



Understanding the K-Shaped Economy: Spending, Jobs, and Income

Description

The American economy currently reflects sharp disparities in wealth and consumer behaviour, characterised as a K-shaped recovery. This phenomenon sees affluent individuals, including billionaires, thriving through significant spending on luxury experiences, from high-end travel to pet grooming, while lower- and middle-income earners scale back on essentials due to financial strain.

Recent years have witnessed a widening gap within the employment landscape. Young college graduates aged 22 to 27 now experience higher unemployment rates compared to the overall workforce, a stark shift from pre-pandemic levels. Sectors also show uneven recovery, with healthcare jobs recovering more robustly than many white-collar professions.

In terms of income, the growth rate for higher earners has surpassed that of lower-income individuals since 2024. Analysis by the Bank of America reveals that wage increases for lower-income groups have stagnated, exacerbating economic divides. Notably, wealthier households disproportionately benefit from economic growth and fiscal policies designed to aid the middle class.

Consumer spending patterns further highlight disparities. Higher-income individuals are increasingly purchasing quality groceries, while those earning less are restricting their expenditures on non-essential food items. This shift reflects broader cost-of-living challenges, where inflation impacts spending power more severely for lower earners.

Credit stress compounds these challenges, as credit card debt has risen to \$1.28 trillion. Those at the lower end of the income spectrum feel the pressure most acutely, with a greater likelihood of delinquency compared to those in wealthier brackets. Economic indicators may suggest growth, but the reality for many Americans remains one of financial insecurity, with ongoing concerns surrounding affordability and spending capabilities.

Comprehension Questions

Multiple Choice

1. What term is used to describe the current disparities in the American economy?

Option: U-shaped recovery

Option: L-shaped recovery

Option: K-shaped recovery



Option: V-shaped recovery

2. Which group is experiencing higher unemployment rates than the overall workforce?

Option: High school graduates

Option: Young college graduates aged 22 to 27

Option: Retired individuals

Option: Manufacturing workers

3. Since which year has the growth rate for higher earners surpassed that of lower-income individuals?

Option: 2020

Option: 2021

Option: 2022

Option: 2024

4. What has credit card debt risen to in the American economy?

Option: \$500 billion

Option: \$1 trillion

Option: \$1.28 trillion

Option: \$2 trillion

5. Which sector is mentioned as recovering more robustly than many white-collar professions?

Option: Construction

Option: Healthcare

Option: Retail

Option: Hospitality

6. What are higher-income individuals increasingly purchasing?

Option: Fast food

Option: Quality groceries

Option: Discounted products

Option: Essential items

True-False

7. Affluent individuals have scaled back on luxury spending.

8. The employment gap has narrowed for young college graduates since the pandemic.



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9. Lower-income groups have seen wage increases post-2024.
 10. Inflation affects spending power more severely for lower earners.
 11. Credit stress is felt equally across all income brackets.
 12. Economic indicators currently suggest financial insecurity for many Americans.

Gap-Fill

13. The American economy is characterised as a K-shaped recovery, which sees affluent individuals thriving while _____ individuals face financial strain.
14. Young college graduates aged 22 to 27 now have _____ unemployment rates compared to the overall workforce.
15. Since 2024, the growth rate for higher earners has _____ that of lower-income individuals.
16. Credit card debt has risen to \$1.28 trillion, placing pressure on those at the _____ end of the income spectrum.
17. Higher-income individuals are purchasing quality groceries, while those earning less are _____ their expenditures.
18. The reality for many Americans is one of financial insecurity, with ongoing concerns surrounding _____ and spending capabilities.

Answer

Multiple Choice: 1. K-shaped recovery 2. Young college graduates aged 22 to 27 3. 2024 4. \$1.28 trillion 5. Healthcare 6. Quality groceries

True-False: 7. False 8. False 9. False 10. True 11. False 12. True

Gap-Fill: 13. lower and middle income 14. higher 15. surpassed 16. lower 17. restricting 18. affordability



CATEGORY

1. Business - LEVEL6

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