

WSJ Print Edition

U.S. Consumer Mood Darkens

Expectations of more inflation ahead have soured consumers' mood, according to the latest readout from the University of Michigan's longrunning sentiment survey.

"Consumers are no longer bracing for the worst-case scenario for the economy feared in April when reciprocal tariffs were announced and then paused," the survey team wrote. "However, consumers continue to expect both inflation and unemployment to deteriorate in the future."

In a preliminary August reading, the headline index dropped to 58.6, down from 61.7 in July. Analysts had expected sentiment to improve.

Consumers now expect 4.9% inflation over the next year, up from 4.5% a month ago. Long-run inflation expectations also rose.

Respondents' assessment of the present-day economy fell to 60.9, from 68 a month earlier. Forward expectations slipped slightly.

Responses were collected from the last few days of July through Aug. 11, spanning a re-intensification of the Trump administration's trade war as new tariffs landed.

Sentiment surveys can be a valuable check of the consumer's pulse—but how shoppers feel and how they behave don't always match up. The consumer economy has avoided a recession despite some stretches of brutally low sentiment in recent years.

—Matt Grossman

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