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# The Key Role of Wealthy Consumers in U.S. Economy

## Description

Wealthier Americans are driving retail spending, fueling strong growth for the economy. Despite facing high prices, these consumers are increasing their spending due to gains in income, home equity, and stock market wealth. This trend, highlighted by Federal Reserve research, marks a shift from the pre-pandemic period and indicates that consumer spending will likely support healthy growth in the coming year.

In contrast, lower-income individuals are feeling the pinch of rising costs, especially for necessities like rent and groceries. This has limited their ability to spend on discretionary items such as electronics and entertainment. While their spending is slowly recovering with rising incomes, it may take time for their financial situation to fully improve.

The disparity in spending habits between affluent and lower-income consumers explains the divergence between consumer sentiment and the actual strength of the U.S. economy. Despite the Federal Reserve maintaining high interest rates, consumer spending has continued to increase. Recent data shows a 0.4% rise in retail sales from August to September, indicating consumer confidence in the economy.

Higher-income households have benefited from surging housing and stock market values since the pandemic. This has allowed them to ramp up spending without needing to dip into savings. As a result, retail spending has significantly increased for upper- and middle-income households compared to lower-income groups.

While lower-income consumers have faced challenges in spending on discretionary items, economists remain optimistic that rising incomes will support continued spending in the future, driving economic growth.

## CATEGORY

1. Business - LEVEL4

## Date Created

2024/10/19

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