

U.S. Regional Economic Outlook

October 2021

A faster, but uneven employment recovery

The Northeast was the only region that did not fully recover in the second quarter of this year. We had expected this based on our previous estimates, and suspect that by the end of Q3, all regions had recovered to their pre-recession peak level of output (gross domestic product, GDP). We lifted our U.S. employment forecast based on strong employment growth through August, as we now expect the nation to fully recover to its pre-pandemic employment levels in the fourth quarter of next year. The South and West will likely lead the employment recovery, since these regions should reach pre-pandemic employment levels in Q2-2022 and Q3-2022, respectively. The Northeast's reliance on tourism will likely push the region's employment recovery into Q1-2023. We expect supply chain disruptions to continue well into 2022, likely delaying the manufacturing-reliant Midwest's employment recovery to lag all other regions.

We estimate that all regions did recover pre-pandemic levels of consumer spending in the first quarter of this year. The South continued to experience the strongest consumer spending recovery among the four regions, with Q3 spending estimated at 9.7 percent above its pre-recession peak. The spike in COVID cases due to the Delta variant's spread was probably the culprit of a pullback in consumer confidence, which weighed on consumer spending in Q3. However, declining case counts and pent-up demand for services should lead to more robust consumer spending in Q4 across all regions.

Key Takeaways

Northeast will be strongest in consumer confidence

South will lead in consumer spending

South and West should be first to recover pre-pandemic employment levels

Midwest expected to lag all other regions in employment recovery

Fig. 1: Midwest and South to lead nation in confidence (Consumer Confidence by region)

Last forecast: October 18, 2021

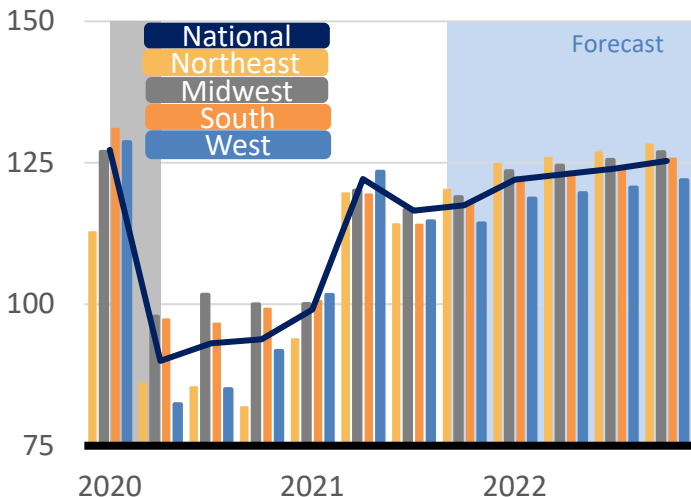
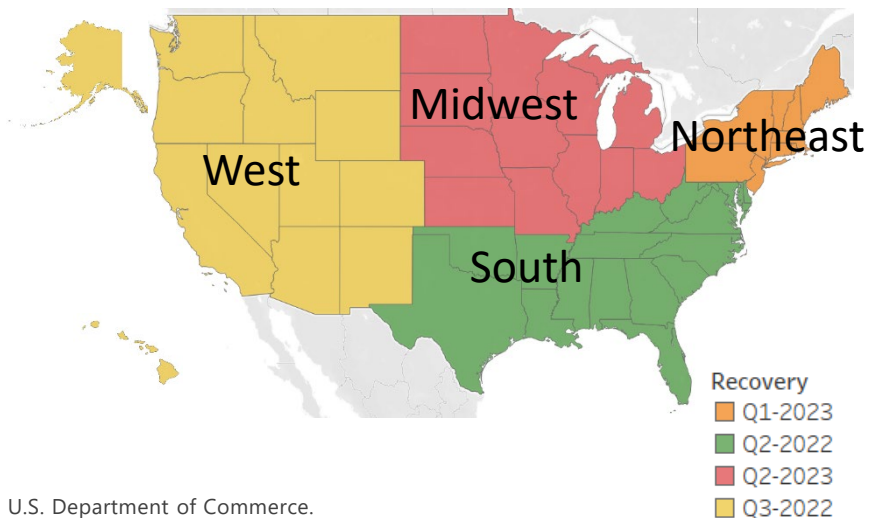


Fig. 2: The South will recover employment losses first (Employment recovery, by region)

Last forecast: October 18, 2021



*Sources: Visa Business and Economic Insights The Conference Board, U.S. Department of Commerce.

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Northeast

Fig. 3: Real gross domestic product (GDP) By region (SA*, YoY percent change)

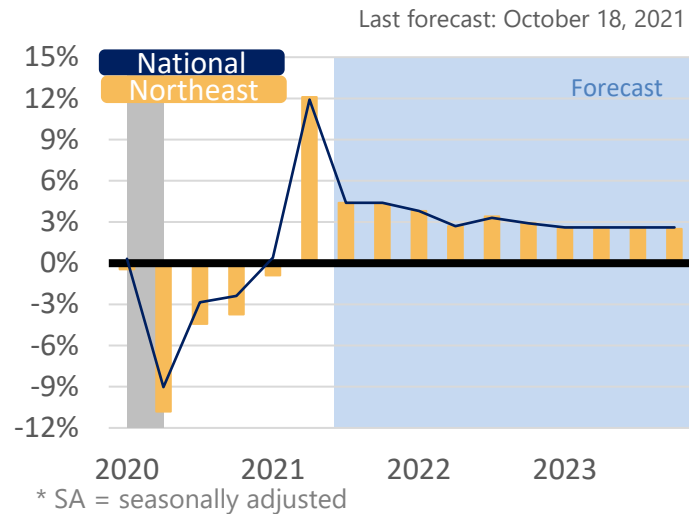
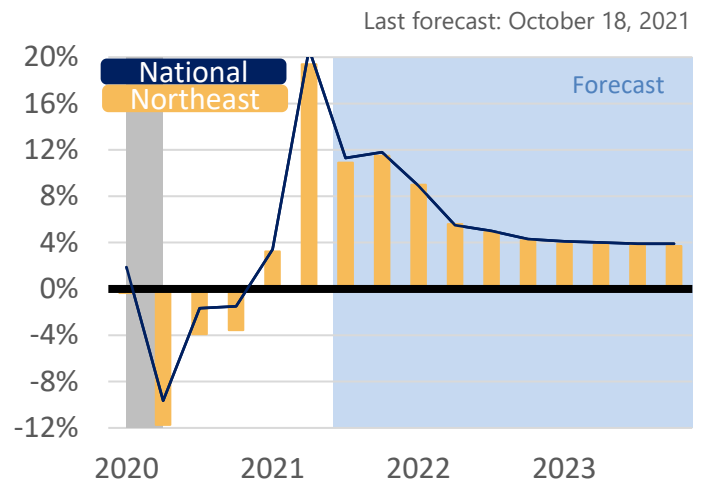


Fig. 4: Nominal personal consumption expenditures By region (SA*, YoY percent change)



A light at the end of the tunnel

The Northeast was the only region to not reach full recovery of pre-pandemic GDP in Q2 as the New England census division (Connecticut, Maine, Massachusetts, New Hampshire, Vermont and Rhode Island) was hampered by the lowest growth rate among all census divisions and the Mid Atlantic (New York, New Jersey, Pennsylvania) did not grow enough to offset the sluggishness in the New England census division. While tourism, education and health services output continued to suffer in Q2, a significant increase in consumer confidence helped lead to the largest year-over-year (YoY) increase in consumer spending among all regions in Q2. The Northeast recovered to pre-pandemic levels of GDP in Q3, likely due to employment and output gains in tourism, education and health services, as well as consumer spending.

Going forward, we expect that employment growth will ramp up in the Northeast as tourism returns to the area and sectors that are significant there, such as leisure, hospitality and education services, return to normal. While we expect that consumer spending growth in the Northeast will remain comparatively slow in Q3 and Q4 of this year, we are expecting a significant ramp up through the first two quarters of 2022 following a strong bounce back in consumer confidence in Q4. Maine, New Hampshire and Massachusetts were the only three states to recover their pre-pandemic levels of Gross State Product (GSP) in Q2 and we expect those states to continue to outperform the rest of this region through 2023. The return to normal and pent-up demand for services will benefit all three states due to the heavy concentration of output and employment in professional, education, health and retail services.

Northeast Region

	2021				2022				Forecast			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2020	2021	2022	2023
Gross Domestic Product (YoY % Chg.)	0.8	12.1	4.4	4.3	3.8	2.7	3.4	2.9	-4.6	5.4	3.2	2.6
Nominal Personal Consumption (YoY % Chg.)	3.2	19.4	10.9	11.5	9.0	5.6	4.9	4.2	-4.2	11.3	5.9	3.8
Consumer Confidence Index	93.8	119.6	114.1	120.2	124.8	125.8	126.9	128.2	91.5	111.9	126.4	131.7
Employment (YoY % Chg.)	-8.4	10.6	4.6	4.8	5.2	5.1	5.0	4.6	-8.8	2.9	5.0	3.5

Forecast as of: October 18, 2021

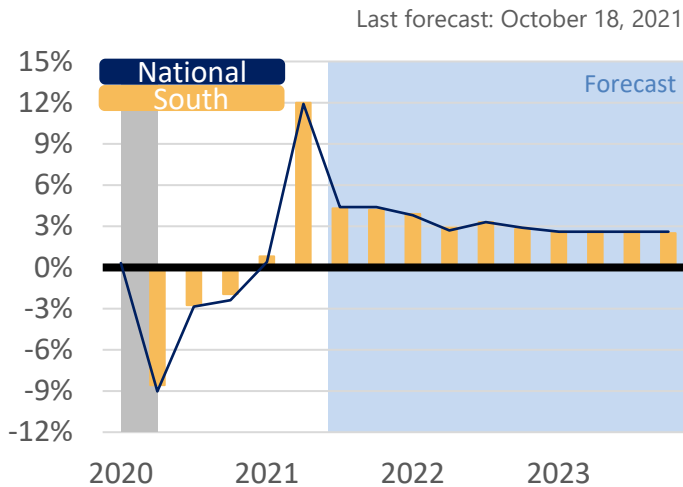
Sources: Visa Business and Economic Insights analysis of data from the U.S. Department of Commerce, U.S. Department of Labor and The Conference Board.

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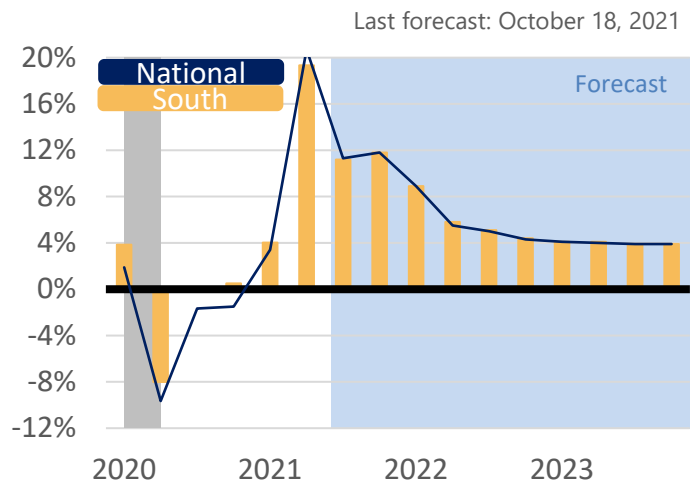
South

Fig. 5: Real gross domestic product (GDP) By region (SA*, YoY percent change)



* SA = seasonally adjusted

Fig. 6: Nominal personal consumption expenditures By region (SA*, YoY percent change)



Strong growth moderates, as bumps in the road appear

As expected, the South continued to post very strong GDP, consumer spending and employment growth in Q2. Increased migration to popular Southern metro areas was a large contributing factor to the robust growth numbers in Q2 as construction output and employment helped lift the region. However, the housing boom cooled off in Q3, which hampered the region. Additionally, the energy sector has been sluggish, which likely limited Q3 GDP and employment growth in Texas, Oklahoma and Louisiana. Additionally, supply chain disruptions have negatively impacted states that rely heavily on manufacturing like Alabama, Mississippi, Kentucky, Tennessee, North Carolina, South Carolina and Arkansas. Given these impediments, we expect that the South will underperform relative to other regions in GDP, consumer spending and employment growth in Q3.

Through the rest of 2021 we do expect that supply chain issues and a worker shortage in the energy sector will continue to limit GDP and employment growth in much of the South. However, thanks to favorable migration patterns, as well as consumers remaining relatively confident, we expect that consumer spending will bounce back quickly. Additionally, we expect that in mid to late 2022, supply chain issues will be resolved and the energy sector will rebound. This should lead to the robust growth the South has seen relative to other regions resuming in the latter half of 2022. We expect that Florida, Texas, Georgia, Tennessee and North Carolina will experience the strongest growth in the South going forward due to very favorable migration trends, an abundance of affordable housing and generally favorable conditions for businesses.

South Region	2021				2022				Actual	Forecast		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2020	2021	2022	2023
Gross Domestic Product (YoY % Chg.)	0.3	12.0	4.3	4.2	3.9	2.9	3.3	2.8	-3.2	5.2	3.3	2.6
Nominal Personal Consumption (YoY % Chg.)	4.0	19.3	11.2	11.8	8.9	5.8	5.1	4.4	-1.5	11.6	6.1	4.0
Consumer Confidence Index	100.6	119.4	114.0	117.9	122.4	123.4	124.4	125.7	106.0	113.0	124.0	129.2
Employment (YoY % Chg.)	-4.5	7.2	4.1	4.3	4.4	4.0	3.6	3.1	-4.9	2.8	3.8	2.2

Forecast as of: October 18, 2021

Sources: Visa Business and Economic Insights analysis of data from the U.S. Department of Commerce, U.S. Department of Labor and The Conference Board.

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Midwest

Fig. 7: Real gross domestic product (GDP) By region (SA*, YoY percent change)

Last forecast: October 18, 2021

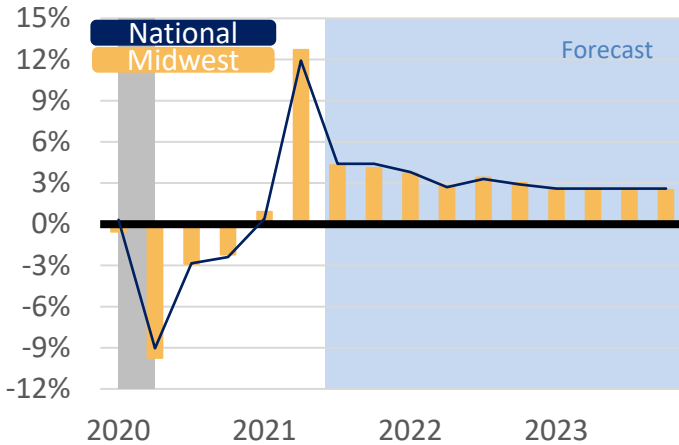
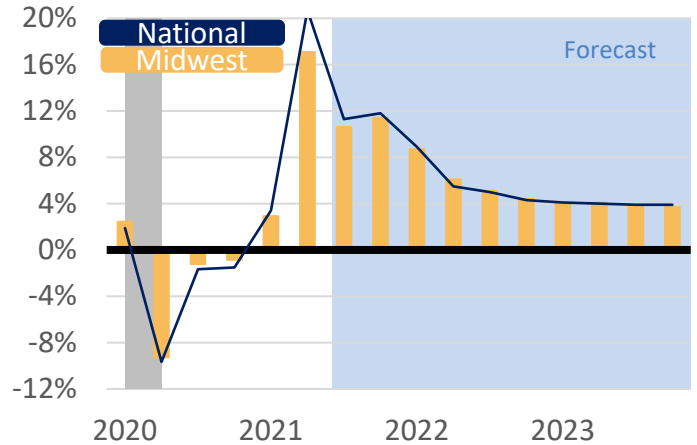


Fig. 8: Nominal personal consumption expenditures (by region, SA*, YoY percent change)

Last forecast: October 18, 2021



* SA = seasonally adjusted

Disrupted recovery

The strong rebound in consumer spending, consumer confidence and employment helped the Midwest fully recover to pre-pandemic levels of GDP in Q2. However, the Midwest's over reliance on manufacturing in the eastern part of the region and agriculture in the western part has left the area susceptible to the significant supply chain disruptions that started to ramp up in Q3. This led to a decline in consumer confidence and likely contributed to the weak GDP and consumer spending growth in Q3. Furthermore, the worker shortage in the domestic energy sector has negatively impacted states like North and South Dakota. We expect that these factors will continue to hamper the region through the rest of 2021.

Our forecasts suggest that employment, consumer spending and GDP growth will suffer through the first half of 2022, leading the region to underperform relative to the rest of the country. In the latter half of 2022, we do expect that resolved supply chain disruptions and a stronger energy sector will greatly benefit the region, which should lead to robust growth in employment, consumer spending and GDP. Given these headwinds and the East North Central division's very unfavorable net migration trends, we expect that the Midwest will be the last region to reach pre-pandemic levels of employment. While this region does have a tough road ahead, we expect Indiana, Kansas, Nebraska and Minnesota to rebound stronger than other states in the region thanks to favorable business policies and more positive in-migration trends than the rest of the region.

Midwest Region

	2021				2022				Actual	Forecast		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2020	2021	2022	2023
Gross Domestic Product (YoY % Chg.)	0.9	12.7	4.3	4.1	3.7	2.8	3.4	3.0	-3.6	5.5	3.2	2.5
Nominal Personal Consumption (YoY % Chg.)	2.9	17.1	10.6	11.4	8.7	6.1	5.1	4.4	-2.6	10.5	6.1	3.9
Consumer Confidence Index	100.0	120.1	116.7	118.9	123.5	124.5	125.5	126.9	106.6	113.9	125.1	130.3
Employment (YoY % Chg.)	-5.6	8.4	2.9	3.2	3.2	3.2	3.1	2.8	-6.3	2.2	3.1	2.1

Forecast as of: October 18, 2021

Sources: Visa Business and Economic Insights analysis of data from the U.S. Department of Commerce, U.S. Department of Labor and The Conference Board.

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West

Fig. 9: Real gross domestic product (GDP) By region (SA*, YoY percent change)

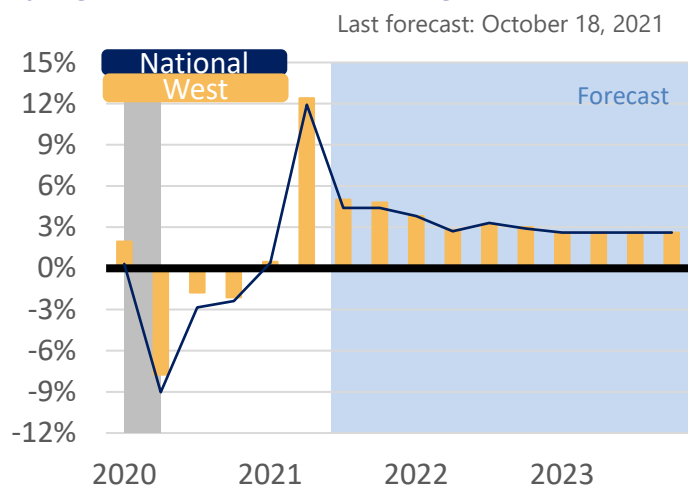
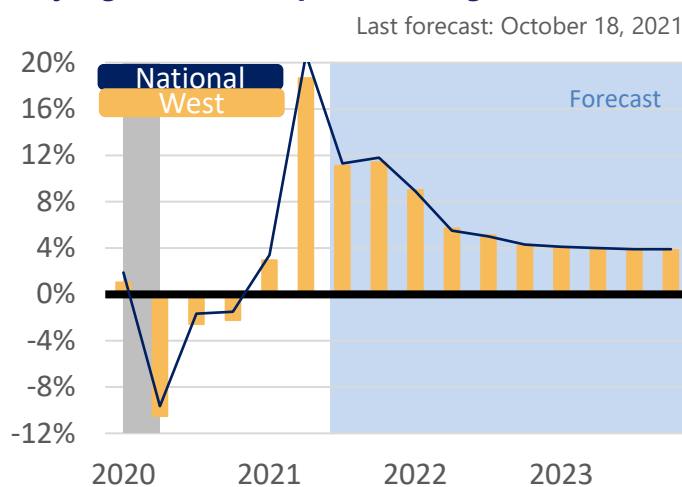


Fig. 10: Nominal personal consumption expenditures By region (SA*, YoY percent change)



* SA = seasonally

The West takes the lead

Revised Q1 GDP numbers showed that not only was the West much stronger coming out of a tumultuous 2020 than previously thought, but also that it was the first region to return to its pre-pandemic levels of GDP. Most states in the West recovered their pre-pandemic GDP level by Q1-21. The Q2-21 GDP numbers revealed robust growth that led to the West finishing the quarter 2.1 percentage points above its pre-pandemic peak—the best second quarter growth in the nation. A significant rebound in consumer confidence that translated into strong consumer spending growth and the hottest housing sector in the country drove this robust growth. Despite the cooling housing market and the hit to consumer confidence in Q3, we still believe that the West will likely lead all regions in terms of GDP growth.

Through the end of 2021, we expect robust GDP and employment growth from the West relative to the other regions. As tourism rebounds and employment growth accelerates, we expect the Pacific division (Alaska, California, Hawaii, Oregon, Washington) to grow faster than the Mountain West (Arizona, Colorado, Idaho, New Mexico, Montana, Utah, Nevada, Wyoming) due in part to the relative strength of consumer spending in Washington, Oregon and California. Also, many Mountain West states are largely dependent on non-energy mining and thus will likely continue to be negatively impacted by supply chain disruptions through the rest of this year. Our forecasts indicate that the Mountain West census division will start to outperform the Pacific census division in 2022 in terms of GDP and consumer spending growth when global and domestic supply chain disruptions are remedied. We expect the strongest long run growth of GDP and consumer spending in Utah, Colorado, Idaho, Nevada, Montana and Arizona due to continuing positive in-migration trends.

West Region	2021				2022				Forecast			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2020	2021	2022	2023
Gross Domestic Product (YoY % Chg.)	0.4	12.4	5.0	4.8	3.8	2.8	3.2	3.0	-2.6	5.6	3.2	2.6
Nominal Personal Consumption (YoY % Chg.)	3.0	18.7	11.1	11.4	9.0	5.7	5.1	4.2	-3.0	11.0	6.0	4.0
Consumer Confidence Index	101.7	123.4	114.7	114.3	118.7	119.6	120.6	121.9	96.9	113.5	120.2	125.2
Employment (YoY % Chg.)	-7.2	7.7	5.2	5.1	5.0	4.9	4.4	4.0	-6.4	2.7	4.6	2.8

Forecast as of: October 18, 2021

Sources: Visa Business and Economic Insights analysis of data from the U.S. Department of Commerce, U.S. Department of Labor and The Conference Board.

Accessibility Notes

Fig. 1: A bar chart for regional consumer confidence combined with a line for national consumer confidence, ranging from lows of 90 nationally (Q2-2020), 82 in the Northeast (Q4-2020), 97 in the South (Q3-2020), 98 in the Midwest (Q2-2020) and 82 in the West (Q2-2020) to highs of 127 nationally (Q1-2020), 120 in the Northeast (Q2-2021), 131 in the South (Q1-2020), 127 in the Midwest (Q1-2020), and 129 in the West (Q1-2020). The latest readings are 117 nationally, 114 in the Northeast and South, 117 in the Midwest and 115 in the West. Consumer confidence is forecast to finish 2021 at 118 nationally, 120 in the Northeast, 118 in the South, 119 in the Midwest, and 114 in the West. Confidence is forecast to finish 2022 at 125 nationally, 128 in the Northeast, 126 in the South, 127 in the Midwest, and 122 in the West. Confidence is forecast to finish 2023 at 131 nationally, 134 in the Northeast, 131 in the South, 133 in the Midwest, and 127 in the West.

Fig. 2: A map showing the quarter when each region is expected to reach its pre-pandemic level of employment. The South will reach that level in Q2-2022, while the West will reach it in Q3-2022, the Northeast will reach it in Q1-2023 and the Midwest will reach it in Q2-2023.

Fig. 3: Bar chart showing the Northeast's year-over-year (YoY) Gross Domestic Product (GDP) growth ranging from 2.0 percent in Q1-2019 to a low of -10.82 percent in Q2-2020 and a high of 12.1 percent in Q2-2021 combined with a line chart showing national YoY GDP growth ranging from 2.3 percent in Q1-2019 to a low of -9.03 percent in Q2-2020 and high of 11.9 percent in Q2-2021. YoY growth is forecast to reach 4.4 percent in Q3-2021 and 4.3 percent in Q4-2021 for the Northeast, while National growth is forecast at 4.4 percent for both of the last two quarters of 2021. The Northeast is forecast to finish 2022 and 2023 at 2.9 percent and 2.5 percent GDP growth, respectively, while national GDP growth is forecast to be at 2.9 percent and 2.6 percent, respectively, at year-end 2022 and 2023.

Fig. 4: Bar chart showing the Northeast's YoY Nominal Personal Consumption Expenditure (NPCE) growth ranging from 3.4 percent in Q1-2019 to a low of -11.7 percent in Q2-2020 and a high of 19.4 percent in Q2-2021, combined with a line chart showing national YoY NPCE growth ranging from 3.8 percent in Q1-2019 to a low of -9.7 percent YoY growth in Q2-2020 and a high of 20.7 percent in Q2-2021. YoY NPCE growth is forecast to reach 10.9 percent in Q3-2021 and 11.5 percent in Q4-2021 for the Northeast, with 11.3 percent and 11.8 percent, respectively, forecast at the national level. The Northeast is forecast to finish 2022 and 2023 with YoY NPCE growth at 4.2 percent and 3.7 percent, respectively, while national growth of 4.3 percent and 3.9 percent is expected at year-end 2022 and 2023.

Fig. 5: Bar chart showing the South's year-over-year (YoY) Gross Domestic Product (GDP) growth ranging from 2.5 percent in Q1-2019 to a low of -8.6 percent in Q2-2020 and a high of 12.0 percent in Q2-2021 combined with a line chart showing national YoY GDP growth ranging from 2.3 percent to a low of -9.0 percent YoY growth in Q2-2020 and a high of 11.9 percent in Q2-2021. YoY growth is forecast to reach 4.3 percent in Q3-2021 and 4.2 percent in Q4-2021 for the South, with 4.4 percent forecast for both Q3 and Q4 of 2021 at the national level. The South is forecast to finish 2022 and 2023 at 2.8 percent and 2.5 percent GDP growth respectively, while national growth of 2.9 percent and 2.6 percent is expected at year-end 2022 and 2023.

Fig. 6: Bar chart showing the South's YoY Nominal Personal Consumption Expenditure (NPCE) growth ranging from 3.6 percent in Q1-2019 to a low of -8.0 percent in Q2-2020 and a high of 19.3 percent in Q2-2021 combined with a line chart showing national YoY NPCE growth ranging from 3.8 percent to a low of -9.7 percent in Q2-2020 and a high of 20.7 percent in Q2-2021. YoY NPCE growth is forecast to reach 11.2 percent in Q3-2021 and 11.8 percent in Q4-2021 for the South, with 11.3 percent and 11.8 percent, respectively, forecast at the national level. The South is forecast to finish 2022 and 2023 with YoY NPCE growth at 4.4 percent and 3.9 percent, respectively, while national growth of 4.3 percent and 3.9 percent is expected at year-end 2022 and 2023.

Accessibility Notes (cont.)

Fig. 7: Bar chart showing the Midwest's year-over-year Gross Domestic Product (GDP) growth ranging from 1.1 percent in Q1-2019 to a low of -9.7 percent year-over-year (YoY) growth in Q2-2020 and a high of 12.7 percent in Q2-2021 combined with a line chart showing national YoY GDP growth ranging from 2.3 percent in Q1-2019 to a low of -9.0 percent YoY growth in Q2-2020 and high of 11.9 percent in Q2-2021. YoY GDP growth is forecast to reach 4.3 percent in Q3-2021 and 4.1 percent in Q4-2021 for the Midwest, while the national forecast will be 4.4 for both Q3 and Q4 2021. The Midwest is forecast to finish 2022 and 2023 at 3.0 and 2.5 percent GDP growth, respectively, while national GDP growth is forecast to be at 2.9 percent and 2.6 percent at year-end 2022 and 2023.

Fig. 8: Bar chart showing the Midwest's YoY Nominal Personal Consumption Expenditure (NPCE) growth ranging from 2.6 percent to a low of -9.3 percent YoY growth in Q2-2020 and a high of 17.1 percent in Q2-2021 combined with a line chart showing national YoY NPCE growth ranging from 3.8 percent to a low of -9.66 percent in Q2-2020 and a high of 20.7 percent in Q2-2021. YoY NPCE growth is forecast to reach 10.6 percent in Q3-2021 and 11.4 percent growth in Q4-2021 for the Midwest, with 11.3 percent and 11.8 percent, respectively forecast at the national level. The Midwest is forecast to finish 2022 and 2023 with YoY NPCE growth at 4.4 percent and 3.7 percent, respectively, while national growth of 4.3 percent and 3.9 percent is expected at year-end 2022 and 2023.

Fig. 9: Bar chart showing the West's year-over-year (YoY) Gross Domestic Product (GDP) growth ranging from 3.1 percent to a low of -7.8 percent in Q2-2020 and a high of 12.4 percent in Q2-2021 combined with a line chart showing national YoY GDP growth ranging from 2.3 percent in Q1-2019 to a low of -9.0 percent YoY growth in Q2-2020 and high of 11.9 percent in Q2-2021. YoY GDP growth is forecast to reach 5.0 percent YoY growth in Q3-2021 and 4.8 percent growth in Q4-2021 for the West, while the National forecast will be 4.4 for both Q3 and Q4 2021. The West is forecast to finish 2022 to 2023 at 3.0 percent and 2.6 percent GDP growth, respectively, while national GDP growth is forecast to be at 2.9 percent and 2.6 percent at year-end 2022 and 2023.

Fig. 10: Bar chart showing the Northeast's YoY Nominal Personal Consumption Expenditure (NPCE) growth ranging from 4.5 percent to a low of -10.5 percent in Q2-2020 and a high of 18.7 percent in Q2-2021 combined with a line chart showing national YoY NPCE growth ranging from 3.8 percent to a low of -9.66 percent in Q2-2020 and a high of 20.7 percent in Q2-2021. YoY NPCE growth is forecast to reach 11.1 percent YoY growth in Q3-2021 and 11.4 percent growth in Q4-2021 for the West, with 11.3 percent and 11.8 percent, respectively forecast at the national level. The West is forecast to finish 2022 and 2023 with YoY NPCE growth at 4.2 percent and 3.8 percent, respectively, while national growth of 4.3 percent and 3.9 percent is expected at year-end 2022 and 2023.

Forward Looking Statements

This report contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are generally identified by words such as “outlook,” “forecast,” “projected,” “could,” “expects,” “will” and other similar expressions. Examples of such forward-looking statements include, but are not limited to, statements we make about Visa’s business, economic outlooks, population expansion and analyses. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in our filings with the SEC. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise. Our forecast assumes the bulk of the negative effects of the COVID-19 outbreak will occur in the second quarter of this year with a gradual relaxing of social distancing guidelines over the second half of 2020.

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