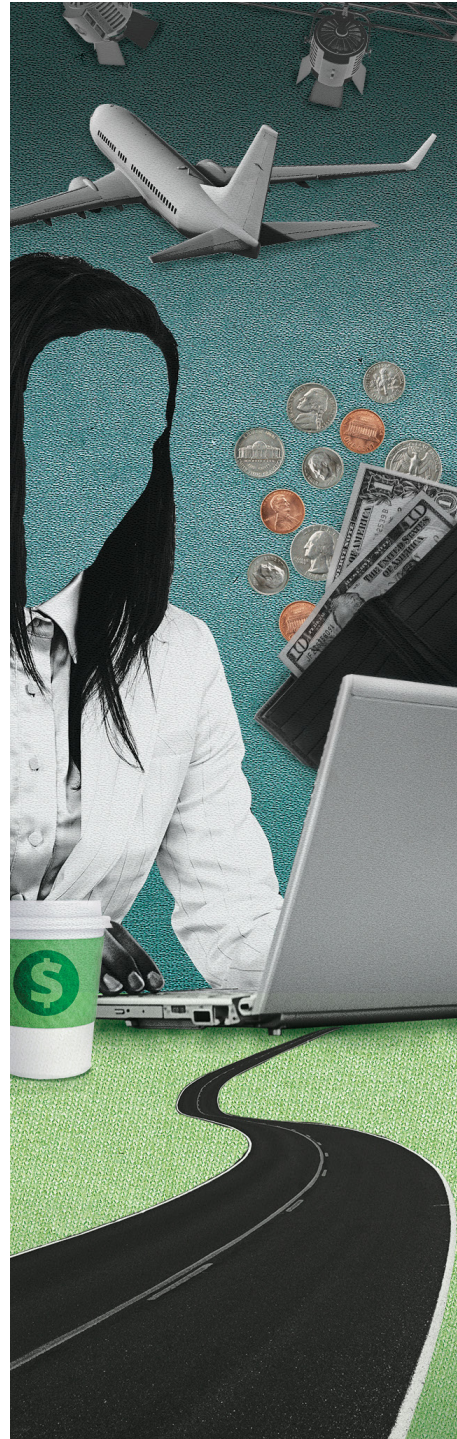


AMERICA'S CONSUMER SPENDING MYSTERY

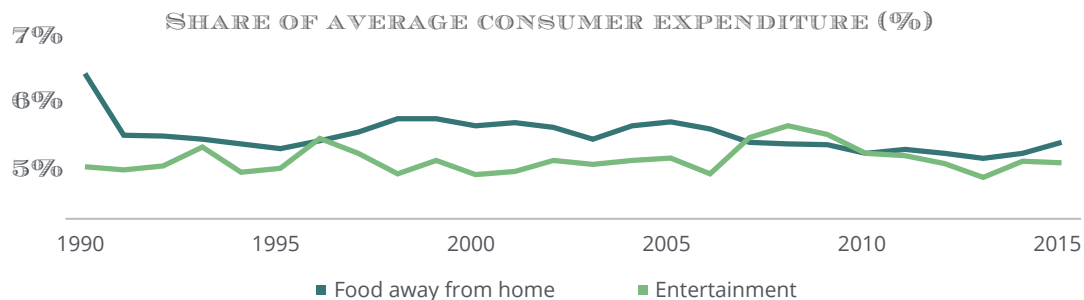


IT'S OFTEN SAID that when the American economy sneezes, the world catches a cold. So it's no wonder that headlines such as “*Shoppers are choosing experiences over stuff, and that's bad news for retailers*”¹ are worrisome for all players in the planet's biggest consumer market. While brick-and-mortar stores have been battling the rise of online shopping for years,² a broader shift in how Americans spend could affect everyone—e-commerce included. And often when looking for someone to blame, it's popular to target consumers like Millennials, for example, who are often perceived as eschewing materialism to live in the moment.

But are they really rushing to buy experiences, not products? One of the leading measures of spending in the United States, the Survey of Consumer Expenditure, shows average consumer expenditure has been growing at a healthy pace since the recession, with the latest data showing an increase of 4.6 percent in 2015.³ Yet when we look at the main spending categories—housing, groceries, apparel, and automobiles—their share of average consumer expenditure has indeed declined over time. So that must mean people have shifted to investing in experiences, right? Not quite.

A look at the main categories considered “experiences” (such as travel, entertainment, dining out, and recreation) indicates that while Americans have increased their spending or remained static of late, they still lag the average of the previous decade (see figure). Similarly, there's no incriminating evidence to suggest Millennials are driving a shift to experiences—all age groups more or less indicate similar spending patterns. All of which means that, while spending isn't increasing on products, it hasn't shifted to experiences either.

AMERICANS AREN'T SPENDING RELATIVELY MORE ON EXPERIENCES



Source: Survey of Consumer Expenditure; Haver Analytics; Deloitte analysis.

So just how are Americans spending their money? On costs related to *health care* and *insurance and pensions*.⁴ Those categories are likely driving consumers of all ages away from traditionally strong retail segments. The reasons vary—from higher out-of-pocket spending on health care to the aging of the US population and the impact of the financial crisis on retirement accounts. But the bottom line is that Millennials are off the hook. The shift in household spending patterns really isn't too much of a mystery: Americans are just meeting the age-old need to pay for health care and life after work. ●

Take a closer look at US consumer spending patterns in *The consumer rush to "experience": Truth or fallacy?* on deloitte.com/insights.

AMERICA'S CONSUMER SPENDING MY\$TERY

1. Sarah Halzack, "Shoppers are choosing experiences over stuff, and that's bad news for retailers," *Washington Post*, January 8, 2016.
2. Courtney Regan and Leslie Picker, "It's more than Amazon: Why retail is in distress now," CNBC, May 5, 2017; Lauren Coleman-Lochner and Eliza Ronalds-Hannon, "As retail outlook dims, mall tenants push for shorter leases," *Bloomberg*, June 9, 2017; Dr. Daniel Bachman and Akrur Barua, *Ring in the new: Holiday season e-commerce sales poised for strong growth*, Deloitte University Press, September 22, 2016.
3. The Survey of Consumer Expenditure (SCE) measures average consumer expenditure by age groups and products and services categories, while the Personal Consumption Expenditure (PCE) data describes total consumer expenditure by types of product and expenditure.

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