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**COVID-19 Impacts on Arkansas’ Agricultural and Rural Economies**

**UPDATE: Personal Income and Expenditures, June 2021**

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On July 30, the U.S. Bureau of Economic Analysis released its monthly update on personal income and expenditures. This report provides information on how businesses and consumers are responding to the COVID-19 pandemic.

June personal income increased slightly compared to May, rising by one tenth of a percent. Personal income rose sharply in March due to government spending under December’s coronavirus relief programs. Income fell over the next two months as those programs played out. June figures thus reflect a personal income situation approaching normal following the disruptions, and interventions, related to the pandemic. Figure 1 shows personal income as reported by BEA.

Data Source: U.S. Bureau of Economic Analysis

Notes: Months are seasonally adjusted at annual rates.

**Figure 1.** Personal Income

The effects of pandemic relief programs in March is conspicuous. Government social benefits in that month accounted for over a third of personal income. Throughout the pandemic, except for the final quarter of 2020 between major relief programs, government transfers have accounted for close to a quarter of personal income. In June, the proportion of income accounted for by government transfers fell to 19% — higher than the sixteen or seventeen percent that would have been considered normal pre-pandemic, but not by much. With government transfers falling, the slight rise in personal income in June was, encouragingly, largely driven by an increase in employee compensation and proprietors’ income as economic activity slowly approached normal over most of the country.

Personal consumption expenditures continued to climb in June, edging up 1% from after being essentially flat in April and May. Spending was up on services and nondurable goods but declined on durable goods for the second month in a row. Durable goods spending has been remarkably strong after falling sharply early in the pandemic. In 2019, durable goods spending averaged an annual rate of a bit over $1.5 trillion. Durable goods spending bottomed out in April 2020 at an annual rate of a little under $1.2 trillion before rebounding rapidly to exceed pre-pandemic levels. In March 2021, durable goods spending eclipsed an annual rate of $2 trillion for the first time. At just over that $2 trillion annual rate, durable goods spending remains well above pre-pandemic levels but is falling back toward those levels as other categories of spending increase. Figure 2 shows Personal Consumption Expenditures by major spending category over the past three years.

Data Source: U.S. Bureau of Economic Analysis

Notes: Months are seasonally adjusted at annual rates.

**Figure 2.** Personal Consumption Expenditures

BEA reports real (i.e., inflation-adjusted) personal consumption expenditures in more detailed categories of goods and services. The pandemic impact on various categories of spending can be evaluated using this data. Figure 3 presents spending on a number of BEA spending categories, indexed to January 2020. That is, each month’s data has been converted to a percentage of January 2020 spending to illustrate how spending to this point in the pandemic compares to pre-pandemic levels.[[1]](#footnote-1)

Figure 3 illustrates several interesting aspects of consumer spending during the pandemic. First, of the categories presented here, only food and beverages for off premises consumption increased at the onset of the pandemic. This reflected two factors: first, the stockpiling behavior that took place early in the pandemic, and second, the loss of away from home eating options (food services in figure 3) as shutdowns and risk avoidance behavior took hold. The second key point illustrated in figure 3 is that spending on goods has, after an initial negative shock, mostly exceeded pre-pandemic levels – by a large margin in some cases. For example, spending on recreational goods / vehicles is currently about 30% higher than before the pandemic. Spending on motor vehicles and parts reached over 40% higher than its pre-pandemic level in March and April before retreating over the past couple of months. On the other hand, spending on services has, for the most part, still failed to recover pre-pandemic levels. The one exception to this among spending categories in figure 3 is food services. This May, food services spending climbed back above pre-pandemic levels for the first time. Several of the Service spending categories remain more than 20% below pre-pandemic levels.

The Recreation Services category of spending is particularly interesting. Overall, spending in this category remains about 20% below the pre-pandemic level, but spending in individual sub-categories (not shown) varies significantly. Some of the discrepancies make obvious sense. For example, spending at movie theaters is still less than 20% of its pre-pandemic level. Relatedly, for the clear movie theater substitute, video streaming and rental service, spending is up by over 30%. Interestingly, spending on amusement parks, campgrounds, and related recreational services remains at about half of its pre-pandemic level. Spending at casinos, on the other hand, is currently about 5% higher than before the pandemic. Apparently, gamblers are less risk averse than roller coaster enthusiasts.

Data Source: U.S. Bureau of Economic Analysis

Notes: Expenditure data for months are seasonally adjusted at annual rates.

**Figure 3.** Real Personal Consumption Expenditures by Category as a Percent of January 2020

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1. BEA monthly data is already seasonally adjusted to account for seasonal patterns in spending. Thus comparisons of other months with January will not be distorted by seasonal factors. [↑](#footnote-ref-1)