

# Inflation isn't keeping people from spending, but where they're shopping is changing

Article

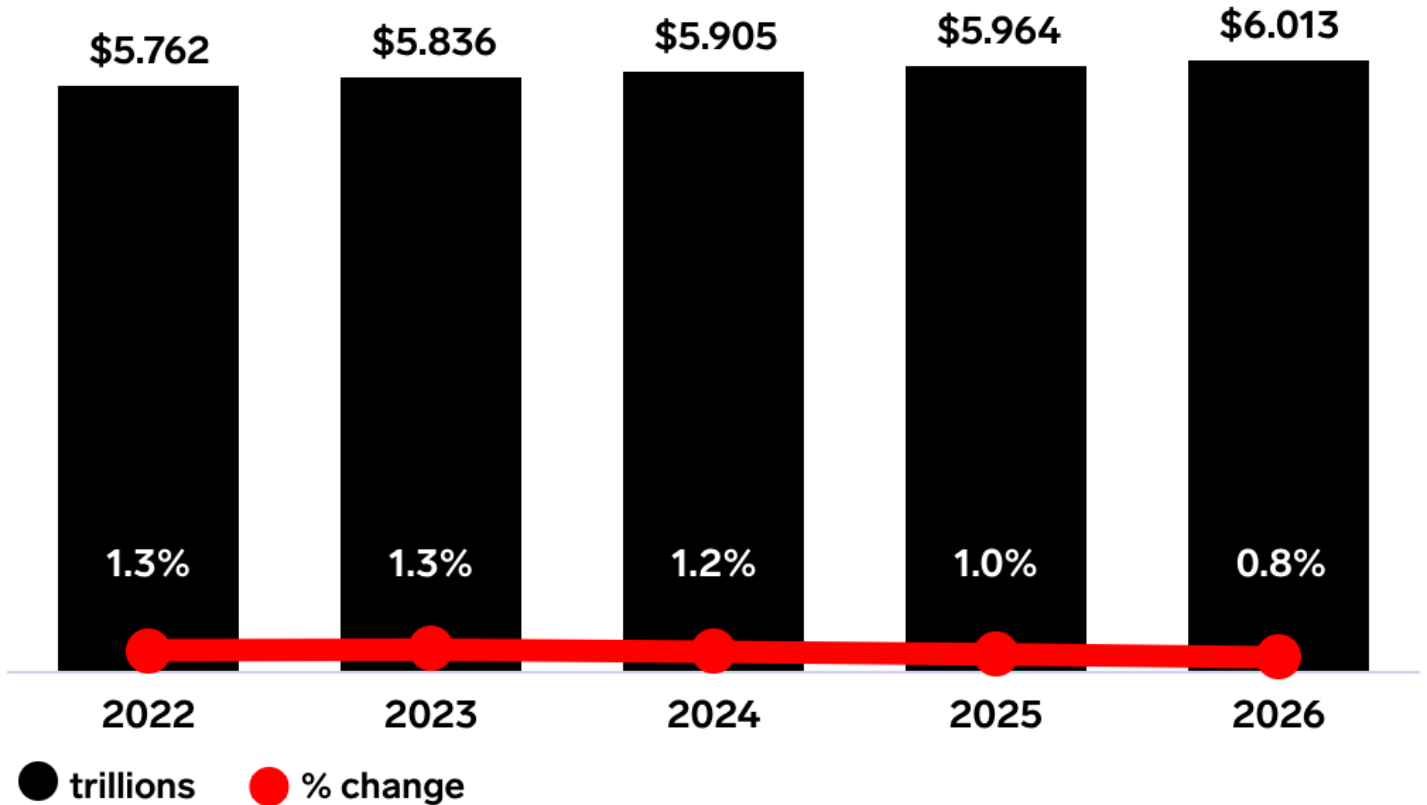
**The news:** Retail sales grew 7.2% year-over-year (YoY) in April, and were up 15.3% compared to pre-pandemic spending in 2019, not adjusted for inflation, [per](#) the Mastercard

SpendingPulse. That growth is roughly in line with the YoY monthly growth rates throughout this year.

- **But where consumers are spending their money is changing.** In-store sales grew 10.0% YoY, while ecommerce sales fell 1.8%.
- That reflects **consumers' desire to get out and shop**; 54% of consumers prefer brick-and-mortar shopping to any other channel, which is more than twice the number who prefer shopping via a mobile phone (21%) or computer (18%), per an Emarsys survey.

## Non-Ecommerce Retail Sales

US, 2022-2026



Source: eMarketer, February 2022

eMarketer | InsiderIntelligence.com

**More on this:** Inflation has yet to have a meaningful impact on consumer spending.

- While US inflation rose 8.5% in March, **US consumers spent 18% more in March 2022 than they did two years earlier**, and 12% more than they were forecast to spend based on the pre-COVID-19 trajectory, per McKinsey.
- A host of factors contribute to those figures, including rising wages—**average hourly earnings rose 0.3% in April** and are up 5.5% over the past year—and a surplus in savings, as **US consumers have roughly \$2.8 trillion more in savings than they had in 2019**.
- While the US Federal Reserve is raising interest rates to bring inflation under control, consumers are likely to keep shopping, said National Retail Federation chief economist **Jack Kleinhenz**. The NRF expects retail sales for 2022 will grow 6% to 8% this year.

**What pandemic?** Consumers have abruptly pivoted away from the lifestyles and habits they've built up over the past two years as pandemic restrictions fell by the wayside.

- **Plane travel is nearly back to 2019 levels** with 2.07 million traveling by plane between April 29 and May 5, compared to 2.35 million in 2019, according to the Transportation Security Administration.
- **Shoppers are shopping in person rather than online**, which has contributed to a significant slowdown in ecommerce sales. Even **Amazon** saw its retail ecommerce sales fall 3% in Q1.
- **What people are buying is changing** as well, as people spend more on cosmetics, teeth whiteners, and razors and less on cooking and baking at home, according to IRI data reported in The Wall Street Journal. Similarly, craft beer sales at grocers are down, while business at bars and restaurants is up.
- That said, nesting categories, such as furniture and furnishings, are also up. Sales in the category were up 3.8% YoY and 25.7% compared to 2019, per the SpendingPulse, which suggests shoppers continue to invest in their homes.

**Why it matters:** Regardless of inflation, people will continue to need to spend on food and fuel.

- They'll also continue to shop value-oriented retailers such as **Target** and **Walmart**. Luxury merchants, such as **Nordstrom**, may also be relatively unscathed as their customer base is less impacted by the economic conditions.

- However, mid-market retailers could be hit hard as belt-tightening consumers may trade down to value-oriented merchants.