FEDERAL RESERVE BANK *of* CLEVELAND

Research [in] Brief

Will Consumers Return to Their Prepandemic Spending Levels?

⚠ Primary issue

During the pandemic, consumers have drastically reduced their spending on activities that involve social contact, such as dining out, attending concerts, and traveling by air. How much they spend on these activities once the pandemic ends will help determine how fast the economy improves, and having an idea of consumers' expected spending is helpful to economists forecasting when the economy will improve, by how much, and how quickly.

Key findings

Since April 2020, the Cleveland Fed has been asking consumers questions about their postpandemic spending plans related to hospitality services (in restaurants, bars, and hotels), public transportation, and crowded public events.

At the start of the pandemic, most consumers expected to return to their previous levels of spending on these activities after the pandemic. As virus case counts rose in the summer of 2020, consumers briefly became more pessimistic and expected to spend less once the pandemic was over. In October 2020, however, consumers' views flipped back, and most consumers surveyed now expect that once the pandemic is over, they will attend crowded events and use transportation and hospitality services as much as they did before the pandemic.

But it's not quite that straightforward. Two groups have different expectations: High-income households expect to increase their spending on these activities, while older adults do not expect to return to their prepandemic levels of spending.

The bottom line

Consumers' expectations suggest that spending on activities in high-contact industries will rebound strongly once the pandemic is in the rear-view mirror.