

**Retail sales**

Week 5:  
Retail spending as  
a component of the  
economy

Compiled by  
Bill Pinkovitz, Professor,  
UW-Extension.

QUESTIONS? Contact  
Bill Pinkovitz at  
bill.pinkovitz@  
ces.uwex.edu.

Economic Snapshot  
is a weekly feature  
provided by the

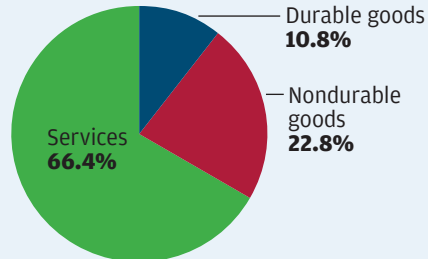


# Economy not as dependent on retail as you might assume

**A**ccording to an expert guest featured last week on a statewide radio program, “Seventy percent of our economy depends on shopping. We hardly make or produce anything anymore.” That simply is not true. Similarly, a columnist for a national newspaper, writing on the importance of Black Friday sales, centered his argument on the fact that “Consumers account for 70 percent of economic activity.” That is true, but somewhat misleading.

Consumer spending does comprise 70 percent of gross domestic product (GDP). However, in addition to toys, jewelry and the latest video game, consumer spending, as reported by the Bureau of Economic Activity (BEA) includes rent, medical care, gasoline, food, day care and insurance whether the insurance is paid for by the consumer, employer or government.

## Components of consumer spending in the United States, 2008



Source: Bureau of Economic Analysis,  
<http://www.bea.gov>

State Journal

Despite the dire warnings, the fate of the U.S. economy does not depend upon holiday sales. Certainly, retail sales are critical to the success of many businesses and the survival of

some. Retail sales data do provide an important gauge of consumer confidence and the state and general trend of the economy. However, the health and future of the economy do not hinge on whether retail sales for November and December are 1 percent lower than last year as projected by the National Retail Federation.

The following chart includes the components of consumer spending as reported by the BEA. Durable goods include goods that have an expected useful life greater than three years, such as washing machines. Nondurables have an expected useful life less than three years — for example, food, clothing and gasoline. Services include a wide range of personal services such as auto maintenance, medical care, health insurance, rent, daycare and pet grooming.