



5/20/2022

## FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

The pandemic vastly reshaped the way the American consumer spent their money; trading in vacations, restaurants, and personal trainers for gaming consoles, standing desks, and Pelotons. All told, consumer expenditures on services in 2020 dropped 5.6% below their 2019 levels while goods expenditures rose by 3.9%<sup>1</sup>. The 9.5 percentage point spread between the two was the largest ever recorded, and by a significant margin. A second round of fiscal stimulus and lingering COVID restrictions continued this trend for much of 2021 before slowly shifting late last year when growth in services spending began to outpace growth in goods spending, a move that has been gaining steam as we head into the summer months of 2022.

Hotel occupancy, restaurant reservations, TSA checks, and box office receipts, have been growing at an increasing rate in recent months. According to Bloomberg, each of the aforementioned areas is within 10% of its pre-pandemic level and sits significantly above 2021 levels. Conversely, spending on durable goods, things such as home appliances, laptops, and TVs, has begun to slip, down 1.56% in March relative to where they were a year ago<sup>2</sup>. This transition was evidenced this week when retail giants Walmart and Target both failed to meet Q1 earnings expectations. Target CEO Brian Cornell stated, “while we anticipated a post-stimulus slowdown in these categories (apparel, home, and hardline), and we expect the consumer to continue refocusing their spending away from goods and into services, we didn’t anticipate the magnitude of that shift.”

So what does all of this mean? Real personal consumption expenditures have continued to grow, up 4.74% in Q1 relative to where they were in 2021<sup>3</sup>. This shows that the growth in services spending has more than offset the tightening in goods spending. So, a shift in consumer spending but not a slowdown. I think it’s important to highlight that amidst concerns of a slowdown in global economic growth and fears of a recession here at home, the main driver of the US economy, the consumer, remains strong. Thanks for reading, and as always, if you have any questions, or if we can help in any way, please don’t hesitate to give our office a call.

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<sup>1</sup> FRED Economic Data

<sup>2</sup> FRED Economic Data

<sup>3</sup> FRED Economic Data

With My Best Regards,

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