

ANALYST REPORT

U.S. Consumer Spending Report

Spending Eases Slightly Lower

OCTOBER 2021



ABOUT THIS REPORT

Morning Consult's monthly U.S. Consumer Spending Report provides a detailed assessment of consumption patterns reported by consumers across a variety of categories of goods and services.

Businesses and investors rely on this report to understand emerging trends in consumer demand and shopping patterns across demographics.

The report draws on Morning Consult Economic Intelligence, a high-frequency, global economic dataset reflecting more than 11,000 daily economic surveys across the 15 largest global economies.



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Monthly consumer spending declined in September as vacation season ended, the delta variant retreated, children resumed in-person schooling and many workers returned to offices.

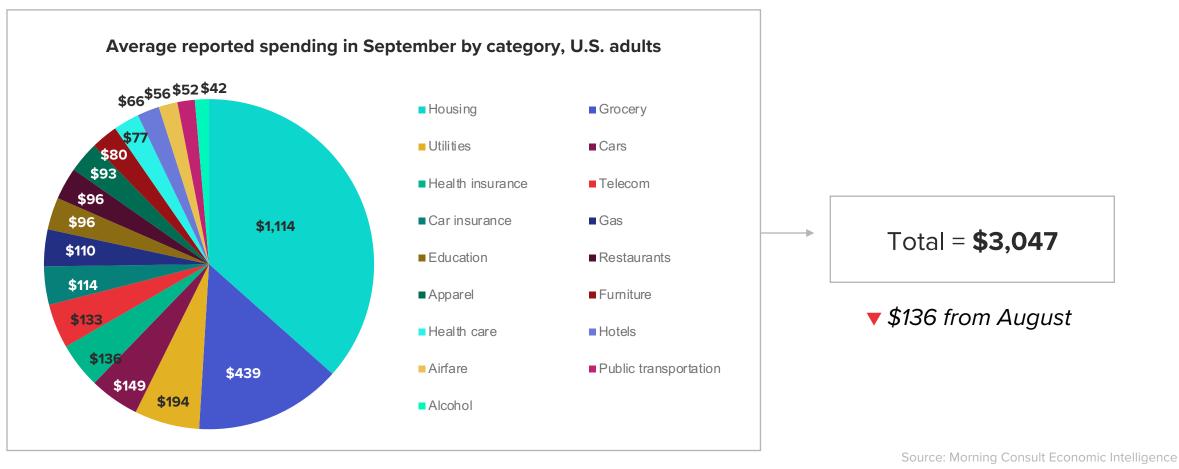
Most of the spending declines can be explained by transitory or seasonal factors.

Households reported slightly lower income as labor market turnover and the expiration of federal unemployment benefits offset the stimulus impact of Child Tax Credit payments. Meanwhile, students who had worked summer jobs quit and returned to school, and a rising tide of job-switchers led to an uptick in unemployment.

One factor influencing buying patterns this month has been widespread supply chain challenges. Shortages, delivery delays and rising prices are combining to discourage purchases among some consumers.

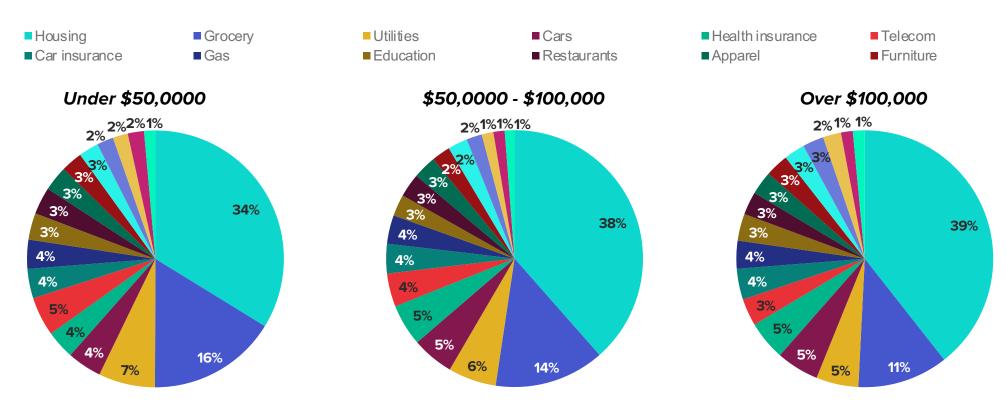
Despite the September decline in consumer outlays, there remain hopeful signs for stronger spending growth going forward. Consumers are increasingly embracing certain pre-pandemic behaviors: In-person grocery shopping has widened its lead over online orders, public transportation spending increased and purchase intentions for cars and vacations remain robust among certain demographics.

U.S. adults allocated about 37% of monthly household expenditures to housing in September, and about 14% went towards grocery purchases



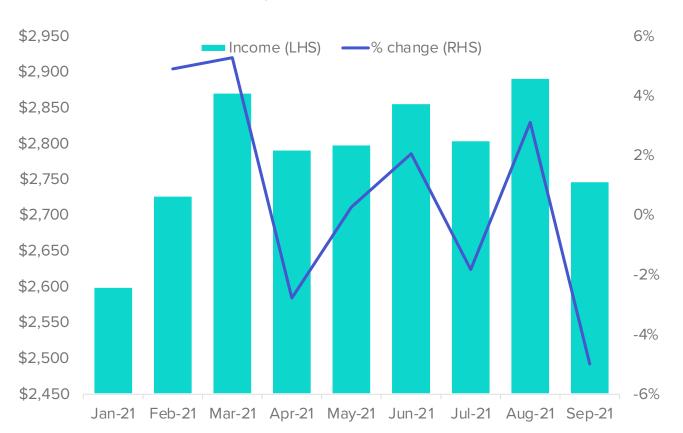
The highest earning group spent a larger relative share of total outlays on housing and less on food compared with lower-income adults

Reported average monthly spending in September per category, U.S. adults by income



Monthly reported income declined 5% from August to September as job applicants increased and unemployment benefits expired

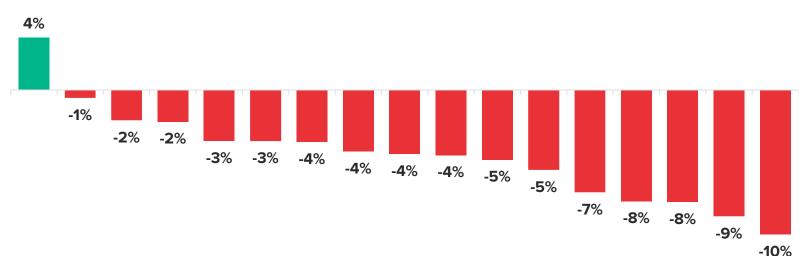
Average reported income, U.S. adults



- Reported income levels declined in September, despite rising wages and higher workforce participation and employment.
- With more job-switchers and paycheck-earning workers
 making the move to companies that offer higher salaries,
 average reported income should increase, but the wait time
 for receiving paychecks and for some, a gap in
 employment while job searching means these gains have
 yet to show up in household finances.
- The expiration of expanded unemployment insurance benefits on Sept. 4 also led to a temporary reduction in income for some, and the resumption of school for students who previously held summer jobs may have contributed as well.
- Future spending will largely be determined by income, which will increasingly be driven by wages rather than government transfers.

U.S. households cut back on average monthly spending from August to September as vacation travel and back-to-school shopping wound down and many returned to work





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- Spending broadly decreased from August to September as households settled into back-toschool and back-to-work routines.
- Public transportation was the only category to register an increase in consumer spending last month as the threat of the delta variant faded and offices continued to open, encouraging some adults to relinquish their cars and resume pre-pandemic commuting habits.
- Vacation season appears to have officially ended: Spending on hotels fell by double-digits for the second consecutive month, and airfare and driving costs also declined last month.



1

Spending declined as home prices increased.

Spending on housing fell 4.2% from
August to September as home
prices grew increasingly
unaffordable. Declines were
consistent across generations,
income levels and community
types. Price expectations have
softened slightly, though most
adults still anticipate rising prices.

2

Monthly housing costs grew the most for lower-income adults and suburbanites this year.

Adults earning less than \$50,000 per year were the only income group **that** paid more for housing in September than they did in January. Suburban-dwelling households also reported stronger gains in housing payments since the start of the year relative to those living in urban or rural areas.

3

Housing inventory is limited and looks likely to stay that way.

A third of prospective renters and home buyers who looked for housing last month reported difficulty finding it amid rising prices and scare supply. The share of respondents who are planning to buy homes this year continues to outnumber the share of sellers, indicating that the supply is unlikely to loosen in the near term.

The average amount paid for housing dropped slightly in September but remains elevated since the start of the year amid steady price growth

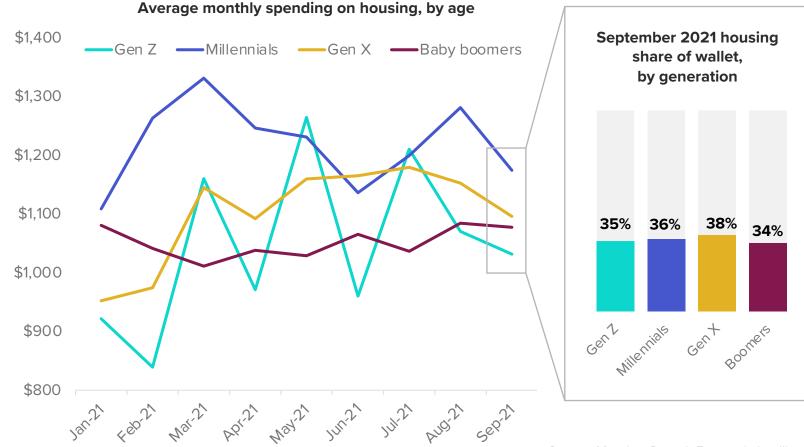


- U.S. adults reported slightly lower spending on housing payments in September, though monthly rent and mortgage amounts have grown since early in the year as home prices increased.
- The rise in home prices continued through
 September, driving up the year-to-date housing
 CPI by 2.3%. The index seeks to estimate
 changes in value not only for recently sold homes
 but also for continuously occupied.
- Inventory is likely to remain tight over the next few months as supply constraints limit construction and prospective buyers continue to outnumber those planning to sell.

Source: Morning Consult Economic Intelligence, Bureau of Labor Statistics

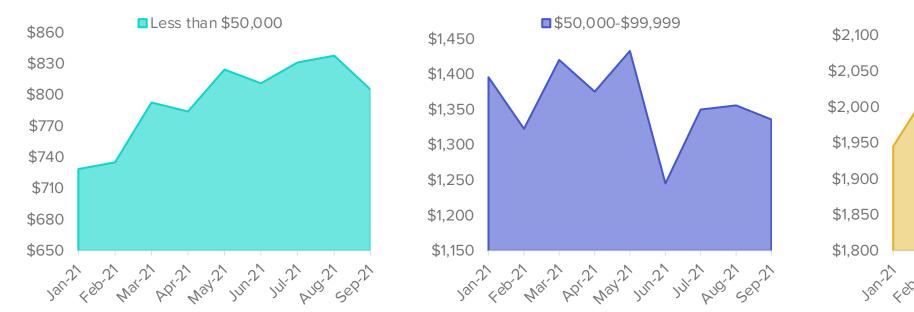
Younger consumers – who tend to move more frequently than older adults – have reported more volatile housing expenses from month to month

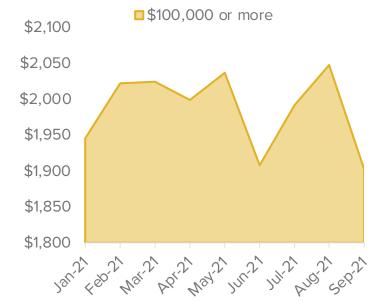
- Millennials maintained their position as the age group paying the most for housing each month in September.
- Gen-Z spending on housing has fluctuated the most so far this year, but it declined for a second consecutive month as college-age students returned to school dorms.
- Housing spending by Gen Xers had trended steadily upward from January through July, but it's drifted lower over the past two months.
- Baby boomers have reported the least volatility in housing payment amounts per month: This group paid just \$4 less on average for housing in September than they did in January.



Housing expenditures declined slightly for households earning less than \$100,000 per year and fell to their lowest level of the year for the highest-earning group







- Households earning less than \$50,000 annually were the only group that
 paid more for housing in September than they did at the start of the year;
 monthly payment amounts averaged \$729 in January and climbed to \$805
 in September.
- Monthly housing payment amounts declined most sharply for the highestincome group last month, falling by 7% since August.

Suburbanites paid 9% more for housing in September than at the start of the year, compared with increases of 5% and 6% for urban and rural residents, respectively

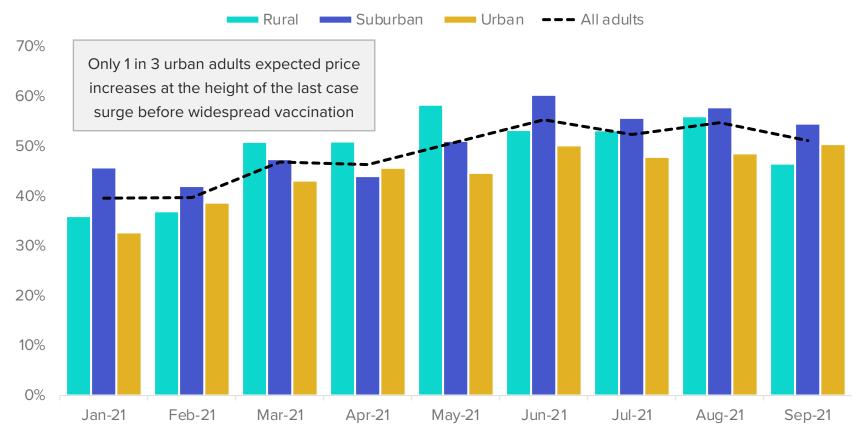




- Suburban adults have reported the most consistent gains in monthly spending so far this year, potentially a sign that stronger demand for real estate that is close to but not inside cities is driving up prices.
- Adults living in rural areas reported a drop in housing outlays in September, while urban residents paid slightly less than a month ago.

Home price expectations moderated in September among rural and suburban adults



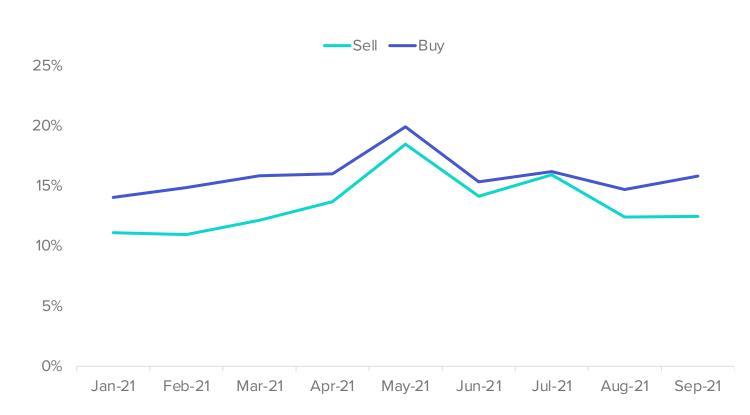


- Urban consumers were the only group whose price expectations increased from August to September, suggesting that more city-dwelling adults are anticipating recovery as workers increasingly return to offices and consumers grow more comfortable with shopping, dining and attending events.
- For the fourth consecutive month, suburban adults had the highest share of respondents who are expecting price increases, though the level declined slightly since August.
- The share of rural adults expecting rising home prices fell below 50% for the first time since February.

The gap between those intending to buy and those planning to sell homes widened over the past two months, indicating that price pressures will continue as demand outpaces supply

Share of U.S. adults planning to buy or sell a home in the next 12 months

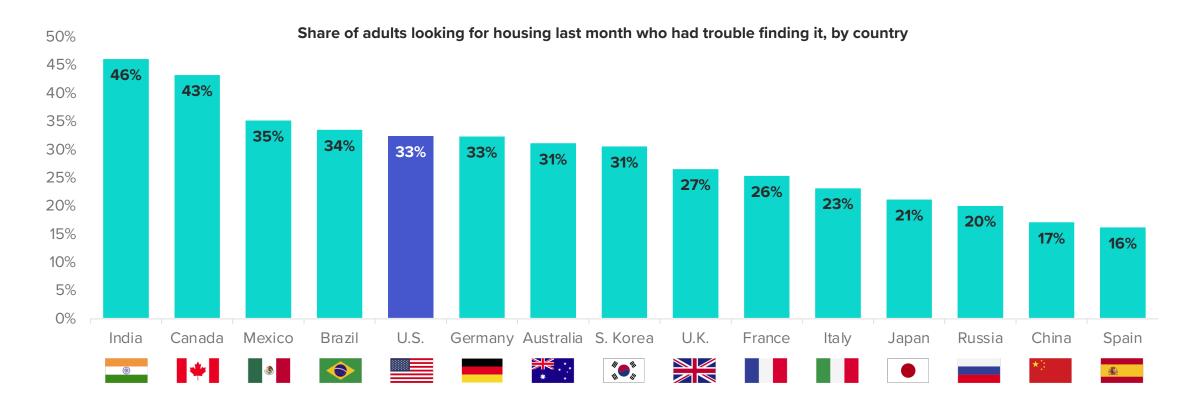
- Buying and selling intentions have fluctuated in tandem, but the share of potential buyers has remained higher than the share of sellers since the start of the year.
- The gap between buyers and sellers reached its narrowest point in July, but it widened in August and September.
- The total share of buyers and sellers peaked in May of this year and has drifted lower since then, potentially signaling milder demand and persistently low inventory heading into the fall.
- With most home sales occurring in the resale market rather than in new construction, it is likely that the housing market will remain tight as buyers continue to outnumber sellers — with limited supply driving up prices.



Source: Morning Consult Economic Intelligence, Bureau of Labor Statistics

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A third of all U.S. adults who looked for homes or apartments last month had difficulty finding them





1

Grocery spending declined last month, but it remains robust relative to early 2021.

September spending was lower than that of the previous month, but the level reported was still higher than it was in 5 of the past 8 months.

2

Supply chain issues have driven up food costs, discouraging some purchases.

More than 1 in 3 U.S. grocery shoppers reported difficulty finding certain items they were looking for last month. The scarcity has contributed to lost demand as shoppers contend with empty shelves and rising prices.

3

Consumers are shopping more frequently in person and less online.

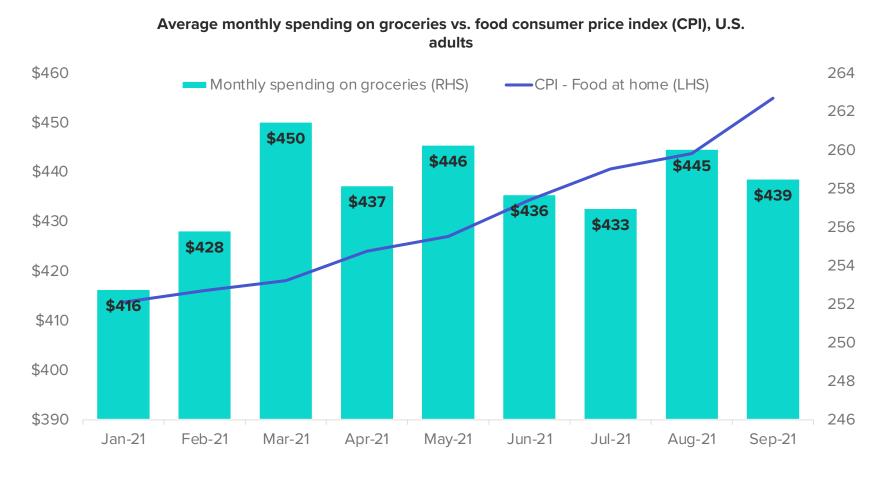
As the delta surge begins to retreat, pandemic-related concerns appear to have a waning influence on grocery shopping behavior. In-store shopping trips approached their highest frequency of the year, while online orders have trended lower since March.

4

Restaurant spending was lackluster last month.

Despite increased consumer comfort with engaging in activities in public spaces, restaurant spending faltered in September. Some adults who splurged on summer travel may have subsequently pared back discretionary spending, though the highest earners – who tend to be less cost sensitive – increased purchases.

U.S. households spent slightly less at grocery stores in September as food prices climbed



- Grocery spending declined slightly from August to September as snarled supply chains led to shortages and price hikes for certain food items and consumer staples.
- Grocery prices jumped again in September after climbing steadily for most of this year: The consumer price index for food consumed at home has risen 4.2% since January.
- Supply chain issues are being felt acutely in grocery aisles: 37% of U.S. consumers who tried to purchase various food or grocery items last month reported difficulty finding those products.

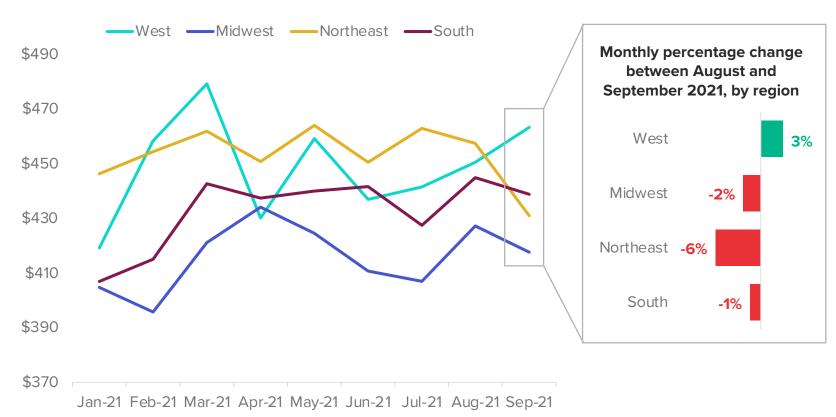
Source: Morning Consult Economic Intelligence, Bureau of Labor Statistics

Monthly grocery spending increased in the West, but declined in other regions

Spending on groceries increased for a third consecutive month in the Western United States, while the other regions all recorded declines in September.

- Northeasterners said they spent less on groceries last month than they had all year, with reported spending falling below the average monthly total for the South for the first time this year.
- Grocery spending by Midwesterners has generally lagged that of shoppers in other regions so far this year, and September was no exception.

Average monthly spending on groceries, by region



Source: Morning Consult Economic Intelligence

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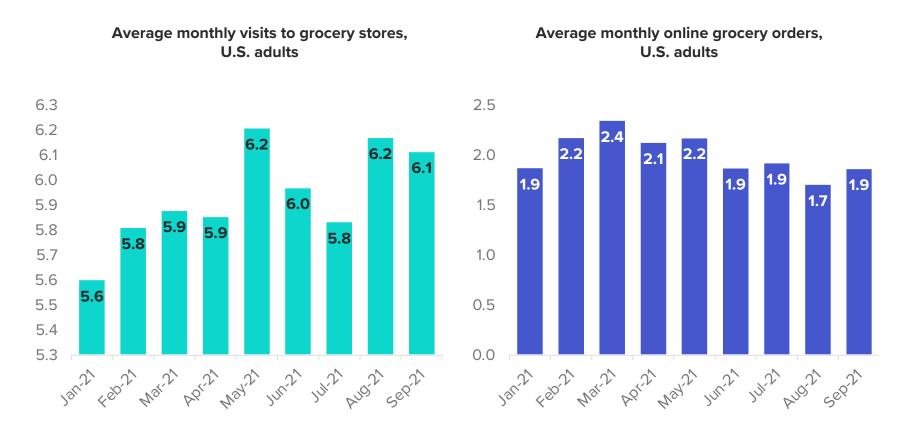
Parents cut back on grocery spending last month after purchases reached the highest level of the year in August, while nonparents increased their grocery purchases in September

Average monthly spending on groceries, by parental status



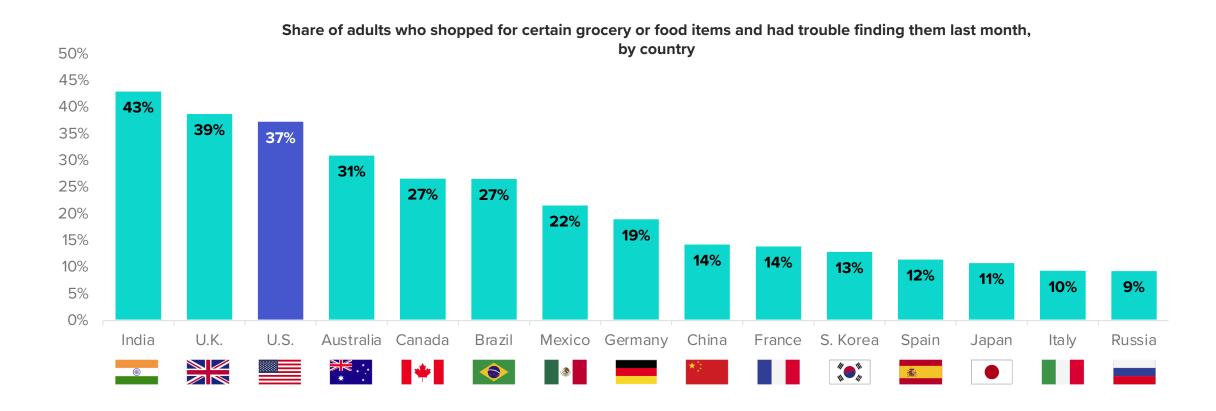
- After spending the highest monthly total of the year on groceries in August, parents reduced grocery purchases in September.
- Buoyed by a second round of child tax credit payments, some parents may have stocked up in August and found they needed to buy less of certain items the next month.
- Nonparents increased grocery spending last month, diverting their money away from restaurants and toward meals at home.

Compared with the beginning of the year, consumers are more frequently shopping for groceries in person, while the rate of online ordering seems to have stabilized

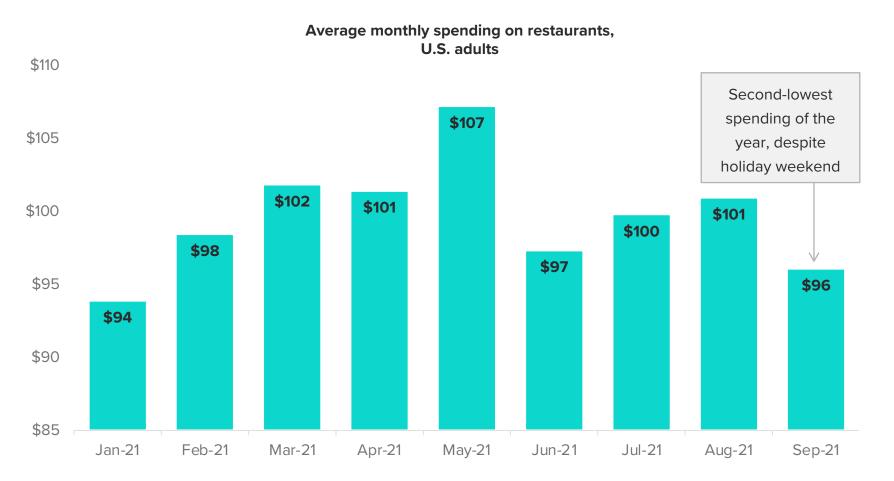


- Concerns over elevated COVID-19 cases have not discouraged in-person grocery shopping to the extent that they did before widespread vaccinations.
- While delta-variant worries may be steering consumers toward dining at home rather than at restaurants, the even more precautionary option of online ordering appears to have waned in popularity.

Among consumers in the 15 countries surveyed, U.S. adults were the third most likely to report difficulty in tracking down certain grocery items last month



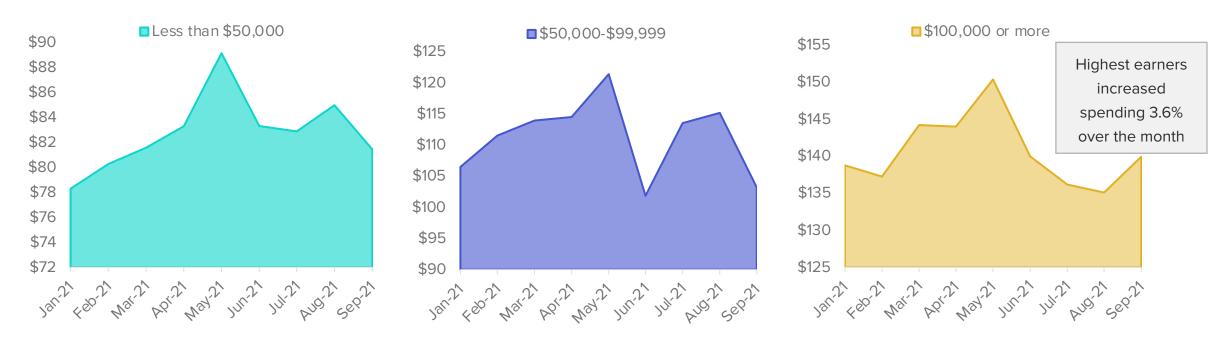
Restaurant spending fell in September, suggesting a growing preference towards eating meals at home



- Despite rebounding consumer comfort with dining out as the delta-driven case surge receded,
 U.S. adults spent less at restaurants in September than they did during July and August.
- The end of vacation season may be contributing to fewer meals outside the home, and higher menu prices and short-staffed eateries may be dampening consumer appetites for restaurant dining.

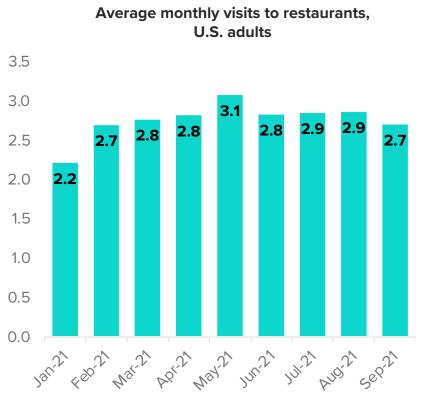
Declining restaurant purchases were driven by adults earning less than \$100,000, while higher-income households spent more in September than in each of the previous 2 months

Average monthly spending on restaurants/takeout, by income



• Lower- and middle-income groups spent less on meals from restaurants in September than they did during the previous month, whereas the highest earning group — which also tends to spend the largest dollar amount per month — increased monthly expenditures on dining out.

In September, dining-out frequency fell to its lowest level since February, though to-go orders increased slightly from the previous month



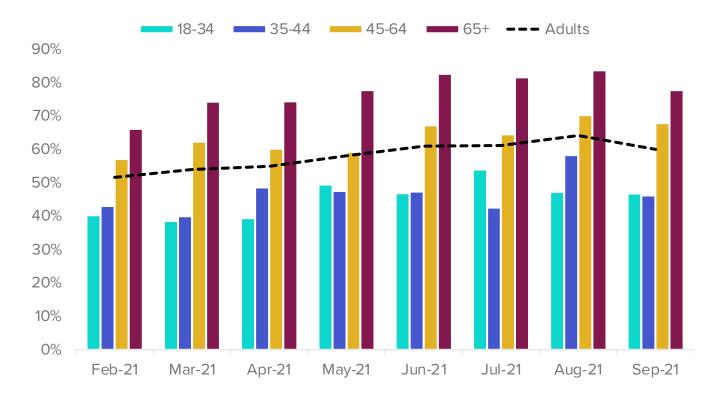


- Declines in spending may be driven by fewer meals at restaurants.
- As incomes contracted in September, more U.S. consumers appeared to tighten their purse strings when it came to discretionary spending categories like restaurants.
- Takeout or delivery orders increased slightly since August, but these meals tend to cost less overall than full-service dining.

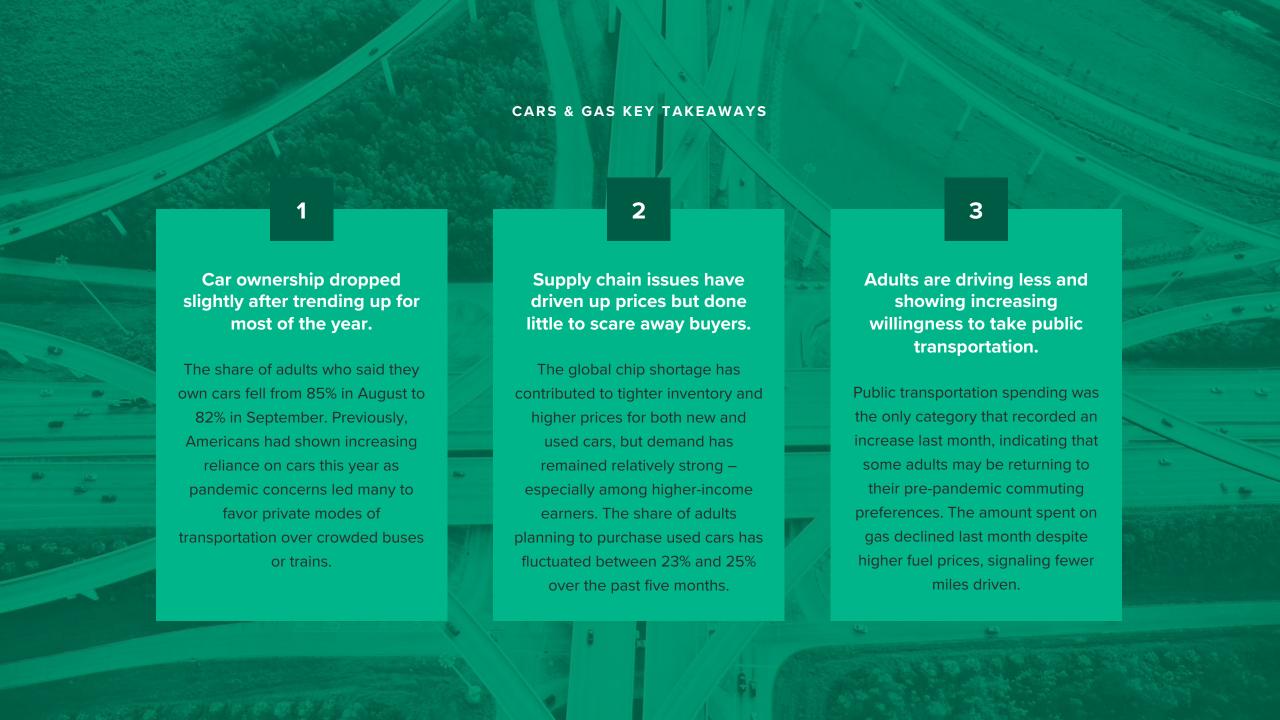
Expectations for rising food prices eased slightly in September, but remain elevated compared to the first few months of 2021

- 78% of adults ages 65 and older expect food prices to rise over the next 12 months, up from 66% in February. This segment, many of whom are retired and living off fixed incomes, tend to worry more about inflation than working adults who can expect wages to rise in accordance with prices.
- Those ages 35-44 were least likely to anticipate price increases, though the share of adults in this age group who are expecting inflation jumped briefly in August before settling at 46% last month.
- The slight decline in expectations for rising grocery costs coincided with slowing price growth. Although bottlenecks and shortages are contributing to tight inventory, consumers appear to view these disruptions as transitory.

Share of U.S. adults expecting food prices to increase in the next 12 months, by age

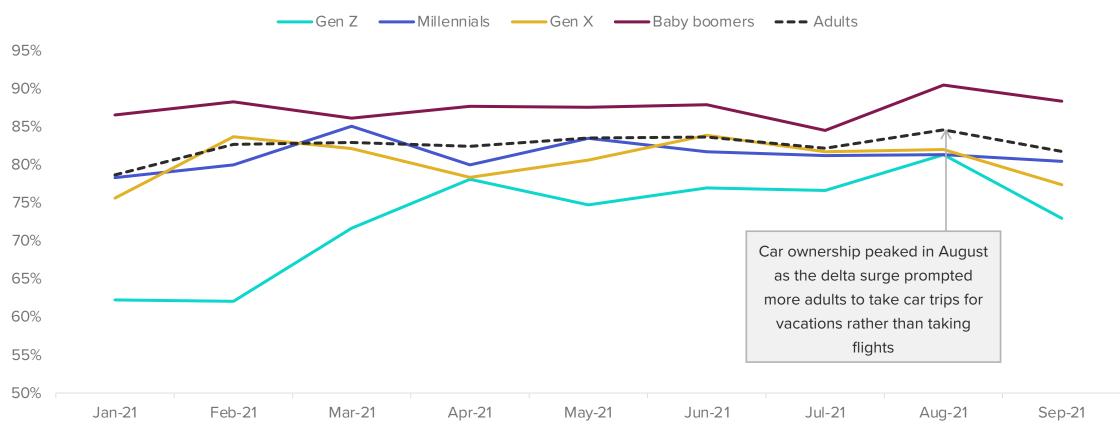






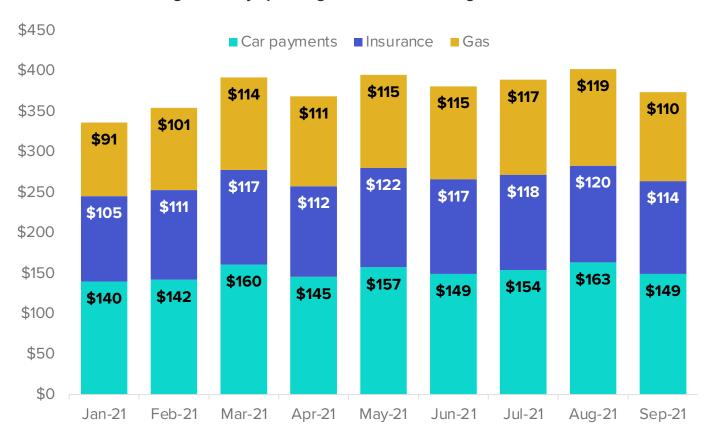
Car ownership rates declined slightly in September, led by Gen Zers and Gen Xers





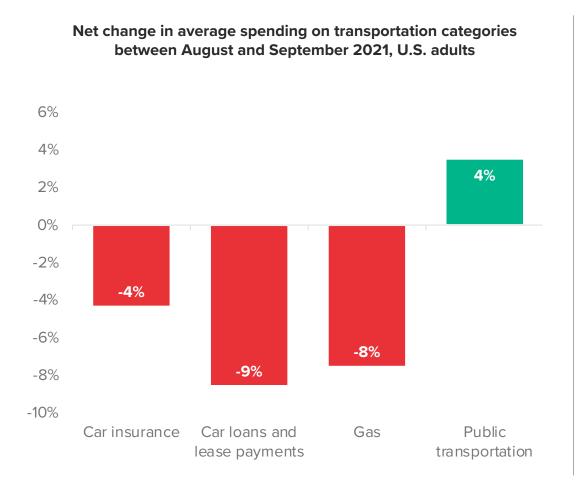
Average monthly car ownership costs retreated to \$374 in September

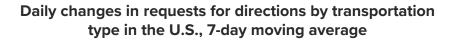
Average monthly spending on car-related categories, U.S. adults

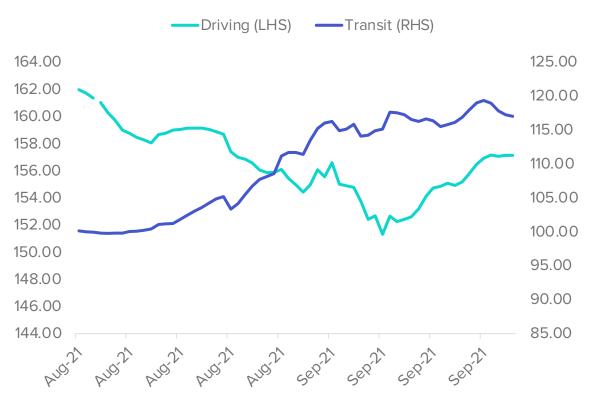


- In September, average monthly auto payments for leases and loans fell to their lowest level since June as consumers signaled increased willingness to give up their cars and take public transportation.
- Gas expenditures also fell, despite elevated prices, indicating that households did less driving last month.
 This could be due to fewer car-trip vacations as summer ended and an increase in public transportation use as workers resumed pre-pandemic commutes.
- Households spent less on insurance as car ownership dropped among Gen Z adults, who tend to pay higher rates, pushing down average costs across the driving population.

The drop in car-related spending coincided with a rise in public transit use



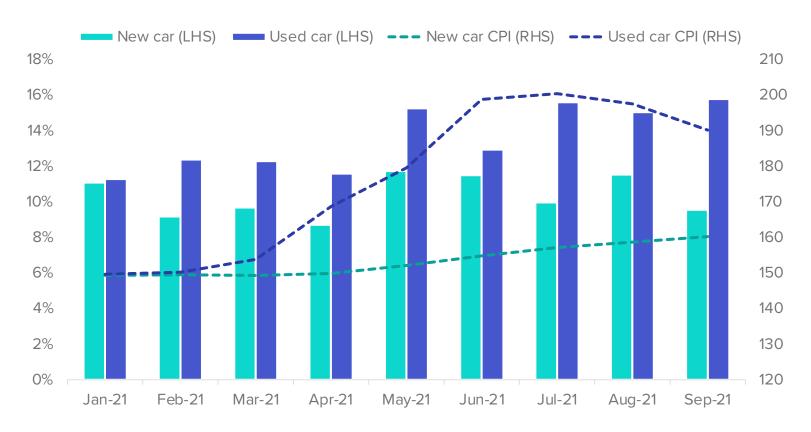




Source: Morning Consult Economic Intelligence, Apple Maps Mobility Trends

Used car purchases increased as prices declined for a second straight month

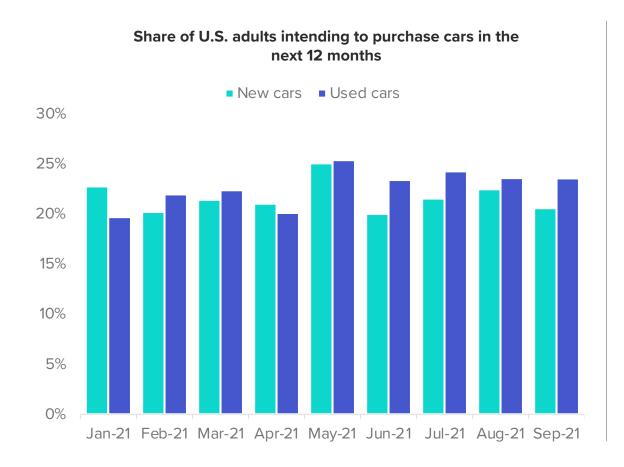
Share of U.S. adults whose households purchased cars in the past 12 months

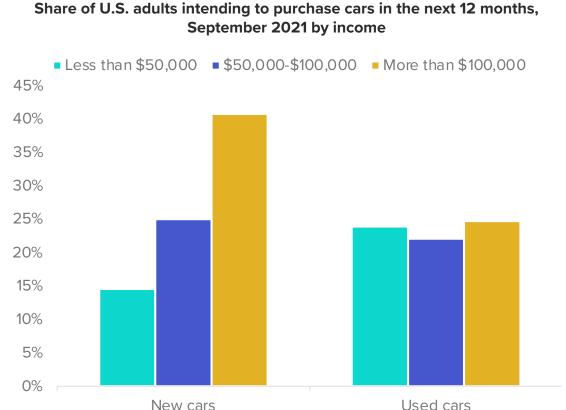


- Consumers purchased new and used cars
 with similar frequency in January, but as car
 prices increased this year, more households
 opted to buy used rather than paying a
 premium for new cars.
- All car prices rose this year, but prices for used cars jumped much more. Over the past two months, however, used prices fell while new car prices continued to climb.
- The surge in car buying over the summer months may be winding down as consumers appeared less reliant on private vehicles last month. Availability may also have played a role, as car manufacturers remain constrained by the global chip shortage.

Source: Morning Consult Economic Intelligence, Bureau of Labor Statistics

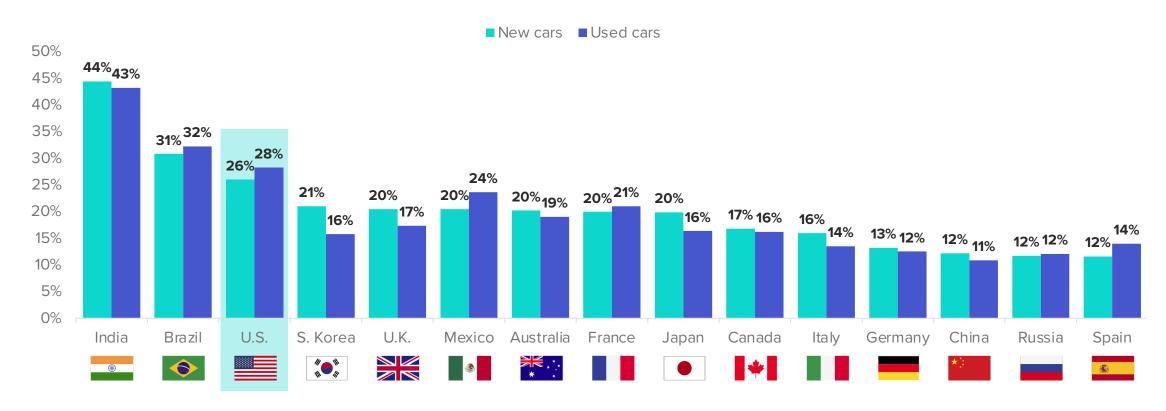
The share of adults planning to purchase new car declined last month, though 40% of high earners still plan to purchase a new vehicle over the next year



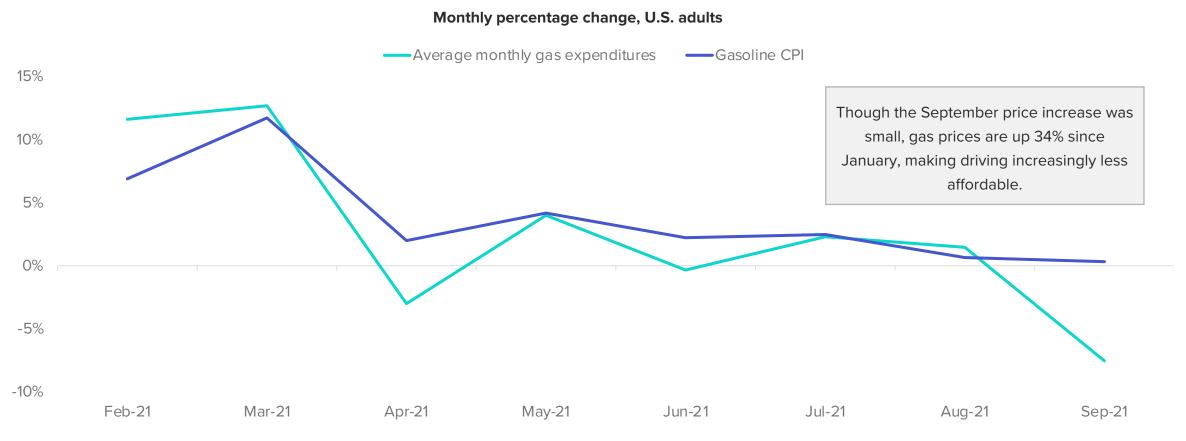


The U.S. was No. 3 in the share of prospective car buyers who reported difficulty in purchasing new or used vehicles last month, lagging only India and Brazil

Share of adults who shopped for new or used cars and had trouble finding them last month, by country



Gas spending declined last month despite stable prices, suggesting that Americans drove less in September as summer travel ended and workers resumed commutes via public transportation



Source: Morning Consult Economic Intelligence, Bureau of Labor Statistics

SECTION 5 TRAVEL 1

Vacation travel declined for a second consecutive month.

Most who vacationed this summer did so early, with delta-driven concerns leading to lower spending on hotels and airfare in August. As the latest pandemic surge began retreating last month, the end of summer travel season became the primary factor driving the decline in September.

2

Travel demand remains robust among higher-income consumers.

The share of respondents planning future trips declined overall, but **two-thirds** of households earning **at**least \$100,000 per year — who contribute the most to overall spending on this category — still plan to travel in the next year.

3

Vacationers are expecting more affordable trips in the future.

The seasonal softening in demand may have contributed to dampened price expectations for trips and vacations among U.S. adults. The share of respondents expecting an increase in travel costs edged below 50% for the first time since April.

Spending on airfare and hotels declined for a second consecutive month

Average monthly spending on travel categories, U.S. adults

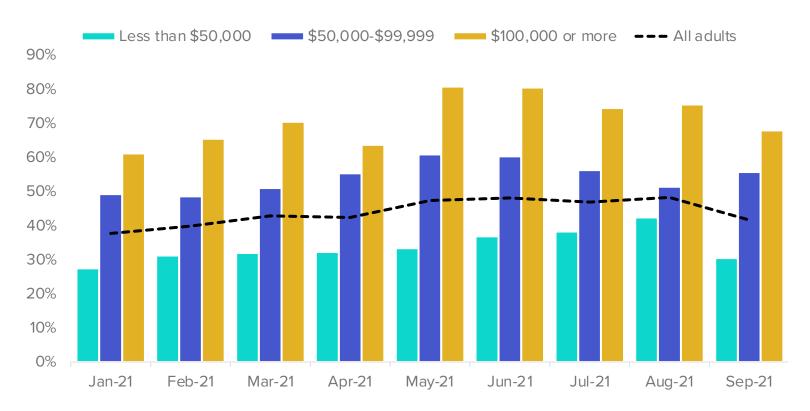


- Consumer spending on leisure travel categories such as hotels or vacation rentals and airfare peaked in July before easing lower in August and September.
- Pent-up demand for vacations deferred by the pandemic was initially unleashed at the beginning of the summer, but the spread of the delta variant from July through early September appeared to push more consumers toward car trips rather than flights.
- Travel is both highly seasonal and particularly vulnerable to pandemic impacts: With case counts fading, there is hope for a rebound in spending over the holiday season

 — but also persistent risks of future outbreaks.

Intent to travel declined for the highest- and lowest-income groups in September

Share of adults planning to purchase a trip or vacation in the next 12 months, by income



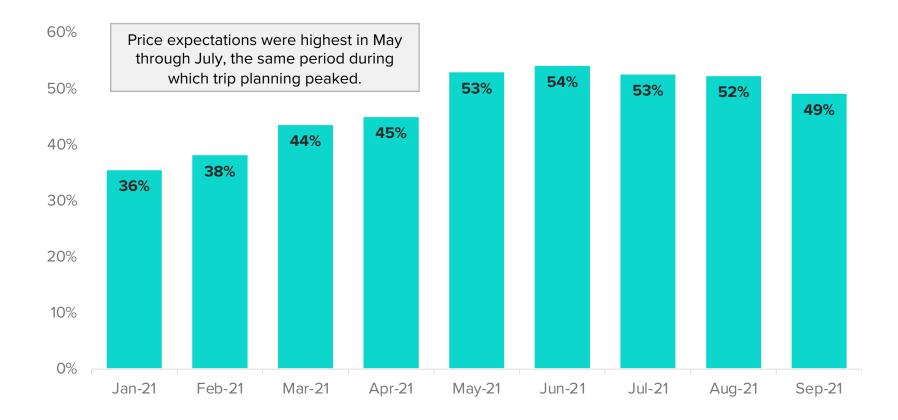
- The share of adults planning to take vacations over the next 12 months fell to 42% in September, the lowest level recorded since April.
- The decline in trip planning is likely a result of seasonal patterns rather than a symptom of delta-driven concerns; travel planning stayed stable from July to August despite rapidly climbing case counts.
- The lowest-income group tapered vacation purchasing intentions the most from August to September, with fewer than 1 in 3 who earn less than \$50,000 per year currently planning to take a trip.
- Travel demand remains relatively robust for the highest-income earners, with 68% planning a trip over the next year.

Source: Morning Consult Econ

Price expectations for trips and vacations ease slightly as travel demand pauses

- The share of adults expecting higher price tags on trips and vacations over the next 12 months fell for a third consecutive month after peaking in June, prior to the onset of the delta-variant outbreak and growing concerns over breakthrough cases among the vaccinated population.
- Spending on airlines and hotels declined in September as school resumed and the summer travel season concluded; the softening price outlook may reflect slowing demand.

Share of U.S. adults who expect prices for trips and vacations to increase over the next 12 months





Consumers said they spent less on alcohol in September than they have all year.

Reported alcohol spending dropped for the past two months, potentially as a result of fewer drink purchases at bars or restaurants.

Although the delta-variant threat receded over the course of September, peak case counts coincided with Labor Day weekend, potentially muting demand when it otherwise would have been strongest.

2

Adults who did buy alcohol were increasingly likely to do so in person.

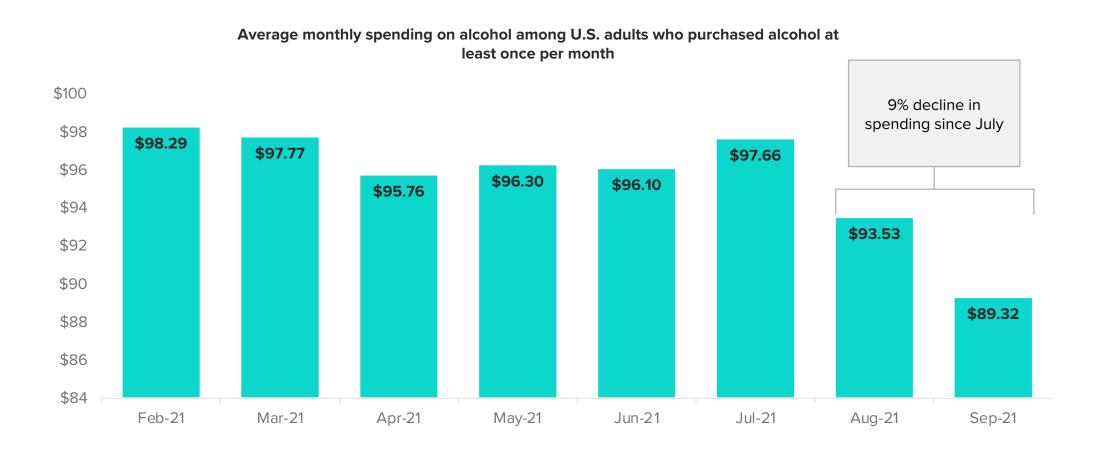
Shopping frequency at liquor stores increased in September to tie the highest level of the year, while online order frequency has failed to recover to where it was in January through May. Bar visits increased slightly compared with August, but have mostly trended flat – again, possibly a result of lost demand during Labor Day weekend.

3

Certain categories benefited from increased spending.

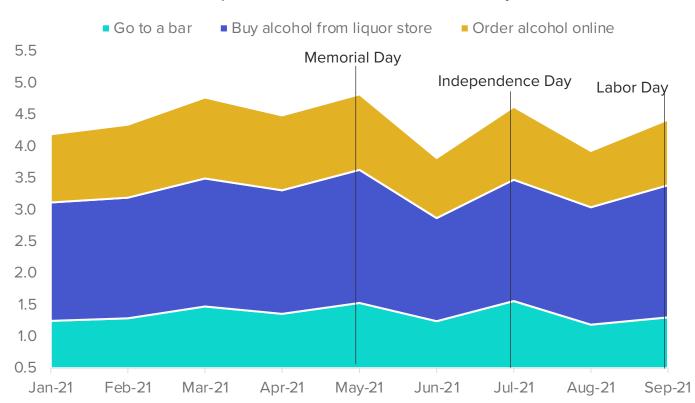
Seasonal preferences may have benefited certain alcohol categories over others: Consumers reported more spending on wine, craft beers and flavored malt beverages, but cut back on hard liquor purchases.

Alcohol spending dropped off sharply over the past two months



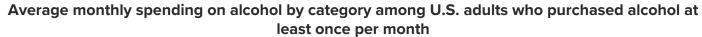
The frequency of alcohol purchases increased slightly from August to September, but bar traffic was lower than it had been during previous months that included major holiday weekends

Average frequency per month among U.S. adults who purchased alcohol at least once monthly



- Despite fading case counts, U.S. consumers have shown little interest in returning to bars, choosing instead to shop for alcohol in stores.
- Prior warm months with a holiday weekend (May, July) registered jumps in alcohol spending, though Labor Day occurred before the delta surge had started to retreat.
- While bar traffic may have faltered, consumers seem unfazed by the prospect of in-person shopping: The gap between the frequency of online purchases and in-store shopping increased to its widest margin of the year.

Certain categories registered an increase in spending last month: Craft beer spending jumped 22%, and flavored malt beverage purchases grew 14%





- Among the top three largest spending categories, spending on wine increased the most while liquor spending declined.
- Smaller categories have shown relatively stronger growth for much of this year as consumers show an interest in diversifying beverage purchases: Craft beer, flavored malt beverages and other alcohol types recorded strong spending upticks last month.
- Seasonal factors may also impact buying patterns as many consumers shift their preferences to different categories as the weather cools.

SECTION 7

METHODOLOGY

Methodology: U.S. Consumer Spending and Personal Finances Survey

The consumer spending and personal finances survey is intended to gauge consumers' spending patterns and the health of household balance sheets. It typically acts as a leading indicator for credit card payments and retail sales, as well as providing insight into spending allocation well ahead of other data sources. Respondents are asked recurring questions on topics including household income, spending, savings, debt, housing payments and life events. Policy-related questions on respondents' experiences with government programs such as stimulus payments or child tax credit distribution are included on an ad-hoc basis. The survey is conducted monthly among a representative sample of 2,200 U.S. adults. The survey was first run in September 2020, with some additional questions added in subsequent versions. Data is collected during the first week of each month, with questions pertaining to the previous month.

- Start date: September 2020
- Frequency: Monthly
- Fielding Period: Beginning the first or second day of each month, and running roughly 2 to 5 days
- Release Date: The date following completion of fielding
- Sample size: 2,200
- Geographic coverage: U.S.

Methodology: Geopolitical Risk Survey

The geopolitical risk survey measures major geopolitical and economic trends across the world's largest markets, as well as providing insights into hot-button issues and early signals for policymakers in the public sector and decision-makers at multinational firms. It asks questions around inflation and purchasing behavior, price expectations, financial resiliency, housing, ESG, business climate, national security, and trust in political figures and institutions, both within and outside of the respondents' home country. The survey is conducted on a monthly basis among representative samples of 1,000 adults from 15 countries, including the United States. The survey was first run in January 2021. Data is collected in the last week of each month.

Starting in September 2021, the geopolitical risk survey asks adults across 15 countries which products they are having difficulty procuring and how they have adapted their buying behaviors when faced with delays and shortages.

- Start date: January 2021
- Frequency: Monthly
- Fielding Period: Wednesday through Sunday on the last week of the month
- Release Date: First week of the following month
- Sample size: 1,000 adults per country
- Geographic coverage: G-15

Methodology: Estimation of average spending levels per category

Estimated spending levels for each category were calculated as the weighted average of midpoints for each response option bucket identifying various spending levels. Example: If the response bucket was "\$100-\$199" and "\$200-\$299," with 60% of respondents choosing the first value and 40% of respondents choosing the second, the estimated spending value would be calculated as (0.6 * 150) + (0.4 * 250) = \$190 estimated average spending.

The response option with the highest dollar value typically included an undefined upper bound. To estimate a "midpoint" for the highest response option, the increment between midpoints for the preceding response options was added to the lower bound of the highest response option. Example: if the response bucket options were "\$100-\$199" (midpoint = \$150), "\$200-\$299" (midpoint = \$250), "\$300-\$399" (midpoint = \$350), and "400+," the highest bucket's "midpoint" would be estimated as \$400 + (\$350 - \$250) = \$450.

Unless otherwise specified, price levels are calculated for all adults, not just adults that purchased **or** consume certain items.

Certain categories are calculated using a blend of weekly and monthly figures (this includes restaurants, groceries and alcohol). Weekly figures are multiplied by four and weighted by share of total respondents who choose to report a weekly spending figure; that number is added to the weighted share of respondents that selected to report a monthly spending figure. Example: If 50% of respondents reported a weekly figure averaging \$150, and 50% of respondents reported a monthly figure of \$500, the average monthly spending value for all adults would be calculated as (0.5*4*150) + (0.5*500) = \$550.



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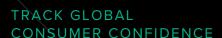
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