


Inflation is still consumers' top concern in 2023

Article



The insight: After a year of coping with rising prices and economic uncertainty, most consumers are looking to keep a lid on expenses and avoid unnecessary spending in 2023.

- Roughly eight in 10 US adults think 2023 will be a year of economic difficulty, [per](#) a Gallup poll. Almost two-thirds (65%) think prices will rise at a high rate this year.
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- **Forty-three percent of US consumers cited inflation’s impact on everyday expenses and saving as their top financial concern for 2023**, per Fidelity Investments’ Financial Resolutions Survey.
- **More than half—56%—of US households plan to save money in 2023**, per Kroger’s 84.51°. Financial goals were the second-most popular New Year’s resolution for 2023, per Numerator, up 6% compared with last year, as consumers try to reduce expenses and cut back on non-essential purchases.

A challenging year: While consumers were largely able to keep pace with inflation in 2022, 2023 could be a different story as persistent inflation takes its toll on spending power.

- The **personal saving rate** (the percentage of disposable income that people save) fell sharply in 2022 to its lowest level since 2005, a sign of consumers’ diminishing ability to swallow price increases.
- Stretched budgets will allow even less wiggle room for big-ticket items like electronics and jewelry, both of which saw sales fall during the 2022 holiday season, per Mastercard SpendingPulse data. And any excess funds are more likely to be funneled to services like travel and dining out over items like televisions and furniture.

US Adults Experiencing Financial Stress due to Inflation, by Household Income, May 2022
% of respondents



Source: The Financial Health Network, "Financial Health Pulse 2022 U.S. Trends Report," Sep 7, 2022

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How retailers can respond: The most pressing question for retailers now is how to encourage value-conscious shoppers to spend at a time when they feel increasingly stretched thin.

- **With 71% of households looking for sales and coupons to combat rising grocery store prices**, per 84.51°, retailers may have no choice but to offer more sales or deeper discounts to keep shoppers from switching to cheaper competitors or stop shopping altogether.

- More retailers are also turning to gift cards as a way to encourage spending, [said Stacey Widlitz](#), president of SW Retail Advisors. For example, **Anthropologie** is offering \$50 in credit to shoppers who spend \$200 or more online—but the money can only be used on purchases made before the end of the month (and quarter).

Looking ahead: Despite the difficulties ahead, there are some silver linings. The Conference Board's consumer confidence index hit 108.3 in December, its highest reading since April 2022, as inflation eased and gas prices fell. A tight job market and low unemployment levels are also giving consumers a modicum of security.

Still, the behaviors that developed over the course of 2022—a shift to private labels and value-oriented retailers, and the prioritization of essentials over discretionary goods—will remain in play in 2023 as consumers' financial concerns guide their purchasing decisions.

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