

American Mood Trend

Consumer Confidence down slightly in May

Do consumers expect a softer labor market?

The Conference Board Consumer Confidence Index **dropped 2.2 points to 106.4 in May¹** as consumers cooled on their intentions to purchase durable goods and remained uncertain about current conditions. The *present situation* component of the index dropped 3.3 points. The *future expectations* component also fell by 1.5 points, however, marking the first time this year that both components moved in the same direction.

Inflation expectations remained elevated, but further receded from a cycle high of 7.9 percent to 7.4 percent in May. **Income expectations held positive**, with a slightly higher percentage of consumers anticipating incomes increasing over the coming six months.

While inflation seems to be subsiding, consumers' concerns about inflation—particularly the prospect of sustained high gas prices—remain front and center, impacting their impressions of both the present and immediate future. Their assessment of the current job market is still in historically high territory, but softened slightly. Continued strength in the job market will likely help keep the index on a steady course.

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Key Points:



Inflation concerns were essentially unchanged and remain a key deterrent for durable goods purchase intentions



A higher percentage of consumers see present business conditions as good, moving the differential from negative to positive



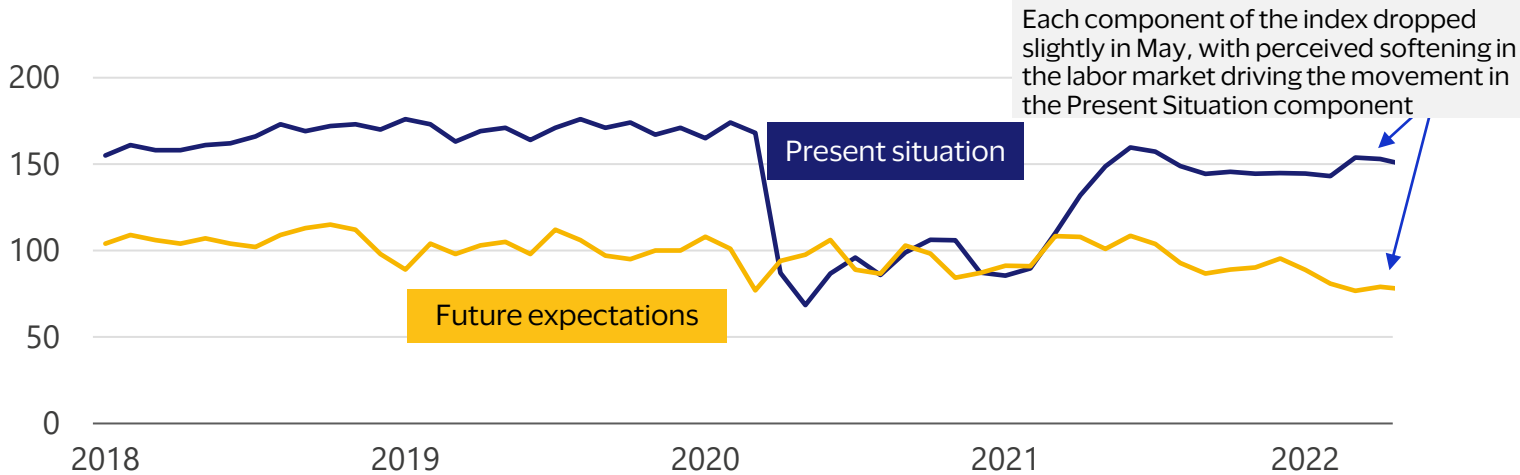
Many consumers are ready to vacation again after the long pandemic-induced hiatus

¹The Conference Board Consumer Confidence Index, released May 31, 2022



Fig. 1: Both components of the May confidence index declined

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



*Survey interviews conducted through May 23, 2022

Although both the present and future components of the Consumer Confidence Index declined, consumers seem resilient in the face of some uncertainty on the economic and geopolitical fronts.

There was a slight change in the way consumers view the job market, likely leading to the drop in May's present situation component of the index. Consumers' assessment of the present labor market moved to its lowest point in a year, but remained strong. Nearly 40 percent more consumers see jobs as "plentiful" rather than "hard to get"—still close to historical highs but down slightly from recent months.

Consumer expectations of future labor market conditions are "slightly less negative," with just 0.2 percent more consumers expecting fewer jobs in six months—an improvement from recent

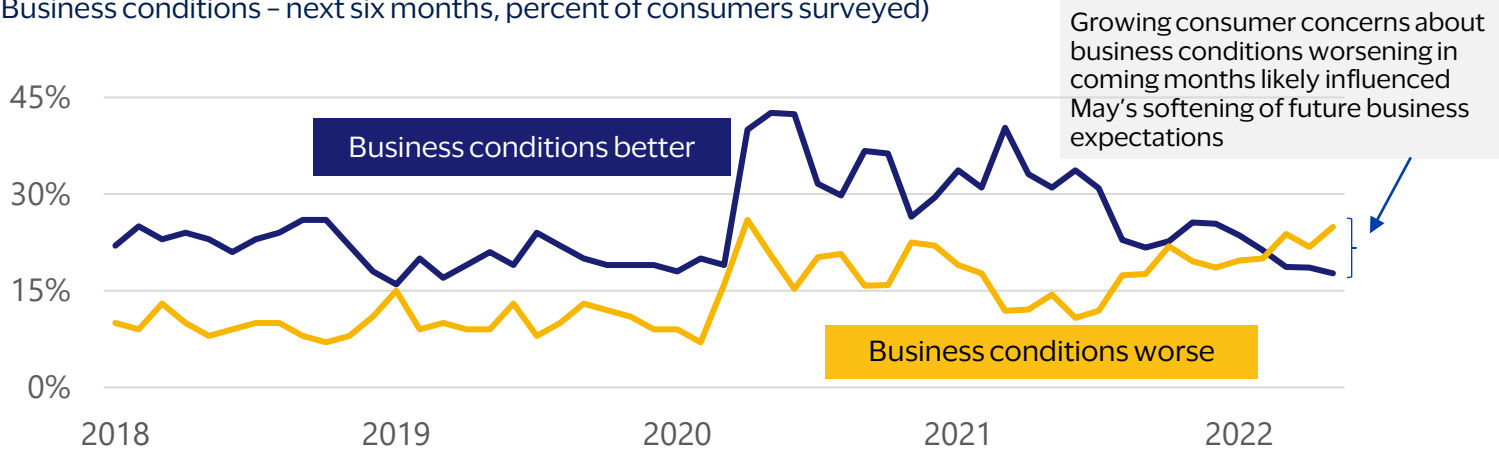
months. Income expectations held relatively steady, with an increase of just over one percent among both consumers who see income increasing and those seeing it decrease.

Nearly 25 percent of consumers expect future business conditions to worsen—over seven percent more than those who expect conditions to improve. This differential deteriorated from -3.1 percent in April and is likely the primary cause of the drop in the expectations component.

The slight decrease in the overall index is more a measure of uncertainty than outright pessimism. Consumers remain uncertain about a variety of issues, including the labor market, inflation, as well as the impact of geopolitical issues throughout the remainder of the year.

Fig. 2: More consumers expect business conditions to worsen in the near future

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



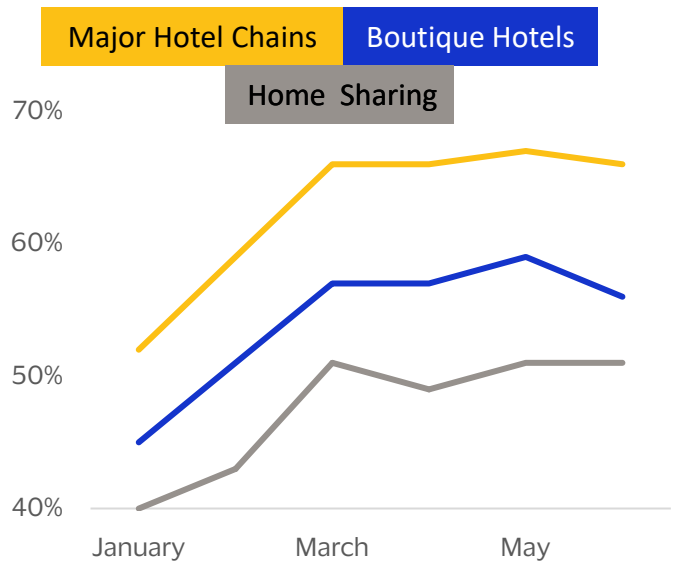
Sources: Visa Business and Economic Insights; Conference Board, Consumer Confidence Index, released April 26, 2022

Summer travel in 2022 may take on a different flavor

Moving into the summer travel season, many consumers are ready to vacation again after the pandemic-induced hiatus of the past several years. According to research from Morning Consult, 71 percent of U.S. adults are comfortable going on vacation—15 points higher than at the start of the year.² The mode of travel may differ this year as compared to years immediately preceding the pandemic. While 82 percent of Americans said they felt comfortable taking a road trip—a new high for the activity—only 51 percent of respondents said they were comfortable flying on an airplane.³

Consumers are becoming more comfortable with home sharing services—51 percent of respondents said they were comfortable with it, a 2-point increase from the previous survey—but less so than staying in a major hotel (66 percent) or boutique hotel (56 percent).⁴

Fig. 3: Consumers remain more comfortable staying at major hotel chains on vacations



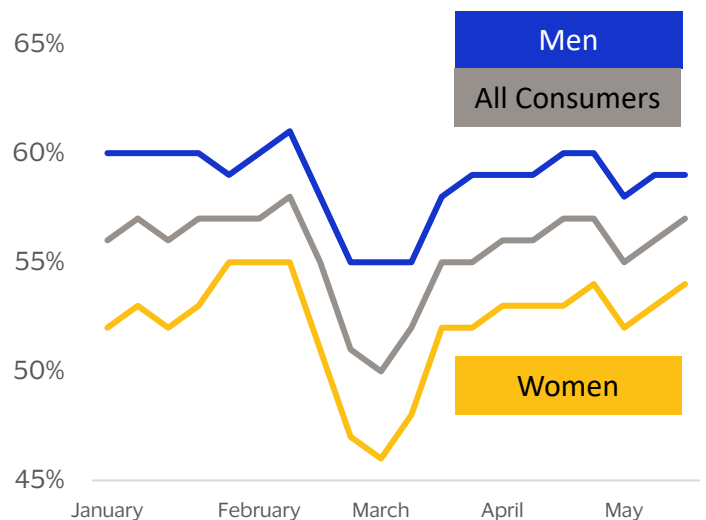
Source: Morning Consult consumer surveys, January-May 2022

Emotional well-being on the upswing throughout May

After dipping at the beginning of the month, the CivicScience weekly Emotional Well-being Index⁵ recovered for the remainder of the month. The index dipped precipitously after the Russian invasion of Ukraine but has recovered in the months since. In addition to geopolitical issues, influences likely include inflation and persistent high prices. As inflation has shown signs of dissipating from recent highs, this may serve to boost the measure moving forward.

Emotional well-being among women has been consistently lower throughout the year, only recently coming within five points of the index among men. Geopolitical uncertainty as well as domestic issues may have played a role. These measures could provide further indication of more or less willingness to spend among U.S. households in the coming months, as women drive most household purchasing decisions.

Fig. 4: Americans' emotional well-being dipped slightly at the beginning of May, then recovered



Source: CivicScience Emotional Well-Being Index, January-May 2022

² Morning Consult, "Tracking the Return to Normal: Travel," <https://morningconsult.com/return-to-travel/>, June 1, 2022

³ Morning Consult, "Tracking the Return to Normal: Travel," <https://morningconsult.com/return-to-travel/>, June 1, 2022

⁴ Morning Consult, "Tracking the Return to Normal: Travel," <https://morningconsult.com/return-to-travel/>, June 1, 2022

⁵ CivicScience, "Emotional Well-Being Wavers During Mental Health Awareness Month," <https://civicscience.com/emotional-well-being-wavers-during-mental-health-awareness-month/>, May 23, 2022

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Accessibility notes

Figure 1: Line chart for the Consumer Confidence Indices, with the top 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 149.6 in May 2022. The lower line for the Future Expectations Index ranges from 104.0 in January 2018 to a high of 115.0 in October 2018, a low of 76.7 in March 2022, and the latest reading of 77.5 in May 2022.

Figure 2: Line chart for the Consumer Confidence Indices of future business conditions for the coming six months, with the top line showing the percentage of consumers who believe business conditions 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 18% in May 2022. The second line shows the percentage of those who believe conditions will get worse, ranging from 10% in January 2018 to a low of 7% in October 2018 and February 2020, a high of 26% in April 2020, and the latest reading of 25% in May 2022.

Figure 3: Line chart of consumer survey data from January through May 2022 showing the percentage of consumers who are comfortable staying at major hotel chains, boutique hotels, and with a home sharing service. Consumers who were comfortable home sharing ranged from 40 percent in January 2022 to 51 percent in March and the latest reading of 51 percent at the end of May 2022; those comfortable with a boutique hotel stay ranged from 45 percent in January 2022 to 57 percent in March and 56 percent in the latest May 2022 reading; and those comfortable staying with a major hotel chain ranged from 52 percent in January to 66 percent in both March and the latest May 2022 reading.

Figure 4: Line chart comparing the emotional wellbeing index of consumers split among men, women and all consumers. The first line shows the wellbeing index for men, which ranges from 60 percent in January 2022 to a high of 61 percent in February 2022 and a low of 55 percent in March 2022, with the latest reading of 59 percent in May 2022. The second line shows the index for all consumers, ranging from 56 percent in January 2022 to a high of 58 percent in February 2022 and a low of 50 percent in March 2022, with the latest reading of 57 percent in May 2022. The third and last line shows the emotional wellbeing index of women, ranging from 52 percent in January 2022 to a high of 55 percent in February 2022 and a low of 46 percent in March 2022, with the latest reading of 54 percent in May 2022.