

## ECONOMIC NEWS

# United States: Consumption Picks Up, but Remains Far from Its Peak

### HIGHLIGHTS

- ▶ U.S. real household consumption increased 8.1% in May after dropping 12.2% in April and 6.4% in March.
- ▶ Real consumption of durable goods climbed to 28.4% in May, including jumps of 37.5% for cars and 31.3% for furniture. Real consumption of non-durable goods rose 7.9% with increases of 43.5% for clothing and 25.0% for gas. Real consumption of services recorded a gain of 5.2% with increases of 23.7% in health care, 23.4% in food services and 51.6% in hotel accommodations.
- ▶ Real personal disposable income dropped 5% after jumping 13.6% in April.
- ▶ The household savings rate went from 32.2% in April to 23.2% in May. It was 7.9% at the beginning of the year.

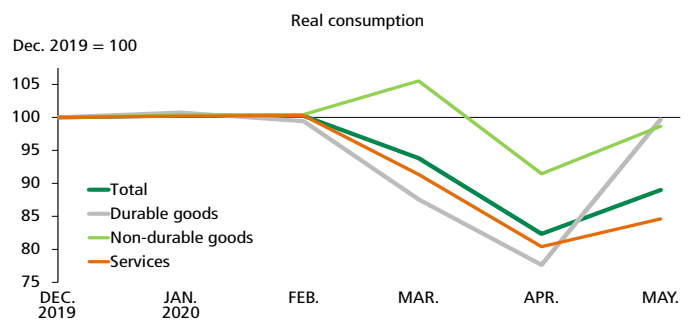
### COMMENTS

The result for U.S. consumption in May is an additional sign that the worst of the economic crisis tied to the COVID-19 pandemic is probably over. After two historic drops, real consumption posted its strongest monthly growth in May. That said, real consumption's shortfall with respect to its recent peak is still significant and May's level is 11.3% below that of January's. It is obviously the service sector that is lagging the most, with the supply of services still quite restricted in many states in May. The strength of durable and non-durable goods, which have almost reached previous peaks, is surprising. It would seem that this is due to the picking up upon stores reopening of the pent-up demand build from the worst of the lockdown.

A major decrease was expected in income, because most of the amounts allocated under the *CARES Act* (US\$1,200 per adult and US\$500 per child) were sent in April. The difference between April and May for this program is -US\$1,982B annualized. The

### GRAPH

#### Service consumption will take longer to return to normal



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

total drop in income was nevertheless smaller than expected. Part of the loss was offset by somewhat higher employment income, and by other government measures such as expanded unemployment benefits (which added an annualized US\$787B to income in May).

### IMPLICATIONS

Household consumption in May is headed in the right direction, but there is still a large shortfall with respect to the beginning of the year. There is hope that the improvement will continue, but the recent acceleration of new COVID-19 cases in many states means that significant downside risks remain.

**Francis Généreux**, Senior Economist

François Dupuis, Vice-President and Chief Economist • Mathieu D'Anjou, Deputy Chief Economist  
Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com) • [desjardins.com/economics](https://desjardins.com/economics)

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