

Visa's analysis of current economic data indicates that U.S. consumer activity decelerated in October.



"October retail sales data pointed towards a downshift in the pace of consumer spending. While income growth remains robust, due in part to continued stimulus effects, nominal consumer spending remains well below pre-pandemic growth rates."

Michael Brown
Principal U.S. Economist, Visa Inc.

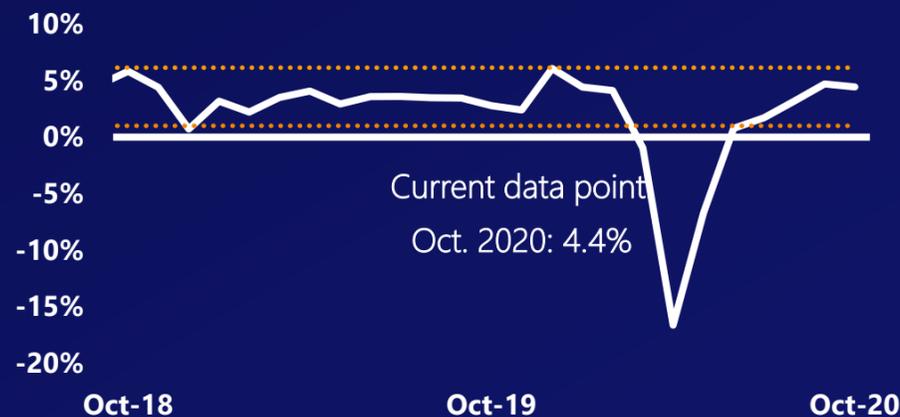
Retail sales lose some momentum in October

- October retail sales (excluding auto sales) rose 0.3 percentage points from September's level to a 4.4 percent year-over-year (YoY) growth rate. Non-store (e-commerce) sales remained robust in October and are up 26.3 percent YoY. Gasoline sales and clothing sales were down 13.7 and 11.3 percent, respectively, reflecting the ongoing pandemic effects on these sectors of more people working from home. Control group sales* pointed towards a much slower pace of consumer spending to start Q4.
- Stimulus effects continued to support nominal disposable income growth, which rose 6.9 percent above last year's level. The all-important wage and salary component returned to positive territory for the first time since the trough of the recession in April, rising 0.5 percent YoY. The saving rate remained elevated, at 14.3 percent.
- Nominal consumer spending accelerated again in September, rising 1.4 percent from the prior month. Nominal spending continued to slowly inch towards recovery, with total spending down 0.6 percent on a YoY basis. The recovery in consumer spending remained unequal across spending categories—goods purchases were up 8.2 percent YoY versus services spending, which remained down (4.6 percent) relative to last year's levels.

Key monthly consumer indicators:

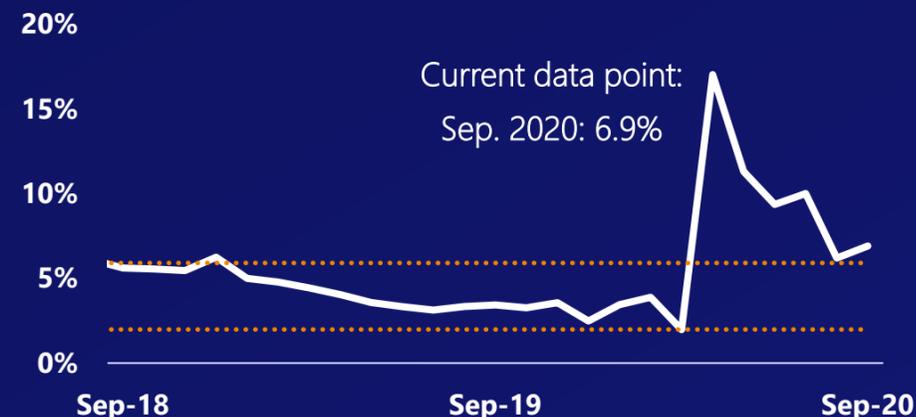
Retail sales excluding auto sales

YoY percent change



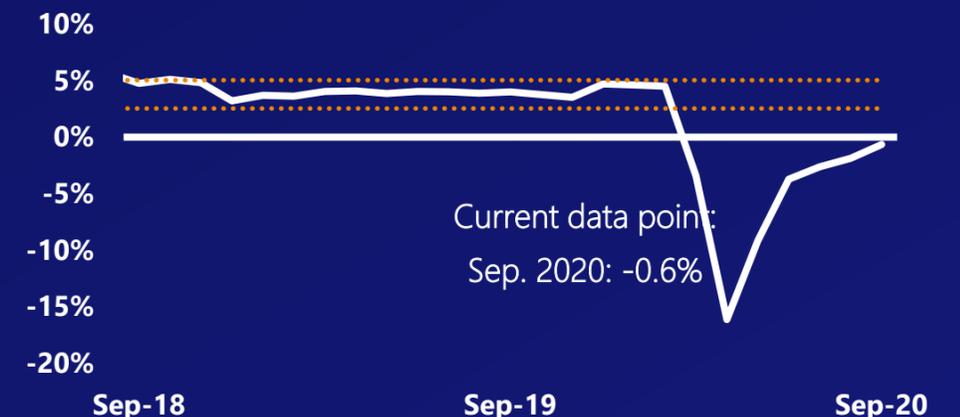
Nominal disposable personal income

YoY percent change



Nominal personal spending

YoY percent change



The orange lines represent the normal range for each measure for the prior expansion, defined as one standard deviation above and below the average change from July 2009 to February 2020.

*The control group within retail sales is defined as total retail sales excluding food services, gas stations, autos and building materials sales.

Sources: Visa Business and Economic Insights and U.S. Department of Commerce

Visa's analysis of current economic data indicates that U.S. consumer activity decelerated in October.



"After a strong September, consumer price growth, consumer confidence, and job growth all took a slight step backward in October. New spikes in COVID cases and the lack of a new stimulus package have impeded the rebound in confidence."

Travis Clark
Associate U.S. Economist, Visa Inc.

Labor market recovery faces headwinds, as COVID cases spike

- After three consecutive months of consumer prices rising on a year-over-year (YoY) basis, consumer price growth slowed to 1.2 percent YoY from 1.4 percent in September. Used cars and trucks had the highest level of growth of all spending categories on a YoY basis for the second consecutive month, increasing 11.5 percent from last year.
- Consumer confidence was revised slightly downward, from 101.9 to 101.3 in September. October's confidence reading fell slightly to 100.9. Future expectations fell 4.5 points from September, while consumers' view of the present situation rose 5.7 points. While most income groups reported an increase in confidence, households making under \$15,000 had a 26.1 point drop month-over-month (MoM) in October as negotiations over a second stimulus bill faltered.
- September's job gains were revised up to 672,000 from the originally reported 661,000 jobs, which made October's job gains of 638,000 a deceleration in job growth of 44,000 MoM. New spikes in COVID cases and airline layoffs slowed net hiring and have left the labor market 10.1 million jobs below the pre-COVID peak in February. The unemployment rate decreased 1 percentage point in October, finishing the month at 6.9 percent.

Key monthly consumer indicators:

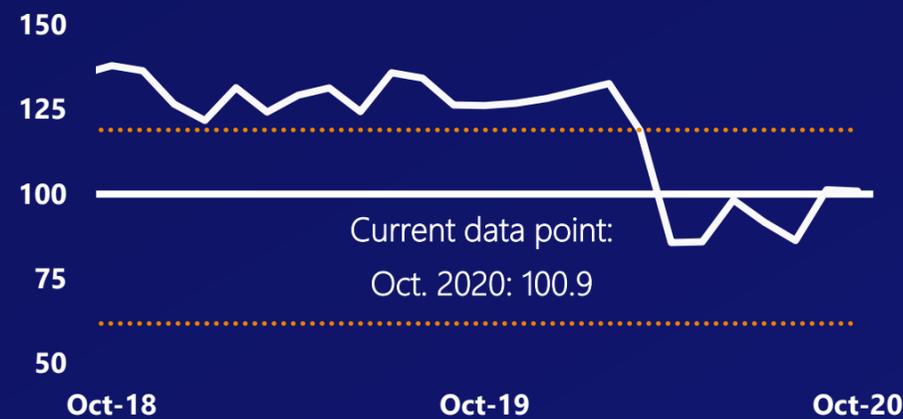
Consumer Price Index

Year-over-year percent change



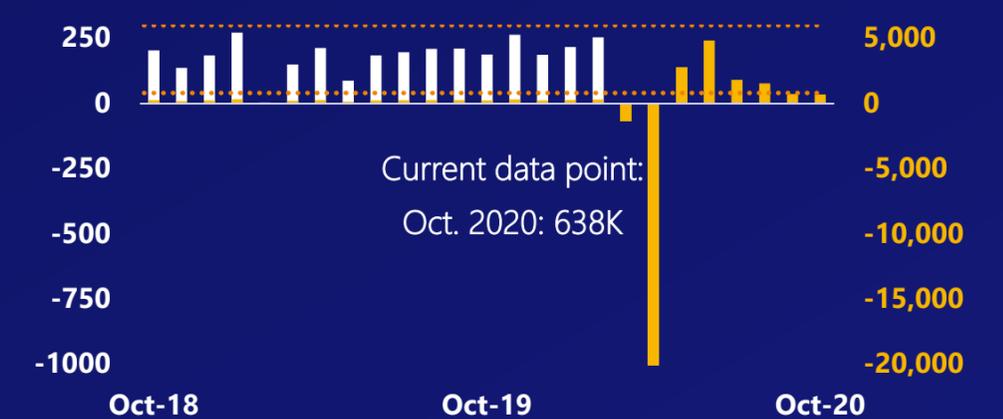
Consumer Confidence Index

Index, 1985=100



Monthly employment growth

Monthly change, in thousands



The orange lines represent the normal range for each measure for the prior expansion, defined as one standard deviation above and below the average change from July 2009 to February 2020.

Sources: Visa Business and Economic Insights, U.S. Department of Labor and Conference Board.

March-October job numbers shown on orange axis (right) due to the dramatic changes in those months.

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