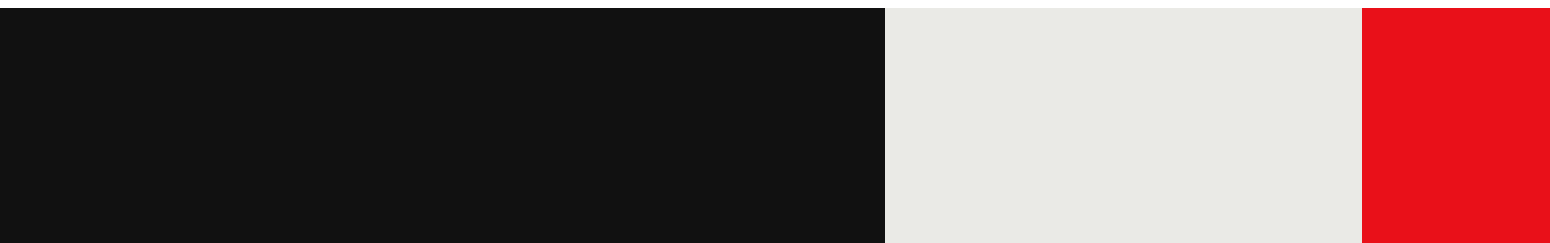



# The vibecession is weighing on consumer spending

Article



**The news:** US consumer spending grew just 1.5% in the first three months of the year, according to the latest [GDP analysis](#) by the Commerce Department.

- That's down from its prior estimate of 2.0% growth, and a significant deceleration from the 3.3% growth seen in the previous quarter.

**The vibecession:** Spending is slowing as consumers' feelings of economic uncertainty intensify, regardless of the state of their personal finances.

- **84% of consumers consider inflation to be one of their top three financial concerns**, up 5% year over year and the highest level in two years, per a [TransUnion](#) survey.
- At the same time, the labor market continues to be strong, grocery inflation is practically negligible, and [many retailers are lowering prices](#)—news you'd think would make cost-conscious shoppers feel more optimistic.
- In one sense, it has: **The vast majority—78.1%—of US consumers expect their financial situations to remain the same or improve over the next 12 months**, according to the New York Fed's May Survey of Consumer Expectations. That's the most since June 2021.
- But the Fed's delayed timeline for cutting interest rates is increasing the burden on households carrying debt. Non-mortgage interest payments accounted for 2.4% of consumers' disposable income in April, nearing levels last seen in 2008, Wells Fargo economist **Tim Quinlan** told Bloomberg.
- That's contributing to the strain consumers feel, even as real wage gains restore their buying power and US household wealth is at a record high.

**How to stay top-of-mind:** Retailers are responding to the rough patch in consumer spending by doubling down on value in the form of lower prices, improved products, or better service—or all of the above.

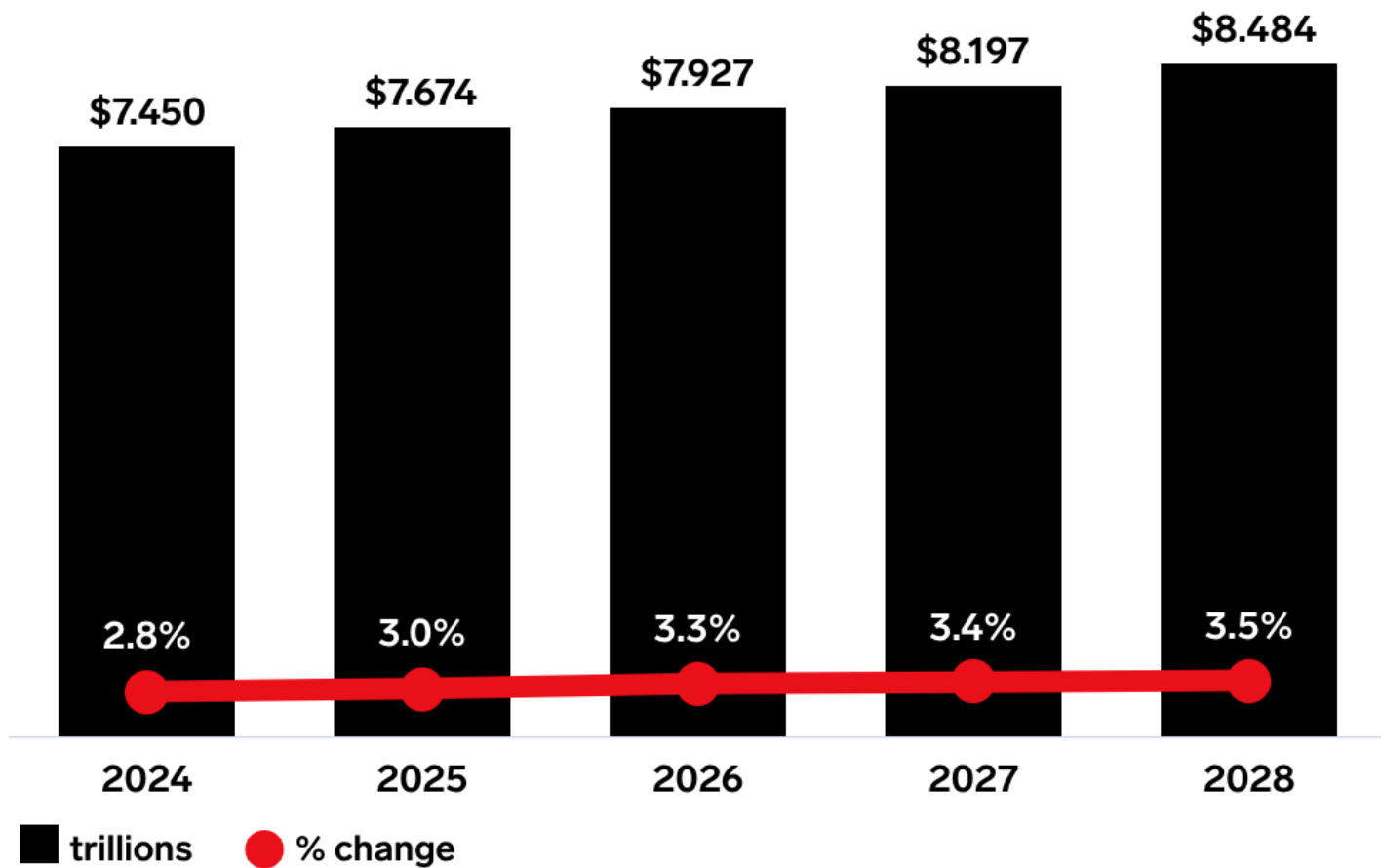
- **Academy Sports & Outdoors** is taking a three-pronged approach centered on value, assortment, and experience. The retailer is timing its promotions to coincide with occasions like July 4th and the back-to-school season, stocking up on popular products like **Nike** shoes, **Uggs**, and pickleball equipment, as well as rolling out a loyalty program to offer perks to repeat customers.
- **Target** is leaning on price cuts and its [thriving private label business](#) to win shoppers over, alongside promotional events like its upcoming Target Circle Week sale and a revamped membership program.
- **General Mills** is rolling out “taste improvements” for its brands—such as cheesier **Annie's** mac and cheese and fudgier **Betty Crocker** brownies—this year to capture shoppers' attention and keep them from trading down to store brands.

**The big picture:** We expect consumer spending to be solid this year, despite uncertainty.

- Our forecast expects US retail sales to grow by 2.8%, an acceleration from last year's 2.1%.
- The growth will be driven mostly by wealthier consumers, who are back to purchasing more expensive brands and products as their buying power recovers.
- But lower-income consumers continue to be hit hard by rising living costs and debt, which is triggering trade-down behaviors and other cutbacks in spending.

## Retail Sales

US, 2024-2028



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: EMARKETER Forecast, February 2024