

Consumer Confidence Fell More Than Expected in January

- **Consumer confidence fell 5.4 points to 104.1 in January from an upwardly revised print of 109.5 in December.**
- **The drop was broad-based with both the present situation and expectations indexes falling.**
- **Average 12-month ahead inflation expectations increased to 5.3% in January from 5.1% in December.**
- **Consumers' assessments of labor market conditions deteriorated in January with the 33.0% of consumers stating jobs were plentiful, down from 37.1% in December.**
- **PNC expects consumer confidence to improve slightly in 2025.**

Consumer confidence slipped 5.4 points in January to 104.1, slightly below the consensus forecast of a drop to 106.0 from an upwardly revised reading of 109.5 in December. The present situation index – based on consumers' assessment of current business and labor market conditions – fell sharply in January, declining 9.7 points to 134.3. The expectations index – which measures consumers' short-term outlook for income, business, and labor market conditions – dropped 2.6 points to 83.9 but is still above the threshold of 80 that normally signals recession.

By age cohort, January's fall in confidence was driven by consumers under 55 years old; consumers aged 55 and over saw a small improvement in confidence. By income group, the sharpest decrease in confidence occurred in households earning over \$125,000, while consumers at the bottom of the income range reported the strongest advance. Consequently, the confidence gap between the top income groups and those making between \$75,000 and \$100,000 narrowed.

Average 12-month inflation expectations rose to 5.3% in January from 5.1% in December, likely due to stubborn inflation in recent months. This reinforces our call for the Federal Open Market Committee to leave the fed funds rate unchanged at the conclusion of its meeting tomorrow.

Consumers' assessments of labor market conditions deteriorated in January with the 33.0% of consumers stating jobs were plentiful, down from 37.1% in December. Meanwhile, 16.8% of consumers indicated jobs were hard to get, up from 14.9% in December. This pushed the labor market differential – the difference between the proportion of consumers who view jobs as plentiful versus hard to get – down to 16.2% in January from 22.2% in December. On a six-month moving average basis, plans to purchase a home or car over the next six months were down slightly in January, while more consumers planned to purchase big-ticket items over the next six months than not.

Gus Faucher
Chief Economist

Jay Hawkins
Senior Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist

PNC expects consumer confidence to improve slightly over the balance of 2025 but remain in a tight range between 110 and 111. The primary reasons for the improvement are continued job gains (though at a slower pace), income growth that outstrips inflation, a historically low unemployment rate and lower interest rates with the Federal Open Market Committee forecast to reduce interest rates by 50 basis points in the first half of 2025.

PNC Economics

Jay Hawkins, Senior Economist

economics@pnc.com

Visit pnc.com/economicreports for more information from PNC Economics.