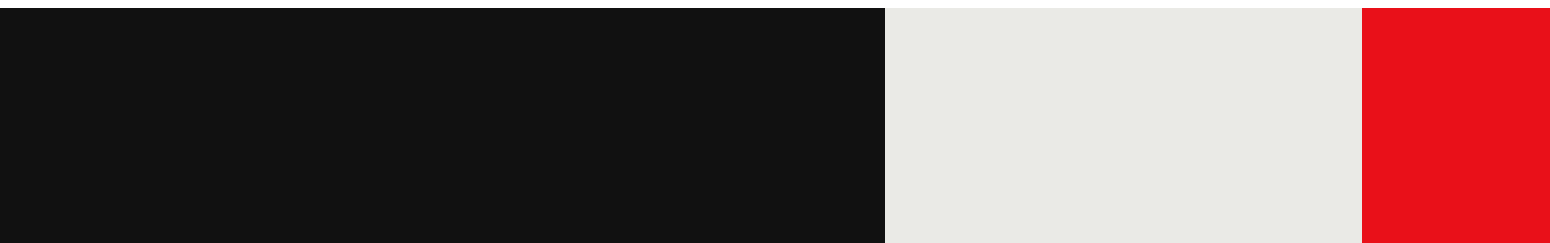



Costco's Q4 reflects consumers' shift to essentials over luxuries

Article



Costco reported \$78.94 billion in total revenues for its fiscal Q4 ending in September up 9.4% YoY, driven by groceries and household essentials, while **demand for discretionary items declined**.

“People are going to Costco, they’re filling up their cars with Costco gas, they’re buying groceries, but they’re not buying the TV. They’re not buying the jewelry. They’re not buying

AirPods. They're just buying the staples," our analyst Zak Stambor said on a recent episode of the ["Behind the Numbers: Reimagining Retail" podcast](#). "And that's a significant shift from the ways in which consumers were shopping at Costco a year ago, two years ago, and earlier in the pandemic."

Costco's competitors report the same patterns.

- At [Amazon's October Prime Day event](#), 60% of items purchased were below \$20, according to Numerator, as shoppers prioritized everyday items such as top-selling batteries and teeth-whitening strips over bigger splurges.
- [Walmart's Q2 earnings were bolstered by more middle- and higher-income shoppers](#) (earning \$100,000 or more, per CNBC) looking to stretch their dollar on groceries.
- Best Buy's Q2 revenues were down 7.1% YoY to \$8.89 billion, underscoring weakening demand for electronics as a result of the buying cycle accelerated by the pandemic, when consumers upgraded their entertainment systems.

Consumers' spending is resilient—especially when they have money to spend.

- Last month, US retail sales increased 3.8% YoY, slightly outpacing inflation.
- A strong labor market is fueling consumer spending, as the US unemployment rate remains near a historic low (3.8%).

Yet, there are reasons why consumers remain judicious.

- US inflation accelerated in September, increasing the chance of another interest rate hike—and more stretched consumer budgets.
- As consumers prepare for the highest spending period of the year, they are increasingly saving their purchases for holidays and promotional events, and pulling back on indulgences like dining out and luxury items, according to our analyst Rachel Wolff.

[Listen to the full episode.](#)

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