

Consumer Morsel

I'll be latte to the office

28 July 2022

Key talking points

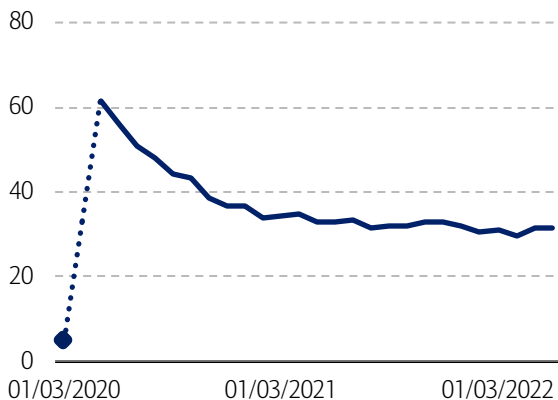
- Remote work for millions of workers during the pandemic meant fewer visits to coffee shops near offices. Despite return-to-office, survey data suggests workers still spent one third of all paid work days working from home.
- Aggregated and anonymized merchant data from Bank of America Global Transactions Services suggest that while coffee shop sales volume rebounded significantly since the initial lockdown in 2020, it has plateaued in recent months and is still below pre-pandemic levels. This highlights the ongoing structural change in the nature of work.
- Regionally, coffee shop sales volume is well-above pre-pandemic levels in California, Texas and North Carolina while below pre-pandemic levels in New York and Florida. This change in the geographic pattern of demand that is implied by increased prevalence of remote work continues to have implications for the economy even as the pandemic fades.

The big shift to working from home

At the outset of the pandemic, there was a rapid transition in working arrangements for many people, with an increase in time spent working from home, or remote working, rather than in an office. At times this was mandated due to lockdowns, particularly over the earlier part of the pandemic. But even as lockdowns and other restrictions have lifted there has been an increased prevalence of working from home compared to pre-pandemic times.

Exhibit 1: Percentage of Paid Full Days Worked from Home

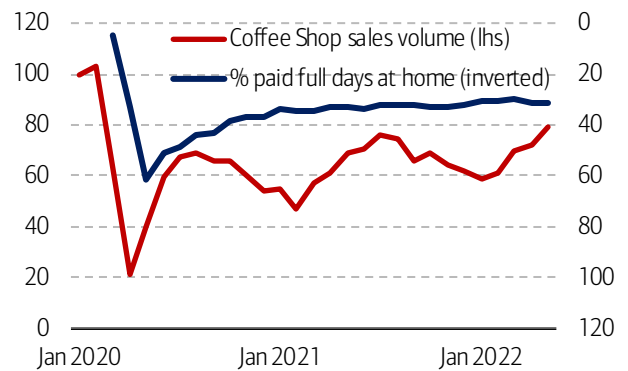
The percentage of paid full days worked at home has declined from its peak early in the pandemic but has flattened off



Source: Survey of Working Arrangements and Attitudes (SWAA).

Exhibit 2: Bank of America Merchant Data on Volume of Coffee Shop Sales and % of Paid Full Days Worked from Home (Jan 2020=100)

Coffee shop sales volume and % of paid full days worked at home show similar trends



Source: Bank of America Internal Data, Survey of Working Arrangements and Attitudes

The Survey of Working Arrangements and Attitudes¹ (SWAA) has tracked working from home since early in 2020. Exhibit 1 shows that the SWAA finds that there was a large rise in remote work early in the pandemic, with over 60% of paid full days worked from home amongst survey respondents. Over time this peak level of remote work dropped back. But even in the most recent June data, the SWAA finds a persistent level of working from home: the survey finds around a third of all paid work days are currently worked from home.

We have utilized aggregated and anonymized merchant data from Bank of America Global Transactions Services to look at the volume (the number of transactions) of sales at coffee shops as another gauge of working from home. The logic is simple –

¹ See, Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731.

people tend to grab a coffee during their morning commute and at other times during the day when working in the office. If they are working from home their demand for coffee shop products will likely decline – while they may substitute demand for coffee close to the office with demand for coffee close to home somewhat, on balance they are less likely to go out for coffee if they can get some at home. Moreover, coffee shops also sell food, and again people are more likely to make their own breakfast, lunch and snacks when at home.

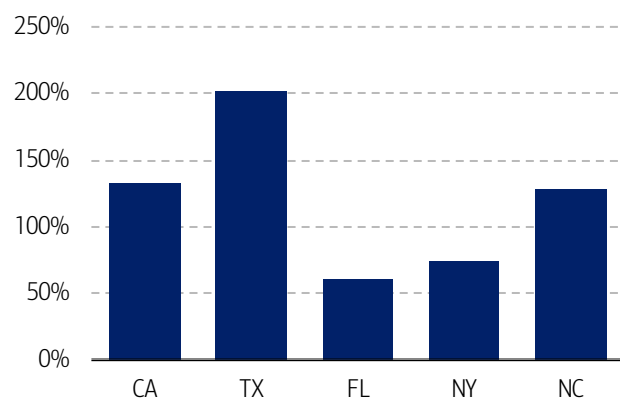
The attraction of the merchant data is that it covers a large number of transactions at coffee shops. The average value of monthly transactions covered by the indicator is \$100MM+ in 2022, representing 10 million individual transactions per month. The data is monthly but potentially could be monitored at higher frequencies.

Exhibit 2 plots the volume of coffee shop sales from the Bank of America Global Transaction Services merchant data against the SWAA. It shows a broadly similar pattern, with the volume of sales dropping sharply at the start of the pandemic. Mask mandates and other restrictions on social interactions will all have negatively impacted the volume of sales. But as with the SWAA, the volume of coffee shop sales has rebounded as the pandemic has eased. Interestingly however, even with most pandemic restrictions now lifted it appears that the coffee shop sales volume has not rebounded to its pre-pandemic levels. This is consistent with the SWAA data as well. Taken together, this data implies the increased prevalence of remote work is persisting and shows relatively little sign of rising back to the ‘old normal’.

Exhibit 3 shows a break-out of the Bank of America Global Transactions Services merchant data for selected states. We find that California, Texas and North Carolina are well above the pre-pandemic level. For Texas and North Carolina this could potentially partly reflect migration trends, given their recent population growth, which will have likely boosted aggregate coffee shop sales in these regions. New York and Florida’s data indicates that sales remain below January 2020 levels. For New York, this likely reflects continued prevalence of working from home.

Exhibit 3: Bank of America merchant data on volume of coffee shop sales for selected states (January 2020=100)

California, Texas and North Carolina’s sales volumes are well above January 2020.



Source: Bank of America Internal Data

Exhibit 4: Bank of America merchant data on volume of coffee shop sales for US and NYC Midtown

NYC Midtown appears to have suffered a bigger drop in coffee shop sale volumes, but then rebound further than the total US



Source: Bank of America Internal Data

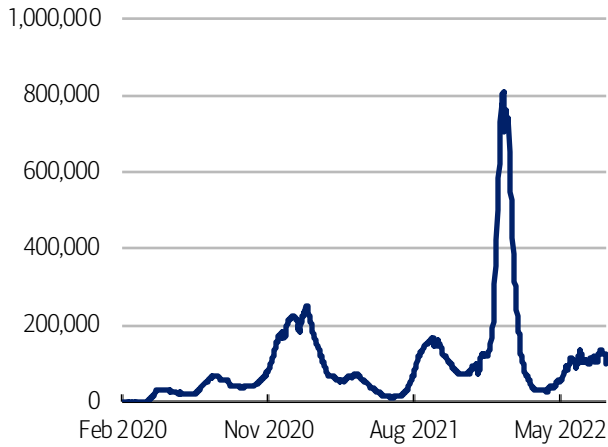
We also look at the volume of coffee shop sales in Midtown New York City. This geography is densely packed with offices and would likely show changes in working from home trends clearly. Exhibit 4 shows the data for Midtown NYC and the overall US. We find that the volume of sales dropped further for Midtown NYC over the outset of the pandemic than in the overall US but has recently rebounded a little above the overall US. Again, though, the level of the volume of sales is below the January 2020 level for both and the changes may also reflect a recovery in tourism.

Why does any of this matter? Well, for one, we think it highlights the ongoing structural change in the nature of work and it appears that a relatively ‘sticky’ level of working from home is currently occurring. This change in the geographic pattern of demand that is implied by increased prevalence of remote work continues to have implications for the economy even as the pandemic fades.

The data may also be useful to track the impact on remote work from further waves of Covid-19. As Exhibit 5 illustrates, the increase in US Covid cases is relatively low compared to previous waves of the pandemic. In Midtown NYC, the aggregated Bank of America merchant data suggest that recent waves of Covid-19 had a smaller impact on the change in working from home, as indicated by coffee shop sales volumes than the first wave of the pandemic did. Nonetheless the data will bear watching.

Exhibit 5: Net Change in Total COVID-19 Cases in US

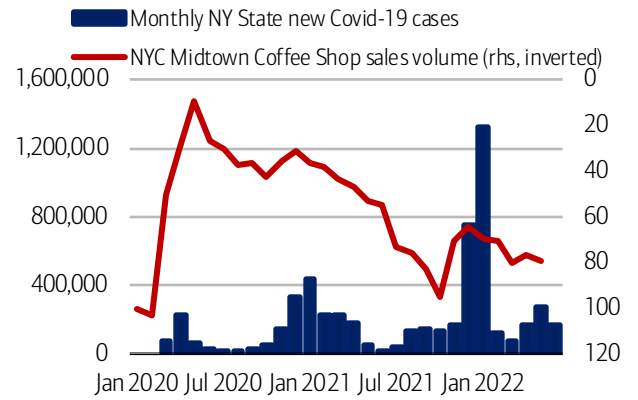
New Covid cases are relatively low currently



Source: CDC

Exhibit 6: Monthly New COVID-19 Cases in NY State and Bank of America Merchant Data on Volume of Coffee Shop Sales in NYC Midtown

The impact of rises in COVID-19 cases counts appear to have lessened on coffee shop sale volumes



Source: CDC, Bank of America Internal Data

Contributors

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Methodology

Selected Bank of America (“BAC”) transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on aggregated and anonymized selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

The merchant data is derived by anonymizing and aggregating spend and volume information from consumer purchases at more than 70,000 unique merchant stores across the United States. Data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

Shop coffee shops are defined by a combination of MCC code and searches on merchant names.

New York Midtown is defined by zipcodes 10020, 10111, 10112, 10103, 10107, 10176, 10110, 10175, 10177, 10169, 10171, 10172, 10167, 10165, 10153

Additional information about the methodology used to aggregate the data is available upon request.

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