

## ***Inflation Fuels Economic Uncertainty, Weighing Down Local and National Consumer Outlooks***

The latest read on consumer sentiment in Lancaster County reveals a decline in household views of current economic conditions as the County's consumer sentiment dipped to 69.4 – a 3.5-point slide from September. This drop mirrored a similar decline in national sentiment, which fell 1.8 points to 56.8 during the same timeframe. Despite both the national and local sentiments taking a dip, Lancaster's sentiment remains significantly above the national score (+12.6 points).

Consumer sentiment is often viewed as a leading indicator of the health of the economy. It measures how households assess current conditions and future expectations and typically signals how consumer spending (the largest component of GDP) will change. Since the start of this year, ongoing apprehension over inflation and uncertainty around the timing of when the economy will normalize have caused the measure to plummet in both local and national polling, falling to levels reflective of the lows experienced during the Great Recession of 2008.

While national consumer sentiment is measured monthly by researchers at the University of Michigan, polling in Lancaster County switched from a monthly cadence to being conducted every other month in September of this year. Between September and November, local residents' views of both current economic conditions, as well as future expectations, dipped, revealing a slight increase in pessimism across all questions in the survey. Notably, inflation remains at the forefront of household worries. Many respondents identified rising gas prices – which jumped 12 cents to a national average

of \$3.94 per gallon in October<sup>1</sup> – as having an outsized impact on their household finances. Unease about the possibility of an upcoming economic slowdown and frustrations over economic policies were also concerns weighing on household attitudes; 68% of respondents believe that now is a bad time to make large household purchases while a growing share (49%) of County households indicate that their personal finances have worsened compared to a year ago.

Fiscal stimulus and pent-up demand are largely credited for having fueled household spending throughout the year – despite low sentiment and high inflation – but the most recent data shows signs that consumer spending is beginning to level out. November's polling revealed that 74% of respondents are anticipating price increases to continue, underscoring the uncertainty over how long consumer spending will remain positive in the face of inflationary pressure.

<sup>1</sup> U.S. Energy Information Administration as of 11/28/22; [eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pets&s=emm\\_epm0\\_pte\\_nus\\_dpg&f=m](https://eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pets&s=emm_epm0_pte_nus_dpg&f=m)

### **Consumer Sentiment: National\* and Lancaster County^ (2020-2022)**



\* Final results from national survey conducted by the University of Michigan ([www.sca.isr.umich.edu](http://www.sca.isr.umich.edu)).

^ EDC's Center for Regional Analysis began measuring consumer confidence in April 2020. The poll is conducted the first two weeks of every other month and reflects only Lancaster County residents. It is modeled after the University of Michigan survey to allow for comparison to national results. For questions, contact [ramiller@edclancaster.com](mailto:ramiller@edclancaster.com).