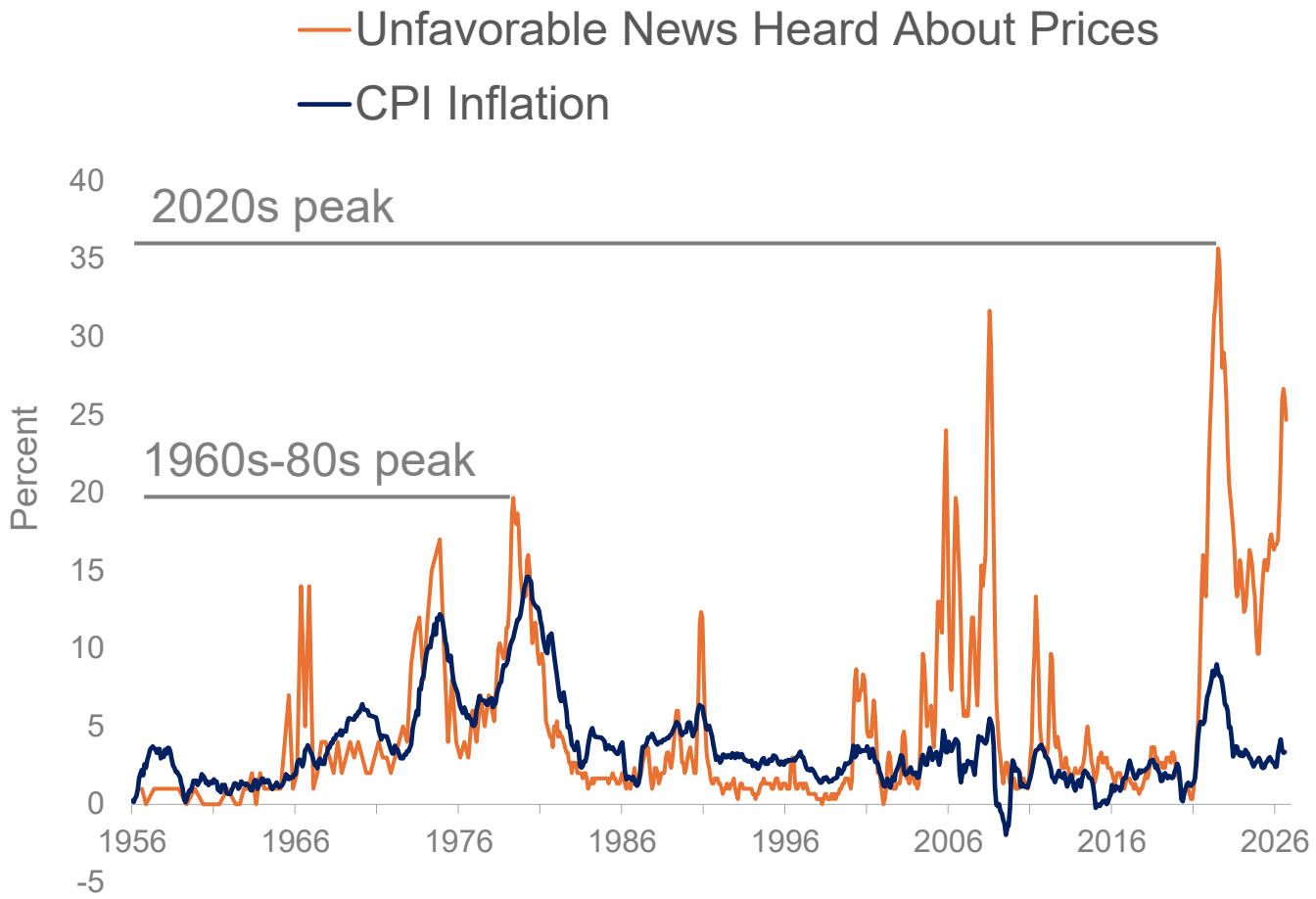
Sentiment: 1 **person** 1 vote Aggregate stats: 1 **dollar** 1 vote

… Unemployment is still relatively low?

Consumers expect their incomes will be eroded by inflation



Post-Covid, consumers much more likely to report hearing negative news about inflation



Year-over-year CPI inflation: monthly
News: 3-month moving average

- Mid-2022, nearly 40% of consumers reported hearing negative news about prices/inflation
- Great Inflation: 20% peak
- Evolution of media environment
  - Late 1990s: cable news
  - Late 2010s: algorithmic social media

Wrapping up

- Overall confidence in the economy comparably poor as mid-2022 troughs, as cost-of-living remains top concern
  - Iran, trade conflicts expected to pass through to the macroeconomy
  - AI concerns are dwarfed by cost-of-living worries
- Still, substantial variation across the population
  - Strong stock market values only support those with large portfolios
- **Sentiment surveys capture variation and color that is obscured in national statistics**
  - Sentiment is democratic: one person one vote
  - Aggregate measures (like CPI, GDP, stock market) are plutocratic: one dollar one vote

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
    - Expected Outcomes and Economic Implications of Midterm Elections
    - Risks of Entrenchment: Long-Run Inflation Expectations in Recent and Longer Historical Context
    - Gasoline Prices and Expected Consumer Spending
- For questions or data inquiries, email umsurvey@umich.edu