



Why have consumers been so sour on the economy?

Joanne W. Hsu, Director, Surveys of Consumers

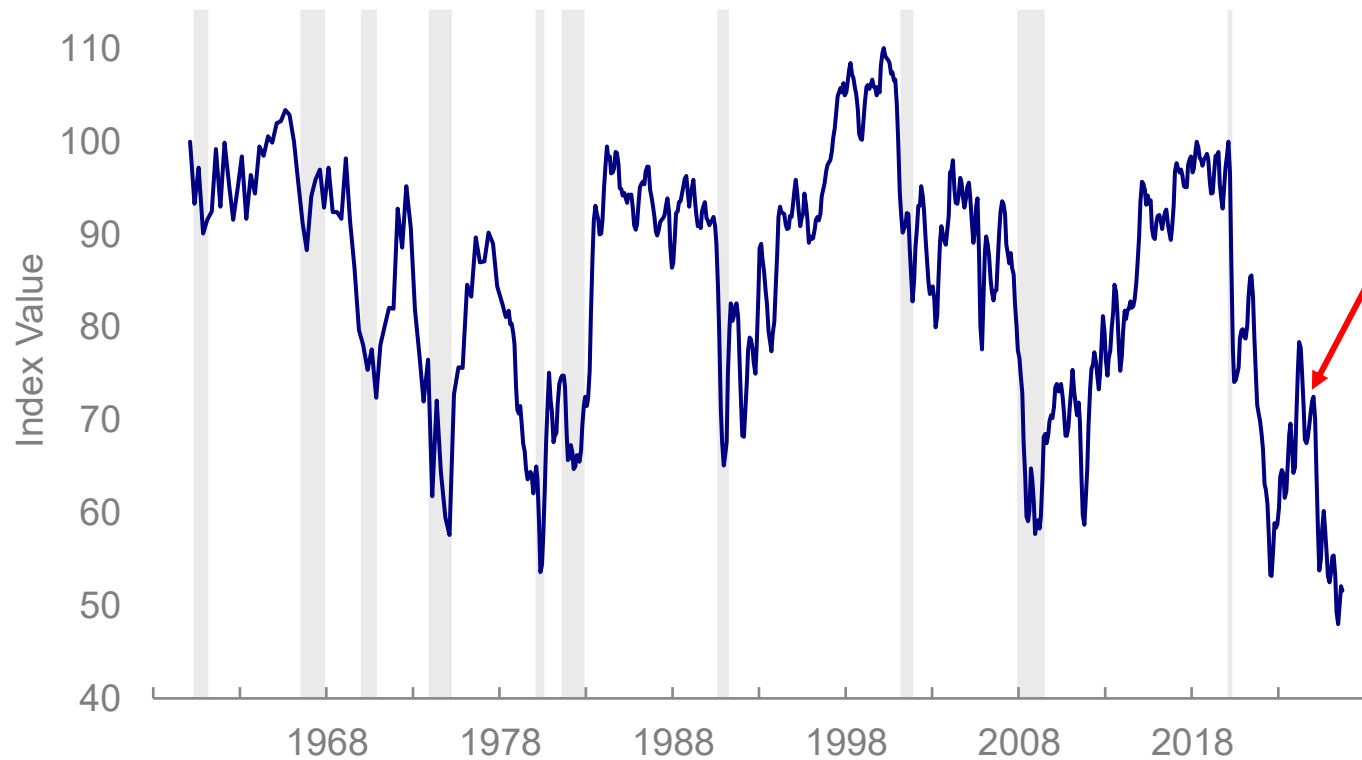
September 30, 2026

surveys^{of}consumers
UNIVERSITY OF MICHIGAN

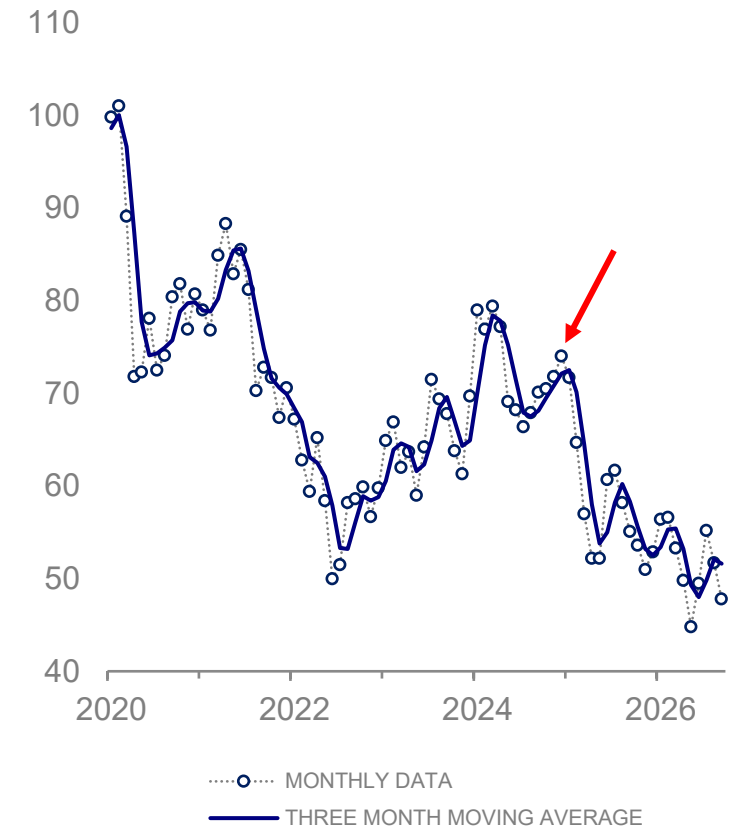
Consumer sentiment in 2026 in context

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

Index of Consumer Sentiment

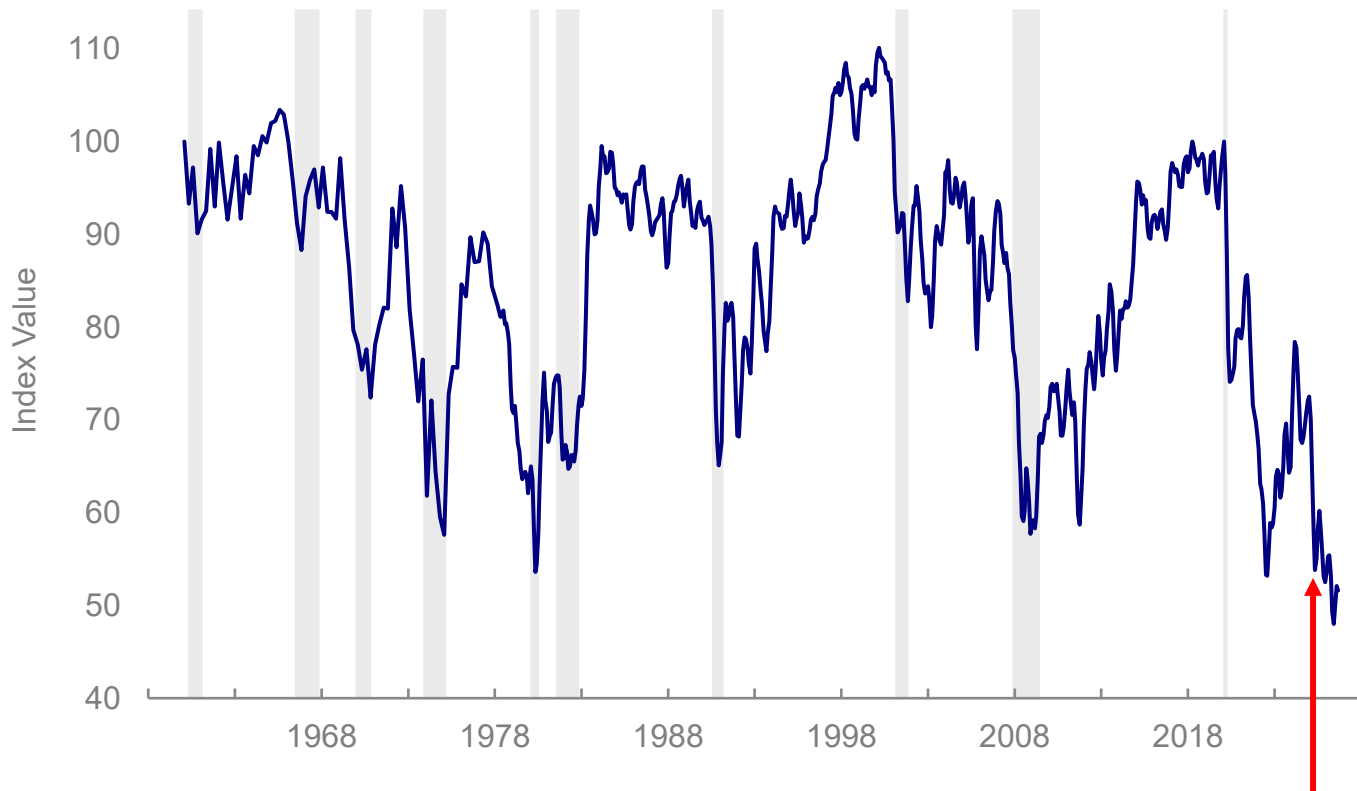


Index of Consumer Sentiment

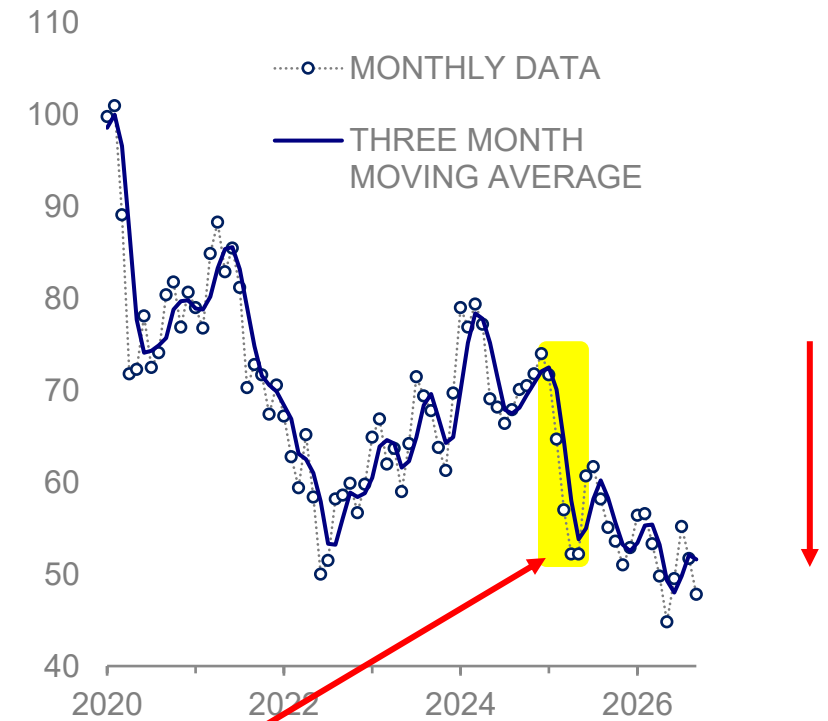


Then **plunged through April/May 2025** in the wake of major tariff announcements

Index of Consumer Sentiment

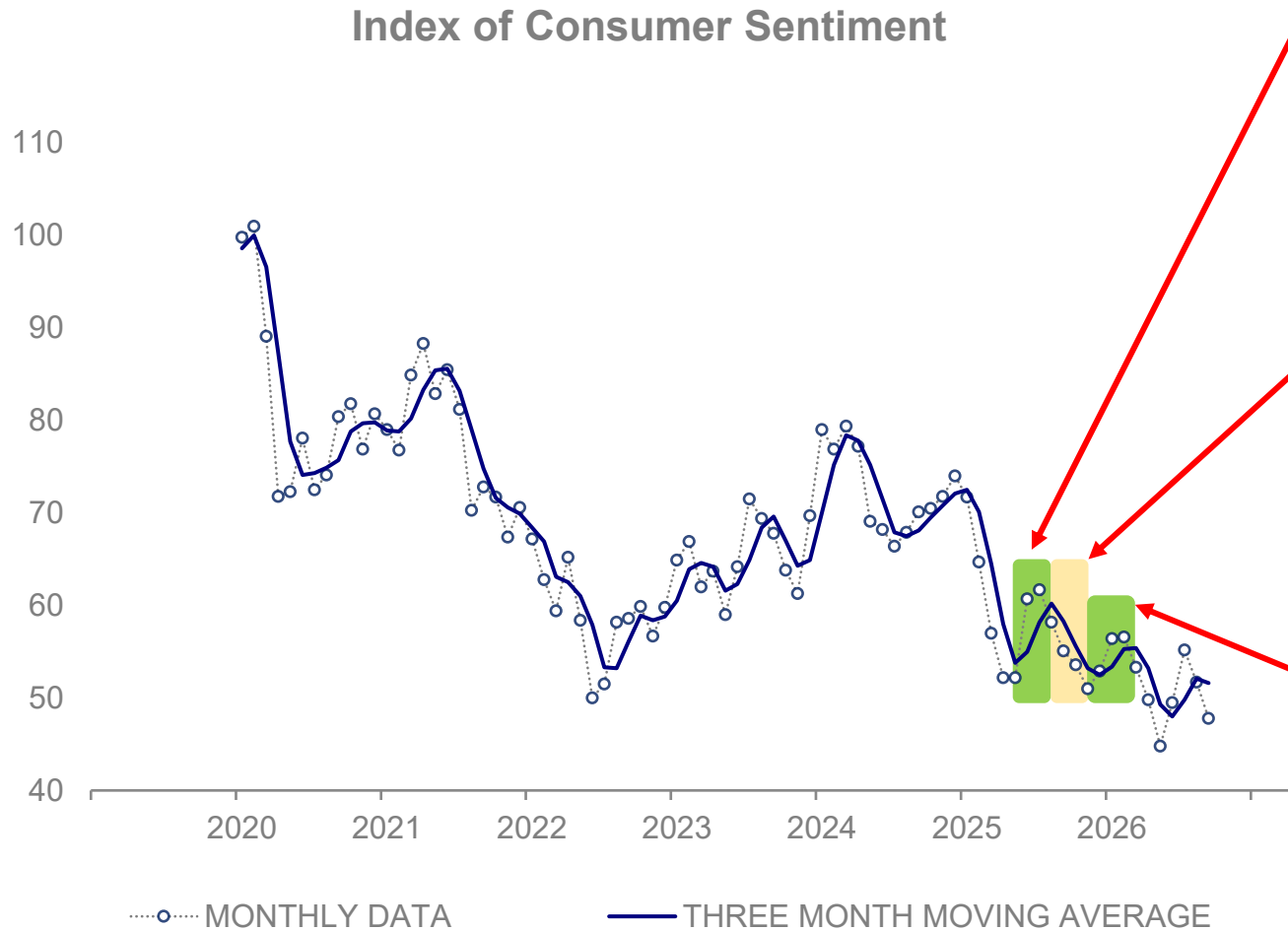


Index of Consumer Sentiment



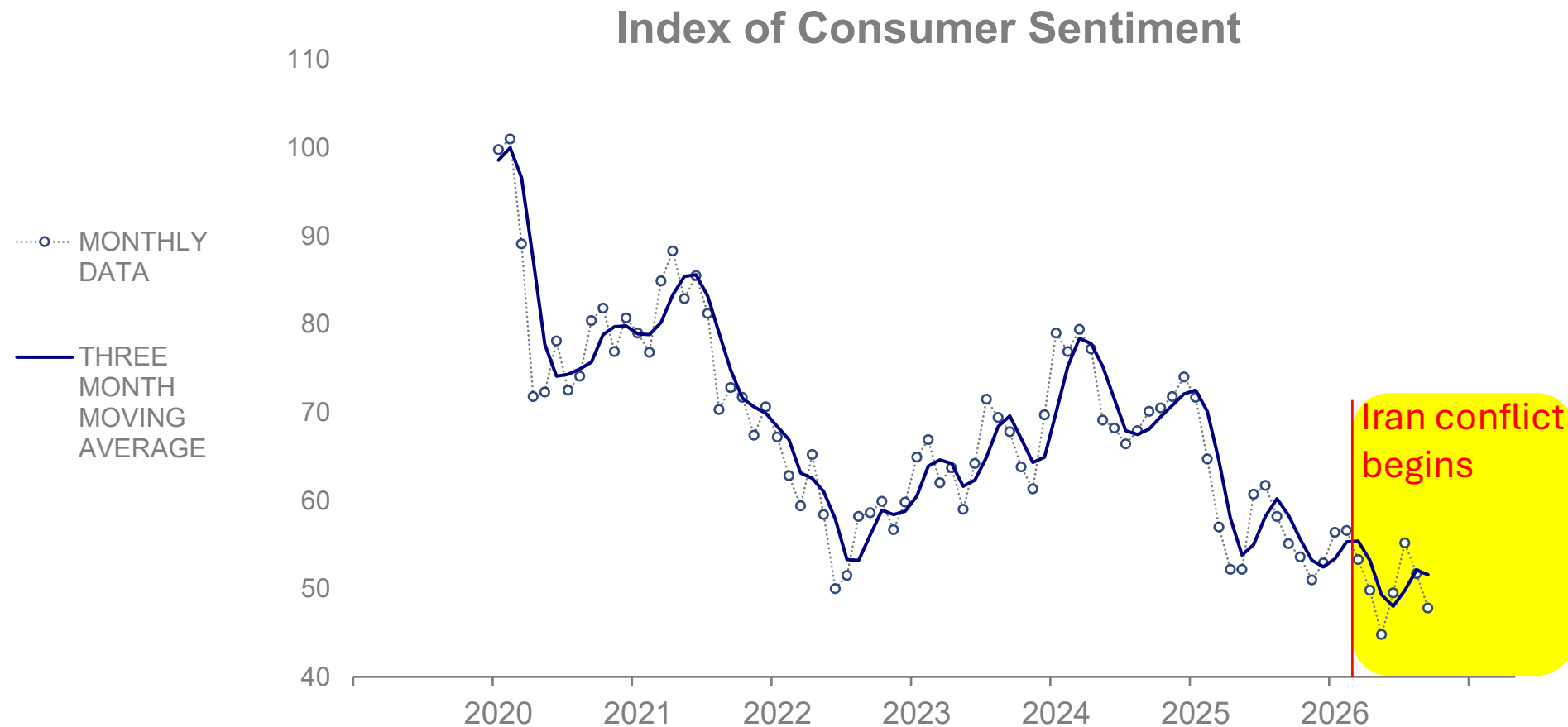
April/May 2025

16 months on, sentiment **remains unfavorable**



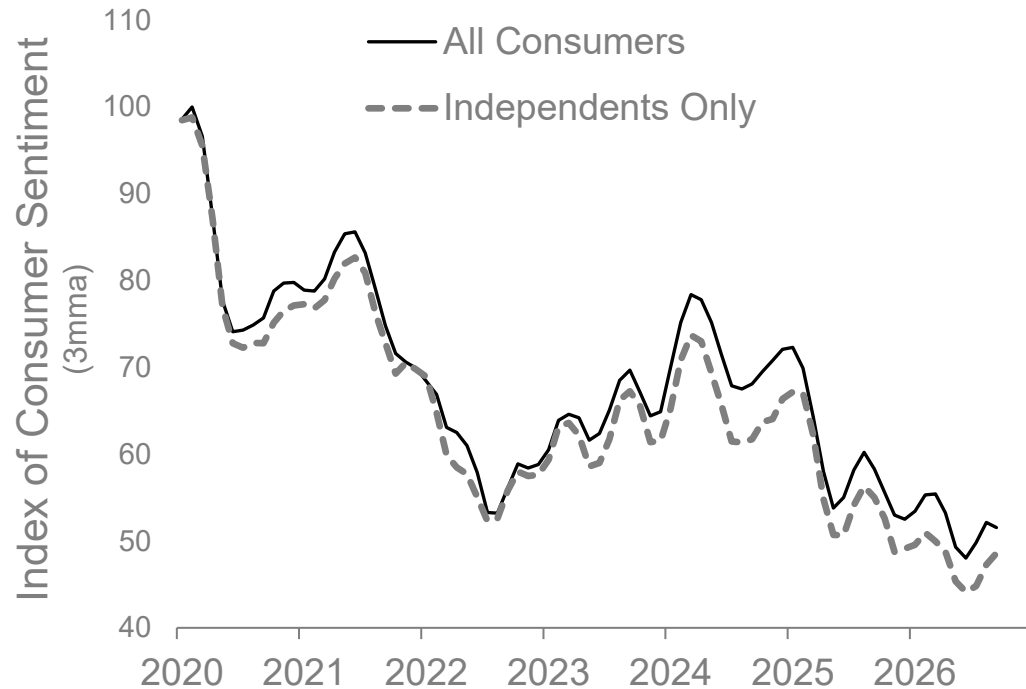
- Summer 2025: **modest rise** as tariff developments calmed; worst-case scenarios did not come to fruition
- Fall 2025: **downward again** amid stubborn inflation; weakening labor markets; government shutdown
- Winter 2025-26: **increase as** consumers perceive some relief from negative factors

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

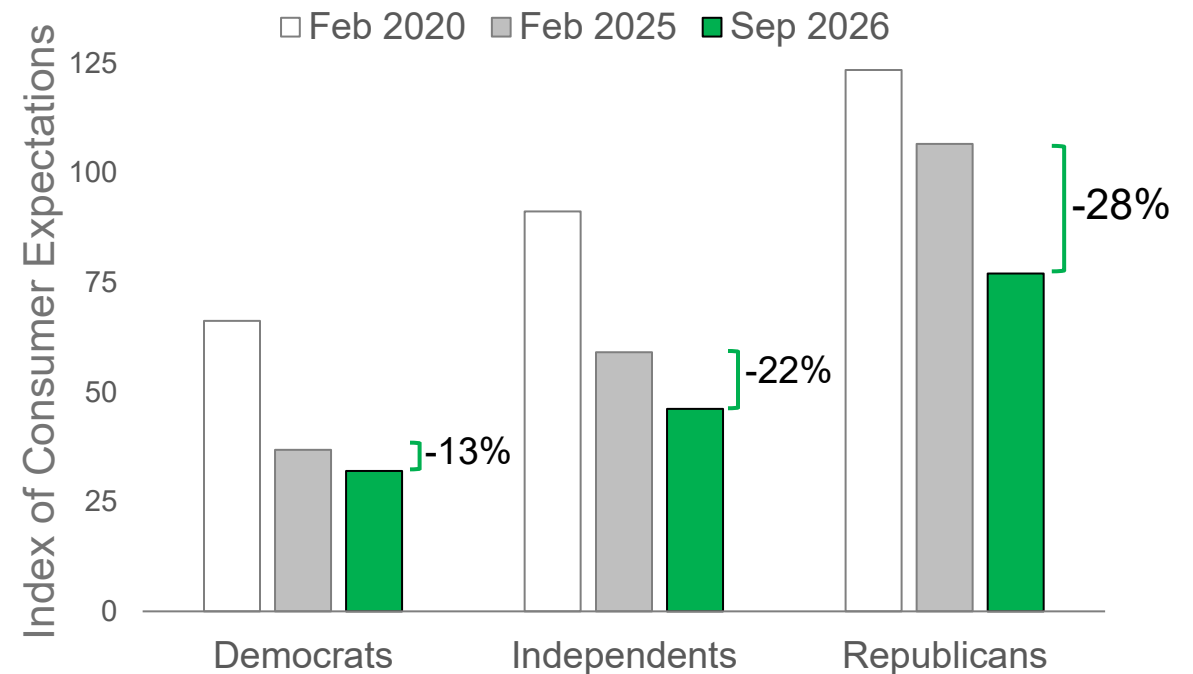


Trends not being driven by one end of the political spectrum

National Trends Fully Aligned with Views of Independents



Expectations Among Republicans Retreat 28% Since February 2025



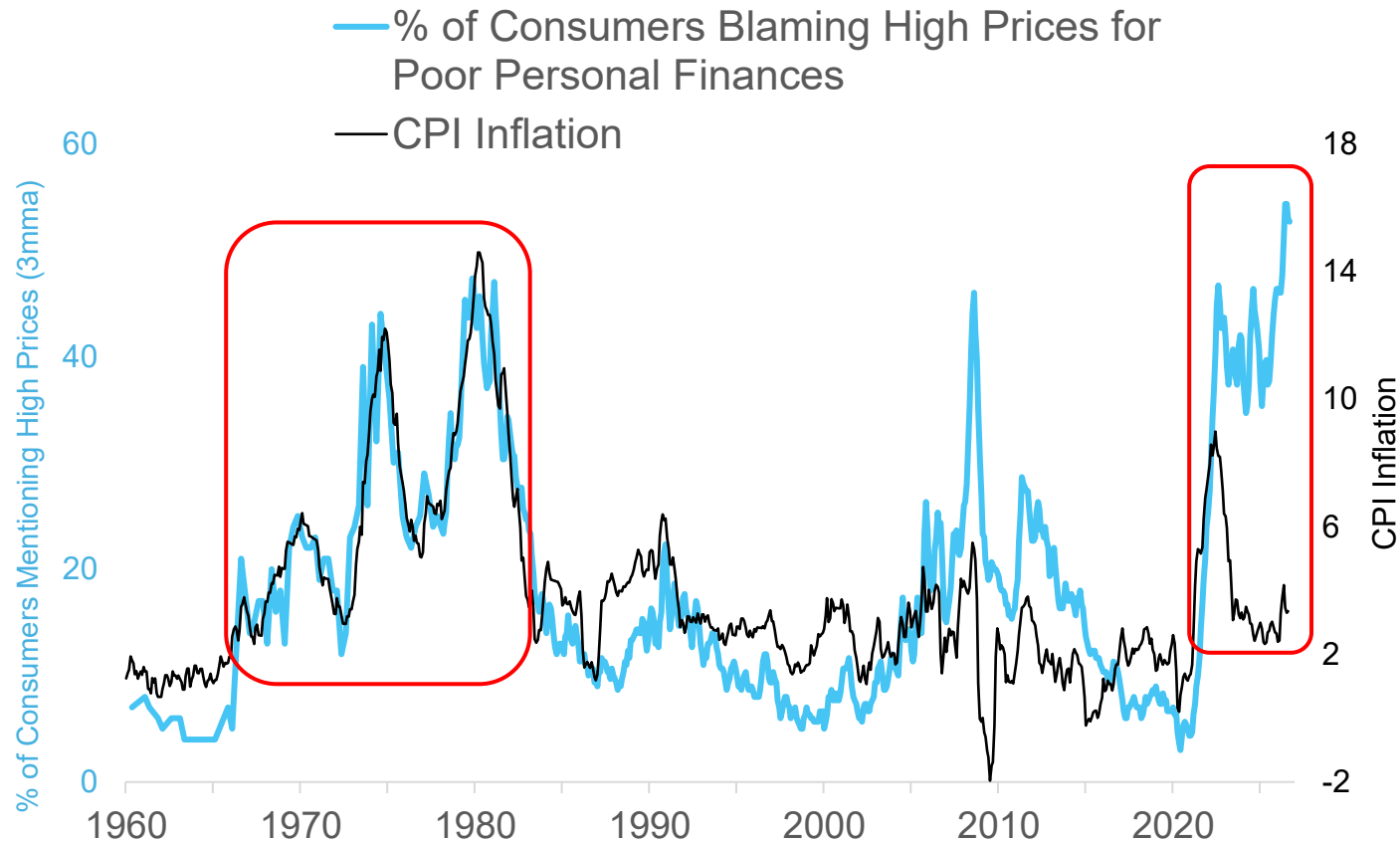
Different data capture different things:

One person one vote, versus one dollar one vote

Why is sentiment so low when...

... Inflation is currently lower than in 2022?

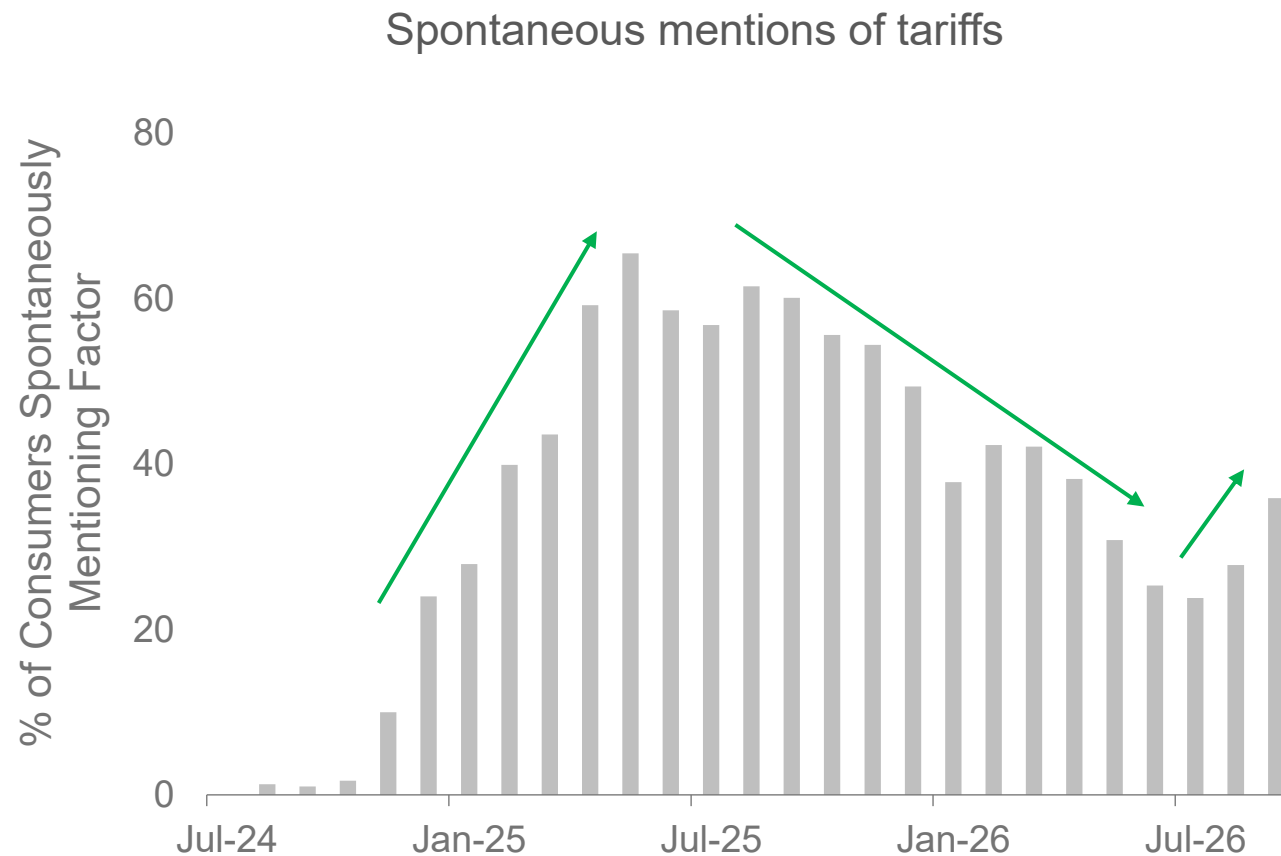
Post-pandemic views dominated by the **cost-of-living** (even as inflation and inflation expectations softened)



- 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?

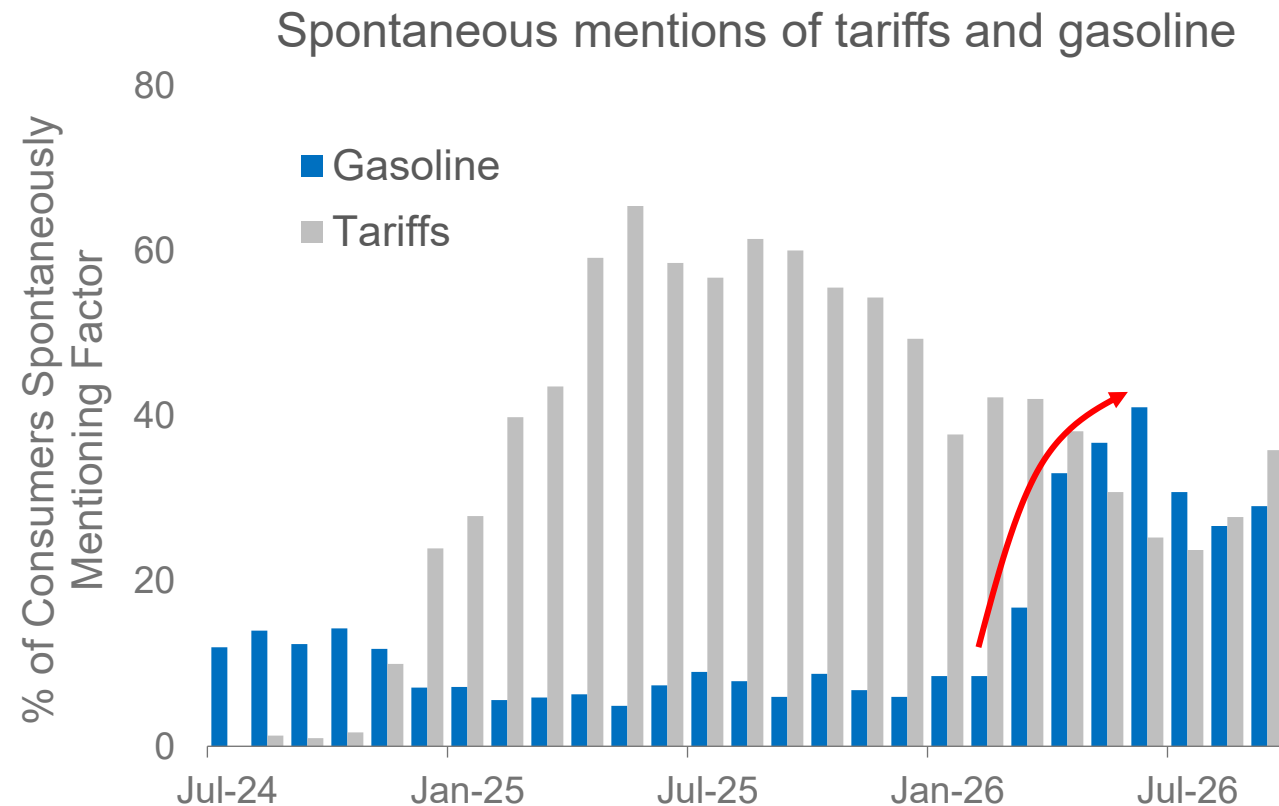
Widespread, persistent concern about **tariffs**



- 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

Since Converging in May 2025, Sentiment Lifted for Consumers with Large Stock Holdings and **Fell for Non-Stockholders**



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

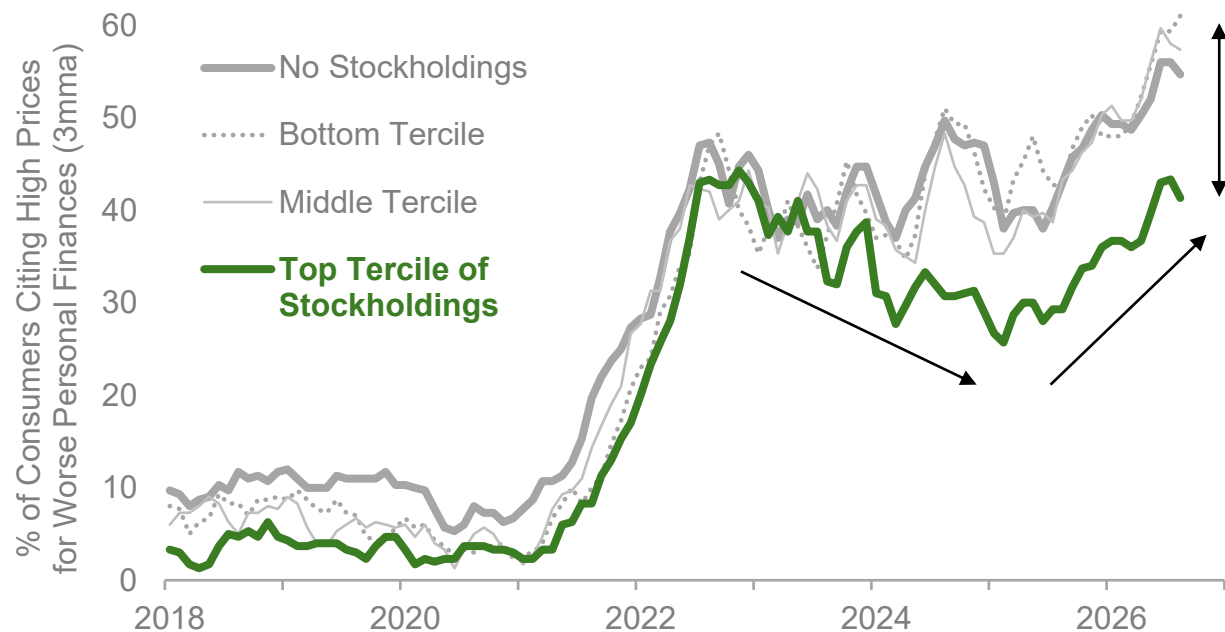
- Similar to post-pandemic period

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

Wealthiest consumers express less pain over high prices



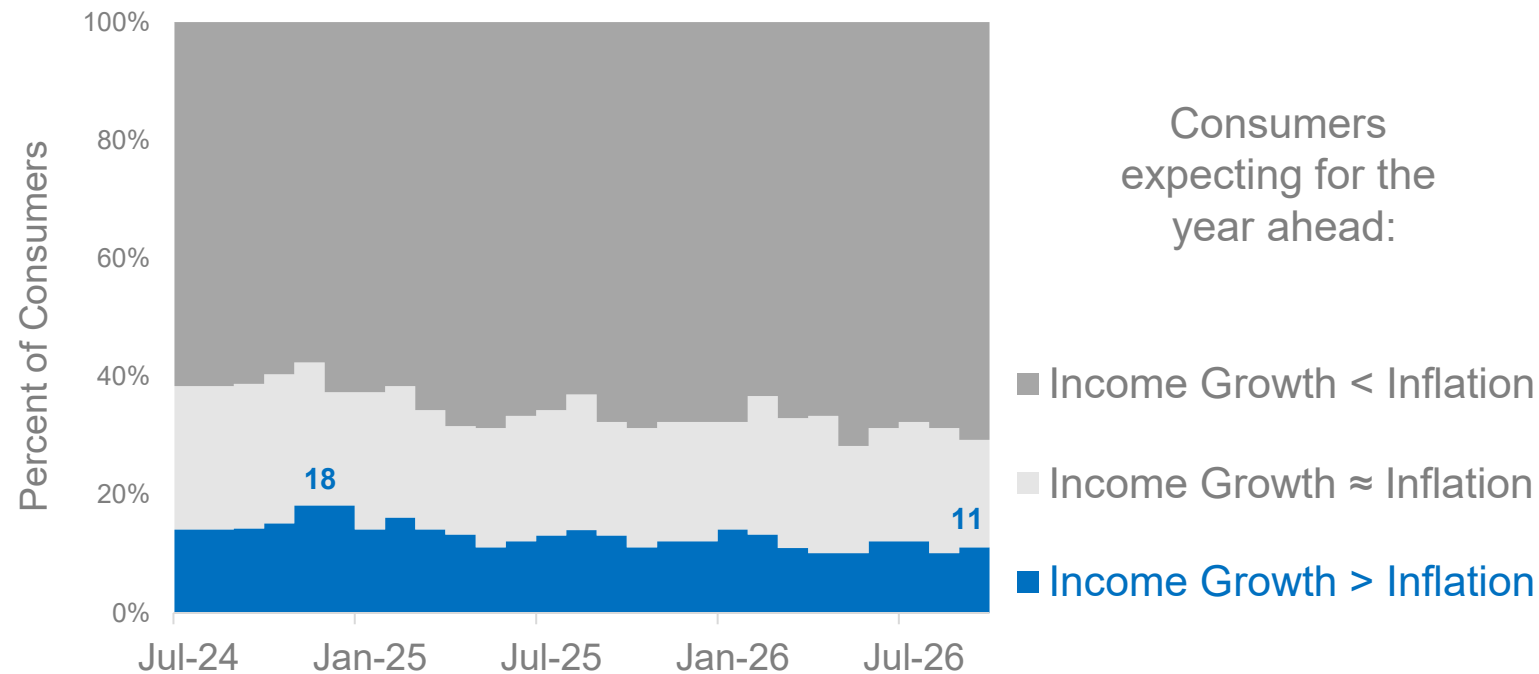
- 2023: high price concerns decline **only for wealthiest consumers**
- 2025-26: unanimous increase in high price concerns
- Sizable wealth gap remains
- **Different households face different inflation rates**

Differences by wealth consistent with stable aggregate spending
Sentiment: 1 **person** 1 vote
Aggregate stats: 1 **dollar** 1 vote

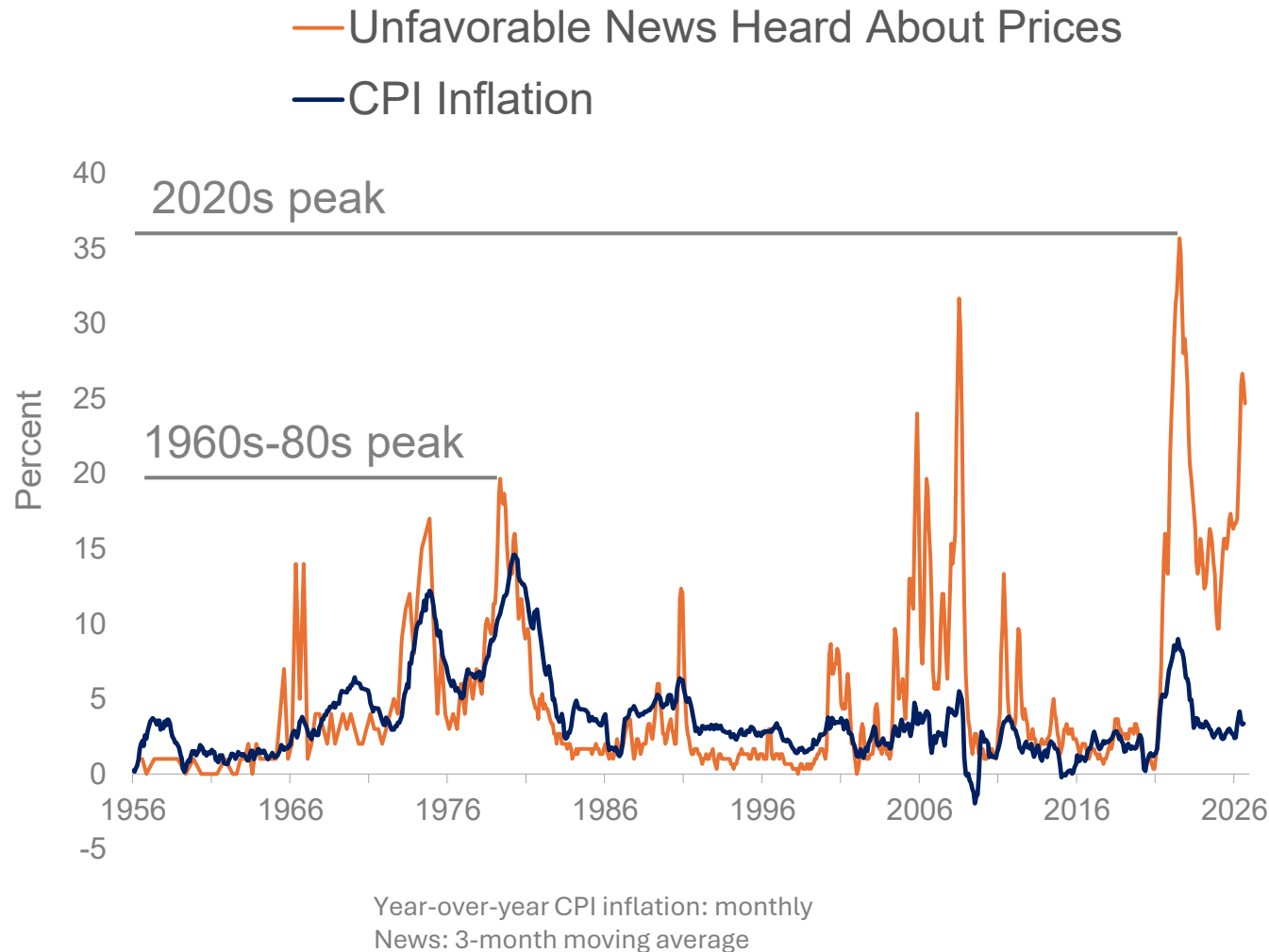
... Unemployment is still relatively low?

Consumers expect their incomes will be eroded by inflation

Only 11% of Consumers Expect Income Growth to Outpace Inflation Over the Next Year



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



- 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

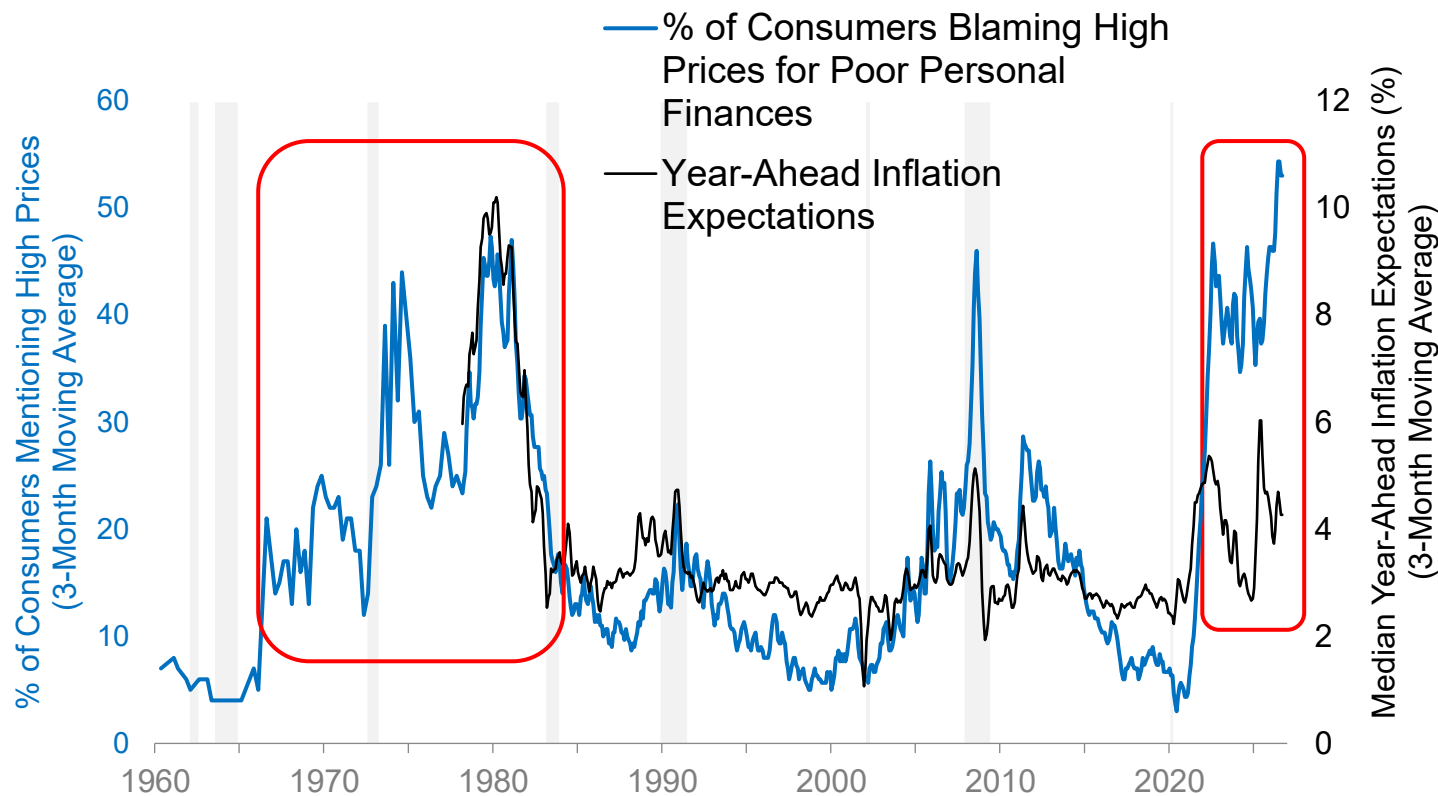
Wrapping up

- 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
- 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

Bonus

... Inflation is currently lower than in 2022?

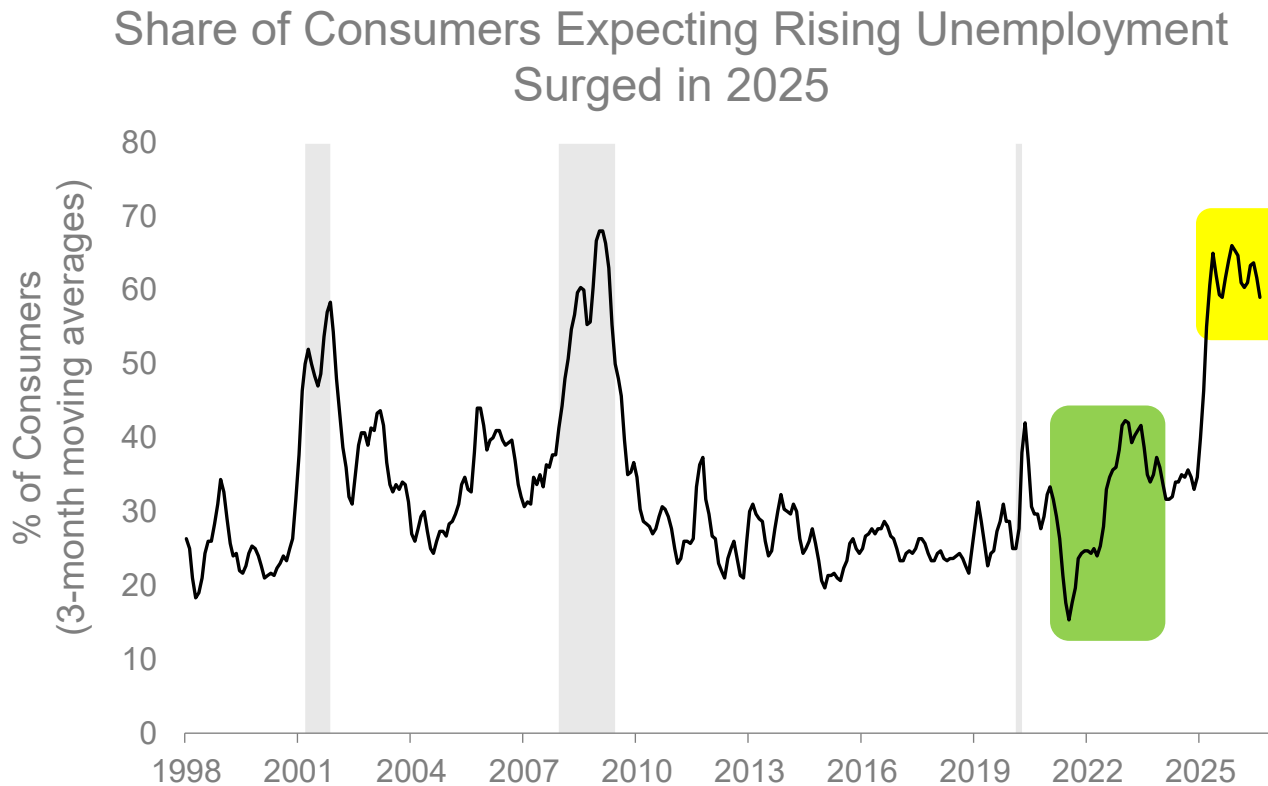
Post-pandemic views dominated by the **cost-of-living** (even as inflation and inflation expectations softened)



- In 1960s-80s, references to **high prices** (and inflation expectations) rose and fell with each inflationary episode
- **Post-pandemic**: even as inflation expectations fell (twice), **high-price mentions remained stubbornly high**

... Unemployment is still relatively low?

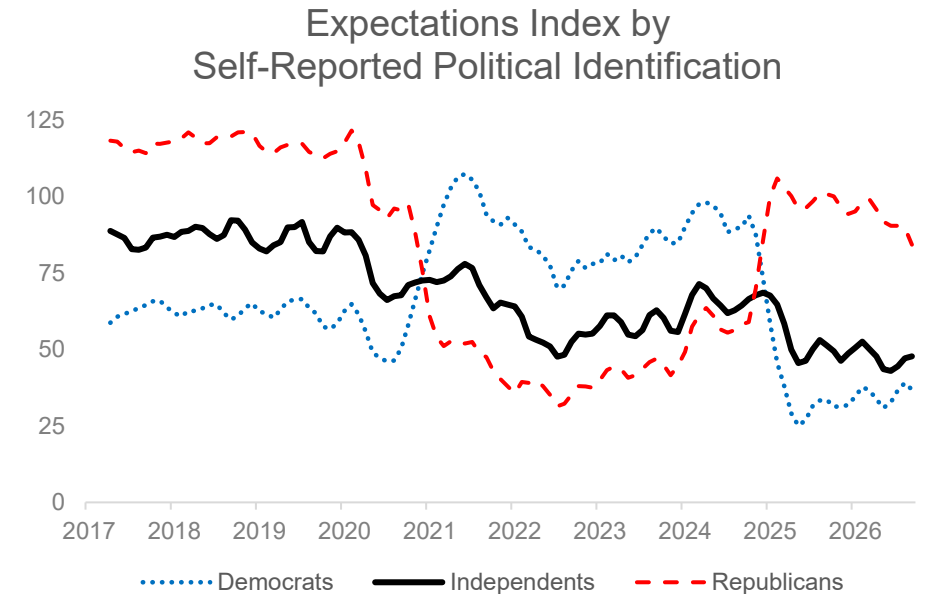
Consumers believe that **unemployment will rise**



- 4/5 of consumers expect unemployment to worsen in the year ahead
- Surge occurred in 2025 amid tariff developments and did not recede in 2026
- Sharp contrast to post-pandemic inflationary period

Political differences seen in both attitudes and behavior

- Consumers whose party is in the White House have more favorable expectations than those whose party is not (independents in the middle)
- Similar partisan alignment patterns seen in behavior
 - [Consumer spending](#),
 - [Tax evasion](#) (high and low income),
 - [Risk-taking in mortgage choice](#),
 - [Professional macro forecasts](#),
 - [Business formation](#),
 - [Innovation](#) (patents)



Outside of pres. transitions, 3 groups generally move in parallel

Strong agreement: economic views of all 3 groups deteriorated over last ~18 months