Economic Update

March 28, 2025

Consumer Sentiment Falls Further in March; Inflation Expectations Rise Again

- **Consumer sentiment dropped to 57.0 in the final March reading, the lowest since November 2022.**
- **The decline was primarily due to a sharp drop in the expectations index although the present conditions index also fell.**
- **1-year and 5-year ahead inflation expectations rose again in March.**
- **Two-thirds of survey respondents expect joblessness to increase in the year ahead, the highest reading since 2009.**
- **PNC still expects the Federal Open Market Committee (FOMC) to cut the fed funds rate by a total of 50 basis points this year.**

Consumer sentiment slipped to 57.0 in March according to the final report from the University of Michigan. Sentiment is at the lowest level since November 2022 amid policy uncertainty and equity market declines. This is down from the preliminary reading of 57.9 and marks the third consecutive decline in sentiment. The downward revision was primarily due to the expectations component which plunged 11.4 points to 52.6. The present conditions component fell a much more modest 1.9 points to 63.8.

Inflation expectations surged yet again. 1-year ahead inflation expectations cascaded to 5.0% from 4.3% in February, while 5-year ahead inflation expectations jumped to 4.1% from 3.5% in February. The results of the survey suggest consumers are convinced tariffs will result in significantly higher prices. Moreover, those concerns are escalating as both inflation measures were revised higher from the preliminary release. The expected slowdown in job growth is also a concern. Two-thirds of survey respondents expect unemployment to increase in the year ahead, the highest reading since 2009.

Consumer sentiment remains at a very low level that is typically seen in recessions (consumer sentiment averaged 63.6 during the Global Financial Crisis of 2008/2009) and is not consistent with the sturdy pace of economic growth and still-solid labor market. Nonetheless, consumer sentiment is unlikely to register strong gains in the near term amid a great deal of policy uncertainty. That said, sentiment is unlikely to fall much further absent continued equity market declines or a sharp deterioration in the labor market. PNC still expects the FOMC to cut the fed funds rate by 25-basis points in May and another 25-basis points in July, lowering the fed funds rate to a range of 3.75%-4.00%.

Gus Faucher
Chief Economist

Jay Hawkins
Senior Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist

PNC Economics
Jay Hawkins, Senior Economist
economics@pnc.com

Visit [pnc.com/economicreports](https://www.pnc.com/economicreports) for more information from PNC Economics.