MAY 04

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Strong data means retailers and issuers might return to pre-pandemic levels sooner than anticipated

Article

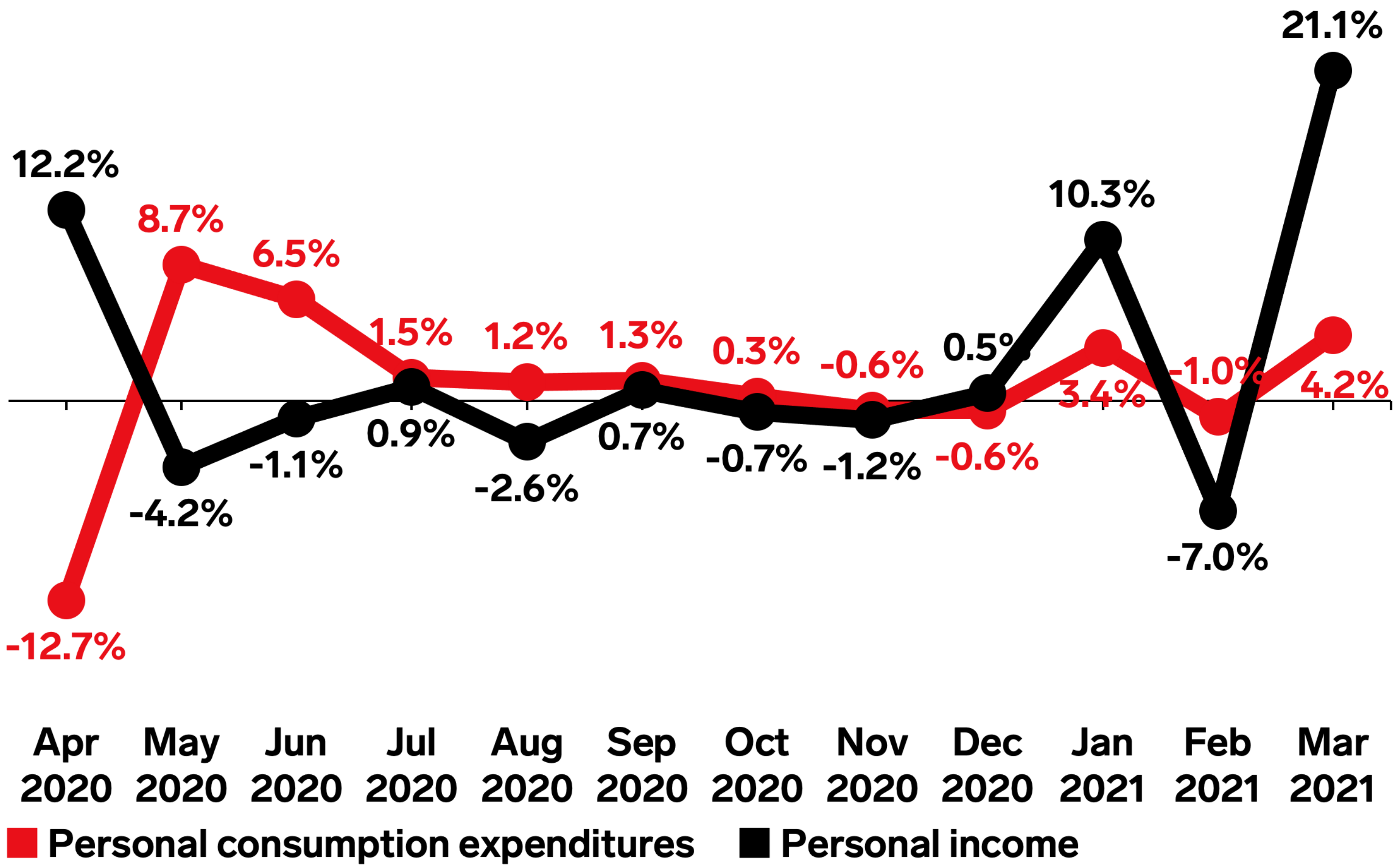
A fresh round of data reveals a strengthening economic recovery:

- **Personal income roared back strongly in March.** The metric—which can generally be used as a measure for consumer spending ability—surged 21.1% on a month-to-month basis, reflecting the biggest monthly increase on record dating back to 1959. The upswing is in stark contrast with the 1.8% monthly dip posted in March 2020, at the onset of the pandemic. The surge was primarily driven by the third round of stimulus payments as well as improving economic conditions, which helped more consumers regain their financial standing.
- **In-store foot traffic is nearly on par with pre-pandemic levels.** Retail foot traffic in the week starting April 5 declined 3.4% compared with a similar period in 2019, according to data from Placer.ai cited by the Wall Street Journal. This is a significant improvement from previous weeks—foot traffic in the week starting February 29 plunged nearly 30% compared with 2019—which likely indicates a revival in consumers' desire to spend. Helping drive recent recovery is the COVID-19 vaccine rollout, which is making it safer to shop in-store again.

The resurgence in foot traffic and consumer spending appetite spells good news for retailers. Brick-and-mortar retail—which makes up the majority of overall retail sales—was one of the hardest hit sectors during the pandemic: An estimated 12,200 stores closed for good last year, up from 10,000 in 2019, according to data from CoStar cited by Fortune. However, with the worst of the pandemic appearing to have passed in the US market, consumers seem eager to shop in-store again. This desire to spend is underpinned by improving economic conditions as well as the COVID-19 vaccine rollout, indicating there might be a return to pre-pandemic foot traffic levels in the coming months—helping retailers recover losses from the past year.

Card issuers and networks also stand to reap the benefits of increased consumer spending. This sector suffered as a result of consumers pulling back spending during the pandemic: JPMorgan's credit and debit card sales volume dropped 23% year-over-year (YoY) in Q2 2020, for example. In an attempt to pick volume back up, issuers like Amex updated their offerings to reflect pandemic-driven spending trends, adding rewards for streaming and food delivery services. The recent improvements in personal income and foot traffic could lead to a bump up in card volume for issuers and card networks, helping them make a full return to pre-pandemic volume sooner rather than later.

US Consumer Spending Metrics Monthly Growth



Note: These figures address month-to-month growth in current dollars.
Source: US Bureau of Economic Analysis, "Personal Income and Outlays, March 2021" April 30, 2021
Methodology: Data is from the April 2021 US Bureau of Economic Analysis report titled "Personal Income and Outlays, March 2021." Data tracks monthly US consumer income and spending.

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