

American Mood Trend

October 2020



Consumers reluctant to celebrate and spend for Halloween; foreshadowing the holiday season?

The Conference Board Consumer Confidence Index exceeded expectations and increased to 101.8 in September from an upwardly revised 86.3 in August, following two straight monthly declines. With strong readings in both present situation and future expectations components, consumers appear to have a more favorable view of business and labor market conditions, as well as renewed optimism about the short-term outlook.

Based on consumers' assessment of current business and labor market conditions, the Present Situation Index was up 12.7 points from 85.8 to 98.5, a solid increase but still well below the pre-pandemic level of 168. The Expectations Index—reflecting consumers' short-term outlook for income, business, and labor market conditions—increased from 86.6 in August to 104.0, close to the pandemic high of 106.1 in June. Despite consumers' uncertainty about the pandemic, the economy, and the election, this portion of the index shows relatively steady improvement, which may bode well for increases in consumer spending in the coming months.

Key Points:

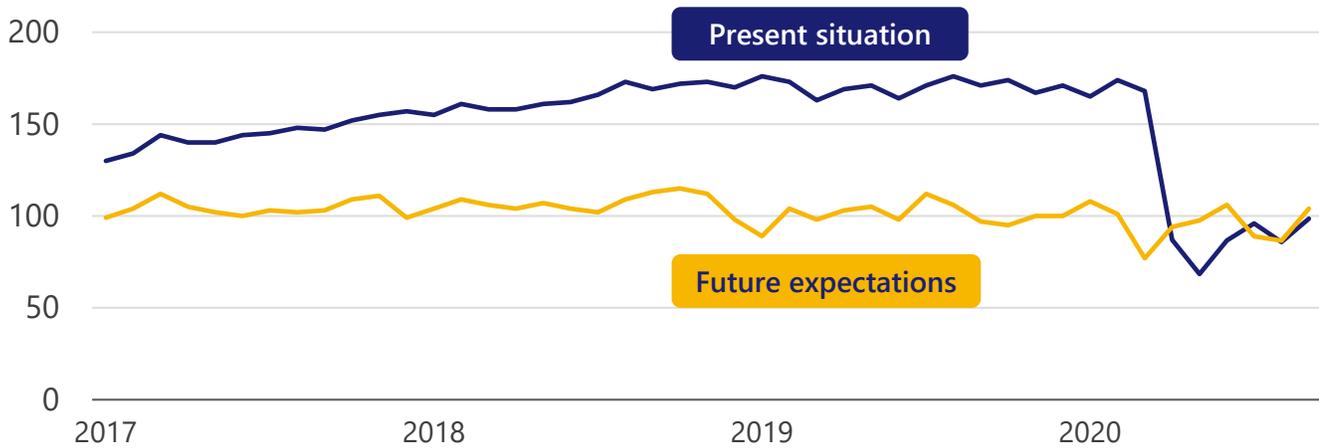
September consumer confidence increased more than 15 points

Employment outlook also improved, with 22.9% of consumers saying jobs are plentiful

Consumers showing reluctance to spend and celebrate Halloween, potentially leading to reduced spending through holiday season

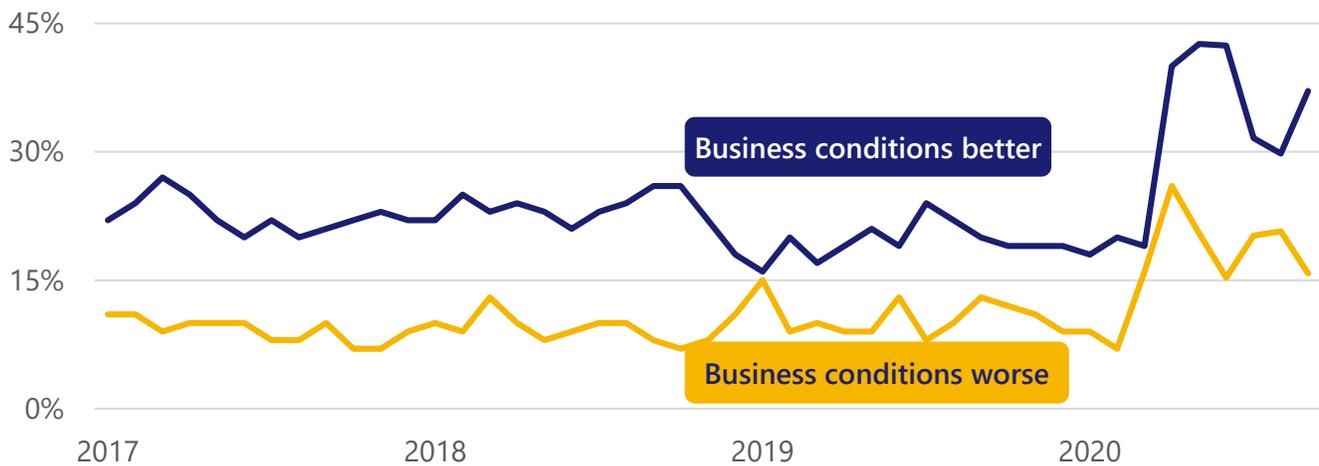


Consumer confidence – present situation and expectations*



*September interviewing conducted through September 18, 2020

Business conditions – next six months



Source: Conference Board

The percentage of consumers who believe business conditions will improve in the coming six months increased from 29.9 to 37.1 percent after three straight monthly declines. Volatility in consumers' assessment of business conditions remains historically high. Under normal conditions, roughly two-thirds of consumers expect no change to business conditions. Since March, however, the percent of consumers indicating a change is likely—positive or negative—has held above 50 percent. Although the differential between positive and negative business sentiment has remained positive throughout 2020, the positive differential of 21.3 is the highest since June. Consumers who believe that business conditions are “bad” at present decreased from 43.3 percent to 37.4 percent. Those who believe business conditions are “good” increased from 16 to 18.3 percent.

Consumers' assessment of the labor market is improving. Those who feel jobs are “plentiful” increased from 21.4 to 22.9 percent in September, while those saying jobs are “hard to get” decreased from 23.6 to 20.0 percent. This brings the differential between the two metrics back to positive at +2.9—marking a much more optimistic view of the job market moving forward since the low of -15 in April. The high portion of “temporary” layoffs and more people returning to work as the economy opens up may be influencing the more positive outlook on the labor market. Job market optimism moving forward will likely remain highly dependent on the course of the pandemic and the ability of businesses to reopen and stay open.



Consumers are reluctant to celebrate Halloween, but does this foreshadow a weak holiday spending season?

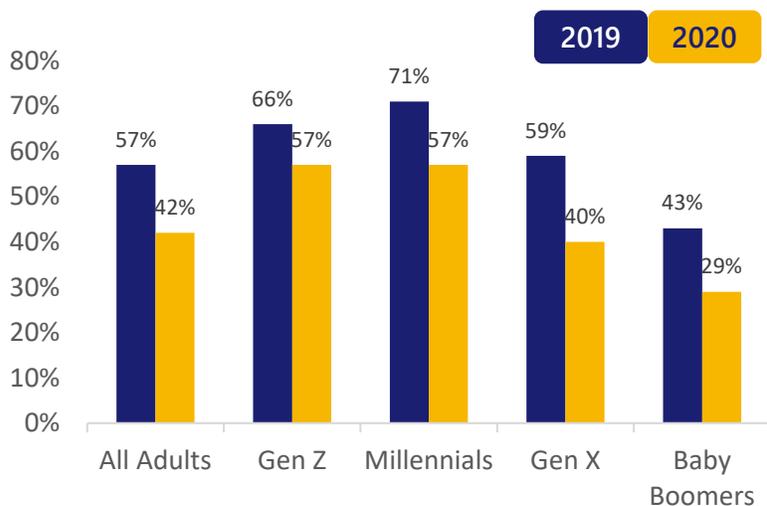
In past years, Halloween spending has provided insight into the state of the American consumer, and has also acted as a leading indicator for holiday spending. Halloween 2020 arrives in the midst of a pandemic and with the U.S. economy still in recovery from what is likely the deepest recession on record—a recovery dependent on consumer spending momentum heading into the holiday season. Despite solid increases in consumer confidence and improvements in the job market, consumers of all demographics have indicated that they are less likely to celebrate this Halloween. So should that temper holiday spending forecasts?

Just 42 percent of adults plan to celebrate Halloween this year, down from 57 percent in 2019. Much of this reluctance may be due to health and safety issues rather than a reluctance to spend. Businesses need to reopen to enable spending, but consumers must also feel comfortable visiting those businesses. In addition, the prime celebrations associated with Halloween—trick-or-treating for children and parties for adults—are difficult to engage in while social distancing.

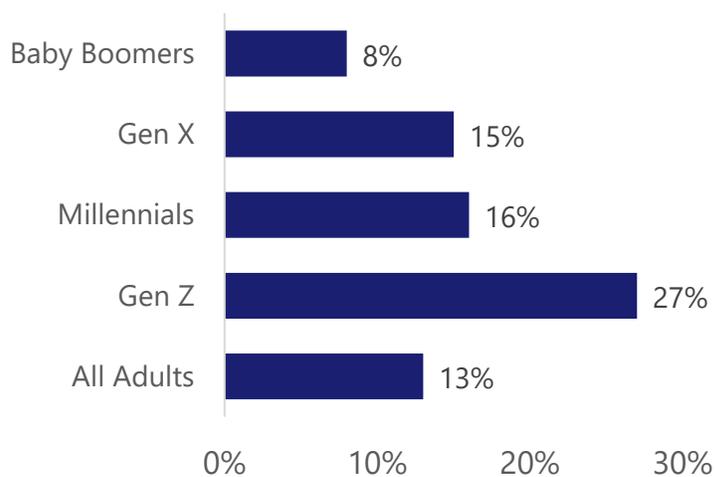
Only 7 percent of adults said that they or their children plan to trick-or-treat the same way they usually do, according to a recent Morning Consult consumer survey. Only about a quarter of adults plan to purchase candy for trick-or-treaters this year, down from about half who indicated they did so last year. The National Retail Federation has estimated that Halloween spending will decrease from \$8.8 billion in 2019 to \$8 billion this year.

There will likely be less correlation between Halloween and holiday season spending this year, since Halloween celebrations tend to be more social in nature (with a potentially bigger impact on spending in specific sectors), whereas the end-of-year holidays are less so. Economic factors such as labor market strength and the associated momentum in consumer spending should play a bigger role in our holiday spending forecast.

Consumers who plan to celebrate Halloween



Consumers who plan to celebrate, but limit the number of people they interact with



Sources: Morning Consult Consumer Survey July 29-August 2 and September 1-3; the National Retail Federation; Visa Business and Economic Insights

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