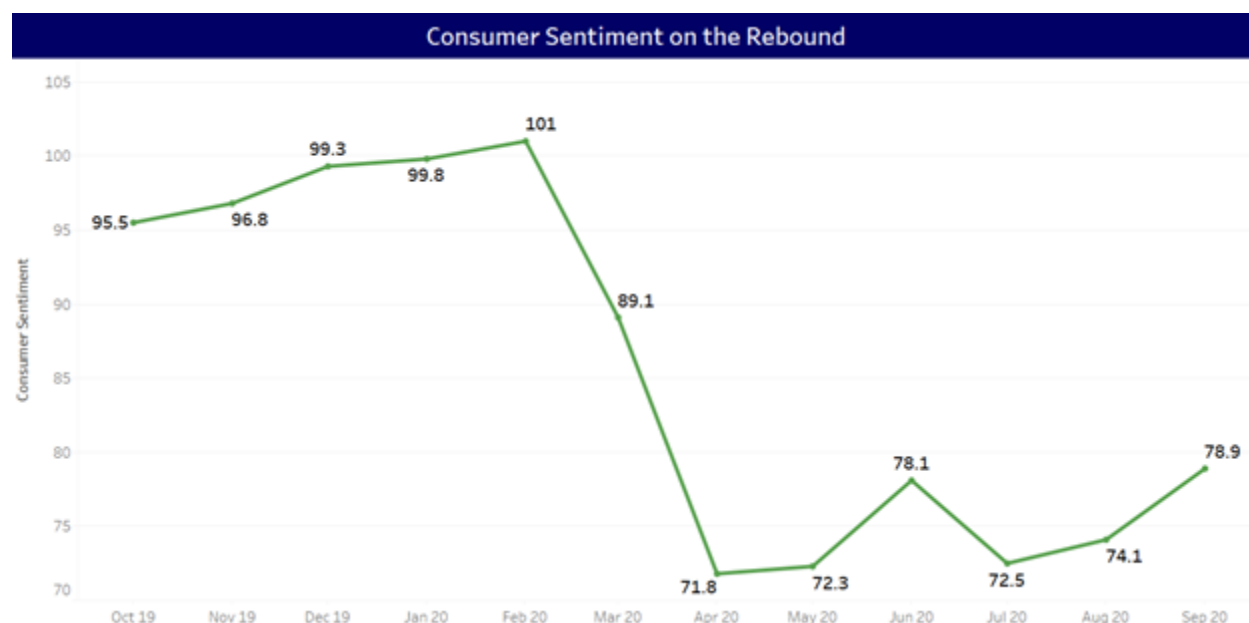


## Consumer Sentiment Rises as Virus Cases Fall

[Consumer sentiment picked up in September](#), according to the University of Michigan, but is still well below where it was in February before COVID-19 forced the economy into the Great Pause. This is a preliminary reading and could change when we get final survey results at the end of the month.

The rise in consumer sentiment is not surprising, considering the recent pattern that economic activity closely mirrors the pace of the virus. For example, the initial surge of the virus caused the economy to crater in March, April, and May. Case levels fell in June and July, which saw an uptick in economic activity. When virus cases resurged in July, economic activity declined. As cases have fallen again in August and September the economy has similarly perked up.



**Why it matters:** When consumers feel better about the economy, they spend more. When they feel worse, they spend less. Economic growth tracks closely with consumer spending. The fact that sentiment rose more in September than analysts were predicting, although on a preliminary basis, provides hope that the economy may be on stronger footing than many assume.

The flipside is that sentiment is still well below where it was before the pandemic. In February, sentiment registered 101 on the University of Michigan scale. In September the initial reading is 79. We have a long way to go before consumers feel as positive about the economy's strength as they did before the pandemic.

**Future outlook:** Consumers' sentiment about the future rose slightly more than their sentiment about the current state of the economy, adding to evidence that consumers are optimistic about the future. Consumers spend more on big ticket items like houses, cars, appliances, and

electronics, when they are confident in the future. These products often require financing and consumers need to believe they will have the income to make future payments before purchasing them.

**Back to health:** Consumers will feel better about the economy, and spend commensurately, when virus cases recede more. The way back to economic vitality is through a return to health. The data will continue to reflect that fact.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce