

Consumer Confidence Unexpectedly Tumbles in June

- **Consumer confidence unexpectedly slipped in June, erasing about half of May's sharp advance.**
- **The decline was broad-based with the Present Situation Index and Expectations Index both falling.**
- **The retreat in confidence was universal across all age groups and nearly all income groups.**
- **Consumers' average 1-year ahead inflation expectations slipped to 6.0% in June from 6.4% in May and 7.0% in April.**
- **Consumer confidence is expected to remain volatile until there is more clarity on U.S. trade policy.**

The one-month improvement in consumer spirits last month was fleeting. Consumer confidence slipped 5.4 points to 93.0 in June from an upwardly revised 98.4 in May. The Present Situation Index - based on consumers' assessment of current business and labor market conditions - slid 6.4 points to 129.1. The Expectations Index - based on consumers' short-term outlook for income, business and labor market conditions - tumbled 4.6 points to 69.0, well below the level of 80 that usually signals a pending recession. All three components of the Expectations Index - business conditions, employment prospects and future income - all deteriorated.

The retreat in confidence in June was universal across all age groups and nearly all income groups. It also declined irrespective of political party, with the strongest drop among Republicans.

Buying plans were mixed in June. Purchasing plans for cars were steady at a seven-month high, while purchasing plans for homes slipped. Overall, more consumers were undecided about plans to buy big-ticket items, with buying plans up slightly for appliances and down for electronics. Finally, consumers' intentions to purchase more services in the months ahead weakened relative to May, with almost all services categories decreasing.

In a welcome development for the Federal Open Market Committee, inflation expectations improved further in June. Consumers' average 1-year ahead inflation expectations slipped to 6.0% in June from 6.4% in May and 7.0% in April. Nonetheless, tariffs were top-of-mind for consumers and were frequently linked with having negative effects on the economy and inflation.

Consumer confidence is expected to remain volatile until there is more clarity on U.S. trade policy. On a brighter note, consumers' assessment of their Family's Current Financial Situation fell slightly but remained solid and expectations regarding their Family's Future Financial Situation improved to a four-month high. This points to positive but slower growth in consumer spending for the balance of 2025.

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