A Closer Look: The Consumer

"Black Swan Events" Making Winners & Losers in Manufacturing

Before the detrimental economic impacts of COVID-19, the US consumer sector was surprisingly resilient. Job losses were smaller, retail sales remained strong and consumer spending was increasing, albeit at a slowing pace of growth following a 2018 business cycle high. Since October 2019 consumer spending was growing at the same annual rate as year-ago and outpacing inflation. Wage growth (3.7%) was outstripping inflation (2.3%), partly due to the tough competition in financial markets’ 2008 turmoil. Taken together, these factors point to a much more stable base and greater coping ability for some sharp negativity coming from news stories and economic data releases. It will be more important than ever in the coming months to avoid overreacting to fear-inducing statistics. Instead, try to keep the current downturn in context. As bad as things feel now, they could certainly have been worse.

As the effects of COVID-19 and related shutdowns resonate across the US economy, we are in a COVID-quarantine lockdown. The consumer sector is ground zero for the US economic contraction, about half the 4.0% drop we saw in the Great Recession. A consumer sector economy with a much higher share of in-home consumption relative to the Great Recession is more vulnerable to economic disruptions due to some black swan event. The retail and service sector is the reason why the Dow/US total manufacturing production posted the largest proportional February-to-March decline on record. While annual manufacturing production is expected to take a more severe hit through at least the remainder of this year. Staving off the worst effects of industrial sector business cycle decline will depend on selective state and local government actions to lift some restrictions as it becomes safe to do so. In some industries, such as the defense industry, are also likely to be relative winners. Relative losers include automotive manufacturing, energy production and associated supply chains.

A Closer Look: The Consumer

"Black Swan Events" Making Winners & Losers in Manufacturing

Before the detrimental economic impacts of COVID-19, the US consumer sector was surprisingly resilient. Job losses were smaller, retail sales remained strong and consumer spending was increasing, albeit at a slowing pace of growth following a 2018 business cycle high. Since October 2019 consumer spending was growing at the same annual rate as year-ago and outpacing inflation. Wage growth (3.7%) was outstripping inflation (2.3%), partly due to the tough competition in financial markets’ 2008 turmoil. Taken together, these factors point to a much more stable base and greater coping ability for some sharp negativity coming from news stories and economic data releases. It will be more important than ever in the coming months to avoid overreacting to fear-inducing statistics. Instead, try to keep the current downturn in context. As bad as things feel now, they could certainly have been worse.

As the effects of COVID-19 and related shutdowns resonate across the US economy, we are in a COVID-quarantine lockdown. The consumer sector is ground zero for the US economic contraction, about half the 4.0% drop we saw in the Great Recession. A consumer sector economy with a much higher share of in-home consumption relative to the Great Recession is more vulnerable to economic disruptions due to some black swan event. The retail and service sector is the reason why the Dow/US total manufacturing production posted the largest proportional February-to-March decline on record. While annual manufacturing production is expected to take a more severe hit through at least the remainder of this year. Staving off the worst effects of industrial sector business cycle decline will depend on selective state and local government actions to lift some restrictions as it becomes safe to do so. In some industries, such as the defense industry, are also likely to be relative winners. Relative losers include automotive manufacturing, energy production and associated supply chains.

In some industries, such as the defense industry, are also likely to be relative winners. Relative losers include automotive manufacturing, energy production and associated supply chains.

In some industries, such as the defense industry, are also likely to be relative winners. Relative losers include automotive manufacturing, energy production and associated supply chains.

In some industries, such as the defense industry, are also likely to be relative winners. Relative losers include automotive manufacturing, energy production and associated supply chains.

In some industries, such as the defense industry, are also likely to be relative winners. Relative losers include automotive manufacturing, energy production and associated supply chains.

In some industries, such as the defense industry, are also likely to be relative winners. Relative losers include automotive manufacturing, energy production and associated supply chains.

In some industries, such as the defense industry, are also likely to be relative winners. Relative losers include automotive manufacturing, energy production and associated supply chains.

In some industries, such as the defense industry, are also likely to be relative winners. Relative losers include automotive manufacturing, energy production and associated supply chains.

In some industries, such as the defense industry, are also likely to be relative winners. Relative losers include automotive manufacturing, energy production and associated supply chains.