

## A Roaring Twenties Redux?



**If you only listened to the Wall Street consensus,** you'd believe that the United States is on the precipice of an economic boom not seen in nearly a century. Forget the go-go 1980s

or even the surge in the 1990s—some finance professionals forecast a 1920s-esque takeoff. Maybe Art Deco architecture, flapper dresses, and the Charleston dance will also come back into style.

Experts estimate the US economy will grow 6 percent in 2021. That's a lot of growth for the \$21 trillion economy. The US stock market, anticipating all this growth, has surged to record highs. Many believe the good times will continue into 2022, as well. It all sounds so compelling, too. Americans are now flush with cash, the economic optimists say. The government-imposed lockdowns curtailed spending, causing travel to collapse and cutting restaurant dining from the menu. The

savings rate jumped to 16 percent in 2020, up from around 6 to 7 percent in the three years before the pandemic. Once everything reopens and most people are vaccinated, Americans will spend with gusto. "I have a hard time not seeing a boom," says Bill Stone, chief investment officer at Glenview Trust, based in Louisville, Kentucky.

Look, a surging economy helps almost everyone, so this "pandemic ends, boom begins" scenario is something many people, including C-suite executives, want to believe. However, there are reasons to think the economic reality may be considerably less robust than many expect. "There isn't going to be a surge in spending," says David Ranson, president and director of research at the financial research firm HCWE & Co. People didn't stop spending during the pandemic, they just changed the goods they bought. If people couldn't spend money on a foreign vacation, Ranson says, they might have purchased a camper

van, for instance. After the pandemic ends, instead of a consumption boom, Ranson sees people using savings to pay down debt. That isn't a bad way to spend money, but it isn't the catalyst for an economic surge.

At the same time, the pandemic may have permanently altered some spending habits. Instead of frequently dining out, for example, people started to cook at home. And perhaps more importantly for the economy, more than seven in 10 people said they'd continue to cook more frequently once the lockdowns are lifted, according to a new survey by Hunter, a New York-based marketing communication agency. "We aren't getting the feeling that the pendulum is swinging back," says Heddy DeMaria, Hunter's chief insights officer.

Such changing habits matter to the economy because when people alter how they spend money, it changes employment patterns. In January 2020, US restaurants employed more than 12 million people. That figure halved during the height of the crisis and still hasn't fully rebounded. A question

hanging over the industry is what portion of the restaurant jobs will return if large numbers of people decide to cook at home more often?

As a result of the pandemic, the nature of the restaurant business will change, along with related areas of the economy, such as leisure and hospitality, says Joe Brusuelas, chief economist at the professional services firm RSM. He sees consumer demand shifting to franchises and upscale estab-

lishments, while smaller mom-and-pop operations are likely to stay defunct, never to return. Likewise, many of the industry's lost jobs won't come back. "Those employees have already been furloughed, and they likely won't come back to the same jobs," he says.

Wall Street has been overly optimistic before; there was no massive economic rebound in the immediate aftermath of the Great Recession, and the economy didn't surge after the new tax laws in 2017. So before you bet on a Roaring Twenties repeat (or learn the Charleston), take a break from Wall Street and dig deep into the areas of the economy that most directly affect your business. ▀

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