

American Mood Trend

January 2021



Consumers show optimism about the future, but remain bogged down by the present

After a decline to 92.9 in November, the Conference Board headline Consumer Confidence Index decreased further to 88.6 in December, led by a precipitous decline of 15.6 points in the present situation component. All consumer optimism is about the future—the expectations component rose 3.2 points to 87.5, with more consumers saying business conditions will improve in the next six months.

The dichotomy in the consumer mood about the present and future likely centered around both health and economic issues. Surveys for the first release were concluded on December 14, the same day that vaccinations were first given in the U.S., and prior to Congress passing the next round of economic stimulus. Consumers have yet to see the impact of vaccinations, but expect improvement as that happens in the coming months. Possible evictions and bills due once forbearance and deferrals end have worn on consumers’ view of the present. Stimulus fund distribution should positively impact consumers’ ability to weather the continued economic storm and boost spending in early 2021.

Key Points:

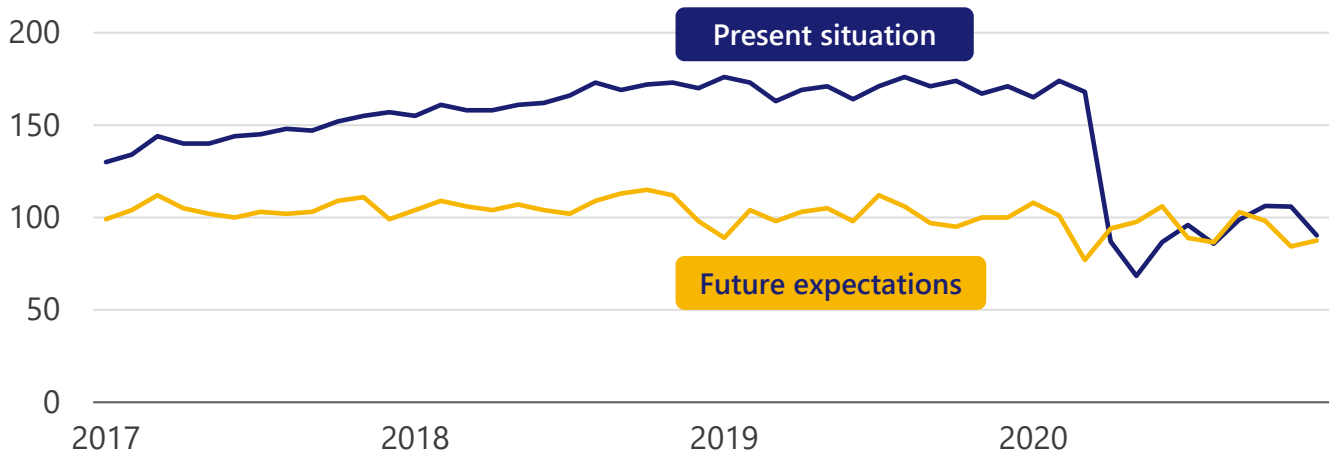
Present Situation Index fell precipitously in December, likely due to a surge in COVID-19 cases

January numbers could improve with vaccinations and distribution of stimulus funds

Many consumers feel the stimulus package does not go far enough

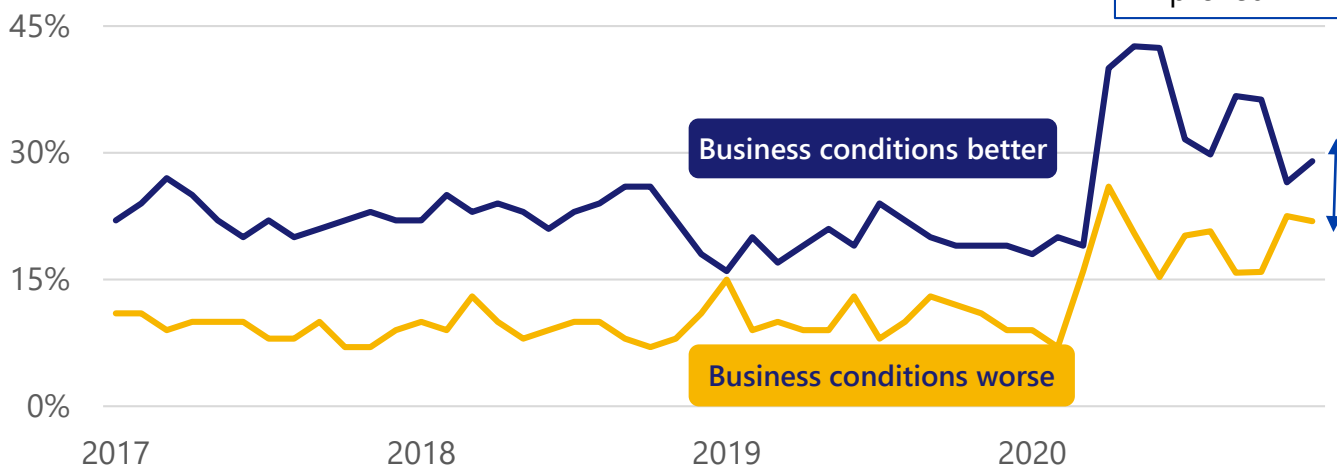


Consumer confidence – present situation and expectations*



*December survey interviews conducted through December 14, 2020

Business conditions – next six months



Source: Conference Board

Consumer assessment of the labor market also took a hit in December, likely due to increased lockdowns in many areas of the country that make jobs harder to find and/or retain. More than 20 percent of consumers now say jobs are hard to find, but more importantly the percentage of consumers who believe jobs are plentiful dropped from over 26 percent in November to under 22 percent in December, further indication of the struggle consumers see in the present.

Only 16 percent of consumers believe present business conditions are good, equaling an eight-year low, and below April's 19.9 percent mark during the first round of shutdowns. Nearly 40 percent of consumers see present business conditions as bad, an increase of roughly 5 percentage points from November. Future business condition sentiment is much more optimistic, however, with close to 30 percent of consumers expecting an improvement over the next six months. The differential as shown in the above chart, which had been narrowing in recent months, improved in December, with over 7 percent more consumers expressing optimism in future business conditions.



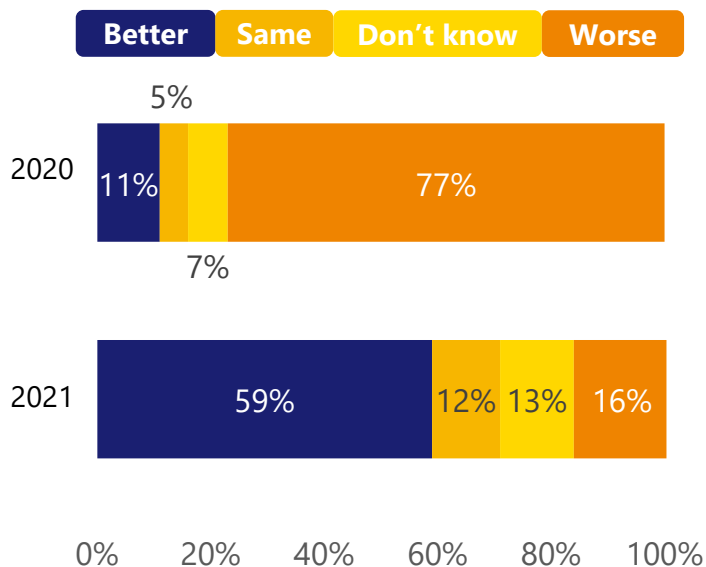
Consumers are optimistic about 2021, but many see the stimulus as insufficient and are not convinced the vaccine will be effective

Many consumers are already convinced that 2021 holds much brighter possibilities than 2020, according to recent consumer surveys from Morning Consult. When asked how 2020 compared to 2019 a resounding—but expected—77 percent said that 2020 was worse than 2019. However, they were optimistic about what 2021 might bring, with nearly 60 percent of consumers believing that 2021 will be better than 2020. This high-frequency consumer data reflects the latest consumer confidence numbers, and demonstrates that consumers are holding out hope for the near future.

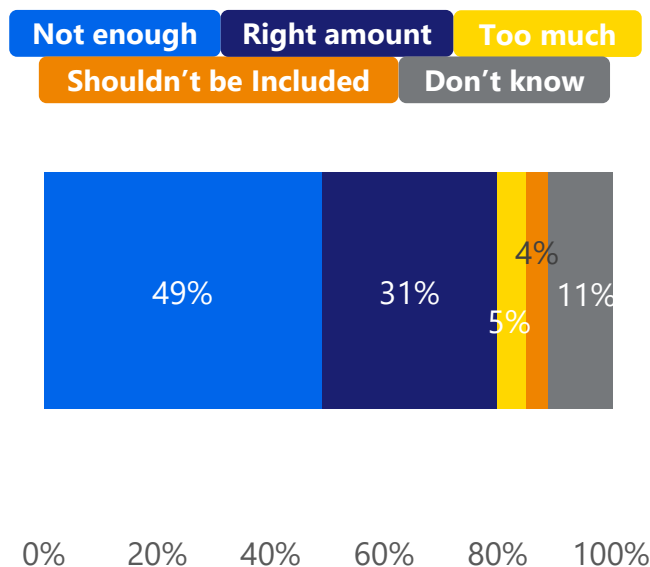
The economic recovery should gain momentum from this optimism, but is dependent on widespread vaccinations, leading to higher comfort levels among consumers at re-engaging in activities considered normal before the pandemic, such as going to restaurants, traveling, and working from the office rather than at home. Similar surveys indicate that just over 50 percent of consumers are now willing to get a COVID-19 vaccine once it becomes widely available. Although this is the highest level since August, it has remained relatively stagnant since early September, and is still below the 70 percent experts say is needed to reach “herd immunity.”

The stimulus package that Congress has passed including a \$600 direct payment to consumers, could provide the bridge needed for many consumers to weather potential evictions, job losses, and other economic hardships. Nearly half of registered voters see the \$600 payment as insufficient. This could negatively influence expectations and future sentiment should the pandemic dissipate more slowly and the economic recovery falter as a result.

Improved consumer optimism for 2021: Is 2020 better than 2019? Will 2021 be better than 2020?



Is the \$600 stimulus payment enough?



Sources: Morning Consult consumer survey, December 17-20, 2020; Visa Business and Economic Insights.



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