

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

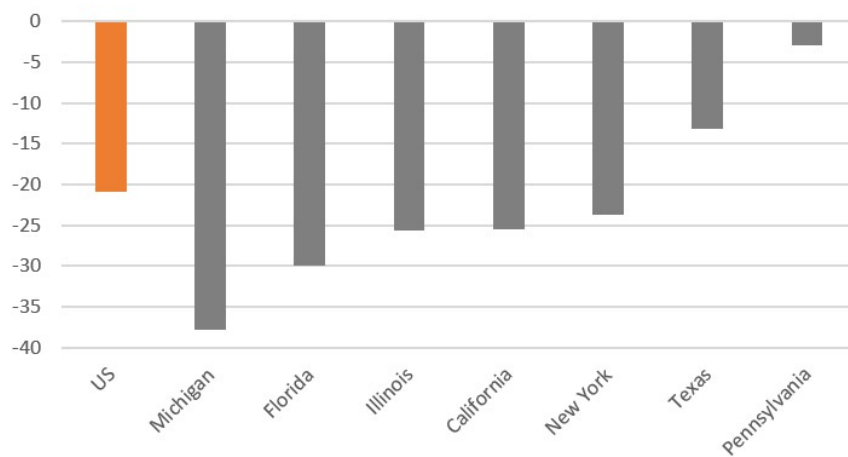
The Conference Board measure of consumer confidence for August has fallen to 84.8 from a downwardly revised July reading of 91.7. This was worse than the 93.0 consensus prediction and is the weakest reading at any point during the pandemic.

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

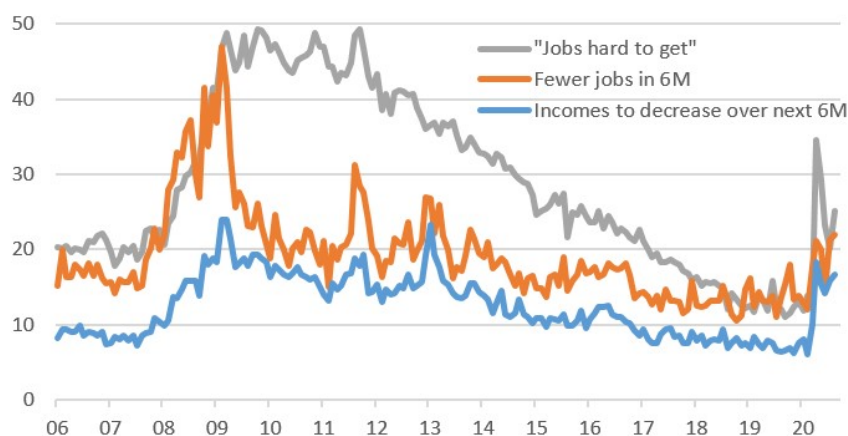


Source: Macrobond, ING

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.

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