

Household spending rose 4.2% in Q4

Article



The data point: Household spending jumped 4.2% QoQ in Q4, up from 3.7% in Q3 and well above analysts' 3.2% forecast, per the US Commerce Department.

- This marked the strongest gain since Q2 2023 and the first time since late 2021 that spending growth topped 3% for two consecutive quarters.
- Spending on goods was particularly strong, surging 6.6% QoQ, or 3.5% YoY.

Why it matters: The data provides additional puzzle pieces to the picture of a strong economy, as retailers like **Target, Abercrombie & Fitch, and lululemon Athletica** [raised their Q4 outlooks](#) after generating better-than-expected holiday sales.

A solid labor market, strong consumer spending, and expectations that the Federal Reserve will ease monetary policy all set the stage for another solid year for retailers. But while the foundation looks strong, [2025 remains uncertain](#) as the [Trump administration's agenda](#)—which includes spending and tax cuts, tariffs, and mass deportations—could fuel inflation and slow growth.

Our take: Despite solid consumer spending growth, there were a few warning signs in the report.

- **Inflation picked up.** The personal consumption expenditures (PCE) price index rose 2.3% YoY in Q4, up from 1.5% in Q3—only the second quarterly acceleration since late 2022. Excluding food and energy, core PCE rose 2.5% YoY, up from 2.2% in Q3.
- **Consumers dipped into their savings.** The personal savings rate fell to 4.1%, down 20 basis points from Q3 and 40 basis points YoY, suggesting spending outpaced income growth for a significant share of consumers.

The pieces are in place for another strong year of retail sales growth—we expect [US retail sales to grow 2.9% YoY this year](#). But the growing divide between upper-income and lower- and middle-income households remains a concern that will worsen if inflation accelerates further.

This article is part of EMARKETER's client-only subscription Briefings—daily newsletters authored by industry analysts who are experts in marketing, advertising, media, and tech trends. To help you start 2025 off on the right foot, articles like this one—delivering the latest news and insights—are completely free through January 31, 2025. If you want to learn how to get insights like these delivered to your inbox every day, and get access to our data-driven forecasts, reports, and industry benchmarks, [schedule a demo with our sales team](#).