WASHINGTON—Household sentiment in the U.S. fell sharply in January, as the partial government shutdown and uncertain economic prospects weighed on consumers.

The University of Michigan on Friday said its consumer sentiment index was 91.2 in January, down from 98.3 at the end of last year. January’s reading was the weakest sentiment figure since October 2016.
The partial government shutdown, which was the longest on record, drove much of January's stark decline, but many analysts think sentiment could rebound now that the budget impasse has ended.

Naroff Economic Advisers's Joel Naroff said that “political actions don’t usually lead to changes in household spending, and that likelihood can be seen in the personal financial expectations index, which held up quite nicely” in Friday’s sentiment survey.

Richard Curtin, the Michigan survey’s chief economist, however, thinks consumers’ confidence may not tick back up because the resolution was only extended a few weeks.

“If the standoff continues into late February, it could foster sustained declines in economic optimism among consumers,” Mr. Curtin said. “Even small spending cutbacks, occurring simultaneously across the majority of consumers, could push the economy into a recessionary downturn.”

Economic uncertainty likely played a role in consumers’ less-chipper assessments too, as market volatility continues, the U.S.-China trade spat lengthens and the global economy slows.

Yet separate data published Friday morning may point to a rosier outlook in the coming months that could push sentiment back up. The Labor Department’s employment report showed stronger-than-expected jobs growth, and the Institute for Supply Management’s manufacturing analysis signaled growth picked up for U.S. factories in January after months of weaker readings.

In the longer term, gauges of how consumers feel about the economy rose after the 2016 presidential election and had been buoyed by low unemployment and strong economic growth. This has coincided with solid consumer spending that boosted economic output in 2018 to some of the strongest levels in years.

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