

American Mood Trend

September 2021



Delta variant and ongoing inflation concerns fuel a drop in consumer confidence

The August Conference Board Consumer Confidence Index decreased to its lowest point since February, dropping 11.3 points to 113.8, down from July's already downwardly revised 125.1. The present situation component dropped nearly 10 points, likely a consumer reaction to both the spread of the COVID-19 Delta variant and ongoing price inflation. The expectations component also dropped more than 12 points—the largest drop since November 2020.

The August numbers could represent a reversal in the positive trends of spring and early summer. Readings over the next several months will likely be dependent on controlling the spread of the Delta variant. Regional differences may also become more pronounced in the September readings given the wildfires in the Pacific region states and impact of Hurricane Ida on areas from the West South Central region to New England.

Consumer moods remain fragile. Consumer optimism in the economy, employment outlook, and income expectations could be overshadowed again by pessimism surrounding health and safety issues.

Key Points:

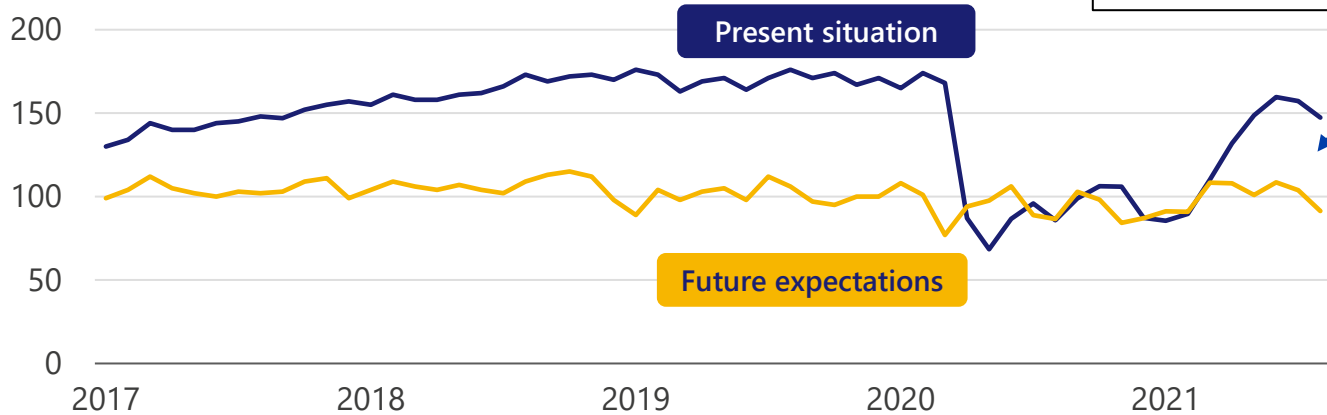
Consumer confidence numbers dropped precipitously due to rising COVID case counts and the potential impact on jobs and the economy.

Income expectations are lower, indicating a potential shift downward in consumer confidence through the end of the year.

Comfort level with travel is slipping.



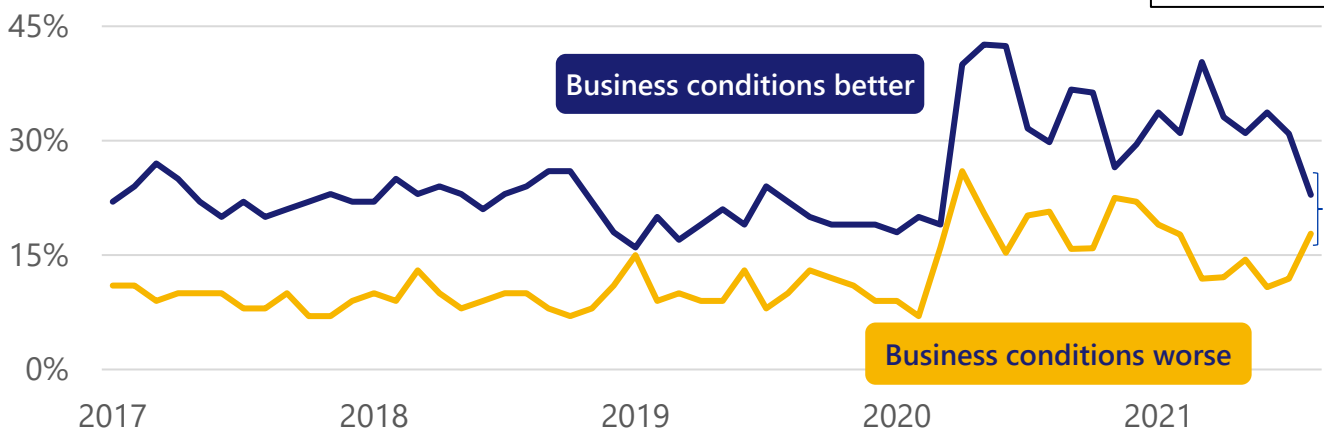
Current conditions and future expectations both dip in a trend reversal
(Consumer Confidence Index – Present Situation Index and Expectations Index*)



Drop in both present situation and future expectations components

*Survey interviews conducted through August 25, 2021

Consumer confidence in future business conditions wavers
(Business conditions – next six months, percent of consumers surveyed)



Narrowing but still positive differential for future business conditions

Sources: Visa Business and Economic Insights; Conference Board

Consumers' assessment of the present economic situation had been approaching pre-pandemic levels on an upward trend that began in February. While expectations have remained less volatile throughout the pandemic, they also weakened after several up-and-down months.

Consumers' labor market assessment remained relatively strong as the economy continued to create jobs. The gap between those consumers who saw jobs as "plentiful" (nearly 43 percent) at present and those who thought they were "hard to get" remained very close to record levels. Whether this sentiment will shift to the negative likely depends on schools remaining open and childcare being available—issues seen as necessary to spur more people to return to the workforce. This in turn is highly dependent on controlling the virus.

Current business conditions shifted from positive to negative in August, with five percent more consumers stating conditions were "bad" than "good." This measure has been strong so far in 2021, after weakening toward the end of 2020. Consumers also lost confidence in future business conditions, with the gap between those who see business conditions as "better" versus "worse" in the coming six months staying positive but down to just five percentage points from 19 in July. Purchase intentions took a hit as a result, with consumers intending to purchase homes, autos and appliances all dropping from multi-year highs.



Vaccination requirements may boost participation and spending for a variety of activities—including travel

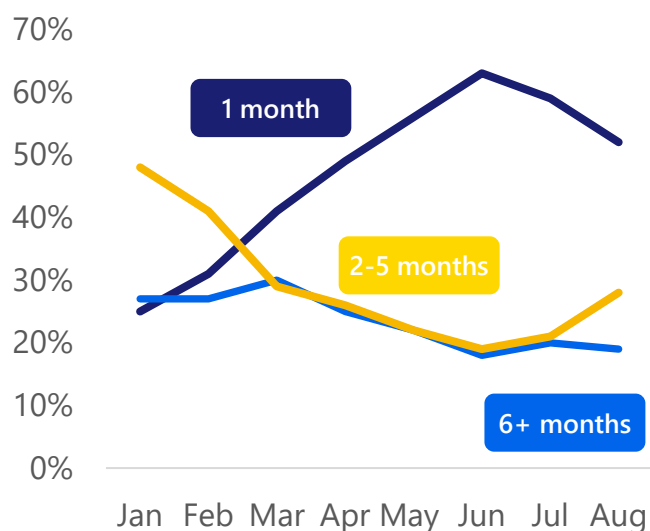
Although consumers' ongoing economic, health and safety concerns have likely impacted the outlook for their discretionary spending moving forward, their concerns have had less effect on their travel plans. The percentage of consumers planning vacation in the coming months continued trending upward in the August consumer confidence numbers.

The type of trips consumers may take is linked to their comfort level with certain travel activities, such as flying, and the timing of those activities. According to Morning Consult, more than 50 percent of consumers still planned to fly within the next six months, down from a pandemic era peak of 54 percent in July. In addition, 52 percent of consumers indicated they would be comfortable flying within one month, down from June's high of 63 percent. A higher percentage of consumers felt more comfortable flying in two to five months, but those who indicated they will not be comfortable flying within the next six months continued to drop, landing at 19 percent of consumers in August.

Vaccination rates, and the continued evidence that vaccinations remain effective against the spread of the virus, are also factoring into consumers' plans, activities and associated spending. Unvaccinated adults indicated that proof of vaccination requirements for certain activities may spur them to get vaccinated. This is most pronounced when it comes to the requirements for shopping in person, where more than one-third of unvaccinated consumers indicated a willingness to get vaccinated for that purpose. Other activities that are motivating people to vaccinate include indoor dining, domestic and international plane travel, going to the movies, theater performances, sporting events and live concerts. As venues for these types of events and others consider or implement vaccination requirements, they may see a larger portion of the population comply.

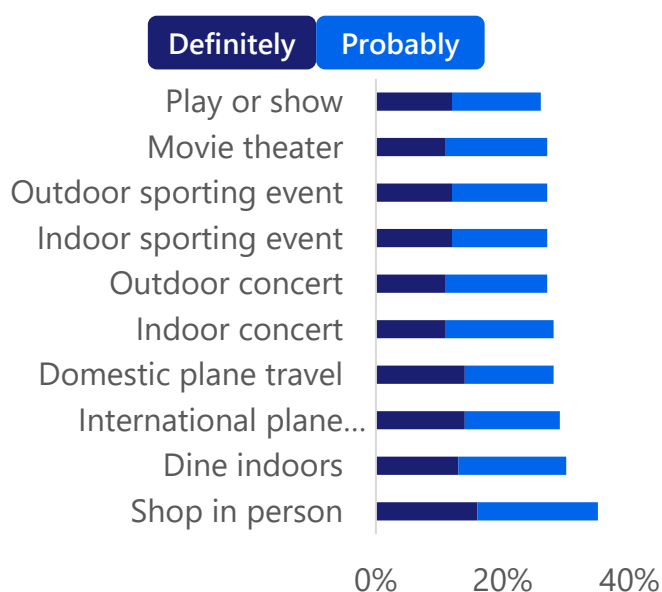
Comfort level with travel slipping but still high

How soon will you feel comfortable traveling?



Requirements may spur vaccinations

Unvaccinated adults who would vaccinate if required in order to attend these activities:



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