

ANALYSIS

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Virus Alters U.S. Consumer Spending

Introduction

Real-time information on consumer spending is very limited, but there is growing evidence of some of the changes to consumer spending in response to COVID-19.

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Real-time information on consumer spending is very limited, but there is growing evidence of some of the changes to consumer spending in response to [COVID-19](#). No surprise, the evidence points to a shift from discretionary spending to stocking up on necessities. The shifts, and closures, also point to a significant drop in spending.

Weekly chain store data give an indication of sales at department stores, discount department stores, and specialty stores of the type seen in malls. The data for the week ending March 14 show strong spending. The measure from Johnson Redbook showed the strongest year-over-year growth since very early 2019. The measure from The Retail Economist was not so strong—it was higher about a month and a half ago—but still near the top end of its range over the past year and a half.

What is perhaps more telling is the shift in the mix of sales. Redbook splits its data between department stores and discount stores. For the week, there was a massive shift toward discount stores. The department store index, where year-over-year sales declines have been the norm for the last year and a half, saw the largest decline since 2009 when the Great Recession caused spending to plunge. By contrast, growth in discount store sales for the week was the strongest on record back to 1997 as consumers stocked up on necessities. The difference between the two components of the index was also the largest on record.

Spending Shifts to Necessities

Johnson Redbook Index, % change yr ago



Sources: Johnson Redbook, Moody's Analytics

There is further evidence of the shift away from discretionary purchases. Reservations at restaurants have plunged. Many fast-food restaurants have closed tables and are requiring patrons to use takeout or delivery services. This is true even of establishments like Starbucks that normally encourage patrons to linger.

A number of retailers have temporarily closed their stores as indoor malls in some parts of the country have closed, in some cases in response to government orders or requests. Nordstrom was the first large department store chain to take this step. Other retailers that have closed include Macy's, L Brands, Footlocker, American Eagle Outfitters, and Ulta Beauty.

The closings also include entertainment establishments. Disney has temporarily closed its amusement parks. Indoor amusement parks are being closed in some parts of the country. Casinos, theaters, bowling alleys, and other similar facilities are also being closed. Most professional sports leagues have suspended games, and concerts and other events that include large gatherings are also not taking place. Even if consumers wanted to enjoy entertainment venues, that option is not open to them.

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