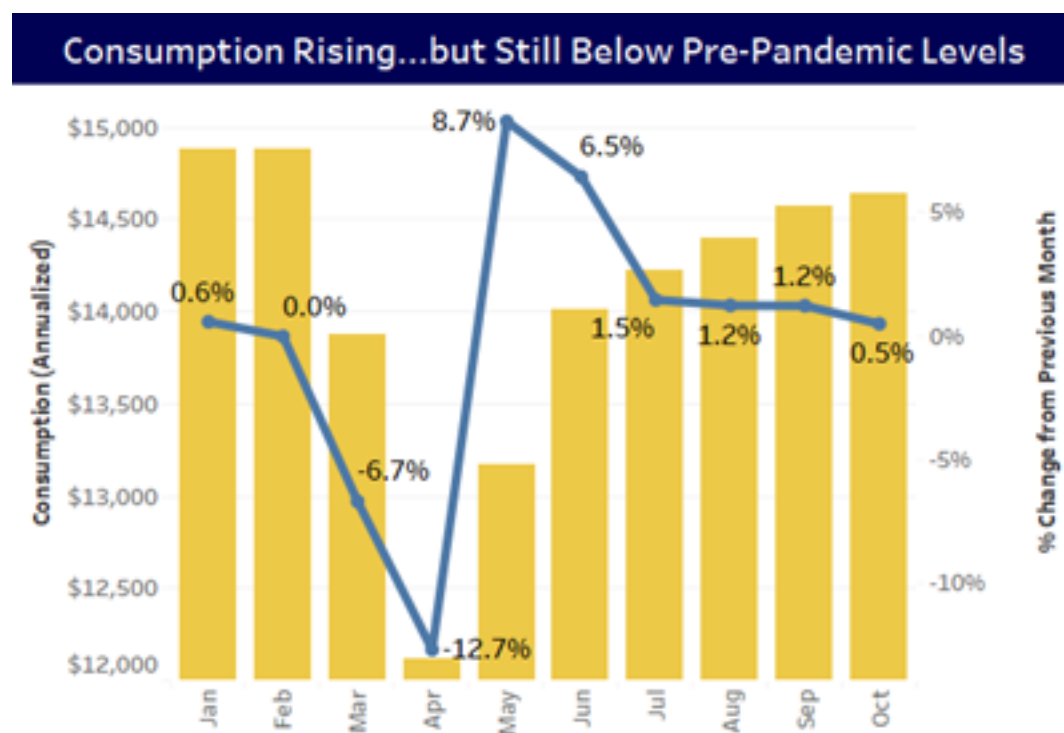


Consumer Spending Continues a Slow Recovery

Hot on the heels of Black Friday and Cyber Monday, it is a good time to look at recent data on consumer spending. Last week the Bureau of Economic Analysis [released data](#) on consumption in October. It showed that spending rose 0.5% last month—the sixth straight month of growth.



That is good news: It shows the economy continued to recover in October and that consumers and businesses continue to spend. However, despite the six months of growth, consumption remains below its pre-pandemic level – by about \$20 billion on a monthly basis.

It makes sense spending has not fully recovered yet. We are still in the midst of the pandemic. Consumers and some businesses are still unable to spend as they do during normal times. And even with a strong ongoing recovery, there are still many families and businesses struggling.

According to the BEA release, consumption increased \$64 billion in October, with spending on goods rising \$13 billion and services \$49 billion. Spending on services is over 60% of consumption. The oversized increase in services spending now is the result of spending on services falling more than spending on goods during the Great Pause. Spending on health care, led by hospital spending, was the biggest driver of services growth. For goods, increased spending on recreational goods and vehicles were the biggest gainers.

What's next: Look for consumption to continue to grow in November and December, perhaps at a slower rate. The virus still drives the economy and as cases surge, the economy will suffer. But

BEA also reported that, even though it declined in October, income is still more than 3% higher than prior to the pandemic. And savings continue to exceed its pace from before the pandemic. Those two factors mean consumers remain in good position to spend as we close 2020.

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