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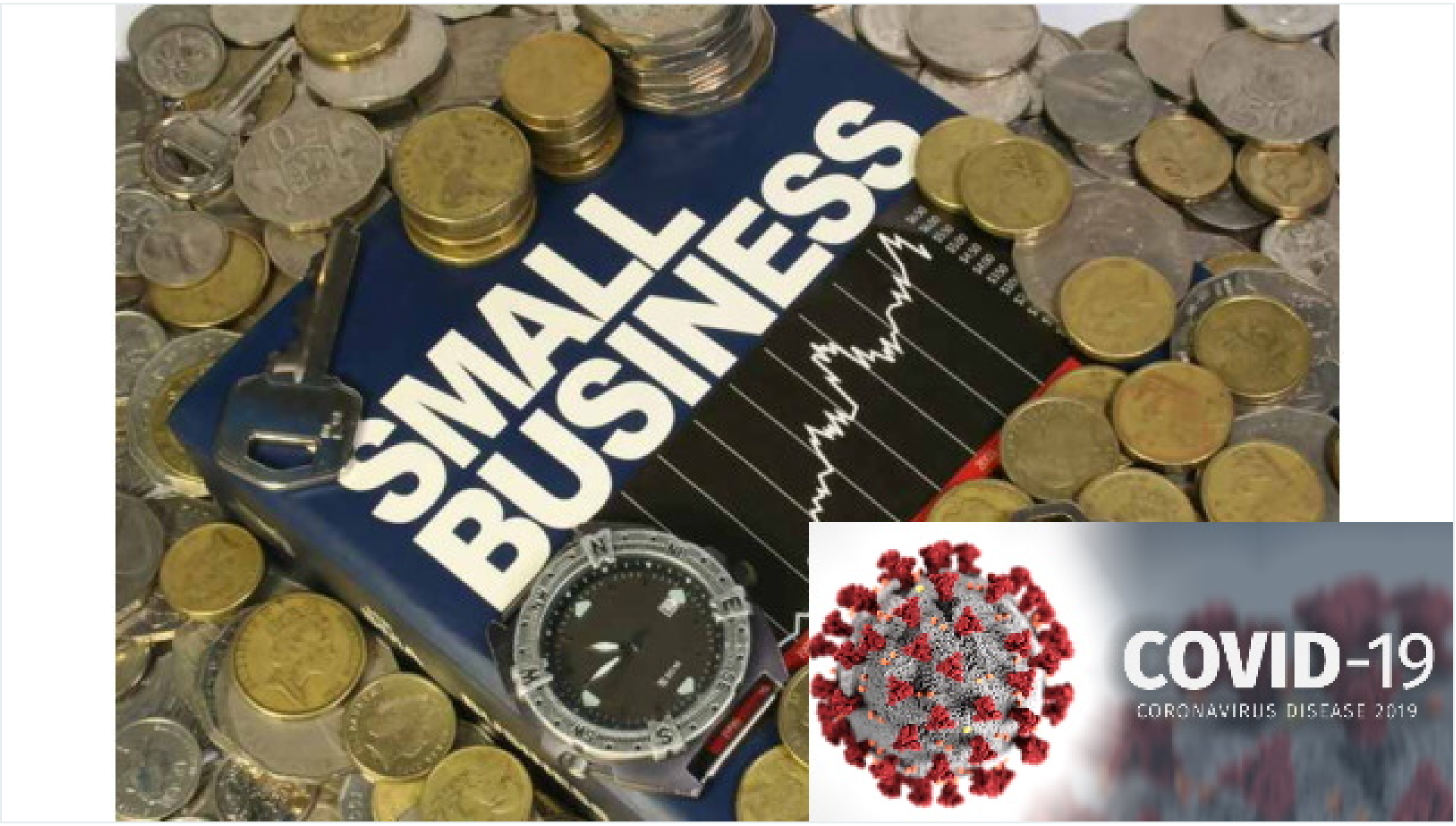

On March 13, 2020, the U.S. declared the COVID-19 pandemic a national emergency. At the same time, grocery stores flooded with people stocking up amid the unknown as the virus spread across the country. In the months following, industries and businesses of all types and sizes reckoned with changes to business operations, changes in consumer habits, and impacts on the supply chain.

Early on, many brick-and-mortar businesses moved their operations online as stay-at-home orders and mandated closures swept the nation. Later in the year, as the number of COVID-19 cases continued to fluctuate, retailers had to rethink the traditional look of the holiday season. Instead of long lines on Black Friday, the holiday shopping season began as early as October 13 with Amazon Prime Day and was carried out predominantly online over the last three months of the year.

We analyzed all of these changes and more through the Avalara Commerce Monitor,

the full Avalara Commerce Monitor report here.

COVID-19 trends in the U.S. economy

This edition of the Avalara Commerce Monitor reveals pandemic-influenced trends in our transaction data from March 2020 to February 2021 across manufacturing, retail, and services sectors.

From ecommerce acceleration to changes in consumer confidence — the Avalara Commerce Monitor uncovered five trends fueled by the pandemic that will continue to impact the economy for the foreseeable future.

Rapid acceleration of ecommerce adoption

Perhaps one of the biggest and most impactful trends driven by the pandemic has been the acceleration of ecommerce adoption. When life at home began, the shift to ecommerce immediately followed as mandated closures prevented traditional in-store shopping and safer-at-home orders encouraged more people to stay home.

Over the past year, we've seen a drastic increase in sales for businesses suited for social distancing and life at home. For instance, analysis of the transaction data of five home fitness businesses shows their sales grew by 25% in April 2020 compared to the same month in 2019 as more people transitioned to working out at home when many gyms were required to close.

Supply chains had to play catch-up

At the beginning of 2020, experts warned of "supply shocks" due to disruptions to the availability of goods coming out of China as the coronavirus spread across the country. The Avalara Manufacturing Index monitored these impacts, including the demand shock felt in March and April.

At that time, the Avalara Manufacturing Index dropped more than 20 points between

found that for three of the four largest month-over-month increases in COVID-19 cases, a drop-off in total services sales occurred in the following month.

The Avalara Retail Index also saw a similar correlation between consumer confidence and total retail sales. When comparing the Avalara Retail Index to the Consumer Confidence Index, total retail sales mapped closely with changes in consumer confidence levels.

Cyber Week became Cyber Months

Historically, manufacturing sales increase in October as retailers prepare for the major shopping days during Cyber Week (Thanksgiving through Cyber Monday). However, in 2020, those big retail spending days looked different as the pandemic both forced and prompted changes for retailers and consumers alike.

The Avalara Manufacturing Index hit its year-to-date high in September — up 18% from the 2019 baseline. The spike in manufacturing sales in September signaled an earlier-than-usual start to the holiday season.

The manufacturing sales spike was followed by an increase in retail sales in October, which was likely the result of many strategies retailers employed to encourage customers to shop online, while also mitigating the impact on supply chains.

As shutdown orders went into effect last March, most state tax collections took a nosedive, which prompted many states to issue dire outlooks on revenue.

When comparing Avalara's sales and use tax returns data with data from the Tax Policy Center, we found a correlation between the states with the highest sales and use tax remittance and those with higher state tax revenues. Idaho saw the highest increase in state tax revenue at 10.4% and was among the top states for growth in sales and use tax remittance at 44%.

between March and June.

Read the full Avalara Commerce Monitor report here.

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