

▶ On the Mind of Investors

## Where are consumers spending today?

Published: 2 days ago



**Jack Manley**

Global Market Strategist

**After collapsing in the early stages of the pandemic, spending on energy and utilities jumped ~25% in both 2021 and 2022, while gasoline costs climbed to all-time highs.**

The American consumer has been resilient in the face of significant headwinds, helping keep the U.S. economy afloat and increasing the likelihood of a "soft landing". However, while aggregate consumption has remained robust, the way the consumer is spending across categories has changed since the start of 2020. Understanding how - and why - these changes have occurred is important to understanding the longer-term prospects for the U.S. economy.

- **Energy and utilities:** After collapsing in the early stages of the pandemic, spending on energy and utilities jumped ~25% in both 2021 and 2022, while gasoline costs climbed to all-time highs. Since then, falling energy prices have pushed consumer spending in the category lower.
- **Groceries:** Supply chain issues, COVID-era fiscal stimulus and geopolitics have all kept food prices elevated, resulting in consistent - albeit moderating - increases in spending.
- **Essential goods and services:** While spending decreased modestly during the pandemic, this category has also seen consistent increases in expenditures since 2021, although the pace of growth has moderated.
- **Interest expense:** Interest expenses fell alongside rates in 2020 and continued to contract in 2021. However, when the Fed began to aggressively normalize policy this category saw explosive growth: up 20% in 2022, another 47% in 2023 and 19% in 2024, reflecting the lagged impact of changes in rates to overall interest expense.
- **"Fun":** "Revenge" spending drove a surge in expenditure within "fun" categories, like dining out and vacationing, with consumers, frustrated by inactivity during COVID lockdowns and flush with cash, diving back into recreation. Spending on "fun" rose by 22% in 2021, with further strong increases in 2022 and 2023. In 2024, it has continued to grind higher.

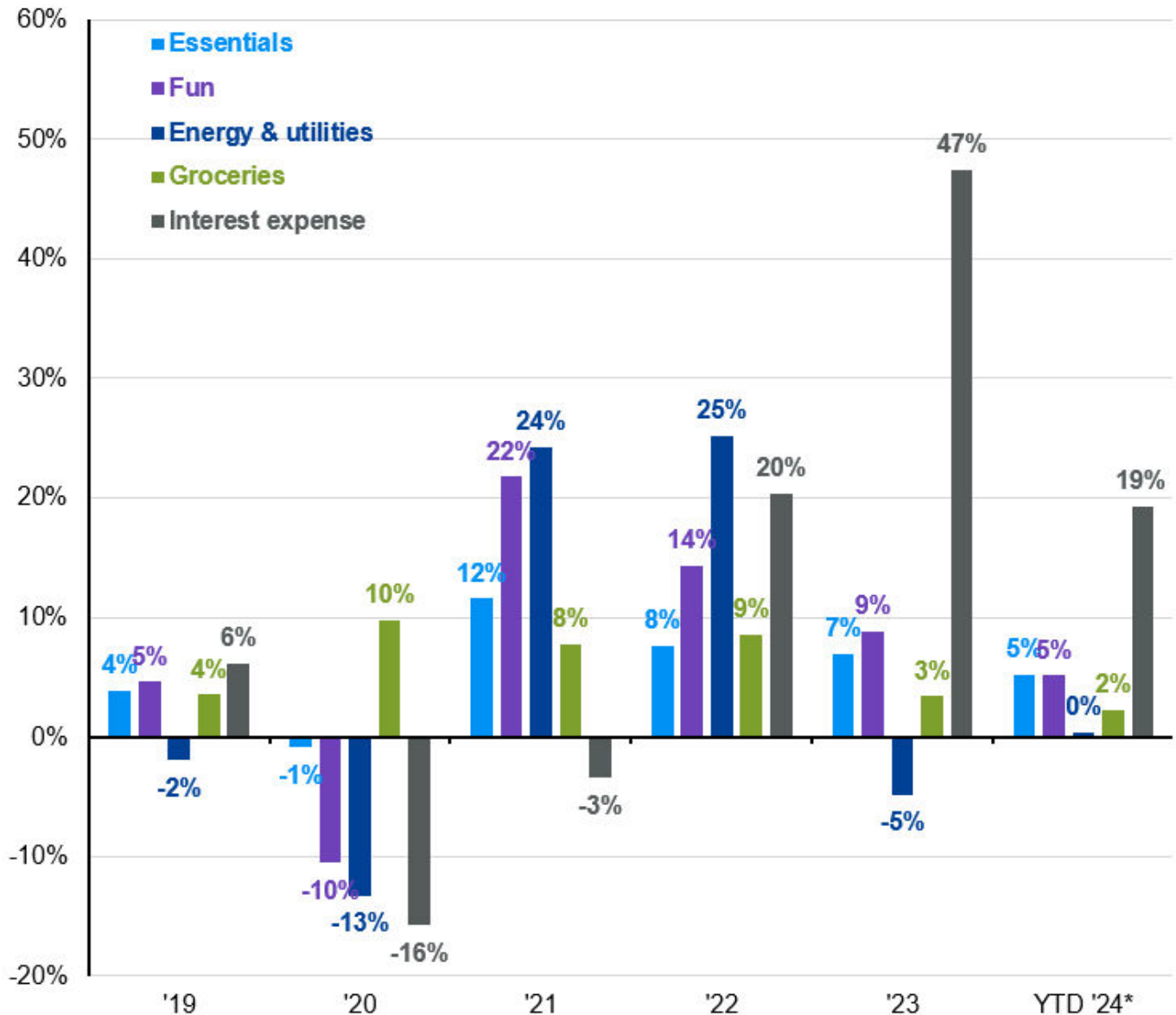
Looking forward, prospects across categories have improved, with most showing signs of stabilization. Moreover, the still-elevated components, like interest expense and "fun", should normalize: the Fed is now in the early innings of a rate cutting cycle, which should feed into lower interest expenses; and growth in expenditure on "fun" have moderated significantly since 2021, suggesting consumers are starting to run out of enthusiasm for travel, leisure and hospitality services (at least at current prices).

In turn, lower interest costs could free up household budgets for other expenses, a reprieve from a cooling labor market and higher prices. Meanwhile, the normalization of spending on "fun" should help put downward pressure on price growth, resulting in cooler core inflation.

This combination of factors suggests the Fed should feel comfortable that a "soft landing" has been achieved, allowing rates to fall through 2026. This, as a result, should support equity markets, as lower rates make high valuations less troublesome while simultaneously improving the earnings prospects for companies that lagged the broader S&P 500; and means that fixed income investors should continue to modestly extend duration and credit in portfolios to lock in strong coupons across the quality spectrum.

## Nominal consumer spending by expenditure category

Y/y % change, average level of spending



Source: BEA, J.P. Morgan Asset Management. Categories based on data from Table 2.5.4U (Personal Consumption Expenditures by Type of Product) and Table 2.1 (Personal Income and Its Disposition) from the BEA. Custom categories created by J.P. Morgan Asset Management. "Essentials" category includes goods and services deemed to be non-discretionary, including but not limited to housing and housing-related expenditures, apparel and public transportation. "Fun" category includes goods and services deemed to be discretionary, including but not limited to jewelry, foreign travel by U.S. residences and food services. Analysis does not include all expenditure categories. \*YTD figure of 2024 reflects the year-over-year % change in the average level of spending during the first two quarters of 2024 relative to the average level of spending during the first two quarters of 2023.

Data are as of October 15, 2024.

09ee241610153703

Article Tags Insights Market Insights U.S. Elections Energy Federal Reserve Fixed Income Inflation

[Capital Gains Distributions](#)[eDelivery](#)[Fund Documents](#)[Glossary](#)[Help](#)[How to invest](#)[Important Links](#)[Mutual Fund Fee Calculator](#)[Accessibility](#)[Form CRS and Form ADV Brochures](#)[Investment stewardship](#)[J.P. Morgan Funds U.S. Consumer Privacy Notice](#)[J.P. Morgan Online Privacy Policy](#)[Proxy Information](#)[Senior Officer Fee Summary](#)[SIMPLE IRAs](#)[Site disclaimer](#)[Terms of use](#)[J.P. Morgan](#)[JPMorgan Chase](#)[Chase](#)

This website is a general communication being provided for informational purposes only. It is educational in nature and not designed to be a recommendation for any specific investment product, strategy, plan feature or other purposes. By receiving this communication you agree with the intended purpose described above. Any examples used in this material are generic, hypothetical and for illustration purposes only. None of J.P. Morgan Asset Management, its affiliates or representatives is suggesting that the recipient or any other person take a specific course of action or any action at all. Communications such as this are not impartial and are provided in connection with the advertising and marketing of products and services. Prior to making any investment or financial decisions, an investor should seek individualized advice from personal financial, legal, tax and other professionals that take into account all of the particular facts and circumstances of an investor's own situation.

Variable annuity guarantees are only as good as the insurance company that gives them. While it is an uncommon occurrence that the insurance companies that back these guarantees are unable to meet their obligations, it may happen. Annuity withdrawals prior to 59½ may be subject to tax penalties, are subject to market risk and may lose value. Riders have additional fees and costs associated with them, and are subject to additional conditions, restrictions, and limitations.

Opinions and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable but should not be assumed to be accurate or complete. The views and strategies described may not be suitable for all investors.

INFORMATION REGARDING MUTUAL FUNDS/ETF: Investors should carefully consider the investment objectives and risks as well as charges and expenses of a mutual fund or ETF before investing. The summary and full prospectuses contain this and other information about the mutual fund or ETF and should be read carefully before investing. To obtain a prospectus for Mutual Funds: Contact JPMorgan Distribution Services, Inc. at 1-800-480-4111 or [download](#) it from this site. Exchange Traded Funds: Call 1-844-4JPM-ETF or [download](#) it from this site.

J.P. Morgan Funds and J.P. Morgan ETFs are distributed by JPMorgan Distribution Services, Inc. JPMorgan Private Markets Fund is distributed by J.P. Morgan Institutional Investments Inc. Both are affiliates of JPMorgan Chase & Co. Affiliates of JPMorgan Chase & Co. receive fees for providing various services to the funds. JPMorgan Distribution Services, Inc. is a member of [FINRA](#) [FINRA's BrokerCheck](#)

INFORMATION REGARDING COMMINGLED FUNDS: For additional information regarding the Commingled Pension Trust Funds of JPMorgan Chase Bank, N.A., please contact your J.P. Morgan Asset Management representative.

The Commingled Pension Trust Funds of JPMorgan Chase Bank N.A. are collective trust funds established and maintained by JPMorgan Chase Bank, N.A. under a declaration of trust. The funds are not required to file a prospectus or registration statement with the SEC, and accordingly, neither is available. The funds are available only to certain qualified retirement plans and governmental plans and is not offered to the general public. Units of the funds are not bank deposits and are not insured or guaranteed by any bank, government entity, the FDIC or any other type of deposit insurance. You should carefully consider the investment objectives, risk, charges, and expenses of the fund before investing.

INFORMATION FOR ALL SITE USERS: J.P. Morgan Asset Management is the brand name for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

Telephone calls and electronic communications may be monitored and/or recorded.

Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at <https://www.jpmorgan.com/privacy>.

If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.

Copyright © 2024 JPMorgan Chase & Co., All rights reserved