

US: Consumers feel the pressure

Renewed Covid containment measures and cuts to Federal unemployment benefits appear to be offsetting any positive boost from rising equity markets. With sentiment at its lowest point since the start of the crisis, it reinforces the view that the second phase of the recovery story will be slower going



Shoppers at a technology store in Houston

Confidence hits new lows

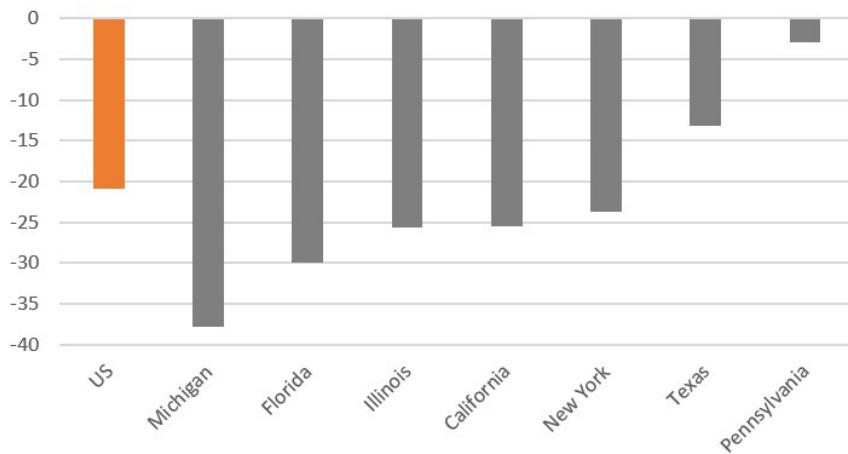
The Conference Board measure of consumer confidence for August has fallen to 84.8 from a downwardly revised July reading of 91.7. This was worse than the 93.0 consensus prediction and is the weakest reading at any point during the pandemic.

It suggests that the renewed Covid-19 containment measures in many states, coupled with the ending of the \$600/week Federal unemployment benefit boost and the plateauing in employment growth is worrying the consumer. It also shows that the new equity market highs are failing to offer much support and indicates that the surge in spending on the re-opening could soon lose momentum.

The state-by-state data shows that there is a broad range of recent performance with states that have gone through re-opening only to experience renewed containment measures on rising Covid cases seeing the biggest recent declines. However, there is some contradictory evidence,

especially for Michigan, which has had the biggest 2 month decline in sentiment, yet is one of the very top performing states in terms of consumer spending on debit and credit card transactions from www.tracktherecovery.org

Consumer expectations change between June and August

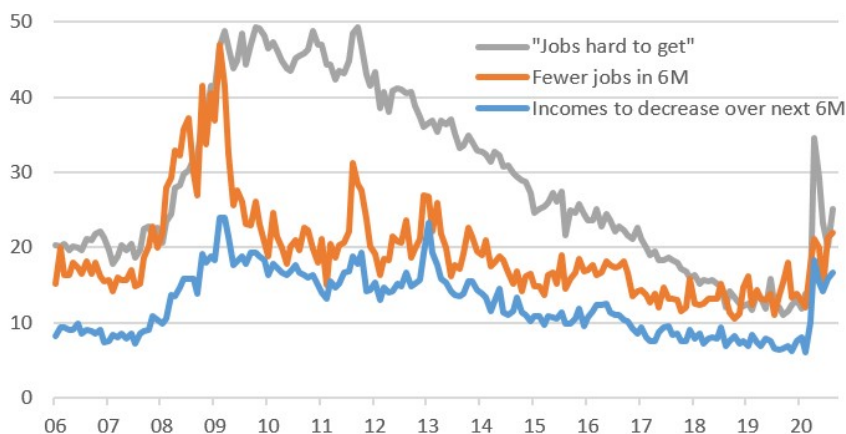


Source: Macrobond, ING

From positive to neutral

One crumb of comfort is that despite the mixed news on jobs – payrolls tracking company Homebase suggests a clear plateauing and recent evidence of a decline in employment – by historical standards the “jobs hard to get” and expectations for fewer jobs and potential income declines aren’t at particularly high levels. It is more that there is less optimism about jobs with people moving to a more neutral position rather than a meaningful rise in any pessimism on the labour market situation. Still, it is a clear shift in momentum that we should watch carefully.

Consumer confidence surrounding jobs and income



Source: Macrobond, ING

A long road to full recovery

Overall the narrative suggests that we are clearly in the second phase of the recovery, driven by

underlying fundamentals rather than purely the surge in activity has household reengaged. This is going to be a more challenging situation and reinforces our view that a V-shaped recovery will not happen. The US economy, which is 70% consumer spending, is unlikely to recover all of its lost output until mid-2022.

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.