

dun & bradstreet  
WHITEPAPER

CONSUMER SPENDING:  
A BEACON OF HOPE  
FOR ECONOMIC REVIVAL



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# EXECUTIVE SUMMARY

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In 2020 the economies of 86% of the countries tracked by the International Monetary Fund (IMF) saw a contraction, making Covid-19 the biggest economic shock since the Great Depression of 1929. Overall, the global economy contracted by 3.3% in 2020 - compared to a contraction of 0.1% during 2009, the year following the global financial crisis - and global per capita income in 2020 regressed almost to 2017 levels. These figures could have been much worse were it not for the unprecedented fiscal and monetary policy support provided governments and central banks around the world during 2020. Many countries are expected to cross their pre-pandemic levels of economic output in 2021, while others are showing nascent signs of a strong rebound in 2022. One of the leading indicators that offer hope for this optimistic growth outlook is the increase in consumer confidence levels. This report analyses the factors underpinning the increase in consumer confidence levels, as well as the potential factors that can generate stark divergences in the economic growth pattern of countries.

We hope this paper will be a valuable source of information for business leaders in understanding the factors that are shaping new opportunities, and highlight risks in conducting commerce across borders.



# KEY TAKEAWAYS

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Consumer confidence has already raced to pre-pandemic levels across most economies. This increase is underpinned by five major factors: (1) improved public health led by vaccination; (2) improving economic activity supported by easing of restrictions; (3) improving labour market conditions; (4) a pile-up of excess savings during the pandemic; and (5) the wealth effect led by robust asset appreciation.

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The latest real GDP readings displayed a positive trajectory in countries such as Argentina, Australia, Brazil, China, France, India, South Korea and the US. Similar momentum is expected for other economies in the second half of 2021, supported by the easing of restrictions.

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The employment rate has already crossed pre-pandemic levels in some countries. While some countries will witness a V-shaped recovery in terms of employment, other countries could potentially see a W-shaped recovery.

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An improvement in public health and the perceived stability of future income can unlock sizeable pent-up demand as households draw down on excess savings.

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There will be significant regional disparities in economic revival. This presents varying levels of business opportunities and risks for those engaged in conducting commerce across borders.

# THE RETURN OF CONSUMER CONFIDENCE



# THE RETURN OF CONSUMER CONFIDENCE

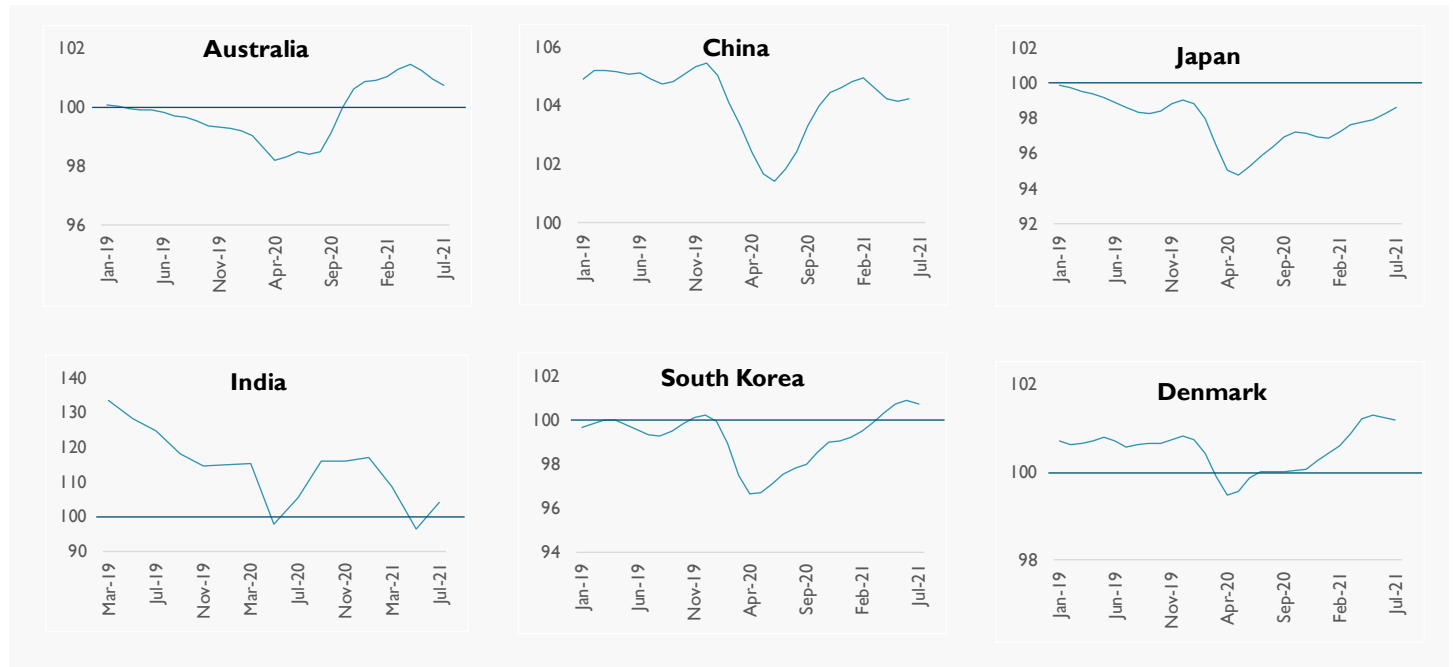
## WHAT IS CONSUMER CONFIDENCE AND WHY DOES IT MATTER?

The global economy is expected to grow at its fastest post-recession pace in 80 years. Among other leading indicators that offer hope for this optimistic growth outlook is the consumer confidence level. In brief, consumer confidence is a measure of the optimism levels of consumers with regards to the general economic situation and their own personal financial conditions. Across most countries, consumer confidence has already raced to their pre-pandemic levels. As consumer confidence increases, consumers are less likely to indulge in precautionary savings, and more inclined to spend money. As consumer spending increases, the balance sheets of corporates improve - leading to more investment and employment opportunities, which in turn increases household income levels and leads to higher consumer spending. Thus, a virtuous cycle of economic growth is created. Given that household consumption expenditure accounts for 50% to 70% of Gross Domestic Product (GDP) in major countries, consumer confidence levels offer insights about the likely economic growth trajectory. The other components of GDP are business investments, government spending, and net exports.

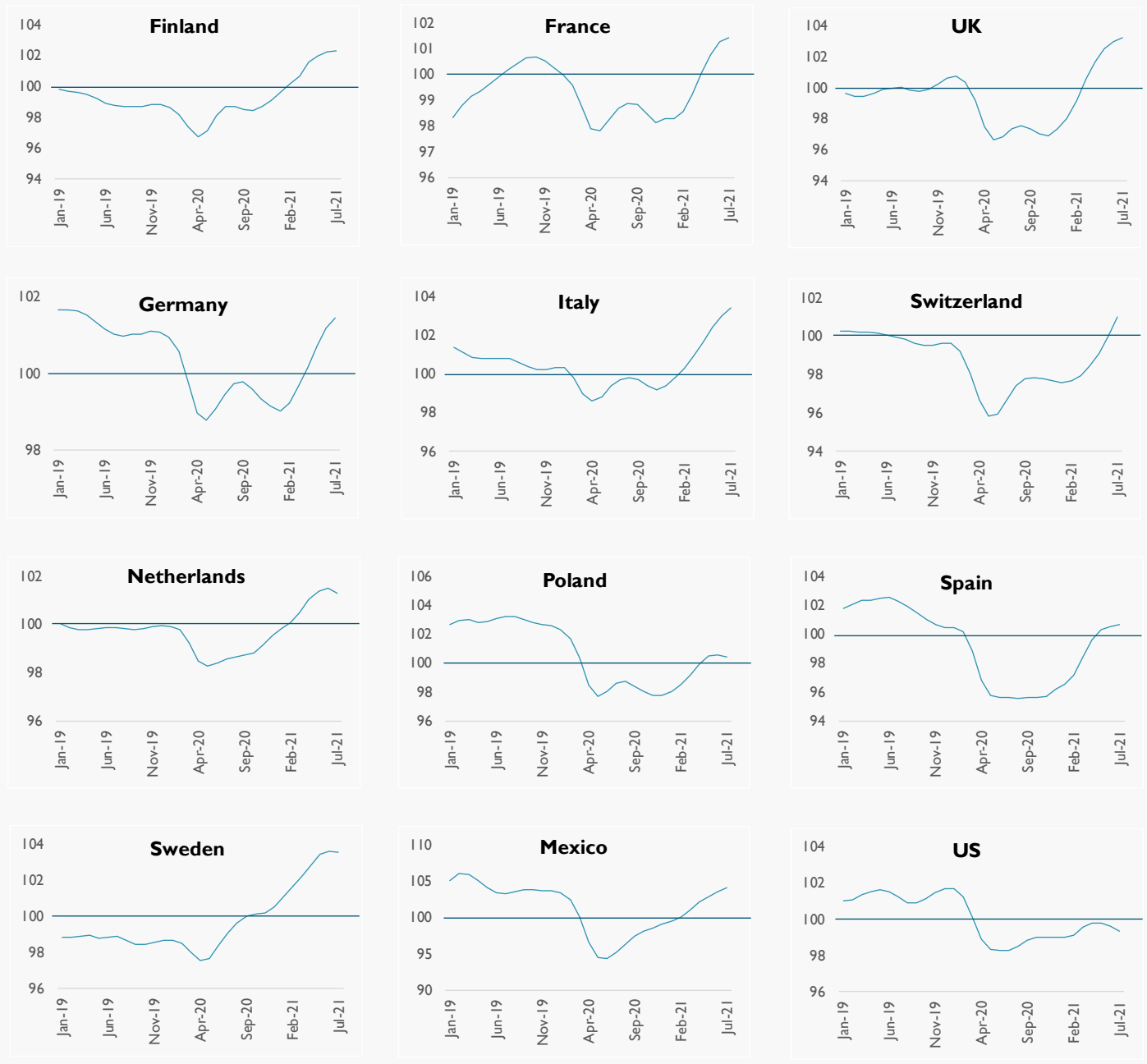


ACROSS MOST COUNTRIES, CONSUMER CONFIDENCE HAS ALREADY RACED TO THEIR PRE-PANDEMIC LEVELS

## CONSUMER CONFIDENCE INDEX







Source: OECD, Reserve Bank of India, Dun & Bradstreet

Note: An indicator above 100 signals a boost in the consumers' confidence towards the future economic situation, as a consequence of which they are less prone to save, and more inclined to spend money on major purchases in the next 12 months. Values below 100 indicate a pessimistic attitude towards future developments in the economy, possibly resulting in a tendency to save more and consume less.

# WHAT EXPLAINS THE INCREASED LEVELS OF CONSUMER CONFIDENCE?

While the increase in consumer confidence is a result of the confluence of many positive developments in recent months, there are five factors that are notable. These are:



Improved public health led by vaccination



Improving economic activity supported by easing of restrictions



Improving labor market conditions



A pile-up of excess savings during the pandemic

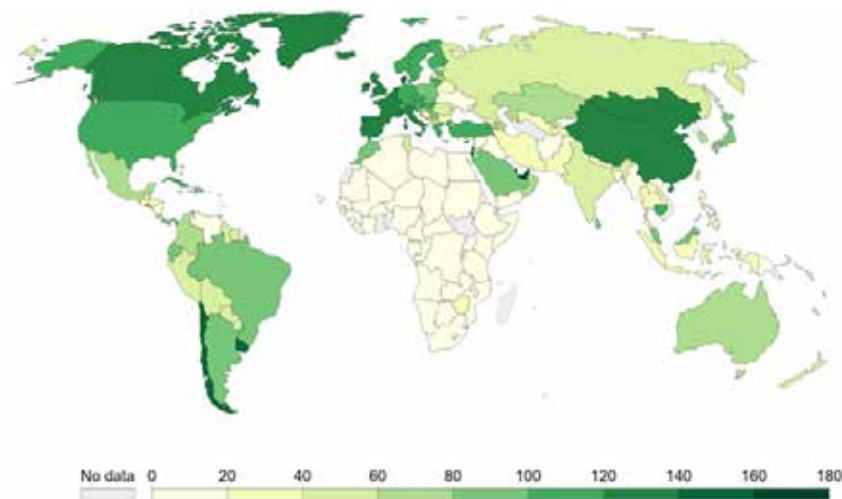


The wealth effect led by robust asset appreciation

## VACCINATION

Around 24% of the world's population have been fully vaccinated as of 19 August 2021, up from virtually zero at the start of 2021. Around half of the population in high-income countries have been fully vaccinated; these countries account for around 63% of global GDP. A United Nations Development Programme (UNDP) analysis suggests that higher vaccination rates aid a faster economic recovery, with a USD7.93 billion increase in global GDP for every million people vaccinated. Upper-middle-income countries - which account for another 27% of global GDP - have fully vaccinated around 40% of their population. At this pace, high- and upper-middle-income countries might be able to vaccinate enough of the global population required to achieve herd immunity by early to mid-2022.

## COVID-19 VACCINE DOSES ADMINISTERED PER 100 PEOPLE



HIGHER VACCINATION RATES AID A FASTER ECONOMIC RECOVERY, WITH A USD7.93 BILLION INCREASE IN GLOBAL GDP FOR EVERY MILLION PEOPLE VACCINATED

Source: Our World in Data

Note: Data as on August 24, 2021. For vaccines that require multiple doses, each individual dose is counted. As the same person may receive more than one dose, the number of doses per 100 people can be higher than 100.



## IMPROVING ECONOMIC ACTIVITY

Most of the countries tracked by the IMF have retracted from the depth of their collapse witnessed during Q2 2020. The latest real GDP readings showed a positive trajectory for countries such as Argentina, Australia, Brazil, China, France, India, South Korea and the US. Similar momentum is expected for many other economies in the second half of 2021, supported by easing of restrictions. Only 33% of the countries had a reading that was greater than 60 in the University of Oxford's Stringency Index as at mid-August 2021, compared with about 50% of countries during the start of 2021. This index records the strictness of 'lockdown style' policies that primarily restrict people's behaviour on a scale of 0 (low stringency) to 100 (high stringency). Parallely, the percentage of disrupted companies globally has reduced to 32% during mid-August 2021, compared to 41% during January 2021, according to data from Dun & Bradstreet's COVID-19 Commerce Disruption Tracker. The tracker defines disrupted companies as those impacted by government restrictions or changes in consumer behaviour and workplace practices. These developments bode well for economic revival.



THE PERCENTAGE OF DISRUPTED COMPANIES GLOBALLY HAS REDUCED TO 32% DURING MID-AUGUST 2021, COMPARED TO 41% DURING JANUARY 2021

## REAL GDP GROWTH, Y/Y %

Country	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Argentina	Green	Yellow	Red	Orange	Yellow	Green	Grey
Australia	Green	Green	Red	Orange	Yellow	Green	Grey
Austria	Yellow	Yellow	Red	Yellow	Orange	Yellow	Green
Brazil	Green	Yellow	Red	Orange	Yellow	Green	Grey
Canada	Yellow	Yellow	Red	Orange	Yellow	Yellow	Green
China	Yellow	Red	Orange	Yellow	Yellow	Green	Yellow
Czech Republic	Green	Yellow	Red	Orange	Orange	Yellow	Green
Denmark	Green	Yellow	Red	Yellow	Yellow	Yellow	Green
Finland	Green	Yellow	Red	Orange	Yellow	Yellow	Green
France	Green	Yellow	Red	Yellow	Yellow	Green	Green
Germany	Green	Yellow	Red	Yellow	Yellow	Yellow	Green
India	Yellow	Yellow	Red	Orange	Yellow	Yellow	Green
Indonesia	Green	Green	Red	Orange	Yellow	Yellow	Green
Japan	Yellow	Yellow	Red	Orange	Yellow	Yellow	Green
Mexico	Yellow	Yellow	Red	Orange	Yellow	Yellow	Green
Netherlands	Green	Yellow	Red	Yellow	Yellow	Yellow	Green
Russia	Green	Green	Red	Orange	Yellow	Yellow	Grey
Saudi Arabia	Green	Green	Red	Orange	Yellow	Green	Grey
South Africa	Green	Green	Red	Orange	Yellow	Green	Grey
South Korea	Green	Yellow	Red	Orange	Orange	Yellow	Green
Switzerland	Green	Green	Red	Yellow	Yellow	Yellow	Grey
UK	Green	Yellow	Red	Orange	Yellow	Yellow	Green
USA	Green	Yellow	Red	Orange	Orange	Yellow	Green

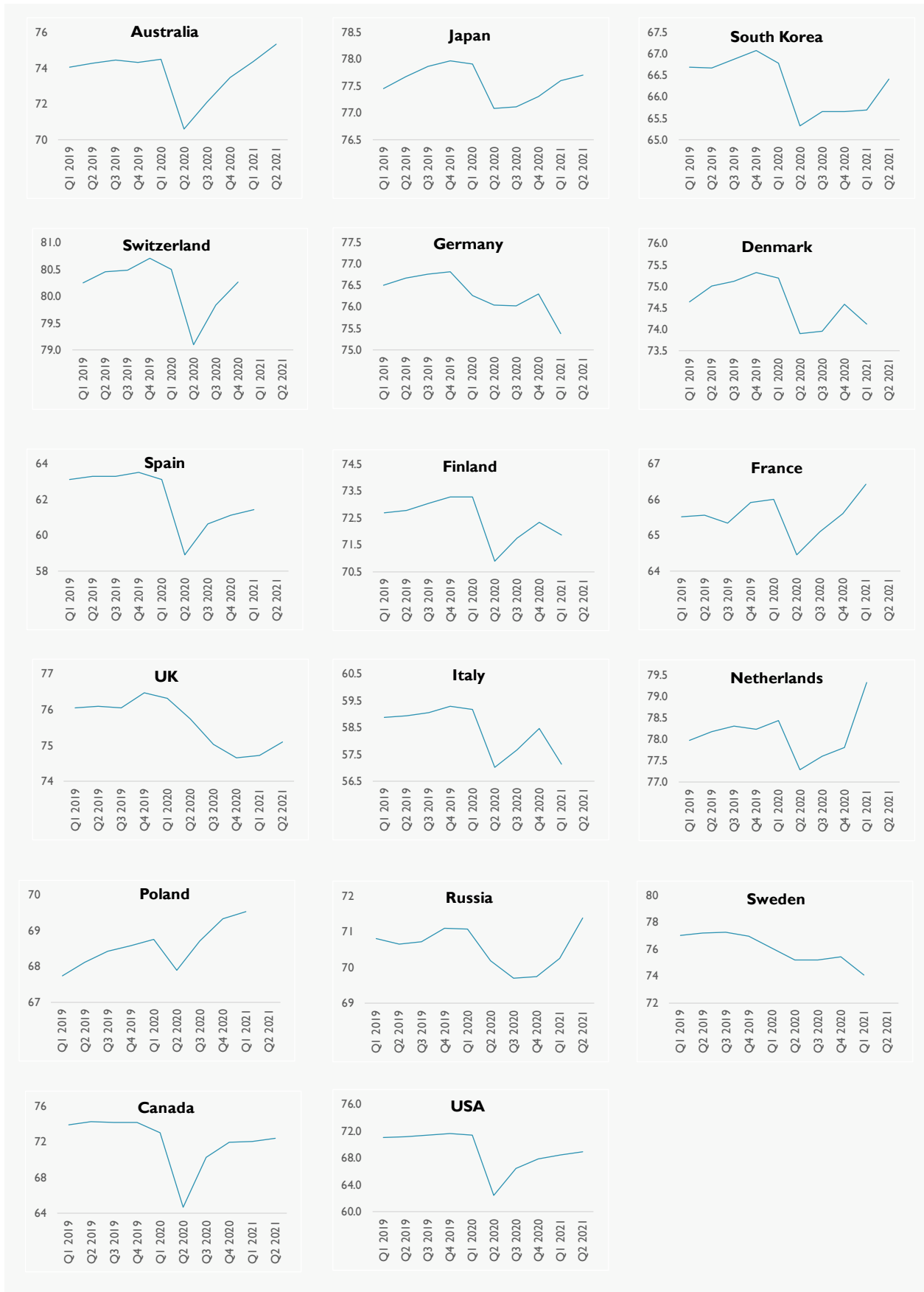


Source: OECD, Dun & Bradstreet

## IMPROVING LABOR MARKET CONDITIONS

Estimates from the International Labour Organisation suggest that the pandemic has led to a 2.2 percentage points reduction in the global labour force participation rate in 2020, pushing up unemployment by 33 million. Much of this decline was witnessed during Q2 2020. However, the situation has been improving since then. The employment rate has already crossed pre-pandemic levels in some countries. Countries such as Australia, Poland and the Netherlands have witnessed a V-shaped recovery in terms of employment. Countries such as Finland, Italy and Denmark could potentially see a W-shaped recovery. As restrictions ease, unemployment and inactivity levels/furloughs will decline.

# EMPLOYMENT RATE - PERCENTAGE OF WORKING AGE POPULATION



Source: OECD, Dun & Bradstreet

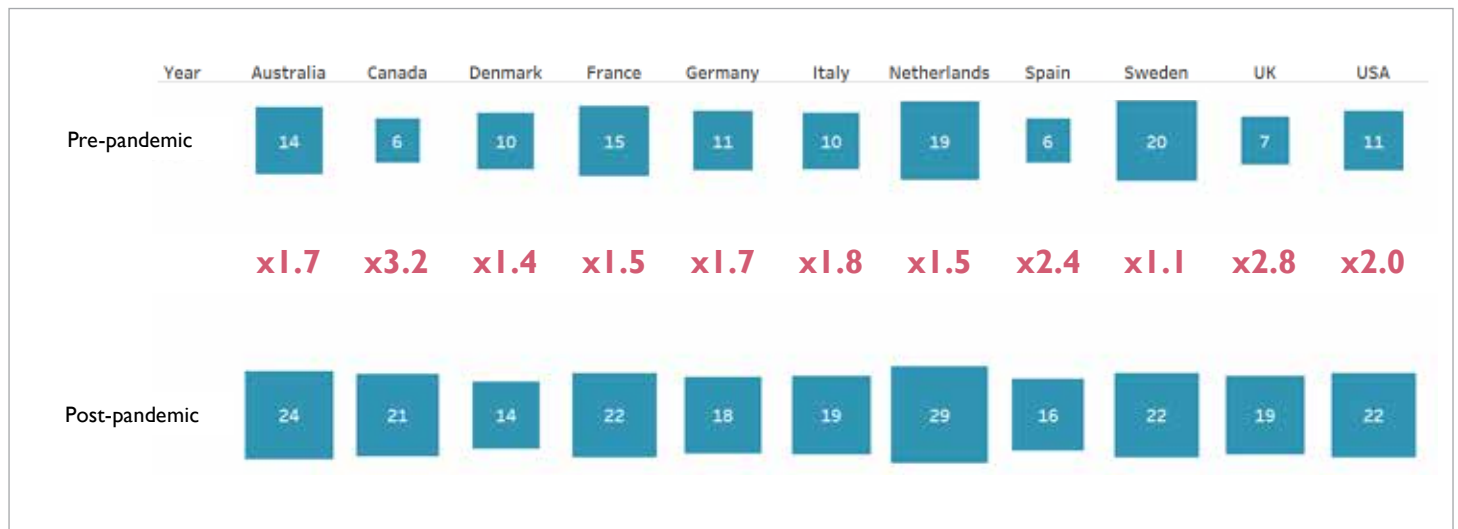
## PILE UP OF EXCESS SAVINGS

Following the outbreak of the pandemic, households' savings surged worldwide. This was more pronounced in some countries. For instance, household savings rates as a percentage of disposable income increased in Canada to 30.7% during Q2 2020 compared to 6.3% during Q2 2019; in the UK to 25.1% from 6.6%; in the US to 28.6% from 10.7% during the same period. Two factors could have played a major role in the build-up of excess savings. Firstly, reduced mobility due to government-enforced restrictions or self-imposed social-distancing measures translated to lower consumption expenditure and higher savings. Secondly, elevated levels of uncertainty about future income or anticipated pay-cuts and furloughs led to higher precautionary savings by households. Other factors such as the initial supply-chain shocks and precautionary savings for unexpected health shocks could have also contributed to the surge in savings rates. The improvement in public health and the perceived stability of future income can unlock sizeable pent-up demand as households draw down on these excess savings.



THE IMPROVEMENT IN PUBLIC HEALTH AND THE PERCEIVED STABILITY OF FUTURE INCOME CAN UNLOCK SIZEABLE PENT-UP DEMAND AS HOUSEHOLDS DRAW DOWN ON THESE EXCESS SAVINGS

## GROSS HOUSEHOLD SAVINGS AS A % OF GROSS HOUSEHOLD DISPOSABLE INCOME



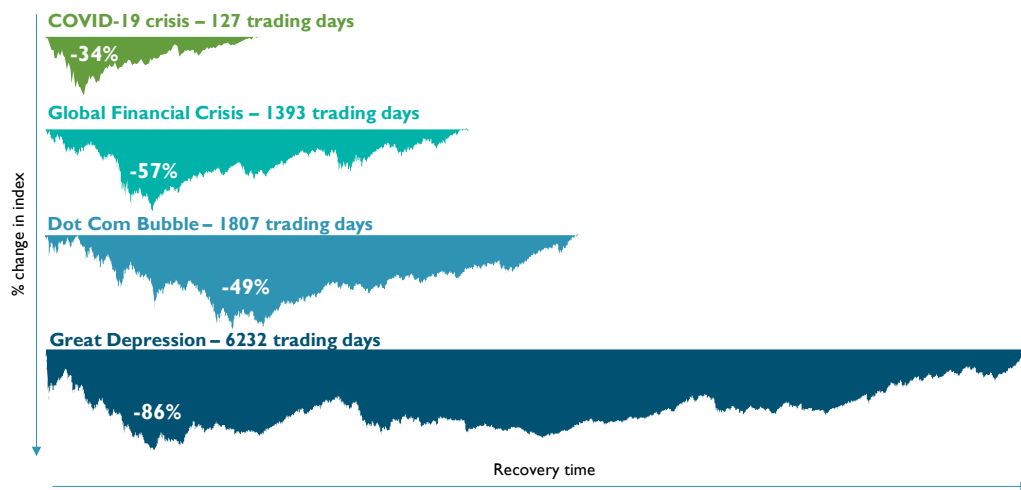
Source: Haver Analytics, Dun & Bradstreet

Note: Pre-pandemic refers to average value during Q1 to Q4 2019, Post-pandemic refers to average value during Q2 2020 to Q1 2021

## WEALTH EFFECT

Following the outbreak of the pandemic, major stock-market indices across the world fell sharply. However, the fall was modest and short-lived relative to other major crises. For instance, the Standard and Poor's 500 index declined by just 34% during the Covid-19 crisis compared to a decline of 57% during the global financial crisis, 49% during the dot-com bubble, and 86% during the Great Depression. In terms of the time taken from trough to pre-crisis levels, the index recovered in 127 days during the Covid-19 crisis, compared to 1393 days during the global financial crisis, 1807 days during the dot-com bubble, and 6232 days during the Great Depression. Rapid recovery was supported by massive fiscal and monetary policy support. Not only have the major stock-market indices recovered quickly, but they have also hit record-high levels in the subsequent weeks. An uptick in asset prices typically results in a perceived increase in household wealth, which in turn induces consumers to spend more and stimulate economic growth.

## PERFORMANCE OF S&P 500 DURING MAJOR CRISIS



Source: Yahoo Finance, Dun & Bradstreet

## DOWNSIDE RISKS TO ECONOMIC RECOVERY

While all of the above factors offer hope for an increased level of consumer spending and economic revival in the coming months, there are two important factors which can generate stark divergences in the economic revival pattern of countries. These are:



New variants of the virus



Vaccine inequity

### NEW VARIANTS OF THE VIRUS

The possibility of an emergence of new variants of the virus that render public-health interventions less effective cannot be ruled out. Fresh waves of infections will reduce mobility levels, increase business disruption, elevate uncertainty levels about future income, and delay consumer spending. Some countries have experienced recurring waves that have set back economic recovery. For example, following a major increase in new infections, the percentage of businesses disrupted in India rose to around 50% during May 2021 from just 13% during March 2021, according to data from Dun & Bradstreet's Covid-19 Commerce Disruption Tracker. The tracker defines disrupted companies as those impacted by government restrictions or changes in consumer behaviour and workplace practices. Regional variations in new infections will have a bearing on regional economic growth patterns.



NEW VARIANTS OF THE VIRUS AND VACCINE INEQUITY POSE A DOWNSIDE RISK TO ECONOMY RECOVERY

### VACCINE INEQUITY

There are significant regional disparities in the progress of vaccination. While around half of the population have been fully vaccinated in high-income countries, less than 0.5% of the population have been fully vaccinated in low-income countries. Data from the UNDP, World Health Organisation and United Nations Children's Fund shows that high-income countries, on average, need to increase their healthcare expenditure by 0.8% to cover the cost of vaccinating 70% of the population. On the other hand, low-income countries, on average, need to increase their healthcare expenditure by 56.6% to achieve similar levels of vaccination. This is a significant financial burden. Inequitable access can be further compounded by logistical challenges in both the procurement and timely distribution of vaccines.





# CONCLUSION

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The global economy is expected to grow by around 6% in 2021, thanks to unprecedented fiscal measures and other policy supports. The projection is also shaped by an anticipated vaccination-fuelled economic recovery. A sooner-than-expected normalisation of economic activity supported by better healthcare interventions could result in higher consumer and business confidence levels, and an eventual increase in consumer spending and business investment. However, on the flip side, stronger additional waves of infections will dampen optimism levels and derail economic growth. What is certain is that there will be significant regional disparities in economic revival. This presents varying levels of business opportunities and risks for those engaged in conducting commerce across borders.

## DUN & BRADSTREET GUIDANCE

The key to sustain, grow and thrive during these times is to leverage data to turn risks into opportunity. We recommend that business leaders:



### ASSESS MACRO- AND MICRO-LEVEL

- Monitoring country, sector and counter-party risks can help businesses create better strategic plans to limit payment delinquency, guide cash-flow management decisions, and strengthen supply chain resilience
- Dun & Bradstreet's Finance Analytics and Risk Analytics solutions help automate some risk decisions, as well as accelerate supplier due diligence and help with compliance screening
- Our COVID-19 Recovery Index can also help gauge recovery in consumer demand, and business stability while highlighting potential growth areas



### MAXIMISE PROFITABILITY WITH DATA, INSIGHTS AND AUTOMATION

- Dun & Bradstreet's Finance and Risk solutions can help businesses to use rich, actionable data to drive growth while improving efficiency, agility and decision-making capability
- Dun & Bradstreet's COVID-19 Impact Index can help businesses identify the pandemic's changing effects on locations, industries, and supplier and customer networks to improve cash-flow management and plan for post-pandemic profitability



### PIVOT NIMBLY

- Our enterprise-wide range of software solutions to address various business use cases leverage data and insights from our Data Cloud and bring automated intelligence to help with agility, even in challenging environments.
  - a. identify and engage with the right sales targets
  - b. drive intelligent actions to manage credit-to-cash and third-party risk
  - c. small/medium business management
  - d. insights to advance public sector missions and help citizens thrive



### KEEP PACE WITH FUNDAMENTAL CHANGES IN YOUR INDUSTRY

- The pandemic has accelerated changes that were already underway, such as remote working, the expansion of e-commerce and an increase in cashless transactions. Staying connected to meaningful changes is crucial in a climate of ongoing volatility and uncertainty
- D&B Hoovers helps sales teams select the best targets and then understand those companies' evolving needs and rapidly-changing environments



### MAINTAIN AN INTEGRATED GLOBAL PERSPECTIVE

- A global view enables mitigation of emerging cross-border risks, and the ability to grasp growth opportunities, wherever they are, in a timely way
- Dun & Bradstreet's Country Insight Reports provide forecasts and business recommendations for 132 economies, allowing businesses to monitor and respond to economic, commercial and political risks in the markets in which they operate.

Dun & Bradstreet's global data and analytical insights and our AI-driven software platforms can help businesses navigate short-term crises and support long-term growth efforts. Please contact your Dun & Bradstreet Account Manager today to learn how our solutions can help you manage risk and find opportunity.





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Dun & Bradstreet, a leading global provider of B2B data, insights and AI-driven platforms, helps organizations around the world grow and thrive. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to grow revenue, increase margins, manage risk, and help stay compliant – even in changing times. Since 1841, companies of every size have relied on Dun & Bradstreet. Dun & Bradstreet is publicly traded on the New York Stock Exchange (NYSE: DNB).

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