

American Mood Trend

December 2021



Consumers' inflation concerns increase, confidence decreases

The Conference Board Consumer Confidence Index decreased slightly in November to 109.5, below expectations and largely due to ongoing inflation concerns.¹ These slight declines hit both the *present situation* and *future expectations* components of the index.² The future expectations component decreased 1.4 points to 87.6, remaining well below the present situation component, which decreased 3 points to 142.5.

Consumers' current impressions of the labor market and business conditions show a disconnect with future expectations. The differentials—percentage of consumers who view the category positively minus those who see it as negative—are headed in opposite directions.

The present labor market conditions differential improved to an all-time high of +46.9, while future labor market assessment moved slightly less positive in November. Consumers have a negative impression of current business conditions but were more positive in November regarding future business conditions. This disconnect exemplifies the volatility and uncertainty consumers see in the present and immediate future.

¹ The Conference Board Consumer Confidence Index, released November 30, 2021.

² The Conference Board, Consumer Confidence Index, Present Situation Index and Expectations Index, released November 30, 2021.

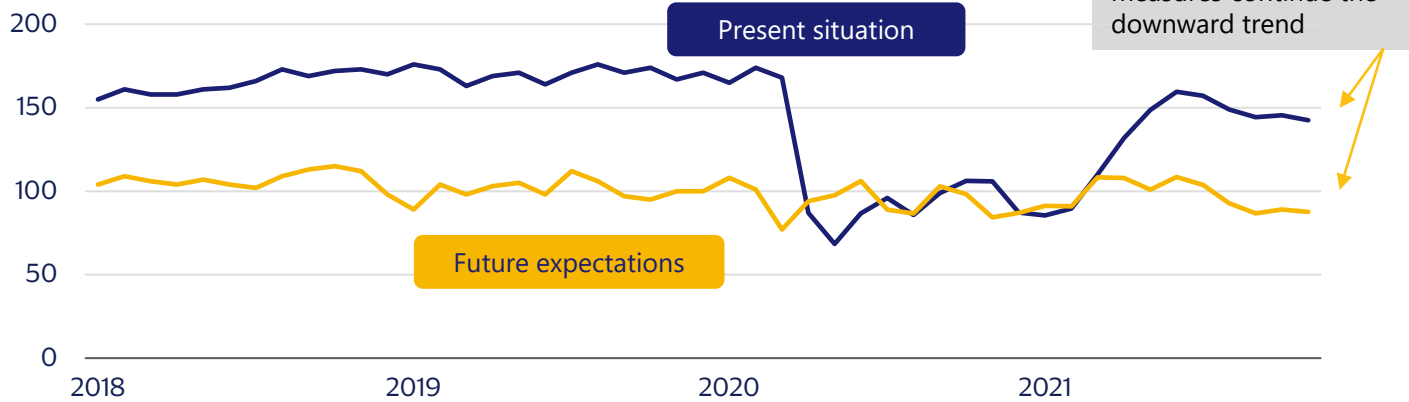
Key Points:

The Consumer Confidence Index decreased 2.1 points in November, with slight declines in both the Present Situation and Future Expectations components of the index.

Inflation concerns increased markedly, with 12-month expectations up to 7.6 percent.

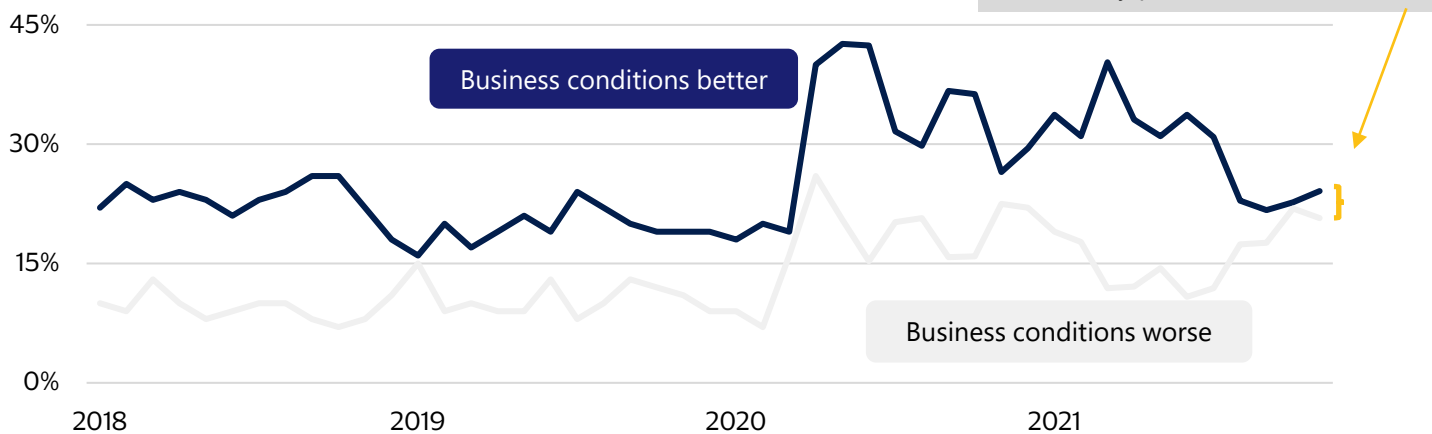
The Omicron variant did not impact initial November numbers, according to our analysis, but could influence revisions and December confidence.

Present situation declines but continues to lead the overall confidence index (Consumer Confidence Index – Present Situation Index and Expectations Index*)



*Survey interviews conducted through November 19, 2021

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



Sources: Visa Business and Economic Insights; Conference Board, Consumer Confidence Index, released November 30, 2021.

Consumers' current assessment of the labor market declined as inflation concerns continued to impact confidence. Twelve-month expectations for inflation increased to 7.6 percent in November, up from 7.1 percent in October, already a 13-year-high. As a result, consumers have scaled back their plans for durable-goods purchases, such as cars, homes and major appliances.

Consumers' current assessment of the labor market strengthened—with 46.9 percent more consumers seeing jobs as "plentiful" relative to those who saw them as "hard to get." However, their expectations for future conditions weakened, with only 3.2 percent more consumers speculating there will be more jobs in the coming six months than those who believe there will be fewer. This differential narrowed from 5.7 percent more in October. The positive effect from labor market assessment was likely partially offset by inflation concerns.

The differential between consumers who viewed present business conditions as "good" versus "bad" weakened further in November, with fewer consumers viewing them as "good" relative to a higher percentage of consumers who viewed business conditions as "bad," moving the differential to -12 percent (from October's - 7.4 percent). Conversely, future business conditions improved slightly to a positive differential of 3.4 percent, with an increase in the percentage of consumers expecting business conditions to improve.

Omicron variant: “consumers don’t know what they don’t know”

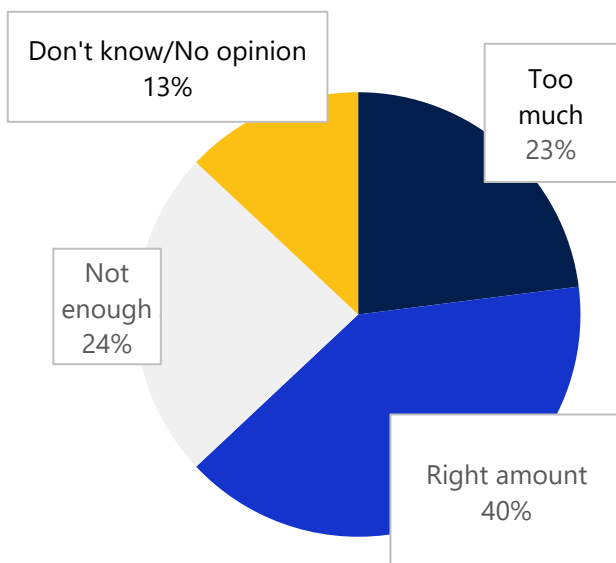
Concern about the Omicron variant did not affect the November confidence numbers, as surveys for the initial readings ended on November 19, prior to its identification on November 25. It remains to be seen the extent to which Omicron will affect consumers’ impressions of the economy, the labor market, confidence overall and, in turn, their spending behaviors. The impact will depend on continued health and safety concerns, which could curtail holiday travel and/or the reemergence of public activities like eating in restaurants or in-store shopping. On the other hand, “pandemic fatigue” may provide momentum for consumers to engage in activity that they limited in the face of past variants. Initial consumer polling, conducted by Morning Consult on November 29-30, indicates that a substantial portion of consumers believe that public concern is commensurate with the perceived threat.³ As more information about the variant is discovered, the potential impact to consumer confidence will become clearer.

With the potential reemergence of COVID-related threats comes the increased importance of online shopping for holiday spending. December holiday shopping may, therefore, look different compared to pre-Omicron holiday shopping. A majority of consumers had indicated in past months that they were comfortable shopping in physical stores. As such, in-store holiday shopping had come back into prominence. Should Omicron give consumers a reason to stay indoors again, December shopping may more closely resemble 2020—with the online channel once again becoming predominant.

According to consumer survey data from CivicScience, free shipping was cited as the most important or deciding factor for more than 40 percent of consumers’ choices for online shopping venues. Twenty percent indicated that using a trusted website was most important.⁴ While the pandemic may have spurred additional online shopping, and pandemic-learned behaviors may be affecting consumers’ shopping decisions, preferences and the level of importance for certain online shopping factors remain relatively consistent with pre-pandemic factors.

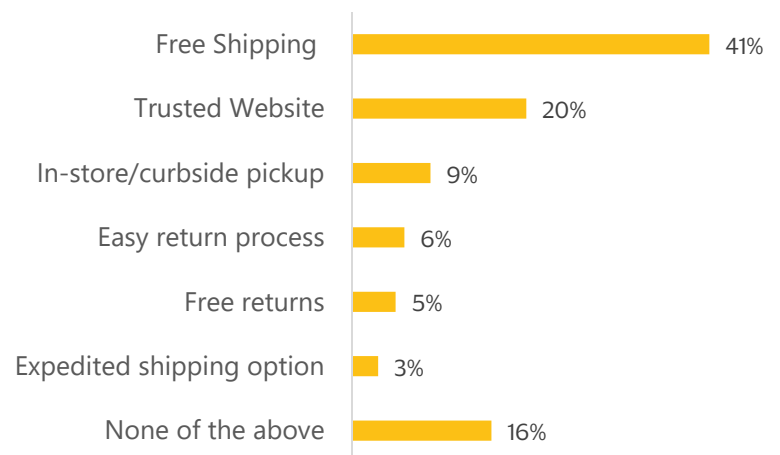
Plurality of consumers believe the public is “properly” concerned about the Omicron variant

(Survey: What is your assessment of the level of public concern over the Omicron variant of the coronavirus?)



Free shipping leads as most important decision factor for online shopping choice

(Survey: Which of the following is the MOST important to you when shopping online this holiday season?)



Sources: Visa Business and Economic Insights; Morning Consult; CivicScience

³Morning Consult, “Strong Majority of Adults Back Variety of Public Health Measures in Light of Omicron Variant, Including Travel Restrictions,” November 30, 2021; <https://morningconsult.com/2021/11/30/covid-omicron-variant-polling-data/>; ⁴CivicScience, “Free Shipping Tops the Holiday List,” November 29, 2021; <https://civicscience.com/free-shipping-tops-the-holiday-shopping-list/>

Accessibility Notes

Figure 1: Line chart for the Consumer Confidence Indices, with the first line for the Present Situation Index ranging from 155.0 in January 2018 to a high of 176.0 in January and August 2019, a low of 68.4 in May 2020 and the latest reading of 142.5 in November 2021. The second line for the Future Expectations Index ranges from 104.0 in Jan-18 to a high of 115.0 in Oct-18, a low of 77.0 in Mar-20, and the latest reading of 87.6 in Nov-21.

Figure 2: Line chart for the Consumer Confidence Indices of future business conditions for the coming six months, with the first line showing the percentage of consumers who believe business condition will get better, ranging from 22% in January 2018 to a low of 16% in January 2019, a high of 43% in May 2020, and the latest reading of 24% in November 2021. The second line shows those who believe conditions will get worse, ranging from 10% in Jan-18 to a low of 7% in Oct-18, a high of 26% in Apr-20, and the latest reading of 21% in Nov-21.

Figure 3: Pie chart shows the percentage of consumers who believe the level of public concern over the Omicron variant is "too much" (23%), "the right amount" (40%), "not enough" (24%), or "don't know/no opinion" (13%)

Figure 4: Chart shows consumers' most important decision in choosing where to shop online this holiday season. 41 percent cite free shipping, 20 percent cite a trusted website, 9 percent state in-store or curbside pickup, 6 percent cite an easy return process, 5 percent cite free returns, and 3 percent cite an option for expedited shipping. 16 percent cite none of the above.

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