

TRUTH RESEARCH & INSIGHTS

STATE OF THE CONSUMER

2025 June



THE STATE OF THE CONSUMER

This report explores recent economic trends effecting the state of today's consumer, helping us to understand current and future buying motivations and behaviors. To understand the state of the consumer, this report examines:

Consumer Confidence

Results from the consumer confidence Index, containing visual elements about consumer sentiment, labor market expectations and recession predictions

Consumer Spending

Results from Mckinsey & Company survey, OnePulse survey, and Mintel insight, containing current consumer spending behavior

Trust in Institutions

Where consumers are placing their trust in uncertain times

Truth.

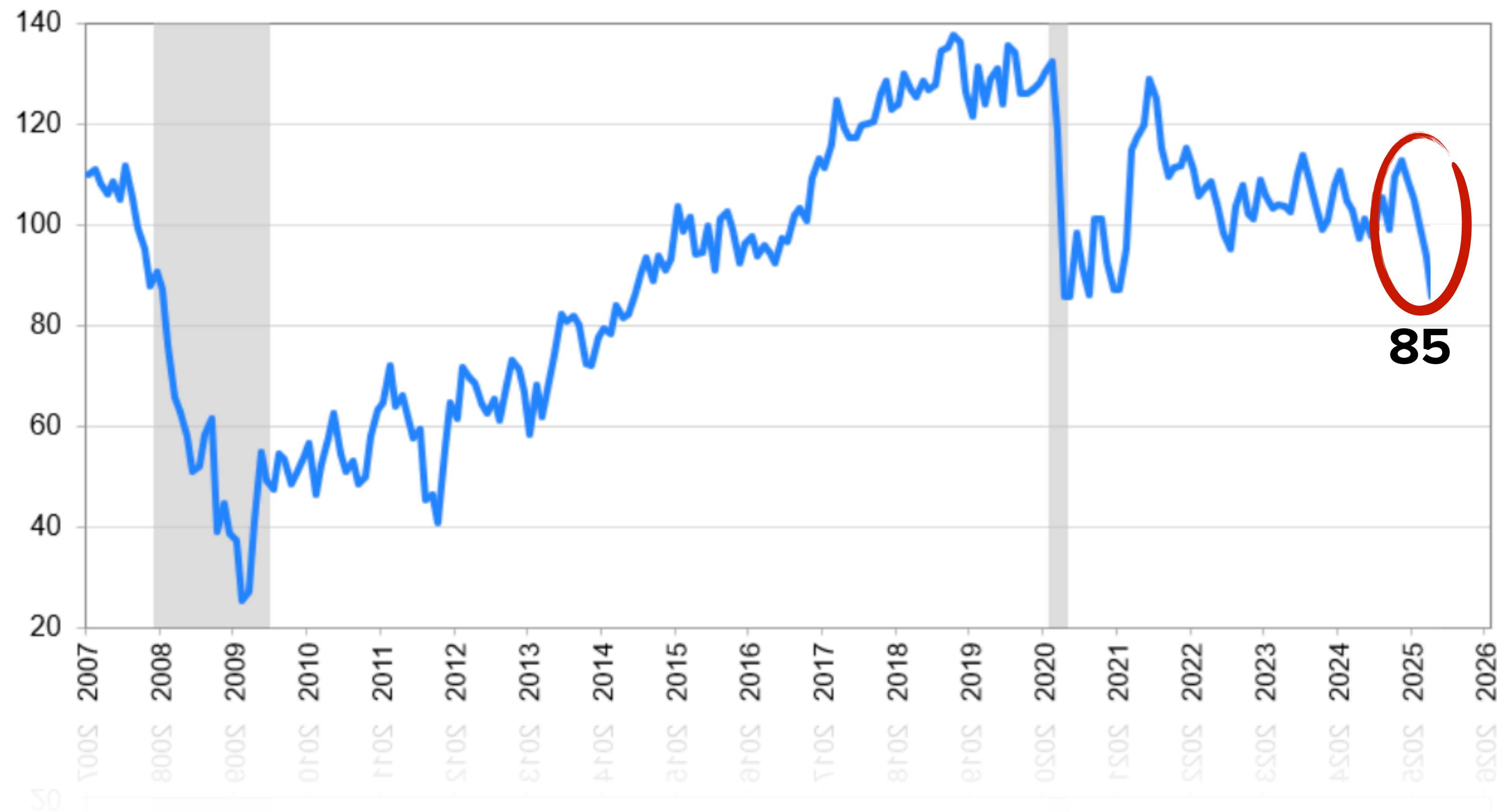
CONSUMER MINDSET AND SENTIMENT



AT THE START OF 2025 CONSUMER CONFIDENCE WAS AT A LOW

Consumer Confidence Index January 2025

Index, 1985 = 100



Sentiment hadn't
been this low
since 2021

FACTORS THAT DROVE THE DECLINE

Uncertainty surrounding trade policies
and tariffs

Recession concerns

A less optimistic outlook on future
income and overall economic stability

These factors led consumers to feel less secure about their financial well-being and future purchasing power.

CONSUMERS BEGAN TO PANIC AND CHANGE THEIR SPENDING AND FINANCIAL BEHAVIOR

37%

Put money aside for future spending

27%

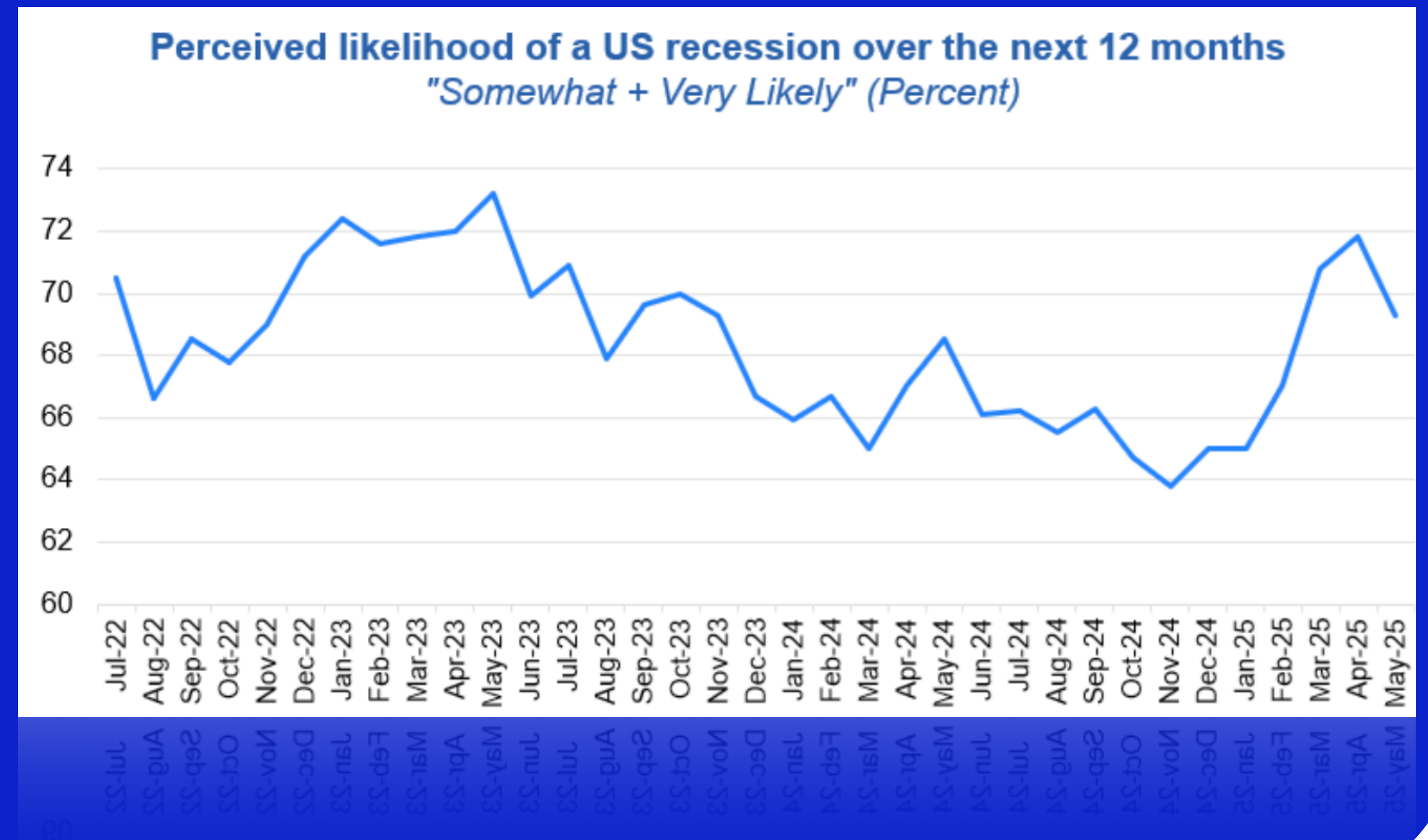
Dipped into savings to pay for goods and services

26%

Postponed major purchases

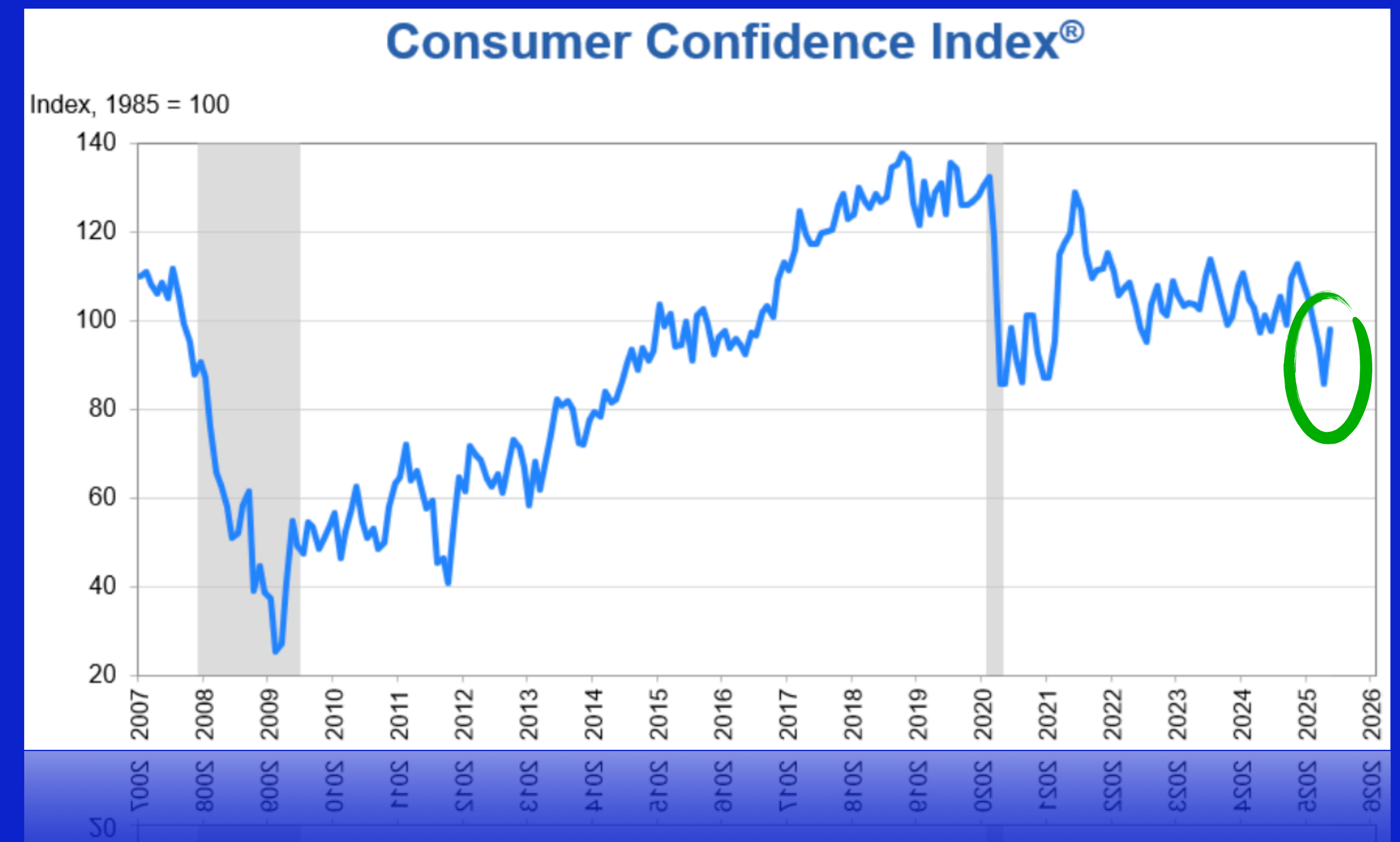
CONSUMERS WERE CAUTIOUS OF A PERCEIVED RECESSION AHEAD

From January to April 2025, there was a notable spike in concerns about a potential recession. By May consumer sentiment started to shift downward suggesting that consumers are feeling less concerned about an impending recession.



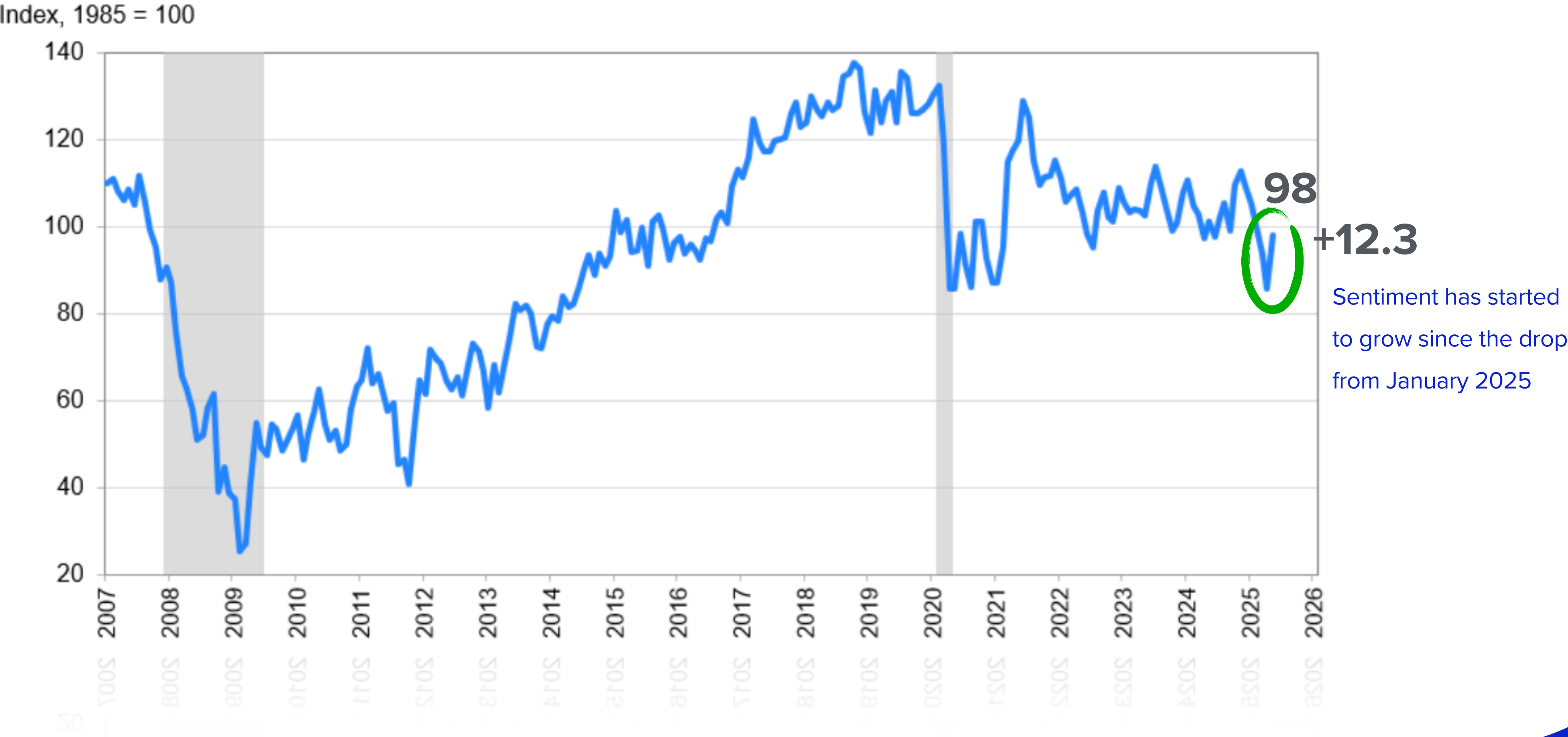
MAY 2025 CONSUMER CONFIDENCE SEES A STEADY INCLINE

The Consumer Confidence Index rose sharply to 98.0 in May 2025, a 12.3-point increase from 85.7 in April. Signaling growing optimism among consumers about the state of the economy.



MAY 2025 CONSUMER CONFIDENCE SAW A STEADY INCLINE

Consumer Confidence Index May 2025



DUE TO THE POSITIVE ECONOMIC ENVIRONMENT THIS CAUSED CONSUMER OUTLOOK TO IMPROVE

Consumers Breathe Sigh of Relief on U.S.-China Tariff Truce

By TERRY LANE Published May 27, 2025 01:16 PM EDT

 Investopedia

News

Consumer Confidence Rebounds in May 2025 Amid Trade Truce and Market Optimism

SmallCapsdaily

Consumer confidence rebounds in May after Trump tariff pauses ease fears

By Jaelyn Campbell May 28, 2025


America's Small Business Network

Consumer Confidence Rebounds in May After Five-Month Decline

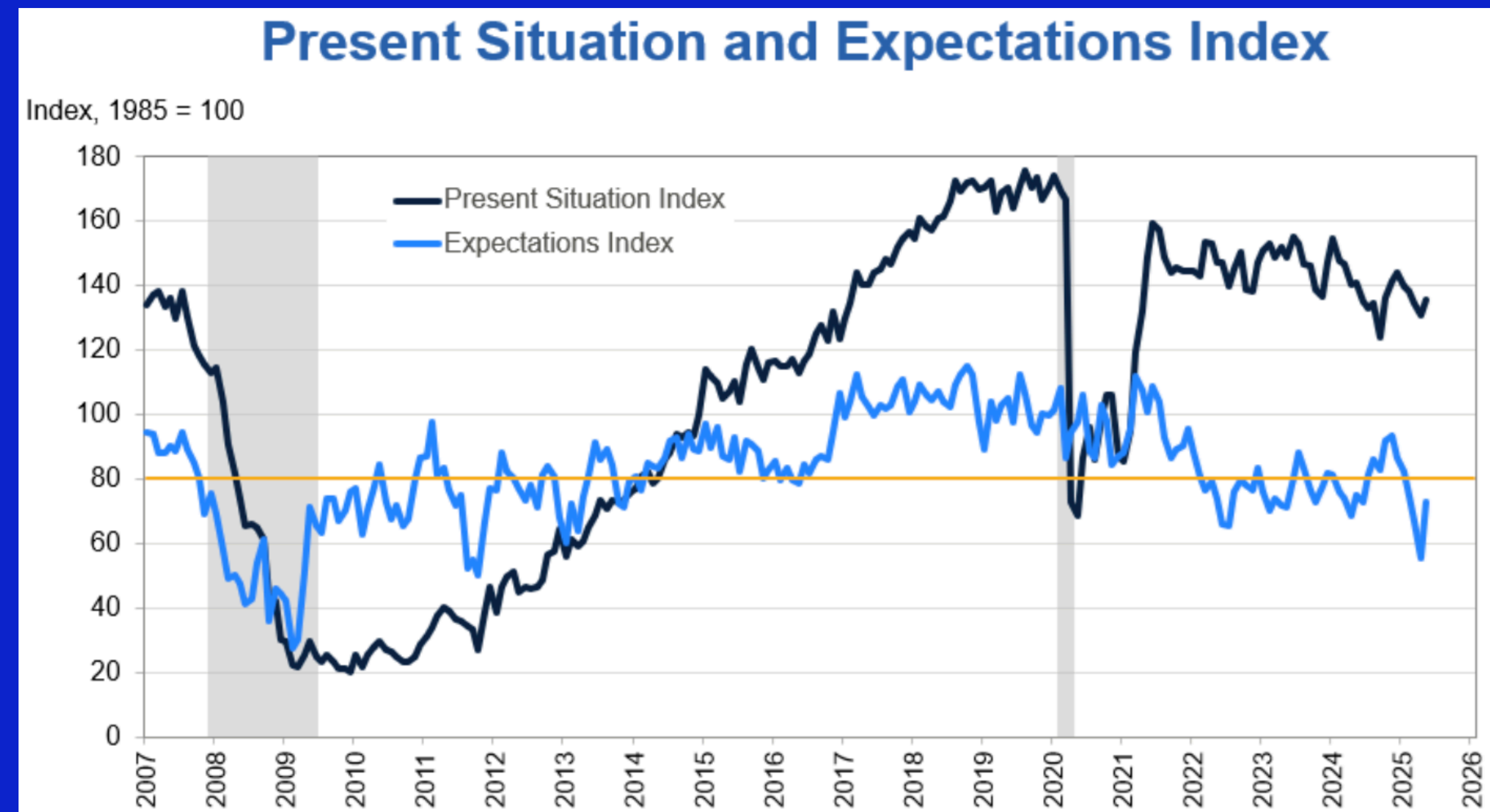
June 2, 2025 9:41am



Input Stories

DESPITE OPTIMISM, THE FUTURE OUTLOOK ON BUSINESS CONDITIONS AND LABOR MARKETS REMAIN WEAK

While consumers feel stable about current conditions, the future outlook remains weak. This gap between present confidence and expectations, points to ongoing uncertainty about the economy ahead.

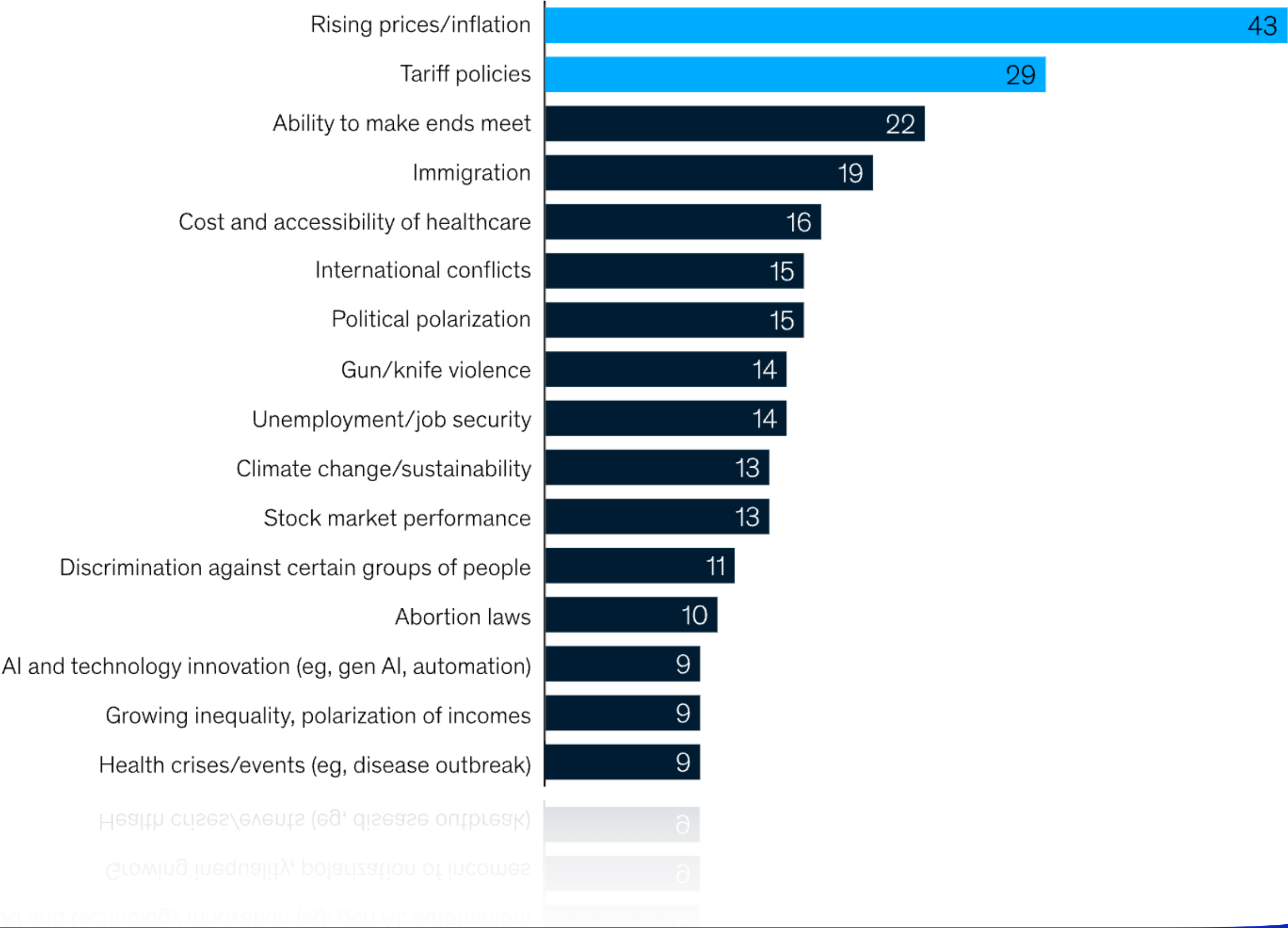


This chart shows how consumers feel about current business and labor markets (Present Situation Index) vs. how they feel about the future (Expectations Index)

IN ADDITION, RISING PRICES AND TRADE POLICY ARE THE TWO MAJOR STRESSORS FOR CONSUMERS

43%

Reported rising prices as
their top concern, followed
by tariff policies (29%)



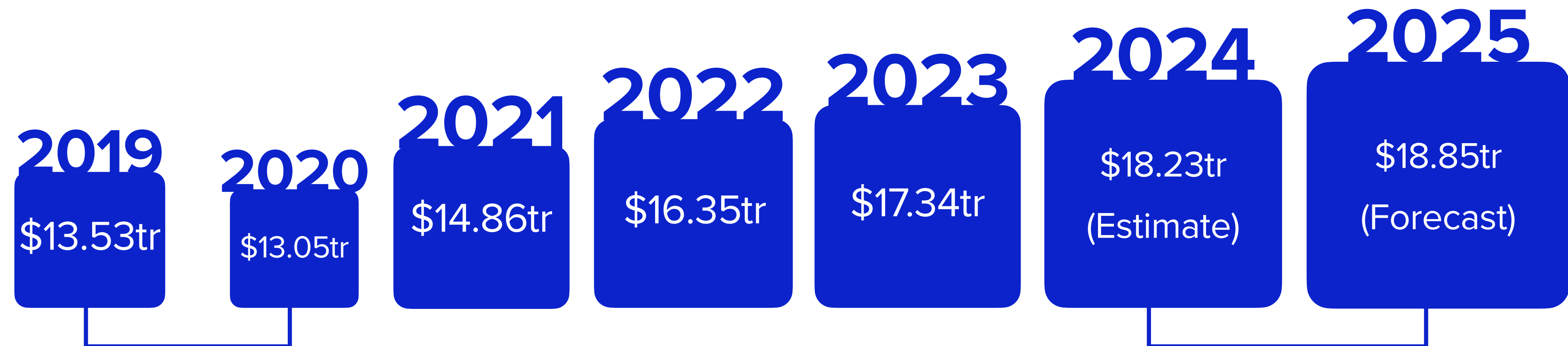
The background of the slide is a blurred image of a financial market data screen. It features multiple line charts showing price fluctuations over time, with various data points and labels visible. A prominent blue rectangular box is overlaid in the center, containing white text. The text discusses the relationship between consumer confidence, tariffs, inflation, and economic growth. The overall aesthetic is professional and data-driven.

While recent gains in consumer confidence are optimistic, the potential re-escalation of tariffs poses as a risk, threatening to reverse progress, drive inflation, slow economic growth, and create new challenges for both consumers and businesses across the country.

**WHAT DOES
THIS MEAN
FOR
CONSUMER
SPENDING?**



CONSUMER SPENDING: 2025 VS. PREVIOUS YEARS



A decline due to the pandemic

3.4% increase

Consumer spending is projected to grow in 2025, but at a slower pace—likely due to more cautious purchasing behaviors and a pullback in discretionary spending.



>60%

**OF CONSUMERS SAID THEY EITHER HAVE ALREADY CHANGED
THEIR SPENDING HABITS OR EXPECT TO CHANGE THEM
SOON IN RESPONSE TO TARIFF ANNOUNCEMENTS.**

WHAT PRODUCTS ARE CONSUMERS MORE LIKELY TO SWITCH TO AS A RESULT OF TARIFF INDUCED PRICES?

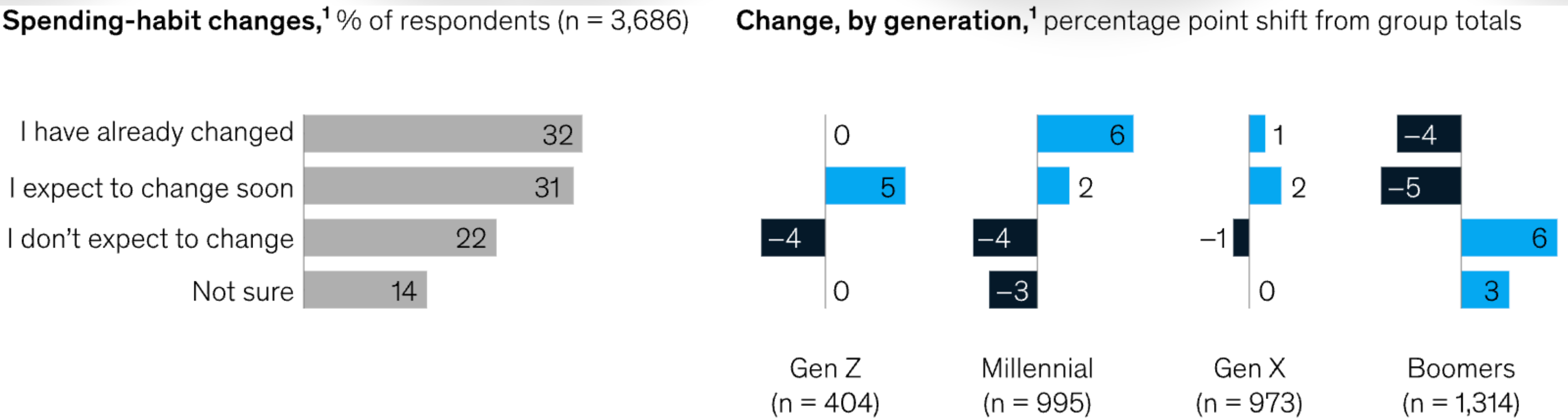
**Private
Labels &
Store Brands**

**Domestic or
Locally Made
Products**

**Essential &
Value-
Oriented
Alternatives**

**Secondhand
&
Refurbished
Goods**

SPENDING HABITS VARY ACROSS GENERATIONS



-4

-5

6

3

Boomers
(n = 1,314)

Source: McKinsey&Company Survey - U.S. - May 2025

Q: “Have you changed or do you plan to change your spending habits as a result of recent tariff announcements?” 18



GEN Z ARE MORE LIKELY TO PURCHASE SECONDHAND ITEMS

Gen Z

Expect to
change soon

Millennial

Have already
changed

Gen X

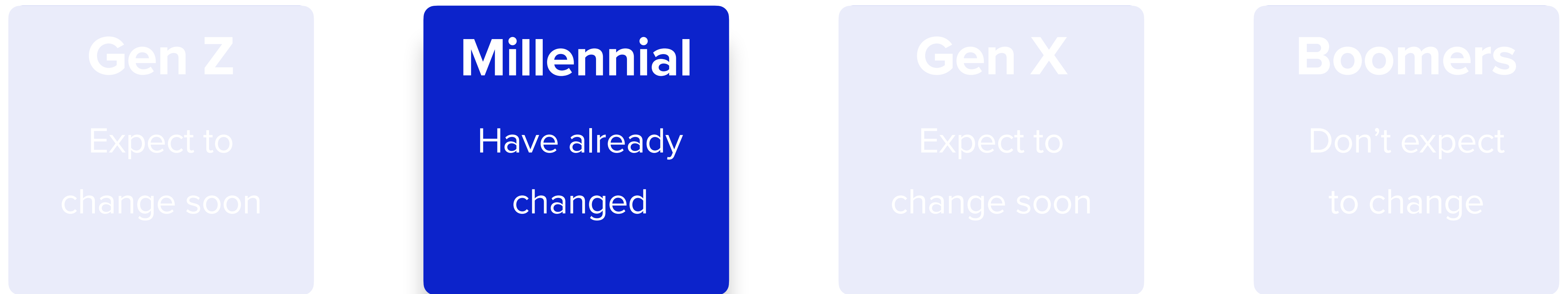
Expect to
change soon

Boomers

Don't expect
to change

While some may do so out of necessity, especially for big-ticket items like vehicles. Many Gen Z consumers are also open to buying used items like apparel.

MILLENNIALS SHOW A SHIFT TO DISCOUNT-ORIENTED RETAIL



Millennials are less likely to cut back on nonessential items, but they are switching stores and websites, likely in search of better deals, discounts, or rewards amid economic uncertainty.

GEN X ARE MORE INTENTIONAL ABOUT WHERE THEY PUT THEIR DOLLAR

Gen Z

Expect to
change soon

Millennial

Have already
changed

Gen X

Expect to
change soon

Boomers

Don't expect
to change

They are not cutting back on discretionary spending, but are becoming more intentional, choosing to spend goods from countries they trust or view as economically stable.

BOOMERS SEEM TO BE MORE RESISTANT TO CHANGE BUT SOME STILL REMAIN CAUTIOUS

Gen Z

Expect to
change soon

Millennial

Have already
changed

Gen X

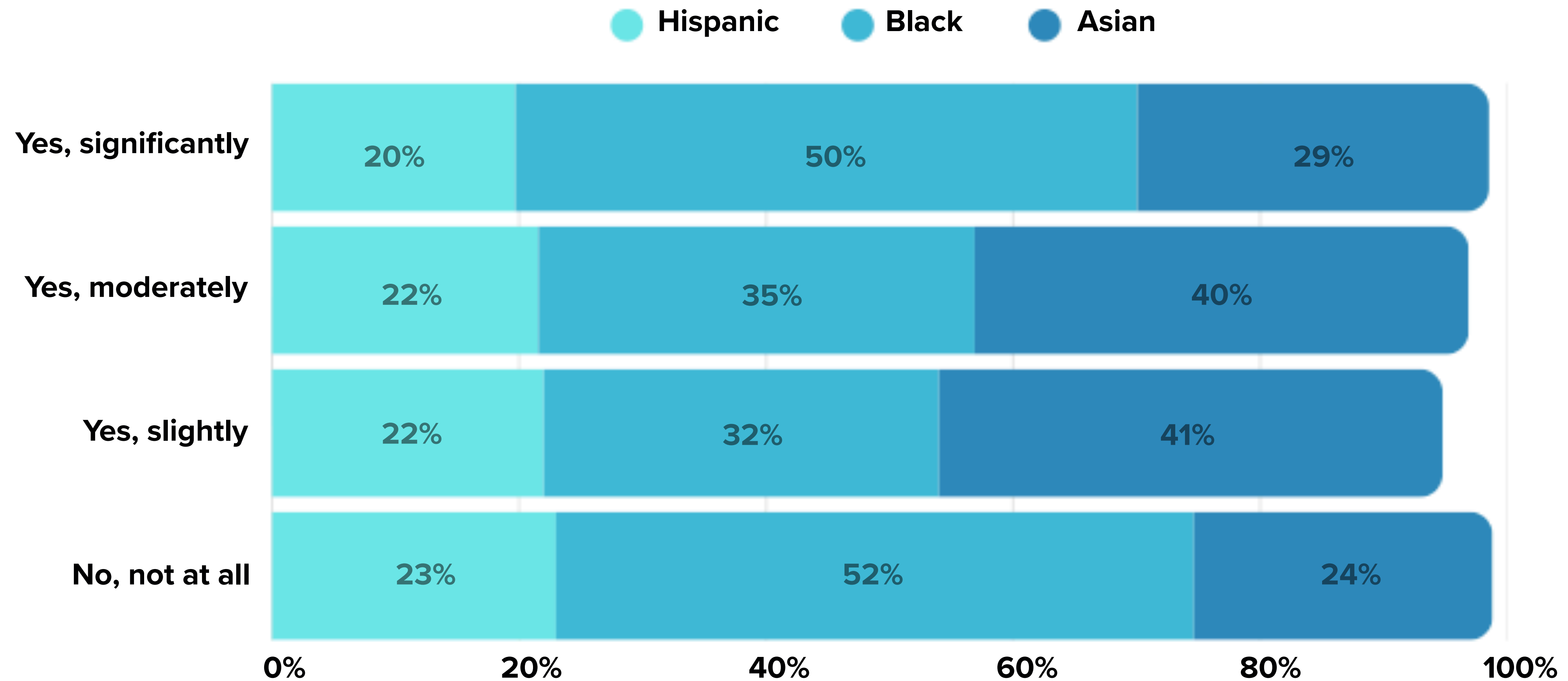
Expect to
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Boomers

Don't expect
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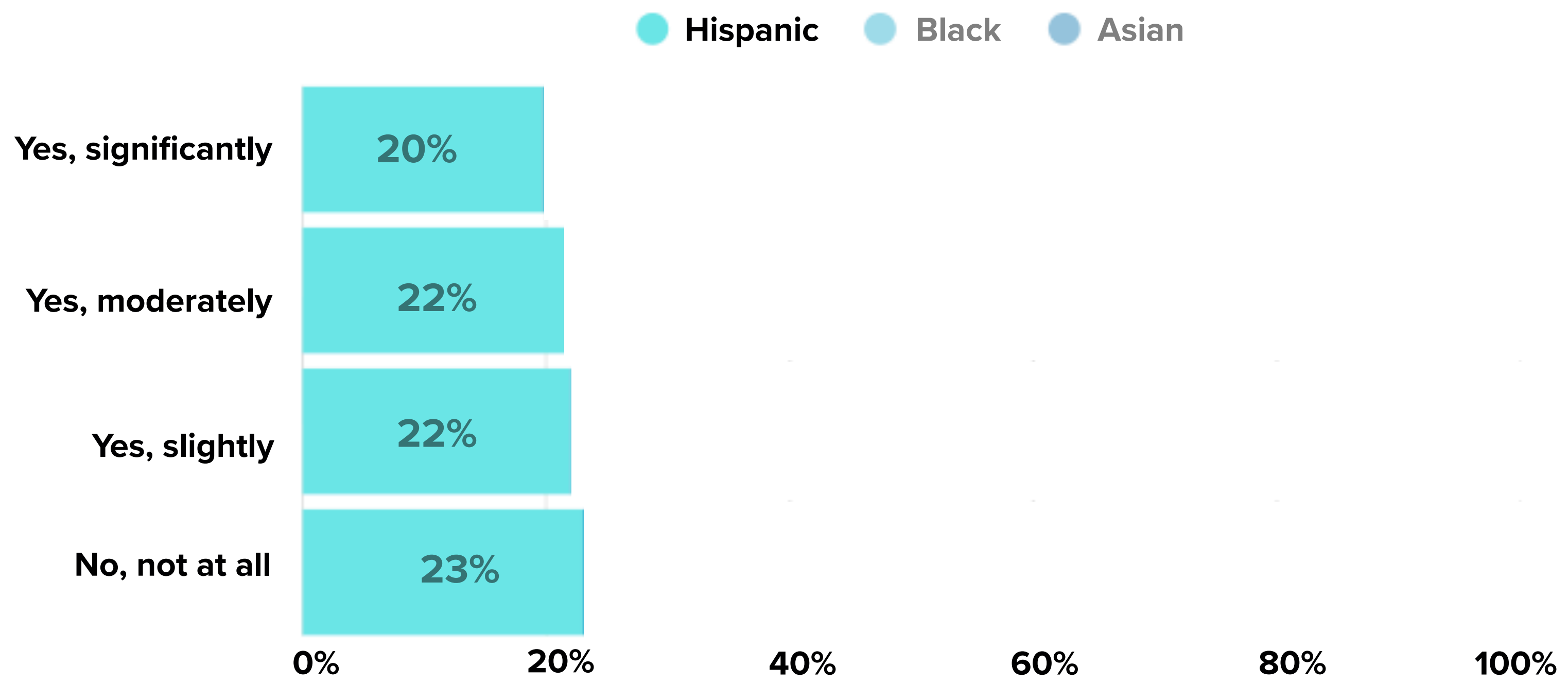
While Boomers tend to be more resistant to changing their spending habits, when they do adjust, they're more likely to reduce the number of purchases or opt for lower-priced alternatives .

SPENDING HABITS AMONG ETHNIC GROUPS



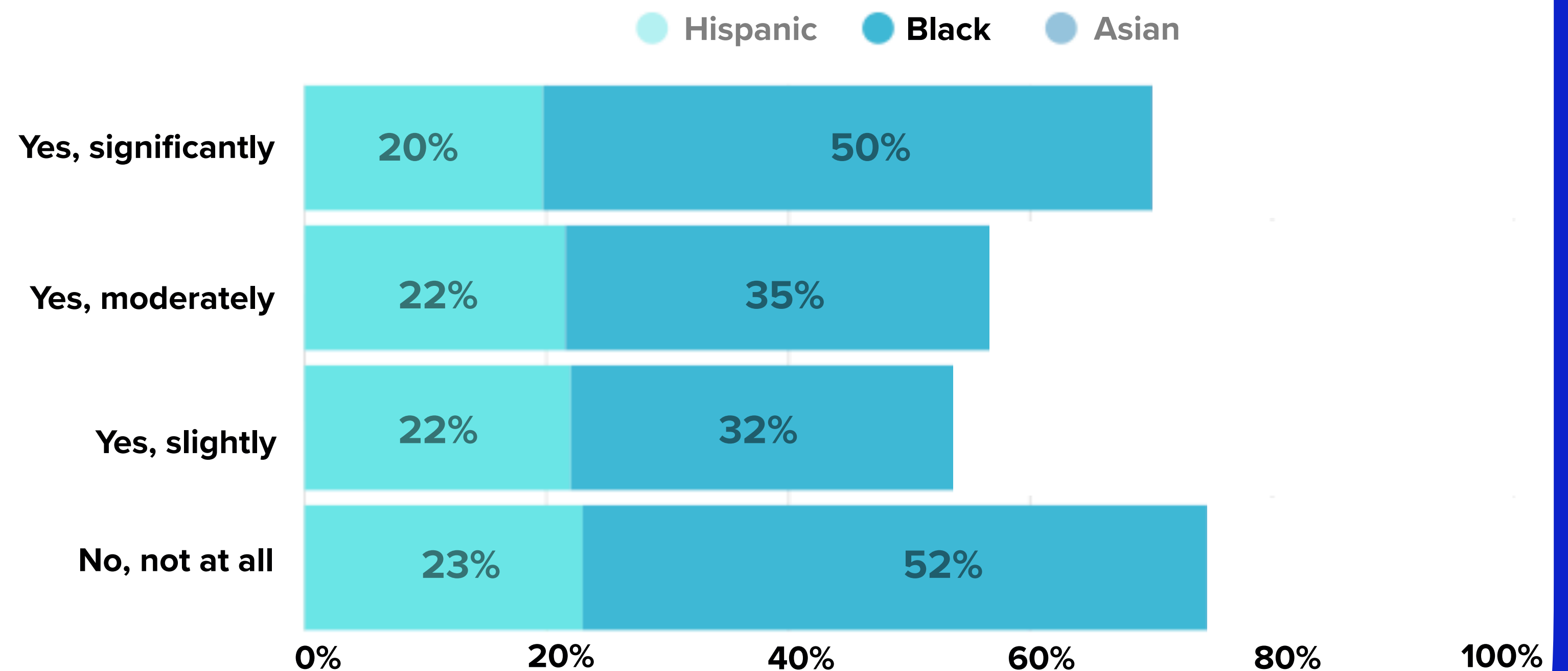
HISPANIC CONSUMERS HAVE MIXED VIEWS ABOUT HOW MUCH THEY WILL SHIFT THEIR SPENDING HABITS

This group is more evenly spread across all levels of change



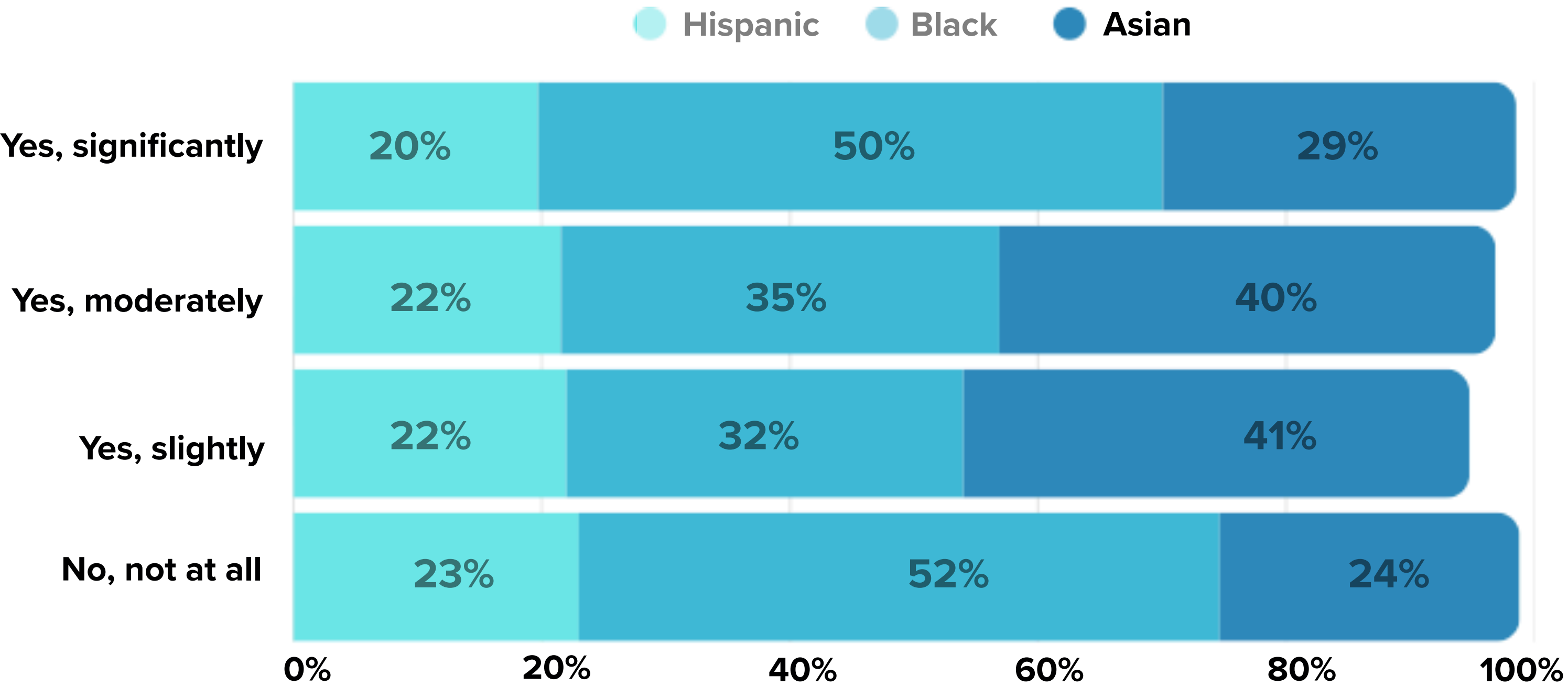
BLACK AMERICAN CONSUMERS SHOW A SPLIT RESPONSE TO SPENDING ADJUSTMENTS

This group is more likely to either make significant spending changes or none at all, with fewer moderate adjustments.



ASIAN AMERICAN CONSUMERS ARE ADAPTING GRADUALLY

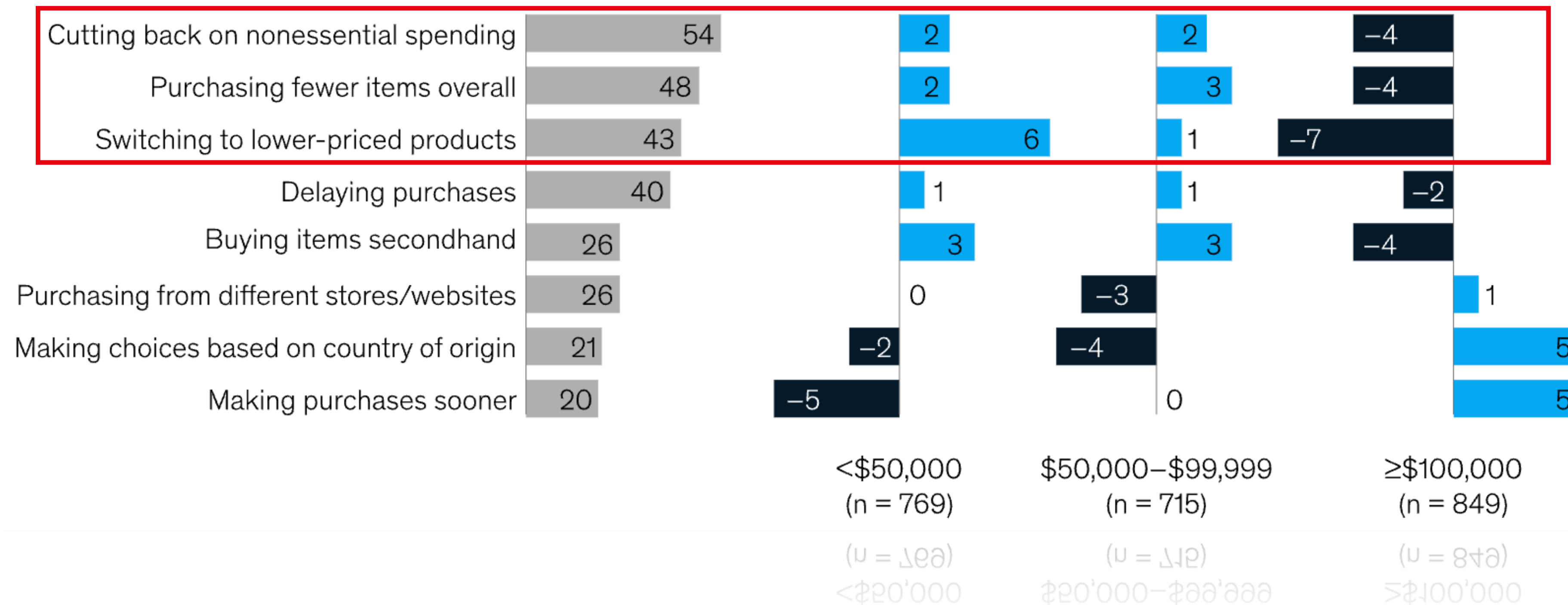
This group shows the highest share of slight to moderate spending changes. It could suggest that, they are not making impulsive cutbacks, instead, are finding ways to stay practical without breaking the bank.



LOW AND MIDDLE INCOME CONSUMERS ARE TIGHTENING THEIR BUDGETS BY CUTTING BACK ON SPENDING

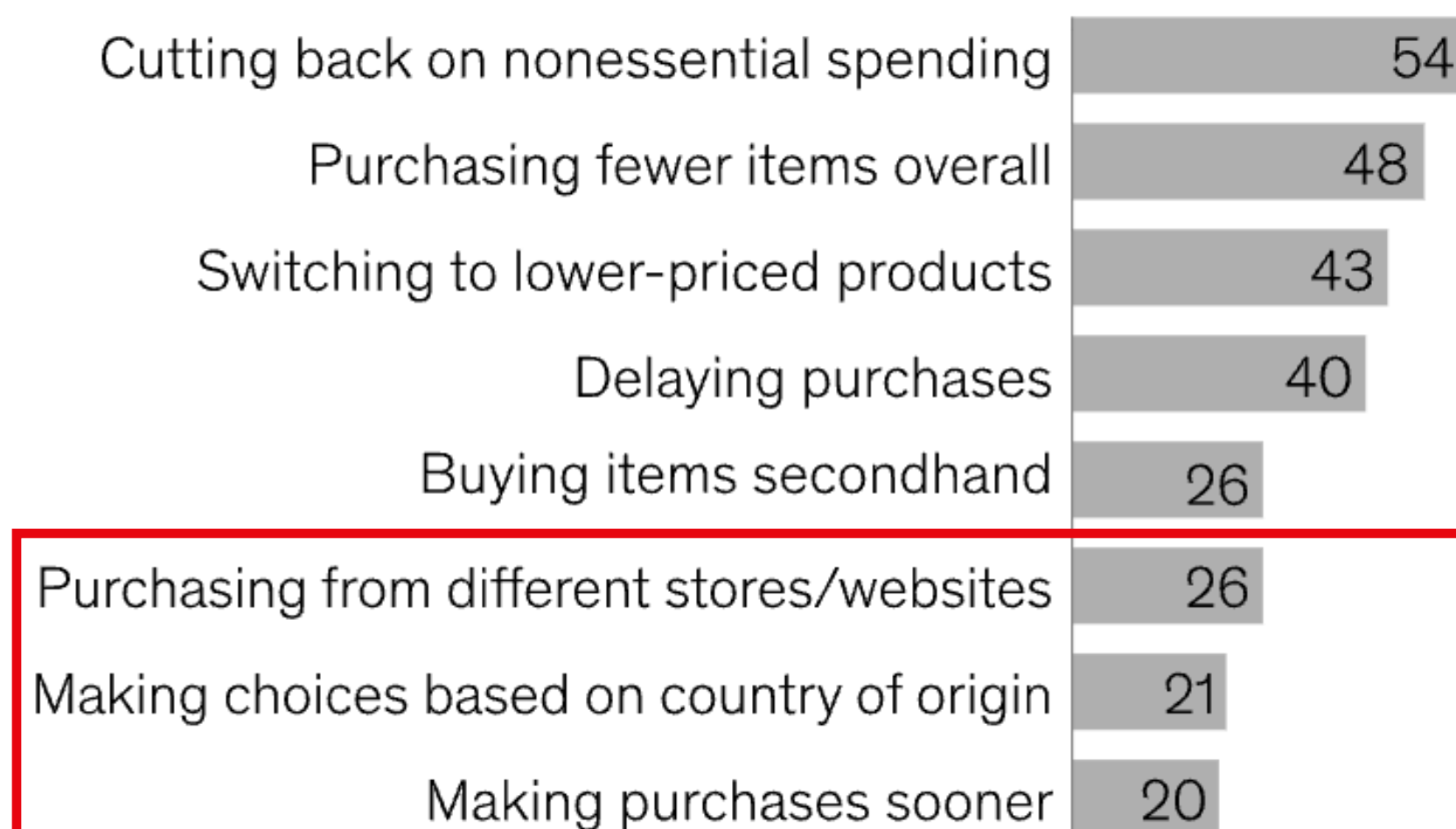
Spending-habit changes,¹ % of respondents (n = 2,333)

Change, by income,¹ percentage point shift from all incomes

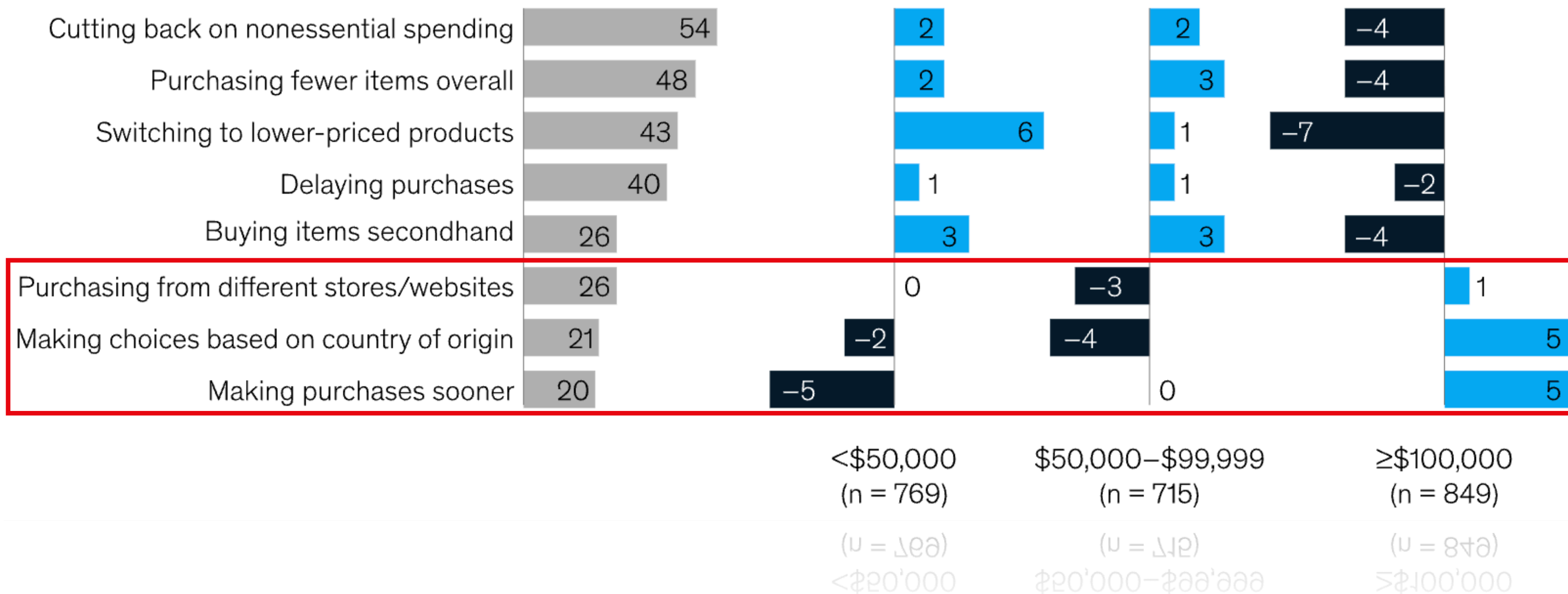


WHERE HIGH INCOME CONSUMERS ARE SHIFTING WHERE THEY PUT THEIR DOLLAR

Spending-habit changes,¹ % of respondents (n = 2,333)



Change, by income,¹ percentage point shift from all incomes




CONSUMERS ARE TURNING TO A “NEED FIRST” MENTALITY

50%

Expect to delay purchasing in discretionary categories, such as jewelry, or dining out.

40%

Expect to make no change to spending essentials, including groceries, vitamins & supplements, & gasoline

A background image showing a person from the waist down, holding a shopping basket, standing in a grocery store aisle. The image is faded and serves as a backdrop for the text.

“Food in general has raised a lot in the last couple of months, making me hesitant to spend on bigger desirable objects.”

- Survey respondent over tariff impacts on spending

BRANDS ARE TAPPING INTO CURRENT CONSUMER MINDSETS BY OFFERING AFFORDABLE ALTERNATIVES TO POPULAR PURCHASE ITEMS

amazon



Exercise Bike,
Stationary Bike for...

\$159.99

Amazon.com

Free shipping

VS

PELOTON



Peloton Refurbished
Bike+

\$1,995.00

Peloton

IKEA



IKEA
STORKLINTA
6-drawer...

\$249.99

IKEA

★★★★★ (127)

🚚 Get it by 7/1

VS

POTTERY BARN



Cayman 6-
Drawer
Dresser,...

\$1,499.00

Pottery Barn

30-day returns

INTRODUCING THE CONCEPT OF “AFFORDABLE INDULGENCE” OR THE “LIPSTICK EFFECT”

This trend emerges during economic recessions or financial uncertainty, when consumers tend to prioritize small luxury purchases as an effective way to boost confidence and maintain a sense of normalcy.



The Walmart “Wirkin” had gone viral due to its popularity. Priced at \$78, it mimics the iconic Hermès Birkin bag, which sells for over \$10,000

THREE CATEGORIES THAT CONSUMERS PRIORITIZE DURING ECONOMIC CONCERN

1

**Warehouse
Clubs**

2

DIY

3

Secondhand

CONSUMERS TURN TO WAREHOUSE CLUBS TO SAVE MONEY BY PURCHASING IN BULK

1 Warehouse Clubs

Membership warehouse stores thrive in U.S. recession with steady sales growth

Consumers seek bulk bargains at membership clubs during economic turmoil.

By Kim Song-yi

Published 2025.06.01. 06:00

ChosunBiz EN

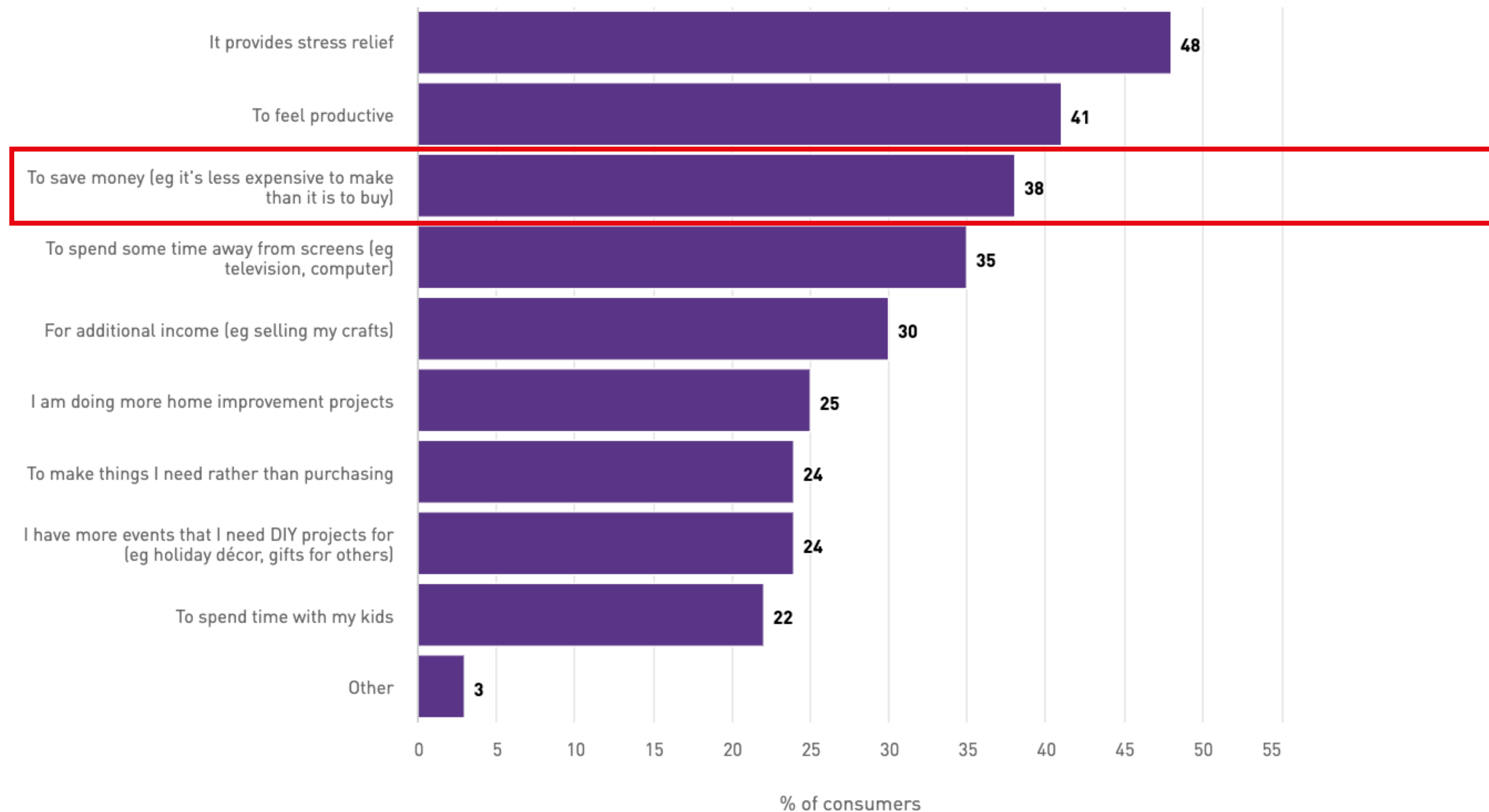
ALICIA ESPOSITO MAY 2, 2025

Future Commerce

[Member Brief] Why Warehouse Clubs are Winning in the New Geopolitical Battleground

CONSUMERS OFTEN TURN TO “DIY” PROJECTS AS A WAY TO SAVE MONEY

2 DIY



ECONOMIC UNCERTAINTIES DRIVE CONSUMERS TO SHOP SECONDHAND

3

Secondhand

BUSINESS



Will tariffs drive more people to shop secondhand? It's a mixed bag, experts say

APRIL 11, 2025 · 7:44 AM ET

HEARD ON WEEKEND EDITION SATURDAY

By Rachel Treisman

“A 2025 report by Capital One Shopping Research found that approximately one-third of all clothing and apparel purchased in the U.S. over the past year was secondhand.”

BRANDS CONSUMERS TEND TO SEEK FOR AFFORDABILITY

Warehouse Club / Grocery



TRADER JOE'S

DIY



Etsy

HOBBY LOBBY

Secondhand

depop



Warehouse/
Big Grocery

COSTCO
WHOLESALE

WHAT DOES THIS MEAN FOR CONSUMERS?

target



TRADER JOE'S

Furniture



amazon

target

Walmart

HomeGoods®

Secondhand

depop

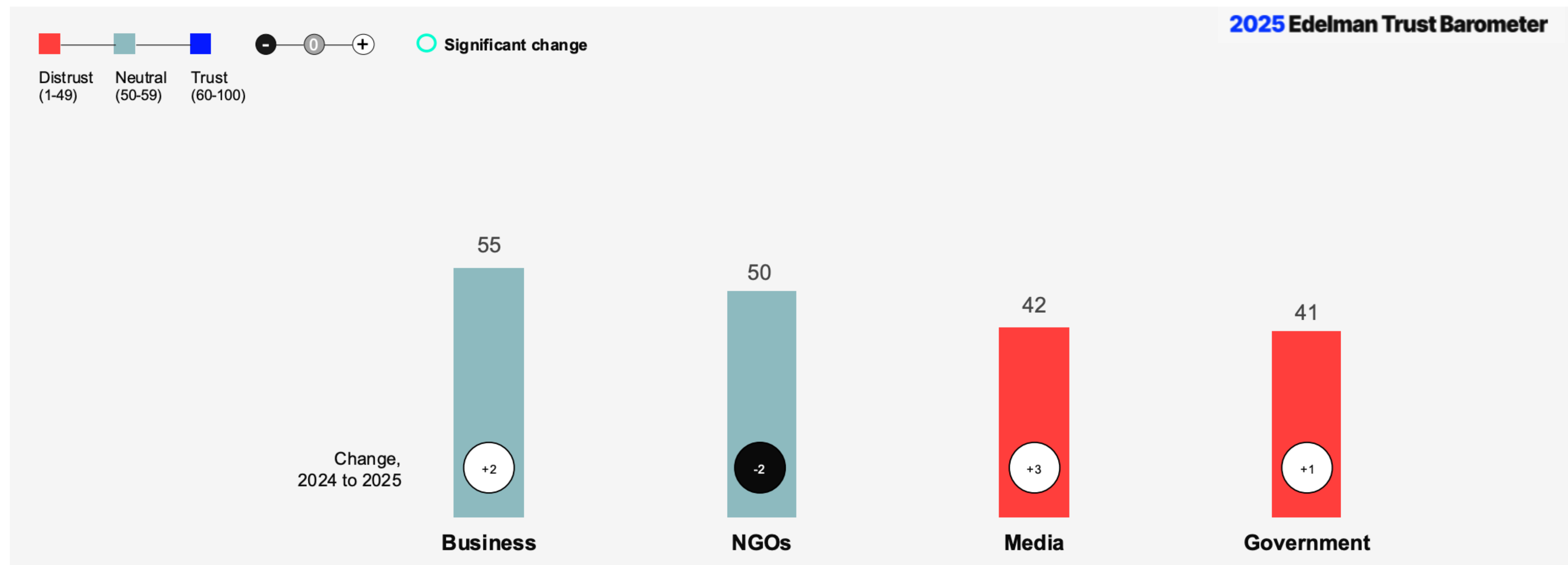
MarketPlace

POSHMARK

Etsy



NOW MORE THAN EVER, CONSUMERS ARE PUTTING MORE TRUST IN BUSINESSES & BRANDS THAN OTHER INSTITUTIONS



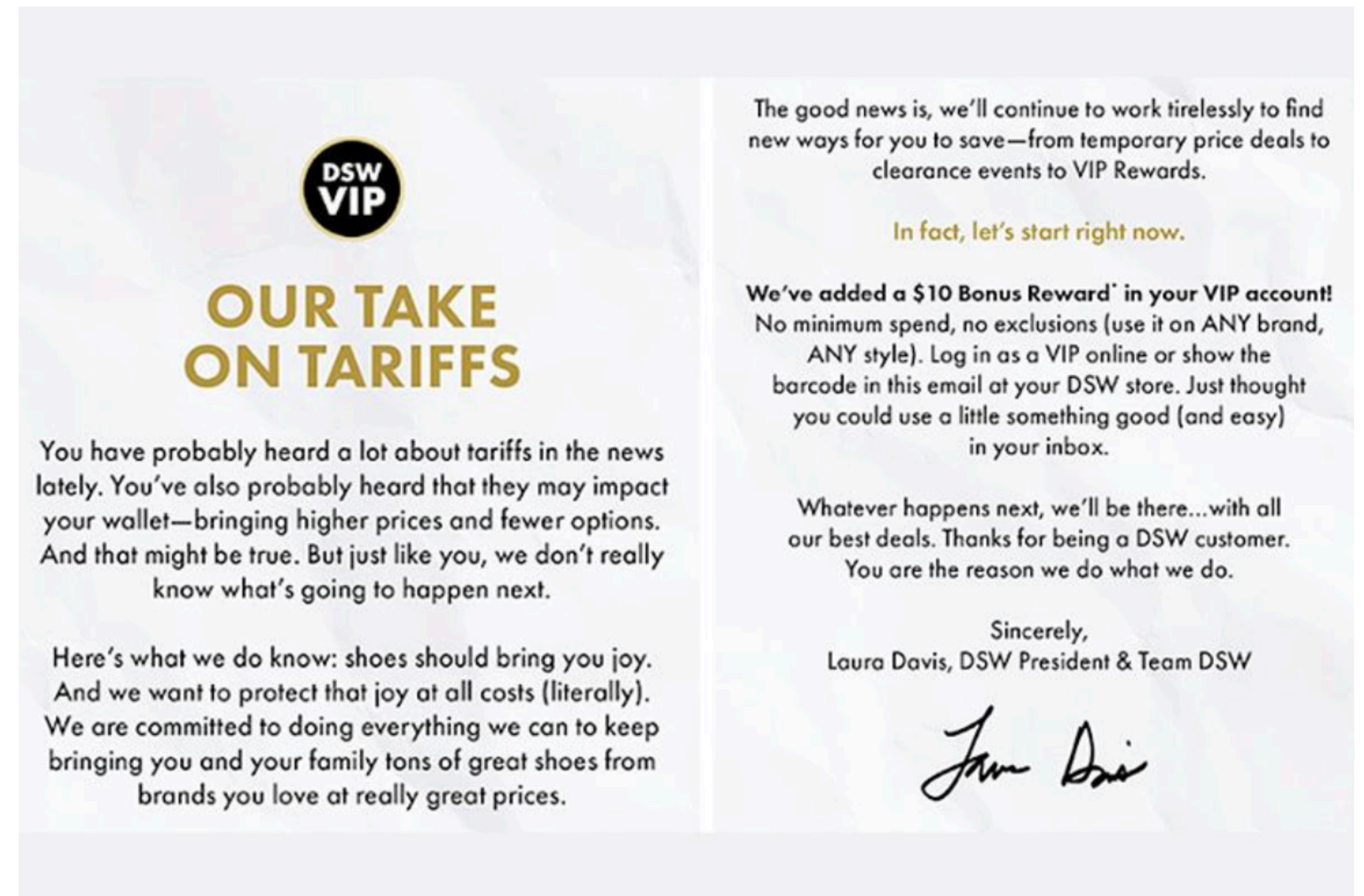
WITH THAT CONSUMERS ARE LOOKING FOR BRANDS THAT DEMONSTRATE TRANSPARENCY BEYOND PRICING

71%


Would like brands to
notify them when/if
prices increase
because of tariffs

62%

Raised prices due to
tariffs will make me
reconsider my loyalty
to certain brands



DSW offers transparency on tariffs, pairing the communication with a bonus reward for VIP members



Amid ongoing economic concerns, U.S. consumers are becoming more intentional about where they put their dollar. While remaining budget-conscious, they still find ways to enjoy small indulgences that feel affordable and worthwhile. Additionally, we are seeing a high level of scrutiny over consumer trust in businesses outweighing trust on other institutions. Leading to the idea that consumers seek brands that offer quality, trust, and transparency, beyond just offering low prices.

KEY TAKEAWAYS

1. **Consumer confidence is cautiously optimistic:** Confidence has improved since tariff concerns eased, but consumers are still wary about inflation, future tariffs, and broader economic conditions.
2. **Spending habits are shifting:** Consumer spending habits vary across generations. While some are pulling back or trading down due to economic uncertainty or financial pressure, others are spending at a steady pace.
3. **Economic uncertainty reopens the door for affordable indulgence:** Budget conscious shoppers are still finding room for affordable alternatives. This offers comfort without causing financial strain, making them appealing in times of uncertainty.
4. **Consumers trust businesses more than other institutions:** In a complex and uncertain environment, consumers are placing more faith in brands that demonstrated transparency, reliability, and value—elevating the role of business as a trusted guide.



LOOKING AHEAD

Consumers are adapting to the ever-changing economic environment. As marketers and advertisers, it is important that we stay ahead of these shifts and understand the needs and priorities of the everyday U.S. consumer. This will pave the way for impactful messages, stronger brand connections, and strategies that meet people where they are.

Truth.