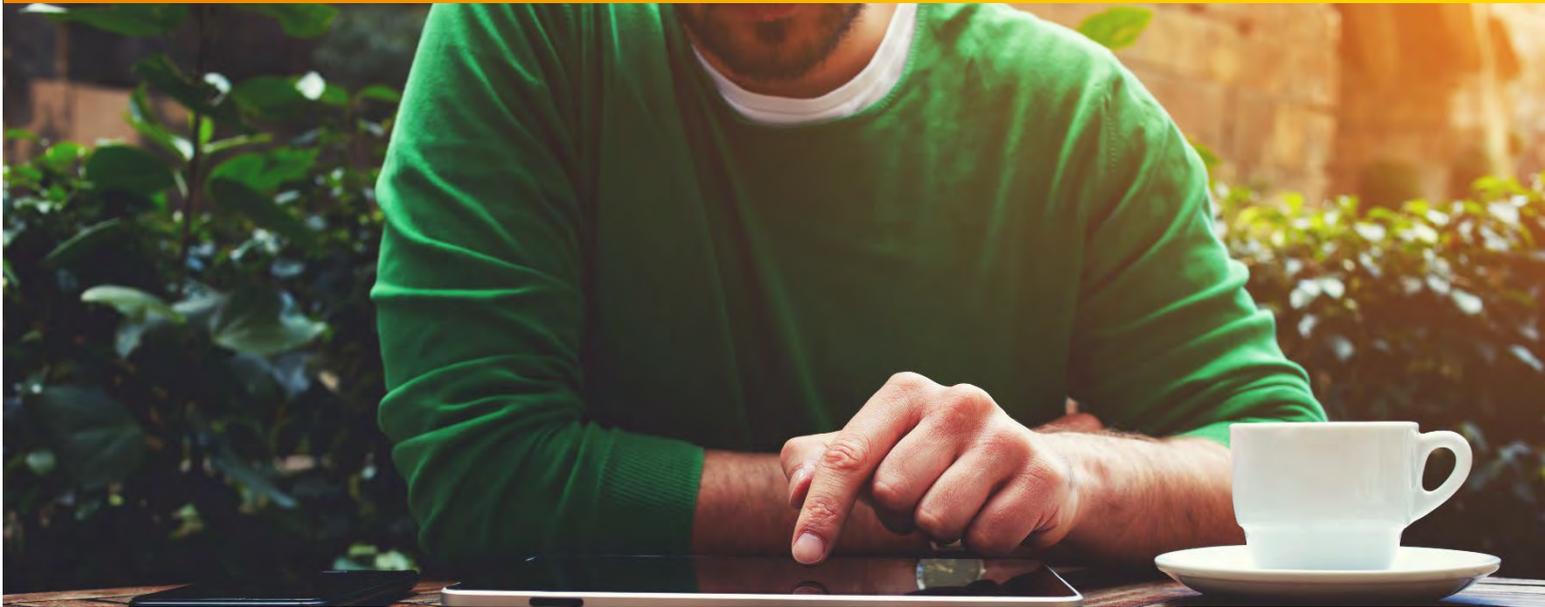


American Mood Trend



Consumer confidence

Holiday spending mood is good, but how and what consumers are buying is shifting this year

The Conference Board headline Consumer Confidence Index decreased slightly to 100.9 in October from a downwardly revised 101.3 in September. Consumers' confidence in current economic conditions diverged from their future expectations, with stronger confidence in current conditions, up from 98.9 to 104.6, but lower expectations of future income, business and labor market conditions. The expectations component decreased to 98.4 from 102.9 in September.

Based on consumers' assessment of current business and labor market conditions, the Present Situation Index decelerated in October, gaining only 5.7 points compared to a 12.7 leap the previous month. This could be due to a softening short-term outlook for jobs as more layoffs move from the temporary to permanent category. The Present Situation assessment remains well below the pre-pandemic level of 168. The Expectations Index has been much less volatile throughout 2020 and remains close to the pandemic high of 106.1 in June. Consumers demonstrated enough uncertainty about the pandemic, the economy, and the election, however, to give back some of last month's gains.

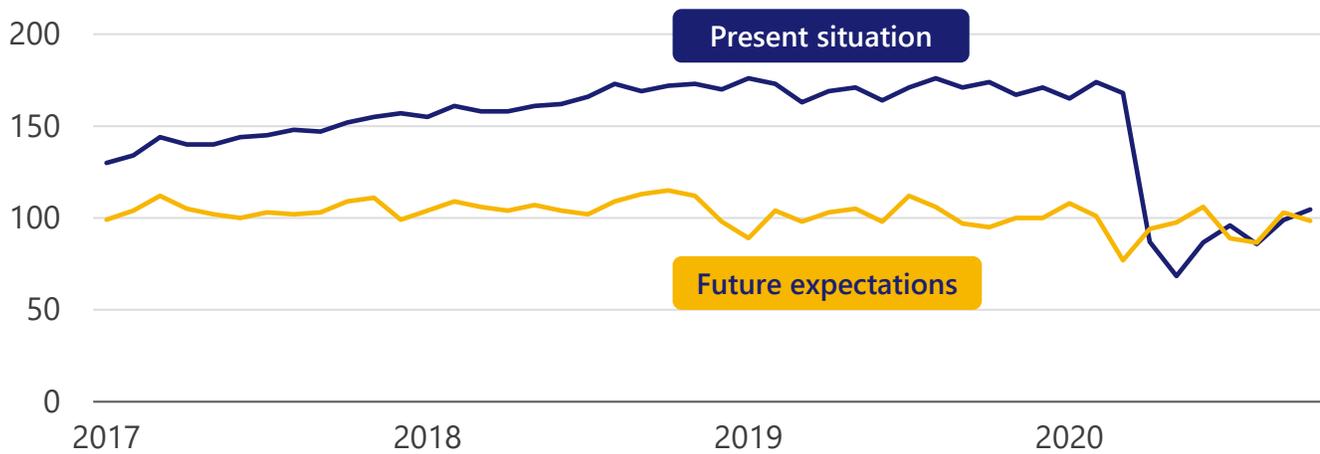
October consumer confidence decreased slightly with a divergence between present and future expectations

Employment outlook improved slightly; however, temporary job losses could shift to permanent

Consumers' holiday spending mood is positive, but focused on goods—not experiences or travel

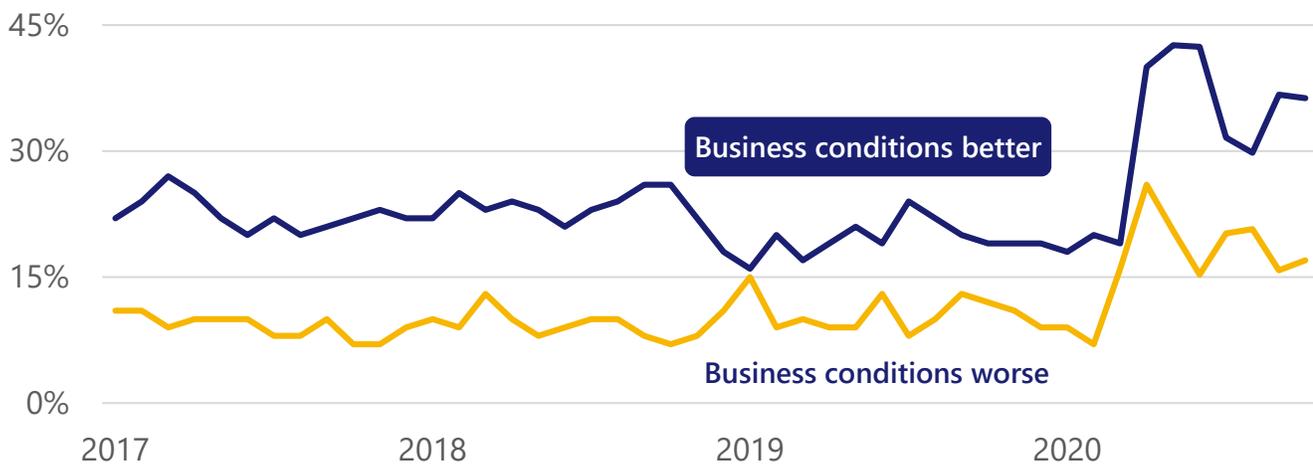


Consumer confidence – present situation and expectations*



*October survey interviews conducted through October 16, 2020

Business conditions – next six months



Source: Conference Board

The percentage of consumers who believe business conditions will improve in the coming six months decreased just slightly from 36.7 to 36.3 percent. Normally, two-thirds of consumers expect no change to business conditions. Since March, however, the percent of consumers indicating a change is likely—positive or negative—has held above 50 percent. Consumers who believe that business conditions are “bad” decreased from 37.0 percent to 33.9 percent. Those who believe business conditions are “good” remained stable, moving from 17.6 percent in September to 17.5 percent in October. Although the differential between positive and negative future business sentiment has remained positive throughout 2020, the positive differential narrowed from 20.9 to 19.3 in October. Conversely, the negative differential for present business conditions improved slightly to -16.4 percent.

Consumers’ assessment of the labor market seems to be improving. Those who feel jobs are “plentiful” increased from 23.6 to 26.5 percent in October, while those saying jobs are “hard to get” decreased from 20.3 to 19.9 percent. The positive differential between the two metrics increased to +6.6—marking a much more optimistic view of the job market moving forward since the low of -15 in April. The waning portion of layoffs noted as “temporary” and new rounds of layoffs at several large companies may negatively impact job market optimism moving forward.



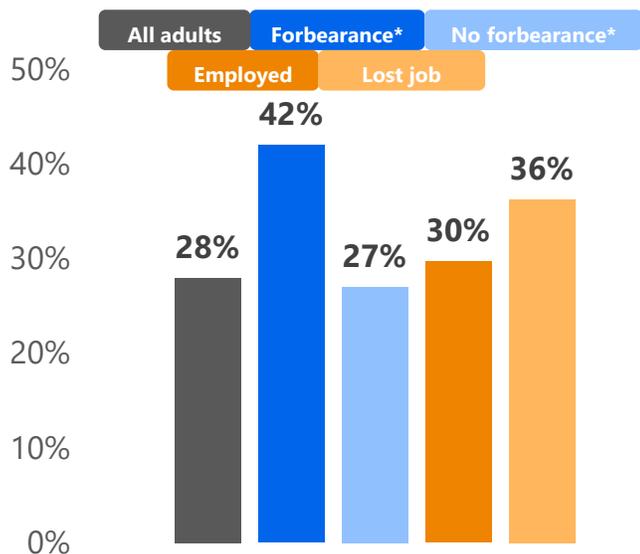
Holiday spending mood is positive; e-commerce and goods purchasing lead the way, but debt forbearance influences choices

Consumers indicate that they are relatively sanguine about their holiday spending plans. A majority (65 percent) of consumers indicate that they will likely spend the same or more on gifts in 2020 compared to 2019, despite the recession and continued economic hardships for many. [See holiday forecast at www.visa.com/EconomicInsights]. Economic optimism is a key factor, as consumers who are positive on the economy or feel the U.S. is “headed in the right direction” show a higher likelihood of spending *more* this holiday season. Interestingly, debt accommodation also emerged as a factor spurring an increase, with nearly 28 percent of consumers with a debt forbearance or deferral indicating that they will be spending more this holiday season, compared to just over 8 percent of the consumer population overall.

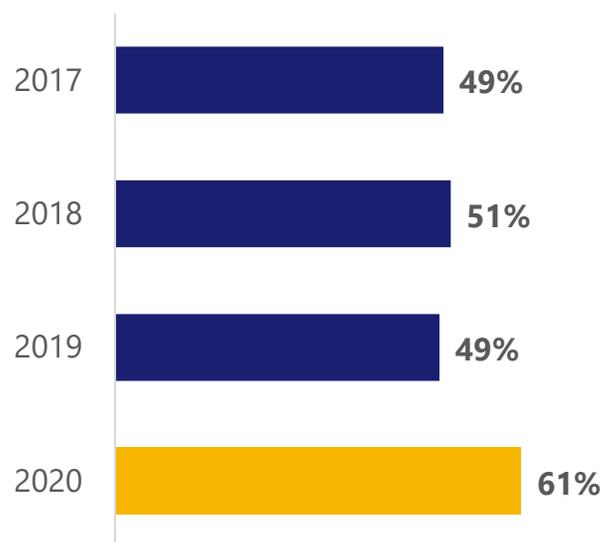
Behavior changes precipitated in large part by the pandemic have extended into consumers’ holiday shopping mood. This holiday season, consumers plan to spend more on goods, but less on travel and experiences. They also plan to increase their online spending for holiday shopping. This is consistent with a broader consumer behavior change in 2020, with consumers embracing the online channel for a broader array of transaction types. More than 60 percent of consumers—and 53 percent of those 55 or older—will do more than half of their holiday shopping online, up from roughly half of consumers in each of the three previous years.

As expected, the pandemic has impacted consumers’ holiday travel plans, with only 24 percent indicating they plan to travel, and an even smaller 17 percent of consumers 55 or older planning holiday travel. The availability of funds due to a debt accommodation has also had a major impact on holiday travel planning, with *more than half* of consumers with a forbearance or deferral (14% of the consumer population) indicating they plan to travel during the holidays. Among those who plan to travel, most will drive instead of flying. Additionally, 28 percent of consumers had planned holiday travel but altered their plans due to the pandemic. This percentage increases for consumers who have lost their job (36 percent) and also for those with a debt forbearance or deferral (42 percent).

Consumers who changed holiday travel plans due to COVID-19 (percent according to forbearance* or employment circumstances)



Consumers who plan to do more than half of holiday shopping online



Sources: Prosper Analytics; Visa Business and Economic Insights. * Forbearance or deferral on any debt payment.



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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

Jeffrey Roach, Senior U.S. Economist

Dulguun Batbold, Global Economist

Weiwen Ng, Asia Pacific Economist

Angelina Pascual, European Economist

Travis Clark, Associate U.S. Economist

Mariamawit Tadesse, Associate Global Economist

Juliana Tang, Executive Assistant

For more information

Please visit us at
www.visa.com/EconomicInsights

Contact us at
VisaEconomicInsights@visa.com

