

Visa's analysis of current economic data indicates that U.S. consumer activity continued to recover in July, but at a more moderate pace.



"A surge in COVID cases in July across a large number of states led to a slowdown in the pace of reopening. The result was a more modest pace of consumer spending. Services spending on the part of consumers continues to lag the recovery in goods spending."

**Michael Brown**  
Principal U.S. Economist, Visa Inc.

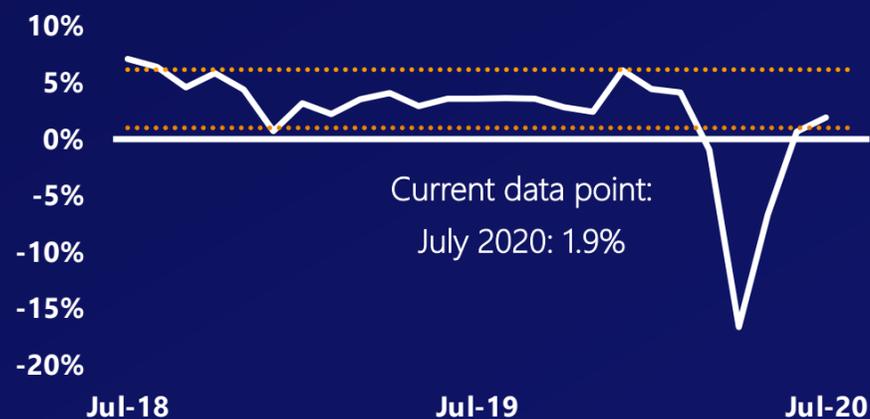
## Retail sales improvement moderates in July

- Retail sales (excluding auto sales) rose 1.9 percent from June's level of sales and now stands 1.9 percent above last July's levels. The closely-watched control group (which feeds into the calculation of GDP growth) rose a more modest 1.4 percent month-over-month (MoM), following a 6.0 percent rise in June.
- Personal disposable income growth remained robust in June, rising 8.9 percent year-over-year (YoY), as enhanced unemployment insurance benefits continued to more than offset the 2.4 percent YoY decline in wage and salary growth. Government transfer payments, which capture unemployment benefits, social security payments and other income assistance, remained at 59 percent over last year's level, highlighting the impact of the federal stimulus.
- Nominal consumer spending continued to improve on a MoM basis but remained 4.8 percent below last year's level. Services has the largest weight within overall consumer spending and has been slow to recover in this downturn. This is weighing on the overall spending recovery. Real consumer spending contracted by 34.6 percent on an annualized basis in the second quarter.

## Key monthly consumer indicators:

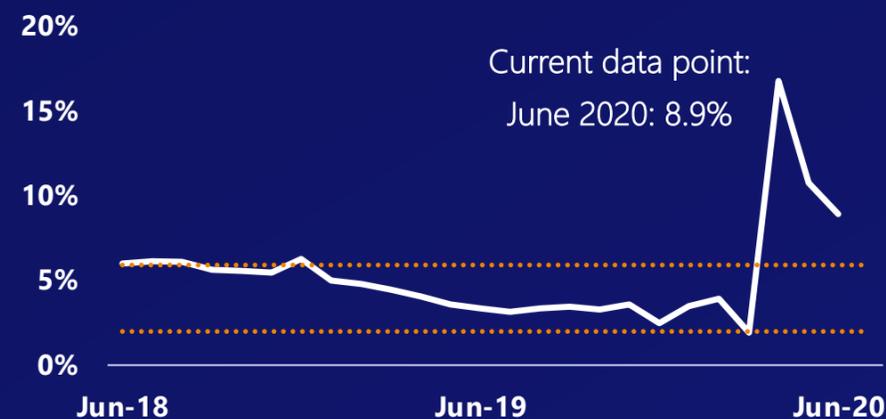
### Retail sales excluding auto sales

YoY percent change



### Nominal disposable personal income

YoY percent change



### Nominal personal spending

YoY percent change



The orange lines represent the normal range for each measure for the prior expansion, defined as one standard deviation above and below the average change from August 2009 to February 2020.

\*The control group within retail sales is defined as total retail sales excluding food services, gas stations, autos and building materials sales.

Sources: Visa Business and Economic Insights and U.S. Department of Commerce

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*"Job gains moderated in July as economic activity slowed due to a spike in COVID cases. This spike also led to a pullback in consumer confidence for the month as consumers became more pessimistic about future economic conditions."*

**Travis Clark**  
Associate U.S. Economist, Visa Inc.

## COVID spikes slow pace of job market recovery

- Consumer price growth rose 30 basis points to 1.0 percent (YoY) in July, the second straight month of increased price growth. Despite renewed restrictions due to COVID spikes, consumer demand for items excluding food and energy increased for the first time since February.
- Overall consumer confidence fell 5.7 points from June to July. Confidence in current business and labor market conditions rose 7.5 points, which was the third straight month of increases. However, future expectations fell 14.6 points since June. Confidence fell across all age ranges, and among all household income levels of \$50K and above.
- In July, the pace of the labor market recovery slowed significantly, with roughly 1.7 million new jobs added. The economy is still down by roughly 12.9 million jobs since February. The unemployment rate fell 0.9 percentage points to 10.2 percent in July. However, the Bureau of Labor Statistics still believes this number is understated due to changes in unemployment insurance requirements.

## Key monthly consumer indicators:

### Consumer Price Index

Year-over-year percent change



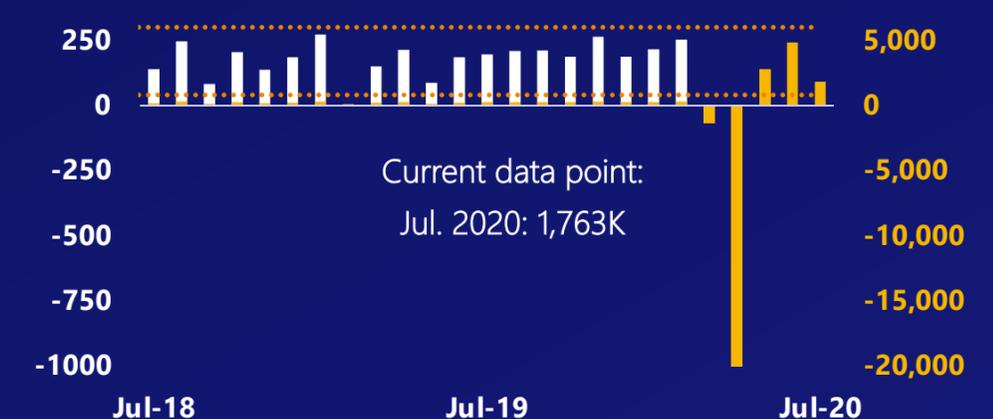
### Consumer Confidence Index

Index, 1985=100



### Monthly employment growth

Monthly change, in thousands



The orange lines represent the normal range for each measure for the prior expansion, defined as one standard deviation above and below the average change from July 2009 to February 2020.

Sources: Visa Business and Economic Insights, U.S. Department of Labor and Conference Board.

March-July job numbers shown on orange axis (right) due to the dramatic changes in those months.

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