

# American Mood Trend

March 2021



## Consumers are living in the moment as the Present Situation Index drives confidence again

Consumer confidence improved marginally in February to 91.3, up from 88.9 in January. The Present Situation Index is back in the driver's seat for the first time in several months, jumping 6.5 points to 92.0, with the Expectations Index declining slightly to 90.8. Consumers may have been waiting for things to get better in the future, but with the accelerated vaccine distribution and expectations that the economy will likely reopen more quickly, they appear to be growing more confident in current conditions.

The perceived difficulty in finding jobs waned slightly, with almost equal percentages of consumers stating jobs were either plentiful or hard to get, an improvement over January's slightly more negative split. However, over 23 percent more consumers see business conditions as bad than good. This is an improvement over past months, but will need to move significantly further to reflect any true recovery in confidence. Notably, February 11 was the cutoff for interviews for the initial numbers, too early to fully capture the positive effects from partial loosening of dining restrictions in New York, or the negative effects of storms and power outages in Texas and elsewhere. There may be some shifts in the final February numbers as a result.

### Key Points:

**Consumer confidence improved in March with a leap in the present situation assessment.**

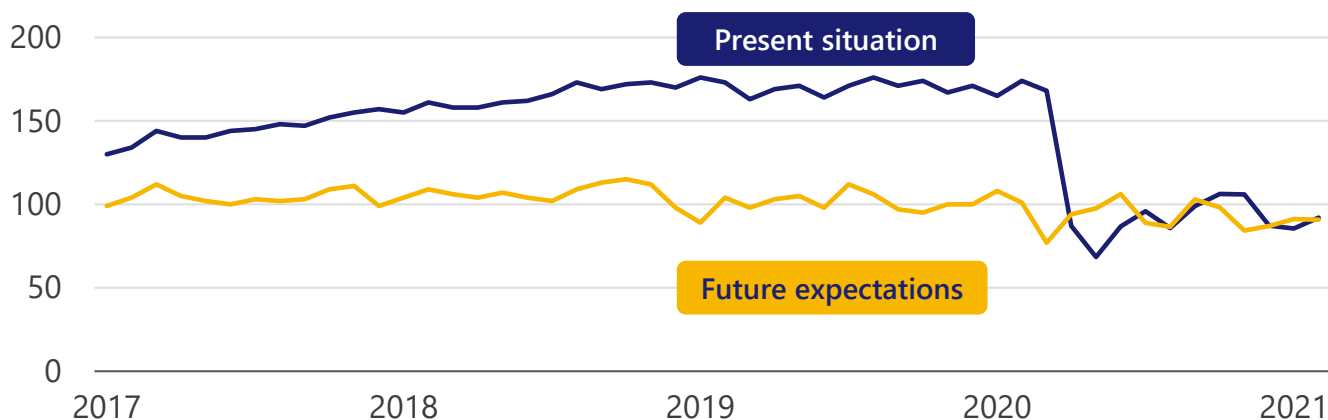
**Younger consumers show more confidence in the economic recovery.**

**Consumer stress levels and travel plans: an unanticipated correlation?**



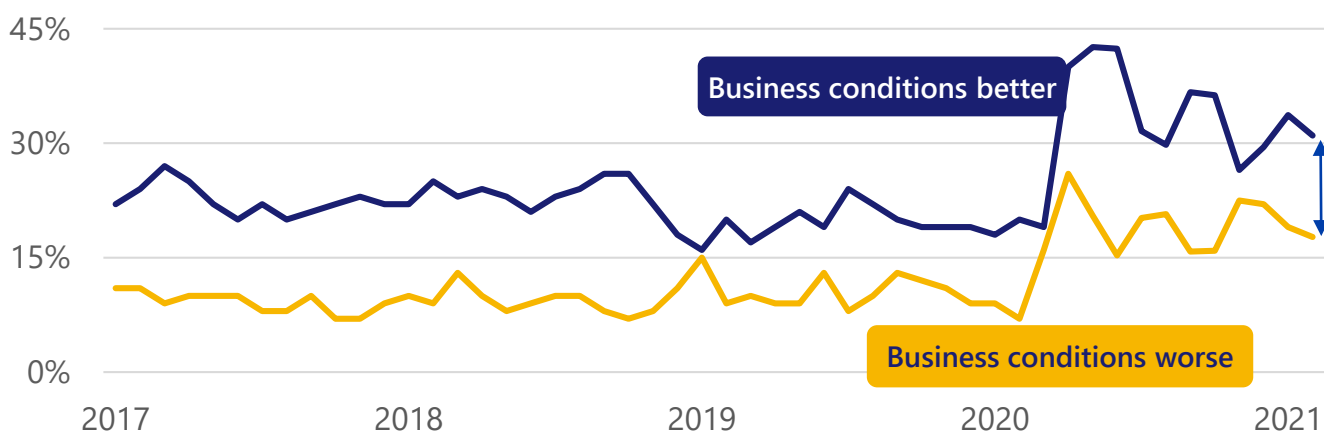
# Diverging confidence measures hit labor and business sentiment

## Consumer confidence – present situation and expectations\*



\*February survey interviews conducted through February 11, 2021

## Business conditions – next six months



Source: Conference Board

Consumers were marginally less optimistic about the short-term business and jobs outlook in February. Throughout the second half of 2020, consumers who expected business conditions to worsen has remained relatively steady—just above or just below 20 percent. But the trend line of consumers expecting business conditions to improve has drifted lower, down from 43 percent in May, and the most recent high of 37 percent in September. The gap remains positive, but narrowed in February.

On the job front, consumers remain marginally pessimistic. Over 6 percent more consumers expect jobs will be “fewer,” than “plentiful” in the coming months—though this is a slight improvement from January to February. Views on short-term income became slightly more positive in February, with 15.2 percent of consumers expecting their incomes to increase in the next six months, but 13.2 percent expect incomes to decrease. Consumers will not increase spending and forge a full recovery until they are confident that they will be able to find work and keep the jobs they get. February’s numbers indicate there is still a way to go before consumers attain that level of confidence.



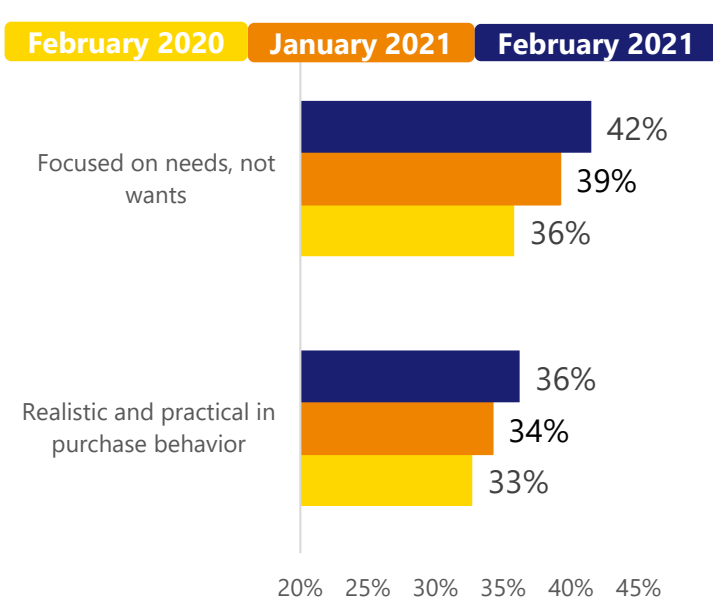
# Consumers remain cautious, but some may be more ready for “the next normal”

As job gains remain soft during the pandemic, consumers have grown more pragmatic compared to a year ago, and even more recently. A higher percentage of consumers in February noted that they were continuing to focus on their *needs* rather than their *wants*. Also, slightly more consumers said they were “realistic and practical” in their purchase behavior. The year-over-year increase makes sense, as February 2020 was still pre-pandemic. But the month-over-month increase from January to February 2021 indicates that consumers remain mired in a pandemic-spending mindset, despite the more sanguine view of current conditions in February’s confidence numbers. Consumers will need to increase their discretionary purchases—spending on their *wants*—for the economic recovery to fire on all cylinders.

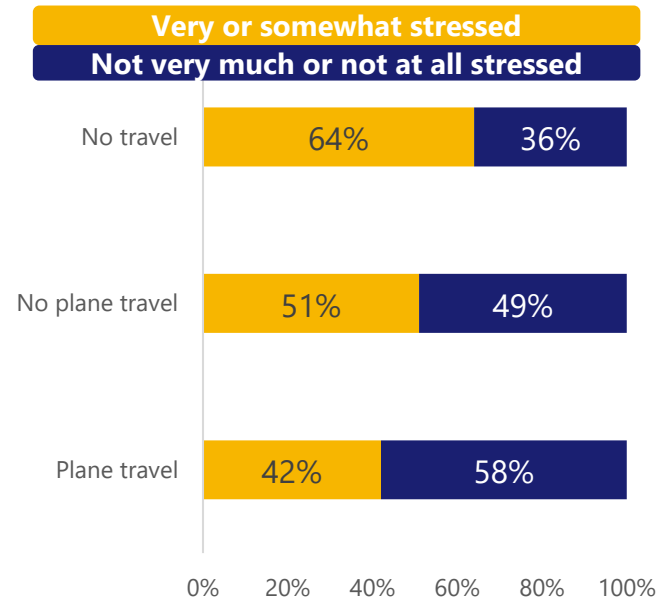
Regional and age differences are emerging in consumer confidence that could provide clues about how the recovery will unfold. Younger consumers are closer to pre-pandemic confidence levels, although all age groups remain well below pre-pandemic confidence levels in the February 2021 index. Confidence is roughly 34 points lower than a year ago among consumers under the age of 35, but 44 points lower among those over 55. Additionally, consumers in the New England and Pacific regions are closer to pre-pandemic confidence, with Mountain and East South Central regions lagging behind.

An unlikely correlation has emerged between feeling COVID-related stress and the likelihood of planned travel in the coming months. Recent data shows that consumers who have travel plans—and even more specifically plane travel plans—are less stressed overall. Consumers who are feeling less stressed about their health or economic situation are more likely to plan and engage in activities like travel. This also points to the types of consumers who are leading the way towards a return to pre-pandemic norms, or “the next normal” that should emerge in 2021.

## Consumer spending is more pragmatic



## Travel plans correlate to stress levels



Sources: Visa Business and Economic Insights, Prosper Insights & Analytics Monthly Consumer Survey; Civic Science February 2021 Consumer Survey.



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