

American Mood Trend

November 2021



Confidence improves as Delta cases decline

The Conference Board Consumer Confidence Index¹ increased 4 points in October to 113.8, partially rebounding from the nearly 20 point decline over the prior three months. Waning concerns over the Delta variant as case counts declined impacted both consumers' assessment of the present situation and their future expectations.² The future expectations component increased 4.6 points to 91.3, remaining well below the present situation component, which also increased to 147.4.

A smooth school year for students may help to avoid a reversal of this positive trend. Consumer impressions of the job market also remain positive, as do income expectations—albeit in a slightly more narrow range than in past months. Inflation remains a concern among consumers. It did not seem to impact October confidence, but may return as a key issue in the coming months. Vacation intentions improved. Pent up demand for travel is still top of mind with consumers, as nearly half are planning on vacation travel within the next six months.

Key Points:

Consumer confidence numbers increased 4 points in October, partially making up the nearly 20-point loss over the prior three months.

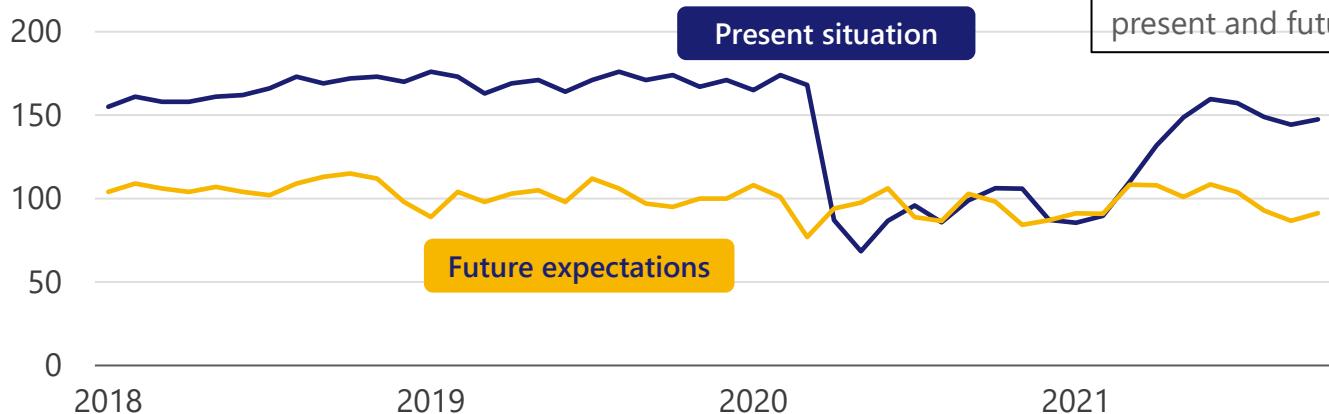
Consumers continue to see employment opportunities as positive.

Inflation expectations didn't seem to impact October numbers but may affect confidence moving forward.

¹The Conference Board Consumer Confidence Index, released October 26, 2021.

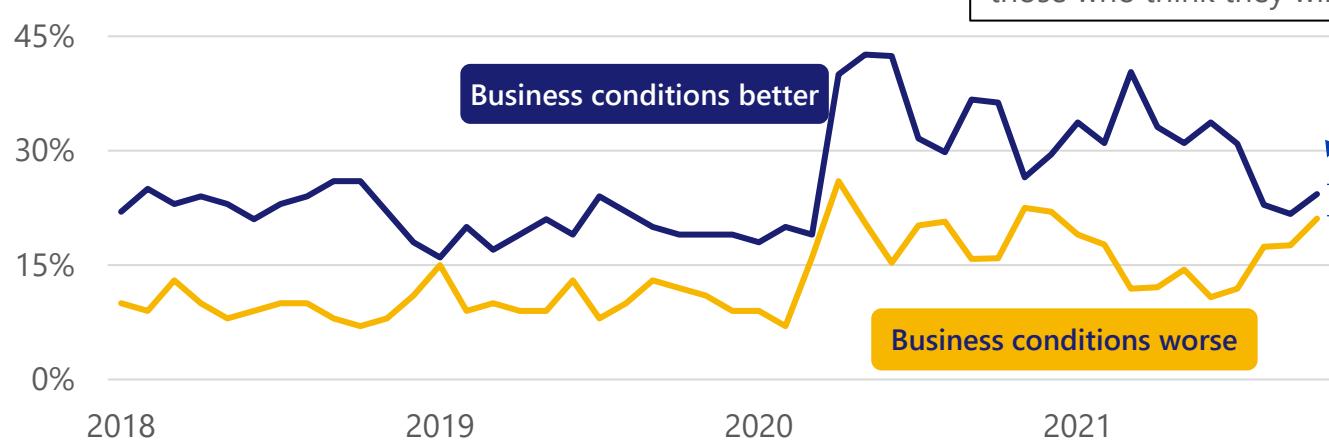
²The Conference Board, Consumer Confidence Index, Present Situation Index and Expectations Index, released October 26, 2021.

Fig. 1: Consumers have more to be positive about at present
(Consumer Confidence Index – Present Situation Index and Expectations Index*)



*Survey interviews conducted through October 20, 2021

Fig. 2: Consumer confidence in future business conditions remains steady
(Business conditions – next six months, percent of consumers surveyed)



Trend reversal shows more consumers confident about the present and future

Uptick in consumers who believe business conditions will worsen, but not enough to close the gap with those who think they will improve.

Sources: Visa Business and Economic Insights; Conference Board, Consumer Confidence Index, released October 26, 2021.

Consumers' assessment of the present economic situation improved over last month's slight dip and could continue to increase with the positive trends of waning Delta variant hospitalizations. Supply chain snags that continue to affect the economy impacted consumers' assessment as inflation expectations hit a 13-year high, with more than 7 percent of consumers expecting inflation to increase over the coming 12 months. Consumers' labor market assessment strengthened, with 45 percent more consumers seeing jobs as "plentiful" than those who see them as "hard to get." The 10.6 percent level of consumers saying jobs are hard to get is within 0.1 percentage points of a COVID-era low.

Present business conditions weakened slightly. Fewer consumers see present business conditions as "good"—18.6 percent compared to 19.1 percent in September. Combined with a slightly lower reading among consumers who see business conditions as "bad," the differential between the two remained relatively stable. Additionally, future business conditions wavered somewhat, with higher growth in the percentage of consumers expecting business conditions to worsen. The differential stayed positive, but dropped to just over 3 percentage points, down from 4 points in September.



Inflation concerns loom over consumer spending

The October increase in consumer confidence seemed to be squarely linked to the reduction in Delta variant cases and hospitalizations. Inflation awareness increased, however, with 12-month inflation expectations among consumers now at 7 percent, a 13-year high, and up from 6.5 percent in September. While this did not impact the October numbers, consumers are taking note, and this may further influence confidence moving forward, particularly as inflation moves from "transitory" to "longer term" in consumers' minds.

The economic reasons for price increases are myriad, both on the supply side with supply chain interruptions making fewer goods available, and on the demand side with consumer purchases being more acutely focused on those goods.

Consumers' level of concern about the economy is impacting their major purchase decisions. Recent consumer survey data from CivicScience shows that 69 percent of consumers who are very concerned about the economy indicate it is a "bad time" to make a purchase such as a car or major home improvements. This drops to 9 percent among those who show little to no concern about economic conditions.

More importantly, consumers and in particular female consumers are noticing price increases in many non-discretionary spending categories—purchases that more closely impact their day-to-day lives. Among these, four of the top five are specific to grocery purchases. A much higher percentage of consumers recognizes these price increases more than other price increases in discretionary categories such as apparel (28 percent), travel (26 percent), or home décor (17 percent). With this recognition of inflation in their everyday spend categories, consumers may be set to lower their confidence in the coming months.

Fig. 3: Concern over the economy affects consumer willingness to make major purchases (Survey: Given the current state of the economy, is now a good time or bad time to make a major purchase?)

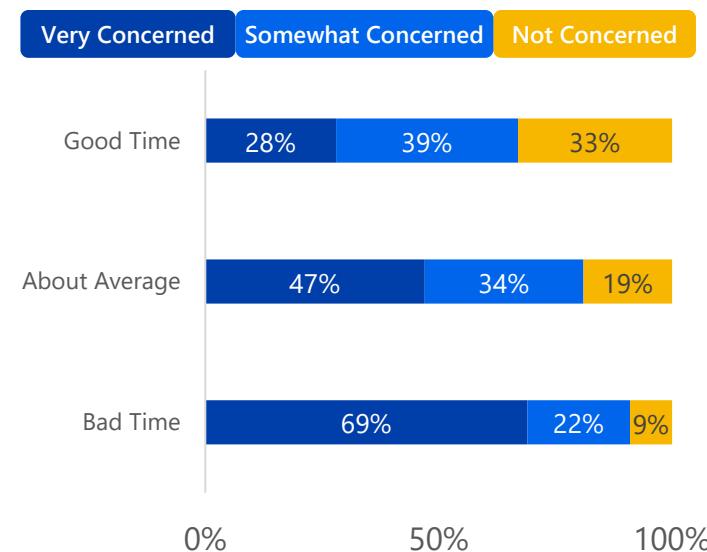
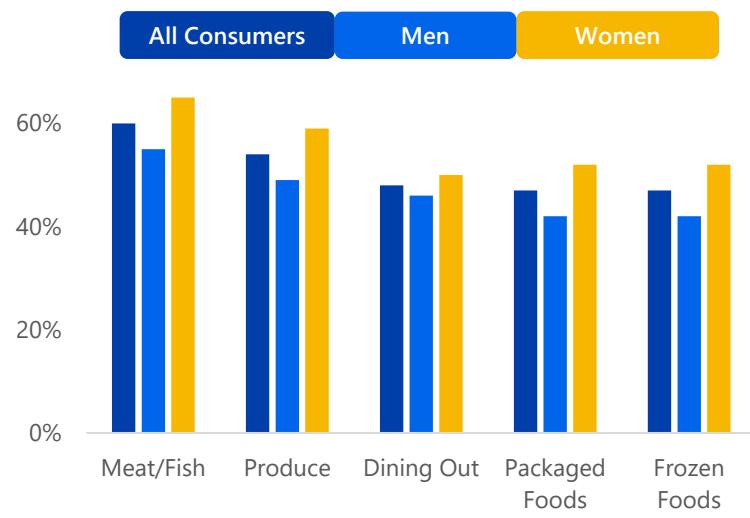


Fig. 4: Inflation concerns prevalent for non-discretionary purchases (Survey: Have you noticed price increases in any of the following?)



Sources: Visa Business and Economic Insights; CivicScience, "Price Increases Drive Negative Sentiment," October 25, 2021; <https://civicscience.com/price-increases-drive-negative-sentiment-around-making-major-purchases-right-now/>; Prosper Analytics October 2021



Accessibility Notes

Fig. 1 – Two line charts comparing the present situation and future expectation components of the Consumer Confidence Index. Confidence in the present ranged from 155.0 in Jan-18 to a high of 176 in Jan-19, a low of 68.4 in May-20, and as of Oct-21 was at 147.4. Confidence in the future has ranged from 104.0 in Jan-18 to a high of 115 in Oct-18, a low of 77 in Mar-20, and as of Oct-21 was at 91.3.

Fig. 2: Two line charts comparing the percentage of consumers who believe business conditions will improve or worsen in the next six months. Those who believed conditions would improve ranged from 22% in Jan-18 to a low of 16% in Jan-19, a high of 43% in May-20, and the latest reading of 24% in Oct-21. Those who believed conditions would worsen ranged from 10% in Jan-18 to a low of 7% in Oct-18 and Feb-20, a high of 26% in Apr-20, and the latest reading of 21% in Oct-21.

Fig. 3 – Chart compares the percentage of consumers who believe it is a good time, about average time, or bad time to make a major purchase such as an auto or home remodel. This is broken down by consumers who are very concerned, somewhat concerned, or not at all concerned about the economy. Among those who believe it is a good time to make a major purchase, 28% are very concerned about the economy, 39% are somewhat concerned, and 33% are not concerned at all about the economy. Among those who believe it is about average a time to make a major purchase, 47% are very concerned, 34% are somewhat concerned, and 19% are not concerned at all. Among those who believe it is a bad time to make a major purchase, 69% are very concerned, 22% of somewhat concerned, and 9% are not concerned at all about the economy.

Fig. 4: The percentage of all consumers, men and women who have noticed price increases in the following items: Meat/fish: 60% of all consumers, 55% of men, and 65% of women; Produce: 54% of all consumers, 49% of men, and 59% of women; Dining out: 48% of all consumers, 46% of men, and 50 % of women; Packaged goods: 47% of all consumers, 42% of men, and 52% of women; Frozen foods: 47% of all consumers, 42% of men, and 52% of women.



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