

American Mood Trend

Consumers may see a brighter 2022 on the horizon

The Conference Board Consumer Confidence Index increased to 115.8 points in December, suggesting consumers headed into 2022 with a positive outlook for the coming year.

The **future expectations** component of the index increased by nearly seven points, while the **present situation** component remained flat, decreasing by just 0.3 points to 144.1 and still struggling to get back to pre-pandemic levels.

Consumers' impressions of current business conditions were "less negative." The differential—the percentage of consumers who view the category positively minus those who see it negatively—was -6.9 percent, up from -9.4 percent in November.

This was also reflected in impressions of the present labor market, with a more than 42 percent differential of those viewing jobs currently "plentiful," down slightly from November's reading but remaining close to historical highs.

More consumers saw business conditions improving in the following six months, while fewer expected them to worsen. The differential improved to +8.8 percent, which bodes well for consumer momentum entering the new year. Income expectations—a strong indicator of consumer spending—remained strong with a positive differential of 6.5 percent.¹

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Key Points:



A strong increase in future expectations helped boost the Consumer Confidence Index, up 3.9 points in December



Inflation concerns decreased from their recent 13-year high, with 12-month expectations now at 6.9 percent

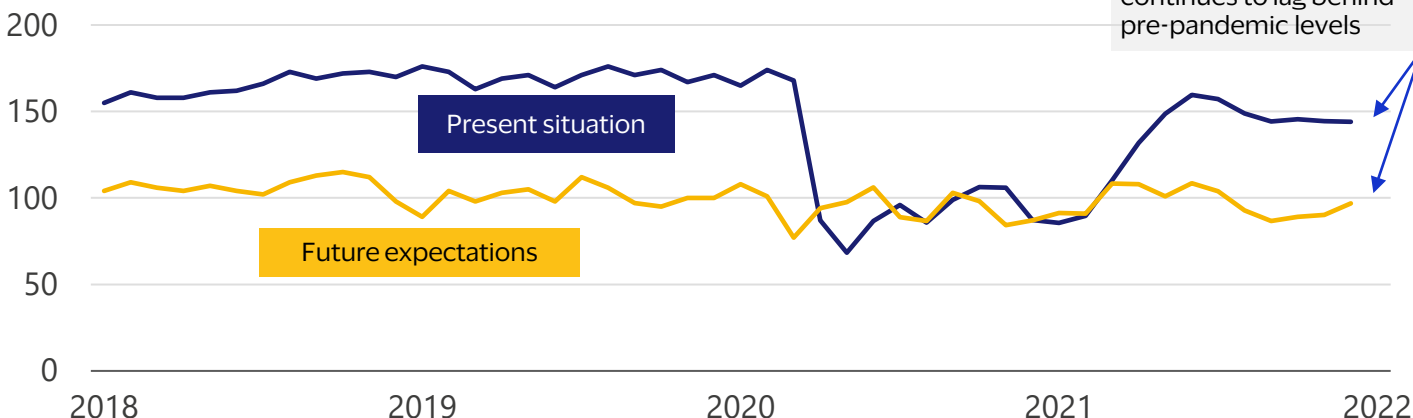


Consumers' concerns about their debt may lead to more conservative spending in the coming months

¹The Conference Board, Consumer Confidence Index, Present Situation Index and Expectations Index, December 22, 2021.



Fig. 1: Present situation holds steady and continues to lead overall index
(Consumer Confidence Index – Present Situation Index and Expectations Index*)



*Survey interviews conducted through December 16, 2021

Consumers’ assessment of the present economic situation held steady as inflation concerns declined from a recent 13-year high. Twelve-month expectations for inflation decreased to 6.9 percent in December, down from 7.3 percent in November.

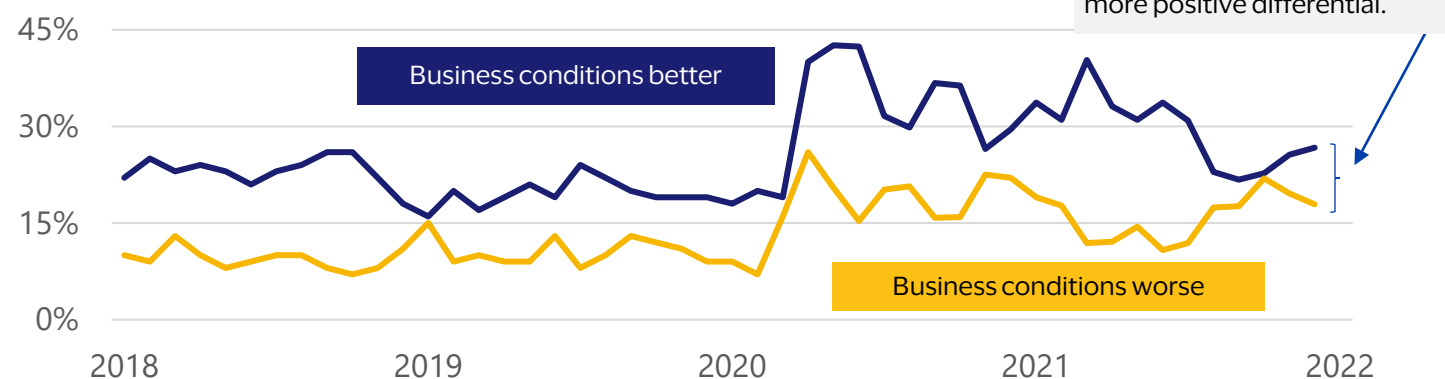
As a result, plans for durable-goods purchases, such as cars and homes, increased in December. Consumers’ current assessment of the labor market held strong—with 42.6 percent more consumers seeing jobs as “plentiful” relative to those who saw them as “hard to get.”

However, consumers’ expectations for future labor market conditions improved markedly, with 10.3 percent more consumers speculating there will be more jobs in the coming six months than those who believe there will be fewer.

This differential increased from 3.8 percent more in November and is a solid indication of confidence moving into 2022. The possibility of continued increases in gas prices may loom as a larger influence on consumer confidence in the coming months. With the potential for more consumers returning to commuting in 2022, gas purchases could once again become a larger portion of consumers’ budgets.

Additionally, with a survey cutoff date of December 16, the entire impact of the Omicron variant was still likely not captured in the initial December release. The path of the variant will also likely emerge as a key indicator of consumer confidence in the first several months of the new year. Should COVID cases and hospitalizations quickly dissipate, confidence could get a boost.

Fig. 2: Consumer confidence in future business conditions increases
(Business conditions – next six months, percent of consumers surveyed)



Source: Visa Business and Economic Insights; Conference Board, Consumer Confidence Index, released December 22, 2021

Consumers' uneasiness about debt levels may impact spending

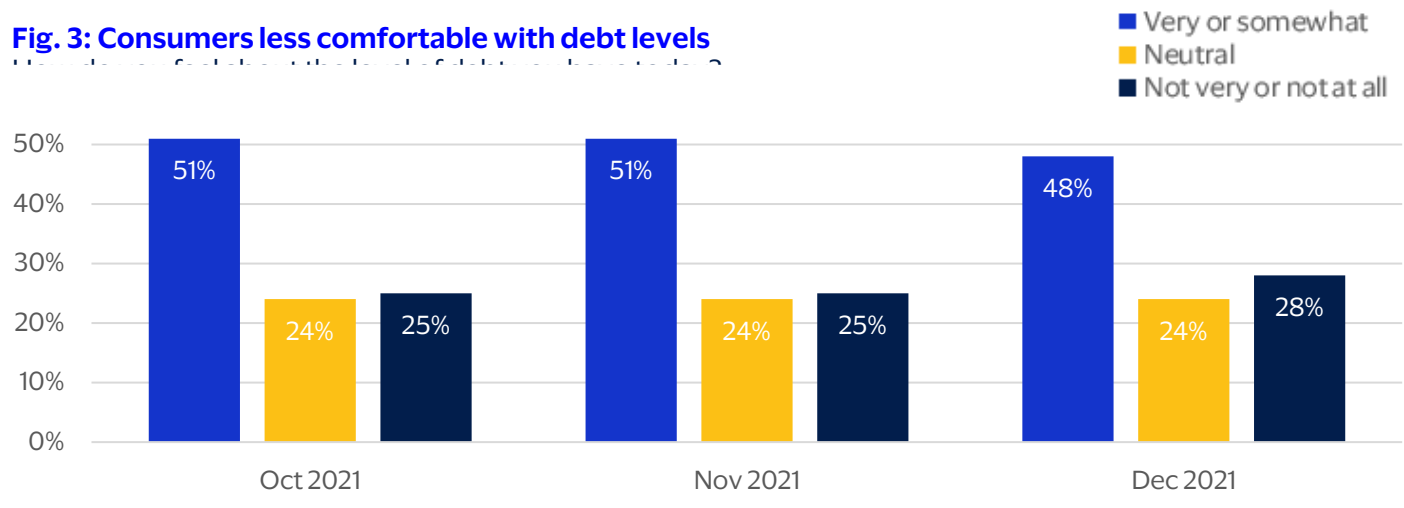
Roughly 50 percent of consumers remain comfortable with the amount of debt they have taken on, but their growing concern in December about debt could result in more conservative spending.

A slightly higher and significant percentage of consumers indicated that they were uncomfortable with their debt levels, reaching 28 percent in mid-December according to recent consumer survey data from CivicScience.

Even with these concerns, consumers expected their debt to be either somewhat or significantly lower in six months. Consumers believed that their debt, although concerning, was relatively manageable. Roughly half indicated they expected their debt to decrease in the coming months, with only 19 percent expecting their level of debt to rise.

Consumers said they will change their own behavior to lower debt levels. Those who were uncomfortable with the amount of their current debt were much more likely to say they will be conservative with their spending habits over the next six months. Half of consumers said they will practice more conservative spending over the next six months. One-fourth said they will be "very conservative" when it comes to their spending.²

Fig. 3: Consumers less comfortable with debt levels



Source: CivicScience, 12/16/2021

Why consumers choose not to fly

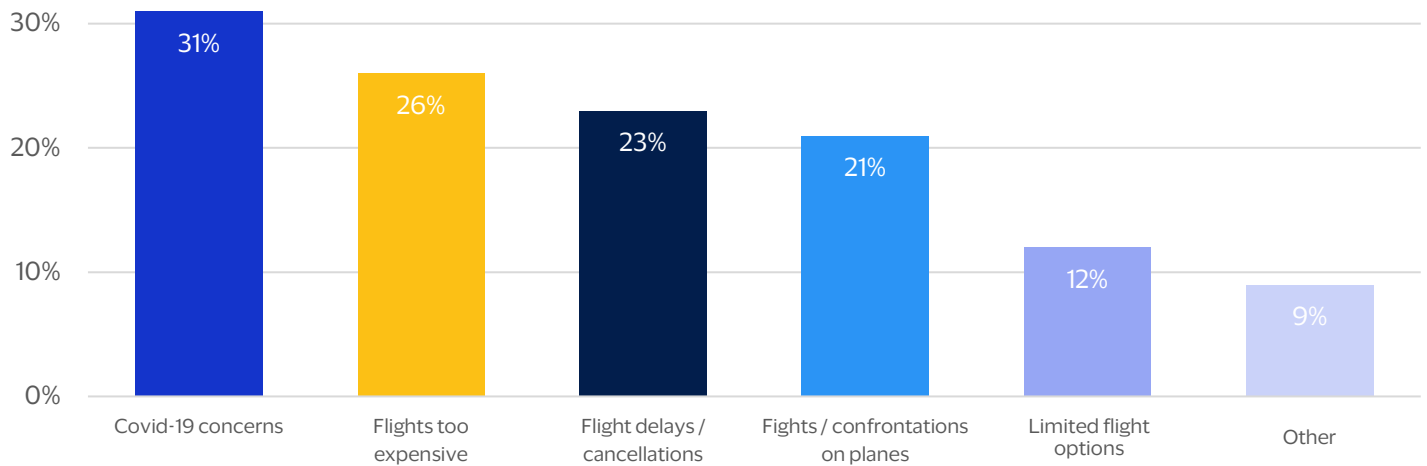
Covid concerns are not the only reason consumers may delay their return to the skies.

Nearly one-third of consumers indicated that COVID was still the reason they were reluctant to travel, but economic and supply chain issues, as well as "pandemic-era behavior" were also factors. More than one quarter of consumers said that flights were too expensive, and more than 20 percent cited either flight delays/cancellations (generally caused by airline labor shortages), or confrontations on airplanes as the reasons they stay on the ground. Airlines must deal with each of these issues—albeit with different causes—for some level of normality to return to travel in 2022. See the table on the next page for a more detailed look.

² CivicScience, "Growing Number of Americans Uncomfortable With Their Level of Debt," December 20, 2021. <https://civicscience.com/growing-number-of-americans-uncomfortable-with-their-level-of-debt/>

COVID tops reasons for consumers not flying

Why are you reluctant to travel by airplane right now (asked of typical airplane travelers)?



Source: CivicScience, 12/13/2021

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Accessibility notes

Figure 1: Line graph showing present situation ranging from 155.0 in Jan-2018 to a high of 176.0 in January and August of 2019, then hitting a sharp decline to 68.4 in May-2020, followed by a gradual recovery to a new high of 159.6 in Jun-2021 and finishing 2021 at 144.1. Future expectations ranged from 104.0 in Jan-2018 to a high of 115.0 in Oct-2018, a low of 77.0 in Mar-2020, reaching a new high of 108.5 in Jun-2021 and finishing 2021 at 96.9.

Figure 2: Line chart showing the percentage of consumers who believe business conditions will be better ranging from 22% in Jan-2018 to a low of 16% in Jan-2019, a high of 43% in May-2020, and a gradual decline since then to finish 2021 at 27%. In comparison, those who believe the conditions will be worse ranged from 10% in Jan-2018 to a low of 7% in Oct-2018 and Feb-2020, a high of 26% in Apr-2020, and finishing 2021 at 18%. The difference between the two has expanded since October of 2021.

Figure 3: Column chart showing that 51% of consumers were “very or somewhat” comfortable with their debt levels in October and November of 2021, dropping to 48% in December. The percentage of consumers who were “neutral” remained at 24% across all 3 time periods. The percentage of consumers “not very or not at all” comfortable was 25% in October and November, but jumped to 28% in December.

Figure 4: Column chart showing 31% of consumers say they are reluctant to travel by plane due to Covid concerns, while 26% believe flights are too expensive, 23% cite flight delays or cancellations, 21% cite fights or confrontations on planes, 12% cite limited flight options, and 9% cite “other” reasons.