Consumer Sentiment Rebounds Modestly in September

Consumers continue to demonstrate rising levels of uncertainty—largely due to concern over tariffs. Expectations of household finances remain solid, suggesting a sharp retrenchment in spending is unlikely.

Unfavorable News

- Consumer sentiment rebounded modestly from its lowest level since the 2016 election to 93.2 in September. More consumers reported unfavorable news about the economy than at any point in eight years. Some concern stemmed from tariffs, which were mentioned by a nearly a third of all consumers, a near record high. Political headlines, like that of the impeachment inquiry, certainly will weigh on sentiment in the coming months.

Broad Spending Retrenchment Unlikely

- Consumers increasingly expect higher inflation in the year ahead, and, not surprisingly, the increase was more acute for those who are worried about tariffs. The Fed is likely monitoring longer-run inflation expectations, which broadly remain anchored.
- Expectations of higher income remain elevated, suggesting consumers are confident in their ability to spend, but concerns over tariffs will limit the extent of discretionary spending.

Source: The University of Michigan, Federal Reserve Board and Wells Fargo Securities