

RESEARCH

Consumers express intent to slow discretionary spending in 2023: Deloitte

December 20, 2022



A third of higher-income Americans feel their financial situation has worsened over last year, says global consulting firm Deloitte, per new survey results. Image credit: Deloitte

By AMIRAH KEATON

Shifting consumer attitudes around discretionary spending in light of current economic outlooks signals trouble on the horizon.

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Four in 10 U.S. consumers, including a third of higher-income Americans, feel their financial situation has worsened over last year, according to data from global consulting firm Deloitte's [Global State of the Consumer Tracker](#). Per the company's latest report, Americans of all income levels intend to delay large purchases as concerns over inflation, rising interest rates, tumultuous equity markets and energy disruptions heighten.

"Seven in 10 Americans who express this sentiment are delaying large purchases. That's more than twice 2.6x as likely as people who say their financial situation is the same or better," said Steve Rogers, managing director of [Deloitte Services LP](#), New York.

"Assuming consumers consider luxury goods a large purchase, that should give luxury executives some pause in their demand forecasting."

Discretionary downturn

Current consumer sentiments could prove to be a major industry obstacle heading into the New Year.

Deloitte's co-authored report on consumer spending and financial well-being around the world found that 40 percent of global survey respondents feel their financial situation worsened this year.

"2022 has been a financially bruising year for many consumers," Mr. Rogers said.

"Four in 10 consumers saying their financial situation worsened in the last 12 months is the highest level we've seen in the U.S. since 2011," he said. "While we do not have the same longitudinal data for each country in our study, it is reasonable to assume that 4 in 10 is the highest in a decade globally."

A cost of living crisis in the EU has intensified this fear for its residents. Deloitte also notes that in the U.S., the

sentiment is likely the highest in over a decade.

Subsequently, spending confidence showed signs of slipping throughout the year.

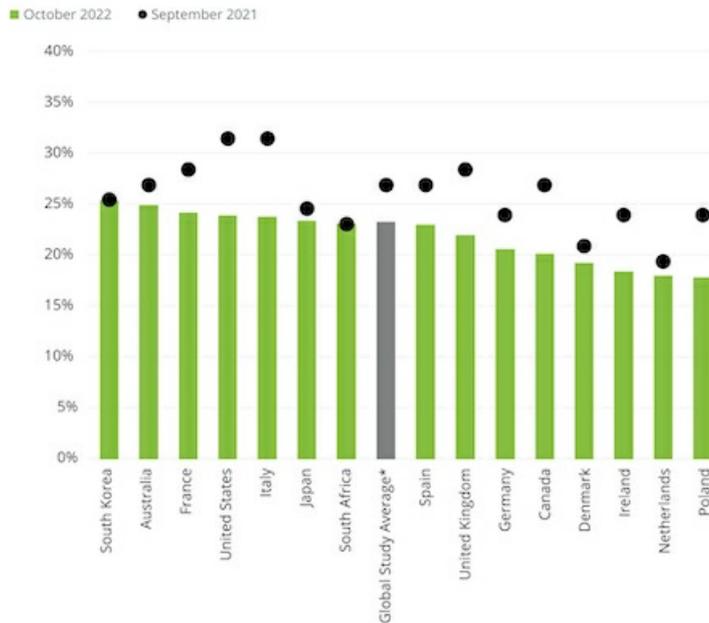
Consumers are exhausting their savings accounts faster than they are replenishing them," Mr. Rogers said.

In September 2021, Deloitte's data reflects that consumers estimated spending 26 percent of their upcoming monthly budgets on more discretionary categories – that figure slipped to 23 percent over the course of the year.

FIGURE 2

Discretionary spending confidence slipped globally throughout 2022

Discretionary share of wallet (spending intentions, next four weeks)



Notes: *N=24,034; China, Mexico, Norway, Sweden, Belgium, Saudi Arabia, United Arab Emirates, India, and Brazil are not shown. Discretionary spending includes recreation and entertainment, leisure travel, restaurants, electronics, and home furnishings.

Source: Deloitte Global State of the Consumer Tracker.

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Spending confidence showed signs of slipping throughout 2022. Image credit: Deloitte

Though relatively insulated from the whims of the market, the current trend does not exclude affluent consumers. Thirty-four percent of higher earners reported feelings of their finances taking a turn for the worse in 2022, compared to nearly half of lower earners, at 47 percent.

Deloitte notes that the former group may base observations on the performance of illiquid investment portfolios, while those with lesser incomes could be experiencing the effects of inflation eating directly at their paychecks.

Across the board, though, this viewpoint toward 2022 gains and losses is most certainly expected to have an impact on how closely consumers decide to stick to their budgets in the new year. Deloitte's experts share insights as to the categories that may first see cuts.

"Relative to last fall, consumers are signaling lower spending intent in clothing and apparel," Mr. Rogers said.

"A good portion of consumption this past year has been fueled by pandemic savings," he said. "Americans' savings rate is the lowest [it is] been in nearly two decades."

"With higher credit card rates and lower savings balances, these consumers will likely feel stretched going into 2023."

Optimistic outlook

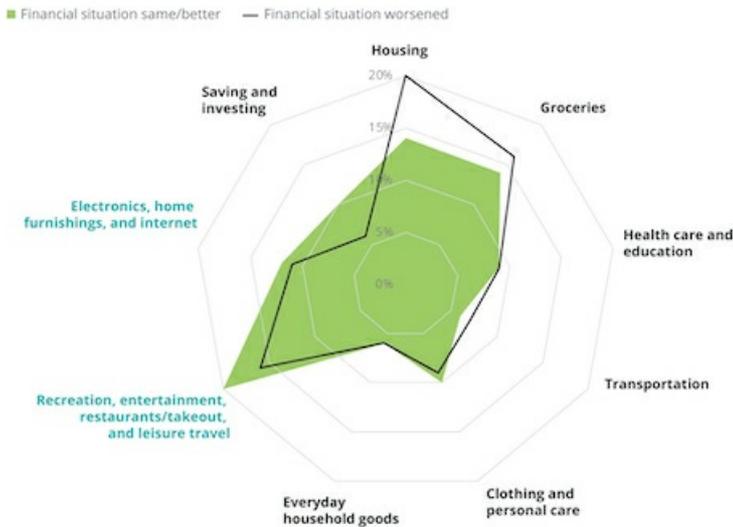
Deloitte's survey does suggest some hope for the future standing of the economy, aiding consumer spending in the process.

On one hand, consumer resilience has historically held up well in the face of inflation ([see story](#)).

FIGURE 3

Among consumers who feel their finances worsened in 2022, planning spending pullbacks are strongest around saving and investing

Consumer spending intentions, next four weeks (share of wallet)



Note: N = 24,034.

Source: Deloitte Global State of the Consumer Tracker.

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Experts share insights as to the categories that may first see cuts. Image credit: Deloitte

Furthermore, factors such as rising wages ([see story](#)), government assistance policies and pay equity mandates ([see story](#)), and even private-sector philanthropic efforts ([see story](#)) could cause spending to continue at somewhat normal rates.

"In 2022, inflation outpaced wage growth leading to less purchasing power," Mr. Rogers said.

"As inflation retreats, there's a chance that the relationship flips," he said. "If it does, the question is whether the consumer spends it on luxury to treat themselves and their loved ones or will they spend that purchasing power elsewhere.

"This will likely be at the margins because the typical luxury buyer is less price sensitive, but it could impact the bottom line if the demand doesn't show up.

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