

## Rising Pessimism as Consumers Worry about the Effects of Inflation

After starting the year with a surge of optimism, Lancaster County residents reversed their views this month. Consumer sentiment took a nosedive. The February score for the County was 59.1. It is the lowest score, and among the largest monthly drops, since the survey began. County residents were not alone sharing a more dire view. The US measure of consumer sentiment recorded its lowest score in a decade, falling six points to 61.7.

Locally and nationally, households reported worsening personal financial conditions and darkening expectations for the economy. Inflation played a key role in driving sentiment. Researchers at the University of Michigan, responsible for the national survey, reported that the “impact of higher inflation on personal finances was spontaneously cited by one-third of all consumers, with nearly half of all consumers expecting declines in their inflation adjusted incomes during the coming year.” Adding to the pessimism was a stated mistrust of both local and national government policy. Comments shared in the County poll echoed these views.

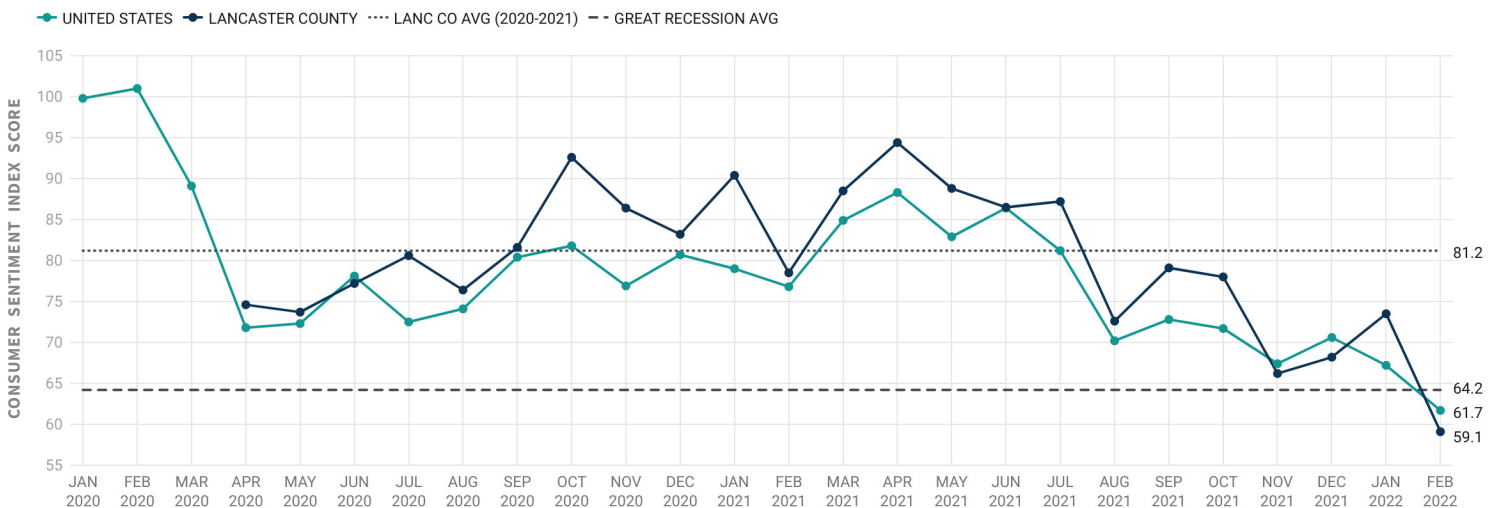
With consumer spending responsible for nearly 70% of the economy, consumer sentiment continues to signal strong concern over the potential for consumers to drive growth this year. Two data points, however, potentially counter this

concern. Retail sales continue to be strong despite consumer apprehension. US Census reported retail sales increased 3.8% in January. The sales data suggests consumers are not necessarily adopting more conservative spending patterns that align with their darkened attitudes. Additionally, the County poll reveals that a core segment of respondents has been unwavering in their optimism. Over the past few months, nearly one-quarter of respondents consistently expect the local economy to improve over the coming 12 months and at least 70% expect conditions to be a mix of good and bad.

Emerging from the pandemic has been bumpy. The mixed signals from consumers and the disconnect between their spending and attitudes amplify the uncertainty of how economic conditions will unfold this year.

### CONSUMER SENTIMENT: \*NATIONAL & LANCASTER COUNTY

\*Results from a national survey on consumer sentiment conducted by the University of Michigan are preliminary and subject to revision.



The LNP Media Group in partnership with EDC's Center for Regional Analysis began measuring consumer confidence in April 2020. The poll is conducted the first week of every month and reflects only Lancaster County residents. It is modeled after a survey conducted by the University of Michigan to allow for comparison to national results. For questions, contact [CRA@edclancaster.com](mailto:CRA@edclancaster.com).