

American Mood Trend

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Consumer confidence improves, future concerns persist

Despite ongoing concerns over inflation and global turmoil, the Conference Board Consumer Confidence Index increased slightly to 107.2 in March—up from 105.7 in February—after declines in each of the previous two months.¹ All of the positivity is rooted in the here and now. The *present situation* component of the index increased by 10 points, which marked the largest increase since May of 2021. The decline in COVID cases was likely a key driver of the gain. The *future expectations* component decreased by 4.2 points to 76.6.²

Jobs boost the present situation, inflation concerns cloud future expectations: Consumers remained very confident in the current job market, with more than 57 percent (an all-time high) seeing jobs as “plentiful” relative to those who see jobs as “hard to get.” Inflation expectations increased again to reach 7.9 percent, a 50-year high and a large jump from February’s 7.1 percent reading. This has impacted consumer views on income and future job market expectations, each of which tipped further towards the negative in March.

The present situation component has recovered roughly 80 percent of the more than 100 point pandemic drop, and was strong enough to move the needle on the overall index in March. **But consumers do not expect inflation to go away.** Gas and food prices and the invasion of Ukraine are the primary factors affecting the expectations component. Additionally, the Federal Reserve’s attempt to establish price stability presents another headwind for future expectations as rates rise and growth potentially slows in the coming months.

Key Points:



Consumer confidence improved slightly due to strong gains in the present situation component of the index.



Inflation concerns reached a 50-year high in March, likely influencing discretionary spending throughout 2022.



Consumers remained confident about short-term growth prospects—in particular the job market—but the future is mired in turmoil and uncertainty.

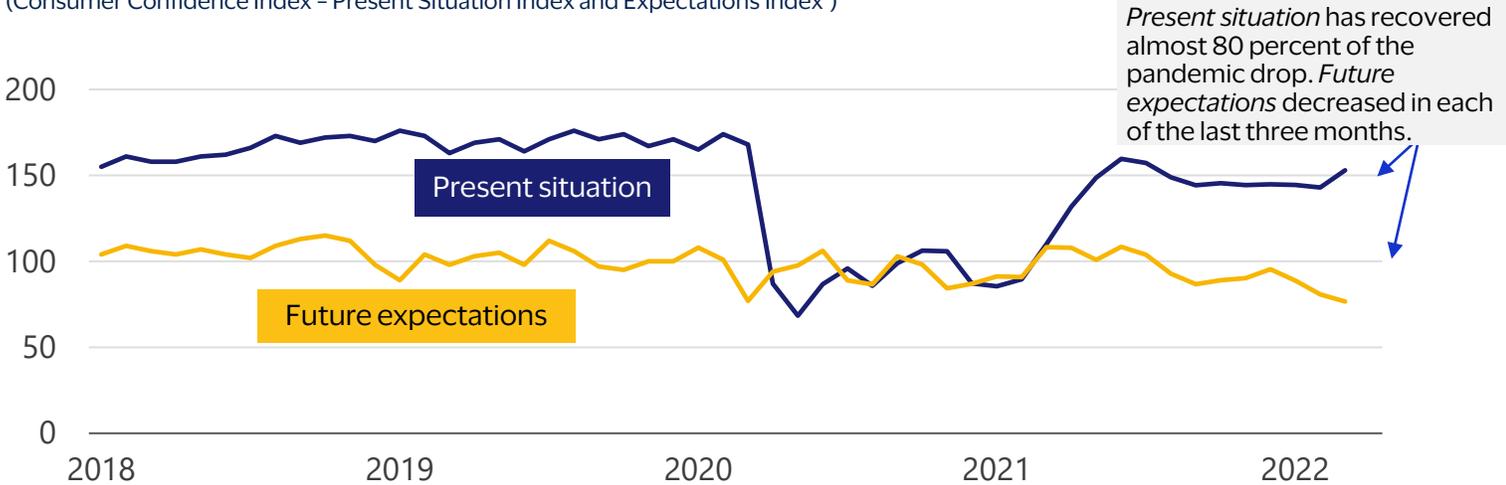
¹The Conference Board Consumer Confidence Index, released March 29, 2022.

²The Conference Board, Consumer Confidence Index, Present Situation Index and Expectations Index, released March 29, 2022.



Fig. 1: Present situation sub-index jumps while expectations take a further hit

(Consumer Confidence Index – Present Situation Index and Expectations Index*)



*Survey interviews conducted through March 23, 2022

Consumers' assessment of the economic situation improved slightly in March. The jump in the present situation component indicated that consumer spending continued to expand in Q1. Inflation concerns expanded to a 50-year high, increasing to 7.9 percent, well above November's recent high of 7.3 percent.

However, consumers viewed future business conditions as decidedly less rosy. The differential between those who expect them to improve and those who expect them to worsen turned negative in March. Inflation, supply chain issues and global turmoil likely influenced consumers' views.

The dichotomy between the present and the future continued. However, strength in the present situation component was enough to move the needle positively for the overall index in March, signaling a departure from January and February, when it declined.

Consumer expectations for future labor market conditions moved marginally negative, but the current robust job market held any major negativity in check. Those who expected more jobs in six months minus those who expected fewer came in at -0.3 (barely down from -0.2 in February). A slightly higher percentage expected there to be fewer jobs in the next six months.

Consumer assessment of the present labor market was exceptional, with an all-time high (57.2 percent) stating jobs were "plentiful," and fewer than 10 percent seeing jobs as "hard to get." The differential between the two remained close to the all-time high established in 2021.

Despite the increase in the overall index, consumer expectations and views on the economy remain fragile in the face of a variety of headwinds.

Fig. 2: Consumer confidence in future business conditions tumbles

(Business conditions – next six months, percent of consumers surveyed)

Expectations for future business conditions are now negative. As of March, an additional 5 percent of consumers expected business conditions to worsen.

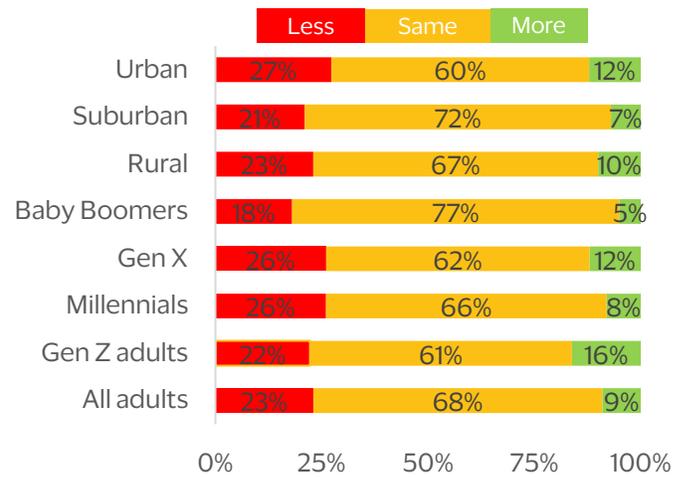


Sources: Visa Business and Economic Insights; Conference Board, Consumer Confidence Index, released March 29, 2022.

A substantial portion of consumers are buying less gas

Gas prices have had an impact on budgets, and consumers are adjusting, according to recent consumer survey data from Morning Consult.³ Consumers have already indicated they are purchasing less gas—particularly Gen X and millennial consumers, as well as urban dwellers. Gas as a budget item is often indicative of consumer spending in other categories. Rising or elevated gas prices tend to squeeze spending in other areas, particularly on non-discretionary purchases such as travel or other “luxuries.” This also may indicate a restriction of mobility, just as many are returning to office work and associated commuting. Additionally, the survey data was collected prior to the invasion of Ukraine as gas prices began to rise.

Fig. 3: Consumers are starting to buy less gasoline as prices remain high.

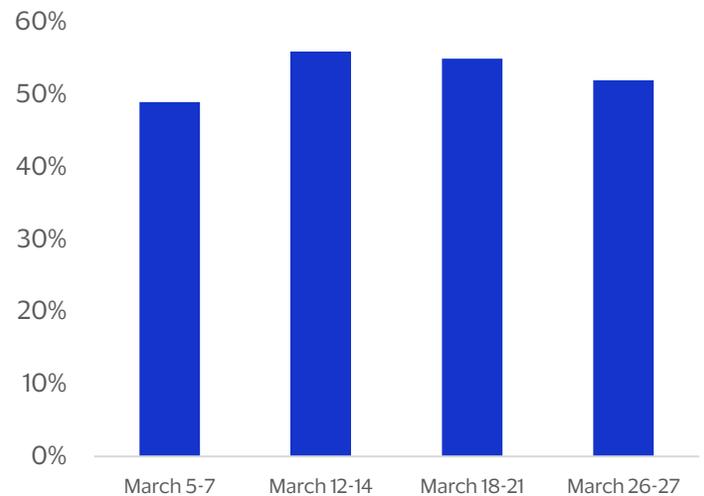


Source: Morning Consult consumer survey, February 2022

Consumers supported oil sanctions throughout March

A majority of U.S. registered voters continued to support sanctions on Russian oil and natural gas, despite the resulting higher prices. Support waned slightly towards the latter part of the month, but remained high. Gasoline is among the more visible components of consumers’ budgets, and U.S. consumers generally voice strong opinions for policies that promote lower gas prices. The strength and resolve that consumers show in the early months of the Ukraine conflict may continue to wane should high gas prices persist.

Fig. 4: Consumer* support for sanctions on Russian oil and natural gas



Source: Morning Consult consumer survey, March 2022
*Registered U.S. voters

³Morning Consult consumer survey, February 2022

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Accessibility notes

Figure 1: Consumer Confidence Indices, “Present Situation” and “Future Expectations” from 2018 through March 2022. Present Situation currently stands at 153.2, having increased over the past two months, and Future Expectations stands at 76.6, trending downward and slightly negative over the past month.

Figure 2: Consumer Confidence Indices of Future Business Conditions for the coming 6 months from 2018 through March 2022. Chart shows the percentage of consumers who believe business conditions will be better and those who believe they will be worse. Twenty-four percent of people believe they will be worse, 18 percent believe they will be better. The difference between the two has flipped to negative in the past two months after expanding positively from October through December of 2021.

Figure 3: 100% stacked bar chart showing the percentage of consumers who are purchasing more, the same, or less gas as a result of rising gasoline prices. Consumer survey data was gathered in February 2022. The following consumer groups are shown:

- All adults: 23% purchasing less gas; 68% purchasing the same amount; 9% purchasing more
- Gen Z adults: 22% purchasing less gas; 61% purchasing the same amount; 16% purchasing more
- Millennials: 26% purchasing less gas; 66% purchasing the same amount; 8% purchasing more
- Gen X: 26% purchasing less gas; 62% purchasing the same amount; 12% purchasing more
- Baby Boomers: 18% purchasing less gas; 77% purchasing the same amount; 5% purchasing more
- Rural consumers: 23% purchasing less gas; 67% purchasing the same amount; 10% purchasing more
- Suburban consumers: 21% purchasing less gas; 72% purchasing the same amount; 7% purchasing more
- Urban consumers: 27% purchasing less gas; 60% purchasing the same amount; 12% purchasing more

The data was sourced from a Morning Consult consumer survey from February 2022.

Figure 4: Column chart showing the percentages of registered U.S. voters who support sanctions on Russian oil and natural gas. Columns show the following:

- March 5-7: 49% support
- March 12-14: 56% support
- March 18-21: 55%
- March 26-27: 52%

The data was sourced from Morning Consult consumer surveys throughout March 2022.