

Examining the Post-Pandemic Economy

While sheltering in place during the pandemic, Americans engaged in a feeding frenzy on consumer goods that helped fuel inflation. Consumers now appear positioned to shift their spending to restaurants, travel, entertainment and other services as the pandemic recedes. This dramatic shift could potentially create attractive opportunities for innovative companies that are best positioned to benefit from the economy reopening and it could help counter inflationary pressures.

U.S. Percentage of Consumer Spending on Goods and Services



Source: U.S. Bureau of Economic Analysis.

- As a percentage of spending, goods leaped from 31% in early 2020 at the beginning of the pandemic to a high of 36% (see above). Consumer services during the same period dropped from 69% to 64%.
- Splurging on goods sparked more than a flurry of delivery trucks to homebound Americans—it created pent up demand for entertainment and other services while overwhelming the supply chain, which we believe contributed to inflation reaching levels not seen in approximately 40 years.
- As the pandemic recedes and people have more opportunities for entertainment experiences, the spending trend could potentially reverse and create demand for services such as travel, live entertainment and dining. If consumer purchases return to pre-pandemic patterns, we believe as much as \$700 billion in annual spending may shift from goods to services.
- This potential shift could provide strong growth opportunities for businesses that are best positioned to disrupt the consumer services industry with innovative products and services. Potential examples include online travel platforms, ride hailing services, concert promoters and restaurants with compelling internet-based food ordering services. Businesses that support the travel industry, such as companies that provide aircraft parts, could also benefit from this shift. Additionally, the shift could potentially reduce pressure on the supply chain and help tame inflation.



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