Headwinds Mounting for U.S. Economy

April 2022
Morning Consult’s monthly U.S Economic Outlook report provides an integrated assessment of the strength of U.S. consumers, workers and households.

Businesses and investors rely on this report to understand emerging trends in consumer demand, employment and personal finances.

The report draws on Morning Consult Economic Intelligence, a high-frequency, global economic dataset, reflecting more than 19,000 daily economic surveys across the 44 largest global economies.
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U.S. ECONOMIC OUTLOOK:
APRIL 2022
SUMMARY

Introduction
Over the past month, two trends have cemented themselves in the economic realm: Hot inflation will be with us for some time, and interest rates are rising at a faster pace than previously expected. To date, consumers have been handling these challenges quite well, but the outlook going forward is a bit more dicey.

Confidence
Morning Consult’s Index of Consumer Sentiment (ICS) hit a new series low in mid-March as elevated inflation, financial volatility and the impacts of war in Ukraine clouded consumers’ views of economic conditions. The decline was driven primarily by a drop in perceptions of current buying conditions: The spike in gas prices in the wake of Russia’s invasion of Ukraine was a highly visible and widely felt price shock that is likely to continue challenging future consumer spending and overall economic growth.

Employment
Lost pay and income fell to a series low as employers held onto workers, signaling that they remain more concerned about retaining sufficient workers than they are about downsizing employment rolls to prepare for a potential drop in demand. Unemployment fell to a new low in March as well, though it was driven lower by a decrease in labor force participation rather than by strong jobs growth.

Personal finances
Americans reported modest improvements in their personal financial situations as the labor market continued to support wage growth and tax refunds provided a one-time income boost for those who filed early. Going forward, however, household budgets may become increasingly strained as the cost of living rises faster than earnings, reducing the amount of disposable income available to spend on discretionary purchases or put away in savings. Lower-income households and older adults living on fixed incomes are especially vulnerable to the rising cost of living.
### ECONOMIC INDICATORS DASHBOARD

<table>
<thead>
<tr>
<th></th>
<th>CURRENT PERIOD</th>
<th>PRIOR PERIOD</th>
<th>CHANGE</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer Confidence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICS</td>
<td>83.8</td>
<td>84.8</td>
<td>1.0 pt ▼</td>
<td>NEGATIVE</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Lost pay/income</td>
<td>11.3%</td>
<td>12.3%</td>
<td>-0.7% ▼</td>
<td>POSITIVE</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>12.9%</td>
<td>13.6%</td>
<td>0.7% ▼</td>
<td>POSITIVE</td>
</tr>
<tr>
<td>Labor force participation rate</td>
<td>54.7%</td>
<td>55.4%</td>
<td>-0.7% ▼</td>
<td>NEGATIVE</td>
</tr>
<tr>
<td>Employment-to-population ratio</td>
<td>47.6%</td>
<td>47.9%</td>
<td>-0.3% ▼</td>
<td>NEGATIVE</td>
</tr>
<tr>
<td><strong>Personal Finances</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses were more than income*</td>
<td>15.2%</td>
<td>18.6%</td>
<td>-3.4% ▼</td>
<td>POSITIVE</td>
</tr>
<tr>
<td>Financial vulnerability (unable to pay basic expenses for a full month using just savings)</td>
<td>24.5%</td>
<td>25.3%</td>
<td>-0.7% ▼</td>
<td>POSITIVE</td>
</tr>
</tbody>
</table>

*Current period for this series reflects survey data collected the first week of the month asking about personal finances during the prior month; all other series compare the most recent data from the current month to the prior month.
WILL HIGH INFLATION AND RISING INTEREST RATES TIP THE ECONOMY INTO RECESSION?

After consecutive months of the highest inflation in 40 years, the Federal Reserve began raising interest rates to fight inflation during its mid-March meeting. The Federal Open Market Committee (FOMC) raised the Federal Funds Target Range by 25 basis points, starting the process of reversing the highly accommodative interest rate policy in effect since the onset of the pandemic in March 2020.

Despite the interest rate increase in March, there is growing evidence that the Fed is going to need to act more aggressively to curb inflation. Since Chairman Jerome Powell’s March 16 press conference, a chorus of FOMC members have spoken in support of 50-basis-point hikes at multiple upcoming meetings, sending financial markets to price in upwards of an additional 200 basis points by year end.

Stated differently, what we learned since the FOMC met in mid-March is not that interest rates are going to rise this year. We knew that already. The new information from the second half of March is that interest rates are going to rise by even more than financial markets expected at the beginning of the month.

While rising rates should help curb inflation, they also risk sending the economy into a recession. Thus, the challenge for the Federal Reserve is achieving a so-called “soft landing”: raising interest rates to slow down the economy and fight inflation without tipping the economy into a recession.

It’s too early to know if the Federal Reserve can successfully achieve a soft landing. It will take months for the full impact of higher borrowing costs on economic activity to be felt, and borrowing costs are projected to rise throughout 2022, making 2023 the earliest potential read of the Federal Reserve’s success. In the meantime, factors other than interest rates — such as a war-torn Europe, sluggish confidence or high inflation — may push the economy into recession this year before the Federal Reserve raises rates to its intended target.
In order for the Federal Reserve to succeed, it needs to maintain credibility with financial markets. When markets think the economy is headed for a recession, the economy tends to experience a recession.

As rate hikes have increasingly been priced into the markets, the spreads between various Treasury market yields have diverged to tell different stories about the future path of the economy.

On the one hand, a flattening of the spread between 2-year and 10-year Treasury yields has caught the attention of financial markets and economists alike who often cite this occurrence as a reliable signal of an impending recession: When the yield curve inverts, it has traditionally signaled that investors have lost confidence in the economy’s growth outlook.

Others point out that the spread between the 3-month and 10-year yields has widened, suggesting a very different outcome — one where investors anticipate some combination of stronger growth, higher inflation and higher interest rates.

Which path the economy is heading for will soon be resolved by incoming economic data — we’ll be closely watching the extent to which the pace of hiring, consumer spending, business investment and manufacturing growth slow.

*Shaded area represents recession. Source: Morning Consult Economic Intelligence, Haver Analytics, Treasury Department*
ELEVATED GAS PRICES COMPLICATE THE FED’S GOAL

Elevated gas prices and widespread supply constraints complicate the Federal Reserve’s objective of achieving a soft landing. Increases in interest rates curb inflation by limiting demand, but they are less well suited to addressing prices of nondiscretionary purchases driven by inadequate supply, such as gas. Thus, even as interest rates increase, the most recent surge in the commodity complex promises to pressure end-consumer goods and services prices for some time.

While falling below the March high, retail gas prices have stabilized at roughly $4.20 per gallon, up by $0.63 versus a month ago, $1.38 versus last year and $2.22 versus two years ago. In other words, the consumer has been struggling not only with the degree to which prices for this one category have risen, but also the duration of which it has remained high.

The Federal Reserve’s toolkit offers little to combat the external forces driving commodity prices higher — particularly war and supply chains, helping explain why Americans’ inflation expectations continue to increase. For the week ending March 26, indirect consumer inflation expectations were 6.54%, a series high. The data reflects a collaboration between Morning Consult and researchers at the Cleveland Federal Reserve.

Persistently elevated gas prices erode consumers’ purchasing power, making it more difficult for real consumer spending to grow, particularly in the face of rising interest rates.
LABOR MARKET STRENGTH OFFERS CASE FOR OPTIMISM

The strength of labor markets offers the strongest case for optimism. As of March 2022, the U.S. economy has averaged more than 562,000 net new jobs per month since January 2021, significantly above pre-pandemic trends.

Robust jobs growth continues to provide workers with money to spend and to give companies the workers they need to operate and expand. As noted in last month’s report, barring direct U.S. or NATO intervention, the Ukraine war is unlikely to materially influence U.S. jobs growth due to the relatively limited trading relationships between the United States and Russia and the United States and Ukraine.

Under normal circumstances, rising interest rates would pose a risk to jobs growth. By raising interest rates, the Federal Reserve increases borrowing costs, which tends to slow businesses’ demand for workers. However, given the unusually and persistently high number of job openings, demand for workers could slow without materially limiting the pace of jobs growth.

In February, there were roughly 11.3 million job openings and only 6.3 million unemployed, with the ratio of unemployed persons per opening in the United States falling well below pre-pandemic levels. In this extremely tight labor market, the prospect of a higher wage is drawing many employed workers to also look at switching jobs. During the week ended March 26, 18.5% of employed adults were actively looking for a new job (see slide 32).

While the current, unique circumstances of U.S. labor markets conceptually allow slowing demand for workers along with simultaneous jobs growth, the actual outcome remains far from certain. For example, weakened labor demand may slow wage growth, disincentivizing workers from returning to work, thereby exacerbating labor supply limitations. The Federal Reserve also faces daunting implementation risks: Turning down the heat just enough to slow jobs growth from a boil to a simmer is difficult, and there’s a risk that it goes too far.
NOW IS THE TIME TO PREPARE

Given the unique circumstances that the Federal Reserve must navigate, uncertainty and volatility are likely to characterize the U.S. economy as it seeks to achieve a soft landing. Since inflation is largely being driven by commodity prices and supply constraints, interest rate increases will be less helpful curbing inflation. On the other hand, since jobs growth is being held back by labor supply, it is possible that interest rate increases will not harm jobs growth as much as they have in the past.

Not only does the Federal Reserve need to maintain credibility with financial markets, but it also needs to successfully contend with inflationary pressures on commodity prices and supply chain disruptions, both of which are outside its control. Finally, the ability of the Federal Reserve to engineer a soft landing also depends on its ability to increase interest rates without materially increasing unemployment.

The degree to which the economy can digest higher interest rates without falling into a recession will be borne in the economic data over the coming months. The extent to which growth in hiring, investment and spending among other indicators slow will reveal how well the Federal Reserve has managed to engineer a soft landing.

Even if the United States avoids a recession, the risk of recession is material enough to warrant businesses devoting additional time and resources to scenario planning. If the United States experiences a recession, how will it affect businesses and industries? If the Federal Reserve is unable to curb inflation, how will persistently elevated inflation impact businesses’ customers across different market segments? In this sense, the debate regarding the Federal Reserve’s ability to achieve a soft landing misses a critical conclusion, namely that businesses have an obligation to start preparing for a hard landing.

“Even if the United States avoids a recession, the risk of recession is material enough to warrant businesses devoting additional time and resources to scenario planning.”
CONSUMER CONFIDENCE
CONFIDENCE REBOUNDS FROM SERIES LOW IN MARCH
COVID IS HAVING A LIMITED IMPACT ON CONFIDENCE — FOR NOW

- While the pervasiveness of COVID-19 in the United States has fallen to the lowest level since the beginning of the pandemic, consumer sentiment remains depressed, recording another decline in March.
- On March 14, Morning Consult’s Index of Consumer Sentiment (ICS) hit a new series low of 79.7, as financial volatility and inflation, as well as the war in Ukraine and the resultant energy spike, rattled American consumers, overriding any positive impact from falling COVID-19 cases.
- In recent days, confidence has bounced back amid ebbing financial volatility and stabilizing, though elevated, gas prices. This whiplash in sentiment reflects broader economic uncertainty as consumers contemplate their financial prospects.
- Looking forward, confidence could be hit by another COVID-19 wave in the coming weeks. New cases are on the rise in Europe, and alternative measures like wastewater analysis already show an increase in cases in the United States. The relationship between COVID-19 and confidence during the pandemic has always been asymmetrical, with rising cases leading to a decline in cases, but not necessarily the reverse.

Source: Morning Consult Economic Intelligence, Our World in Data, Johns Hopkins University CSSE COVID-19 Data
ECONOMIC WORRIES SPIKED IN MARCH, ESPECIALLY AMONG HIGH EARNERS

- Confidence snapped back in recent weeks following a sharp decline in late February and early March, as asset prices improved and the shock from the war in Ukraine begins to fade.

- The speed and magnitude of the decline in confidence over the first half of March was the largest since the beginning of the pandemic. By mid-March, the ICS had fallen 9.4% from 30 days prior, representing a steeper drop than during any of the waves of the pandemic following the initial surge in March/April 2020.

- The whiplash in confidence solidifies what has becoming increasingly clear in recent months: Inflation, financial volatility and economic uncertainty have replaced COVID-19 as the principal drivers of U.S. consumer sentiment.

- Similar to last month, the decline in sentiment was steepest among high-income households. This group tends to be older, wealthier and have more assets that are vulnerable to financial markets.
FEWER AND FEWER AMERICANS VIEW NOW AS A GOOD TIME TO BUY

- Morning Consult’s Index of Consumer Sentiment (ICS) fell 1.0 point in March.

- With inflation now the chief concern of U.S. consumers, it is no surprise that the Current Buying Conditions component of the ICS fell most sharply last month – 2.9 points from Feb. 28 to March 27. This component measures whether Americans view now as a good time to make a major household purchase, and U.S. consumers are increasingly saying no.

- Since the beginning of 2022, the Current Buying Conditions component has fallen 6.4 points, from 90.6 to 84.2, marking the greatest decline of any of the five components that make up the index.

- Americans are also souring on the current condition of their personal finances, with that component of the ICS falling 1.6 points last month. The strong U.S. labor market is boosting wages and improving employment outcomes, especially at the lower end of the income spectrum, but the question remains: How long will inflation continue to outstrip wage growth?

Change in ICS and each of its components (Feb. 28 to March 27)

<table>
<thead>
<tr>
<th>Personal Finances: 12-month expectations</th>
<th>Business Conditions: 5-year expectations</th>
<th>Business Conditions: 12-month expectations</th>
<th>Personal Finances: Current conditions</th>
<th>Current Buying Conditions</th>
<th>ICS (Consumer Sentiment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0</td>
<td>-0.2</td>
<td>-0.6</td>
<td>-1.6</td>
<td>-2.6</td>
<td>-1.0</td>
</tr>
</tbody>
</table>

Source: Morning Consult Economic Intelligence
THE WAR IN UKRAINE RATTLED EUROPEAN CONSUMERS

- As the war in Ukraine rages on, European consumer sentiment has fallen precipitously. This decline began immediately following Russia’s invasion of Ukraine on Feb. 24 and intensified as an energy price spike drove up gasoline and utilities prices across Europe. COVID-19 waves in many European countries only added to economic pessimism in March.

- Among the 44 countries tracked by Morning Consult Economic Intelligence, the top 14 largest declines in sentiment last month were seen in Europe: Austria, Italy and Spain saw the sharpest declines, with confidence falling more than 17% in each. Confidence fell 12.7% in Germany and 12.4% in France.

- In Russia itself, confidence fell 7.9% as inflation has soured and many Western-made consumer goods and services disappeared.

- The ICS saw improvement in 15 countries last month, with Vietnam, Malaysia and Pakistan experiencing the largest gains.
GLOBAL SENTIMENT DECLINED AGAIN IN MARCH

• Declines in the United States, Japan and especially Europe were enough to drag down global sentiment in March, as measured by a GDP-weighted reading of Morning Consult’s Index of Consumer Sentiment in 12 of the world’s largest economies.

• Global ICS has trended downward since July 2021 and fallen during each of the past 6 consecutive months.

• COVID-19 continues to pose risks to global sentiment and growth, especially in China. In recent weeks, multiple major cities in China have been locked down, threatening to dampen domestic growth and further rattle global supply chains.

• Risks emanating from China and another potential COVID-19 wave at home both threaten to add to mounting headwinds for the U.S. economy.

Source: Morning Consult Economic Intelligence. Index period is January 2020 for all countries except China, which is indexed to October 2019. March 2022 monthly average runs through Mar. 27, 2022. GDP-weighted global figure calculated using the World Bank’s 2020 USD nominal values for the 12 economies listed.
SECTION 3

EMPLOYMENT
Despite headwinds from all directions, the U.S. labor market continues to show strength, with Morning Consult’s Lost Pay and Income Tracker falling to a series low in March.

For the week ending March 19, the share of U.S. adults who said they lost pay or income the previous week fell to 10.7%, before modestly increasing to 11.2% for the week ending March 26. Initial unemployment insurance claims likewise fell to the lowest level since 1969 in the week ending March 19.

A tight labor market is leading many employers to hang onto workers and increase pay for both new and retained workers.

But big questions remain: Will wage gains be sufficient to keep up with rising prices? And will rising wages help accelerate underlying inflation?
LOW-INCOME WORKERS SEE MOST IMPROVEMENT IN EMPLOYMENT OUTCOMES

- In recent months, the gap in employment outcomes between low- and high-income households has narrowed considerably, driving a decrease in the Morning Consult / Axios Inequality Index.

- While the disparity in labor market outcomes between low and high earners remains, low-income workers have seen their income security improve since the omicron wave of COVID-19 began to ebb in late January. Following a 2022 high of 15.1% in the week ending Jan. 29, the share of adults from households earning less than $50,000 who reported income loss fell to 13.1% at the end of March.

- Meanwhile, high- and middle-income earners have seen some setbacks: Amid heightened financial volatility in 2022, the share of adults from households earning $100,000 or more who reported a loss of pay or income has risen from 8.2% at the end of 2021 to 9.5% in the week ending March 26.

Source: Morning Consult Economic Intelligence: weekly surveys of a representative sample of 20,000 U.S. adults on average
In the wake of an omicron-driven rise in late 2021 to early 2022, public-facing service sector workers in the food & beverage and leisure & hospitality industries have seen significant improvement in employment outcomes.

Since the week ending Feb. 12, the share of food & beverage workers who have experienced a loss of pay or income has trended downward, from 23.2% to 18.9% in the week ending March 26.

Leisure & hospitality workers have seen similar trends, with the share experiencing income loss falling from 17.3% to 14.4% over the same period.

The share of workers in the tech industry reporting income losses rose sharply in the beginning of 2022 but has since partially recovered. This movement corresponds strongly with trends among high-income adults, who have been more likely to report pay losses or weakened sentiment amid financial volatility.
• Joblessness sank to a series low of 12.9% in late March. However, much of the decline was driven by adults leaving the workforce rather than being purely a result of strong hiring demand. The employment-to-population ratio actually declined slightly from a month ago as worker departures slightly outpaced the hiring of jobseekers.

• The labor force participation rate fell to 54.7%, its lowest level since November. The share of adults working or looking for work had been climbing until late February, as strong wage growth and the fading omicron surge encouraged more adults to look for jobs.

Source: Morning Consult Economic Intelligence
UNEMPLOYMENT AMONG LOW-INCOME WORKERS FALLS AS JOBSEEKER POOL SHRINKS

- The unemployment rate among adults whose households earn less than $50,000 per year fell to a series low of 19.9% in late March as strong hiring demand sustained jobs growth for lower-wage industries. A decline in labor force participation for this group also contributed to the smaller pool of jobseekers.

- Labor force participation declined even more sharply for the highest earners: The share of adults in this group working or looking for work dropped to a series low of 68.1% in mid-March.

- Falling labor force participation — especially among the lowest-income group, whose members tend to have less of a savings buffer — is a worrying sign with inflation at historic highs. Not only does restricted labor supply add further inflationary pressures to wages, but a lower share of adults earning wage incomes could mean more households will fall behind on their ability to afford increasingly costly living expenses.

Source: Morning Consult Economic Intelligence
Retirements were the biggest driver of labor force dropouts in March

- From February to March, the share of working-age adults holding or looking for jobs declined 0.9 percentage points, relinquishing the progress made since March 2021 and then some.
- Retirements were the largest contributor to the decline in labor force participation: Over the second half of 2021, some retirees who had stopped working earlier than planned as a result of the pandemic began returning to work as vaccines helped improve the public health situation and rising wages made working more compelling. More recently, however, retirements have picked up again.
- Students accounted for the largest injection of workers into the labor force over the past year as recovering businesses eagerly absorbed entry-level workers amid a tight labor market. A slightly higher share of adults cited school as a reason for not working in March compared with the prior month, but the level remains well below where it stood a year ago.

Source: Morning Consult Economic Intelligence
MOUNTING PRESSURE ON AMERICA’S UNEMPLOYED

Since last year, unemployed adults in the United States have been feeling increasing pressure to find work as expiring unemployment benefits and elevated inflation erode purchasing power.

In June 2021*, when expanded unemployment insurance and other pandemic-era benefits were still in place, only 39% of unemployed active job seekers felt “a lot” of pressure to find work, compared with 63% in March 2022.

In contrast, the share of unemployed job seekers who felt “some” pressure to find work declined from 43% in June 2021 to only 15% in March 2022.

While the share of unemployed Americans has declined amid steady employment gains, this increasing pressure should provide further tailwinds to job growth in the coming months.

*June 2021 figures represent unemployed active job seekers who were receiving unemployment insurance at the time. December and March respondents may or may not have been receiving benefits.

Source: Morning Consult Economic Intelligence: Surveys conducted among a subsample of 172 unemployed active job seekers in June 2022, 125 in December 2021, and 121 in March 2022, with an unweighted margin of error of +/-8 percentage points in June 2021 and 10 points in December 2021 and March 2022.
RESERVATION WAGE LOWEST AMONG UNEMPLOYED, ACTIVE JOB SEEKERS

Suppose someone offered you a job today in a line of work that you would consider. What is the lowest wage or salary you would accept for this job?

<table>
<thead>
<tr>
<th>Wage Range</th>
<th>Nonworking active jobseekers</th>
<th>Nonworking adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $20k</td>
<td>25%</td>
<td>19%</td>
</tr>
<tr>
<td>$20k to under $35k</td>
<td>29%</td>
<td>26%</td>
</tr>
<tr>
<td>$35k to under $50k</td>
<td>29%</td>
<td>24%</td>
</tr>
<tr>
<td>$50k to under $100k</td>
<td>11%</td>
<td>16%</td>
</tr>
<tr>
<td>$100k to under $150k</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>$150k to under $200k</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>$200k to under $250k</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>$250k or more</td>
<td>7%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Suppose someone offered to pay you to not work. What is the lowest wage or salary you would accept if it meant you were not allowed to earn any money from working?

<table>
<thead>
<tr>
<th>Wage Range</th>
<th>Employed adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $20k</td>
<td>9%</td>
</tr>
<tr>
<td>$20k to under $35k</td>
<td>16%</td>
</tr>
<tr>
<td>$35k to under $50k</td>
<td>21%</td>
</tr>
<tr>
<td>$50k to under $100k</td>
<td>22%</td>
</tr>
<tr>
<td>$100k to under $150k</td>
<td>14%</td>
</tr>
<tr>
<td>$150k to under $200k</td>
<td>8%</td>
</tr>
<tr>
<td>$200k to under $250k</td>
<td>3%</td>
</tr>
<tr>
<td>$250k or more</td>
<td>6%</td>
</tr>
</tbody>
</table>

- The reservation wage, meaning the lowest wage that a worker would consider for a particular type of job, is considerably lower among active jobseekers than all nonworking adults.
- In March, 54% of nonworking active jobseekers said they would accept a wage of less than $35,000 in a suitable line of work, compared to 45% of all nonworking adults.
- Additionally, only 28% of these active jobseekers said that this wage was more than what they made in their previous job.
- Among working adults, the reservation wage, or the wage they would accept to not work, is much higher.
- Notably, the reservation wage among all groups has been trending higher in recent months, as the tight labor market improves prospects for workers.

Source: Morning Consult Economic Intelligence: Survey conducted March 10-12, 2022, among a representative sample of 2,200 U.S. adults. Chart shows a subsample of 1,202 unemployed adults (both within and outside of the labor force), 248 unemployed active job seekers and 1,156 employed adults with an unweighted margin of error of +/-3%, +/-7%, and +/-3% respectively.
HIGHER EARNERS MORE LIKELY TO HAVE RETIRED OR QUIT A JOB OVER ISSUES UNRELATED TO PAY

- In the last 12 months, insufficient pay is the most frequently cited reason for voluntarily quitting a job among workers across income groups.
- However, the difference between high- and low-income workers’ reasons for quitting a job is much more pronounced when looking at drivers other than pay, with higher-income Americans much more likely to have the financial freedom to drop out of the labor market or switch to a less-demanding role.
- Over the past year, workers from households earning $100,000 or more were twice as likely to say they quit a job because they retired or because their job had required too many hours of work.

Share of adults who voluntarily quit a job in the last 12 months who cited the following as a major reason:

<table>
<thead>
<tr>
<th>Reason</th>
<th>Less than $50K</th>
<th>$100K or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>My job did not pay me enough</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>Retirement</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>My job required too many hours of work</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Health/medical limitations</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Family/personal obligations</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>My job was not within my desired industry/function area</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>School/training limits my availability</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>My job didn’t offer enough hours of work</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>My job didn’t allow remote/socially distanced work</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Public health concerns</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Child care obligations</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>My job did not provide me with adequate paid leave or sick days</td>
<td>15%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: Morning Consult Economic Intelligence, survey conducted March 10-12, 2022, among a representative sample of 2,200 U.S. adults. Chart shows a subsample of 466 adults who voluntarily resigned or quit a job in the past 12 months, with an unweighted margin of error of +/-5%.
HALF OF PART-TIME WORKERS WOULD PREFER TO WORK MORE HOURS

- In March, the share of U.S. adults who worked fewer than 35 hours per week and said they would like to work more hours fell slightly to 50% from 51% the previous month.

- With the exception of the previous two months, the March reading for the share of part-time workers who would like to work more hours was as high as it had been since May 2021, a potential indication that some U.S. workers are feeling pressure to earn more income as inflation rises faster than wages.

- Among those who did not want to work more, the share who cited retirement as the primary reason reached a series high in March. Retirees are particularly vulnerable to inflation, but working part-time alleviates their dependency on fixed incomes alone since wages could rise along with prices.

Would you like to work more than 35 hours per week?

- Yes
- Don’t know
- No

Of those who responded “No,” why?

- Retirement/Social Security limit on earnings: 9%
- Child care obligations: 12%
- Health/medical limitations: 20%
- Other family/personal obligations: 33%
- Other: 14%
- School/training: 11%
- Other: 9%

Source: Morning Consult Economic Intelligence; Surveys conducted monthly among a representative sample of 2,200 U.S. adults each month. Charts show a subgroup of roughly 550 U.S. adults per month who worked fewer than 35 hours per week, and 240 who did not want to work more than 35 hours per week in March 2022.
• Workers continue to report strong job security: The share of workers expecting to lose income in the next four weeks rose slightly in March from the previous month but remained at the second-lowest level in the history of the series.

• Recent improvements have also been more acute at the lower end of the income spectrum.

• Even as high inflation and monetary tightening threaten economic growth, companies continue to hold onto workers, supporting job security.

• Low unemployment and flagging labor force participation point to sustained tightness in the labor market, keeping bargaining power firmly in the hands of workers — at least until a meaningful decline in consumer demand dampens hiring needs.

Source: Morning Consult Economic Intelligence: Surveys conducted monthly among a representative sample of 2,200 U.S. adults each month. Chart shows a subgroup of roughly 1,150 employed U.S. adults.
OPENNESS TO JOB SWITCHING DECLINED SLIGHTLY

- The share of employed workers who are actively applying for new roles hit a new series high in early March before declining slightly at the end of the month. The share of active applicants has mostly trended flat since October 2021, when elevated job switching coincided with strong wage gains as workers flexed their bargaining power in seeking higher wages. The number of job openings remains elevated but has fallen slightly from its recent peak in December, according to the BLS.

- While the trend of active applicants is better characterized as a stabilization than a reversal, there is some indication that workers may find a modicum of relief from their recent labor retention challenges. The share of workers who said they are not open to leaving their current positions inched up to 49.2% in late March, its highest level since December. Fewer workers who are contemplating but not yet acting on job searches means active applicants may slow their pace soon as well, alleviating upward wage pressures.

Source: Morning Consult Economic Intelligence
SECTION 4

SPENDING
INFLATION & OMICRON REBOUND DRIVE UP SPENDING ON NUMEROUS CATEGORIES

Spending was higher in February across virtually all spending categories as rising prices — including rising gas prices — are forcing consumers to spend more: Gas prices have jumped an unadjusted 5.4% since January, and grocery costs climbed 1.4% during the same time.

Discretionary categories like travel, personal care and recreation bounced back from January declines. The spending recovery for many of these categories likely reflects a combination of seasonal factors, rising prices and renewed comfort with engaging in certain activities as the omicron threat receded.

Rising gas prices not only impact consumers' total spending on gas and utilities — they also indirectly influence spending on other products and services, either by contributing to price changes for other categories or by diminishing the share of wallet available for discretionary purchases.

Source: Morning Consult Economic Intelligence
Rising energy costs are forcing many households to allocate a higher share of total spending to gas and utilities. Many adults rely on personal vehicles to commute to work, and cold winter temperatures across the country make heating essential to a functioning household. Consumers therefore have little choice but to absorb higher gas and utility bills and pay larger monthly amounts.

As spending on gas and utilities increased in recent months, purchases for services like health care, education, restaurants and travel, as well as spending on consumer products like apparel and furniture trended lower. In contrast with gas and utilities, many of these categories are more likely to be discretionary. With prices rising faster than incomes, consumers are forced to make trade-offs; for some households, this means lower spending on nonessential goods and services.
Not all consumers are equally affected by rising gas prices. In general, lower-income adults tend to spend a higher share of their total monthly spending on gas and utilities, making them particularly vulnerable to future gas price increases. Low-, middle- and high-income adults allocated 0.8, 1.1 and 0.7 percentage points more of their monthly spending to gasoline and utilities in February 2022 than they did in June 2021.

Rural Americans’ spending patterns are particularly susceptible to increases in gas prices, whereas urban consumers’ spending patterns remain essentially unchanged. This stark difference in the level and change of exposure underscores the importance of disaggregating Americans’ financial experiences: As a growing share of wallet is taken up by energy categories, lower-income and rural consumers have less left over to spend on other goods and services.
SECTION 5

SUPPLY CHAINS, PRICE EXPECTATIONS AND INFLATION
GROWING SHARE OF ADULTS REPORTED DIFFICULTY PURCHASING VEHICLES IN MARCH

Share of prospective buyers who had trouble finding certain items last month, U.S. adults

<table>
<thead>
<tr>
<th>Category</th>
<th>February 2022</th>
<th>March 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery items and food</td>
<td>51%</td>
<td>51%</td>
</tr>
<tr>
<td>House or apartment</td>
<td>42%</td>
<td>45%</td>
</tr>
<tr>
<td>Paper goods such as paper towels</td>
<td>30%</td>
<td>34%</td>
</tr>
<tr>
<td>New cars, trucks and SUVs</td>
<td>29%</td>
<td>34%</td>
</tr>
<tr>
<td>Used cars, trucks and SUVs</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>Supplies for home improvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home appliances</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>Furniture</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Exercise and sports equipment</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Electronics, computers and cellphones</td>
<td></td>
<td>17%</td>
</tr>
<tr>
<td>Motorcycles</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Clothing/apparel</td>
<td>12%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: Morning Consult Economic Intelligence

- In March, a growing share of prospective buyers for vehicles and homes reported difficulty finding these items as lingering supply tightness continues to impact availability.
- While several product categories have become less impacted by shortages in recent months, many of the more severely supply-constrained items have grown increasingly hard to find.
- The scarcest items — including housing, groceries and food — also account for a relatively high share of consumer spending, thus holding a prominent role in contributing to rising inflation.
Price expectations surge higher across most categories

- Inflation has risen sharply across many categories as supply chain disruptions and strong consumer demand drive up prices for cars, homes, grocery items and gas — and a growing share of consumers believe further increases are yet to come.

- Used car price expectations posted the biggest jump, with the share of adults expecting price increases for used vehicles over the next 12 months rising 5.3 points from January to February. This same category also registered the most pronounced increase in the share of consumers reporting purchasing difficulties in March, suggesting supply disruptions remain a major factor in price growth.

- Expectations for housing prices increased strongly, despite the likelihood that rising mortgage rates could weigh down home prices for buyers. Renters’ expectations could help to explain this phenomenon: As higher borrowing costs put homeownership out of reach for more U.S. adults, many could opt to rent instead, boosting demand and pricing for apartment leases.
As prices rise across numerous categories, 59% of all adults said they are “very concerned” about inflation in February, up from 43% in June 2021.

Older adults tend to worry more about inflation than younger adults; 67% of baby boomers reported concern about inflation in February, compared with 35% of Gen Z adults.

Adults closer to retirement have fewer years of wage earning ahead of them, leaving less time for salaries to catch up with inflation before living off fixed incomes. Younger adults also may be less concerned because they haven’t known high inflation in their lifetimes and haven’t experienced its downsides.
Gas prices — already elevated in February — soared higher in March as the Russia-Ukraine conflict continued to threaten global oil supplies. Consumers responded by cutting back on driving, with 68% of those who drove less citing gas prices as the main reason.

Prices for gas are one of the most responsive and visible means by which many consumers monitor inflation. Spending patterns on gas in times of elevated inflation could portend shifts in buying behavior for other categories as prices continue to climb, with more consumers altering routines to minimize exposure to rising costs.

Source: Morning Consult Economic Intelligence: Survey conducted March 17-20 among a representative sample of 2,210 U.S. adults, and subsamples of 668 and 870 who said they drove less than usual in February and March, respectively with unweighted margins of error of ±2%, ±4% and ±3%, respectively.
PRICE CONCERNS ARE DISCOURAGING PURCHASES FOR HOUSES, RESTAURANT MEALS AND ELECTRONICS

- High prices remain a major deterrent among prospective homebuyers. As rising borrowing costs increase monthly payment amounts, affordability concerns could increasingly weigh on housing demand.

- Aside from housing, food, new vehicles, used vehicles and gasoline are major spending categories that have registered unusually rapid price growth over the past year.

- The degree to which high prices impacted purchasing decisions was greater for relatively more discretionary options within these categories: 41% of consumers avoided restaurant or takeout purchases due to price, compared with 35% who said the same for grocery items, and slightly more adults opted out of buying new cars due to price than the share who didn’t buy used.

Share of U.S. adults who considered but didn’t purchase various items and said high prices were the main reason:

<table>
<thead>
<tr>
<th>Item</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A house or apartment</td>
<td>47%</td>
</tr>
<tr>
<td>Restaurant meals and takeout food</td>
<td>41%</td>
</tr>
<tr>
<td>Electronics, computers or cellphones</td>
<td>40%</td>
</tr>
<tr>
<td>A new car, pickup, van or SUV</td>
<td>40%</td>
</tr>
<tr>
<td>Supplies for home improvement</td>
<td>40%</td>
</tr>
<tr>
<td>Home appliances</td>
<td>38%</td>
</tr>
<tr>
<td>A used car, pickup, van or SUV</td>
<td>38%</td>
</tr>
<tr>
<td>Furniture</td>
<td>37%</td>
</tr>
<tr>
<td>Clothing/apparel</td>
<td>36%</td>
</tr>
<tr>
<td>Gasoline/fuel</td>
<td>35%</td>
</tr>
<tr>
<td>Specific types of groceries and food</td>
<td>35%</td>
</tr>
<tr>
<td>Exercise &amp; groceries and food</td>
<td>34%</td>
</tr>
<tr>
<td>Paper goods, such as paper towels or toilet paper</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Morning Consult Economic Intelligence: Survey conducted March 17-20 among a representative sample of 2,210 U.S. adults, with an unweighted margin of error of +/-2 percentage points. Data shows a subsample of adults who considered but didn’t purchase various items in March.
SECTION 6

PERSONAL FINANCES, CONSUMER CREDIT AND HOUSING
The share of adults who said their household expenses totaled more than their monthly income fell to 15.2 percent in February, its lowest level since November 2021.

Relative to January, U.S. adults said their incomes increased. The surge in omicron cases at the start of 2022 did not result in layoffs, but it did keep many workers home due to illness or caring for relatives; these absences resulted in fewer hours worked and less take-home pay for hourly wage earners. The subsequent retreat of the omicron surge in February — as well as continued jobs growth that month — helped trigger a reversal.

Going forward, however, rising prices continue to threaten household budgets. Inflation is rising faster than incomes — especially for lower-income adults — suggesting that a growing share of households may face increasing difficulty affording monthly expenses.

Source: Morning Consult Economic Intelligence: Monthly surveys conducted among a representative sample of 2,200 U.S. adults each.
The share of Americans who lack savings to cover their basic expenses for a full month fell to 24.5% in March, which is still higher than its level during the same month in 2021.

Despite the improvement, financial vulnerability will remain a challenge. High inflation is eroding consumers’ ability to maintain a savings buffer in several ways: First, the nominal cost of a month of expenses is growing, raising the amount needed in savings to cover it. Additionally, inflation is rising faster than incomes, meaning households have less left over to add to savings.

Unlike in 2021, pandemic-era government support has largely been withdrawn, adding to the precariousness of U.S. household finances in the face of historically high inflation.
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   - Compare labor market conditions across and within countries to identify job seekers with appropriate skill sets.

3. **Track Inflation Expectations**
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- Buying Conditions
- Business Conditions
- Employment Status
- Employment Type
- Labor Market Sizing
- Future Price Increases
- GDP expectations
- Pricing Effect
- Supply Expectations
- Demand Expectations
- Ability to Pay
WE USE RESPONSES TO FIVE DAILY SURVEY QUESTIONS TO MEASURE CONSUMER SENTIMENT

<table>
<thead>
<tr>
<th>Personal Finances</th>
<th>Current Conditions: Would you say that you (and your family living there) are better off or worse off financially than you were a year ago?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Better Now</td>
</tr>
<tr>
<td></td>
<td>+ % Pos.</td>
</tr>
<tr>
<td></td>
<td>+ 100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Conditions</th>
<th>12-Month Expectations: Now looking ahead — do you think that a year from now you (and your family living there) will be better off financially, or worse off, or just about the same as now?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Will Be Better Off</td>
</tr>
<tr>
<td></td>
<td>+ % Pos.</td>
</tr>
<tr>
<td></td>
<td>+ 100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Buying Conditions</th>
<th>5-Year Expectations: Looking ahead, which would you say is more likely — that in the country as a whole we’ll have continuous good times during the next 5 years or so, or that we will have periods of widespread unemployment or depression, or what?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Good Times</td>
</tr>
<tr>
<td></td>
<td>+ % Pos.</td>
</tr>
<tr>
<td></td>
<td>+ 100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Current Buying Conditions: Thinking about the big things people buy for their homes — such as furniture, a refrigerator, stove, television, and things like that. Generally speaking, do you think now is a good or bad time for people to buy major household items?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Good Time</td>
</tr>
<tr>
<td></td>
<td>+ % Pos.</td>
</tr>
<tr>
<td></td>
<td>+ 100</td>
</tr>
</tbody>
</table>

Index of Cons. Sentiment Expectations (ICE) | Index of Cons. Sentiment (ICS) | Index of Current Conditions (ICC)
WE USE RESPONSES TO FIVE DAILY SURVEY QUESTIONS TO MEASURE CONSUMER SENTIMENT

<table>
<thead>
<tr>
<th>THOUSANDS OF DAILY SURVEYS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Rate</td>
</tr>
<tr>
<td>Labor Force Participation Rate</td>
</tr>
<tr>
<td>Employment-to-Population Ratio</td>
</tr>
</tbody>
</table>

✓ Consistent Cross-Country Data Collection and Methodology
✓ High-Frequency Collection & Reporting
✓ Detailed Demographic Segmentation Capabilities
LABOR MARKET METRICS

Morning Consult's labor force calculations are simplified and standardized versions of those used by the Bureau of Labor Statistics, the OECD and the International Labour Organization.

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>Working</td>
</tr>
<tr>
<td>Unemployed</td>
<td>Not working, but looking for work and not disabled</td>
</tr>
<tr>
<td>In the Labor Force</td>
<td>Employed + Unemployed</td>
</tr>
<tr>
<td>Willing to Switch Jobs</td>
<td>Has a job, but is open to leaving current job or is actively applying for new jobs</td>
</tr>
</tbody>
</table>
**SURVEY COMPARISON**

Morning Consult's labor market data provides enhanced scale, frequency and depth not captured in BLS data.

<table>
<thead>
<tr>
<th>Collection Method</th>
<th>Scale # of monthly respondents</th>
<th>Reach</th>
<th>Cadence &amp; Frequency</th>
<th>Depth of Segmentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morning Consult</td>
<td>US: 180,000+</td>
<td>US + 14 Countries</td>
<td>[Diagram]</td>
<td>Gender, Age, Ethnicity, Education, Occupation, Industry, Geography, Product Usage, Political Party, Income, Housing, Religion, Brand Sentiment, More...</td>
</tr>
<tr>
<td>BLS</td>
<td>US: 60,000</td>
<td>US</td>
<td>[Diagram]</td>
<td>Gender, Age, Ethnicity, Education, Occupation, Industry, Geography</td>
</tr>
</tbody>
</table>
UNEMPLOYMENT RATE METHODOLOGY

Morning Consult’s unemployment rate calculation is a simplified version of the calculation used by the Bureau of Labor Statistics.

Q1. In the past week, did you do any work for pay or profit?
- No
- Yes

Q2. Did you actively look for work in the past 4 weeks?
- No
- Yes

Q3. Do you have a disability that prevents you from doing any kind of work?
- No
- Yes

Q4. How would you describe your present employment situation?
- Job in the private sector
- Job in government
- Self-employed
- Homemaker
- Student
- Retired
- Unemployed
- Other

Unemployment Rate = \frac{Unemployed}{Labor Force} = \frac{Worked in past week}{Working in Private or Public Sector (but answered Q1 “no”) \text{ & Able to Work}} + \text{Actively Searching \& Able to Work}

Working in Private or Public Sector (but answered Q1 “no”) = Job in the private sector + Job in government + Self-employed + Homemaker + Student + Retired + Unemployed + Other