



Written by [Bob Adelman](#) on June 26, 2020

Consumer Spending Rebounds a Record Eight Percent in May

The U.S. Department of Commerce's Bureau of Economic Analysis (BEA) [reported on Friday](#) that consumer spending jumped to a new record in May: 8.1 percent over April, more than double the all-time high ever recorded since the bureau started keeping track of such things in 1959.

Consumers, locked away owing to government mandates in response to the COVID virus, headed for auto showrooms and big box stores to celebrate their new freedom in May. Spending on cars, trucks, SUVs, RVs, refrigerators, and furniture all jumped, along with increased spending at restaurants, hotels, and motels, and on healthcare.

Most commentators focused on the negative part of the BEA report: income dropped in May, thanks to decreased government stimulus. And that, many assured their readers, bodes poorly for June and out months.

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But missing from those conversations were at least two inconvenient facts. One: Consumers saved almost a quarter of their incomes in May despite the spending rush. Two: Inflation is almost flat (0.5 percent year over year) while interest rates are close to zero.

Translation: Consumers haven't satisfied their need to spend, not even close. And borrowing to buy at low interest rates (some car makers are offering seven-year loans at zero interest, while financing for household goods is being extended from three to five years at record-low rates) makes fulfilling spending needs easier than ever to satisfy.

Concerns that government checks have been received and spent and won't have the same impact on the economy in June are being offset by increases in unemployment benefits. And there's talk in Washington of more stimulus coming, perhaps in the form of tax credits for taking a vacation!

To be fair consumers still have a lot of ground to make up. Consumer spending dropped 6.6 percent in March and another 12.6 percent in April. But given the reopening of the economy, and summertime, and sunny weather, and people being free to exercise their right to "life, liberty and the pursuit of happiness," third-quarter estimates that the economy will grow by 20 percent don't seem that far off the mark.

Just in time for the election.



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