

State of the US consumer: July 2022

Tapping savings, tightening spending

Key insights about US consumers from Deloitte's State of the Consumer Tracker

- Inflation rose to 9% in June from 8.6% in May, demonstrating that inflation has likely yet to peak. This unabated surge in inflation is likely deteriorating consumers' purchasing power, with real weekly earnings down 5.6% since end-2020 despite a 6.6% rise in nominal earnings. Consequently, these events have dented consumer spending intentions. The share of Americans delaying large purchases is rising (figure 1). Planned discretionary spending, too, is on a decline (figure 2).
- The rising cost of living has also emerged as a factor in concerns about savings, with the share of Americans worried about their current savings nearly doubling since March 2021 to 61% (figure 3). And although the overall percentage of those concerned about upcoming payments has remained relatively stable, the figure is gradually rising for lower-income consumers (figure 4). That is hardly surprising, given inflation tends to hit low-income individuals harder than others.

Figure 1. More than half of Americans (56%) are wary about making large purchases

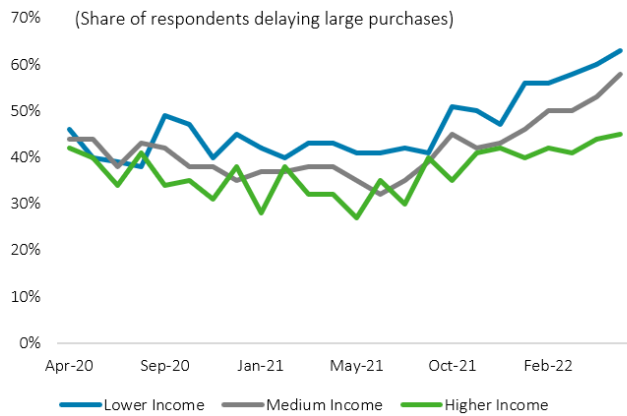


Figure 2. Discretionary-spending intentions are gradually slipping

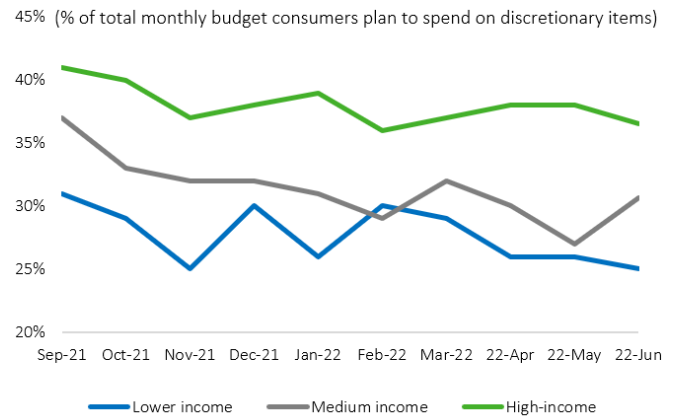


Figure 3. Americans' concerns about current savings level increase as the saving rate falls

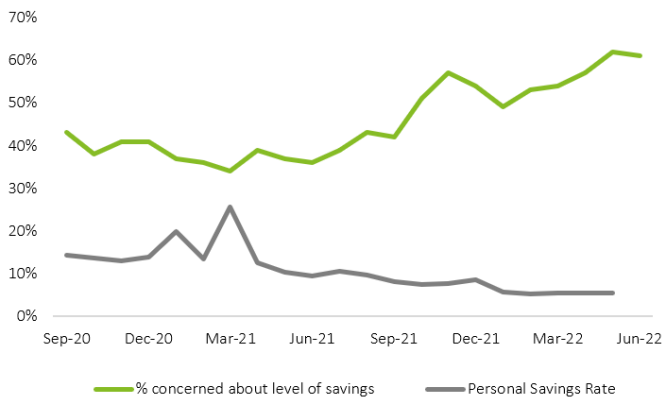
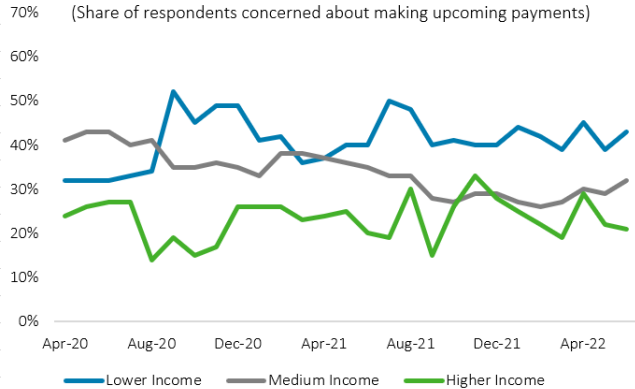


Figure 4. Concerns about making upcoming payments are gradually rising among lower-income households



Sources: Deloitte State of the Consumer Tracker, Haver Analytics, United States Department of Transportation, U.S. Bureau of Economic Analysis, Deloitte Services LP economic analysis.

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Consumer spending on services continues to rise although inflationary risks persist

A roundup of key consumer-related economic data

Figure 5. Spending on services rose for the 15th straight month in May, signaling consumers' steady shift from spending on goods to services

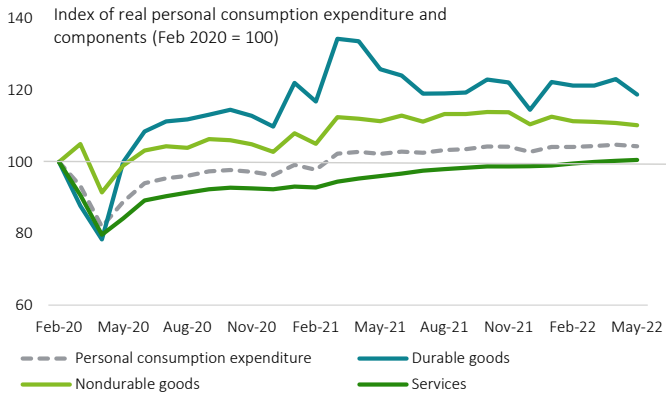


Figure 6. Despite concerns about inflation's impact on economic growth, the labor market remains strong with unemployment at 3.6%

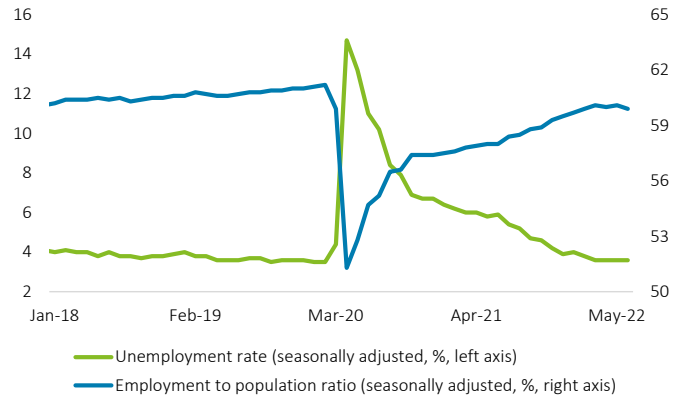


Figure 7. Retail sales barely grew in May, with a shift in consumer spending to services likely weighing on sales this year

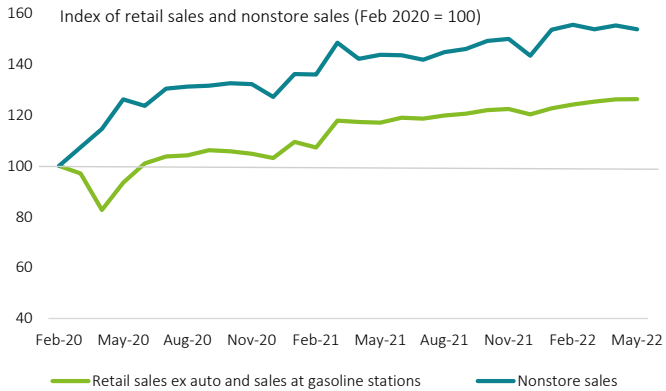
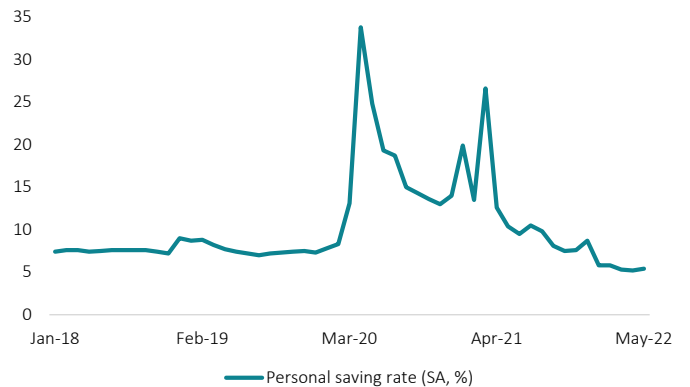


Figure 8. At 5.4%, the personal savings rate in May was even lower than its prepandemic levels



Sources: US Department of Commerce, US Bureau of Labor Statistics, *Wall Street Journal* (all sourced through Haver Analytics); Deloitte Services LP analysis.

Figure 9. Mortgage rates continued to climb in June, which is likely to weigh on demand for housing

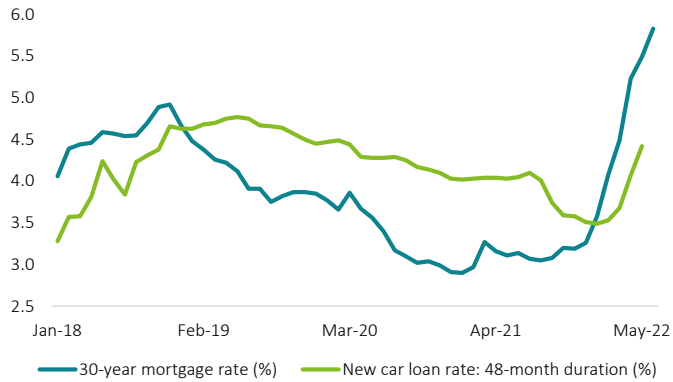
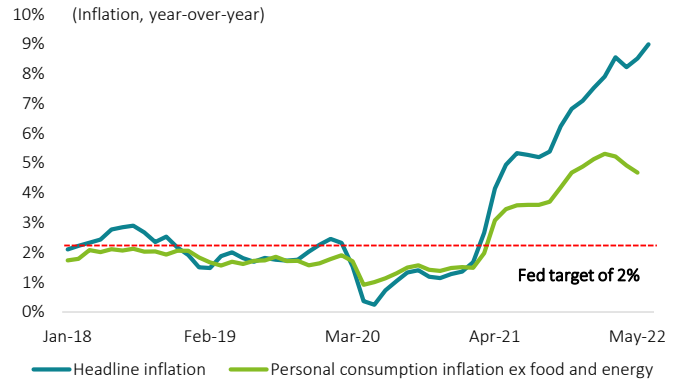


Figure 10. Inflation surged to 9% in June, the highest in 41 years; core inflation also remains high relative to the Fed's 2% target



Sources: US Department of Commerce, US Bureau of Labor Statistics, *Wall Street Journal* (all sourced through Haver Analytics); Deloitte Services LP economic analysis.

For more on Deloitte’s State of the Consumer Tracker, see this [link](#).
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