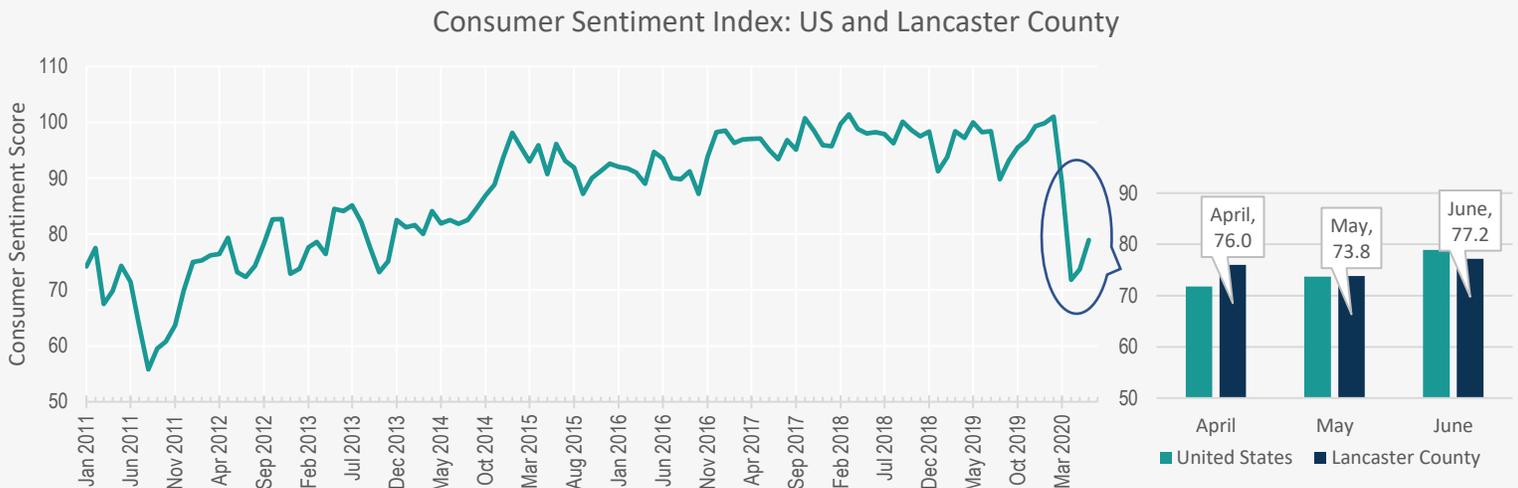


CONSUMER SENTIMENT: Early Evidence of Lancaster County Residents Gaining Consumer Confidence

June 23, 2020



For many states, May marked the reopening of the economy and employers slowly bringing back workers. National results for June showed consumers responded to these changes. Consumer sentiment improved as households revised their future expectations upward.

The Lancaster County poll revealed a different story. While consumer sentiment rose in June, it was the first time, since the COVID-19 outbreak, that the local score trailed the nation. The CSI score was 77.2 for Lancaster County and 78.9 nationally.

Despite national consumer sentiment slowly overtaking local outlook, Lancaster County residents have remained steadfast in their expectations of better future economic conditions.

The sentiment score has two components, a measure of the household's *current* financial conditions and a measure of *expectations* for the economy or business environment over the near and medium terms. Since April, the Lancaster poll shows current conditions have improved each month but remain lower than the national scores. (See Graph 1.) In contrast, the expectations component in Lancaster County has tracked higher than the nation, even as other states

(and counties) eased restrictions on social distancing and business operations. (See Graph 2.)

Notably in Lancaster County, these expectations have also remained higher than measures of current conditions, signaling strong optimism by County residents. This trend is unusual; households are typically less confident about the future in good times and bad times. Even when the nation was coming out of the Great Recession, the expectation score remained lower than measures of current conditions.

The Lancaster poll reveals strong expectations that the local economy will recover quicker than the nation over the medium term.

Lancaster County residents expect the local and national economies will perform similarly over the next 12 months. Among those polled, only 15% expect good economic conditions in the coming year. When asked about a longer time horizon, 48% expect an economic recovery for the county, compared to 37% for a national recovery.

The Center for Regional Analysis and the LNP Media Group partnered to conduct monthly polls of consumer sentiment. The initiative is modeled after a survey conducted by the University of Michigan to allow for comparison to national results. For questions, contact CRA@edclancaster.com.

A CLOSER LOOK AT THE COMPONENTS OF THE CONSUMER SENTIMENT INDEX

The consumer sentiment index has two components: index of current conditions and index of consumer expectation.

The **index of current conditions** captures information about a household's current financial conditions.

The national poll of consumer sentiment (conducted by the University of Michigan) shows current conditions for households consistently improving since April. The score rose 13 points.

For Lancaster County, the local poll also shows more modest month-over-month gains. The index score for current conditions increased seven points between April and June.

The difference in national and local scores is not surprising. While nationally and locally, labor market conditions have improved, PA – and the County – lag behind many significant areas of the US in lifting measures to curtail the spread of the coronavirus.

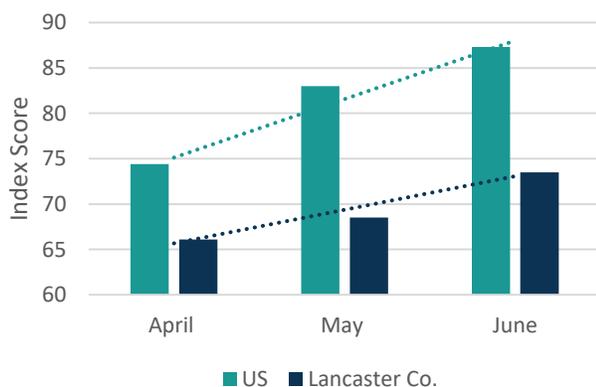
As Lancaster County moves out of the Yellow Phase, this component of consumer sentiment should climb more quickly.

The **index of consumer expectations** measures *expectations* for the economy or business environment over the near and medium terms.

The US and local polls show similar patterns over the last three months. The early May reading of consumer expectations dipped with the extended stay at home order. Expectations in June rebounded as pandemic restrictions started to be rolled back across the county.

While national and local expectations followed the same rise and fall since April, the strength of local optimism for an economic recovery is noteworthy. Historically the national expectations score is lower than the measure of current conditions. This relationship tends to be invariant to economic conditions and the business cycle. In other words, consumers are hesitant to expect good future economic conditions. The national poll shows this relationship. The measure of expectations is lower than the measure of current conditions in April, May and June. The Lancaster County poll shows the opposite. The expectations component of consumer sentiment surpasses the current conditions score. This outlook reflects the community's greater confidence in a local economic recovery over a national recovery.

Graph 1. Index of Current Conditions



Graph 2. Index of Consumer Expectations

