

Consumer sentiment hits fresh low as higher gas prices drag on Americans' outlooks

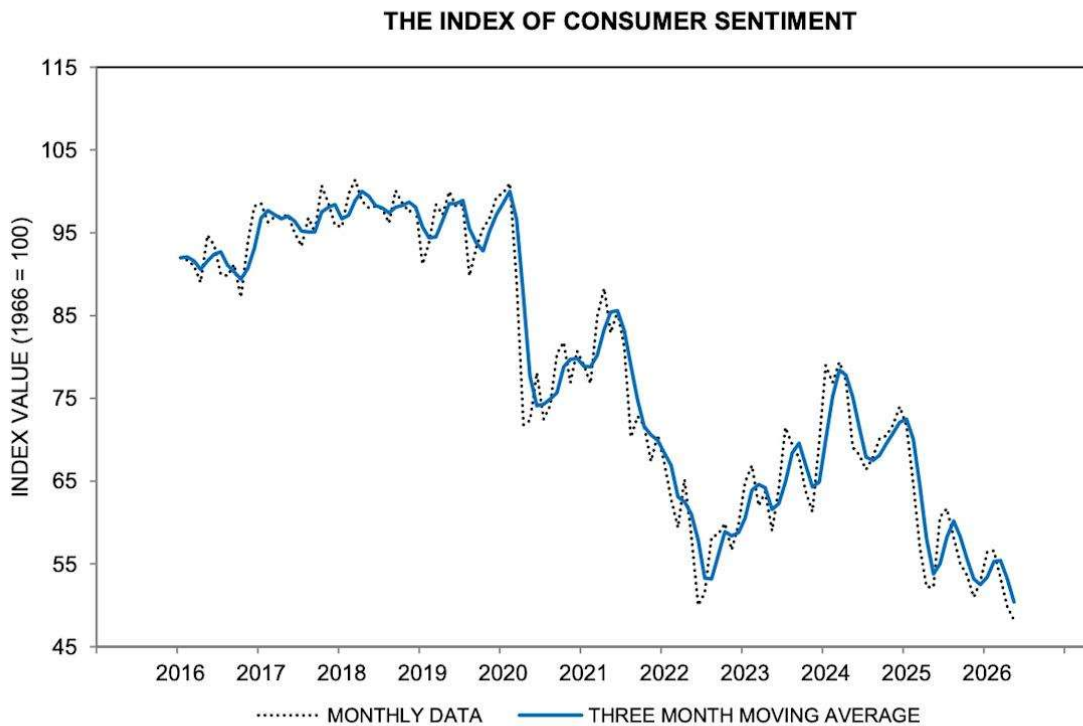


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A preliminary reading of US consumer sentiment for the month of May showed that higher prices at the pump and rising costs due to the US-Iran war are impacting Americans' mindset on the state of the economy.

The University of Michigan's [Index of Consumer Sentiment](#) showed consumer sentiment declined to 48.2 in the month of May, marking the lowest level on record. Sentiment fell further from [April's final reading of 49.8](#) and was "comparable to the trough reached in June 2022," Joanne Hsu, the survey's director, said in the release.



A chart showing consumer sentiment over the past 10 years.

Overall, consumer sentiment fell 3.2% from last month and 7.7% from a year ago, as rising cost pressures and fuel prices weigh on consumers.

Gas prices have increased by more than \$1.50 on average since the beginning of the war, [according to AAA](#), and are now creeping toward \$5 per gallon nationwide. In California, average prices are already above \$6 per gallon.

Hsu said that “about one-third of consumers spontaneously mentioned gasoline prices and about 30% mentioned tariffs” in the survey. “Taken together, consumers continue to feel buffeted by cost pressures, led by soaring prices at the pump.”

Friday's reading from the University of Michigan also showed year-ahead inflation forecasts eased to 4.5% in May from 4.7% in April.

However, expectations are still well above the 3.4% reading prior to the onset of the war. Current inflation expectations also remain well above the 2.3% to 3% range seen in the two years before the pandemic.

Long-term inflation expectations decreased to 3.4% in May, down from 3.5% in April, the highest level since last October. In recent months, they have consistently remained higher than the levels around 2.8% seen in 2019 and 2020.



A man stops to fill up his car at a gas station on Rhode Island Avenue on Nov. 26, 2024, in Washington, D.C. (Andrew Harnik/Getty Images) · Andrew Harnik via Getty Images

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