



Radio Transcript
November 18, 2024

Higher-income consumers are still spending it up. The rest? Not so much.

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American consumers have been going to town, shopping-wise. Retail sales in October were up 0.4%, which is more than expected. And the month before, sales were up double that, according to revised data.

And yet, consumers complain about high prices leaving them strapped for cash, household debt is rising and consumer sentiment is depressed.

Americans splurged on discretionary purchases in October, like new cars, electronics and dining out.

Two factors are driving this, said Kathy Bostjancic at Nationwide Mutual: employment growth, which is resilient, and wage growth, which is very solid.

“The question is, how much longer can this continue?” said **Bernard Baumohl** at The Economic Outlook Group.

He says consumers’ finances are deteriorating.

“Credit card debt has now jumped to record levels. Interest rates on these credit cards are the highest in thirty years. And delinquency rates have picked up substantially, on auto loans and on credit card debt,” said **Baumohl**.

One result, said Deni Koenhemsy at research firm Morning Consult, is “divergence between the high- versus the low-income. The lower-income, whose personal finances have been strained, they’re not willing to spend as much as they used to

And as for middle-income households, she sees them “walking away from purchases because of the price. It’s becoming harder for them to go out and splurge in this holiday season.”

It’s high-income consumers who are driving spending the most, says Nationwide’s Kathy Bostjancic.

“Asset-holders, feeling wealthier,” said Bostjancic.

Stock prices, home prices, are way up. So their owners are spending it up.

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