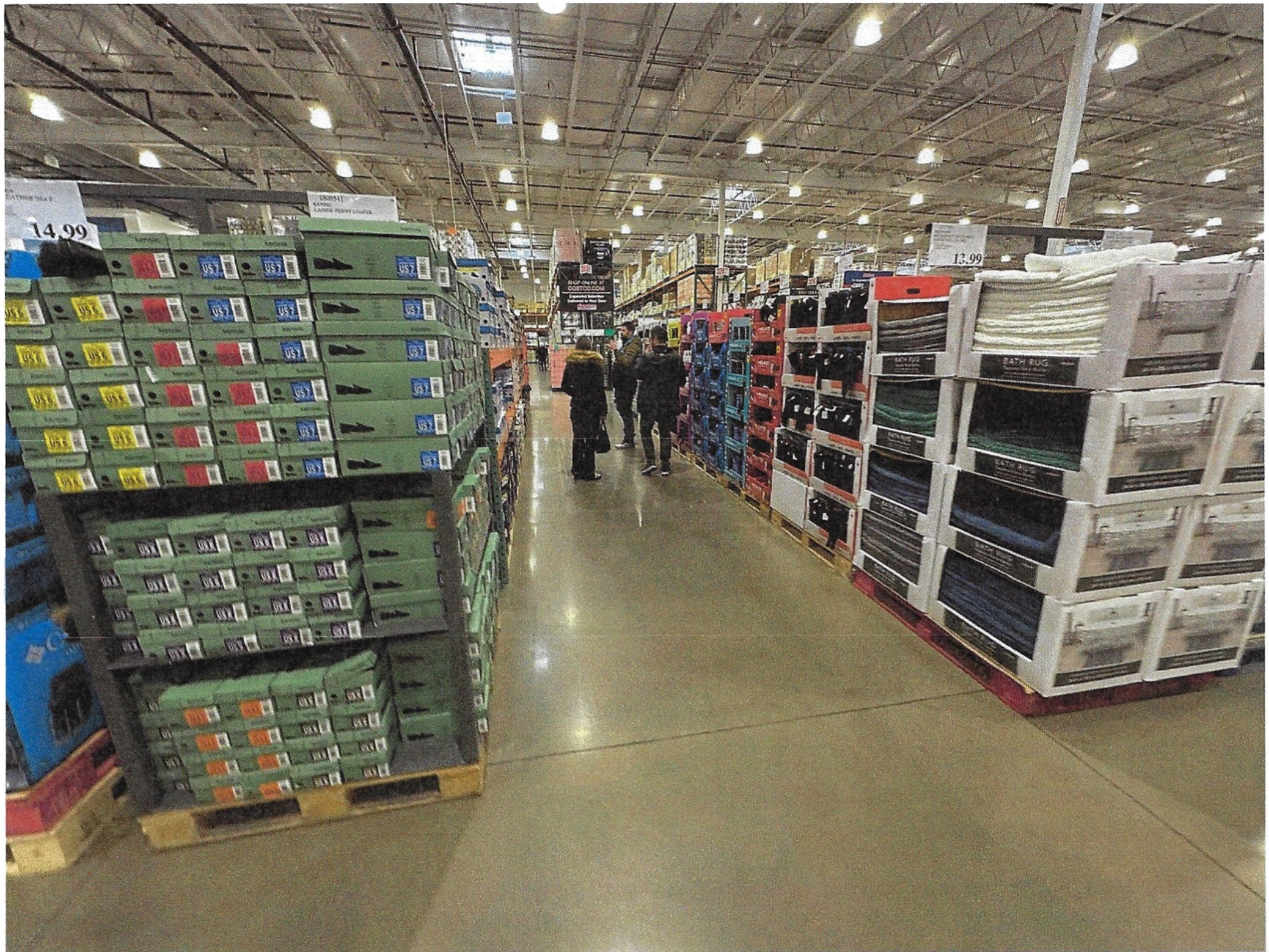


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ECONOMY

Inflation, looming trade war take toll on consumers



Shoppers make their ways down an aisle lined with clothing and shoes in a Costco warehouse Jan. 23 in Sheridan. DAVID ZALUBOWSKI — ASSOCIATED PRESS FILE

BY MATT OTT

THE ASSOCIATED PRESS

WASHINGTON>> U.S. consumer confidence plummeted in February, the biggest monthly decline in more than four years, a business research group said Tuesday, with inflation seemingly stuck and a trade war under President Donald Trump seen by a growing number of Americans as inevitable.

The Conference Board reported that its consumer confidence index sank this month to 98.3 from 105.3 in January. That's far below the expectations of economists, who projected a reading of 103, according to a survey by FactSet.

The seven-point drop was the biggest month-to-month decline since August 2021.

Markets on Wall Street immediately dropped. The S&P 500 fell 0.6% in midday trading, while the Dow Jones Industrial Average was flat. The Nasdaq declined 1.1%.

Respondents to the board's survey expressed concern over inflation with a significant increase in mentions of trade and tariffs, the board said.

The Conference Board's report Tuesday said that the measure of Americans' short-term expectations for income, business and the job market fell 9.3 points to 72.9. The Conference Board says a reading under 80 can signal a potential recession in the near future.

The proportion of consumers expecting a recession over the next year jumped to a nine-month high, the board said.

Consumers' view of current conditions tumbled 3.4 points to a reading of 136.5 this month and views on current labor market conditions fell again.

"Views of current labor market conditions weakened," the group said Tuesday. "Consumers became pessimistic about future business conditions and less optimistic about future income. Pessimism about future employment prospects worsened and reached a ten-month high."

Consumers appeared increasingly confident heading into the end of 2024 and spent generously during the holiday season. However, U.S. retail sales dropped sharply in January, with cold weather taking some of the blame for a dent in vehicle sales and at retail stores.

Retail sales fell 0.9% last month from December, the Commerce Department reported last week. The decline, the biggest in a year, came after two months of healthy gains.

Inflation has also remained sticky. So much so that the Federal Reserve has taken a more cautious approach to interest rates, leaving its benchmark borrowing rate alone at its last meeting after cutting it at the previous three. Fed officials have also expressed uncertainty over the new administration's policies.

The most recent economic data and a pessimistic turn among American households does not bode well for the U.S. economy, experts say.

In a note to clients, Carl Weinberg, chief economist at High Frequency Economics, wrote: "Based on all the indicators showing declining consumer and business confidence and sentiment, we are expecting a slowing economy."

The consumer confidence index measures both Americans' assessment of current economic conditions and their outlook for the next six months.

Consumer spending accounts for about two-thirds of U.S. economic activity and is closely watched by economists for signs about how the American consumer is feeling.