

ECONOMIC NEWS

United States: Consumption Bounced Back in January Thanks to the Relief Plan Passed at the End of 2020

HIGHLIGHTS

- ▶ U.S. real personal consumption increased 2.0% in January after dropping 0.8% in December and 0.6% in November.
- ▶ Real consumption of durable goods climbed 8.3% in January, including an increase of 5.2% for cars and a jump of 13.3% for furniture. Real consumption of non-durable goods rose 3.3%, with an increase of 8.3% for clothing. Real consumption of services recorded a gain of only 0.5%, despite growth of 6.1% in food services.
- ▶ Real disposable personal income jumped 11.0% in January.
- ▶ The household savings rate went from 13.4% in December to 20.5% in January. One year ago, it was at 7.6%.

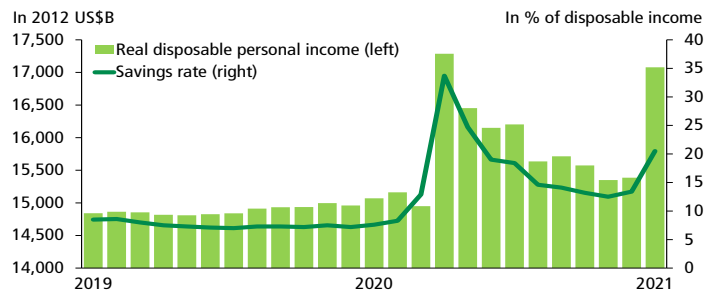
COMMENTS

We already had a good idea with January's rebound in retail sales released two weeks ago—consumer spending took advantage of the relief plan worth just over US\$900B adopted at the very end of December 2020. This plan boosted regular jobless claims benefits by US\$300 a week, and provided a one-time amount of US\$600 per individual up to a certain income level. These amounts contributed to a boom in household income. A large part of these was saved, or used to pay down debt, but the assistance also helped firm up household spending. This offset the consumption weakness observed during the recent holiday season.

February could be more difficult for consumption and a pullback is likely. This will be exacerbated by the difficulties caused by adverse weather over a large part of the United States. However, the reopening of some services in states that had tightened their health measures before the holidays will have a positive effect. In addition, the planned adoption of the Biden administration's new

GRAPH

The stimulus package gave U.S. household income a big boost



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

US\$1,900B stimulus plan should cause an even stronger increase in income, consumption and savings starting in March.

IMPLICATIONS

For close to a year, the U.S. economy has been fluctuating at the mercy of the pandemic as well as government assistance measures. January's data shows the short-term effects of such support, and gives us an idea of the impact that President Joe Biden's US\$1,900B stimulus package could have.

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