Focus on the Consumer

Nationwide Economics | November 2026

Believe what consumers do, not what they say





Consumer spending remained resilient over 2026 due to solid personal income and wealth gains, despite households reporting low confidence.

Affordability pressures and elevated inflation weigh heavily on consumer sentiment readings and lower income households most.

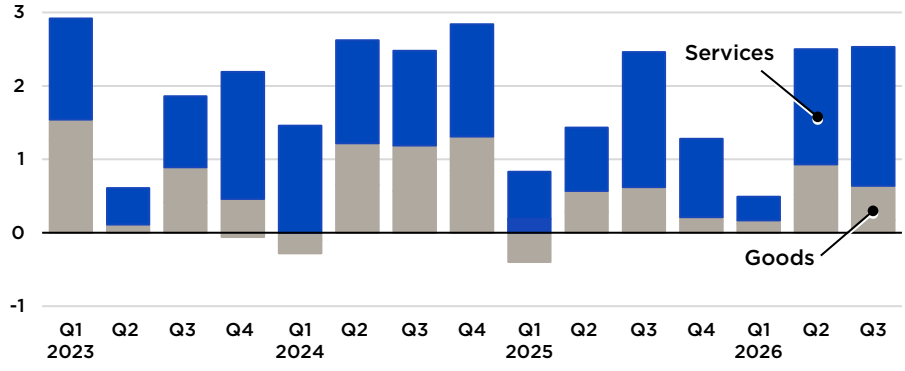
Cooler inflation in 2027 should boost purchasing power, while a steady labor market should bolster spending even if the wealth effect fades.

Resilient consumer spending despite cost pressures

While households voice strong discontent about inflation and cost-of-living pressures in consumer surveys, consumer spending has been buoyant over 2026. Adjusted for inflation, real consumer spending was up 2.5 percent year-over-year as of September, while discretionary purchases have broadly held up. The pace of spending has even accelerated recently despite the renewed jump in gasoline prices, contributing 2.5 percentage points to real GDP growth in the second and third quarters. Steady employment and personal income gains provide key support for consumer spending. Even adjusting for the rise in inflation, annual real disposable income has remained positive this entire year, albeit it has slowed from 2025. Moreover, the low unemployment rate has provided job security for households to slow their rate of savings when needed to maintain their desired pace of spending.

Contribution to real GDP growth: Consumer spending

Percentage Points



Source: Bureau of Economic Analysis, Haver Analytics, Nationwide Economics

Consumer activity drove a large share of GDP growth in the second and third quarters

Personal saving as a percent of disposable income dropped to 3.8 percent in September from 5.6 percent in January — although this still provides a cushion heading into 2027. And some households have taken on more debt to make budgets work as total credit card debt climbed to a record $1.3 trillion in Q3. Still, measures of outstanding debt relative to disposable personal income remain in check and low bank credit card delinquency rates indicate little widespread stress across the consumer sector. The savings rate has also declined due to the strong wealth effect for households that own equities and homes over the past several years — we discuss this more on the next page.

Next page: Consumer differences based on income levels ▶

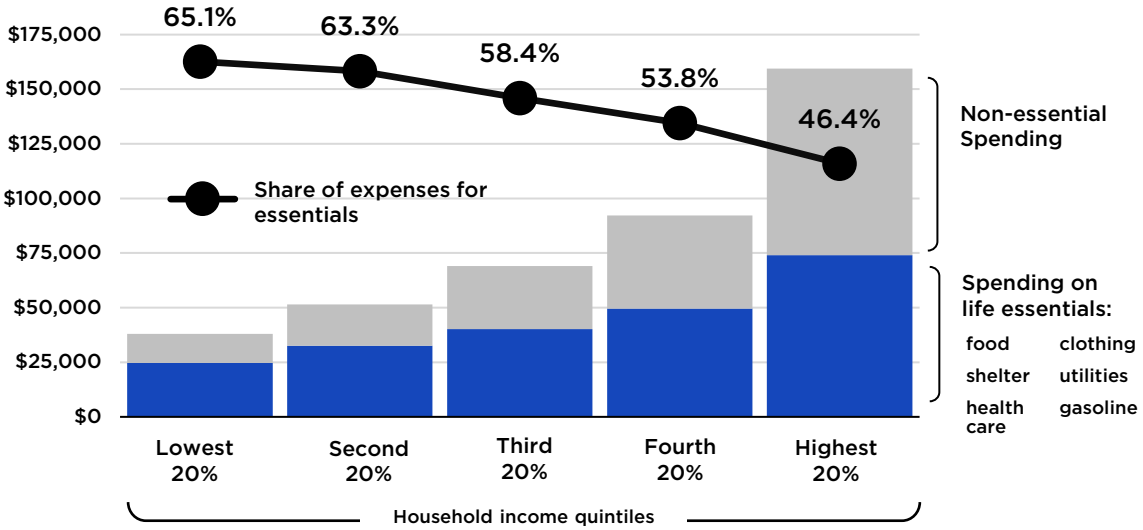
Income and wealth differences impact consumers

Further supporting consumer spending, higher-income households have benefited from the sharp appreciation in equities and housing assets. According to the Federal Reserve, net household worth has jumped by more than 16 percent since the end of 2024, concentrated among higher income households. Those wealth gains can encourage additional spending as it's estimated that each additional dollar of wealth drives roughly two cents of additional spending. Households near- or in retirement are estimated to hold more than $50 trillion in assets, which has also lifted spending activity by older consumers despite inflationary pressures. We estimate that the wealth effect will boost GDP growth by at least 0.3 percentage points in 2026. Even if the wealth effect fades in 2027 due to a downturn in equity prices, continued job and income gains should support spending activity.

Lower income consumers typically face a much different spending picture. Households within the bottom two income quintiles devote nearly two-thirds of their budgets to essentials such as food, housing, health care, and gasoline, compared to less than half for the highest income quintile. As such, lower income households have high sensitivity to the higher costs for necessities. Lower- and middle-income households have been largely unable to cut back on essential items, choosing to pull back on savings and add credit card debt when necessary. Despite talk about the K-shaped economy, the share of total spending across quintiles has remained largely unchanged over the past decade. This indicates a broad-based resilience for consumer activity despite wide income and wealth divergences across households.

Spending by income quintile: 2025

Households in the bottom two income quintiles spend a much larger share of their budgets on life essentials, while higher-income households spend more on discretionary items



Source: Bureau of Labor Statistics, Haver Analytics, Nationwide Economics

From a sentiment standpoint, rising prices have been the primary culprit for consumers' negative views on the economy. Successive years of elevated inflation have weighed on household budgets and created widespread fatigue towards rising costs, especially among lower income tiers. Unsurprisingly, consumer sentiment for the lowest third of households by income has diverged sharply from the highest income group. The spike in gasoline prices this year has added to the high discontent that was originally spurred by prior sharp price increases for life essentials. Still, consumer behavior has changed more on the margins, with increased value-conscious spending and price selectiveness to manage budgets, rather than prompting a broad slowdown in purchases.

Next page: What's the outlook for 2027? ▶

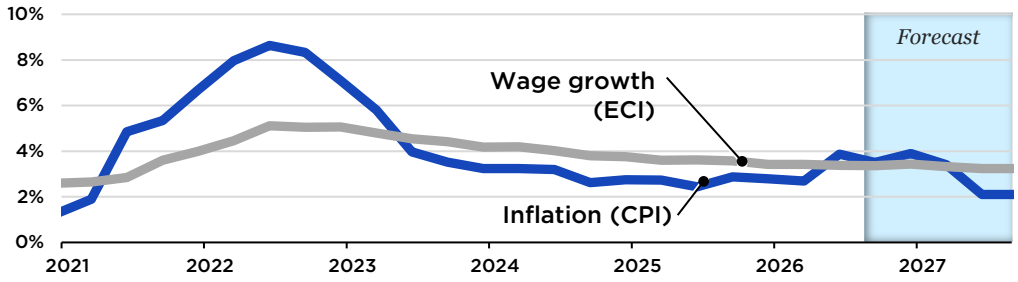
Consumer outlook for 2027

The fundamentals for consumer spending should remain solid over 2027. We expect job growth to pick up modestly and become more broad-based over the next year, supported by easing cost pressures for businesses. Wage growth should be buoyant, and cooler inflation means more after-inflation income for households. Even if the wealth effect weakens due to a drawdown in equity prices, solid income gains should more than provide a buffer for spending. We project GDP growth to be near 2.3 percent in 2027, driven by continued solid consumer spending as well as strong investment from the AI buildout.

Leading the improvement in inflation, gasoline prices are forecast to gradually trend lower next year. Diesel prices are also poised to move lower, though the lagged impact from the rise in the prior months likely continues to place upward pressure on transportation costs especially for food into early 2027. We forecast the waning impact from high energy prices and tariffs should lead the annual pace of CPI inflation towards 2 percent by mid-year.

Inflation is expected to fall below wage growth, boosting consumers' purchasing power

Percent year-over-year change



Wage growth fell behind inflation in 2026 but is expected to outpace inflation in 2027

Source: Bureau of Labor Statistics, Haver Analytics, Nationwide Economics

Inflation should moderate to below the growth rate for wages, resulting in improved purchasing power for households. This could bolster personal savings, reduce reliance on credit, and gradually lift spending on non-essential items. The financial relief likely keeps the consumer sector on a solid, positive path. That said, many households are likely to remain price-conscious in 2027, using discounts and shifting toward lower-cost products or services to control costs due the cumulative impact of higher prices since the Covid pandemic. Families could also postpone larger discretionary purchases, trade down on travel or dining, and prioritize spending on necessities.

2027 Consumer Themes

- Steady employment and wage growth along with declining inflation should improve consumers' purchasing power in 2027.
- The wealth effect for higher income households may not be as strong in 2027, but this should be more than offset by improved fundamentals for consumer spending.
- Consumers are expected to remain price-conscious, use discounts, and continue buying lower-cost alternatives even as inflation cools.

CONTRIBUTORS

Ben Ayers
AVP, Senior Economist

Kathy Bostjancic
SVP & Chief Economist

The information in this report is provided by Nationwide Economics and is general in nature and not intended as investment or economic advice, or a recommendation to buy or sell any security or adopt any investment strategy. Additionally, it does not take into account any specific investment objectives, tax and financial condition or particular needs of any specific person.

The economic and market forecasts reflect our opinion as of the date of this report and are subject to change without notice. These forecasts show a broad range of possible outcomes. Because they are subject to high levels of uncertainty, they will not reflect actual performance. We obtained certain information from sources deemed reliable, but we do not guarantee its accuracy, completeness or fairness.

Nationwide, the Nationwide N and Eagle and Nationwide is on your side are service marks of Nationwide Mutual Insurance Company. © 2026 Nationwide.