

# American Mood Trend

## June consumer confidence: crossing the Rubicon?

The Conference Board Consumer Confidence Index **dropped 4.5 points in June to 98.7,**<sup>1</sup> its lowest level since February 2021. Inflation concerns spurred a **steep drop in the future expectations** component of the index, from 73.7 to 66.4, its lowest point since early 2013. Consumers remain confident in the present, likely due in part to continued job creation and strong employment. The present situation component moved only slightly—from 147.4 to 147.1.

Services spending weakened slightly, with consumer intentions to vacation softening. However, purchase plans for durable goods such as autos and major appliances increased.


**Inflation expectations jumped again to a new cycle high** of 8.0 percent after receding to 7.4 percent in May. Consumers remain concerned about persistently high food and gas prices. **Income expectations held positive,** with a slightly higher percentage of consumers anticipating incomes to increase over the coming six months.


Consumer confidence in 2022 has so far been characterized by the dichotomy between a positive perception of the present and negative outlook for the future. The most recent data may signal a departure from that trend, with pessimism in the future as a key influence making its way into consumers' present mood.


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### Key Points:

 The Future Expectations component of the Consumer Confidence Index fell to its lowest point in over 10 years in June

 A jump in inflation expectations—which adversely impacted the future expectations component—helped drive the drop in the index component

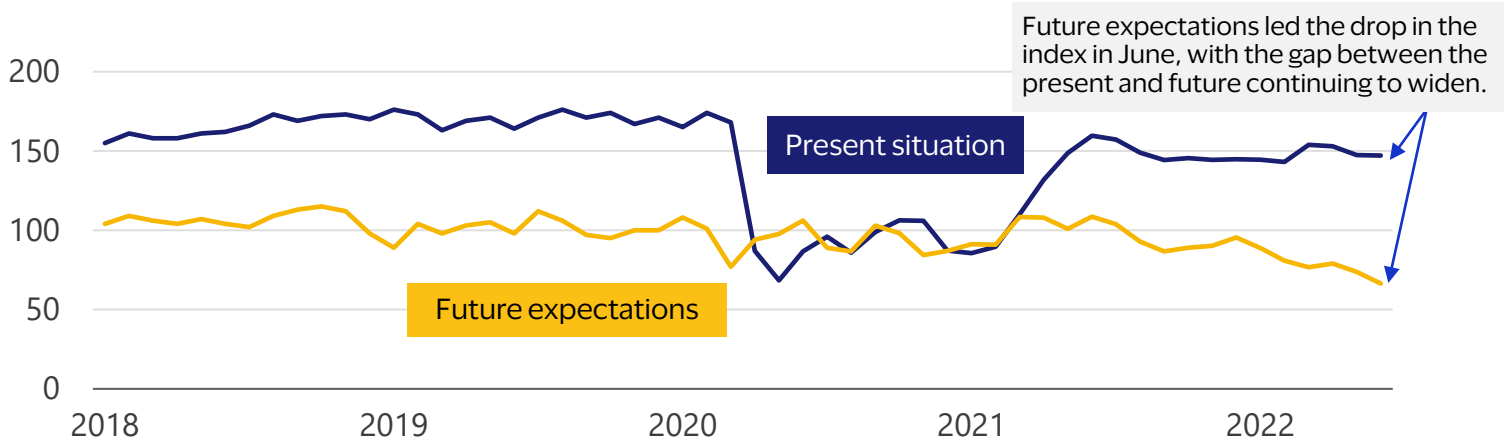
 Despite pent-up travel demand, consumers are reconsidering vacation plans, likely due to high costs

<sup>1</sup>The Conference Board Consumer Confidence Index, released June 28, 2022



**Fig. 1: Expectations tank in June, present situation holding steady**

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



\*Survey interviews conducted through June 22, 2022

Although both the present and future components of the Consumer Confidence Index declined, consumers held on to some aspects of positivity in current conditions.

Consumers were still positive about the job market, with nearly 40 percent more consumers seeing jobs as “plentiful” rather than “hard to get.”<sup>2</sup> However, this reading has been trending downward in recent months. Moreover, expectations of future labor market conditions have soured. Nearly six percent more consumers expected fewer jobs in six months—a notable erosion from recent months.

Income expectations also faltered, with only slightly more consumers expecting their incomes to increase in the next six months. This has been a notably strong measure and could foreshadow softer consumer spending in the coming months.

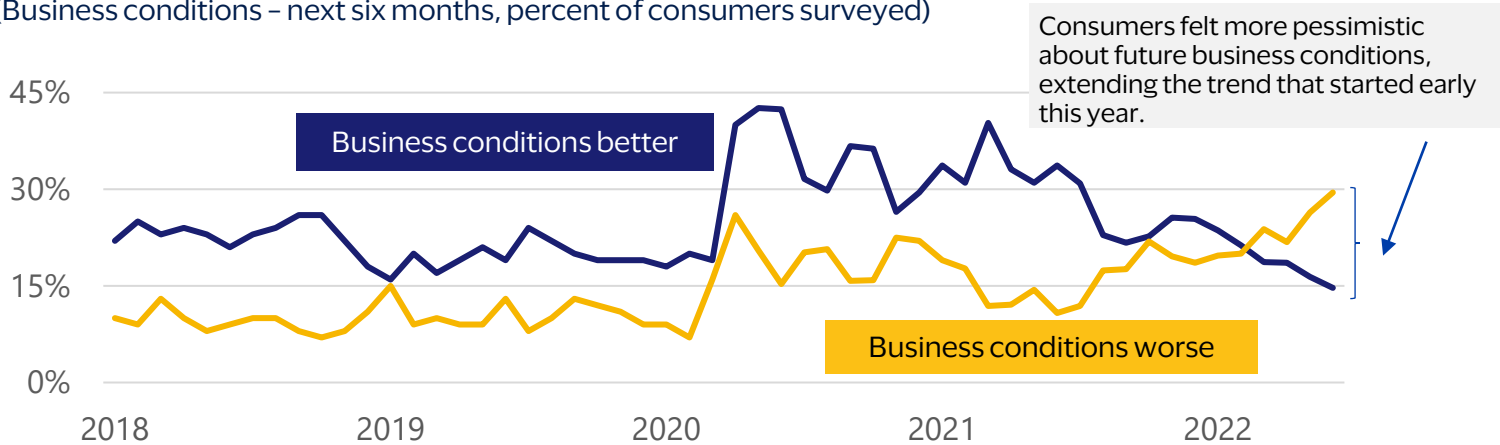
Nearly 30 percent of consumers expected future business conditions to worsen—close to 15 percent more than those who expected conditions to improve. This differential has worsened from -3.1 percent in April and is likely a primary reason the expectations component dropped.

The present business conditions measurement also ticked downward, with 3.4 percent more consumers seeing conditions as “bad” than those seeing them as “good.”

The decrease in the overall index is no longer a measure of uncertainty and is becoming one of outright pessimism. Stock market declines, cracks in the labor market, inflation, interest rate movements and geopolitical issues have seeped into the consumer mood and are impacting their impressions of the present as well as the future.

**Fig. 2: A pessimistic gap in future business expectations continues to develop**

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



Sources: Visa Business and Economic Insights; Conference Board, Consumer Confidence Index, released June 28, 2022

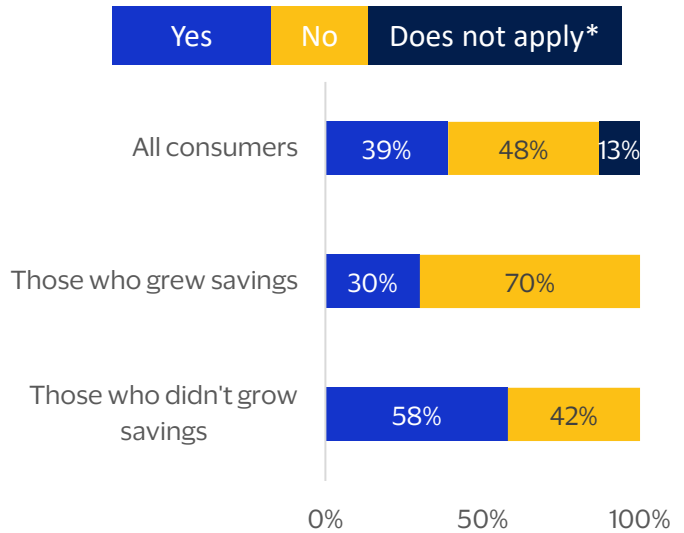
<sup>12</sup>The Conference Board Consumer Confidence Index, released June 28, 2022

# Consumers are “unexpectedly” dipping into savings...

More than one-quarter of Americans consistently reported they were financially better off throughout 2021, but a substantial percentage have had to dip into accumulated savings in 2022.<sup>3</sup> CivicScience survey results found that the percentage of people who are now tapping into their savings for payments and purchases already exceeds the percentage of those who said they were able to grow their savings during the pandemic.

Those turning to savings now are significantly less likely to have acquired extra savings during the pandemic. More than half of adults who did not grow their savings from 2020 to 2021 are making unexpected withdrawals from what is left of their savings. Even among adults who did manage to grow their savings, 30 percent have used them unexpectedly this year.

**Fig. 3: Those who did not increase their savings were more likely to dip into them**  
**Question: Have you had to dip into your savings unexpectedly this year?**



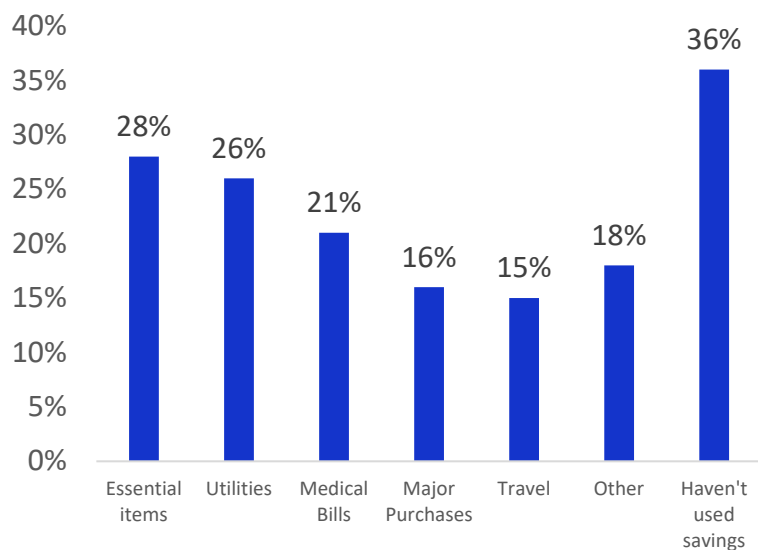
Source: CivicScience consumer survey, June 2022  
 \*Not all survey respondents had accumulated savings

# ...and using them to pay for a wider array of things

In total, 64 percent of Americans with savings said they have used them to finance purchases this year.<sup>3</sup> However, rather than just big-ticket items such as homes or vacations, **respondents used their savings for basic necessities, utilities and medical bills.** More than one-quarter used savings to pay for essentials like groceries and gas; one-quarter used savings to pay for utilities; and over 20 percent used savings to pay for medical bills this year.

Using savings for a wider array of categories, especially everyday spending categories, reflects the pressure that consumers are feeling from sustained high levels of inflation. Continued spending growth may become less sustainable as consumers use their savings. Rising pressures could also reduce the probability of discretionary purchases as consumers become more concerned about their financial wellbeing.

**Fig. 4: Consumers are using savings to pay for everyday items as well as larger purchases**  
**Question: Have you used your savings to pay for any of the following this year?**



Source: CivicScience consumer survey, June 2022

<sup>3</sup>“Americans are Rapidly (and Unexpectedly) Tapping Into Savings,” CivicScience, June 14, 2022

## Forward-looking statements

This report may contain 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, statement 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.

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## Accessibility notes

Figure 1: Consumer Confidence Indices, “Present Situation” and “Future Expectations” from 2018 through June 2022. Present Situation dipped precipitously in 2020 from pre-pandemic levels above 150, rebounded near to those levels by mid-2021, and has remained relatively flat in 2022. It currently stands at 147.1, down from 147.4 in May. Future Expectations held above 100 in the pre-pandemic period, dipped to a pandemic era low of 77 in March 2020, and had rebounded to a cycle high of 108.5 in June of 2021. Future Expectations currently stands at 66.4, down from 79.0 in April and 73.7 in May, trending downward throughout 2022, having been as high as 95.4 as recently as December 2021.

Figure 2: Consumer Confidence Indices of Future Business Conditions for the coming 6 months from 2018 through June 2022. Chart shows the percentage of consumers who believe business conditions will be better and those who believe they will be worse. 30 percent of people believe they will be worse, 15 percent believe they will be better. The difference between the two has flipped to negative in the past four months after expanding positively from October through December of 2021. The differential continues to widen throughout 2022, with a higher percentage of consumers believing that business conditions will worsen.

Figure 3: 100 percent stacked bar chart showing the percentage of consumers who have dipped into savings in the past six months. Among all consumers, 39 percent have dipped into savings, 48 percent have not, and 13 percent indicate it does not apply to them as they have no savings to dip into. Among consumers whose savings have grown, 30 percent have dipped into savings while 70 percent have not. Among those whose savings have not grown, 58 percent have dipped into savings while 42 percent have not.

Figure 4: Column chart showing the percentage of consumer who have used savings to pay for various items or purchases.

- 28 percent of consumers have used savings to pay for essential items
- 26 percent of consumers have used savings to pay for utilities
- 21 percent of consumers have used savings to cover medical bills
- 16 percent of consumers have used savings for major purchases
- 15 percent of consumers have used savings to pay for travel
- 36 percent of consumers have used savings for other types of expenses