



COVID-19's Impact on U.S. Consumer Spending

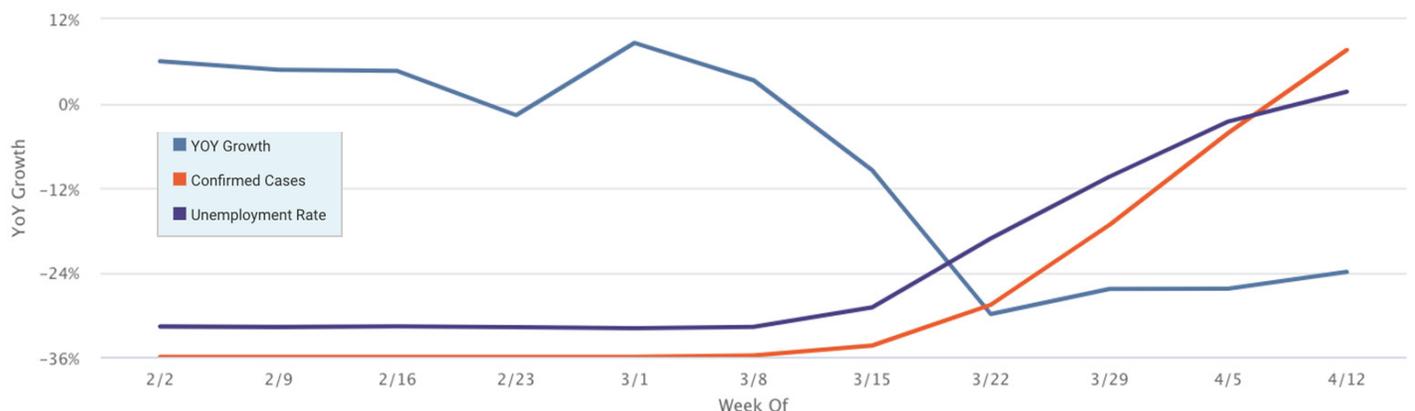
April 2020



Commerce
Signals

Executive Summary

- The COVID-19 pandemic has taken a large toll on the U.S. Economy, but the most recent data shows reasons for optimism. This whitepaper reviews the impact on consumer spending by category through April 18th, 2020.
- U.S. consumer spending in 2020 began strong. Purchases through March 14th were up 4.6% vs. 2019. In-store purchases were up 1.9%, while online purchases were 11% above the previous year. Food/Drug/Mass/Club including Amazon were up 10.7%
- Travel and entertainment were the first categories impacted by the spread of COVID-19. Through February 29th, the sector was 5.4% ahead of last year. The WHO declared the novel Coronavirus a pandemic on March 11th. That same day, the NBA suspended its season after players were diagnosed with the virus. On March 13th, the U.S. government declared a national emergency. That week, travel and entertainment spending dropped 17% in the U.S.
- The following week (3/16-3/22), consumers stayed home. Total consumer spending cratered -29.9% compared to the same week in 2019. In-store purchases were down 37.8%.
- An up and down March finished at -11% vs the previous year. Instore purchases were down 16.2%, while online purchases were up 1.6%.
- Consumer spending in April is down 25.1% through April 18th.



Category Spend Impact

- There is a wide disparity in the levels of impact as Airlines, Hotels, Clothing, Department Stores and Rideshare providers suffer the most, while Grocery, Drugstore, and Mass Discount and Club Store sales are up.
- The heatmap below highlights changes in consumer spending by category.

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	U.S. Consumer Purchase Changes by Category - 2020 vs 2019										
	2/2-2/8	2/9-2/15	2/16-2/22	2/23-2/29	3/1-3/7	3/8-3/14	3/15-3/21	3/22-3/28	3/29-4/4	4/5-4/11	4/12-4/18
Airlines	-1.3%	-1.2%	-3.2%	-17.1%	-31.1%	-47.3%	-77.0%	-89.2%	-92.1%	-92.6%	-91.0%
Auto Rental	4.2%	3.2%	2.7%	0.6%	0.5%	-9.6%	-32.1%	-64.3%	-69.4%	-73.8%	-73.0%
Clothing Stores	-2.3%	-0.3%	-0.8%	-1.9%	-3.5%	-21.0%	-58.4%	-68.5%	-64.1%	-61.8%	-55.5%
Department Stores	3.0%	6.6%	3.9%	0.9%	-2.0%	-29.2%	-53.8%	-58.6%	-61.9%	-63.0%	-60.2%
Mass Discounters	10.5%	13.1%	10.7%	10.9%	20.8%	32.8%	18.7%	0.1%	9.4%	21.5%	19.2%
Drug Stores	-0.4%	0.3%	-0.6%	0.0%	9.4%	27.0%	30.4%	-6.3%	-9.7%	-5.2%	-15.8%
Education	6.4%	-4.5%	5.0%	-21.2%	20.6%	-19.1%	-33.8%	-48.6%	-48.5%	-43.6%	-33.8%
Electric Appliance Stores	-1.4%	-1.8%	-2.6%	-5.7%	-0.6%	-2.2%	0.3%	-19.7%	-14.0%	-12.0%	-0.9%
Grocery	2.5%	3.0%	1.4%	3.4%	13.9%	50.1%	54.5%	11.1%	15.6%	20.8%	-2.2%
Gas Stations	6.8%	8.3%	7.4%	3.4%	2.2%	-1.2%	-21.0%	-46.2%	-47.8%	-50.2%	-50.0%
Hardware Stores	0.6%	6.8%	8.7%	6.2%	8.9%	8.4%	7.1%	-7.6%	-1.2%	0.4%	6.4%
Health Care	11.8%	7.9%	11.1%	1.1%	9.0%	1.4%	-22.1%	-46.9%	-45.9%	-49.2%	-40.8%
Hotel/Motel	8.4%	8.1%	5.6%	0.0%	-6.5%	-21.9%	-60.8%	-83.9%	-84.8%	-87.7%	-86.1%
Home Stores	6.7%	9.8%	11.6%	8.9%	12.3%	7.4%	-2.5%	-16.4%	-15.4%	-15.8%	-1.1%
Mail Orders	-8.7%	-12.8%	-14.8%	-21.2%	-5.4%	-14.4%	-14.2%	-16.4%	-13.6%	-13.4%	-8.1%
Other Services	15.6%	7.1%	10.4%	-8.0%	21.6%	-1.7%	-11.8%	-28.3%	-24.5%	-29.5%	-30.0%
Other Transportation	3.7%	-2.6%	-3.1%	-13.7%	-15.3%	-37.4%	-67.4%	-80.8%	-81.8%	-84.4%	-83.2%
Professional Services	18.7%	5.7%	10.4%	-13.1%	23.8%	-0.3%	-1.0%	-15.5%	-1.7%	-6.9%	5.8%
Recreation	22.1%	11.9%	10.6%	-14.5%	18.8%	-26.2%	-48.5%	-70.5%	-67.1%	-68.1%	-65.1%
Repair Shops	-7.9%	-3.4%	4.4%	-5.2%	3.1%	-2.0%	-6.6%	-17.1%	-21.0%	-24.5%	-17.5%
Restaurants/Bars	4.4%	5.1%	6.9%	5.2%	4.2%	-9.5%	-49.5%	-62.9%	-60.0%	-56.3%	-54.6%
Sporting Goods/Toy Stores	2.7%	5.3%	3.5%	1.8%	6.8%	25.1%	19.9%	-16.6%	-22.1%	-19.1%	-9.3%
Travel Agencies	-6.6%	-5.3%	-0.6%	-15.0%	-34.6%	-54.2%	-81.1%	-90.0%	-91.4%	-92.2%	-90.7%
Utilities	5.6%	2.4%	3.8%	-7.1%	5.0%	-1.7%	-1.7%	-2.3%	-3.7%	-0.6%	10.6%
Vehicles	-0.2%	2.4%	2.3%	0.9%	4.4%	-3.5%	-18.9%	-36.1%	-34.3%	-33.8%	-22.5%
Wholesale Retailers	9.3%	12.8%	10.4%	15.5%	22.4%	28.7%	19.0%	-6.5%	-3.6%	-2.5%	-5.5%
All others	-1.2%	-1.2%	-5.5%	-8.7%	4.8%	-5.1%	-5.0%	-24.3%	-16.7%	-19.5%	2.4%



Travel

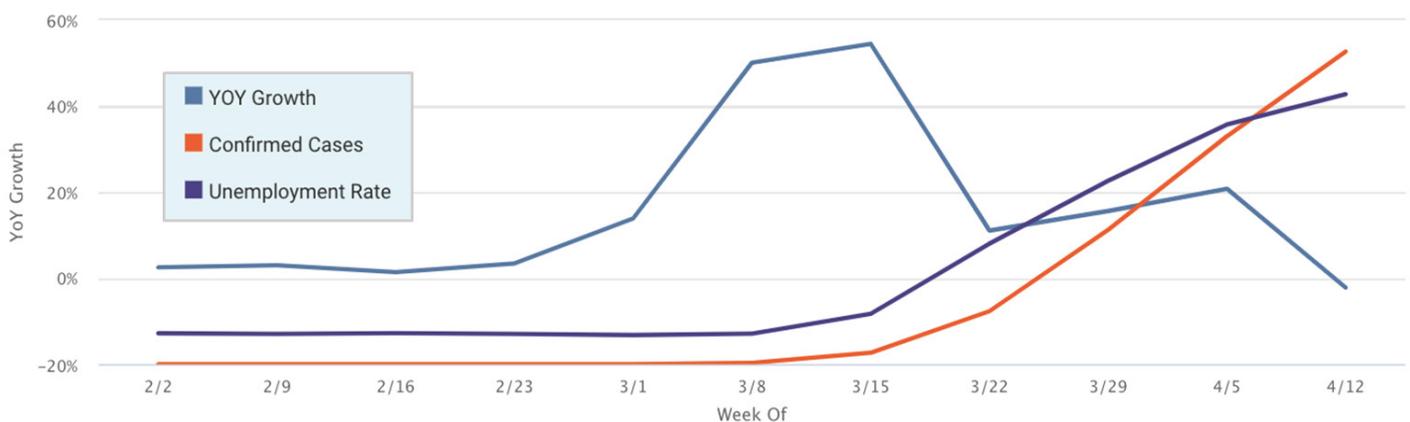
- Airlines have been the hardest hit category during this pandemic. Purchases are down 91.2% over the previous 4 weeks ending 4/18. Additionally credits due to cancellations are up 173%. Many airlines likely have negative net revenue as a result. Relatedly travel agencies, which includes Expedia, Airbnb, and Apple Vacations also saw purchases decline 91.1% over the same four weeks.
- Hotel/Motel and Rental Car purchases are down 85.6% and 70% respectively over the past four weeks. Other transportation, which includes Uber, Lyft, E-ZPass, Amtrak and Royal Caribbean, has been hard-hit also. Purchases are down 82.5%.
- With much of the country under stay-at-home orders, declines in travel related industries are to be expected. But the scope of these declines are staggering.

Restaurants & Bars

- Over the past six weeks, restaurants and bars have seen online sales grow by 24.1%. But that growth is nowhere near enough to offset a 55.7% decline in spending on premise. Purchases are down 48.8% overall. Many restaurants have been forced to temporarily shut their doors as a result.
- With many states set to begin reopening, hopefully more consumer spending is on the way for restaurants. But it remains to be seen whether consumers will quickly return to old habits and whether the restaurants themselves will choose to reopen dining rooms in places with restrictions that limit dining room capacity to 25%.

Grocery & Mass Discounters

- With consumers eating at home more, Grocery Store sales have risen 24.1% since mid-March. Online sales jumped 87.7% over that same period as shoppers sought to minimize potential exposure to COVID-19. While the number of purchase transactions were actually down 4.6%, the average ticket size grew by 30.2% over this period as people stocked their pantries.



- For the week ending April 18th, Grocery purchases were down 2.2%. This could be due to consumers eating more of what's already in their freezer or a sign that restaurant sales may begin to climb back towards more typical levels.
- The Mass Discounter category, which includes Walmart and Target, has been close to flat (-1.6%) over the past six weeks. Online sales have been a bright spot, with sales up 90.5%.

Other Industry Observations

- Sporting Goods, Crafts and Toy Stores are only down 3.7% over the past six weeks. While many retailers have had to close their physical stores, the growth in online sales (+56.8%) have nearly closed the offline gap (-31.5%).
- Gas Stations have declined more every week as they get hit by less travel and lower oil prices. For the week ending April 18th, consumer purchases were down 50% with transactions down 40.5% and average ticket down 16.3%
- Clothing Store purchases are down 54.9% over the past six weeks as well. Unlike some other categories, online purchases are down 3.5% and not able to even partially cover the 79.6% decline caused by store closures forced upon non-essential businesses. The lack of occasions to go out for work or pleasure is impacting this category. Similarly, Department Store purchases are down 54.3%, with in-store sales down 82.6% and online purchases up only 5%
- Even healthcare related card spending is down 33.8% as routine and elective visits has been postponed. This figure does not include Drug Stores, which are up 3.2% as people prepared to hunker down at home.

Regional Spend Impact

- State and county level stay-at-home orders have caused large differences in consumer spending behavior by geography. For example in California, purchases at Sporting Goods, Crafts and Toy Stores were up 7.5% in March, while in New York, they were down 4%.

Looking Ahead

- For 15 of the 27 consumer categories we track, the most recent week of data (w/e 4/18) was the best spending vs. 2019 in the past 4 weeks. We hope that this is the start of a trend in a steady return to normal.
- As the U.S. government has decided to let State and local governments make future stay-at-home order decisions, local differences in consumer spending will increase.
- For some already struggling retailers, this COVID-19 recession may force them into bankruptcy.
- Business leaders will be faced with difficult decisions about when to reopen their stores. Certainly, open stores will generate higher revenue, but higher costs of operating in this time period may more than offset them.

Commerce Signals is a leading source of payment-based insights for retailers, restaurants and other direct-to-consumer companies. The dataset used for this whitepaper includes anonymized consumer credit and debit card spending behavior from 40M households. This same dataset powers our COVID-19 Consumer Spend Impact Tracker. It includes national representation of spend across demos and geos with the ability to drill into categories by state or county and week. Our powerful online platform helps clients improve decision making and increase marketing spend efficiency.

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