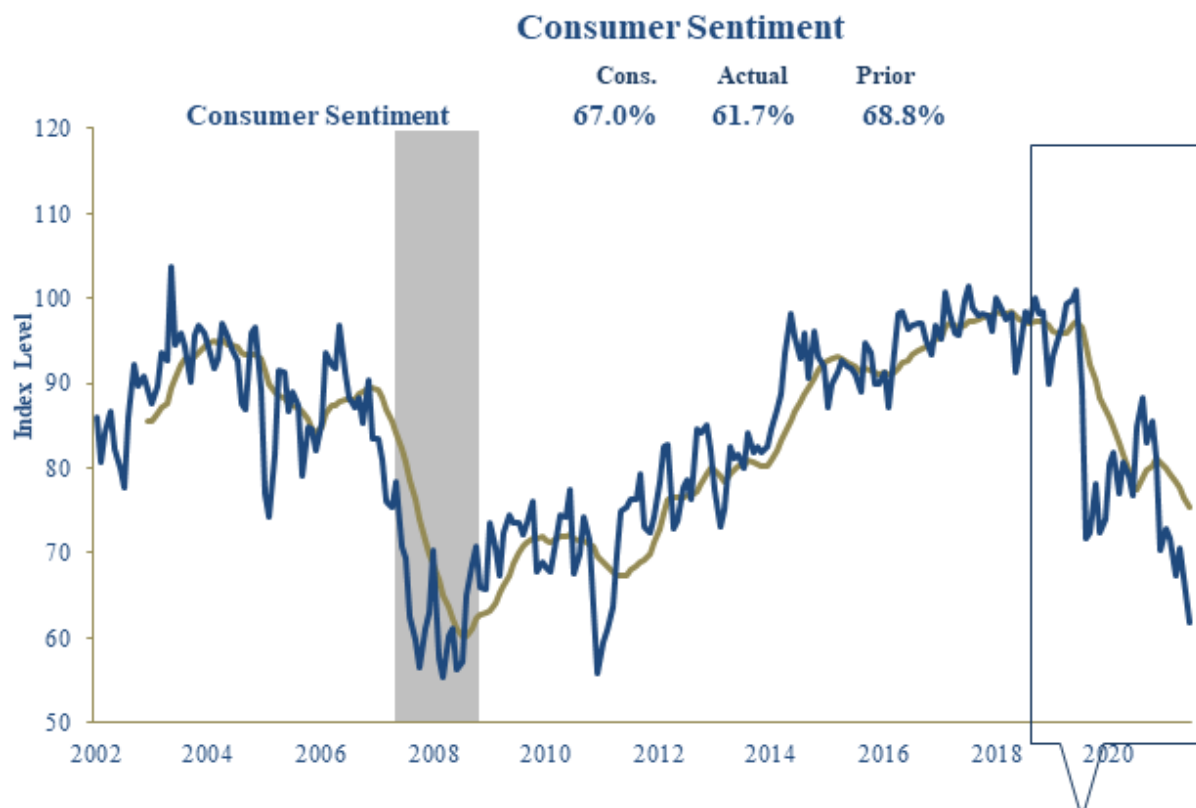
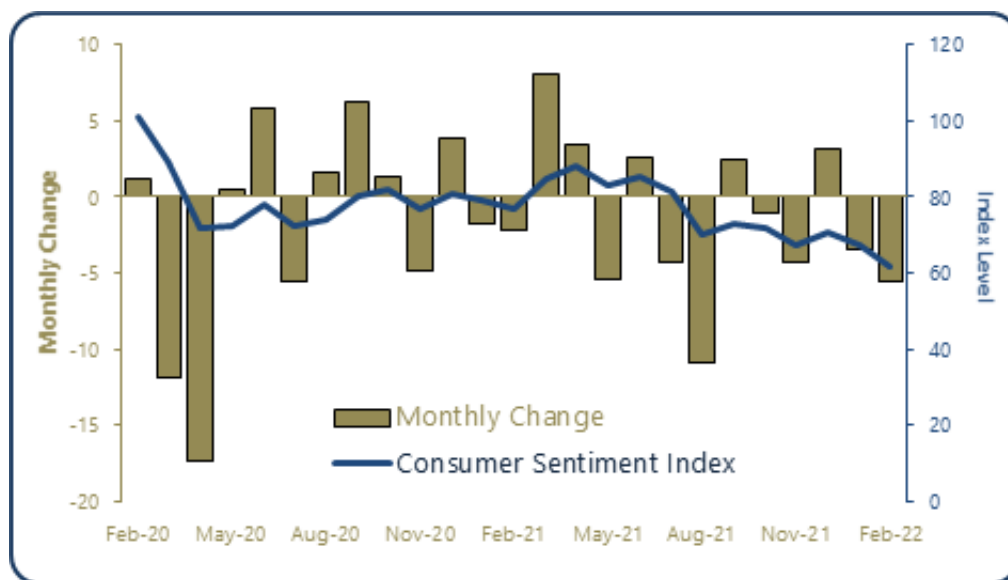


11.Feb.2022

## Consumer Sentiment: Sharp Drop

**Bottom Line:** Consumer sentiment plunged in the preliminary survey results for February, driven by weakening personal financial prospects, mainly due to rising inflation, less confidence in the government's economic policies, and the least favorable long-term economic outlook in a decade. While the decline in overall sentiment started with lower-earners, higher-income households showed the most significant declines this month. Historically, the survey would suggest a sharp deceleration and even a reduction in consumer spending. But, like all data during the pandemic, there are caveats. Consumer balance sheets are still flush with cash from stimulus funds. There may be a lessened need for additional precautionary savings and a greater desire to engage in discretionary spending as pandemic restrictions ease again. Still, there is tremendous uncertainty for the consumer, creating equal uncertainty for predicting their future activity.





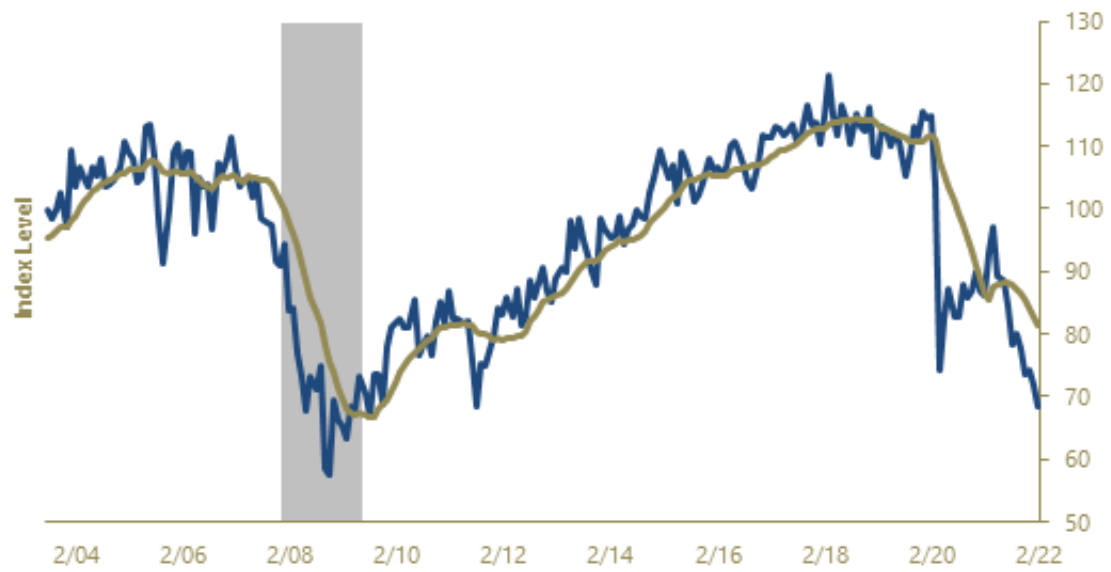
**Consumer Sentiment** FELL by 5.5 points in early February to 61.7%, compared with market expectations for a decrease to 67.0%. With this month's moderate decline, sentiment is now 19.7% BELOW its year-ago level.

**Current Conditions** FELL by 3.5 points to 68.5%. This is 20.5% BELOW their year-ago level.

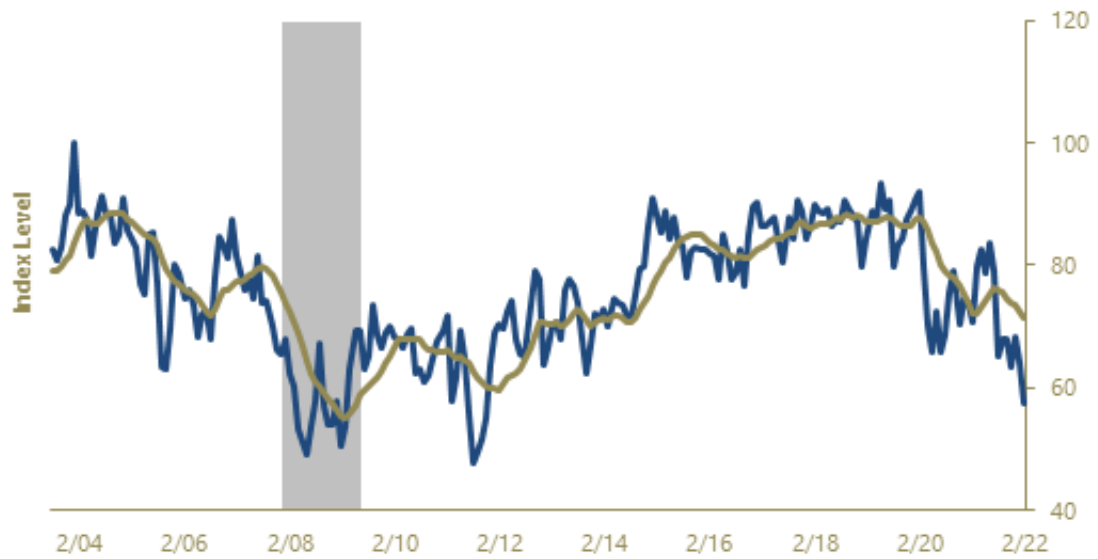
**Consumer Expectations** FELL by 6.7 points to 57.4%. With this month's moderate decline, expectations are 18.8% BELOW its year-ago level.

**1-year ahead inflation expectations** were higher at 5.00%, while **5-year expectations** were unchanged at 3.10%.

## Current Conditions



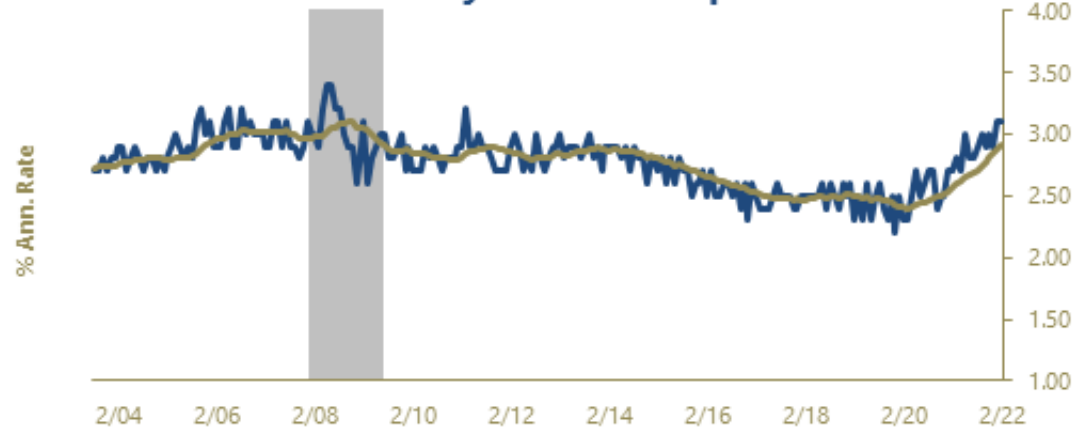
## Expectations



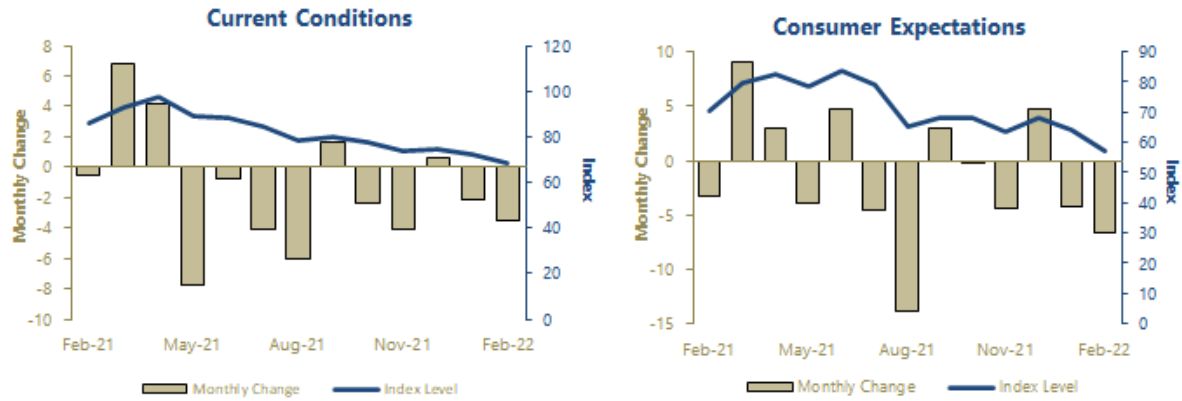
## 1y Inflation Expectations



## 5-10y Inflation Expectations



	Index Levels										
	Monthly				Averages for						
	Feb Prelim.	Jan-22	Dec-21	Nov-21	Three Month	Six Month	Twelve Month	2020	2019	Re- sessions	Ex- pansions
Consumer Sentiment	61.7	67.2	70.6	67.4	66.5	68.6	75.4	80.7	99.3	68.3	86.9
Current Conditions	68.5	72.0	74.2	73.6	71.6	74.4	81.4	90.0	115.5	80.8	98.9
Consumer Expectations	57.4	64.1	68.3	63.5	63.3	64.9	71.5	74.6	88.9	60.5	79.1
1-year Inflation Expectation	5.0	4.9	4.8	4.9	4.9	4.8	4.5	2.7	2.6		
5-year Inflation Expectation	3.1	3.1	2.9	3.0	3.0	3.0	2.9	2.5	2.4		



Source: University of Michigan via Bloomberg. Our calculations.

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