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Preliminary results from the March 2026 survey
Joanne Hsu, PhD, Director

Consumer sentiment dipped about 2%, reaching its lowest reading of the year. Interviews completed prior to the military action in Iran showed an improvement in sentiment from last month, but lower readings seen during the nine days thereafter completely erased those initial gains. Gasoline prices have exerted the most immediate impact felt by consumers, though the magnitude of passthrough to other prices remains highly uncertain. A broad swath of consumers across incomes, age, and political affiliation all reported declines in expectations for their personal finances, down 7.5% nationally. Interviews for this release were collected between February 17 and March 9, with about half completed after the start of the US military conflict in Iran.

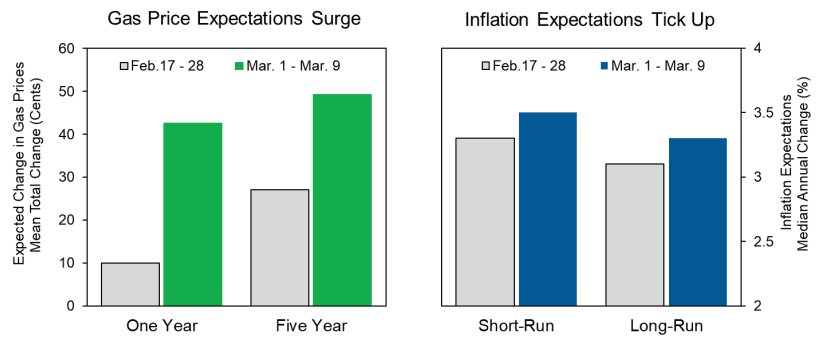
This month, year-ahead inflation expectations ended six months of consecutive declines, stalling at 3.4%. The current reading exceeds those seen in 2024 and remains well above the 2.3-3.0% range seen in the two years pre-pandemic. Long-run inflation expectations inched down to 3.2%. In 2024, readings ranged between 2.8% and 3.2%, while in 2019 and 2020, they were consistently below 2.8%. Note that for both time horizons, interviews completed after February 28th exhibited higher inflation expectations than those completed before that date (see chart, right panel).

Over the past several months, spontaneous mentions of gasoline during interviews have reflected a mix of consumers who note the moderation of gas prices and those who report that gas prices remain burdensome. As seen in the left panel of the chart, expectations over gas prices were much more modest just prior to the start of US military action in Iran (gray bars) and then surged thereafter (green bars). Together, this month's average one-year gas price expectations is the highest seen since 2022. Five-year gas price expectations increased as well but remain well below their historical average. At this time, consumers expect at least a short term shock to prices at the pump with limited long-term impact on gas prices.

In comparison, differences in inflation expectations before and after February 28 were somewhat less dramatic than for expected changes in gas prices. Going forward, any tightening in world energy markets will provide further upward pressure on gas price expectations and will likely push overall inflation expectations higher as well. Indeed, inflation uncertainty, as measured by the middle 50% of expectations, also surged after the start of the Iran conflict. These trends likely reflect uncertainty over how the conflict will evolve and the ensuing volatility seen in oil markets. As such, the relatively limited initial response in median inflation expectations may well grow as the conflict continues.

These developments will complicate Fed policy decisions. Over the past nine months or so, consumer worries about inflation had eased while labor market concerns escalated. This month's survey highlights risks on both sides of the Fed's dual mandate. Geopolitical escalations are reigniting fears about the trajectory of inflation, while at the same time various measures of labor market expectations remain weak. Unemployment expectations softened a touch, and real income expectations worsened across groups by income, education, and political affiliation.

Expectations Worsen After Start of Military Conflict in Iran



	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025	Oct 2025	Nov 2025	Dec 2025	Jan 2026	Feb 2026	Mar Prelim
Index of Consumer Sentiment	57.0	52.2	52.2	60.7	61.7	58.2	55.1	53.6	51.0	52.9	56.4	56.6	55.5
Current Economic Conditions	63.8	59.8	58.9	64.8	68.0	61.7	60.4	58.6	51.1	50.4	55.4	56.6	57.8
Index of Consumer Expectations	52.6	47.3	47.9	58.1	57.7	55.9	51.7	50.3	51.0	54.6	57.0	56.6	54.1
Index Components													
Personal Finances - Current	74	71	67	78	83	77	76	78	66	68	74	77	77
Personal Finances - Expected	86	78	79	94	91	91	86	82	85	93	95	93	86
Economic Outlook - 12 Months	56	48	50	63	66	61	57	57	56	59	63	65	62
Economic Outlook - 5 Years	66	60	60	74	72	70	62	59	61	64	68	66	66
Buying Conditions - Durables	89	82	83	88	91	80	78	72	64	60	67	67	70