

# MARKET SIGHT LINES



## Tracking Recovery: The Consumer

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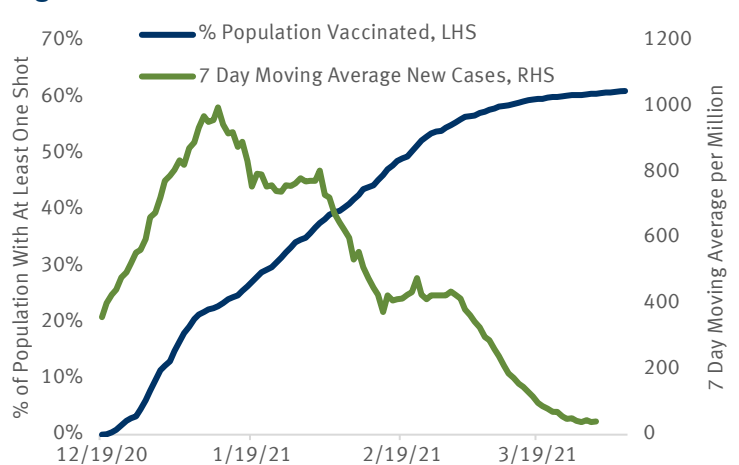
As we've now discussed many times, the coronavirus pandemic's impact on individuals has been unusual, with an artificial shutdown in the economy, jobs lost, and in the U.S., an estimated 31 million sick with COVID and over half a million deaths. The pandemic has impacted all of us, and we're all watching carefully for evidence of the relative safety of herd immunity, the opportunity to reengage more fully, more jobs, greater consumer confidence, and growing consumption to further drive economic recovery.

In this week's Sight|Lines, we review these dimensions of recovery for us as individuals and consumers.

### Watching for safety: Herd Immunity

Currently, 33% of the U.S. population has received one vaccine shot, and 19% are considered fully vaccinated. Experts have signaled that we may reach herd immunity when 60%-70% of the population has immunity, either from vaccination or prior illness. U.S. daily cases had fallen, but are recently rising modestly, despite more people being vaccinated. We also share the same data for Israel, where 61% of the population has received the first vaccine dose. Figure 1 shows that new cases there started to decline when just over a fourth of the population had been vaccinated. The latest 7-day moving average for new cases is now at 41 per 1 million compared to close to 1,000 at the beginning of the year.

**Figure 1. Israel Cases and Vaccinations**



Source: Stifel Investment Strategy, data via Our World in Data and Johns Hopkins as of April 8, 2021

We will be monitoring daily vaccinations and cases here in the U.S. and elsewhere for evidence of herd immunity and the relative safety that comes with it.

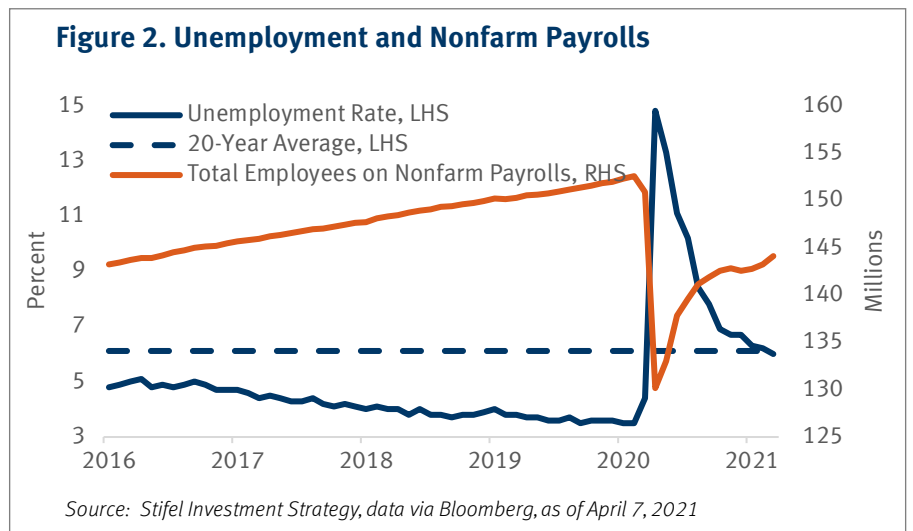
### Digital signs of reengagement: Mobility

As we engage each day, most of us with our mobile devices, our metadata is being aggregated. So, we can monitor mobility and other electronic data for signs of reengagement. Recently, with vaccinations picking up, we've seen people reengaging outside of their homes and "back to normal" trends continuing to progress. For example, earlier this week, over 1.5 million people were screened in a single day at airports, marking the highest

level in over a year, but still lower by about 35% when compared to 2019. OpenTable, which tracks seated diners at restaurants, is reporting that diner count is improving significantly, now about 24% lower than 2019.

### The road back: Employment

Just prior to the pandemic, we had historically strong employment. Figure 2 shows two important things to note. One, nonfarm payrolls, while still below levels prior to the pandemic, have made some recovery and are now at the level last seen in 2016. Two, the unemployment rate has declined and is now just below the 20-year average.



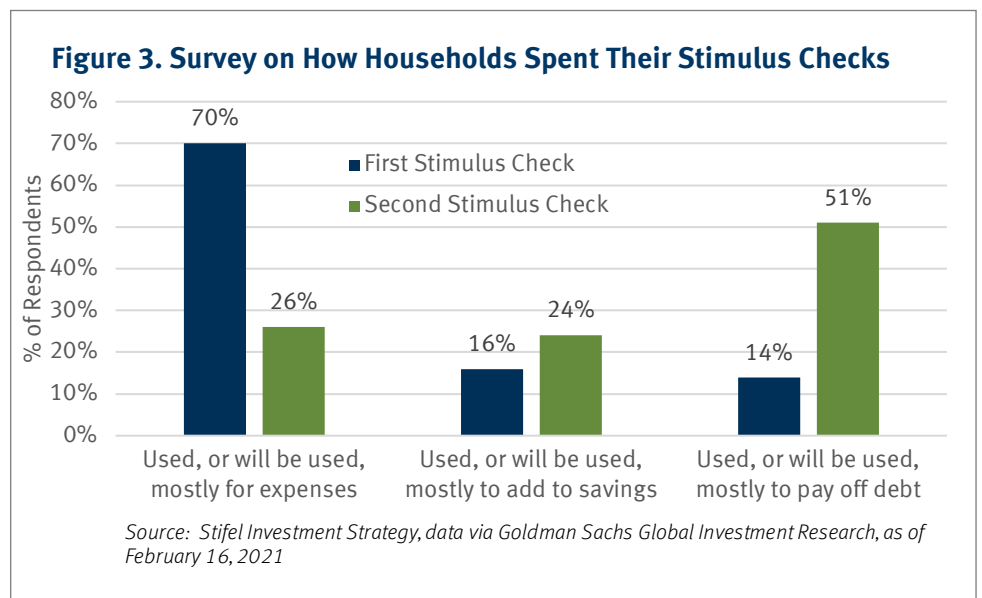
### A classic leading indicator: Consumer Confidence

The Conference Board, a nonpartisan, nonprofit entity operating since 1916, seeks to deliver insights to member organizations and the global business community. They engage Nielsen, the consumer research company, to produce the Consumer Confidence Index. The index exceeded analyst expectations and rose to 109.7 in March, its highest reading in a year. Consumers' views of current conditions and their short-term outlook have improved significantly, signaling that economic growth is likely to strengthen further in coming months.

### Building some dry powder: Personal Savings

Personal savings was up in 2020, with savings as a percentage of disposable income averaging 15.4% last year as compared to the 20-year average of 6.5%. Corresponding to social distancing restrictions, individuals have clearly been saving some of the individual checks delivered from the fiscal stimulus packages.

Figure 3 shows survey results indicating how consumers spent or saved their checks.<sup>1</sup> As we look forward to the rest of the year, consumers indicate that they will spend extra on categories that have been impacted by COVID-19. In a survey by McKinsey & Company, consumers indicated they plan to spend more on travel



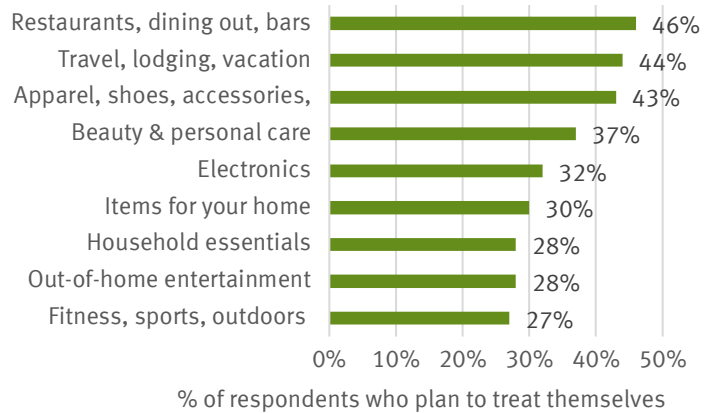
<sup>1</sup>Source: Goldman Sachs

and mobility, out-of-home entertainment, and restaurants after the pandemic. Figure 4 shows the leisure categories on which consumers plan to splurge on in 2021.

### Estimates of economic recovery: GDPNow

The Atlanta Fed publishes the results of a quantitative model estimating the current quarter’s GDP results. Looking at the results for first quarter, we see an expected growth rate of 6.2% (SAAR).<sup>2</sup> Within that, consumption is expected to grow at a rate of 7.2%. We are anticipating accelerating growth in consumption, and GDP more broadly, in 2021.

**Figure 4. Expected Leisure Spend Categories**



Source: Stifel Investment Strategy, data via McKinsey & Company, as of March 24, 2021

### Conclusion

The coronavirus pandemic has impacted all of us as individuals. We had an artificial shutdown in the economy, lost jobs, millions sick with COVID, and unfortunately, over half a million deaths. As we look forward, one indicator for recovery is the consumer, who is watching for the relative safety of herd immunity, the opportunity to reengage more fully, and more jobs. This will lead to even greater consumer confidence and growing consumption, which will continue to fuel economic recovery.

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<sup>2</sup> Seasonally Adjusted Annual Rate