



THE STATE OF CONSUMER SPENDING:

Inflation Impact Fueling Recession Fears

TREND DATA FROM APRIL 2022 TO JULY 2022

TABLE OF CONTENTS

SUMMARY.....1

HOW INFLATION IS IMPACTING CONSUMERS.....2

WHERE CONSUMERS ARE CUTTING BACK AND PRIORITIZING.....8

 GROCERIES.....12

 APPAREL, FOOTWEAR, & ACCESSORIES.....13

 ENTERTAINMENT.....14

 TRAVEL.....15

 DISCRETIONARY SPENDING.....18

CONSUMER INSIGHTS ON RECESSION FEARS.....20

CONCLUSION.....21

SUMMARY

First Insight's new report, Inflation Impact Fueling Recession Fears, measures the continued impact inflation is having on consumer spending and sentiment. As the second report in a longitudinal series, this study seeks to uncover the longer-ranging impact rising prices are having on consumers across a variety of categories.

KEY FINDINGS: APRIL 2022 VS JULY 2022

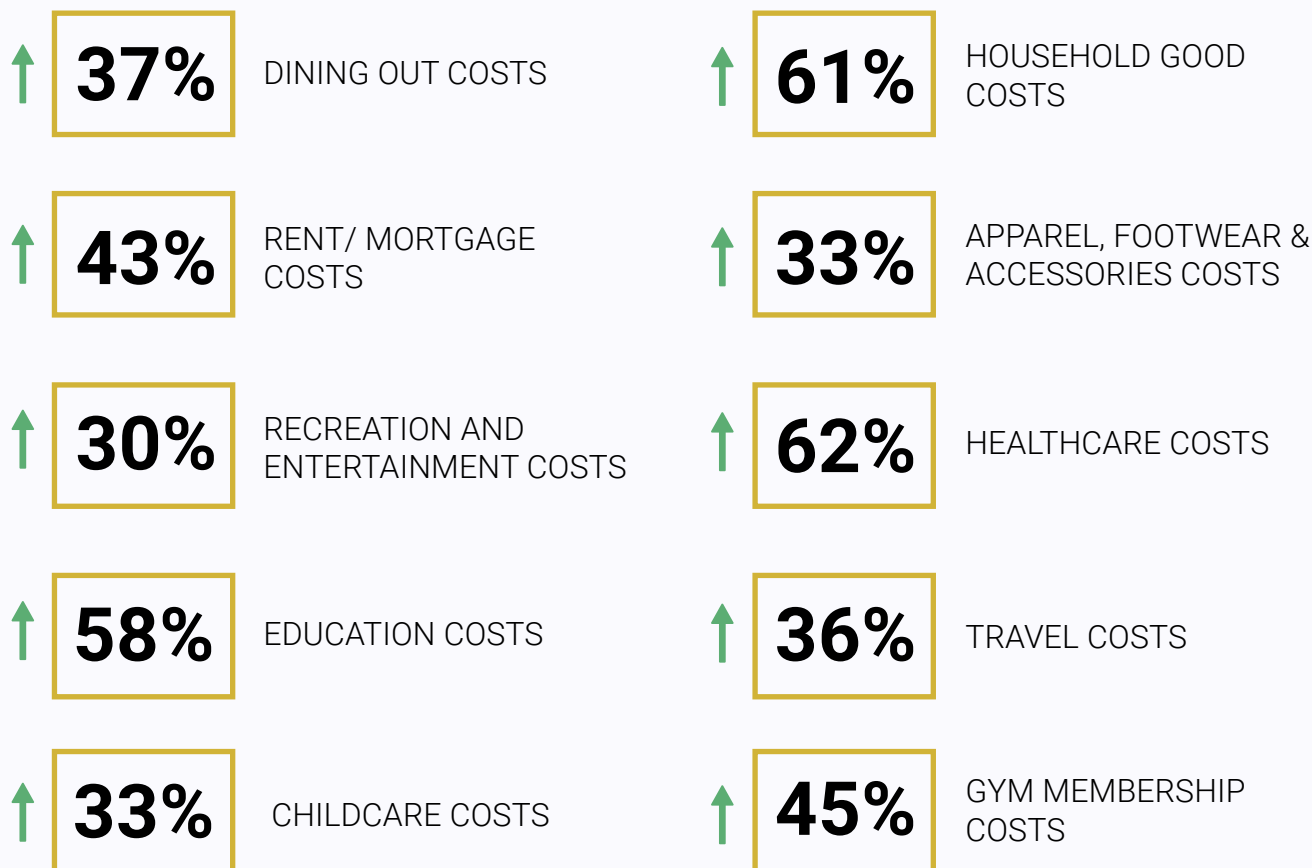
- Nearly all consumers are concerned about the possibility of a recession with 3/4 believing the economy is or may already be in a recession.
- Rising food prices, food shortages, and availability of goods & services are the top three recessionary concerns for consumers.
- Gas, groceries, and dining out continue to be top categories consumers report being hit the hardest. Groceries and dining out are impacting consumers more and they plan to cut back more in these areas.
- Consumers continue to report changes in their shopping habits which include shopping more for deals and staying within a budget.
- High prices are causing 28% to save less with 18% tapping into existing savings.
- Thirty-one percent more consumers are switching to store brands and private labels.
- Fewer consumers are cutting back and being impacted by vehicle costs.
- Consumers are significantly more impacted by household goods costs and report cutting back more in this area.

HOW INFLATION IS IMPACTING CONSUMERS

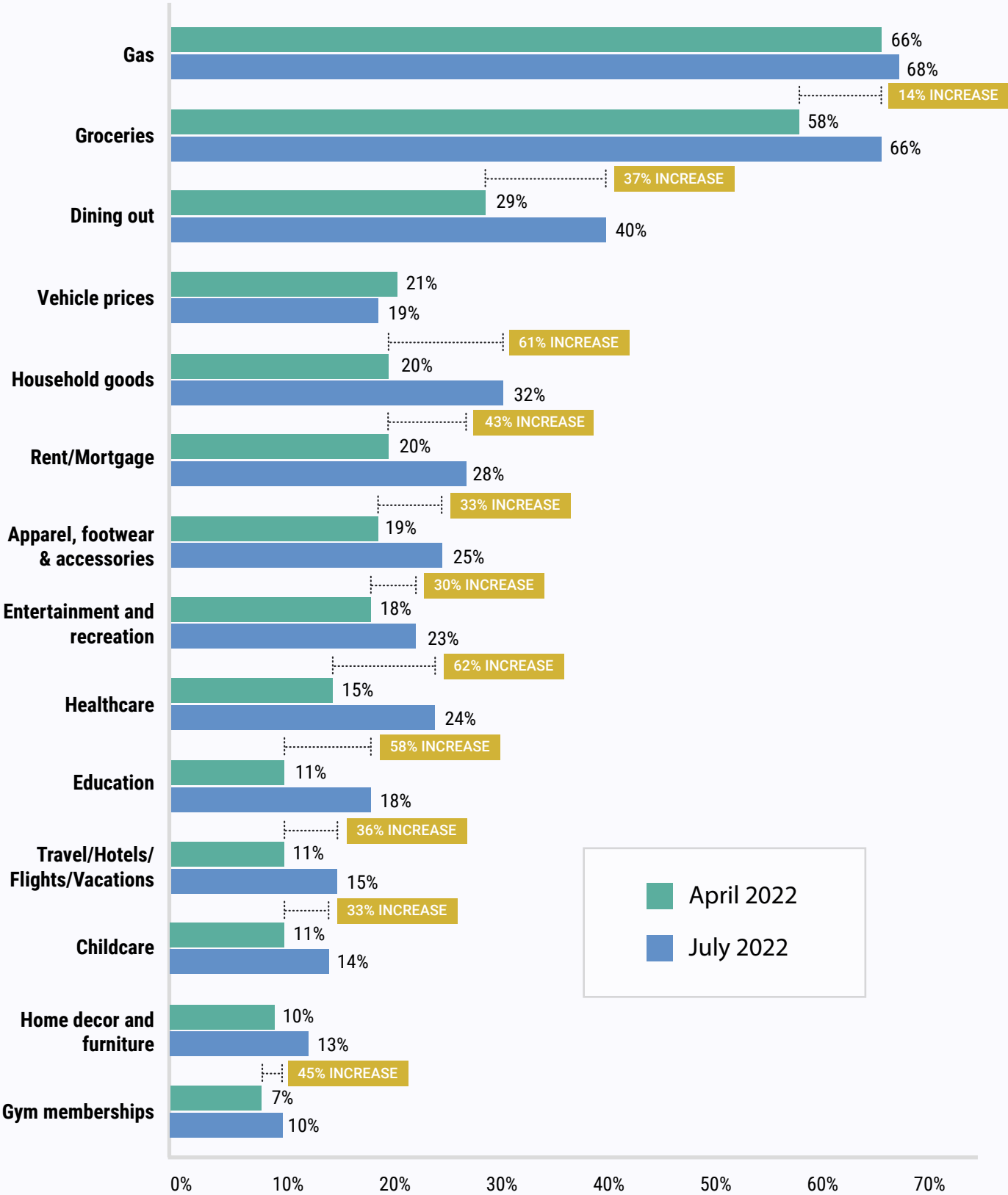


While high gas and grocery prices continue to wield the greatest impact on consumers' daily lives, the July data reveal that many other expenses have increased significantly in terms of their impact on consumers. Dining out, household goods, healthcare, rent/mortgages, and education all saw double-digit percentage increases in the newest data, showing that consumers are feeling pinched across myriad touchpoints.

NUMBER OF CONSUMERS IMPACTED BY INFLATION INCREASING ACROSS KEY CATEGORIES



TOP PRICE INCREASES IMPACTING CONSUMERS' DAILY LIVES

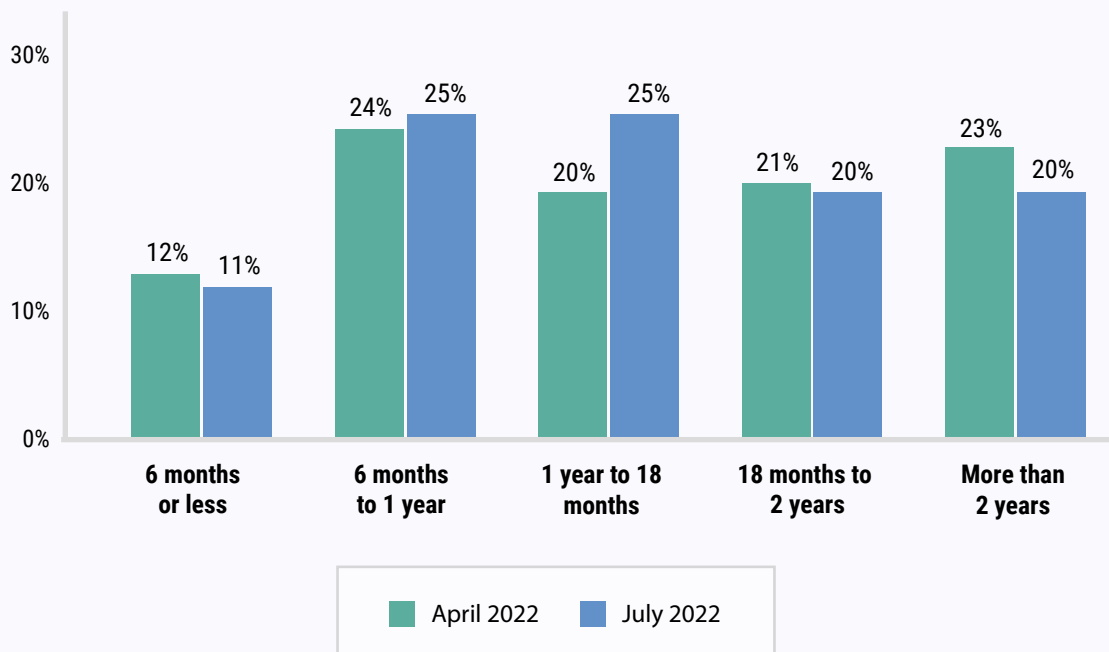


CONSUMERS ARE LESS CONFIDENT TO SPEND DUE TO INFLATION

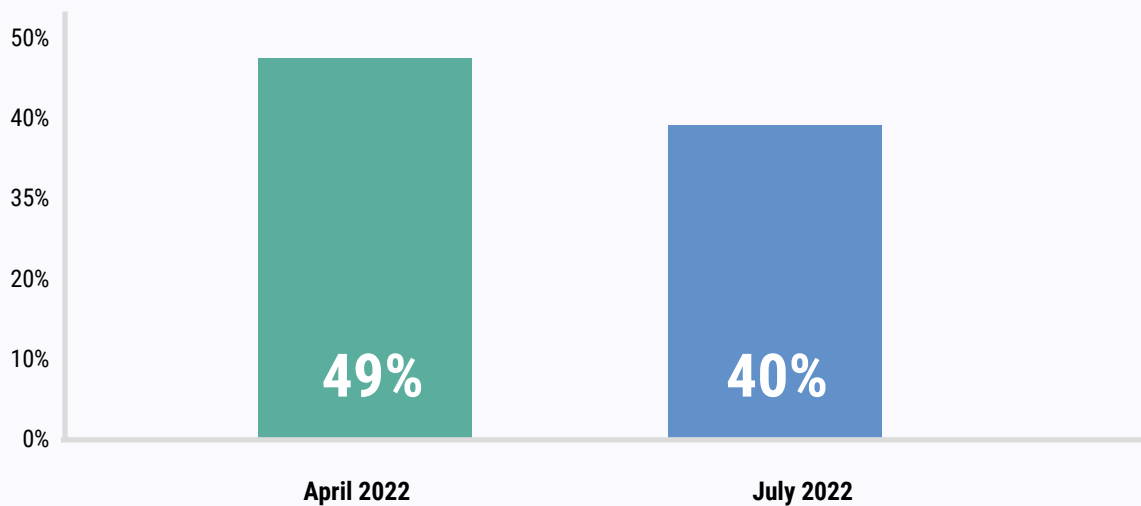


With the U.S. Consumer Price Index indicating that inflation rose to 9.1 % in June 2022, the highest since November 1981, it's no wonder that consumer confidence eroded further since First Insight's April report. Fully 80% of consumers say that they have less confidence to spend because of rising prices, compared to 74% in April. Shoppers looking for less expensive ways to shop remained steady at exactly 82% for April and July.

HOW LONG CONSUMERS THINK INFLATION WILL LAST



CONSUMERS CONCERNED ABOUT INCOME/CURRENT JOB SITUATION



Despite widespread layoffs and hiring freezes in the tech sector, fewer consumers today say that inflation is giving them concern for their income or current employment situation.



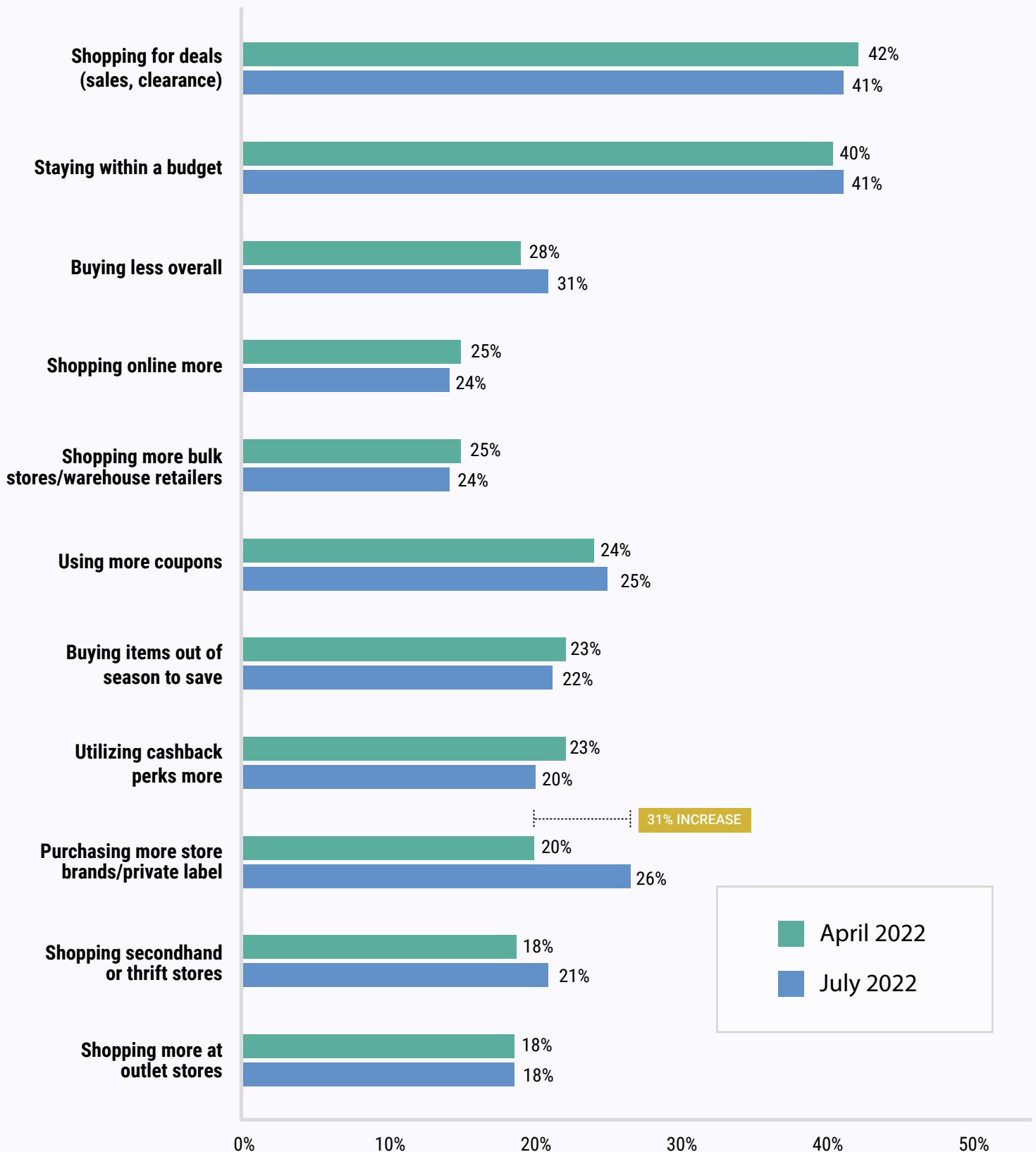


Retailers that have increased their private label or own brand product will appeal to more consumers now than in April, especially in grocery stores. Thirty-one percent more consumers today are saving money by shopping for store brands/private label products instead of name-brand products. Consumers are continuing to shop for deals and stay within a budget. Businesses should consider implementing creative strategies for appealing to a more price-conscious shopper.

31%

↑ **INCREASE IN CONSUMERS SWITCHING TO STORE BRANDS / PRIVATE LABEL**

SHOPPING HABITS CHANGING IN RESPONSE TO RISING PRICES



WHERE CONSUMERS ARE CUTTING BACK AND PRIORITIZING

93%

OF CONSUMERS
CUTTING OVERALL
SPENDING

Not surprisingly, consumers are cutting back on daily expenses which may not have been such a burden before inflation began. Consumers say that they are now cutting back more on gym memberships, healthcare, and household goods more significantly than they were in April. Gym membership, in particular, saw a rebound as pandemic restrictions subsided, but we may see a return to at-home workouts.



37%

MORE CONSUMERS
CUTTING BACK ON
HOUSEHOLD GOODS



44%

MORE CONSUMERS
CUTTING BACK ON
GYM MEMBERSHIPS



38%

FEWER CONSUMERS
CONSUMERS CUTTING
BACK ON VEHICLES

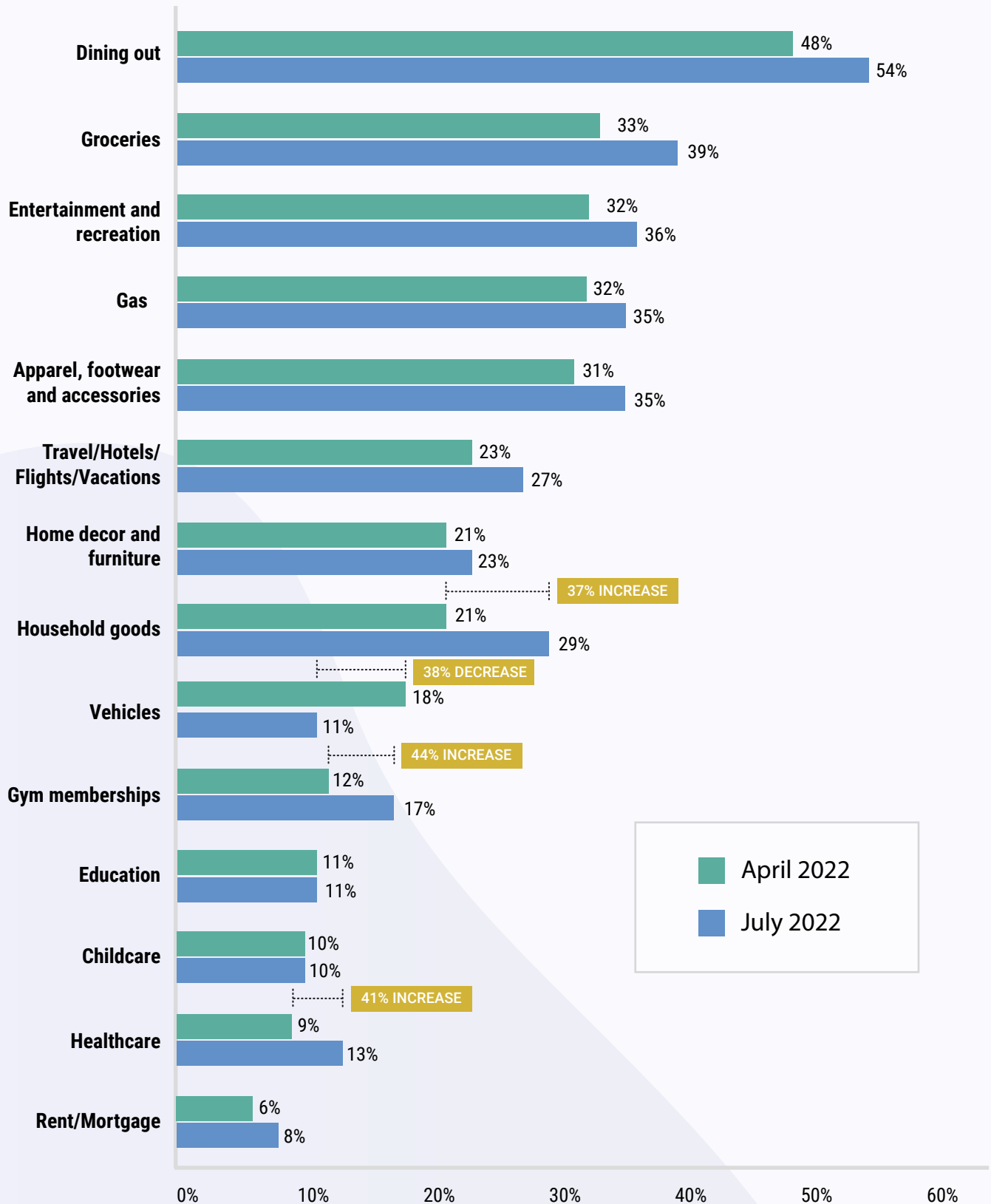


41%

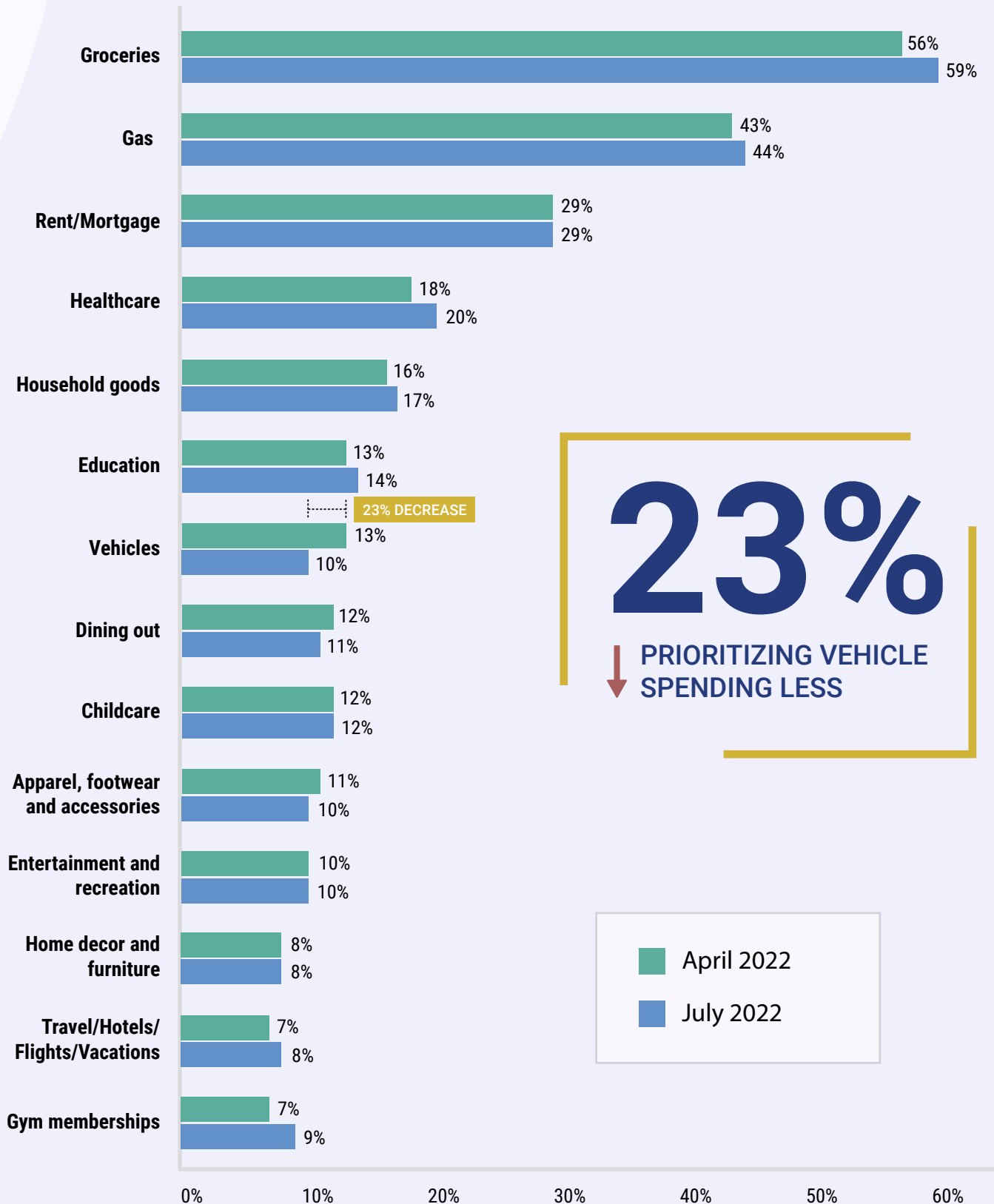
MORE CONSUMERS
CUTTING BACK ON
HEALTHCARE



WHERE CONSUMERS ARE CUTTING BACK DUE TO HIGHER PRICES



CONSUMERS' TOP SPENDING PRIORITIES



59%

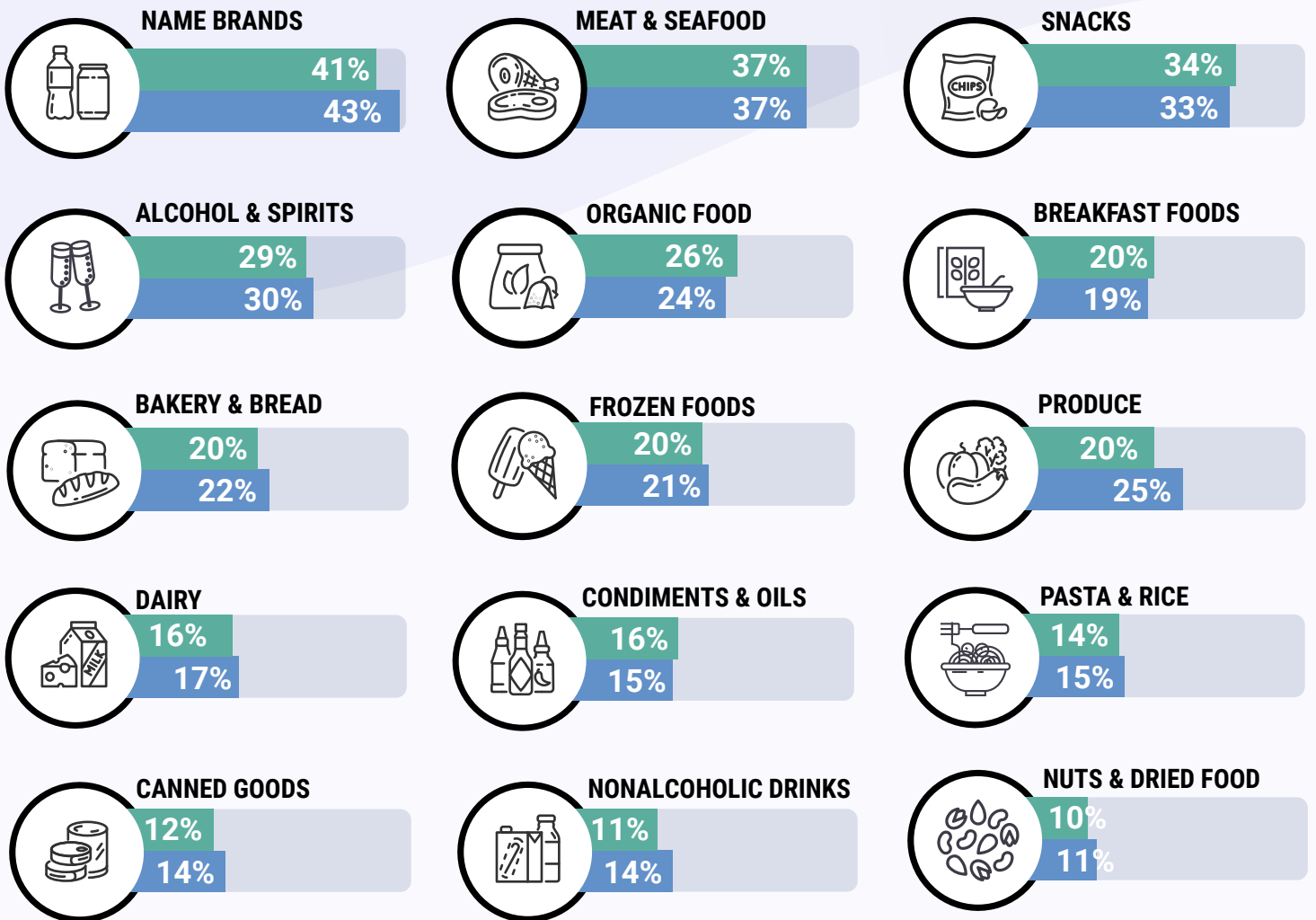
**SAY GROCERIES ARE THEIR
TOP SPENDING PRIORITY**

Groceries remain consumers' top spending priority which has increased by 5% in prioritization since April. The 2022 Food Price Outlook from the U.S. Department of Agriculture notes that "the food-at-home (grocery store or supermarket food purchases) CPI... was 12.2 percent higher than June 2021." While First Insight's data indicate that consumers have resumed some spending on organic food since the April survey, more consumers are now cutting costs by reducing their spend on produce and non-alcoholic beverages.



GROCERIES

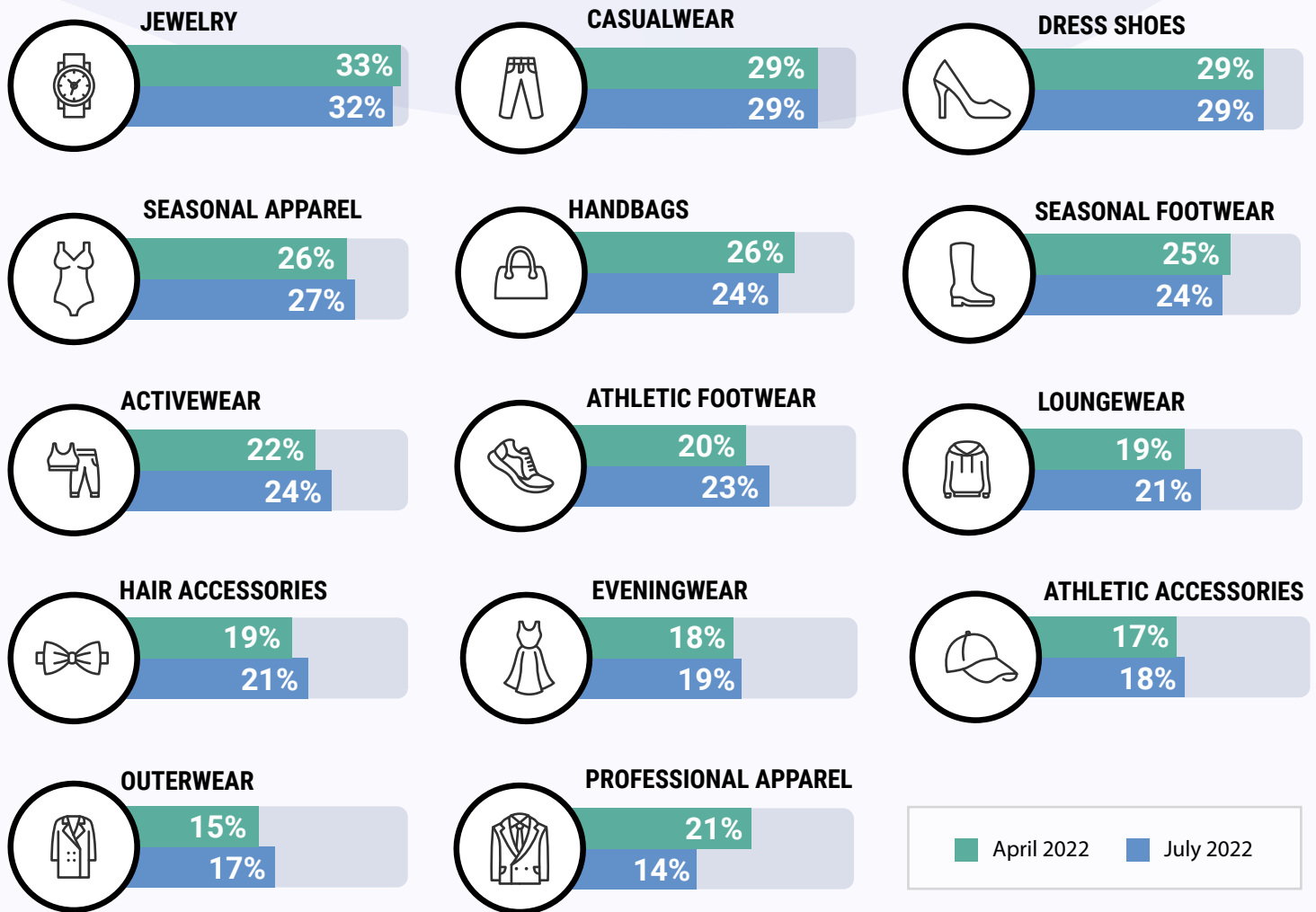
GROCERY PRODUCTS CONSUMERS ARE CUTTING BACK ON DUE TO INFLATION



Consumers continue to cut back on name brands more than any other category. From April to July, shoppers continued to reduce spending across most categories surveyed except for organic food, breakfast foods, snacks, and condiments.

APPAREL, FOOTWEAR, & ACCESSORIES

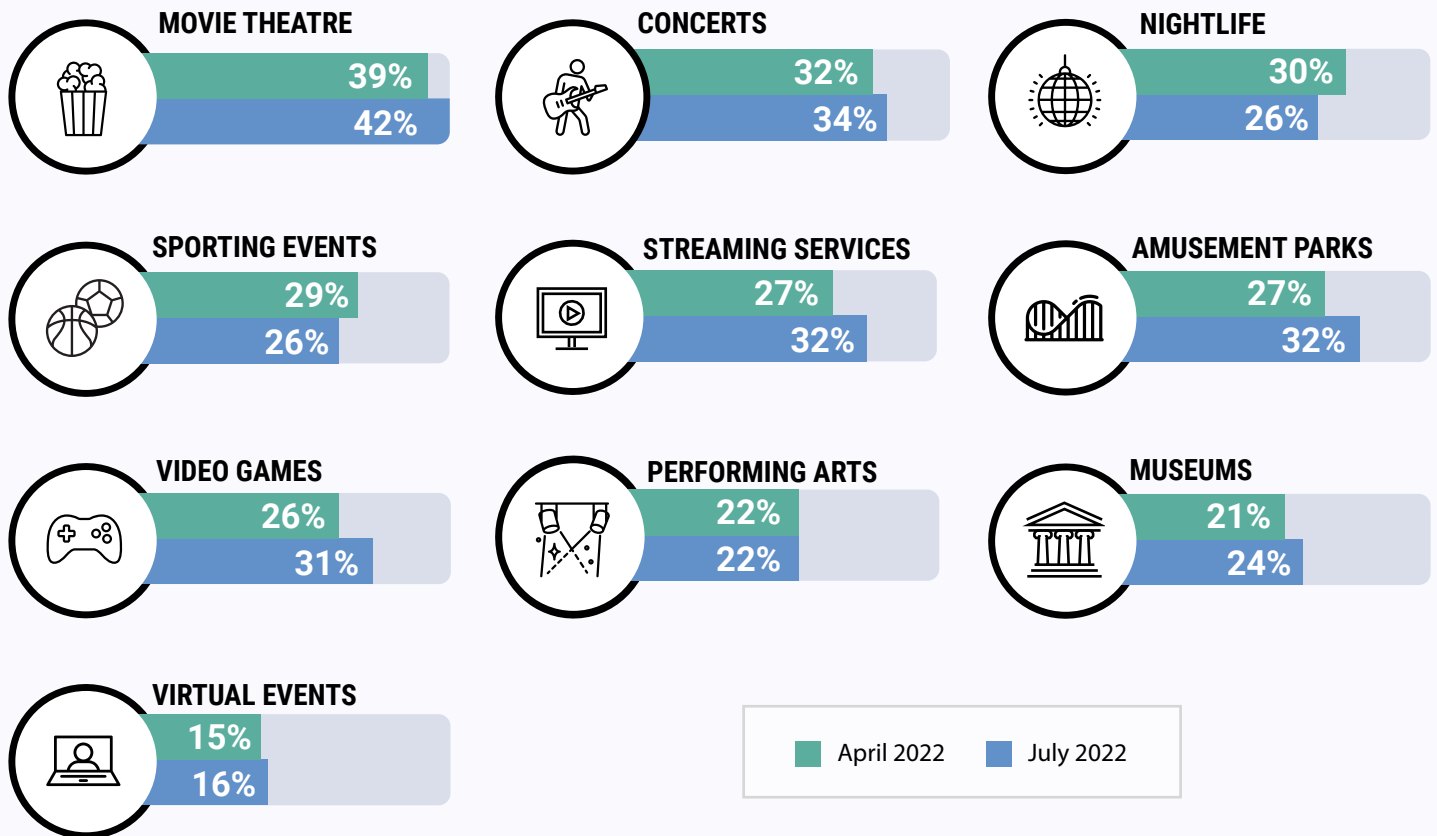
CONSUMER CUTBACKS ON APPAREL, FOOTWEAR, AND ACCESSORIES DUE TO INFLATION



With more people returning to in-office work, apparel retailers can be heartened to learn that spending on professional work attire has rebounded, which correlates to even lower spending in July on athletic footwear, activewear, and loungewear. As Back-to-School shopping season moves into high gear, fewer consumers say that they will reduce spending on children's apparel.

ENTERTAINMENT

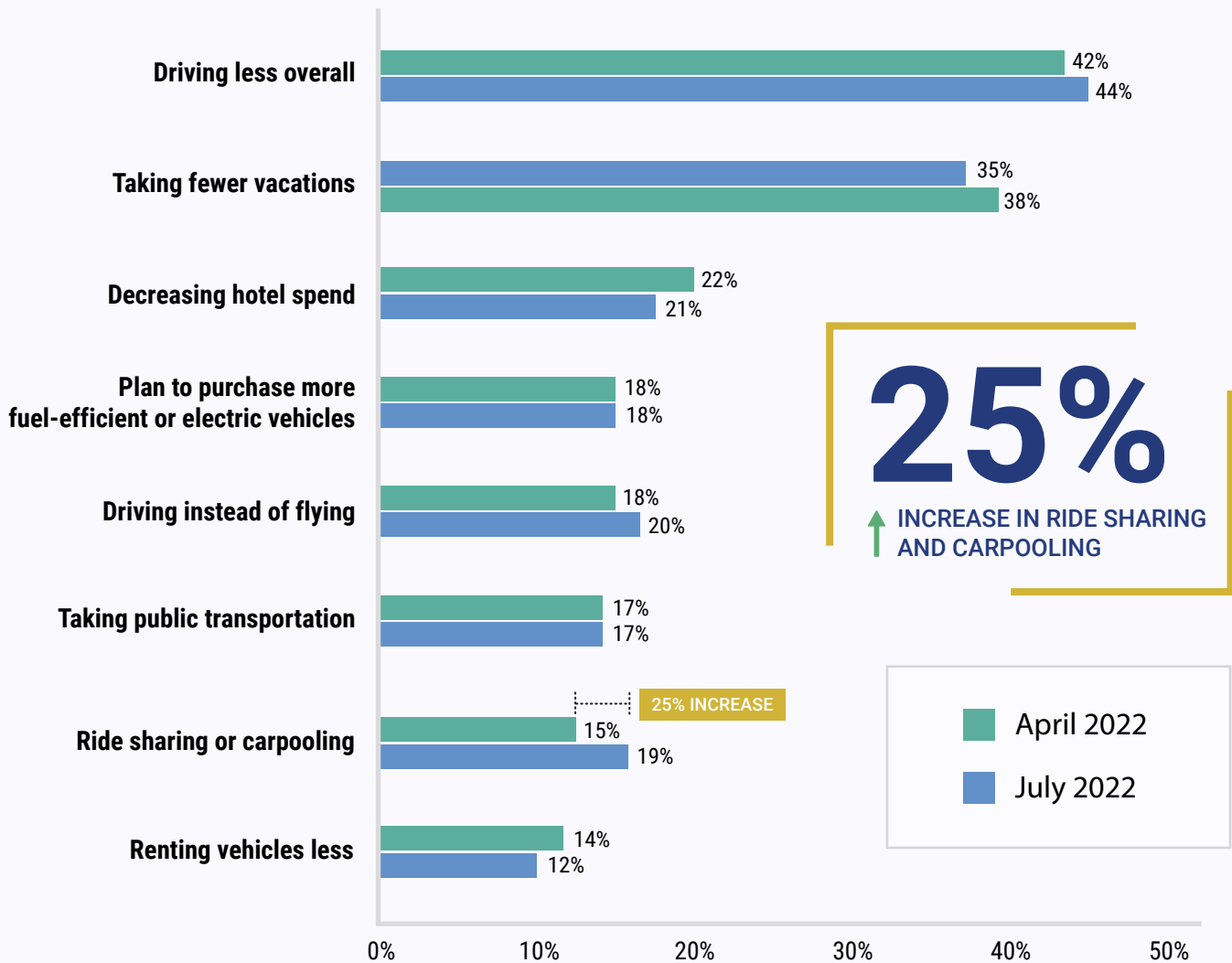
CONSUMERS ARE CUTTING ENTERTAINMENT SPENDING DUE TO INFLATION



Two pandemic affected categories—nightlife and sporting events—appear to be on the upswing compared to other areas above in the face of rising prices. Fewer consumers say that they will reduce their entertainment expenses in these categories when compared to the April data, but they are reducing their entertainment expenses elsewhere. Streaming services and electronic games, both pandemic winners, are being reduced at a higher rate, as is spending at amusement parks, once a summer vacation staple for families.. Analysts have lowered expectations at major theme parks such as Disney, SeaWorld, Cedar Fare, and Six Flags due to recessionary concerns including higher ticket and gas prices.

TRAVEL

HOW INFLATION IS AFFECTING CONSUMERS' TRAVEL



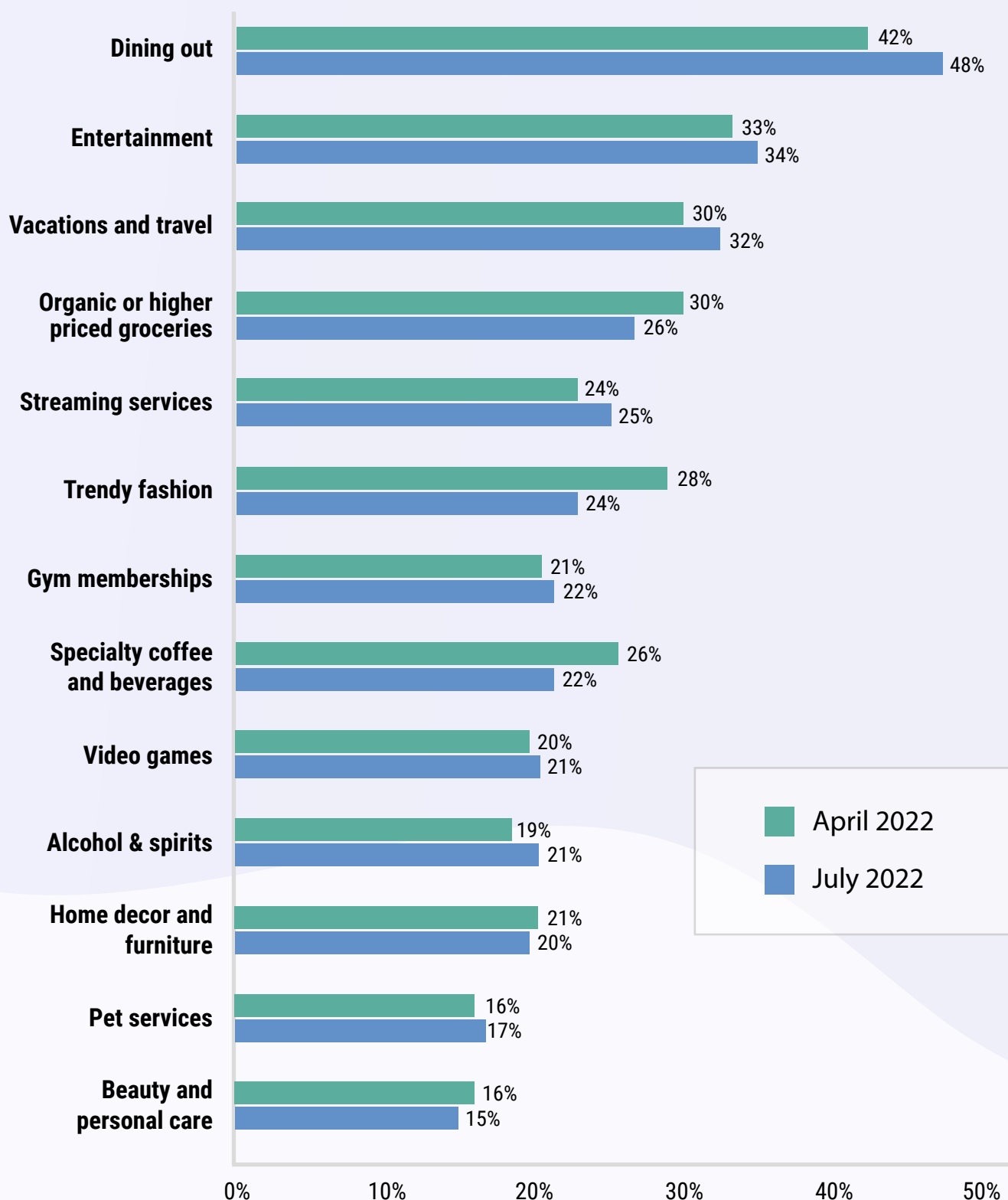
Ride sharing or carpooling has increased by 25% since the April survey was fielded. CNBC predicts that gas prices may have hit their peak in June with lower demand driving the prices at the pump below the \$5 per gallon seen in June. Carpooling makes smart economic sense, especially as more Americans resume commuting to in-office work. In fact, Uber announced in its Q2 earnings that its bookings grew 33% year-over-year.

DISCRETIONARY SPENDING



Dining out remains the top discretionary spending reduction. The U.S. Bureau of Labor Statistics revealed that restaurant prices increased by 7.2% in April, the biggest increase in over 40 years. Following the trend of more people returning to work, fewer consumers are reducing their spending on trendy fashion and specialty coffee beverages, as well as organic groceries as noted previously in this report.

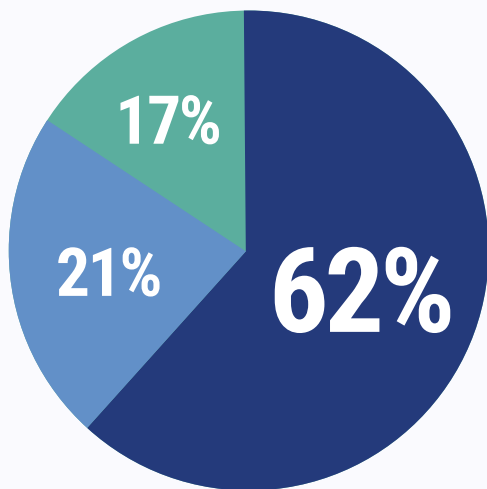
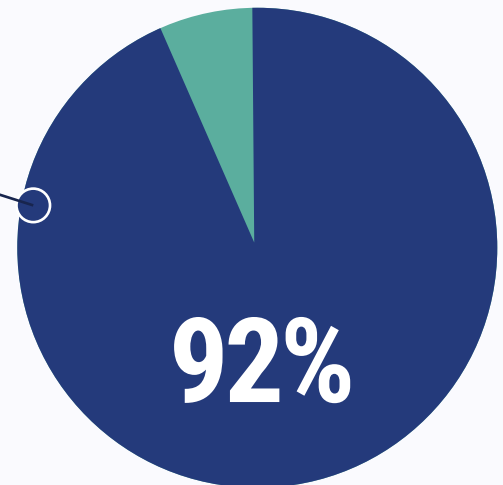
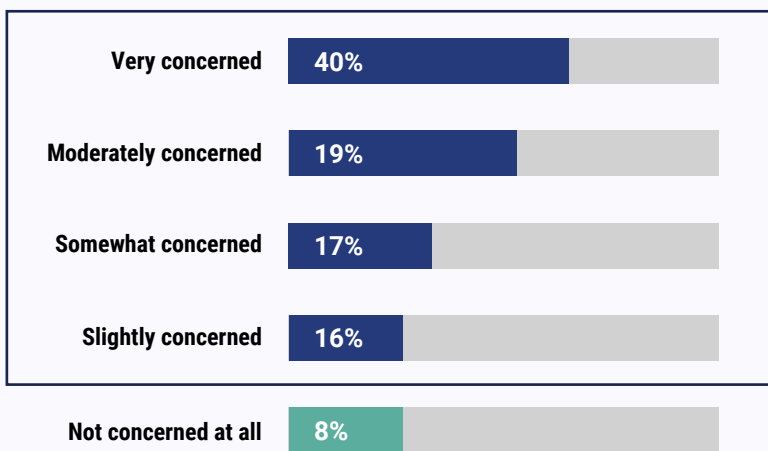
CONSUMERS' DISCRETIONARY SPENDING CUTBACKS



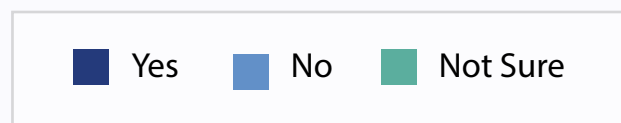
CONSUMER INSIGHTS ON RECESSION FEARS

As recession fears shake up the foreseeable economic landscape, consumers have already started adjusting, despite the absence of an official recession being declared. Most consumers are concerned about a downturn and believe we may be already experiencing a recession. Respondents also reported shifts in their saving behavior as soaring prices continue to affect essential needs like food, clothing, and housing. One key area of the inflation data that aligns with recession fears is the concern around food. With groceries being one of the top categories impacting consumers when it comes to inflation, it's no wonder recession fears elevate this worry as people report food prices and food shortages being a top concern related to recession threats.

CONSUMERS CONCERNED ABOUT A RECESSION

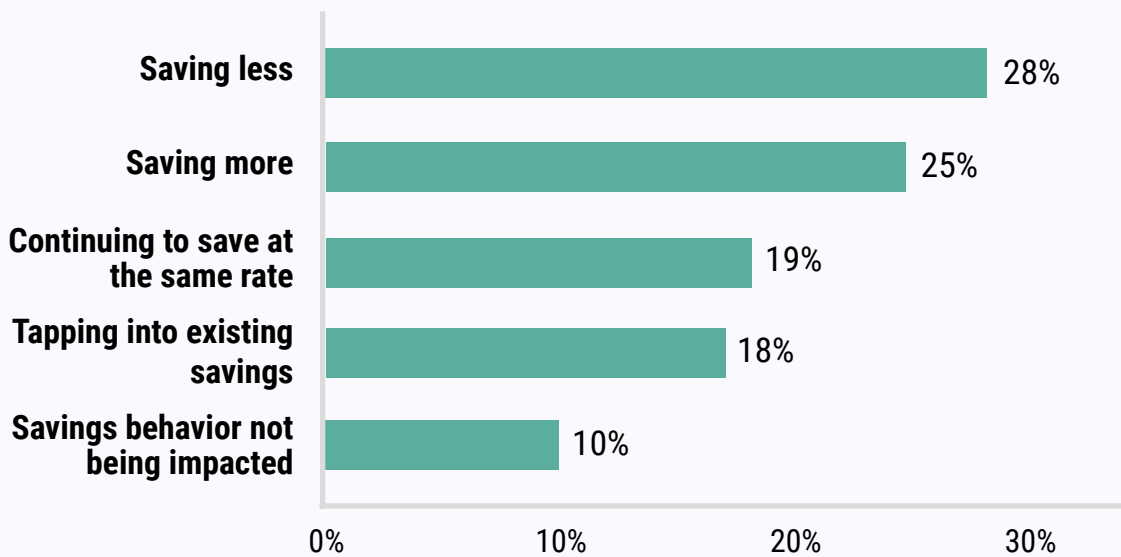


CONSUMERS WHO BELIEVE WE'RE CURRENTLY EXPERIENCING A RECESSION

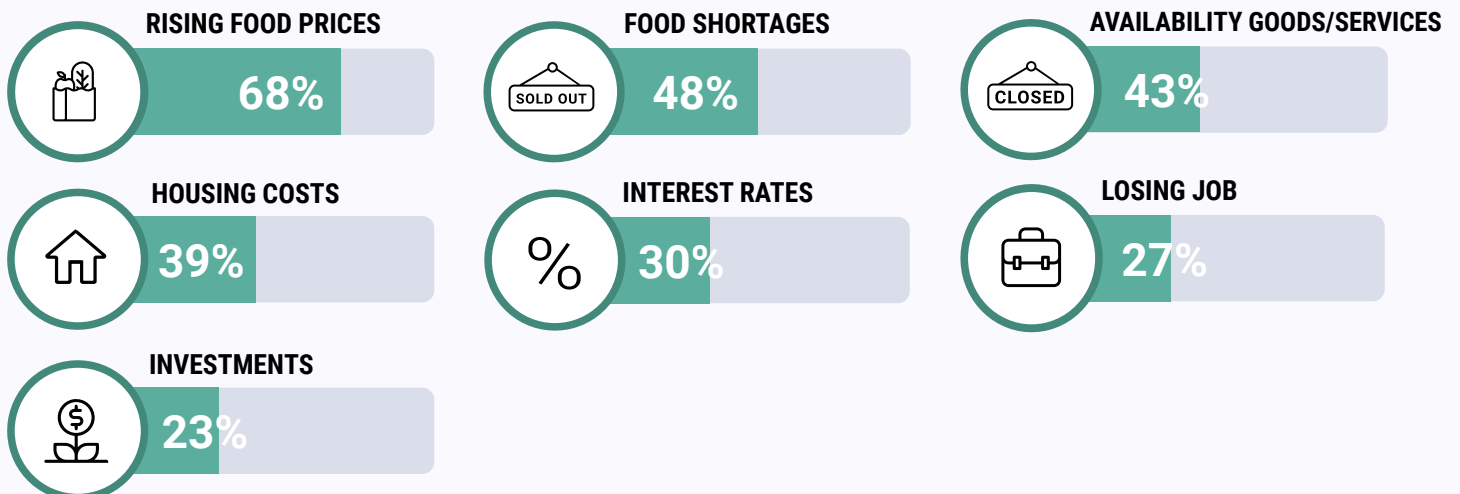




HOW CURRENT ECONOMIC CONDITIONS ARE IMPACTING CONSUMER SAVING BEHAVIOR



WHAT CONSUMERS ARE MOST CONCERNED ABOUT



CONCLUSION

The majority of consumers surveyed indicate that they believe the U.S. is currently in a recession which, along with the highest inflation in over 40 years, has contributed to diminishing consumer confidence. The savings boom seen in the U.S. during the COVID pandemic lockdowns is no longer as robust, with the majority of consumers indicating that they are saving less than they were previously, or tapping into existing savings to get by.

Food is the number one concern U.S. consumers have about a recession, both its cost and availability. When this report was fielded, grocery and fuel prices were at the highest levels many people in the U.S. had ever seen. The ramifications of these high prices continue to impact daily lives, with consumers spending less on dining out, household goods, healthcare, education, and housing.

Inflationary pressures on consumers will remain for the foreseeable future, even as some major expenses, such as gasoline, have shown to be leveling off. Food prices remain high due to the war in Ukraine, which is the largest producer of sunflower oil and exports one-third of the world's wheat. The best retailers and brands can use this moment to drive future good will and loyalty by helping to alleviate some of their consumers' pain points. Using advanced software tools which combine first-hand voice of the customer data with machine learning, retailers and brands will be better armed to withstand these adverse economic conditions and be better poised for greater success in the future.

Methodology

First Insight's findings are based upon a survey conducted through its proprietary platform. The report is based upon a sample of 1,000 people fielded by email in April 2022 and compared to another sample of 1,000 people fielded in July 2022. The samples were proportionately balanced by generation, region, and gender. Further details on the findings are available upon request.

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