National Retail Federation

MONTHLY Economic Review

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The data for this report is released on a rolling schedule. The presented numbers are current as of publication and are subject to revision.

SYNOPSIS | Remarkable growth ahead and major data updates

As we head into May, economic indicators show the economy is on firm footing. With more businesses opening and rehiring workers, the economy is expected to grow the fastest it has in over three decades. The Federal Reserve's April Beige Book report affirms what the economic data has been signaling: U.S. growth is beginning to accelerate.

The contours of the outlook are still dependent on the pace of consumer spending and the extent of pent-up demand. While there is a great deal of uncertainty about how fast and far this economy will grow in 2021, surveys show an increase in individuals being vaccinated, more willingness to receive a vaccine, increased spending intentions and comfort with resuming pre-pandemic behaviors like shopping in stores, travel and family gatherings. This feel-better situation will likely translate into higher levels of household spending, especially around upcoming holidays like the Fourth of July and spending associated with back-to-work and back-to-school.

The consumer is nearly always the key driver in the economy, and with the consumer in good financial health a sharp demand is expected to unfold over the coming months. Unemployment benefits, economic stimulus payments and tax refunds are combining to provide a substantial increase in personal income and thus purchasing power. But also important is the amount of excess savings accumulated over the past year. Consumers are sitting on a stockpile of cash that can become a spring-loaded spending mechanism. The $2.4 trillion saved during February was approximately twice the average monthly saving during pre-pandemic 2019 and sits on top of excess savings accumulated during the last year. Moreover, more fuel for further purchasing power is coming from the use of consumer credit, with outstanding credit surging in February by the most since late 2017. The overall increase in borrowing highlights a consumer who is growing more confident as the economy accelerates, job growth picks up and more states lift burdensome restrictions.

NRF expects the economy to grow 6.6 percent this year, the highest level since 7.2 percent in 1984

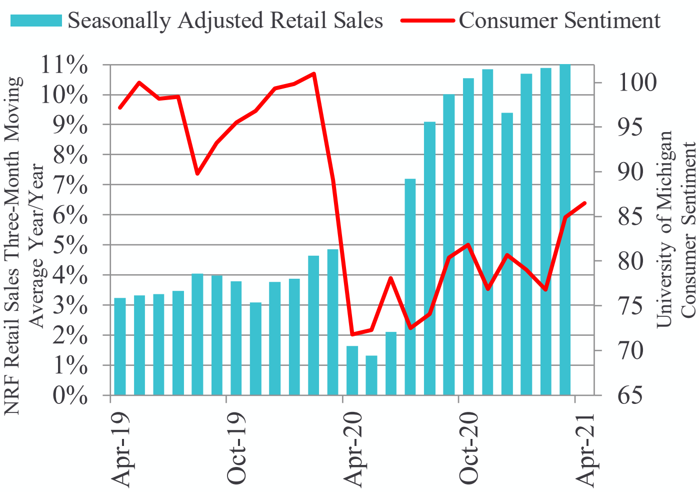
While the economic outlook is very bright, understanding changes in payroll, retail sales and other key indicators will be tricky in the next few months. There were outsized swings in economic data during 2020 caused by the pandemic, wildfires in several states, hurricanes and other events. Last year's recession was an order of magnitude bigger than the Great Recession of 2007-2009. There were some artificially low patterns of growth, and those swings affect the seasonal adjustment process used by government statistical agencies to sort out underlying trends so comparisons can be made over time. These were big shocks that created significant distortions, making it difficult to see trends in the industry and factors that affect the trend like consumer spending and interest rates. The agencies were well aware of the problem and have made some manual adjustments to compensate, but there are no easy solutions given this environment. When asked if seasonal adjustment models account for all of these events, the Bureau of Labor Statistics' answer was that they tried their best with the information available. It will take some time to work out the peculiarities of seasonally adjusting the 2020 data.

While on the topic of data, the Census Bureau near the end of April revised its monthly estimates of retail sales from January 2013 through this March. This update is done annually to correct previously reported data with more accurate data. It also benchmarks the data to the Annual Retail Trade Survey, which is required by law to be completed by all retail firms. The monthly survey, by comparison, is voluntary and sometimes reflects estimates and incomplete or unaudited records rather than final numbers.

To no surprise given 2020's volatile economic performance, the Census revisions show some large swings. They have also affected previously reported monthly and annual figures for retail sales as calculated by NRF (which exclude automobile dealers, gasoline stations and restaurants to focus on core retail) because we base our number on Census data. For example, we initially reported NRF's 2020 annual retail sales to be $4.06 trillion but have now revised that down to $4.02 trillion. However, the revised 2020 year-over-year growth has increased to 6.9 percent from the earlier 6.7 percent because 2019 annual retail sales were revised down from $3.81 trillion to $3.76 trillion. The final NRF figure for holiday spending also dropped, totaling $777.3 billion and growing 8.2 percent over the same period in 2019, compared with our initial report in early January of $789.4 billion and an 8.3 percent annual growth. Even with those revisions, the numbers show spending was in high gear in 2020 despite the pandemic.

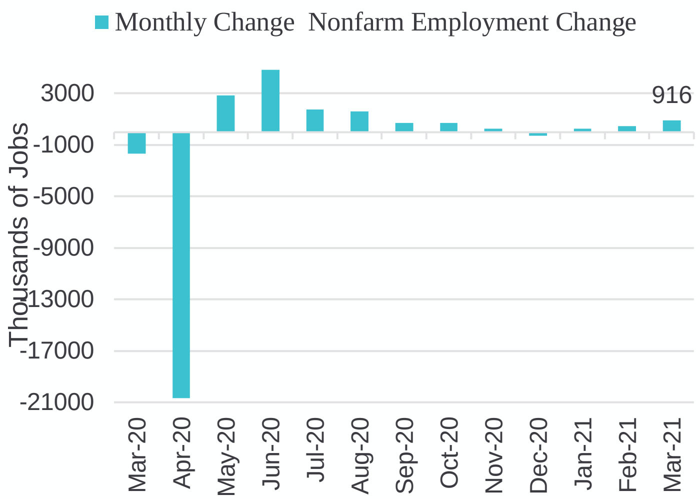
SALES AND SENTIMENT

Consumer spending has decoupled from consumer confidence numbers. Government stimulus has quickly translated into improvement in the hard data of sales if not the soft data of confidence.



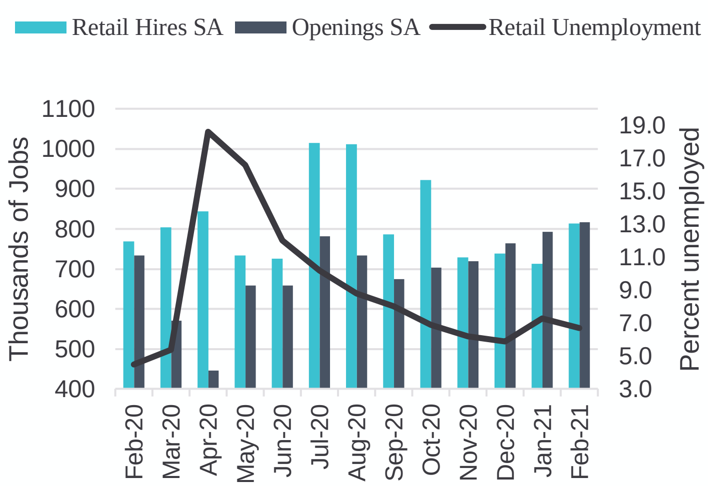
EMPLOYMENT

While the labor market has a long road back, March's payroll gains of 916,000 jobs signaled increased optimism for stronger economic growth in the coming months.



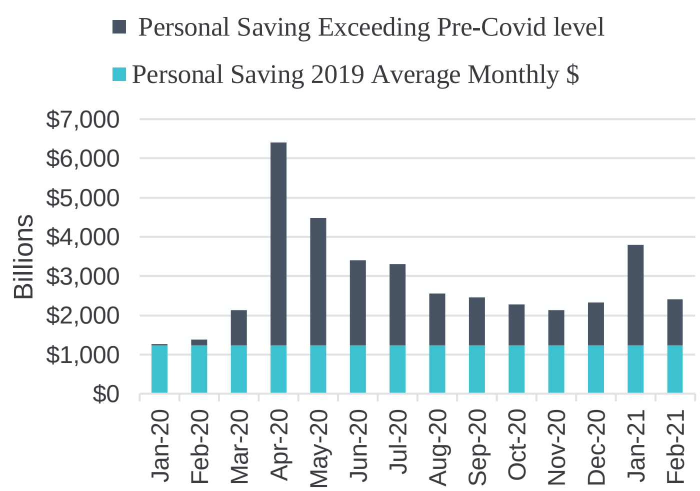
HIRING AND JOB OPENINGS

February's retail job openings of 817,000 were the highest since October 2019. That, along with 742,000 hires, points to firms gearing up for further consumer spending. The retail unemployment rate remained stuck at about 6.7 percent.



SAVINGS

Households are sitting on a stockpile of savings, which totaled $2.4 trillion in February alone. The level is approximately twice the average monthly saving during pre-pandemic 2019.



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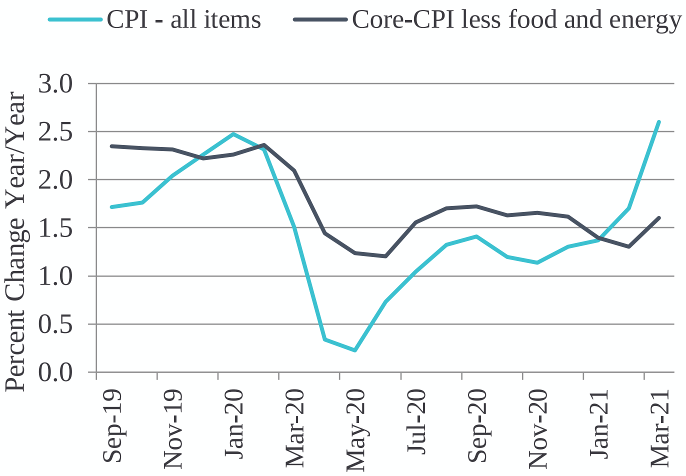
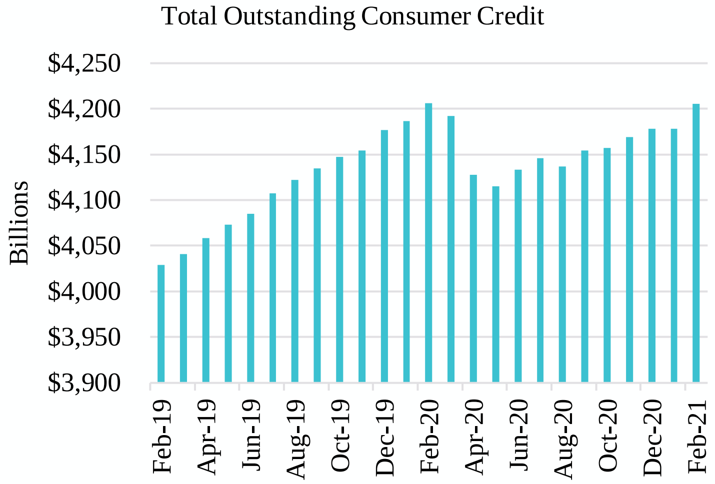
CPI

March's Consumer Price Index rose 2.6 percent from a year ago, the fastest growth since 2018. Core prices are now up 1.6 percent over the last 12 months. The low base of 2020 has pushed inflation higher.



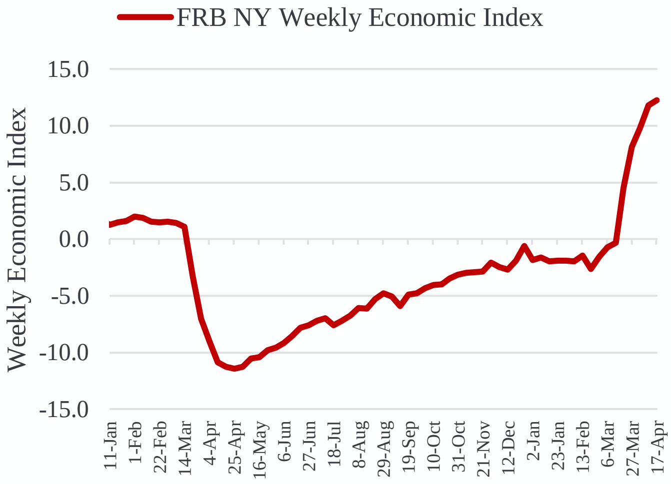
CONSUMER CREDIT

U.S. outstanding consumer credit surged in February, the most growth since late 2017. A broader re-opening of the economy helped spark an increase in overall borrowing.



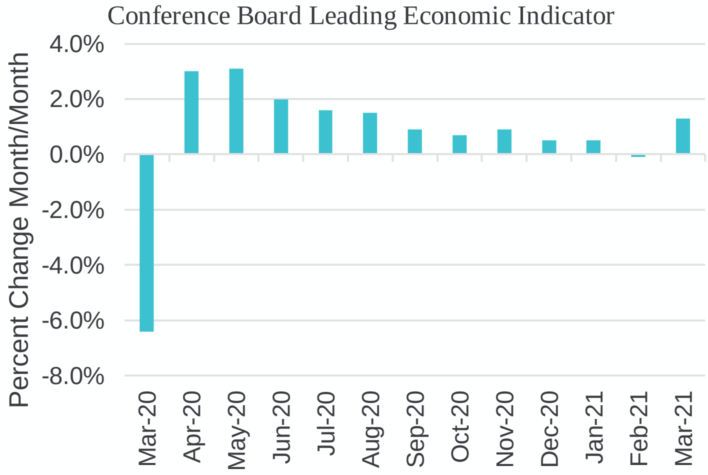
FRB WEEKLY INDEX

The New York Fed's Weekly Economic Index indicates U.S. economic activity is growing at its fastest rate since before 2020. Because the index measures changes over a 52-week period, the large positive reading also reflects the sharp deterioration in economic conditions during the same time last year.



LEADING ECONOMIC INDEX

The Conference Board's Leading Economic Index increased 1.3 percent in March and aligns with other strong economic data from March. The index is consistent with a strong pickup in the economy in the coming months.



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