COVID-19 Impacts on Arkansas’ Agricultural and Rural Economies

August 2020

John D. Anderson, Editor
Foreword

In response to the COVID-19 pandemic in 2020 and the unprecedented economic disruptions that it caused, faculty in the Agricultural Economics & Agribusiness Department (AEAB) at the University of Arkansas (UA) produced a series of regular economic updates for distribution by the UA Division of Agriculture, Cooperative Extension Service. These updates were originally posted to a COVID-19 resources page on the UA Division of Agriculture website (https://www.uaex.edu/life-skills-wellness/health/covid19/COVID-Economic_Impacts_in_Arkansas.aspx).

In order to preserve the information in these publications as well as to provide an easily referenced format for future research, outreach, and educational purposes, these publications are being reproduced as a series of AEAB Staff Papers. The table of contents on the following page individually lists each article compiled in this volume along with its original date of posting. The articles in this volume were all produced in the month of August 2020.
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On August 7, the U.S. Department of Labor’s Bureau of Labor Statistics (BLS) released the Employment Situation report for July 2020. The monthly employment reports are always among the most closely watched economic reports. That is especially true in the current pandemic era.

In July, employment continued to recover from the mass layoffs precipitated by the widespread COVID-induced shutdowns that began in March and extended into May in most states. Non-farm payrolls expanded by 1.763 million jobs in July. Expectations for this report were more uncertain than usual. Two days prior to the release of the July Employment Situation report, the private payroll management company, ADP, released their own monthly private sector employment report, which showed job growth of just 167,000 jobs in July. The monthly ADP report usually correlates fairly closely to the official BLS report and so foreshadowed a disappointing July employment report. In light of this pre-report background, the July jobs figures appear to be quite positive.

This is the third consecutive month of historically strong job growth. Non-farm payrolls expanded by 2.725 million jobs in May and by another 4.791 million in June. Thus, the July payroll figure, while showing historically robust job growth, also represents a significant slowdown in the pace of post-shutdown rehiring. Figure 1 shows the month-to-month change in non-farm payroll jobs over the past decade.

Data Source: St. Louis Federal Reserve Bank, FRED Economic Data

**Figure 1.** Monthly Change in Non-Farm Payroll Employment: January 2010 – July 2020

The Employment Situation report breaks hiring down by major sector of the economy, including goods-producing, service-providing, and government. Very little of last month’s job growth was in the goods-producing sector: just 39,000 jobs added (2.2 percent of July job growth). By contrast,
the service-providing sector accounted for over 1.4 million (80.7 percent) of July's job gains. This shouldn't be too surprising. Most of the job loss in March and April occurred in the service-providing sector. If we aggregate March and April job losses, just 11 percent occurred in the goods-producing sector while 84 percent occurred in the service-providing sector. Now, aggregating May through July job recoveries, 13 percent have occurred in the goods producing sector and 88 percent in the services-providing sector. Thus, there does not appear to be a great deal of mismatch, across employment sectors, between where shutdown-related job losses occurred and where reopening-related job recoveries are occurring.

With the continued recovery of jobs, the unemployment rate dropped again in July, falling to 10.2 percent from the April high of 14.7 percent. The unemployment rate remains quite high in recent historical context. For example, prior to last April, the unemployment rate had not been above 5 percent since September 2016.

Looking ahead, the big question is whether reopening-related job recovery will continue in August or whether it has basically been exhausted with the July figures. Certainly, many pre-COVID jobs remain unrestored: May-July job gains are still almost 13 million jobs short of March-April losses. But significant headwinds to further employment gains do appear to be growing. First, several states have slowed down or even partially reversed the pace of reopening as COVID-19 cases have grown. This may hamper further job growth, particularly in the services sector, where many shutdown-affected jobs are located. Second, the long-term effects of the pandemic-induced slowdown appear to be weighing a bit more heavily on the market as quarterly corporate earnings reports have begun to quantify the negative financial impacts of COVID-19. With the expiration of enhanced unemployment benefits at the end of July, many workers who were sidelined by the pandemic shutdowns will, more than likely, be aggressively looking for work in August. Whether they find it or not will tell us a great deal about how the economic recovery is progressing.
Retail Meat Prices and Farm-to-WholeSale Price Spreads

John D. Anderson

August 13, 2020

Retail Meat Prices
On August 12, USDA Economic Research Service (ERS) released their monthly update of retail beef, pork, and chicken prices. The average retail price for all three of the major species dropped fairly sharply in July. Significant month-to-month declines in retail meat prices are unusual; but, of course, these are unusual times. Retail meat prices had climbed rapidly in May and June, largely reflecting the temporary product shortages due to COVID-related processing plant disruptions. These disruptions resulted in record high wholesale prices which, in turn, fueled sharp increases in retail prices. Figure 1a-c show monthly retail beef, pork, and chicken prices.

In percentage terms, the biggest increase in retail prices in the April-June period was in beef prices. June beef prices were almost 27 percent higher than the 2019 average retail price. June retail prices of pork and chicken were both around 10 percent higher than in 2019. While retail prices retreated substantially from June to July, they remain historically quite high. July retail beef, pork, and chicken prices were still 13.6 percent, 8.2 percent, and 8.0 percent higher, respectively, than they were in February, before COVID-related impacts began to significantly affect the retail meat market.

Looking ahead, it is likely that retail meat prices will continue to decline for another month or so. Processing plant volumes have largely returned to pre-COVID levels. In fact, weekly pork processing volumes have approached 10 percent higher than year-ago levels in most weeks since the end of June. Beef processing volumes have generally been within a percent or two of year-ago levels over that time period. This may not be as fast of a pace as the industry would like in order to work through the backlog of market-ready cattle. It is quite an accomplishment under the circumstances, though; and it has been sufficient to return wholesale beef prices to pre-COVID levels. Somewhat surprisingly, chicken processing remains the furthest from attaining prior-year volumes. The weekly chicken processing volume hasn’t matched the prior year level since early April. In most weeks since the end of June, chicken processing has been three or four percentage points lower than the prior year. This chronic slowdown in production may limit further declines in retail chicken prices over the next couple of months, though competitive pressure from beef and pork may still be sufficient to result in further price declines.

Farm-to-WholeSale Beef Price Spreads
The monthly ERS retail meat price update includes information about the spread between prices at various levels of the meat industry: that is, the differences between farm, wholesale, and retail meat prices. This relates to the subject of beef packer margins, which has been a subject of intense interest since last August, when a fire at a Tyson Fresh Meats beef processing facility in Holcomb, Kansas, disrupted markets and contributed to a historically wide spread between farm (i.e., fed cattle) and wholesale (i.e., boxed beef) prices in that sector. Of course, the Holcomb plant fire – significant as it was – pales in comparison to the disruption resulting from COVID-19. COVID-related disruptions led to considerably wider farm-to-wholesale price spreads in the beef sector than were observed in the wake of the Holcomb fire. Figure 2 shows monthly average farm-to-
wholesale price spreads for beef and pork from January 2018 through July 2020. Note that there
essentially is no farm price for chicken, given the integrated structure of that market, so the farm-
to-retail spread is irrelevant for that sector.

Notes: the all fresh beef price includes prices for all quality grades of fresh beef.
Data Source: UDA Economic Research Service

Figure 1. Monthly Average Retail Beef, Pork, and Chicken Prices
A significant point should be made any time price spreads are discussed: a price spread is not the same thing as a profit margin. It is not even the same thing as a gross margin, which would include information about quantity as well as price (e.g., the weight of fed cattle and the quantity of boxed beef and by-products obtained from a carcass). Moreover, the price spread incorporates nothing about cost of production. All of a processing plants operating expenses, and any positive net return, must be taken from the gross margin implied by the spread between farm and wholesale prices. Thus, processing plant profit could actually decline as the price spread increases if, for example, operating costs increase by more than the gross revenue associated with the increase in the spread.

Recognizing that price spreads and profits are not the same thing, they are likely rather closely correlated. For example, if the Holcomb fire did not affect processing costs generally across the sector, then the increase in the farm-to-wholesale spread in August-November (see figure 2) would have been associated with higher processing sector profits. With respect to COVID-related disruptions, the picture – while far more dramatic – may actually be less clear. Without a doubt, the processing sector incurred substantially higher costs of production as a direct result of COVID-related problems: increased bonus/overtime pay, plant modifications to accommodate more physical separation, increased cleaning/sanitizing costs, etc. Did costs go up enough to eat up a 389.5 cent/pound farm-to-wholesale price spread in May? That seems highly unlikely; but the point remains that processing sector profits don’t necessarily map cleanly onto farm-to-wholesale price spreads.

From the cattle industry perspective, concern over wider farm-to-wholesale price spreads relates to market power. In simple terms, the argument is that if the processing sector were more
competitive, higher profits to the processing sector associated with higher wholesale beef prices would more readily be bid into higher fed cattle prices, thus keeping the price spread from exploding (e.g., see May 2020 in figure 2). Given the highly concentrated nature of the meat processing sector, this argument has to be taken seriously: few industries are as concentrated as this one. However, this argument is far from decisive: the exercise of market power is not the only thing that could result in a widening farm-to-wholesale spread. Price dynamics can be complicated, particularly in the face of dramatic and unforeseen simultaneous shifts in supply and demand, as clearly occurred in the pandemic. In May, real capacity constraints stemming from COVID-related disruptions reduced processors’ ability to take cattle and also greatly constrained wholesale beef availability at a time when demand was strong, with retailers attempting to replenish stocks. The fact that the farm-to-wholesale price spread retreated sharply when processing sector constraints relaxed and retailer purchasing behavior returned to normal supports the validity of something like this supply/demand fundamental explanation of the event.

This is not to say that market power could not have played a role in the price behavior observed during the pandemic but rather to illustrate that the price behavior alone does not constitute proof of non-competitive behavior. This is essentially the point that the USDA Agricultural Marketing Service (AMS) makes in a recently-released report on their investigation into price behavior in the aftermath of the Holcomb fire as well as during the COVID-19 shutdowns. This is an important and complicated and highly contentious subject. A number of proposals for direct policy intervention into cattle pricing practices are currently being discussed. Such proposals are motivated by a legitimate desire to improve farm-level outcomes in what is undeniably a highly-concentrated industry. Unfortunately, such proposals also carry the risk of unforeseen consequences that could include significant adverse impacts on the competitive position of the industry. As economists have been known to say, there is no such thing as a free lunch.
USDA National Agricultural Statistics Service released the August *Cattle on Feed (COP)* inventory report on Friday afternoon last week. Key numbers in the report are summarized in Table 1.

**Table 1. Cattle on Feed Inventory Summary: August Report**

<table>
<thead>
<tr>
<th></th>
<th>1,000 head</th>
<th>percent of 2019</th>
<th>Pre-Report Estimate*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Feed July 1</td>
<td>11,438</td>
<td>111.0</td>
<td>106.7</td>
</tr>
<tr>
<td>Placements in June</td>
<td>1,893</td>
<td>99.4</td>
<td>98.9</td>
</tr>
<tr>
<td>Marketings in June</td>
<td>1,990</td>
<td>99.4</td>
<td>98.9</td>
</tr>
<tr>
<td>On Feed August 1</td>
<td>11,284</td>
<td>101.5</td>
<td>101.0</td>
</tr>
</tbody>
</table>

*Source: Livestock Marketing Information Center.

The most significant figure in this month's report was the placements figure. At 1.893 million head, July placements were considerably higher than anybody's pre-report expectations. This is the highest July placements figure since 2011, and it can likely be attributed to a couple of things. First, it suggests that feedlots are trying to refill their pens from the gap in placements that occurred earlier this spring. As has been noted in previous updates, due to COVID-related disruptions, feedlots have had relatively large inventories of cattle with a relatively long time on feed. With a total on-feed inventory at, or even below, the prior year's level, this suggests a relatively small inventory of newer placements, consistent with the huge drop in placements in the February-to-April timeframe. This big July placement figure will help feedlots fill in that gap.

Second, the July placement figure suggests that dry conditions, which expanded around the country in July, may have forced more cattle off of pasture and into feedlots. July is typically at or near the seasonal low in placements. However, dry summer weather can significantly influence placement decisions by affecting forage availability. Dry conditions became considerably more widespread across the Southeast and Midwest over the past month.

Marketings in July were about even with the prior year. With feedlots at least keeping pace with year-ago marketings, the backlog in fed cattle that built up during the disastrous April and May experience has been reduced considerably. The calculated number of cattle on feed for more than 120 days as of August 1 is, based on last week's report, about 9 percent higher than a year ago. That is down from 23 percent higher than a year ago on June 1. If progress in August has come close to matching July, the backlog of fed cattle that resulted from COVID disruptions should by now be just about taken care of. That should be good news for the cattle market heading into fall.
Figure 1a-c. Cattle on Feed Inventory, Monthly Marketings, and Monthly Placements

Data Source: USDA National Agricultural Statistics Service
Coronavirus Food Assistance Program Payments in Arkansas

Scott Stiles, Brad Watkins, C. Robert Stark, Jr., Alvaro Durand-Morat

August 26, 2020

Over $128 million in direct payments have been approved for Arkansas farmers and ranchers through the Coronavirus Food Assistance Program (CFAP) as of Monday, August 24th according to USDA reporting.

Table 1 provides details of the over 16,800 applications that have been made through August 24th, with $128,378,083 in payments approved. Payments to livestock producers comprise roughly 71 percent of the approved CFAP payments for Arkansas. Non-specialty crops account for slightly over 25 percent of the total to date. Non-specialty crops eligible for CFAP payments include malting barley, canola, corn, upland cotton, millet, oats, soybeans, sorghum, sunflowers, durum wheat, and hard red spring wheat. Rice and soft red winter wheat were excluded from the CFAP program. The remaining 4 percent of CFAP payments is split among Specialty crop (2.5 percent), Dairy (.8 percent) and the blended category of Aquanursery (.2 percent).

Table 1. Coronavirus Food Assistance Program Payments, Arkansas (as of August 24, 2020)

<table>
<thead>
<tr>
<th>Payments</th>
<th>(%) of Total</th>
<th>Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livestock</td>
<td>$91,503,034</td>
<td>71 percent</td>
</tr>
<tr>
<td>Non-specialty</td>
<td>$32,696,304</td>
<td>25.5 percent</td>
</tr>
<tr>
<td>Specialty</td>
<td>$3,159,927</td>
<td>2.5 percent</td>
</tr>
<tr>
<td>Dairy</td>
<td>$1,013,753</td>
<td>.8 percent</td>
</tr>
<tr>
<td>Aquanursery</td>
<td>$5,065</td>
<td>.2 percent</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$128,378,083</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: USDA, Farm Service Agency.

Table 2. below provides a comparison of cumulative CFAP payments to U.S and Arkansas producers. USDA Farm Service Agency (FSA) has already approved over $9.2 billion in payments to U.S. producers who have applied for the program. FSA began taking applications May 26, and the agency has received 557,592 applications for this program. Arkansas’ share of CFAP payments is relatively small at 1.4 percent of the total. Iowa, for example, leads all states in payments for both non-specialty crops (17 percent of U.S. total) and livestock (10 percent). California leads in specialty crop payments (35 percent). Wisconsin is the top recipient of dairy payments (20 percent). Louisiana accounts for 80% of the payments to date in the newly added "aquanursery" category. USDA recently expanded eligibility of CFAP direct assistance to 41 more specialty crops, in addition to the 42 added in July, and has added sheep, frozen and liquid eggs, aquaculture, nursery crops and cut flowers.
Producers of certain aquaculture are now eligible for CFAP assistance. Commodities under this category include: catfish, crawfish, largemouth bass and carp sold live as foodfish, hybrid striped bass, red drum, salmon, sturgeon, tilapia, trout, ornamental/tropical fish, and recreational sportfish.

In addition, producers of nursery crops and cut flowers have been extended eligibility for CFAP. Nursery crops are considered decorative or non-decorative plants grown in a container or controlled environment for commercial sale. Cut flowers includes cut flowers and cut greenery from annual and perennial flowering plants grown in a container or controlled environment for commercial sale.

Table 2. Coronavirus Food Assistance Program Payments, U.S. and Arkansas (as of August 24, 2020).

<table>
<thead>
<tr>
<th>Commodity</th>
<th>U.S. Payments ($)</th>
<th>Arkansas Payments ($)</th>
<th>Arkansas percent of U.S. Total</th>
<th>Arkansas Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livestock</td>
<td>$4,607,350,439</td>
<td>$91,503,034</td>
<td>2 percent</td>
<td>14</td>
</tr>
<tr>
<td>Non-specialty</td>
<td>$2,424,527,822</td>
<td>$32,696,304</td>
<td>1.3 percent</td>
<td>18</td>
</tr>
<tr>
<td>Specialty</td>
<td>$479,269,769</td>
<td>$3,159,927</td>
<td>.7 percent</td>
<td>19</td>
</tr>
<tr>
<td>Dairy</td>
<td>$1,699,299,990</td>
<td>$1,013,753</td>
<td>.1 percent</td>
<td>45</td>
</tr>
<tr>
<td>Aquanursery</td>
<td>$11,726,388</td>
<td>$5,065</td>
<td>&lt;.1 percent</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9,222,174,407</strong></td>
<td><strong>$128,378,083</strong></td>
<td><strong>1.4 percent</strong></td>
<td><strong>23</strong></td>
</tr>
</tbody>
</table>

Source: USDA, Farm Service Agency.

Created through the Coronavirus Assistance, Relief and Economic Security Act (CARES) and coordinated by the USDA Farm Service Agency, CFAP direct payments are designed to provide relief to eligible farmers and ranchers facing financial losses due to the impacts of the COVID-19 pandemic. Through CFAP, USDA is making available $16 billion in financial assistance to farmers.

Producers who have already been approved for CFAP payments initially received 80% of the total payment. Starting August 11, 2020, FSA will automatically issue the remaining 20% of the total calculated payment to producers and, going forward, will pay the full 100% of the total payment, not to exceed the payment limit, to producers when their applications are approved.

USDA will begin accepting applications for the expanded CFAP commodities on August 17 and producers can apply until September 11, 2020. Eligible farmers and ranchers may apply for CFAP direct payments through county USDA Farm Service Agency offices. More information on the CFAP program and the application process may be found at farmers.gov/cfap. CFAP payment data will be updated and released by the USDA each Monday at 1 p.m. central time at CFAP Payment Report.
On August 28, the U.S. Department of Commerce Bureau of Economic Analysis (BEA) released the monthly Personal Income and Outlays report, updating household income and expenditure data through July. The report provides a comprehensive look at sources of income as well as major expenditure items for households and thus provides interesting insights into how COVID-19 continues to affect the economy.

The headline from the report was that personal income increased by 0.4% in July compared to the prior month. Most pre-report estimates were calling for a slight decline, so the report was a generally positive surprise for the market. Adding to the positive tone, the increase in personal income was entirely accounted for by an increase in worker compensation as opposed to government transfers. Wages and salaries, proprietors’ income, and rental income were all higher in July compared to June. Despite the growth in July – which marked three consecutive months of growth -- wages and salaries and proprietors’ income remain below pre-COVID levels. Total personal income is well above its pre-COVID level because government social benefits remain historically quite high. These transfer payments did decline in July compared to June, primarily the result of a decline in unemployment benefits, but they remain far above pre-COVID levels. For example, in January, government social benefits totaled $3,158 billion. In July, government social benefits amounted to $4,867 billion, an increase of 54%, due mostly to enhanced unemployment benefits.

Personal consumption expenditures (PCE) also continued to increase in July – as with income, the third consecutive month of increase. At 1.6%, the month-to-month increase in PCE in July was considerably smaller than the 8.4% and 5.7% increases in May and June, respectively. With personal income rising by 0.4% and PCE rising by 1.5%, the personal savings rate declined in July for the third month in a row. Still, at 17.8%, the personal saving rate (i.e., personal saving as a percent of disposable personal income) remains historically very high – more than double the average rate in 2019.

PCE data are broken down by type of product in BEA’s monthly report. This data shows the rather unique manner in which COVID-19 and related shutdowns have affected consumer behavior. Figure 1 shows total PCE along with expenditures on durable goods, non-durable goods, and services for each month of 2020 as a percent of the January 2020 level. This reveals how the COVID-19 event affected total spending as well as each of these major spending categories.

This chart reveals several interesting points. While PCE has recovered substantially from the depths of the COVID shutdown in April, consumer spending remains below its pre-COVID level. This continued lag in spending is due entirely to continued weakness in spending on services. Spending on both durable and non-durable goods is now well above pre-COVID levels.

The relationship between spending on durable and non-durable goods is itself an interesting phenomenon. In March and April, spending on durable goods fell much more sharply than spending on non-durable goods. This is not surprising, as this is generally what should be expected in any recession:
consumers continue to spend, with relatively minor adjustments, on necessities like food (non-durable) while delaying spending on bigger ticket and discretionary items like cars, furniture, appliances (durable). In the COVID rebound, though, spending on durables has soared. What is notable is that this strong consumer spending on durable goods – exceeding pre-COVID spending by around 10% -- is happening during what must be assumed to be an on-going COVID recession. This suggests that the bump in personal income from increased social benefits has gone, in larger measure than might have been expected, to the purchase of durable goods; perhaps because so many services that might otherwise have attracted some of those dollars have been curtailed (more on that below).

![Figure 1](image_url)

**Figure 1.** Monthly Personal Consumption Expenditures (total and by major category) as a Percent of January 2020 Levels

With respect to durable goods, PCE appears to be up compared to January basically across the board. Spending on motor vehicles and parts in July was 8% higher than January; furniture and household equipment, also 8% higher; jewelry and watches, 10% higher. Interestingly, among the major categories of durable goods, the biggest increase in expenditures from January to July has been in recreational goods and vehicles: spending in this category is up more than 20% from January to July. Spending on big-ticket items that we would normally expect to struggle in a recessionary environment has grown markedly over the course of the year (more specifically, since April). For example, expenditures on pleasure boats were 36% higher in July than in January. In contrast, over the course of the last major recession (the Great Recession in 2007-2010) spending in that category fell by about half.

With respect to non-durable goods and services, consumer spending during the pandemic has been more of a mixed bag. Figure 2 shows monthly personal consumption expenditures for each month as a
percent of January 2020 expenditures for a selected set of non-durable good sub-categories. Spending on food for at-home consumption remains modestly above the pre-COVID level – not surprising given that food-service limitations are almost certainly still shifting some food demand to the at-home category. Also not surprisingly, spending on games/toys/hobbies is sharply higher than the pre-COVID level. With recreational options limited, demand in this category has soared. On the other hand, spending on clothing and shoes is up from the sharp decline in March and April but is still not quite even with pre-COVID levels. Spending on gasoline remains about 10% below January, reflecting the COVID-induced reduction in travel resulting from reduced commuting and travel for recreation/leisure purposes.

Source Data: U.S. Department of Commerce, Bureau of Economic Analysis

**Figure 2.** Monthly Personal Consumption Expenditures for Select Non-Durable Goods as a Percent of January 2020 Levels

Finally, with respect to services, declines in personal consumption expenditures have virtually been across-the-board. Figure 3 shows the monthly data on expenditures for several categories of Services spending reported by BEA. All remain lower in July than their pre-COVID levels. In some cases, the decline has been modest. For example, spending on educational services is down less than 10%. Even these aggregations mask some major shifts. For example, spending on Day Care and Nursery Schools – a category in Educational Services – in July was only a bit over 40% of January’s level (noting that BEA data are adjusted to account for normal seasonality in spending). Of course, spending on services related to travel and leisure has basically fallen apart in 2020. Likewise, personal care/clothing services (e.g., hair salons, dry cleaners) have seen spending all but dry up, with only a modest rebound from the April minimum.
In fact, there are some categories of spending tracked by BEA that look worse than those illustrated in Figure 3. Spending in movie theaters, for example, sits at about 2% of its January level. In recreational services, about the only thing that has seen an increase in spending is streaming services: up 7% for video and 6% for audio. Similarly, postal and delivery services have seen their business increase, with July spending almost 10% higher than in January.

![Figure 3](image-url)

Source Data: U.S. Department of Commerce, Bureau of Economic Analysis

**Figure 3.** Monthly Personal Consumption Expenditures for Select Services as a Percent of January 2020 Levels

In summary, the COVID pandemic continues to exert a strong influence on consumers in terms of their incomes, their spending, and their saving. Income remain well above pre-COVID levels, largely due to continuing high transfer payments, though wages and salaries and proprietors’ income has been climbing since May. Looking ahead, as transfer payments continue to diminish with the expiration of support programs, income from other sources will need to continue to grow to maintain pre-COVID personal income levels. This, of course, will require continued recovery in employment.

In terms of spending, the COVID recession has been somewhat unusual. Spending on durable goods has been quite strong, considering that we are currently in a rather sharp recession. Spending related to travel and leisure remain severely curtailed. Until consumers regain the confidence to resume social exposure – at work and in recreational settings – and until social distancing guidelines allow such a resumption, spending in these categories will continue to lag.