The State of the Economy for January 2026

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Erin McLaughlin: Welcome to C-Suite Perspectives, a signature series by the conference board. I'm Erin McLaughlin, a Senior Economist in the Economy Strategy and Finance Center, and guest host of today's episode. Joining me today is our chief economist, Dana Peterson, and in today's conversation, we'll discuss the latest US consumer Confidence index as well as trade.

We will start off talking with Dana about the CCI and then we'll turn the tables. So Dana, were US consumers more or less confident in January.

Dana Peterson: Consumers were a lot less confident in January than they were in December and December. We did have somewhat of an upward revision, and so the delta was quite large from the two months.

Erin McLaughlin: And so does this match the larger trend over the last few months?

Dana Peterson: Consumer confidence has actually been falling since July and that was after a little bit of a pickup following the drop we saw on Liberation Day in April of 2025. So on balance over the course of 2025 and even into the first month of this year, consumer confidence has been trending downward.

Erin McLaughlin: Okay. Now, besides liberation Day, the other big sort of moment this past fall was the Fed federal government shutdown. How has confidence been impacted around that?

Dana Peterson: We saw we saw it very clearly in November where. The respondents were much more pessimistic in November while the shutdown was going on, but less pessimistic, and you could even say somewhat, a little bit more optimistic in the latter half of November after the shutdown, because the shutdown kind of split November.

So we did see different behaviors, and we did note that in the dis in the November release.

Erin McLaughlin: Okay. Let's dive into some of the details of the report. Were there any notable differences in confidence by demographic group?

Dana Peterson: So, actually in January, there really were no differences across incomes, age groups, even political affiliations and even generations.

'cause a lot of people like to compare generations,

Erin McLaughlin: right?

Dana Peterson: All of those measures dipped or fell in January.

Erin McLaughlin: Okay, now what are consumers saying about the present situation?

Dana Peterson: Yes, consumers are saying that the. Present situation is worse in January relative to December. Indeed they're more concerned about business conditions as well as the current labor market.

And between those two measures the labor market differential, which is the difference between people saying that jobs are plentiful versus hard to get dropped that was the bigger drop relative to business conditions currently. And that makes sense because companies are not hiring. And that's because over the last year or so, they have been very preoccupied with uncertainty and amid an environment of uncertainty.

Companies are less likely to make big moves like hiring or firing. And the firing has been limited as well, because there's still labor shortages.

Erin McLaughlin: That low hire, low fire sentiment that we've heard about. And so what are consumers telling us they're expecting six months into the future?

Dana Peterson: Six months in the future, consumers are still very concerned about business conditions as well as the labor market and also their incomes. And it's interesting because incomes had been pretty buoyant in terms of expectations, but now they've weakened and I think that's because consumers are becoming even more and more concerned about whether or not labor market conditions are gonna be beneficial for them.

By mid 2026.

Erin McLaughlin: Now inflation has been still rather sticky. How do we think consumers' inflation expectations have changed recently?

Dana Peterson: In January, consumer inflation expectations were split. So the average inflation expectations for the next, over the 12 months 12 months from now, the average inflation expectations 12 months from now rose, but the median fell further and continues to decline.

And so we're still having these outliers move the mean, but. Inflation expectations have been coming off nonetheless. They're still quite elevated relative to 2024 before tariffs came into play.

Erin McLaughlin: Okay, that makes sense. Now, what about stock market and interest rates?

Dana Peterson: In January. Consumers expectations for the stock market were a slightly lower than December, but overall they're pretty high. And so consumers do believe that better days are coming, especially when it comes to equity markets with respect to interest rates. We don't know what rates are particularly referring to, but they do think that interest rates may.

Decline a bit relative to what they thought in December, but they still overall expect interest rates to be high. And that's, that also makes sense given the fact that there have been structural changes in the economy that are keeping prices elevated. And hence the Federal Reserve Board must keep rates higher than what we saw during the great financial crisis and the pandemic.

And so higher interest rates as the new norm actually makes sense. And I think consumers are picking up on that.

Erin McLaughlin: And so with elevated prices, are consumers still citing inflation, politics and tariffs as affecting the economy?

Dana Peterson: Yes, they are. In fact prices and references to inflation and oil and gas and food and energy and groceries all of those still remain very elevated and are the number one topics that people are writing in about.

Yes, they're still writing about tariffs and trade. Politics, but also we noticed that there were more comments about labor markets and the context of these were actually negative. And we also did see an uptick in reference to health and insurance. So we're assuming that's, healthcare and also war.

Those two mentions Rose A. Little bit over the course of January.

Erin McLaughlin: Okay. Now, are consumers anticipating a recession within the next 12 months in the survey?

Dana Peterson: We kinda have four measures for that. Those who are saying that a recession, at some point over the next 12 months is somewhat likely edge downward.

As did the share who said not likely, however, the share who said recession is very likely ticked back up and a small percent, the small percentage you say that we're already in recession already crept higher. So it seems while the bulk of the respondents say.

Somewhat likely the Deltas suggest that some of those people who said not likely and somewhat likely fell into very likely, and also we're already in a recession.

Erin McLaughlin: Now, in terms of buying plans, are there any notable trends for goods?

Dana Peterson: Consumers are more cautious about buying big ticket items over the next six months. And so those who are saying yes to buying big ticket items declined in January relative to December. And the percentage you said maybe Rose.

Okay. Those who said no. It's always slightly higher. So it's really people moving from Yes to maybe, so they're questioning their potential purchases. And just looking at the details here, expectations for purchasing new cars or just autos in general or flat. But when you split between new and used cars, people still prefer to buy used cars.

And that's that thought about buying used cars continues to climb month after month, whereas plans to buy a new car just continues to dip when it comes to home buying. We continue to see our retreat in those planning to purchase a home. And for things inside of the home, like white goods plans to purchase refrigerators, dishwashers, furniture and TVs decreased.

Meanwhile, plans for buying electronics dipped, which is a little bit surprising because people have been more phi towards buying these things, but. The only thing that consumers are really willing to buy are electronics are among electronics are smartphone. So the smartphone,

Alex: oh,

Dana Peterson: confidence continues to rise in terms of their desire.

And I also may need to buy a smartphone because I just lost mine.

Erin McLaughlin: Oh goodness.

Dana Peterson: But, it's not an upgrade, it's just I don't have one.

Erin McLaughlin: A replacement.

Dana Peterson: A replacement. But overall in general, consumers. Despite the gyrations from month to month, they are still thinking about buying used cars, furniture, televisions, and smartphones.

Erin McLaughlin: Okay. All necessities to an extent, yes. Now, yes. Are there notable trends for services?

Dana Peterson: Yes, the services we asked, are they planning on spending more on services over the next six months? So it's a little different from goods. So, but still, that was a little bit weaker in January, relative to December, where those who said yes fell.

And those who said maybe increased but those who said no is roughly unchanged. So the yeses. Similar to goods went to maybe for services also. But we're still seeing the same trends where consumers are leaning more towards buying goods and services that they need. And if they're going to.

Do anything fun. They're exploring cheap thrills. So for example instead of going to the movies, I say this every month, but instead of going to the movies, they are still streaming. Streaming is number two in terms of the list of services they plan to buy more of. Restaurants still is number one, but there were some pretty interesting changes in the order, the ranking, and usually I look at the top five.

In the top five, it continued to have restaurants and bars and takeout as number one after that streaming and internet and also those two things remained in the top five. Consumers also said that they planned to spend more on motels and personal travel and motor vehicle services as well as household maintenance airfare.

Train for personal travel. But there was a pretty big jump in those. Saying that they were gonna focus on healthcare. So healthcare has been moving up the ranks, like we have a chart splitting up roughly, I don't know, 20 different types of services, and healthcare was on page two. It's now jumped to page one and it was third.

It ranked third in January. So that's fascinating that there's this bigger focus on healthcare and that's also understandable, given questions around

The high rising cost of healthcare. And also in terms of public healthcare changes in policies. There was also an increase in those wanting to travel which is interesting because when we ask people about vacation plans, those plans continue to dwindle.

We saw weakening in domestic travel, which is unusual 'cause typically domestic travel has been pretty robust and people have not been looking to go abroad. So there's a little bit of a di dichotomy here. But we'll see in six months.

Erin McLaughlin: Absolutely. With that, we're going to take a short break and be right back with more of our conversation.

Welcome back to C-Suite Perspectives. I'm Erin McLaughlin, senior Economist of the Economy Strategy and Finance Center at the conference board. I'm joined by our chief economist, Dana Peterson. We're gonna turn the tables a bit and Dana is going to ask me some questions about recent trends in US trade.

Dana Peterson: Yes, Aaron, you are our trade czar and so I'm gonna pepper you on what's been happening over the last six months between the US and its major trading partners. So how has trade been impacted over the last 12 months given tariffs and other trade barriers?

Erin McLaughlin: It's very interesting since we were just talking about electronics and products and how consumers are feeling.

So surprisingly overall even though this past year has been filled with a new tariff regime, we've seen us imports and exports go up overall. So US imports are up 6.5% and exports are up 6%. When we look at all US trade of goods going in and out of our country. But what's been really interesting is the changes that we have seen are pretty specific to a couple of our trading partners.

And so our largest trading partner is Mexico, and we haven't seen that much difference in trade with them, but we've seen substantial changes in our trade with China, which is our second largest trading partner, and Canada, our third largest trading partner.

Dana Peterson: And so that's pretty much since liberation day.

Can you give us a sense of how much of a delta we've seen between net trade or just exports and imports between Canada, the US and China and the us?

Erin McLaughlin: Yes. So with China our year over year difference, when we compare last year to the year before, we've seen a 26% decrease in imports and a 23% decrease in exports.

And so it's been very interesting because that sort of mirrors. The kinds of goods that we trade with China is, have really declined. So those goods are in large part crude oil, heating oil, and other petroleum products, soybeans, which were in the news quite a bit last year. We ended up exporting 15% less soybeans last year than the year before, as well as sort of industrial machinery, appliances and other things.

That trade has been off. Now what's interesting with China is that they're actually not very dependent upon US trade for their overall economy compared to Canada.

Dana Peterson: So Canada, okay. We there are next door neighbors. There

Erin McLaughlin: are next door neighbors.

Dana Peterson: And as you said, there's been big deltas in terms of exports and imports between the two economies.

What do those numbers look like and what have been the products?

Erin McLaughlin: So for Canada, our imports have gone down 5% and our exports have decreased 3%. So among our top 10 trading partners, only China and Canada are we negative with Now for Canada, it's actually very similar. Some of the goods excluding soybeans that we trade with them.

So that's a lot of differential between, energy products, including oil as well as machinery and also automobiles. So the, our import export of automobiles is off about 10% overall, and that is a big product that we trade with Canada. Now, what I think is really interesting is that obviously.

With Liberation Day and with sort of the tariffs that we've seen over the last year, we have pretty high tariffs With China, they really range anywhere between 10 and 45%. But with Canada, we only have tariffs on about 13% of our goods that we're trading with them. More than 80% of our goods are covered under U-S-M-C-A.

So the fact that we're in a decline. Really speaks to not so much the terrorists having an impact as much as maybe behavior policy and just a general cooling in the relationship between the two countries.

Dana Peterson: Fascinating and shocking.

Erin McLaughlin: Yeah.

Dana Peterson: So remind us of what our current truth is with China and how long it will last regarding trade.

Erin McLaughlin: So I know, over the last year, and we obviously, we just saw this in our discussion around consumer confidence, uncertainty is still really paramount for consumers, for businesses, and I think in 2026 we're gonna continue to see uncertainty be really high because our sort of.

Trade and tariff is not settled. We seem to have settled things when in this past November we have a quote unquote truce with China, but that truce only lasts until November of next year, and so we're gonna have to reengage with China over trade

Dana Peterson: that November 20, 27 or 26.

Erin McLaughlin: 26. So we

Dana Peterson: had, okay, so that's this year.

Erin McLaughlin: This year from November of last year coming up until this November is our quote unquote truce with China. And then with Canada and Mexico, we have the US Mexico, Canada Trade Agreement, which is essentially up for renegotiation leading up to July of this year of 2026. So I think we're gonna continue to see persistent.

Uncertainty with our three big trading partners all throughout the next year.

Dana Peterson: So final question. What are some signposts that our members and listeners should pay attention to regarding whether or not we're going to continue to have. Or improve our relationships with China, our relationship with China, and also what does it mean as we renegotiate the US renegotiates U-S-M-C-A.

With Canada and Mexico.

Erin McLaughlin: I think they're all combined and we've really seen that within the last couple weeks. So when the Canadian Prime Minister, Mark Carney spoke at Davos recently, he really talked about the reordering of global trade. And Canada had been meeting with China over the last few weeks and there was a sense that perhaps Canada maybe ha, sort of agreeing to more free trade with China and turning its back a little bit on the US and the administration's reaction to that was pretty strong. And so just within the last couple days, Canada has come out and said that they would not be doing a big free trade agreement with China and.

We've also seen with our US Mexico relationship that China quote unquote enters the chat. And so Mexico has put their own tariffs on Chinese goods. So I think that it's not really necessarily just about North America, the impact on China, the impact that are two big trading partners that are our neighbors have with their relationships with China are all gonna be part of the trade conversation as we work.

Through this coming 20, 26 year.

Dana Peterson: This year is certainly not going to be boring.

Erin McLaughlin: No.

Dana Peterson: Thanks so, so much, Erin. This was a great conversation with you interviewing me and then me interviewing you.

Erin McLaughlin: Yes.

Dana Peterson: So thanks for coming.

Erin McLaughlin: Thank you for having me.

Dana Peterson: Absolutely. And thanks to all of you for listening to C-Suite Perspectives.

I'm Dana Peterson, and this series has been brought to you by the conference board.

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