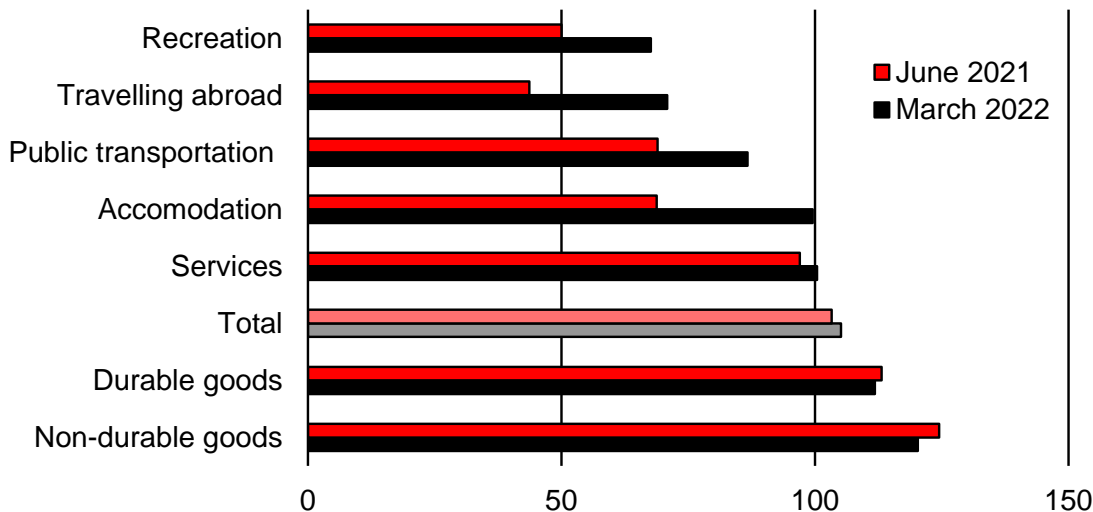


## US consumers only slowly normalizing their spending patterns

Real US personal consumption expenditure (December 2019 = 100)



Source: BEA, UniCredit Research

- The expenditure-switching caused by the COVID-19 pandemic has contributed to the high inflationary pressure over the last year. Lockdowns and social distancing shifted consumer demand away from services and towards goods – a shift in spending that was further reinforced by the increase in disposable income resulting from generous fiscal transfers. The rise in demand for goods was too abrupt for already constrained supply to adjust in time, thus pushing prices higher, while services firms facing reduced demand did not cut prices to the same extent as it would have done little to improve demand, leaving overall inflation higher. In other words, the sectoral Philips Curve was non-linear.
- Our *Chart of the Week* shows that, despite the full reopening of the US economy, demand anomalies persist. The chart shows US personal consumption expenditure adjusted for inflation, using December 2019 as the baseline. Real consumer spending on both durable and non-durable goods remains around 10% and 20% higher, respectively, than before the pandemic – with just marginal easing over the last nine months as prices rose steeply and the economy continued to reopen. Spending on services has now returned to pre-crisis levels but there are many categories that are still a long way away from their end-2019 levels. While real spending on accommodation is now back to roughly where it was two-and-a-half years ago, spending on recreational activities, travelling abroad and public transportation remains muted.
- High goods price inflation, pent-up demand for travel-related services and a further easing of the direct effects of the pandemic will likely lead to further normalization of consumer spending patterns. But the adjustment process might be more gradual than originally thought with implications also for the re-allocation of labor across sectors, for spare capacity in the labor market and ultimately for the monetary policy stance itself. Continuing COVID-related bureaucratic burdens, such as testing for travelling or capacity constraints for public events, are weighing on demand for certain services. And in some cases, the change in consumption habits might be longer lasting. The spread of remote work, for example, is likely to continue to affect demand for public transportation and the consumption of food away from home, whereas new recreational habits might persist either for fear of contagion or because of structural changes in preferences.

- The implication for overall inflation will depend on the balance between moderating core goods inflation on the one hand, and rising core services inflation on the other. The rebalancing of spending towards services could help ease overall inflation if the sectoral Phillips Curve continues to be non-linear. However, core goods inflation could prove stubbornly high amid ongoing supply bottlenecks for goods caused by the Russia-Ukraine conflict and COVID-19-related lockdowns in China, while rising core services inflation is likely to be reinforced by the tight labor market.

**Edoardo Campanella**, Economist (UniCredit Bank, Milan)  
+39 02 8862-0522  
[edoardo.campanella@unicredit.eu](mailto:edoardo.campanella@unicredit.eu)

## Legal Notices

### Glossary

A comprehensive glossary for many of the terms used in the report is available on our website: <https://www.unicreditresearch.eu/index.php?id=glossary>

### Disclaimer

Our recommendations are based on information obtained from or are based upon public information sources that we consider to be reliable, but for the completeness and accuracy of which we assume no liability. All information, estimates, opinions, projections and forecasts included in this report represent the independent judgment of the analysts as of the date of the issue unless stated otherwise. We reserve the right to modify the views expressed herein at any time without notice. Moreover, we reserve the right not to update this information or to discontinue it altogether without notice. This report may contain links to websites of third parties, the content of which is not controlled by UniCredit Bank. No liability is assumed for the content of these third-party websites.

This report is for information purposes only and (i) does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any financial, money market or investment instrument or any security, (ii) is neither intended as such an offer for sale or subscription of or solicitation of an offer to buy or subscribe for any financial, money market or investment instrument or any security nor (iii) as marketing material within the meaning of applicable prospectus law. The investment possibilities discussed in this report may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. The investments discussed may fluctuate in price or value. Investors may get back less than they invested. Fluctuations in exchange rates may have an adverse effect on the value of investments. Furthermore, past performance is not necessarily indicative of future results. In particular, the risks associated with an investment in the financial, money market or investment instrument or security under discussion are not explained in their entirety.

This information is given without any warranty on an "as is" basis and should not be regarded as a substitute for obtaining individual advice. Investors must make their own determination of the appropriateness of an investment in any instruments referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. As this document does not qualify as an investment recommendation or as a direct investment recommendation, neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever. Investors are urged to contact their bank's investment advisor for individual explanations and advice.

Neither UniCredit Bank AG, UniCredit Bank AG London Branch, UniCredit Bank AG Milan Branch, UniCredit Bank AG Vienna Branch, UniCredit Bank Austria AG, UniCredit Bulbank, Zagrebačka banka d.d., UniCredit Bank Czech Republic and Slovakia, ZAO UniCredit Bank Russia, UniCredit Bank Czech Republic and Slovakia Slovakia Branch, UniCredit Bank Romania, UniCredit Bank AG New York Branch nor any of their respective directors, officers or employees nor any other person accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

This report is being distributed by electronic and ordinary mail to professional investors, who are expected to make their own investment decisions without undue reliance on this publication, and may not be redistributed, reproduced or published in whole or in part for any purpose.

This report was completed and first published on 12 May 2022 at 11:13.

#### Responsibility for the content of this publication lies with:

##### UniCredit Group and its subsidiaries are subject to regulation by the European Central Bank

a) UniCredit Bank AG (UniCredit Bank, Munich or Frankfurt), Arabellastraße 12, 81925 Munich, Germany, (also responsible for the distribution pursuant to §85 WpHG). Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany.

b) UniCredit Bank AG London Branch (UniCredit Bank, London), Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom. Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany and subject to limited regulation by the Financial Conduct Authority, 12 Endeavour Square, London E20 1JN, United Kingdom and Prudential Regulation Authority 20 Moorgate, London, EC2R 6DA, United Kingdom. Further details regarding our regulatory status are available on request.

c) UniCredit Bank AG Milan Branch (UniCredit Bank, Milan), Piazza Gae Aulenti, 4 - Torre C, 20154 Milan, Italy, duly authorized by the Bank of Italy to provide investment services. Regulatory authority: "Bank of Italy", Via Nazionale 91, 00184 Roma, Italy and Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany.

d) UniCredit Bank AG Vienna Branch (UniCredit Bank, Vienna), Rothschildplatz 1, 1020 Vienna, Austria. Regulatory authority: Finanzmarktaufsichtsbehörde (FMA), Otto-Wagner-Platz 5, 1090 Vienna, Austria and subject to limited regulation by the "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany. Details about the extent of our regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht are available from us on request.

e) UniCredit Bank Austria AG (Bank Austria), Rothschildplatz 1, 1020 Vienna, Austria. Regulatory authority: Finanzmarktaufsichtsbehörde (FMA), Otto-Wagner-Platz 5, 1090 Vienna, Austria

f) UniCredit Bulbank, Sveta Nedelya Sq. 7, BG-1000 Sofia, Bulgaria. Regulatory authority: Financial Supervision Commission (FSC), 16 Budapeshta str., 1000 Sofia, Bulgaria

g) Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, HR-10000 Zagreb, Croatia. Regulatory authority: Croatian Agency for Supervision of Financial Services, Franje Račkoga 6, 10000 Zagreb, Croatia

h) UniCredit Bank Czech Republic and Slovakia, Želetavská 1525/1, 140 92 Praga 4, Czech Republic. Regulatory authority: CNB Czech National Bank, Na Příkopě 28, 115 03 Praga 1, Czech Republic

i) ZAO UniCredit Bank Russia (UniCredit Russia), Prechistsenskaya nab. 9, RF-119034 Moscow, Russia. Regulatory authority: Federal Service on Financial Markets, 9 Leninsky prospekt, Moscow 119991, Russia

j) UniCredit Bank Czech Republic and Slovakia, Slovakia Branch, Šancova 1/A, SK-813 33 Bratislava, Slovakia. Regulatory authority: CNB Czech National Bank, Na Příkopě 28, 115 03 Praha 1, Czech Republic and subject to limited regulation by the National Bank of Slovakia, Imricha Karvaša 1, 813 25 Bratislava, Slovakia. Regulatory authority: National Bank of Slovakia, Imricha Karvaša 1, 813 25 Bratislava, Slovakia

k) UniCredit Bank Romania, Bucharest 1F Expozitiei Boulevard, 012101 Bucharest 1, Romania. Regulatory authority: National Bank of Romania, 25 Lipsescani Street, 030031, 3rd District, Bucharest, Romania

l) UniCredit Bank AG New York Branch (UniCredit Bank, New York), 150 East 42nd Street, New York, NY 10017. Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany and New York State Department of Financial Services, One State Street, New York, NY 10004-1511. Further details regarding our regulatory status are available on request.

#### ANALYST DECLARATION

The analyst's remuneration has not been, and will not be, geared to the recommendations or views expressed in this report, neither directly nor indirectly.

All of the views expressed accurately reflect the analyst's views, which have not been influenced by considerations of UniCredit Bank's business or client relationships.

#### POTENTIAL CONFLICTS OF INTERESTS

You will find a list of keys for company specific regulatory disclosures on our website <https://www.unicreditresearch.eu/index.php?id=disclaimer>.

#### RECOMMENDATIONS, RATINGS AND EVALUATION METHODOLOGY

You will find the history of rating regarding recommendation changes as well as an overview of the breakdown in absolute and relative terms of our investment ratings, and a note on the evaluation basis for interest-bearing securities on our website <https://www.unicreditresearch.eu/index.php?id=disclaimer> and <https://www.unicreditresearch.eu/index.php?id=legalnotices>.

#### ADDITIONAL REQUIRED DISCLOSURES UNDER THE LAWS AND REGULATIONS OF JURISDICTIONS INDICATED

You will find a list of further additional required disclosures under the laws and regulations of the jurisdictions indicated on our website <https://www.unicreditresearch.eu/index.php?id=disclaimer>.

UniCredit Research\*

Macro Research



**Marco Valli**  
Global Head of Research,  
Chief European Economist  
+39 02 8862-0537  
marco.valli@unicredit.eu



**Dr. Ingo Heimig**  
Head of Research Operations  
& Regulatory Controls  
+49 89 378-13952  
ingo.heimig@unicredit.de

Head of Macro Research



**Marco Valli**  
Global Head of Research,  
Chief European Economist  
+39 02 8862-0537  
marco.valli@unicredit.eu

European Economics Research



**Dr. Andreas Rees**  
Chief German Economist  
+49 69 2717-2074  
andreas.rees@unicredit.de



**Dr. Loredana Federico**  
Chief Italian Economist  
+39 02 8862-0534  
loredanamaría.federico@unicredit.eu



**Stefan Bruckbauer**  
Chief Austrian Economist  
+43 50505-41951  
stefan.bruckbauer@unicreditgroup.at



**Tullia Bucco**  
Economist  
+39 02 8862-0532  
tullia.bucco@unicredit.eu



**Edoardo Campanella**  
Economist  
+39 02 8862-0522  
edoardo.campanella@unicredit.eu



**Walter Pudschedl**  
Economist  
+43 50505-41957  
walter.pudschedl@unicreditgroup.at



**Chiara Silvestre**  
Economist  
chiara.silvestre@unicredit.eu

International Economics Research



**Daniel Vernazza, Ph.D.**  
Chief International Economist  
+44 207 826-7805  
daniel.vernazza@unicredit.eu

EEMEA Economics Research



**Dan Bucsa**  
Chief CEE Economist  
+44 207 826-7954  
dan.bucsa@unicredit.eu



**Gökçe Çelik**  
Senior CEE Economist  
+44 207 826-6077  
gokce.celik@unicredit.eu



**Mauro Giorgio Marrano**  
Senior CEE Economist  
+43 50505-82712  
mauro.giorgiomarrano@unicredit.de



**Artem Arkhipov**  
Head, Macroeconomic Analysis  
and Research, Russia  
+7 495 258-7258  
artem.arkhipov@unicredit.ru



**Hrvoje Dolenc**  
Chief Economist, Croatia  
+385 1 6006-678  
hrvoje.dolenc@unicreditgroup.zaba.hr



**Dr. Ágnes Halász**  
Chief Economist, Head, Economics and  
Strategic Analysis, Hungary  
+36 1 301-1907  
agnes.halasz@unicreditgroup.hu



**Ľubomír Koršňák**  
Chief Economist, Slovakia  
+421 2 4950 2427  
lubomir.korsnak@unicreditgroup.sk



**Anca Maria Negrescu**  
Senior Economist, Romania  
+40 21 200-1377  
anca.negrescu@unicredit.ro



**Kristofor Pavlov**  
Chief Economist, Bulgaria  
+359 2 923-2192  
kristofor.pavlov@unicreditgroup.bg



**Pavel Sobíšek**  
Chief Economist, Czech Republic  
+420 955 960-716  
pavel.sobisek@unicreditgroup.cz

UniCredit Research, Corporate & Investment Banking, UniCredit Bank AG, Am Eisbach 4, D-80538 Munich, globalresearch@unicredit.de  
Bloomberg: UCCR, Internet: www.unicreditresearch.eu

MR 22/1

\*UniCredit Research is the joint research department of UniCredit Bank AG (UniCredit Bank, Munich or Frankfurt), UniCredit Bank AG London Branch (UniCredit Bank, London), UniCredit Bank AG Milan Branch (UniCredit Bank, Milan), UniCredit Bank AG Vienna Branch (UniCredit Bank, Vienna), UniCredit Bank Austria AG (Bank Austria), UniCredit Bulbank, Zagrebačka banka d.d., UniCredit Bank Czech Republic and Slovakia, ZAO UniCredit Bank Russia (UniCredit Russia), UniCredit Bank Romania.