

# Economy Watch

The Return of the Global Consumer

May 12, 2021



# Some of the critical questions and issues we will be answering today

- Review The Conference Board's latest forecasts for the US and Global economies.
- View the latest snapshot of global consumer confidence and how it will impact spending in each region.
- Learn about the fundamental drivers of consumer confidence in various regions around the world.
- Explore the implications for economic recoveries in different regions, and the global economy at large.



# Today's Speakers



**Klaas de Vries**  
Economist  
**The Conference Board**



**Yuan Gao**  
Senior Economist, China  
Center for Economics and  
Business  
**The Conference Board**



**Ilaria Maselli**  
Senior Economist  
**The Conference Board**



**Erik Lundh (Moderator)**  
Principal Economist  
**The Conference Board**

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# US Economic Outlook

# US Outlook: Scenarios and Key Assumptions

## 1. Base Case Scenario

- ✓ New cases of COVID-19 continue to decline over the coming months and most social distancing restrictions are retracted by the end of the summer
- ✓ COVID-19 vaccinations become broadly available in Q2 2021, and are available on-demand by early Q3 2021
- ✓ Continued improvement in labor markets & consumption in Q2 2021 and Q3 2021

## 2. Upside Scenario

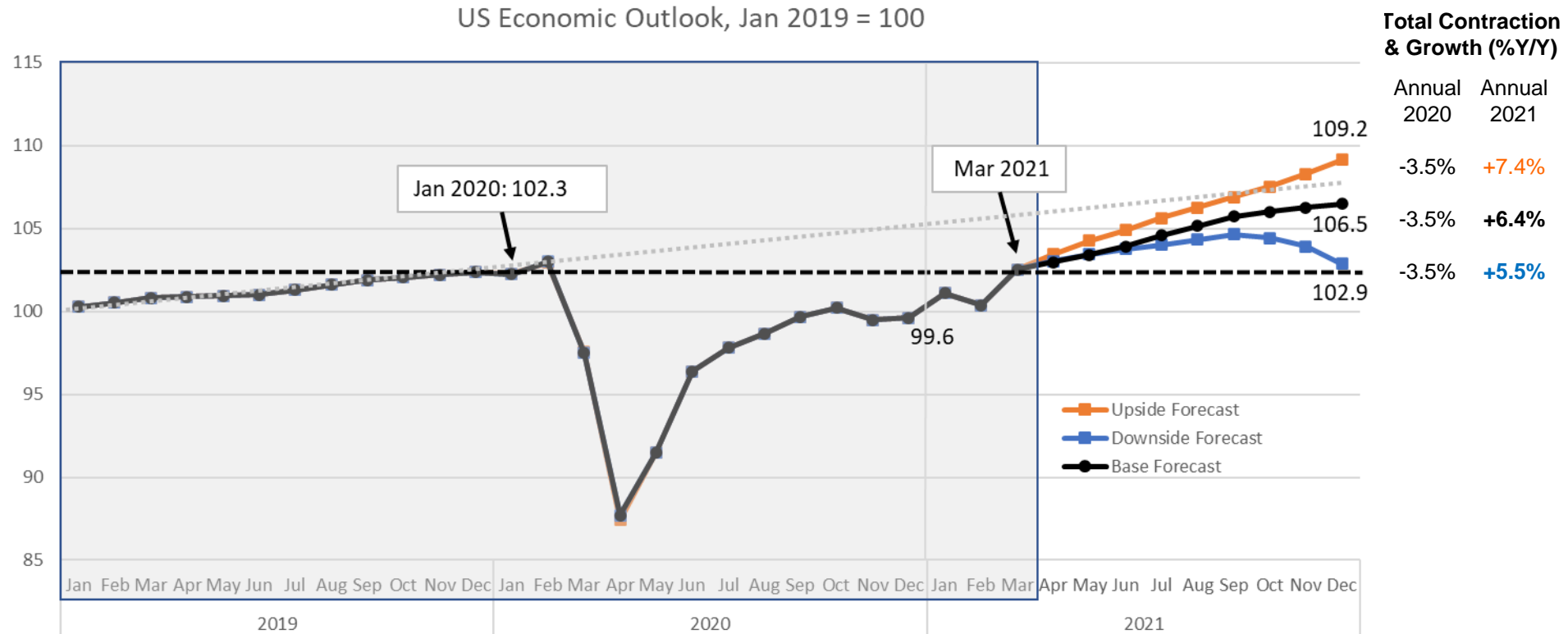
- ✓ New cases of COVID-19 fall dramatically in May and June and most social distancing policies are eliminated before the summer
- ✓ COVID-19 vaccinations are available on-demand in Q2 2021
- ✓ The new Administration's \$2.3 trillion infrastructure and tax plan is passed by Q3 2021 and begins to hit the economy before the end of 2021
- ✓ Faster-than-expected improvement in labor markets & consumption in Q2 2021

## 3. Downside Scenario

- ✓ New cases of COVID-19 rise as vaccine-resistant mutations result in an additional wave in Q4 2021
- ✓ The production and distribution of vaccines is disrupted while mutations render them ineffective
- ✓ The Federal Reserve signals that it will begin to raise rates earlier than anticipated
- ✓ Unemployment deteriorates and consumption recovery stagnates
- ✓ Large equity market correction occurs in 2021, hurting consumer and business confidence



# Solid economic growth in Q1 2021 followed by an acceleration in growth in Q2 2021 and Q3 2021



Source: BEA, The Conference Board



## Inflation will continue to accelerate, but should peak in Q4 2021 with the price level for personal consumption expenditures (PCE) rising to 3.0 percent

	2020				2021				2019	2020	2021	2022	2023
	I Q*	II Q*	III Q*	IV Q*	I Q*	II Q	III Q	IV Q					
Real GDP	-5.0	-31.4	33.4	4.3	6.4	8.6	6.8	4.2	2.2	-3.5	6.4	3.7	2.9
Real disposable income	2.6	48.5	-17.4	-10.1	61.3	-20.0	-4.0	0.0	2.2	5.8	5.5		
Real consumer spending	-6.9	-33.2	41.0	2.3	10.7	9.0	6.2	5.1	2.4	-3.9	7.6		
Residential investment	19.0	-35.5	63.0	36.6	10.8	9.0	9.0	7.0	-1.7	6.1	15.8		
Nonresidential investment	-6.7	-27.2	22.9	13.1	9.9	7.2	6.3	6.2	2.9	-4.0	8.0		
Inventory change (bln chn '12\$)	-80.9	-287.0	-3.7	62.1	-85.5	-25.0	40.0	20.0	48.5	-77.4	-12.6		
Total gov't spending	1.3	2.5	-4.8	-0.8	6.3	0.9	0.9	0.9	2.3	1.1	1.3		
Exports	-9.5	-64.4	59.6	22.3	-1.1	4.1	6.1	5.6	-0.1	-12.9	4.4		
Imports	-15.0	-54.1	93.0	29.9	5.7	6.1	6.1	5.1	1.1	-9.3	12.1		
Unemployment rate (%)	3.8	13.1	8.8	6.8	6.2	5.6	4.9	4.4	3.7	8.1	5.3		
PCE Inflation (%Y/Y)	1.7	0.6	1.2	1.2	1.7	2.9	2.9	3.0	1.5	1.2	2.7	2.3	1.8
Core PCE Inflation (%Y/Y)	1.8	1.0	1.4	1.4	1.5	2.3	2.2	2.4	1.7	1.4	2.1	2.1	2.0

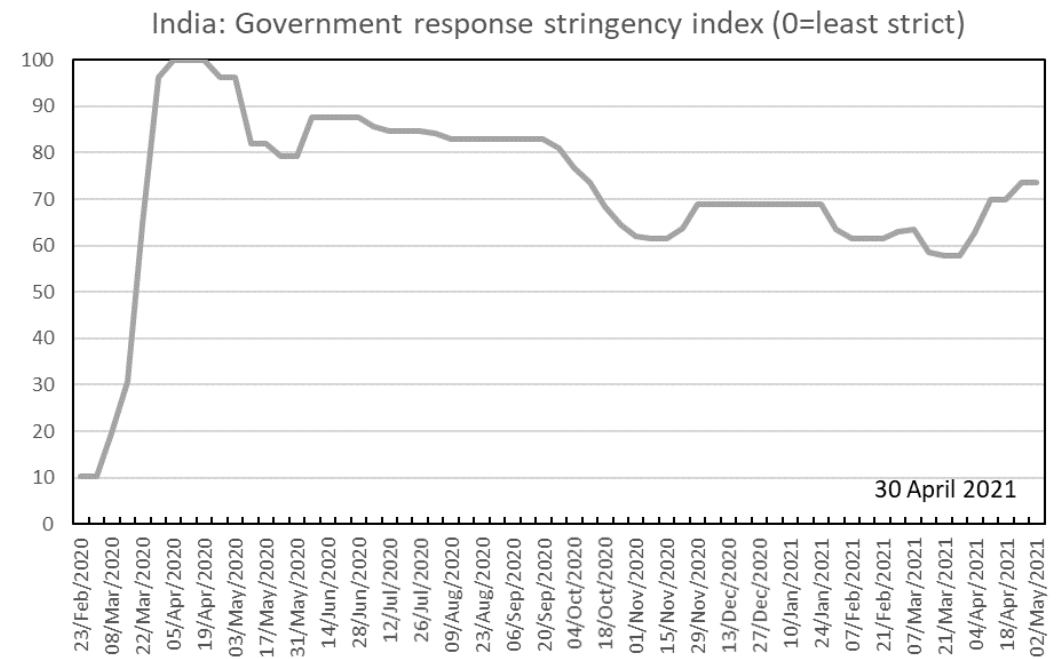
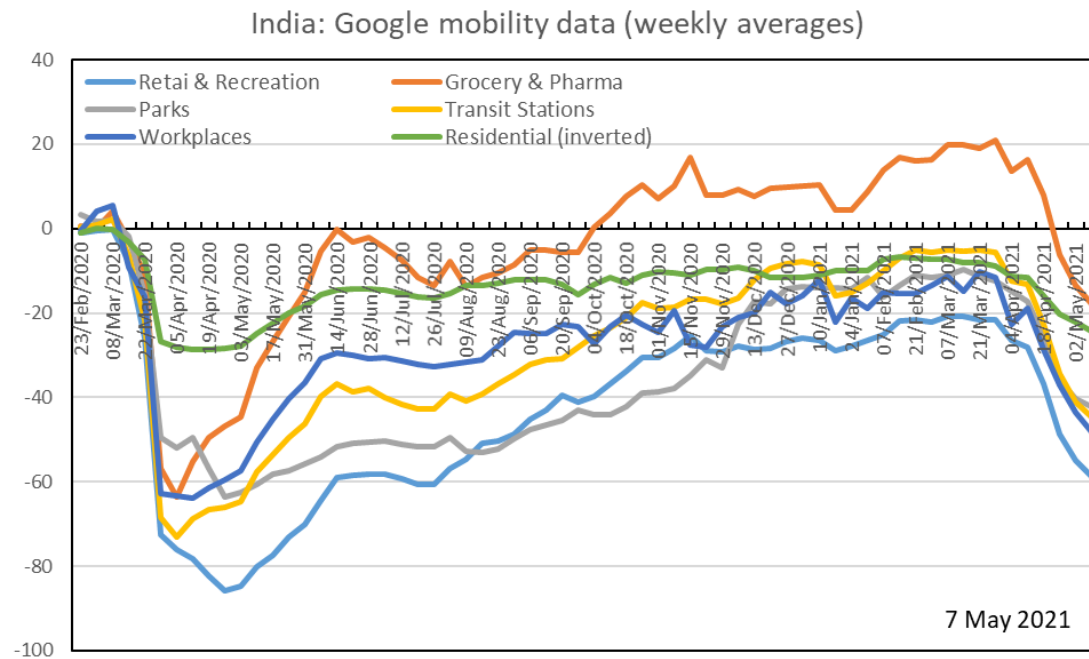
Note: Quarterly figures in quarter-over-quarter SAAR terms, unless otherwise noted. Annual figures in year-over-year terms, unless otherwise noted.  
Source: BEA, The Conference Board





# Global Economic Outlook

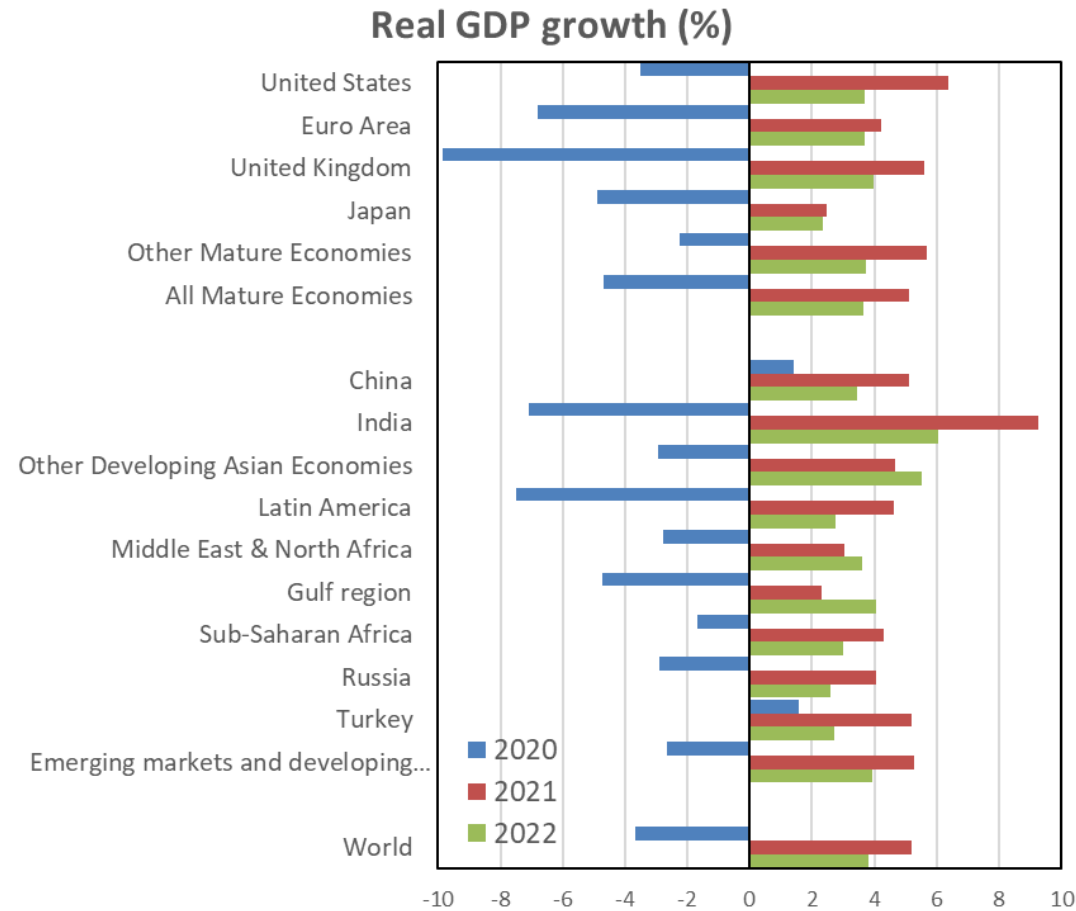
# No nation-wide lockdown yet in India but activity levels are dropping rapidly



Source: The Conference Board using data from Google and Oxford University sourced through Haver Analytics



# Global economy still on track to rebound by about 5 percent in 2021 with mature and emerging economies contributing about equally to global growth



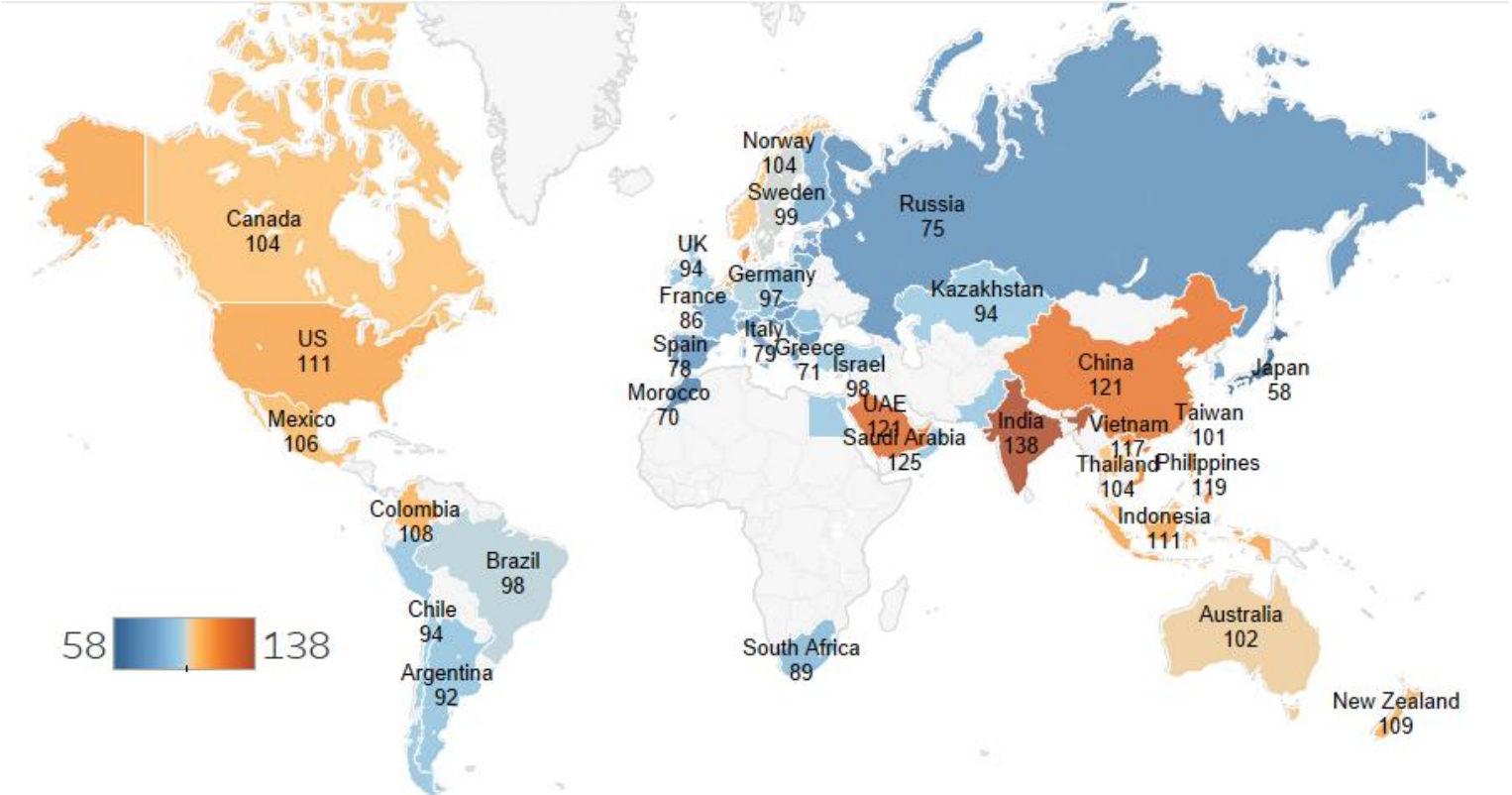
Source: [The Conference Board Global Economic Outlook \(May 2021\)](#)



# Global Consumer Confidence & Consumer Confidence in Europe

# Global consumer confidence soared to record heights in the first quarter of 2021 laying the foundation for a consumer led global recovery

## GLOBAL CONSUMER CONFIDENCE INDEX, 2021 Q1: 108



Note: A reading above 100 indicates that there are more optimistic consumers than pessimistic ones. A reading below 100 indicates the opposite, with more pessimistic consumers than optimistic ones.  
Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q1

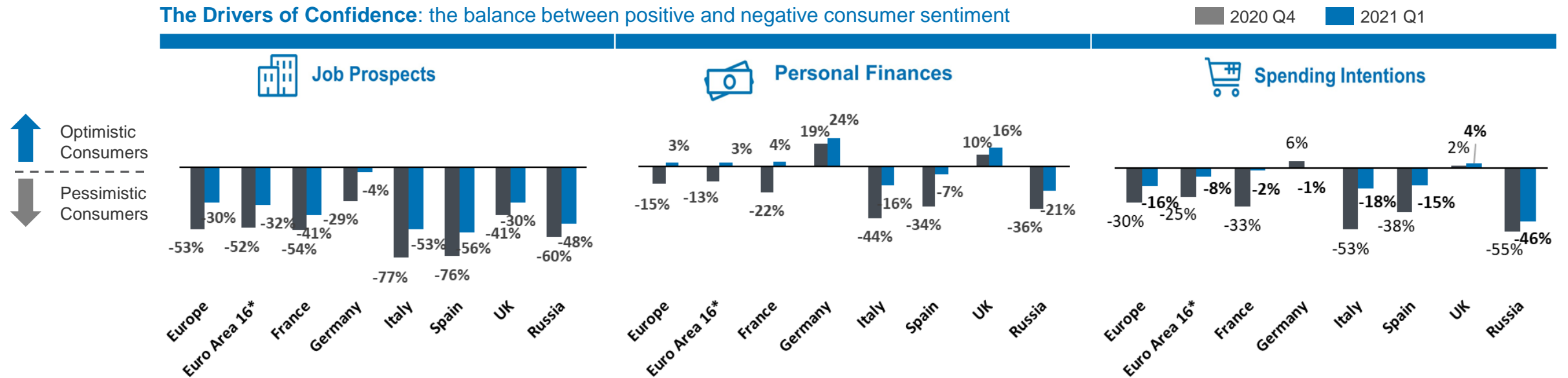




# Large savings sitting in many households' bank accounts improve confidence about personal finances

In several economies, the positive views on personal finances outweighed negative ones. This was because households whose jobs are secure saw their savings increase substantially in the past year. The average household savings rate went from 12.5 percent over the period 2015-2019, to 20 percent in 2020.

**The Drivers of Confidence:** the balance between positive and negative consumer sentiment



\* Indicates Euro Area 16 markets. The Euro Area 16 grouping consists of Austria, Belgium, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Note: The "balance" is calculated as positive sentiment (percent of consumers who responded "excellent" or "good") minus negative sentiment (percent of consumers who responded "not so good" or "bad"). Values above zero indicate that consumers are more optimistic than pessimistic.

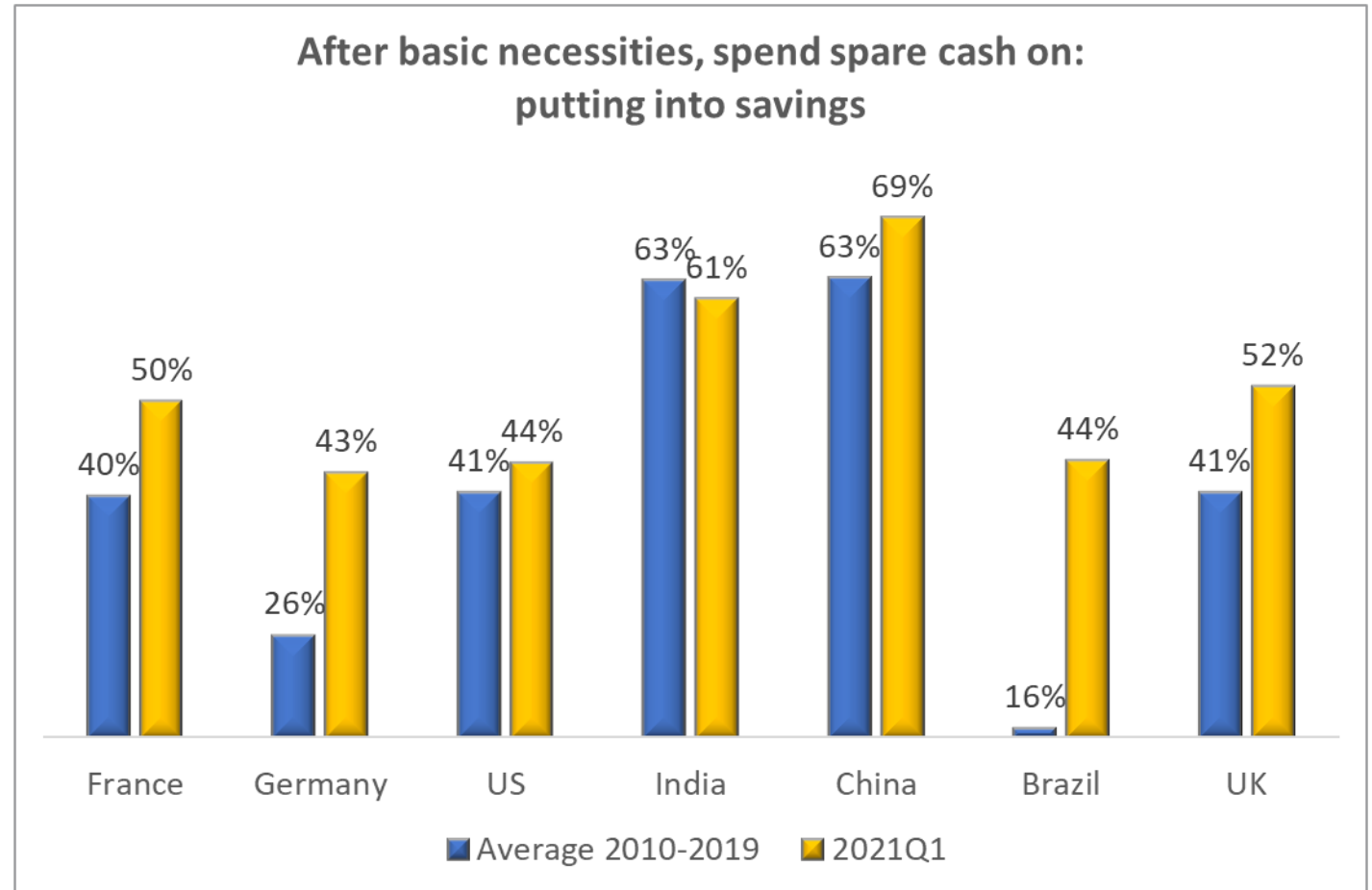
Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q1





# Will Frugality be a long-lasting effect of the pandemic?

- Despite the increase in confidence, a larger share of households is saving what remains of their income once expenses are covered
- This is not only a European phenomenon



Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q1





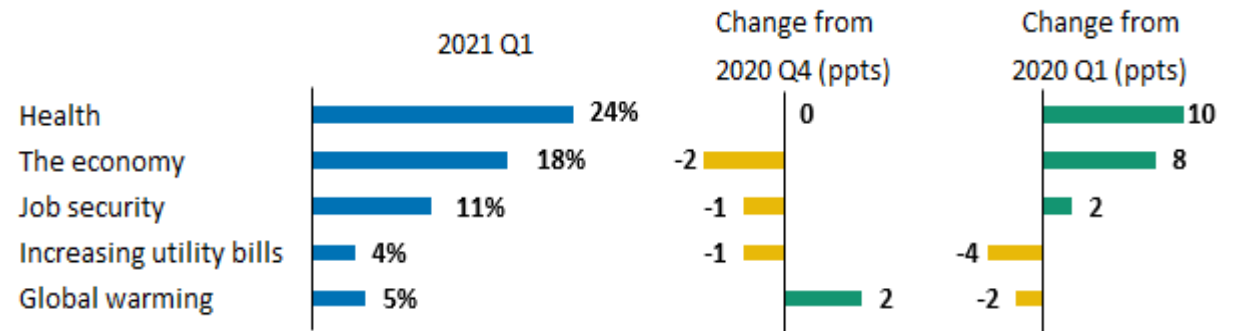
# As pandemic life becomes the new normal, concern over global warming gains new prominence among European households

- Health, the economy, and job security continued to be the top concern among European households
- As life with COVID-19 becomes the new normal, the concern over global warming regained prominence, after it was set aside for some quarters

Europe

## Consumers' Top Concerns

Share of consumers identifying each issue as their biggest concern over the next 6 months, 2021 Q1



Source: The Conference Board Global Consumer Confidence Survey, 2021 Q1







# The increase in confidence was Europe is higher than the global average. Will this wave of optimism last? It is unlikely in some countries, and very probable in others

<p>The increase in confidence <b>in Europe</b> is higher than the global average. This is per se a rare event as European consumers tend to be more pessimistic than consumers in other regions.</p>	<p><b>In Germany:</b> Consumer confidence increased modestly in Germany in Q1 of 2021. What popped up more than elsewhere is a concern about increasing utility bills.</p>	<p><b>In France:</b> Confidence improved in Q1, but slow vaccination campaign may erode optimism in Q2. Societal concerns gained prominence in households' mind, including work-life balance and their children's education and welfare.</p>
<p><b>In the UK:</b> Confidence increases by 5 points in Q1. It is likely to jump further in Q2 given the announcement by Prime Minister Johnson to have restrictions almost completely removed by the end of June.</p>	<p><b>In Italy:</b> The increase in Consumer Confidence from 56 in Q4 of 2020 to 79 in Q1 was unprecedented. It coincided with the formation of a new government chaired by Mario Draghi.</p>	<p><b>In Spain:</b> Consumers in Spain felt more confident in Q1 of 2021 compared to Q4 of 2020. however, the concern about job security skyrocketed, fueled by the fears that the special job retention scheme put in place in March 2020 will expire in May.</p>



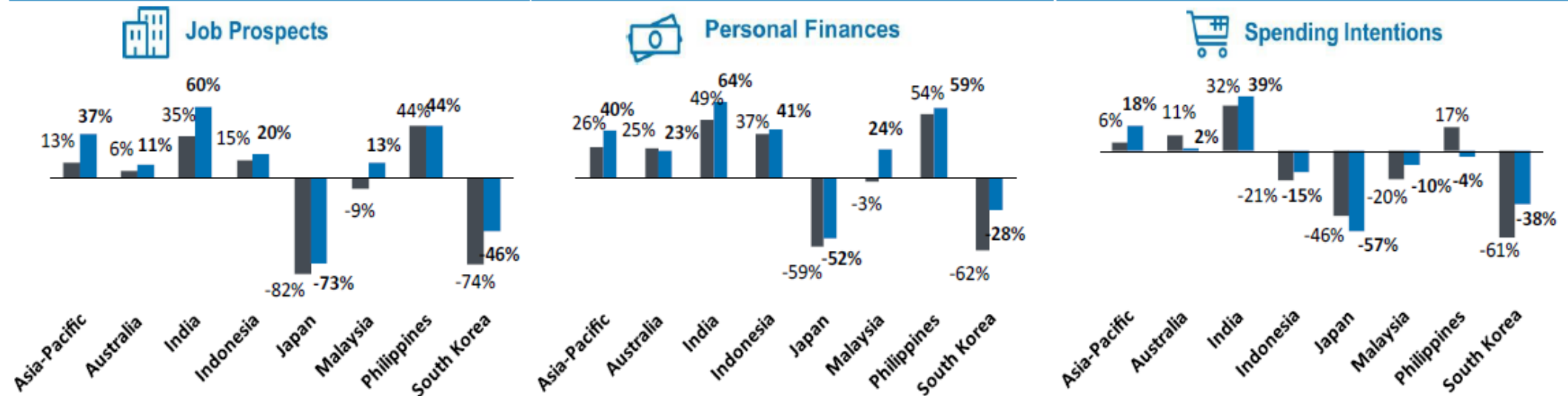
# Consumer Confidence in China

# Asia-Pacific experienced a sizable increase in confidence

- Many economies returned to or were near pre-pandemic levels of activity
- Rising confidence was the result of gains in all three drivers of confidence, including job prospects, personal finances and spending intentions

The Drivers of Confidence: the balance between positive and negative consumer sentiment

2020 Q4 2021 Q1



Note: For Q4 2020, the Global and Asia-Pacific results exclude China due to data collection constraints. The "balance" is calculated as positive sentiment (percent of consumers who responded "excellent" or "good") minus negative sentiment (percent of consumers who responded "not so good" or "bad"). Values above zero indicate that consumers are more optimistic than pessimistic.  
 Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q1

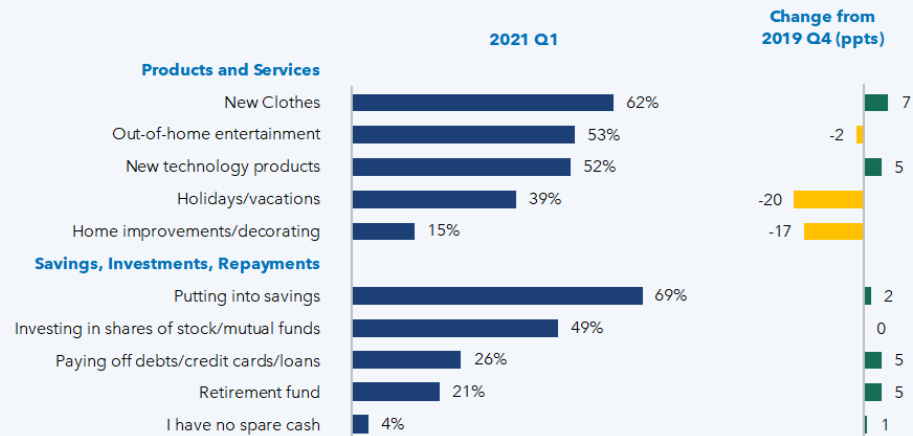


# China's lagging consumption recovery is catching up

- Consumer confidence in China stood at 121 in 2021 Q1. The Q4 2020 survey did not include China
- Consumer sentiment is improving, as the COVID-threat diminishes
- Spending on travel and leisure services is anticipated to boom
- Weakness in employment and income growth are among the primary drags on a full recovery

## Consumer Discretionary Spending - China

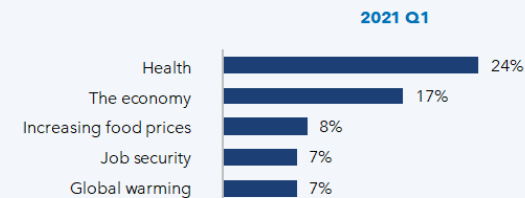
Share of consumers spending on certain categories, 2021 Q1



Note: The survey was not conducted in China in 2020 Q1 and Q4 due to data collection constraints. Percentages are the share of respondents that indicated spending their discretionary income on the shown categories. Multiple choice responses. Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q1.

## Consumers' Top Concerns - China

Share of consumers identifying each issue as their biggest concern over the next 6 months, 2021 Q1



Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q1.

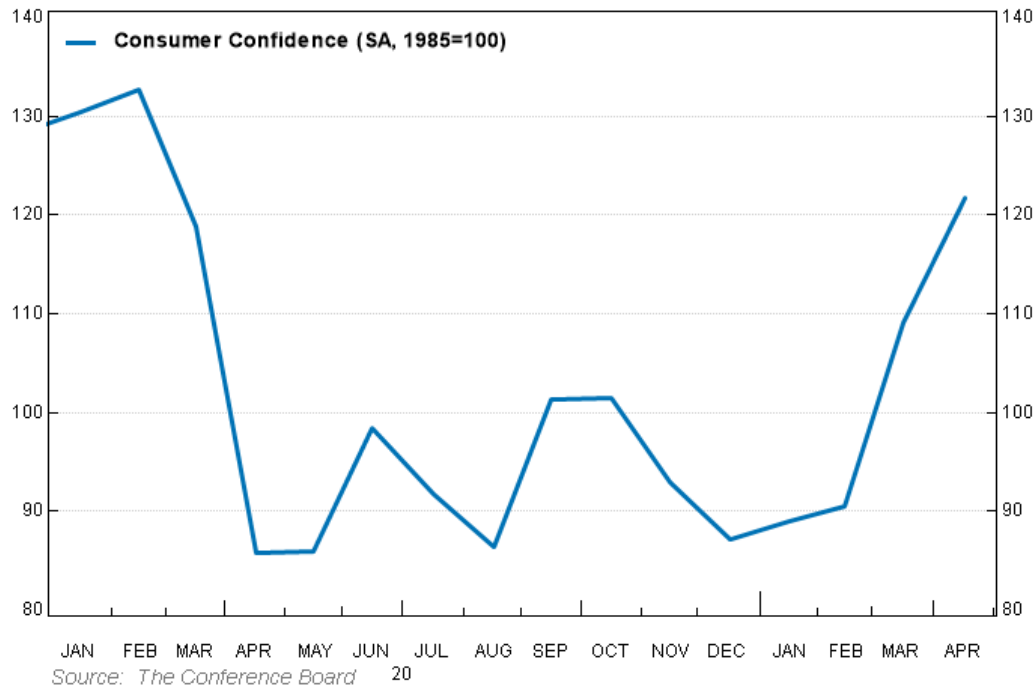


# Consumer Confidence in the United States

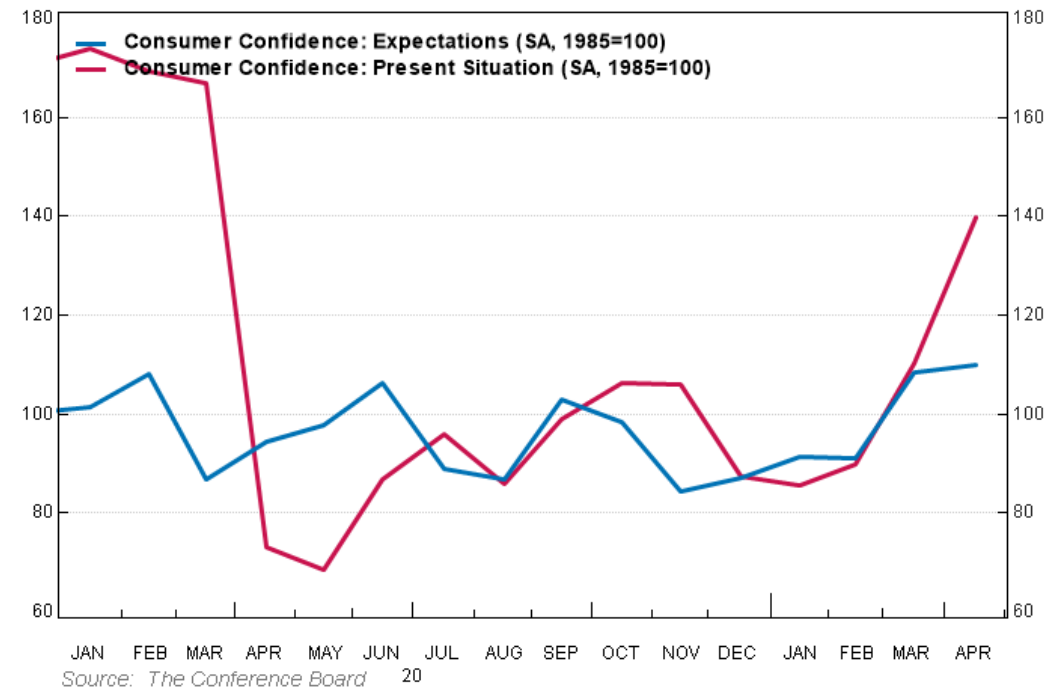


# In the **United States**, consumers' assessment of the present situation is driving confidence levels higher

## US Consumer Confidence Index



## US CCI: Present Situation & Expectations

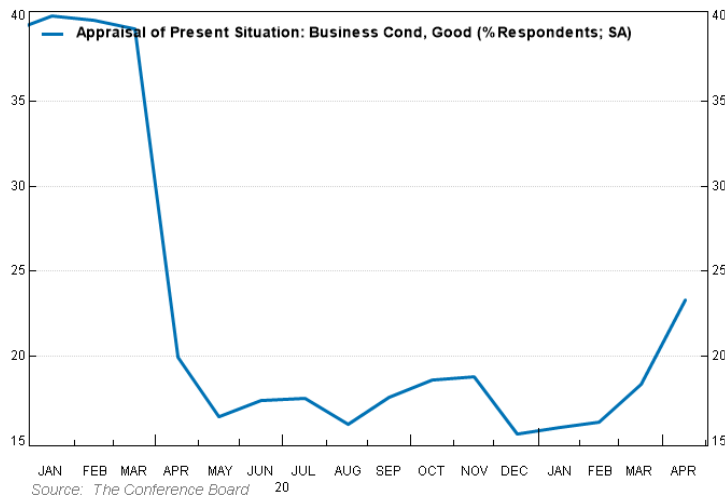




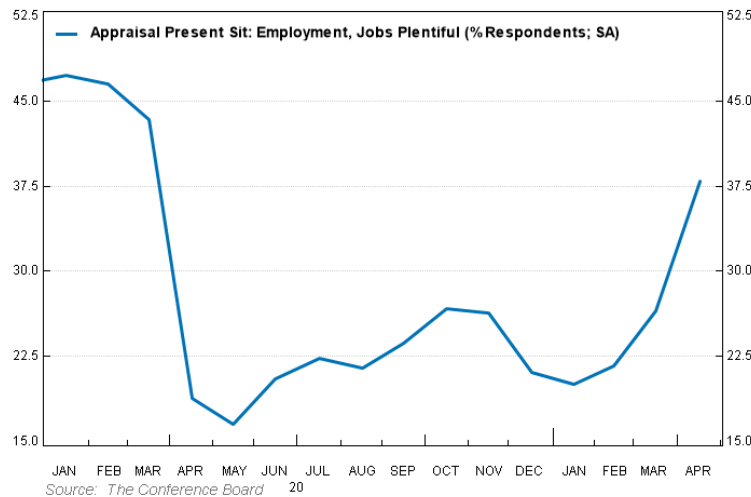
# Consumer assessment of the present situation is up sharply, especially regarding the job market

## Appraisal of the Present Situation:

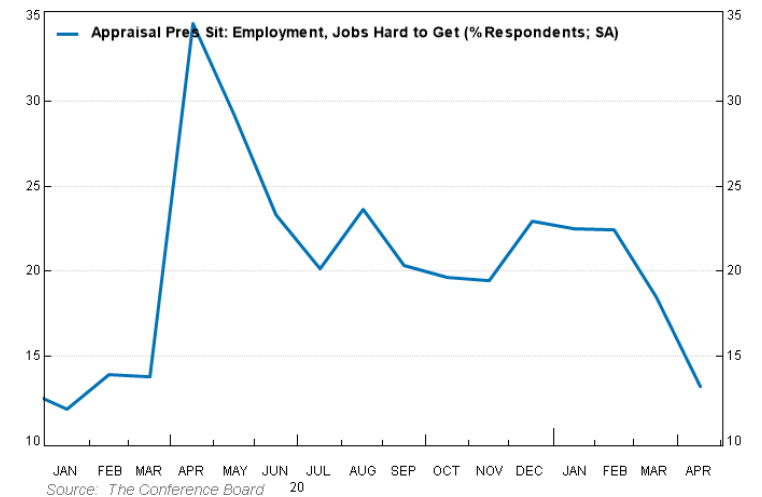
### Business Conditions "Good"



### Jobs are Plentiful



### Jobs are Hard to Get

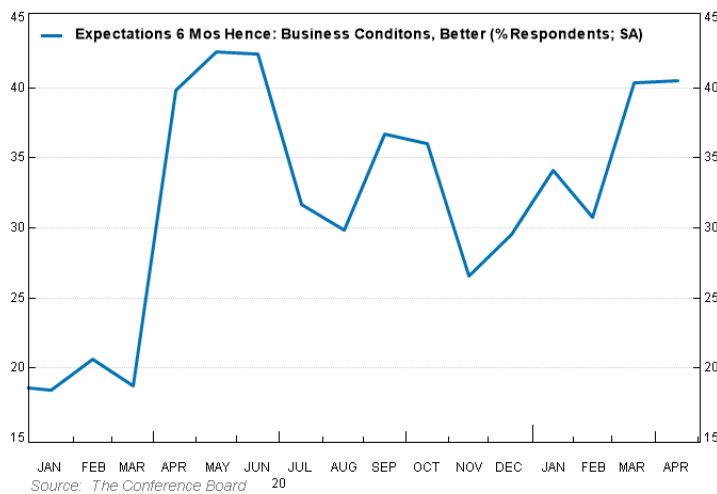


# Consumer expectations about the future continue to improve as well



## Expectations for Six Months Hence:

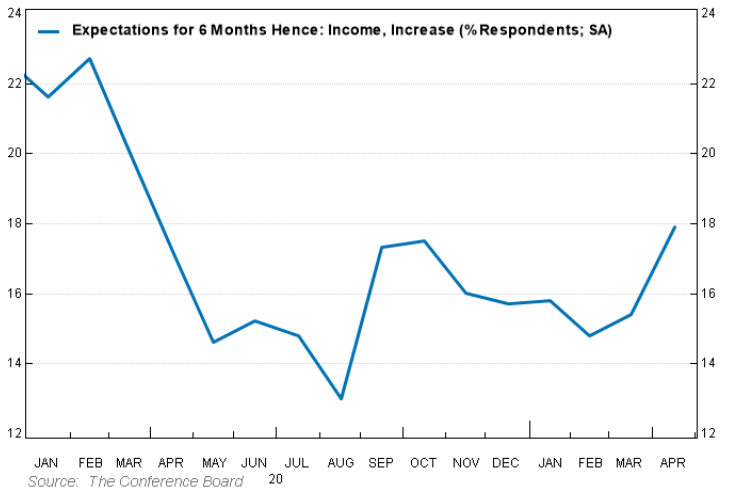
### Business Conditions "Better"



### More Jobs



### Higher Income



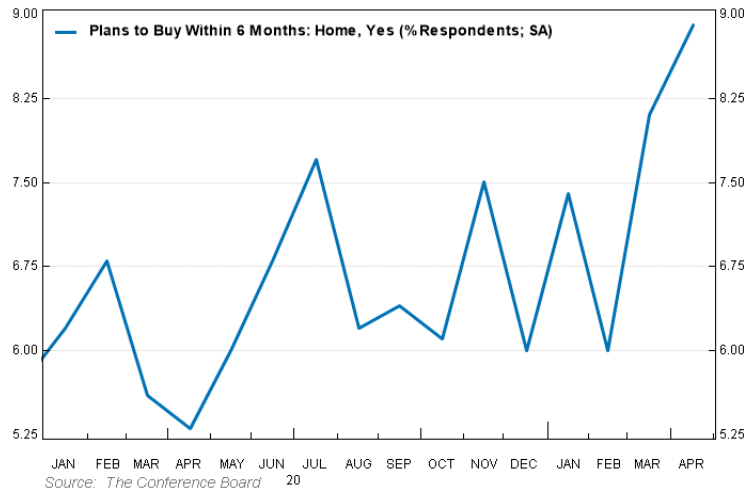




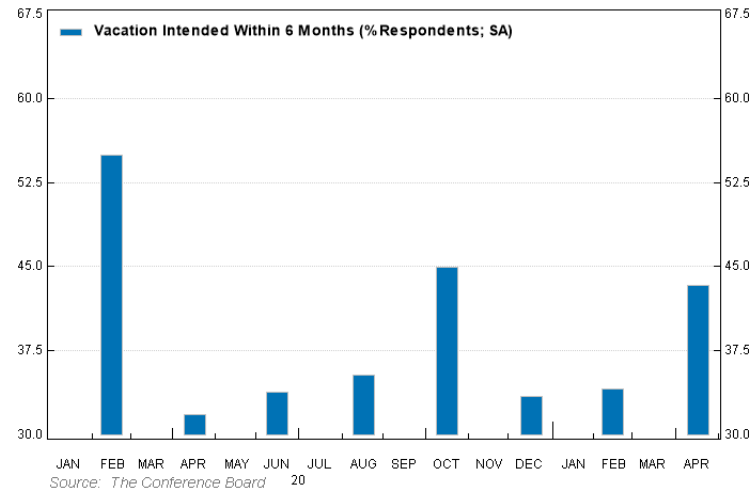
# US Consumers are increasingly eager to spend on many categories

## Plans to Buy Within Six Months:

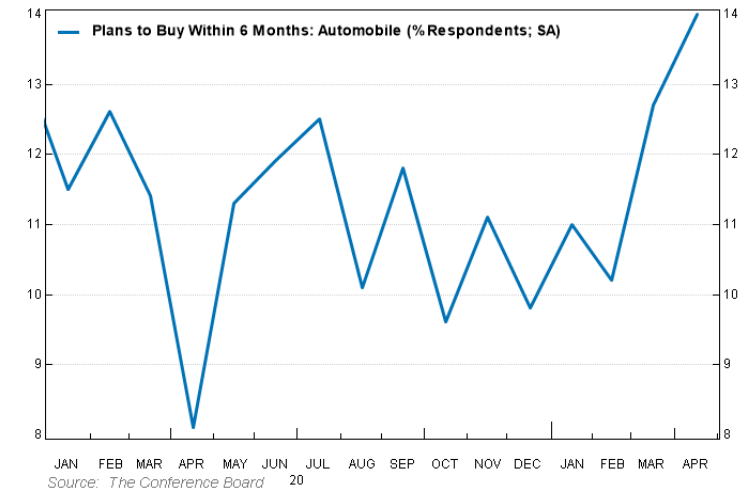
### A Home



### A Vacation



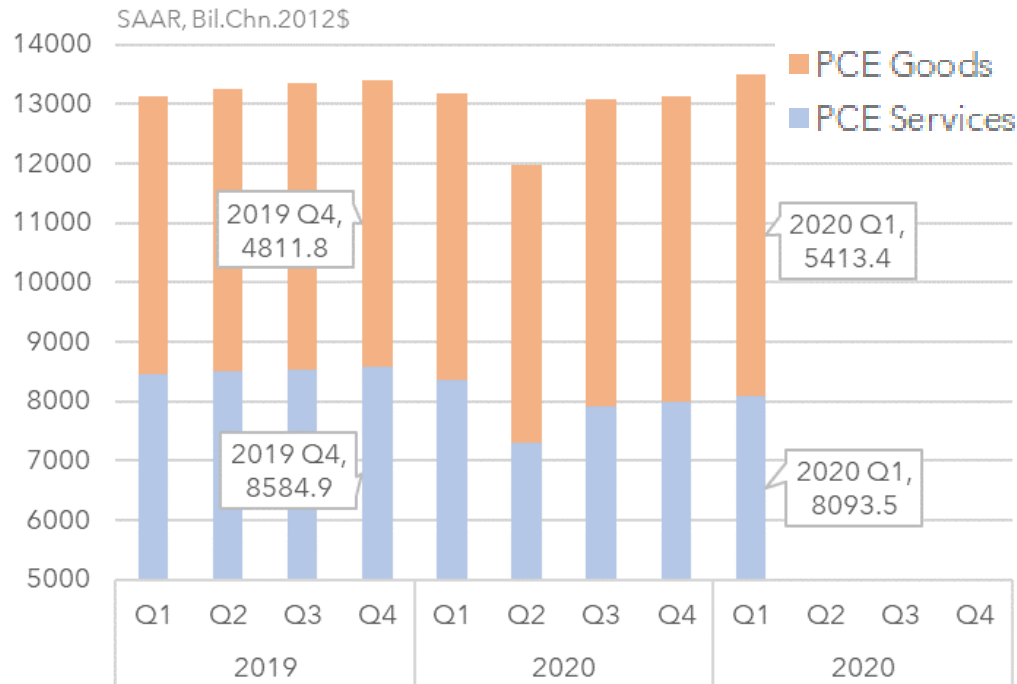
### A Car





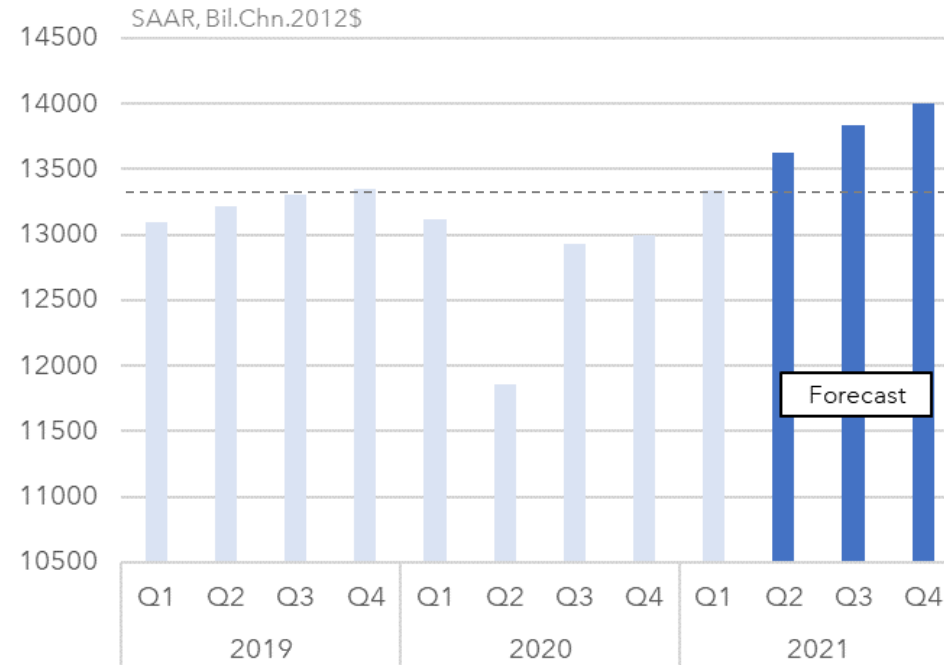
# Continued improvement in consumer spending, especially in services, will be key to the economic recovery in 2021

### Lopsided Consumption Recovery



Source: BEA, The Conference Board

### Real Personal Consumption



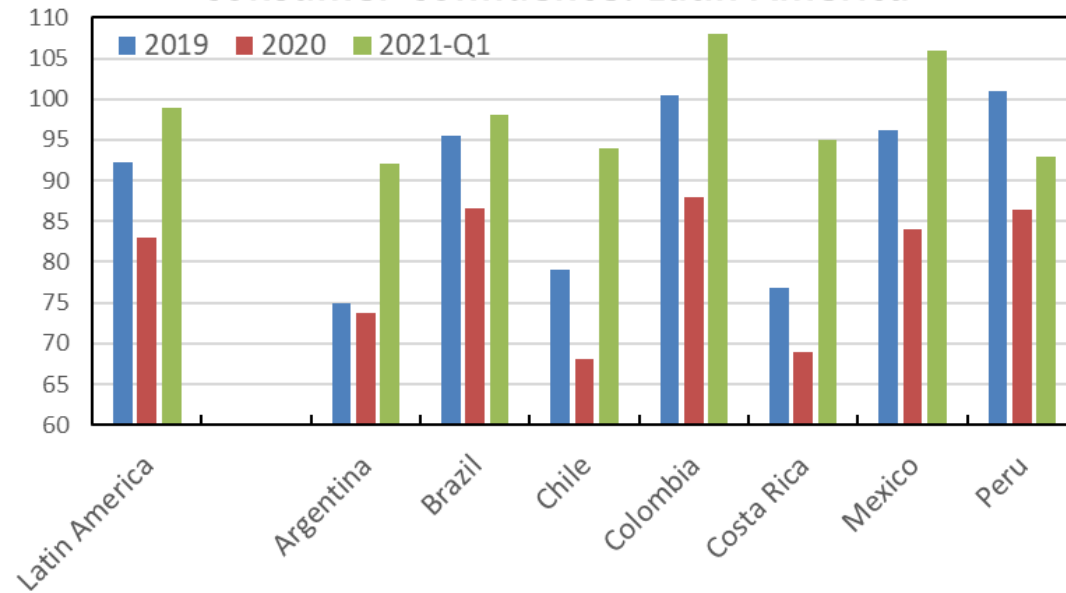
Source: BEA, The Conference Board



# Consumer Confidence in Emerging Markets

# Consumer confidence in Latin America is rebounding faster than economic activity

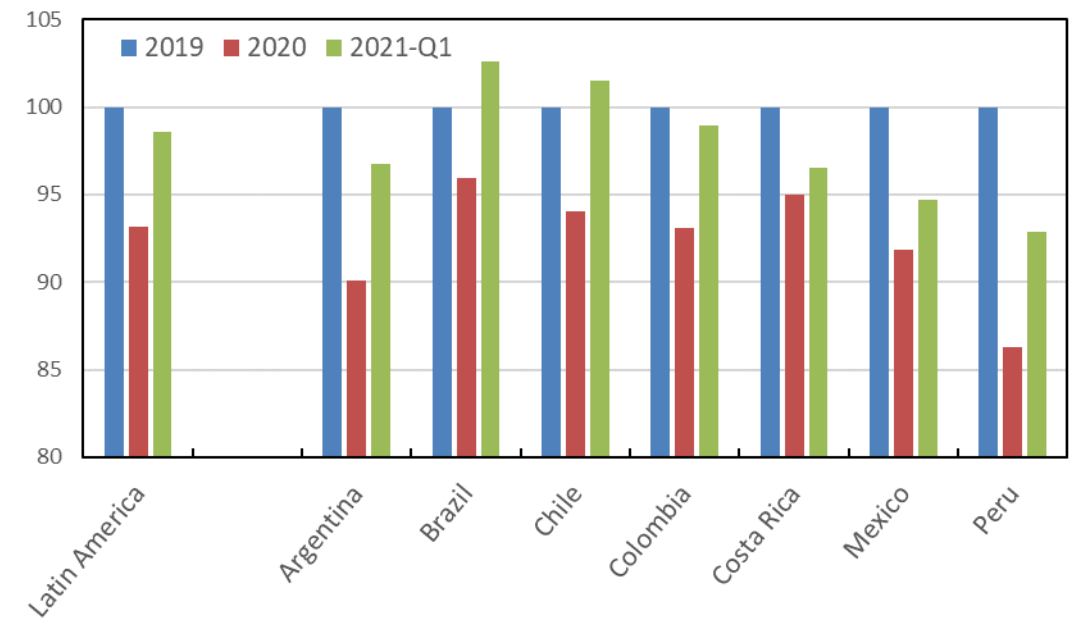
### Consumer Confidence: Latin America



Note: A reading above 100 indicates that there are more optimistic consumers than pessimistic ones. A reading below 100 indicates the opposite, with more pessimistic consumers than optimistic ones.

Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q1.

### Economic Activity: Latin America



Note: Indexed on 2019=100; Data from monthly economic activity indicators are used, a close proxy to GDP; Q1 data refer to January and February only, except for Chile which includes March data as well; Latin America aggregate constructed using weights based on nominal GDP in international dollars using PPPs.

Source: The Conference Board calculations using data sourced through Haver Analytics.

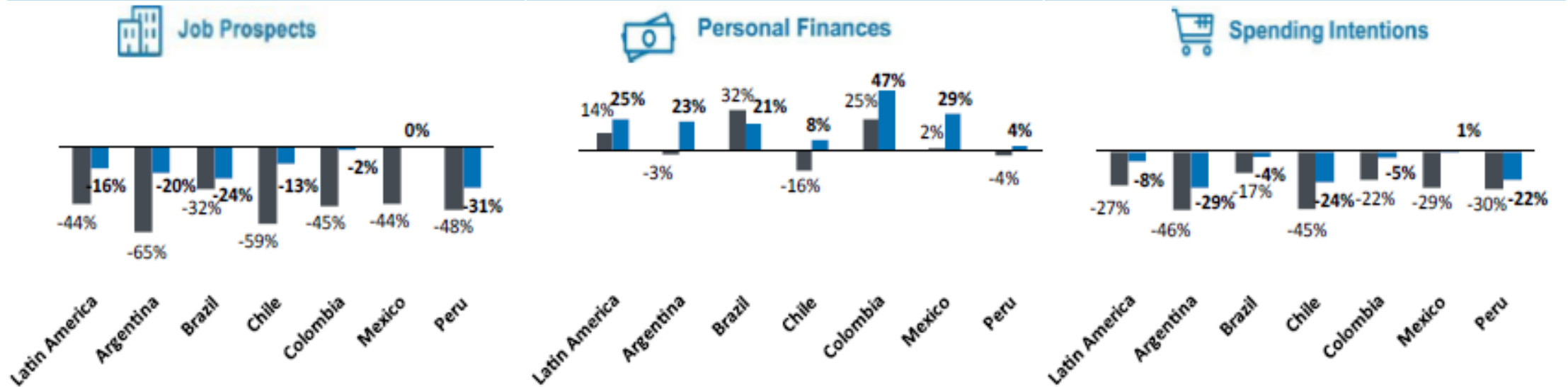


# Despite a likely long road to recovery, Latin American consumers still cited the largest improvement in confidence among all regions

**The Drivers of Confidence:** the balance between positive and negative consumer sentiment

2020 Q4 2021 Q1

↑ Optimistic Consumers  
↓ Pessimistic Consumers



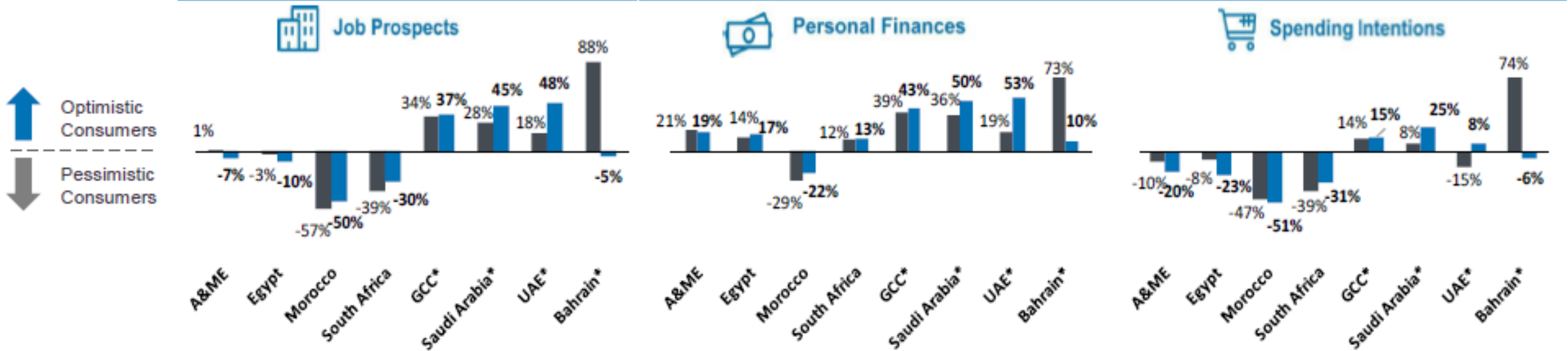
Note: The "balance" is calculated as positive sentiment (percent of consumers who responded "excellent" or "good") minus negative sentiment (percent of consumers who responded ("not so good" or "bad"). Values above zero indicate that consumers are more optimistic than pessimistic.  
Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q1



# Consumer confidence in Africa and the Middle East declined in Q1, but remained stable in the Gulf region despite widening disparities among markets

**The Drivers of Confidence:** the balance between positive and negative consumer sentiment

2020 Q4 2021 Q1



\* Indicates Gulf Cooperation Council (GCC) markets. The Gulf Cooperation Council grouping consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and UAE.

Note: A&ME refers to Africa and the Middle East. The "balance" is calculated as positive sentiment (% of consumers who responded "excellent" or "good") minus negative sentiment (% of consumers who responded ("not so good" or "bad"). Values above zero indicate that consumers are more optimistic than pessimistic.

Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q1



# Upcoming Webcast Programming from The Conference Board



- [Consumer Behaviors During the COVID-19 Era and How US Consumers Spend – and Save – Their Money \(May 13, 2021\)](#)
- [Labor Markets Watch: US Update and Outlook \(May 19, 2021\)](#)
- [Window On Infrastructure Investment \(May 26, 2021\)](#)

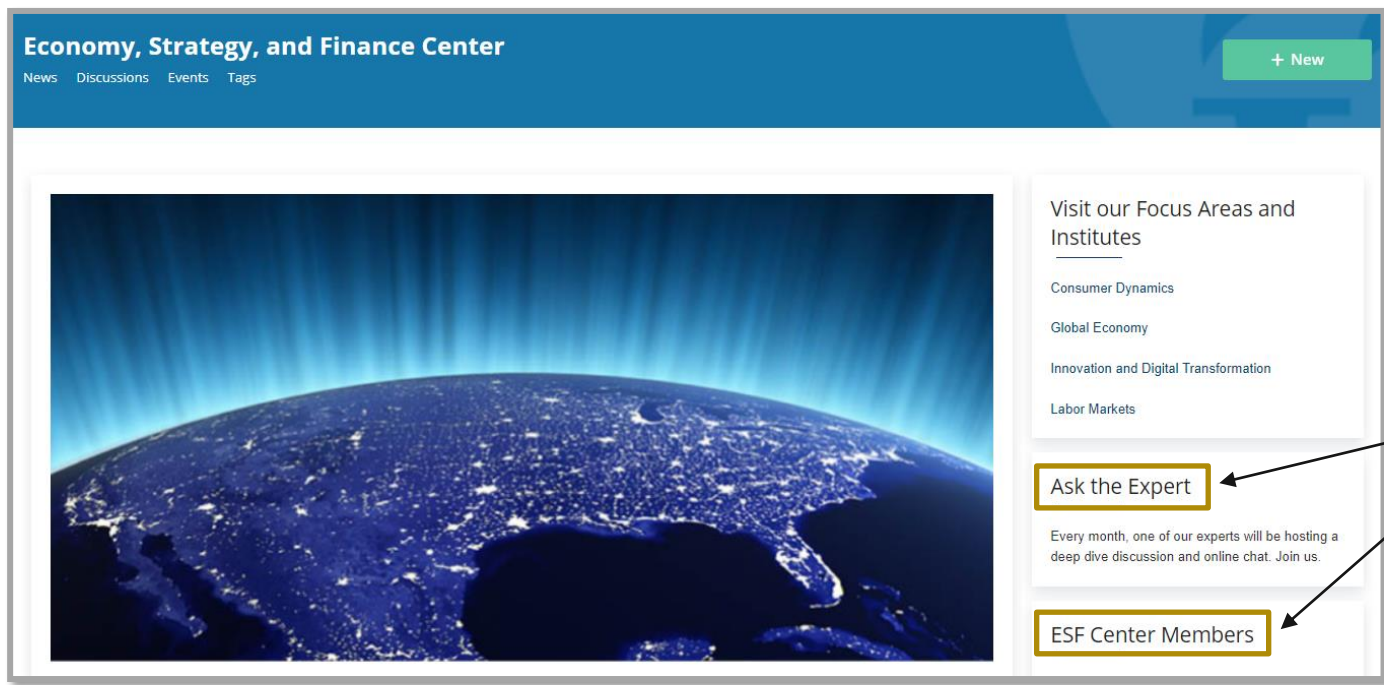
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