

American Mood Trend

May 2021



Consumers grow more confident, but still have concerns about the future

Consumer confidence* in April increased for the fourth straight month to a pandemic high of 121.7. Gains were led by the Present Situation Index, which advanced 29.5 points to 139.6 for a monthly record. While the Present Situation and Future Expectations indices moved in tandem in March, consumers returned to a more subdued assessment of the future in April. The combination of increased vaccinations and distribution of stimulus funds gave consumers reason to feel positive about current conditions, but forbearance, eviction moratorium, elevated unemployment insurance and other support programs expiring in the coming months may have spurred some uncertainty about the future.

After past recessions when the country entered periods of economic expansion, consumer confidence tracked closely with discretionary spending. Today's consumers are ready to get out, to travel, and to engage in many of the pre-pandemic activities they have been hindered from doing in the past year. While the numbers bode well for emerging consumer optimism, expectations for the future are still hindered—particularly for middle income consumers who still feel the overhang of economic and health concerns.

*Consumer Confidence Index, Conference Board

Key Points:

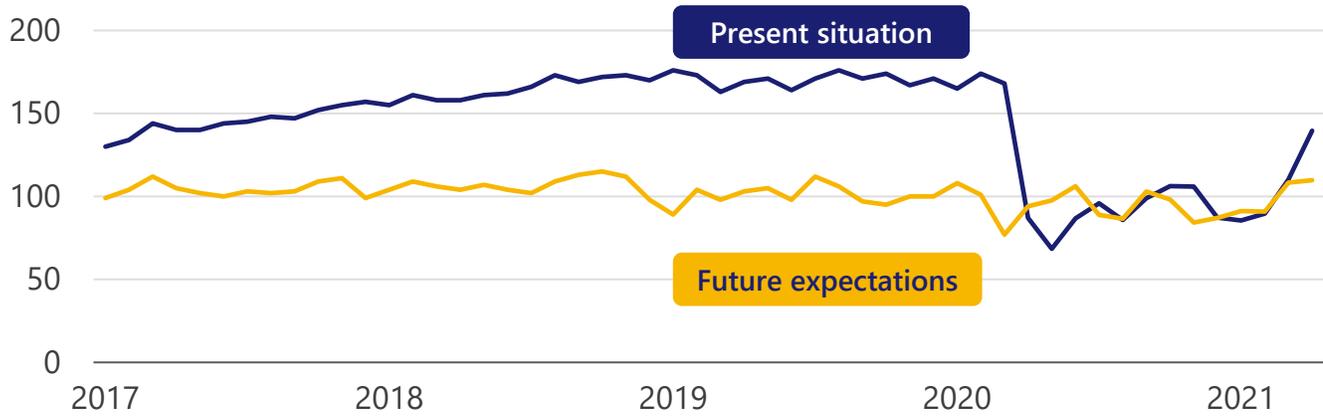
Consumer confidence* increased by almost 13 points to its highest pandemic-era level

Continued reduction in COVID-19 cases and increased vaccinations drove the present situation index to its largest one-month increase

Expiring financial support programs hinder consumer mood for the near future

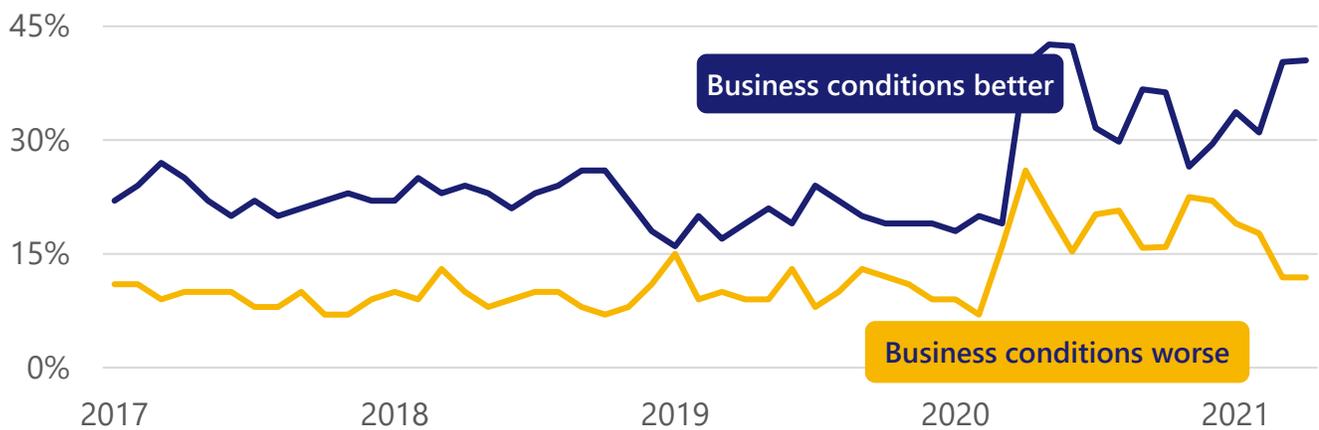


Consumer confidence reached the largest single month gain on record (Present situation and expectations*)



*March survey interviews conducted through April 16, 2021

Nearly one-third more consumers expect business conditions to improve in the next six months



Sources: Visa Business and Economic Insights; Conference Board

Consumers' assessment of the labor market improved in March, but also showed a dichotomy between present and future. Consumers who saw jobs as "plentiful" increased by 11.4 percent over March, and the differential relative to those who viewed jobs as "hard to get" more than tripled to +24.7 percent. This contrasts with a slightly narrowing view of jobs over the next six months. While more than one-third of consumers feel there will be more jobs, more than 15 percent of consumers feel there will be fewer. With strong job creation of over 900,000 jobs in the April numbers and relatively equal expectations for May, consumers are confident that job growth out of the recession has begun in earnest but remain cautious about whether the pace of job creation is sustainable over the long term.

Growth in the percentage of consumers seeing current business conditions as good combined with a decline in those stating business conditions were bad led to a slightly negative differential between the two metrics of -1.5 percent, a solid improvement from March's -11.8 percent reading. One bright spot in consumers' expectations was future business conditions, which remained strong as 29 percent more consumers expected them to improve in the coming six months.



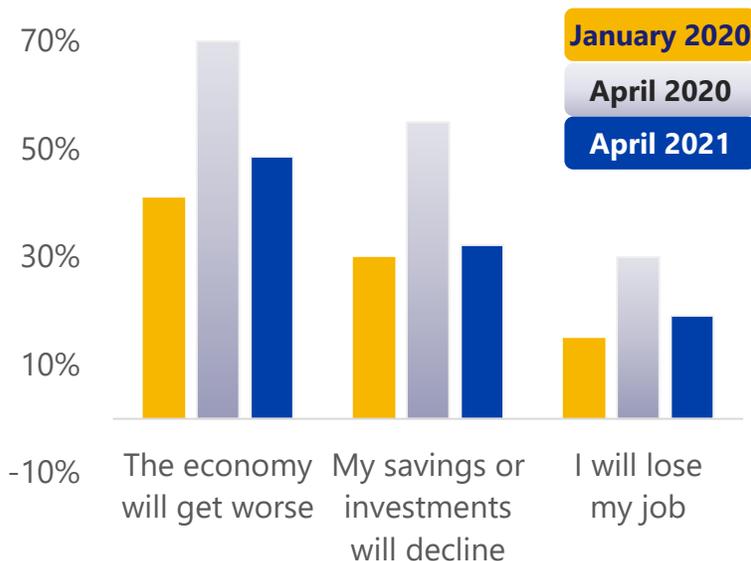
Economic concerns still weigh on consumers' mood, and could hinder spending through the remainder of 2021

Even with the recovery well underway, and the economy seemingly turning a corner with increased vaccinations and businesses opening up again, economic concerns still weigh heavily on consumers' mood. Recent survey data shows that as of early April, nearly 50 percent of consumers remain concerned that the economy will get worse. This is a positive trend from January, but still remains elevated. Consumers don't think we're completely "out of the woods" yet, despite positive trends in job creation, income, and other economic factors. As of April, most consumers believe that the economy will still take more than a year to fully recover.

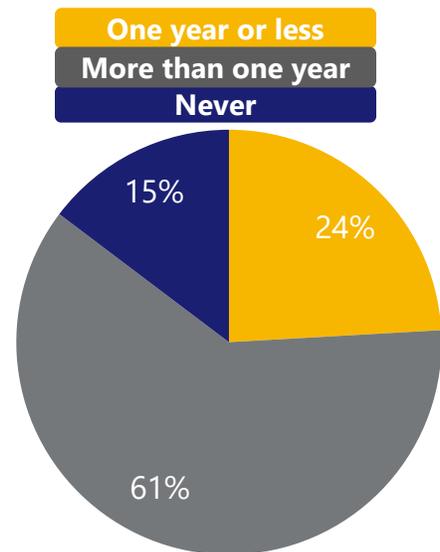
Many consumers have stayed positive about current conditions thanks to the financial support they received during the pandemic, including mortgage forbearance, loan deferrals, elevated unemployment benefits, and stimulus payments. However, the approaching expiration of many programs has left consumers feeling uncertain about the future, and this is affecting their outlook on the remainder of the year. Nearly half of consumers have missed at least one rent or mortgage payment during the pandemic. Rent debt from those missed payments may affect as many as 14.2 million renter households out of a total of 43 million renting households.¹ Many of these renters could face eviction when the moratorium ends at the end of June.

This concern could lead to more cautious consumer behavior. Many consumers have indicated that they have saved all or a portion of their last stimulus payments. Desire for certain activity such as travel may not easily become a part of consumer plans. With elevated economic concerns, consumer savings may not translate to spending, despite a pent up demand for a return to normal.

Fewer consumers show economic concerns, but levels remain elevated above January 2020



Most consumers believe it will take more than a year for the economy to fully recover



¹"How Will We Face a Potential Eviction Cliff? Here's What to Know About the Eviction Crisis," Apartment Therapy, April 27, 2021

Sources: Visa Business and Economic Insights; Consumer Financial Protection Bureau, Committee for a Responsible Federal Budget; Visa consumer survey by Prosper Analytics, April 2021.



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Visa Business and Economic Insights Wayne Best, Chief Economist

Bruce Cundiff, Vice President, Insights
Michael Brown, Principal U.S. Economist
Adolfo Laurenti, Principal European Economist
Richard Lung, Principal Global Economist
Glenn Maguire, Principal Asia Pacific Economist
Mohamed Bardastani, CEMEA Economist
Jennifer Doettling, Director, Content and Editorial

Michael Nevski, Director, Consumer Insights
Jeffrey Roach, Senior U.S. Economist
Dulguun Batbold, Global Economist
Travis Clark, U.S. Economist
Angelina Pascual, European Economist
Mariamawit Tadesse, Associate Global Economist
Juliana Tang, Executive Assistant

For more information

Please visit us at
www.visa.com/EconomicInsights

or

Contact us at
VisaEconomicInsights@visa.com