

Perspectives on consumer and retail spending

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About NRF

The National Retail Federation, the world's largest retail trade association, passionately advocates for the people, brands, policies and ideas that help retail thrive. From its headquarters in Washington, D.C., NRF empowers the industry that powers the economy. Retail is the nation's largest private-sector employer, contributing \$3.9 trillion to annual GDP and supporting one in four U.S. jobs – 52 million working Americans. For over a century, NRF has been a voice for every retailer and every retail job, educating, inspiring and communicating the powerful impact retail has on local communities and global economies.



NRF Research

Tells the story of the

People Policies Ideas

That help retail thrive

**CONSUMER
SURVEYS**

**RETAILER
BENCHMARKING
STUDIES**

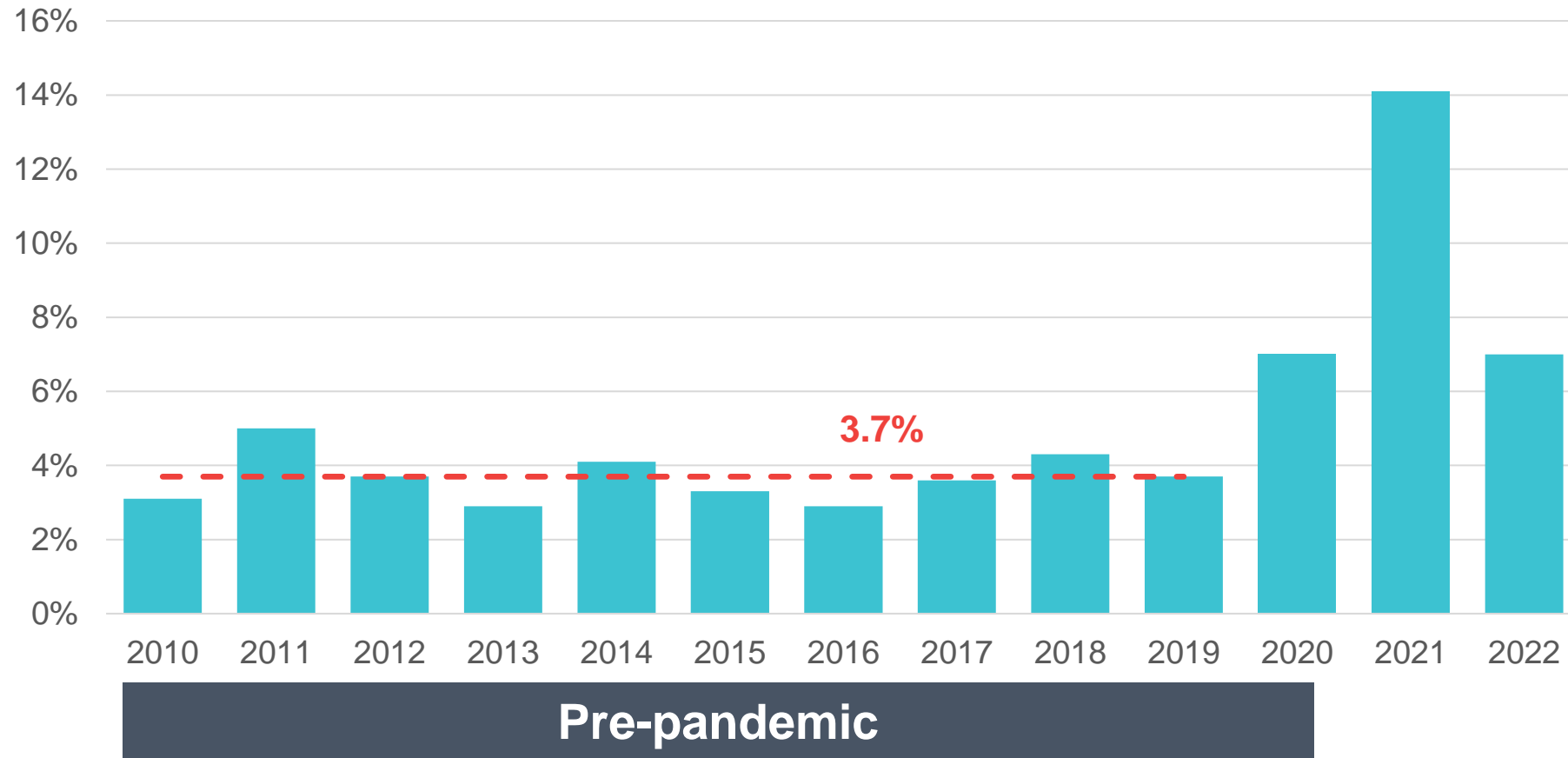
**ECONOMIC
ANALYSIS**

**CONSUMER
SPENDING
HOLIDAYS**

**SPENDING
FORECASTS**

Retail sales grew consistently through the pandemic and growth continued through 2022

Retail sales



Retail benefited from strong consumer spending focused on goods during the pandemic

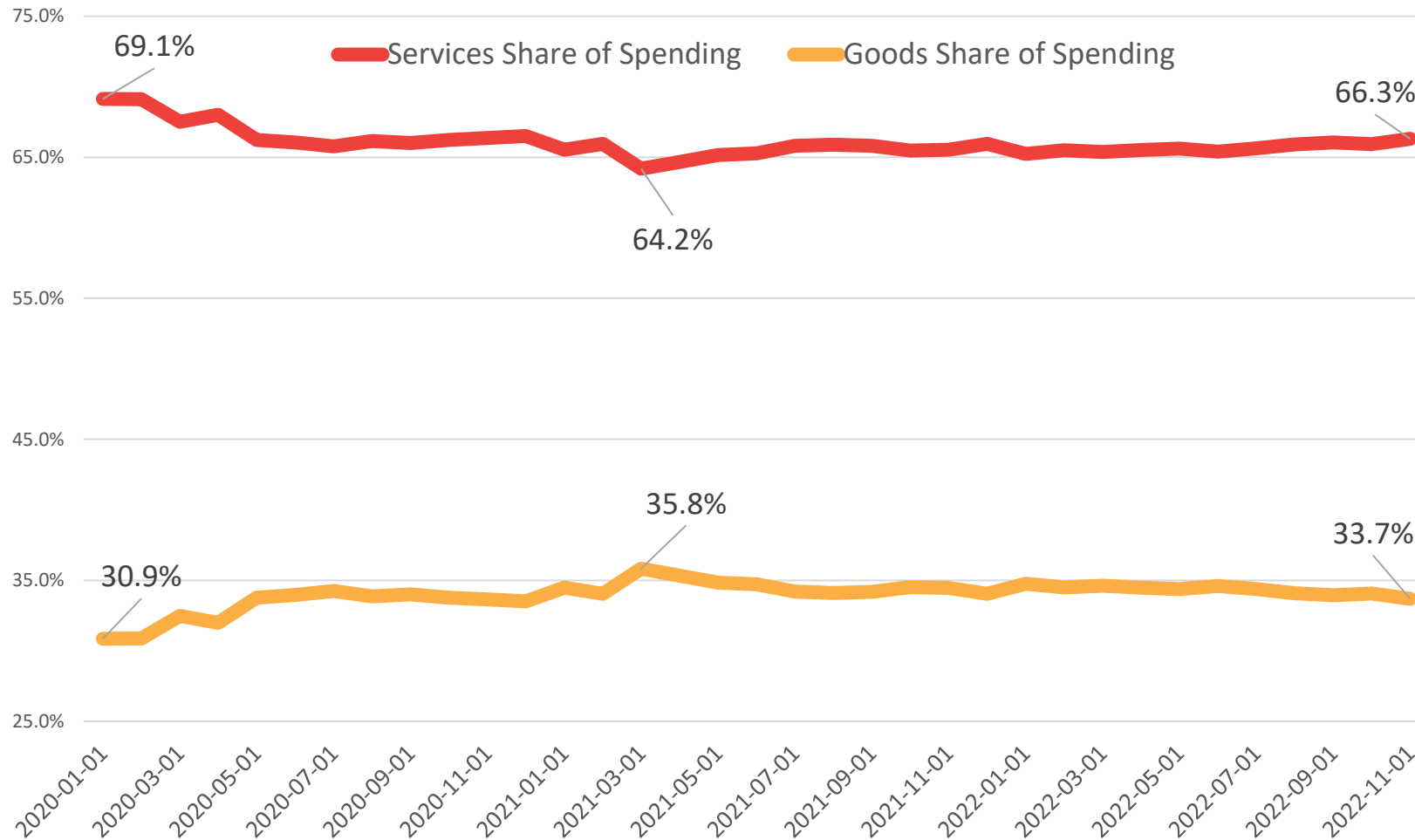
Despite negative views about the economy and worries about the future of the pandemic, consumers kept spending. The difference is in what they spent on. Due to constraints from the pandemic, consumers shifted their spending considerably toward goods and away from services and experiences.

Spending indexed to 100 as of February 2020



Spending on services almost half-way back to 'normal'

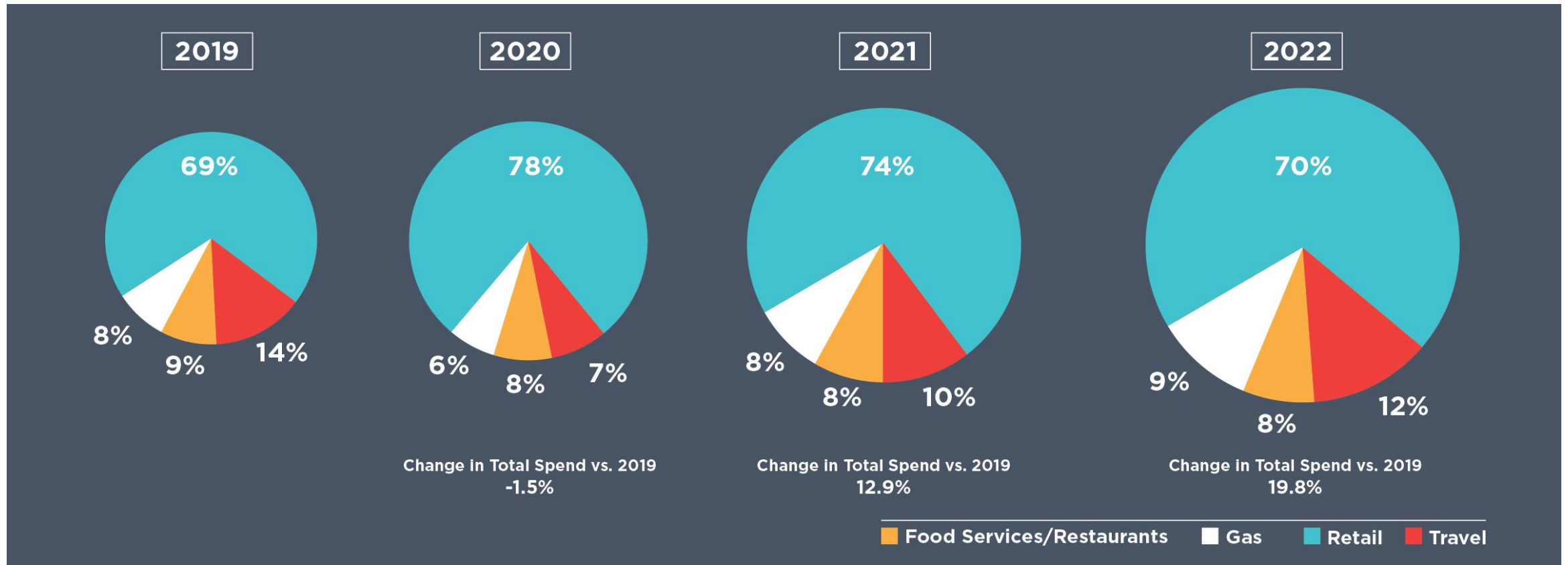
Share of Consumer Expenditures on Goods vs. Services



- After peaking at 35.8% of consumer expenditures in March 2021, goods have dropped back to 33.7% of total consumer expenditures.

Retail share of wallet is almost back down to 2019 levels

But the size of the wallet has grown dramatically, as consumers have opted to turn to savings and debt to fund increases in services spending

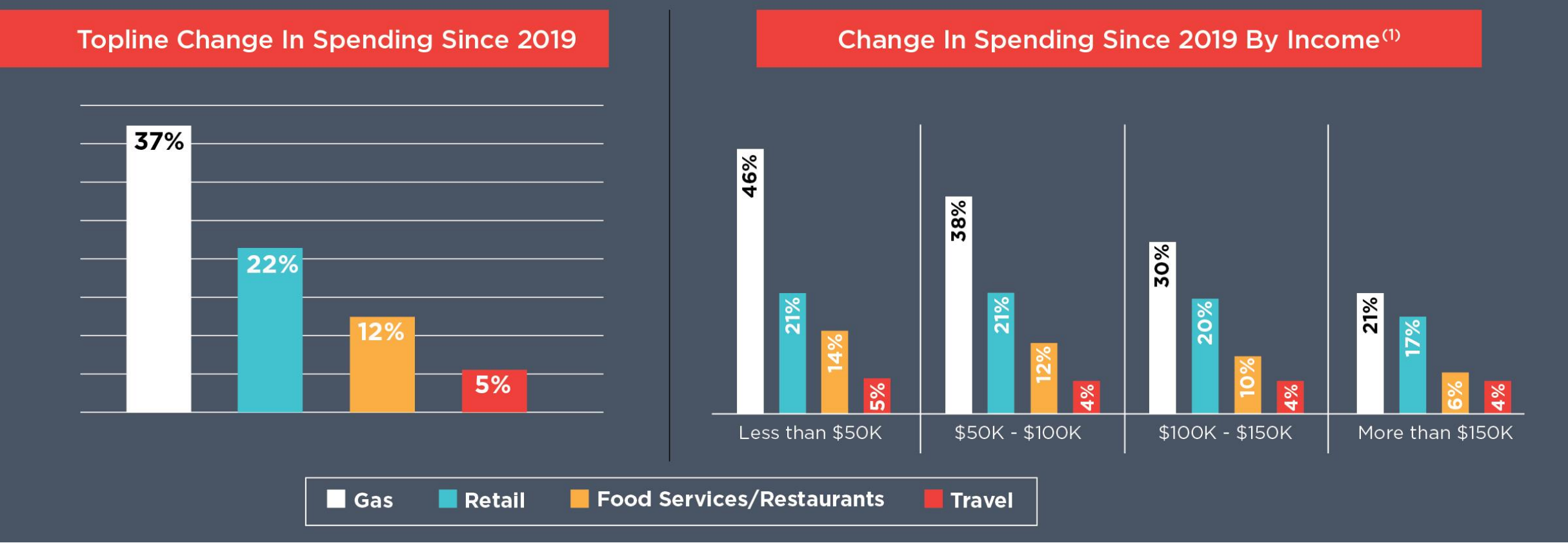


(1) Chart is a subset of total spending data. Households with unknown income have been removed.

Source: Affinity Solutions, Consumer Purchase Insights, January 2019 – November 2022

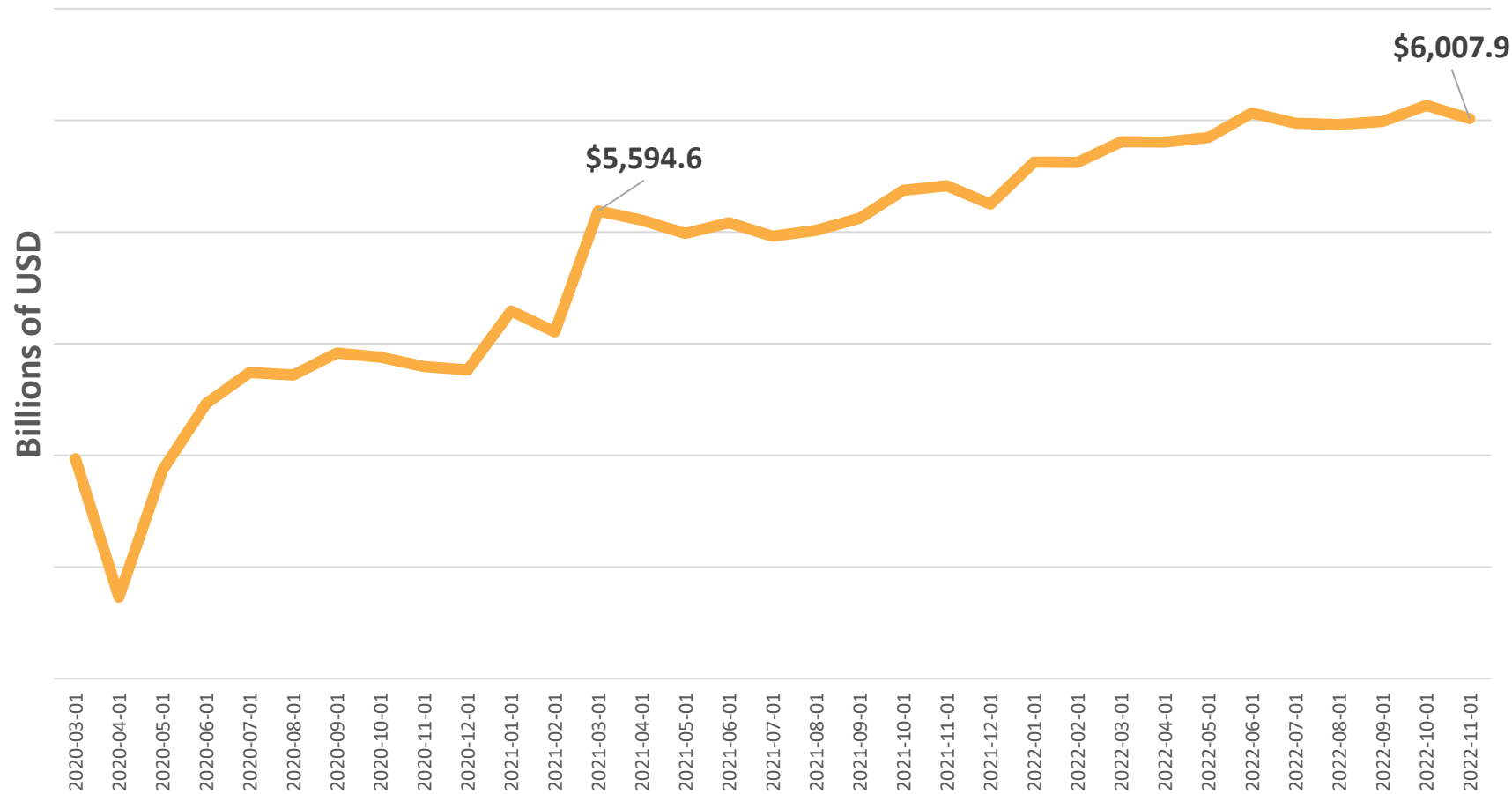
Spending has grown across categories since 2019

All categories have grown in spend since 2019, lead by gas, but retail has grown a solid 22% over the two year period



Source: Affinity Solutions, Consumer Purchase Insights, January 2019 – November 2022

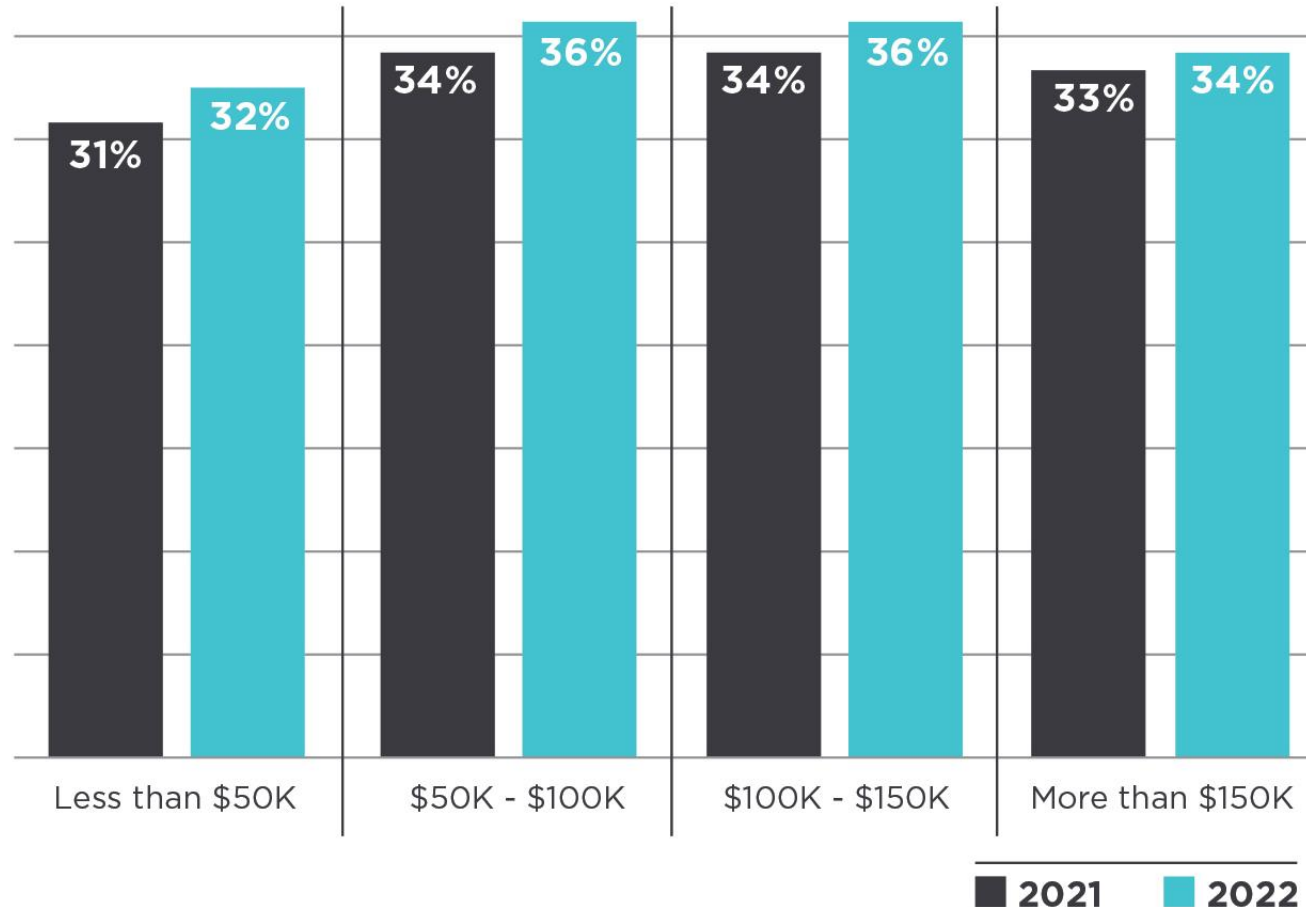
Consumer Spending on Goods



- Despite share of expenditures dropping since March 2021, total goods spending has increased by over \$400 billion since then.

Discretionary spending hasn't suffered much

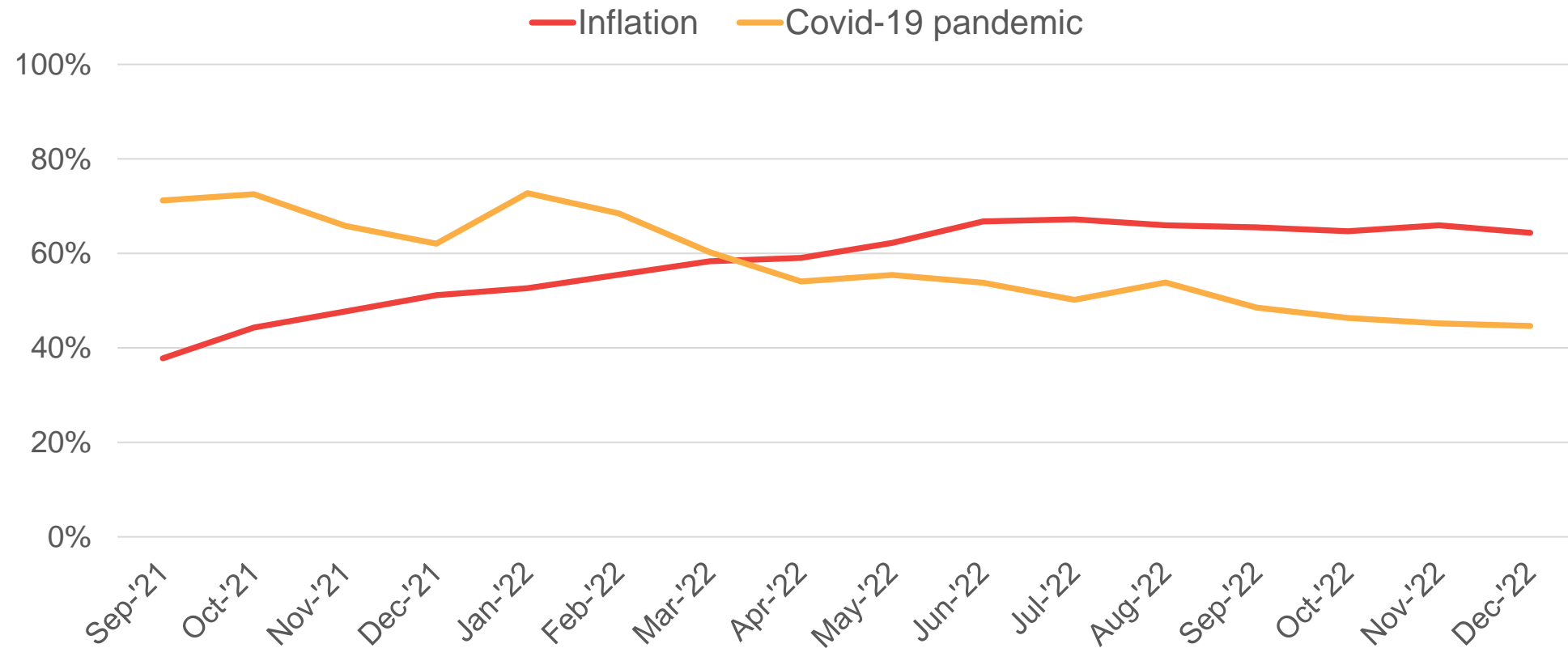
Percent of retail spending on essentials by household income



- Consumers have maintained similar levels of spending on essentials in 2022 (vs 2021), illustrating the willingness to grow the wallet rather than cut back on spending levels

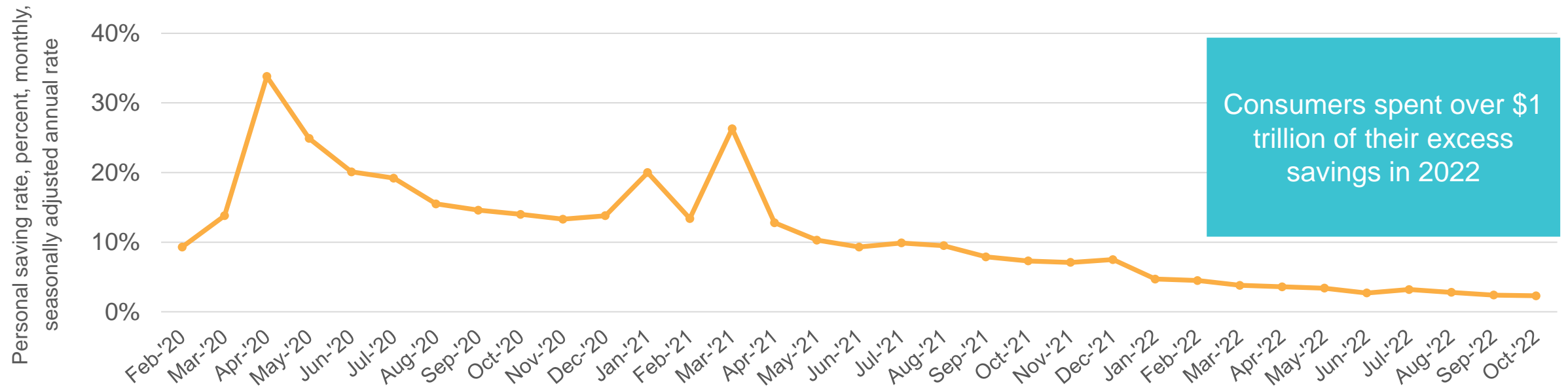
In the last 9 months inflation surpassed the pandemic in consumers' minds

Percent that say inflation and COVID have a negative impact on their view of the U.S. economy



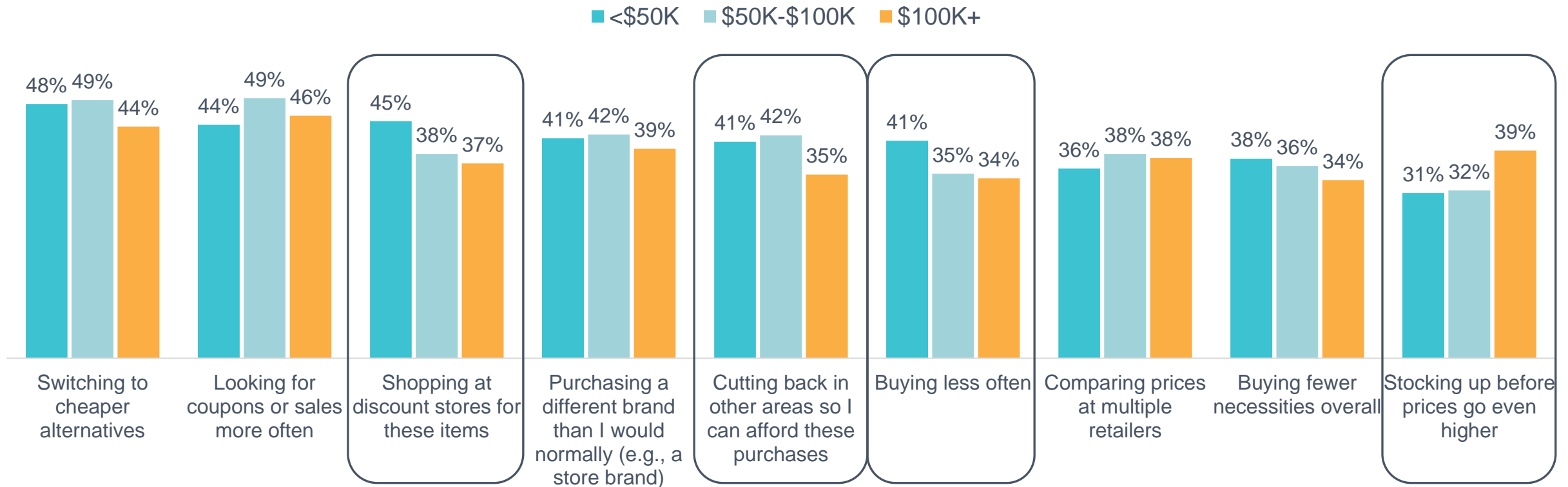
The personal savings rate is at its lowest point since 2005

Personal savings rate



Higher- and lower-income households are reacting to inflation on essentials in different ways

How consumers are responding to higher prices on everyday essentials



Source: NRF Consumer Inflation poll, conducted using Toluna QuickSurveys, May 2022

Some closing thoughts . . .

- Monthly import cargo volume has started to fall below pandemic highs, indicating that consumer demand may be moderating. However, NRF's chief economist still expects moderate growth in 2023.
- Inflation will continue to be a pressing issue in 2023. However, consumers' ability to absorb the impact of inflation and higher prices will vary depending on income level.
- Consumers may continue to shift how and where they shop – trading down to off price or discount or focusing more on sale events – however, higher income households are still in a position to spend on experiences and on luxury categories.

Thank you!

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