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# CONSUMER INFLATION SENTIMENT

AUGUST 2022 ■

**INFLATION  
SLOWLY EBBS,  
BUT CONSUMER  
OUTLOOK  
REMAINS GLOOMY**

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# CONSUMER INFLATION SENTIMENT

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# INTRODUCTION

**Inflation may be decelerating, but U.S. consumers are having to make tough choices about their spending, and they don't like it.**

The U.S. dollar has lost 12% of its purchasing power in the last 24 months, impacting the share of income consumers use to pay for everything from gasoline to eggs to clothing. With just 4% of consumers PYMNTS surveyed saying their wage increases have kept pace with inflation, people of all economic stratum are feeling the effects, especially those in the most precarious financial positions. Most consumers living paycheck to paycheck with issues paying bills, 79%, say their financial situation is worse now than a year ago.

Economists are saying there are reasons to remain hopeful. Jobs continue to be added to the economy, which shows promise in keeping a recession at bay, and the price of gasoline, which impacts all other costs, is slowly decreasing. Even so, most consumers remain pessimistic and skeptical of positive messaging, with 60% believing retail prices will continue to rise and 62% expecting a recession to begin within the next couple of years.

And so, the belt-tightening begins as U.S. consumers start making hard sacrifices. Do they maintain their standing tradition of a weekly date at a fancy restaurant or cook at home instead? Do they take their yearly flight to Grandma's house for the holidays or simply have a video call? Do they get their child the trendiest toy on the market for her birthday or settle for a few necessities? Choices like these will be top of mind for Americans in the coming months as they prepare for a recession that may or may not come while coping with rising prices and wages that have not kept pace.

Consumer Inflation Sentiment: Inflation Slowly Ebbs, But Consumer Outlook Remains Gloomy explores the American consumer experience with decreasing affordability. We surveyed 2,169 U.S. consumers of various financial lifestyles and demographics between August 16 and August 23 to better understand how they perceive the current economic situation and to reveal the decisions they have made in response as well as their perceptions of how much more severe the situation may become.

**This is what we learned.**

**Consumers say that the rising cost of essentials such as groceries, housing and fuel forces severe cutbacks on discretionary spending, and 70% of the surveyed consumers who made retail purchases have cut down on nonessential retail spending.**

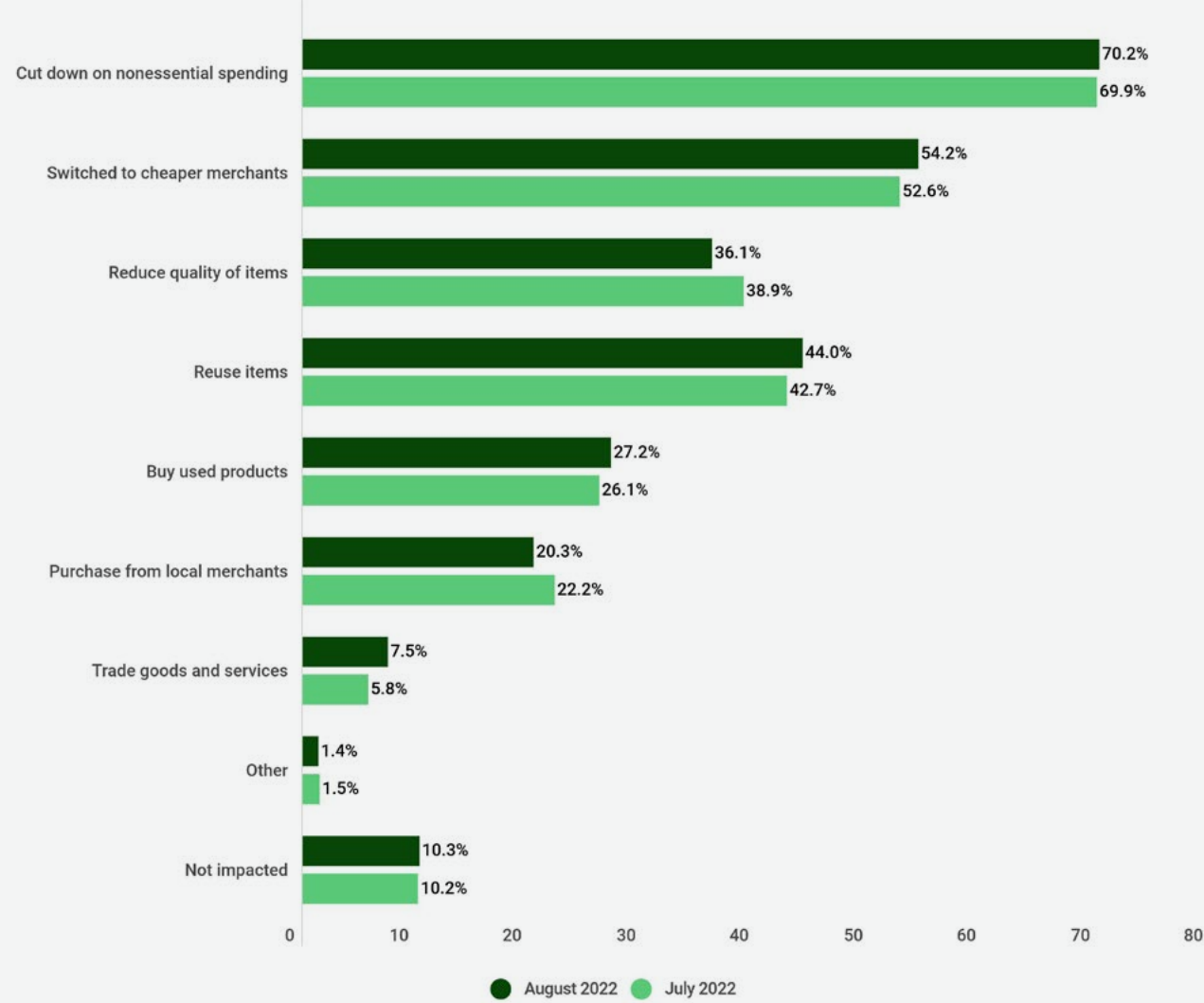
Sixty-one percent of those surveyed say their households cannot handle any further price increases. According to the Bureau of Labor Statistics (BLS), the average price increase of consumer goods in the last year was 8.5% in July 2022.

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Consumers are forced to make tough choices about what they need, what they want and what is simply “nice to have.” Nonessential items, especially retail and travel, are taking a back seat to essentials such as food and shelter. Forty-eight percent of consumers who have spent on travel related services in the last 30 days plan to stay home more often and travel less to reduce fuel expenses. Among those who do intend to hit the road, 36% of them intend to switch to low-cost travel providers and 35% plan to travel to places closer to home.

Many customers have deemed retail goods such as clothing as “nice to have” and are looking to cut back. Fifty-four percent of retail consumers intend to switch to cheaper merchants, while 44% plan to reuse items before buying more.

**Figure 1A**  
**Changes in consumer spending to manage inflation**  
 Share of consumers who have taken specific actions in regard to retail shopping

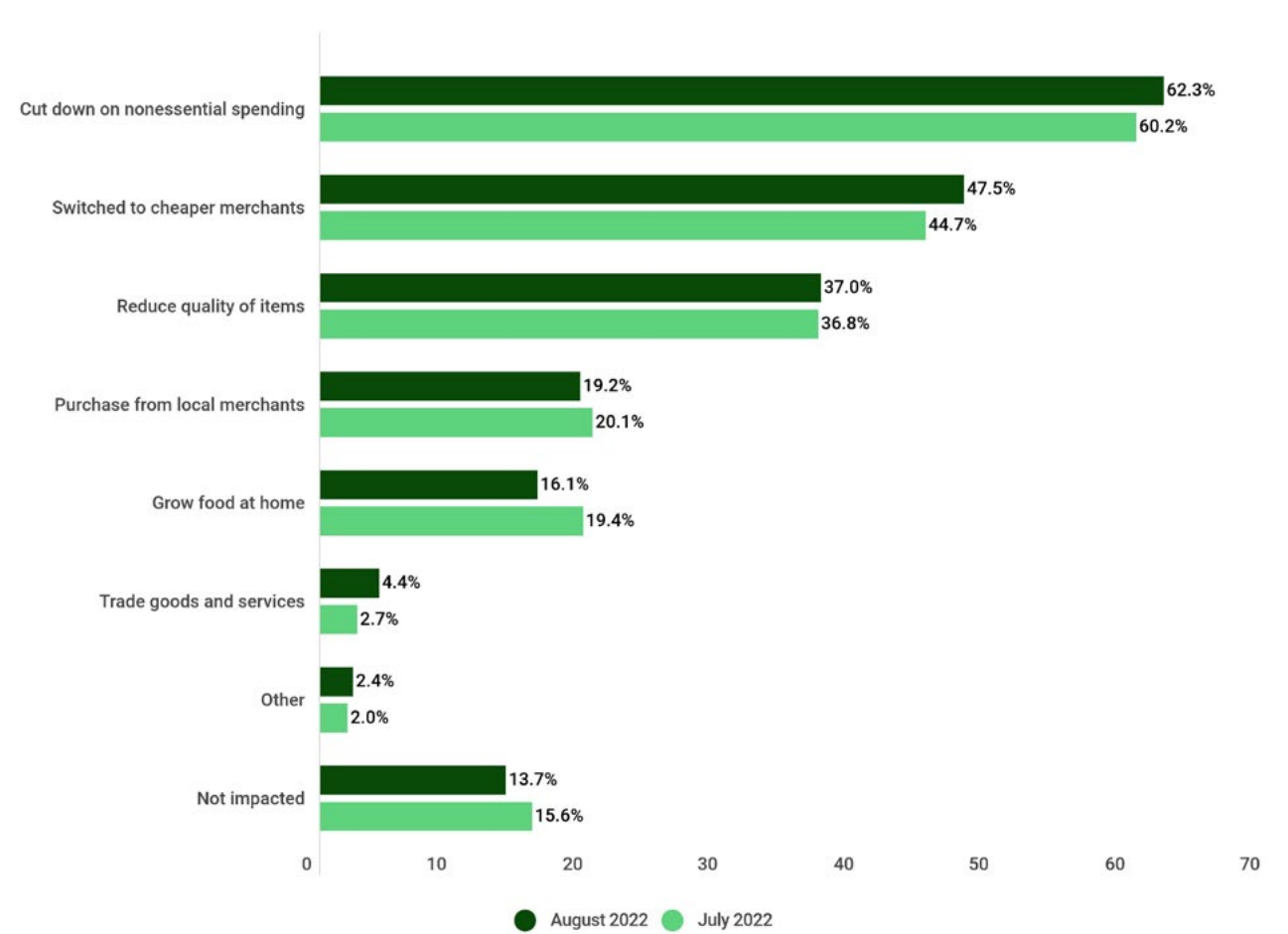


Source: PYMNTS  
 Consumer Inflation Sentiment, August 2022  
 N = 1,364: Consumers who have paid for retail products in the last 30 days, fielded August 16, 2022 - August 23, 2022

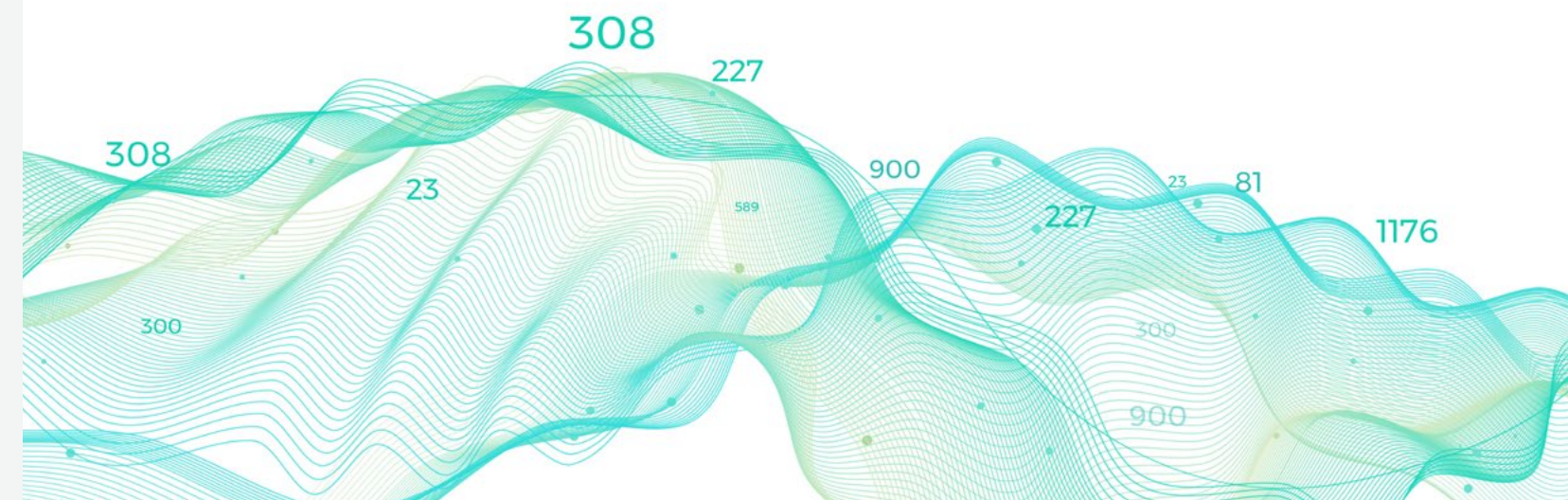
Consumers are looking to reduce costs even with essential spending on items such as food. More than three-quarters of restaurants users, 78%, expect to eat at home more often to save money, and 38% intend to go to restaurants with lower prices. Sixty-two percent plan to cut back on unnecessary grocery expenses and 48% will switch to less expensive merchants.

While these approaches are reasonable from a consumer standpoint, reduced consumer spending puts the overall economy at further risk.

**Figure 1B**  
**Changes in consumer spending to manage inflation**  
 Portion of consumers who have taken specific actions in regard to grocery shopping

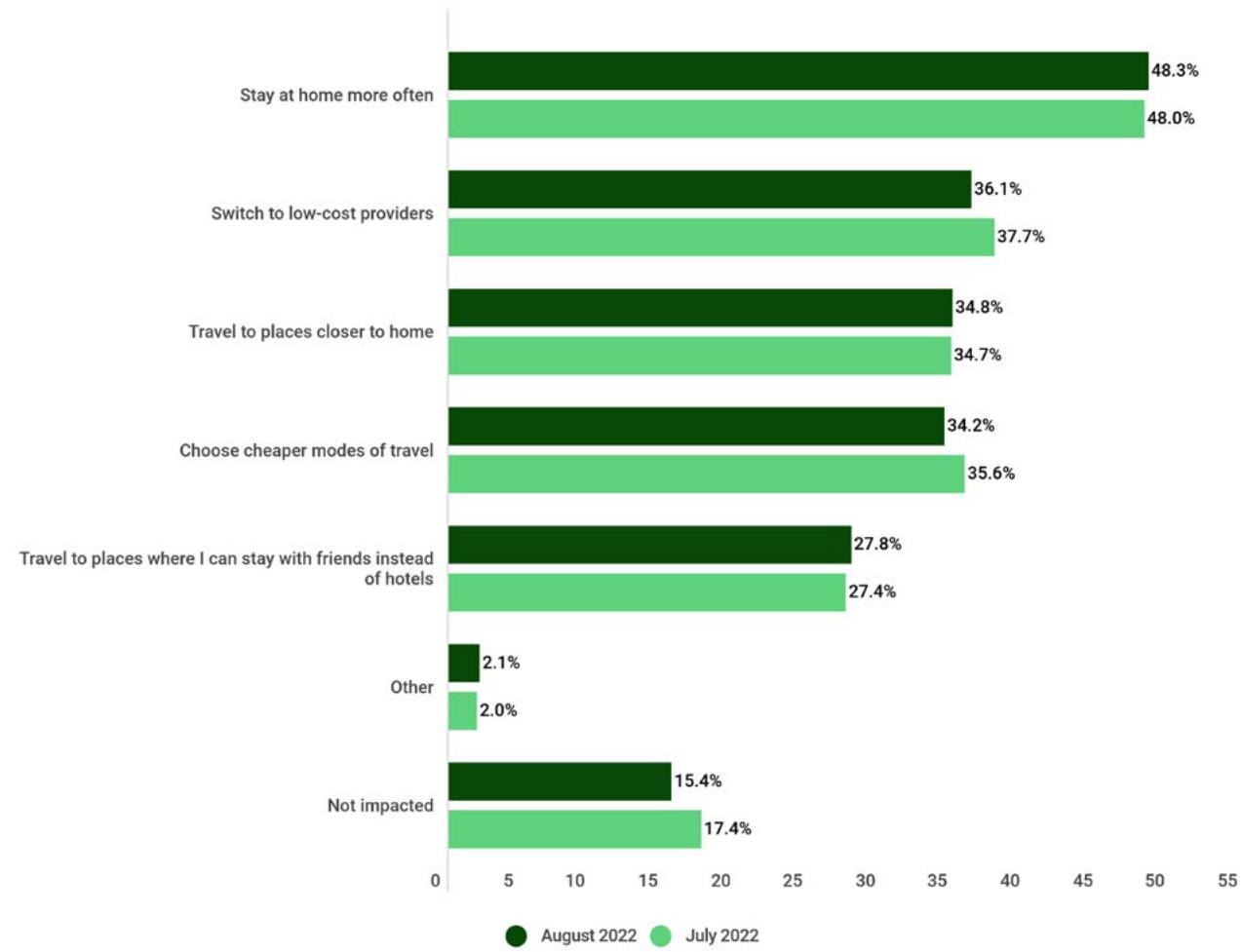


Source: PYMNTS  
 Consumer Inflation Sentiment, August 2022  
 N = 1,900: Consumers who have paid for grocery products in the last 30 days, fielded August 16, 2022 - August 23, 2022



**Figure 1C**  
Changes in consumer spending to manage inflation

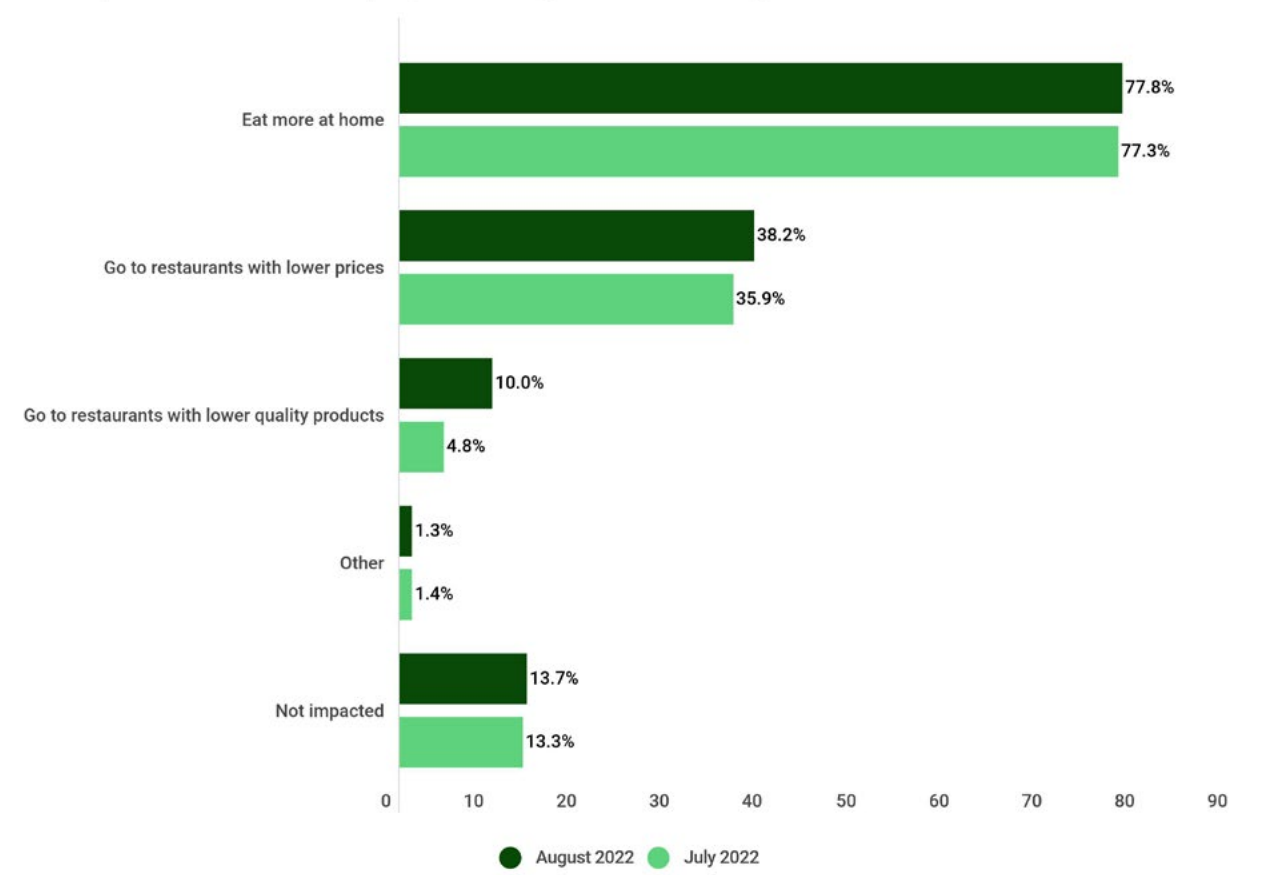
Share of consumers who have taken specific actions in regard to travel



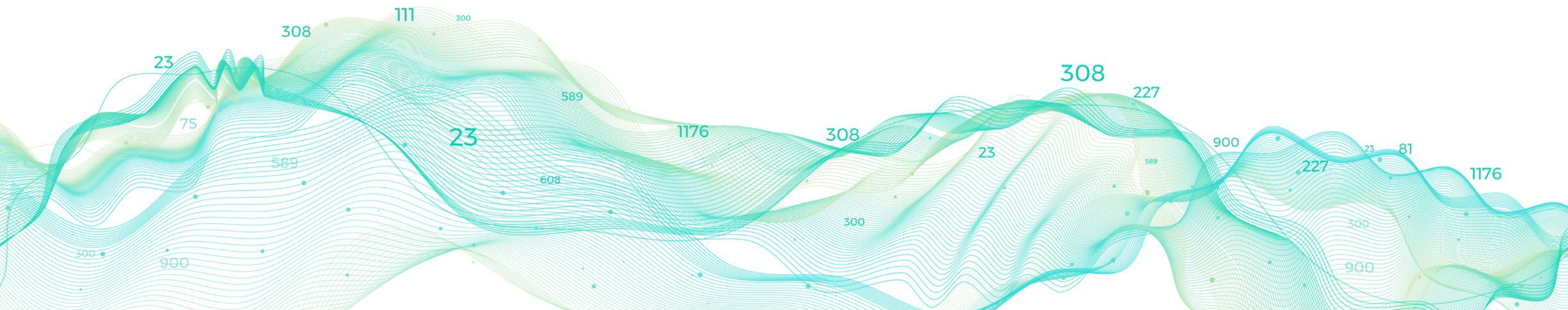
Source: PYMNTS  
Consumer Inflation Sentiment, August 2022  
N = 302: Consumers who have paid for travel services in the last 30 days, fielded August 16, 2022 - August 23, 2022

**Figure 1D**  
Changes in consumer spending to manage inflation

Portion of consumers who have taken specific actions in regard to restaurant dining



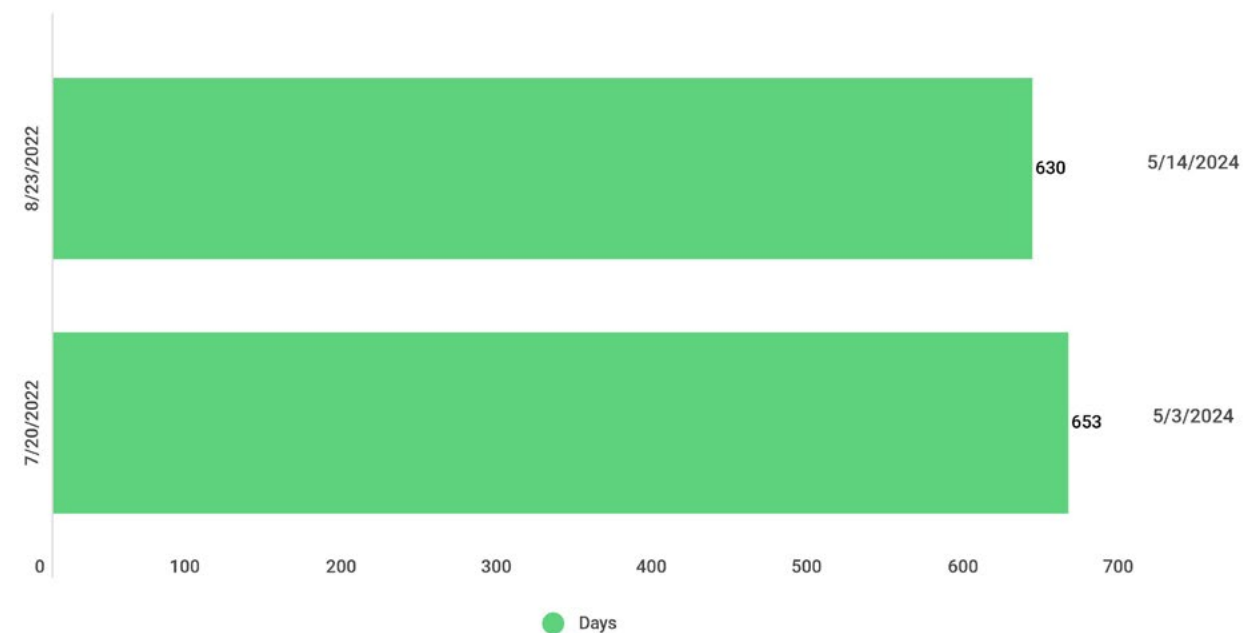
Source: PYMNTS  
Consumer Inflation Sentiment, August 2022  
N = 1,431: Consumers who have paid for restaurant services in the last 30 days, fielded August 16, 2022 - August 23, 2022



## The average consumer still expects high inflation to last until May 2024, despite the modest decreases in inflation month over month.

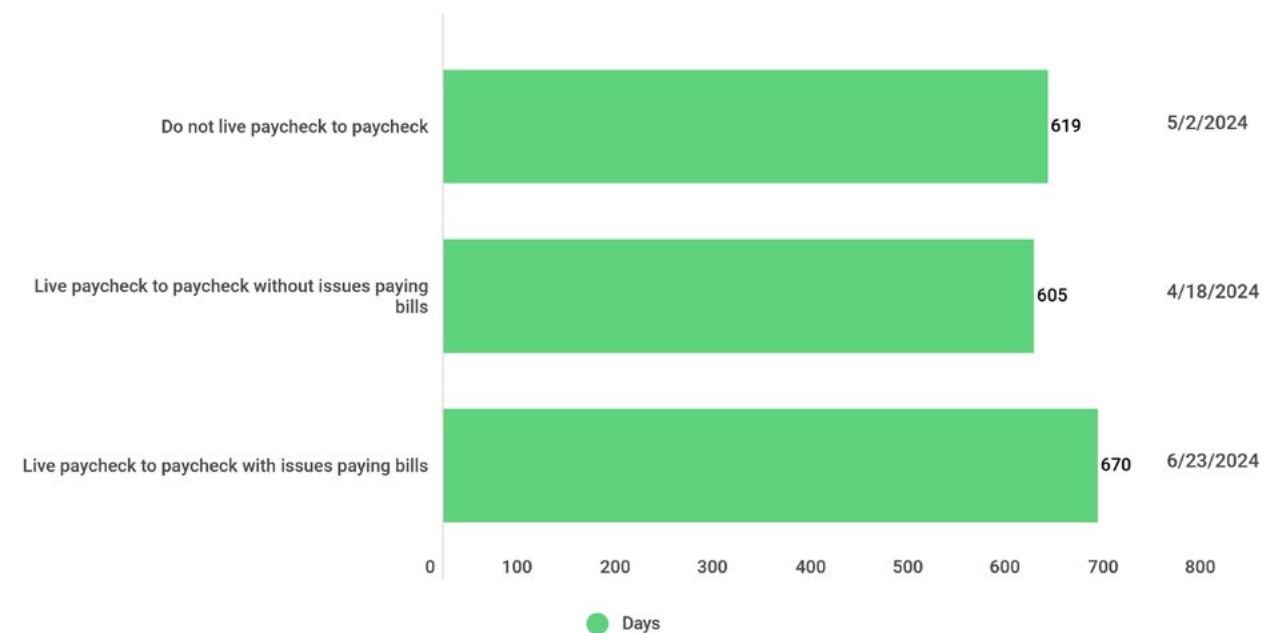
The average consumer expects inflation to continue at its current rate for more than 22 months into the future. Consumers living paycheck to paycheck with issues paying bills are the most pessimistic, with 28% saying they believe inflation will continue at its current rate for longer than two years.

**Figure 2A**  
Consumers settle in for long-term inflation  
Consumers' expected time to stabilization, sample average



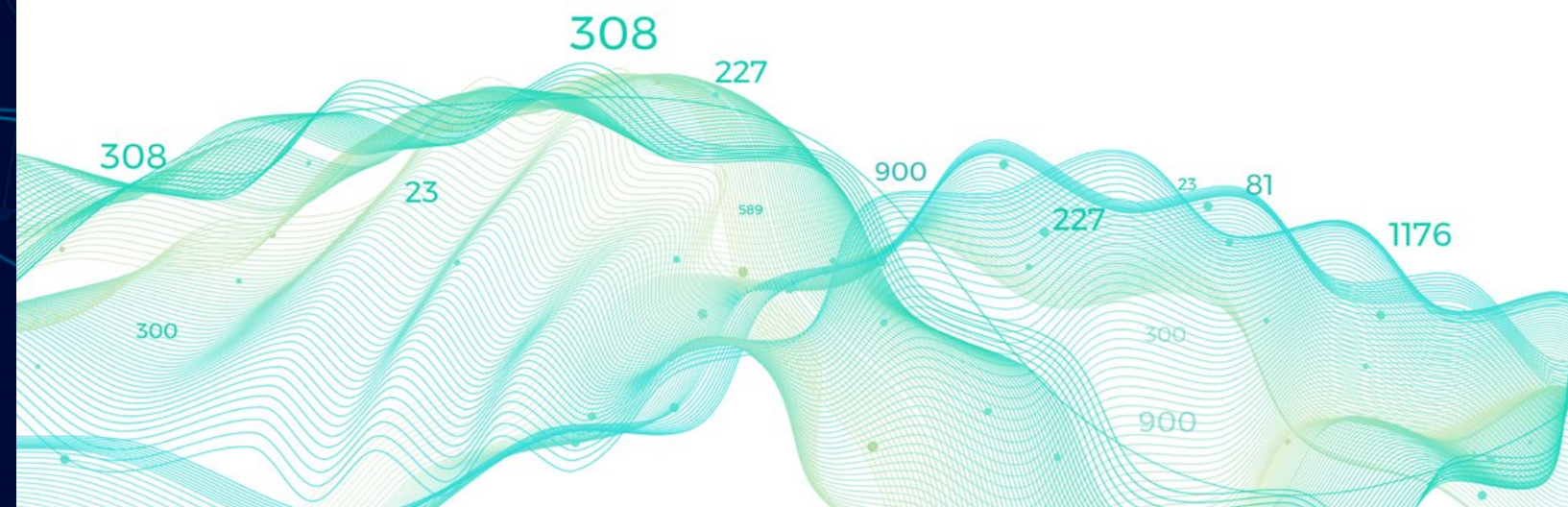
Source: PYMNTS  
Consumer Inflation Sentiment, August 2022  
N = 2,169: Complete responses, fielded August 16, 2022 - August 23, 2022

**Figure 2B**  
Consumers settle in for long-term inflation  
Consumers' expected time to stabilization, by financial lifestyle



Source: PYMNTS  
Consumer Inflation Sentiment, August 2022  
N = 2,169: Complete responses, fielded August 16, 2022 - August 23, 2022

A major cause of this pessimism is that even though gas prices have dropped, other prices, including those of groceries and retail goods, have continued to increase. Consumers are most pessimistic about grocery prices, with 64% expecting them to keep rising through the next year. Sixty-one percent of consumers expect price increases in restaurant meals, and 60% expect to see retail prices increase.

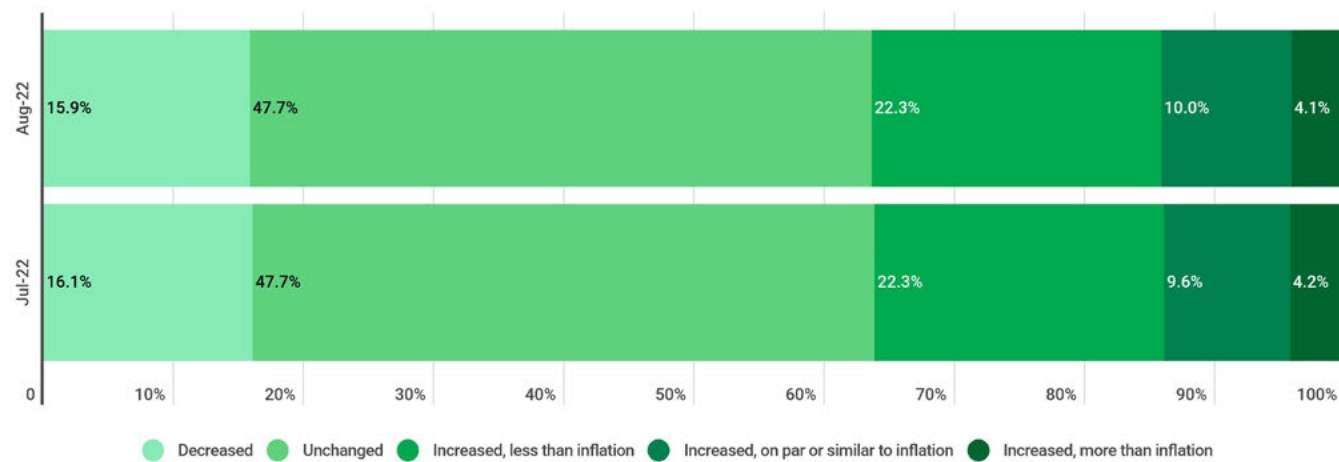


## WAGES TRAIL INFLATION

Wage increases have failed to keep pace with inflation for 86% of consumers. Overall, 32% of consumers expect their financial standing to worsen in the next year, down ever-so-slightly from 35% in July.

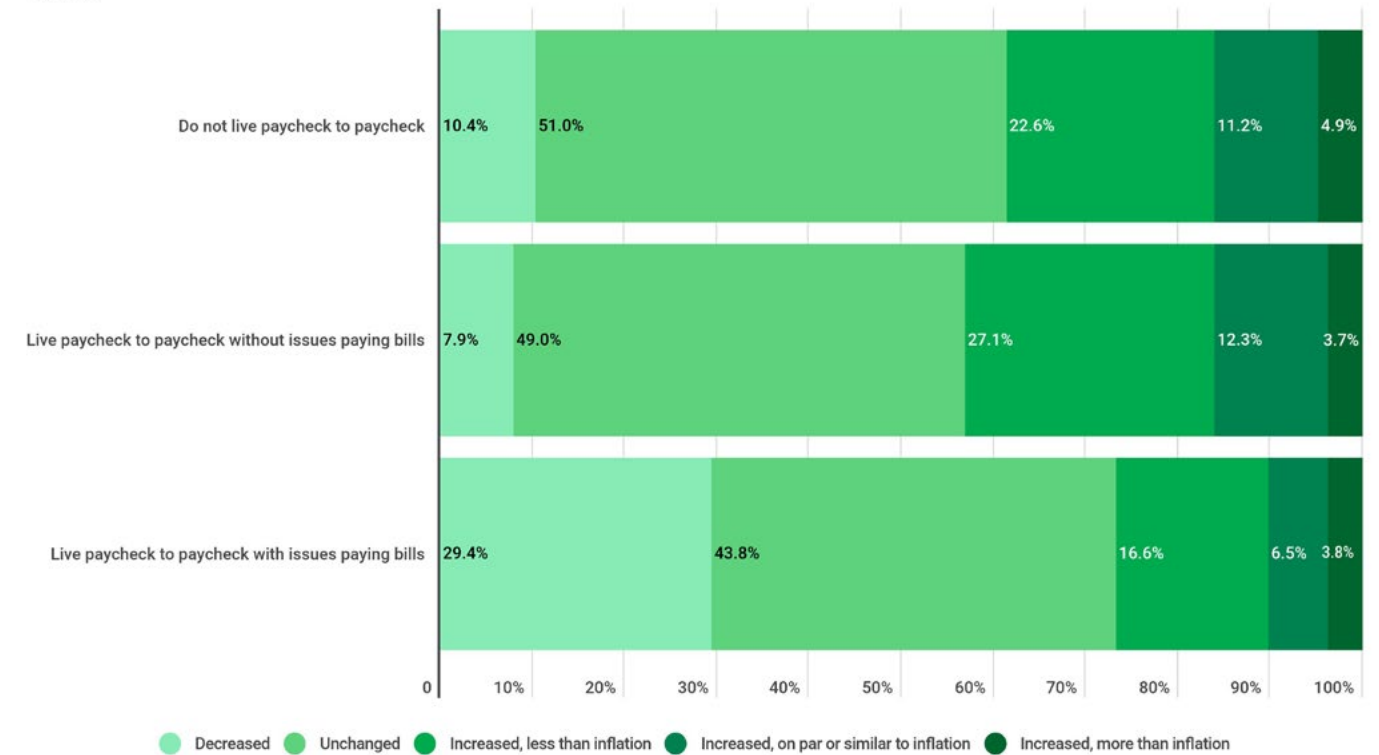
Pessimism is even higher among struggling consumers. Sixty-two percent say they are in a worse place financially than they were a year ago, and 38% expect their financial situation to deteriorate in the next year. Among consumers who live paycheck to paycheck with issues paying bills, 79% say their financial situation is worse than it was a year ago, and 45% expect their financial situation to continue to deteriorate in the coming year.

**Figure 3A**  
**Inflation has outpaced wage growth**  
 Share of consumers whose income has decreased, increased or stayed the same due to inflation in the last 12 months



Source: PYMNTS  
 Consumer Inflation Sentiment, August 2022  
 N = 2,169: Complete responses, fielded August 16, 2022 - August 23, 2022

**Figure 3B**  
**Inflation has outpaced wage growth**  
 Share of consumers whose income has decreased, increased or stayed the same due to inflation in the last 12 months, by financial lifestyle



Source: PYMNTS  
 Consumer Inflation Sentiment, August 2022  
 N = 2,169: Complete responses, fielded August 16, 2022 - August 23, 2022

Just 4% of all consumers surveyed said their wage increases outpaced inflation in the last 12 months.

**Nearly three in 10 consumers think we are already in a recession. Consumers' perceptions are shaped by the impact of inflation and labor conditions within their own personal ecosystem, regardless of what economists say.**

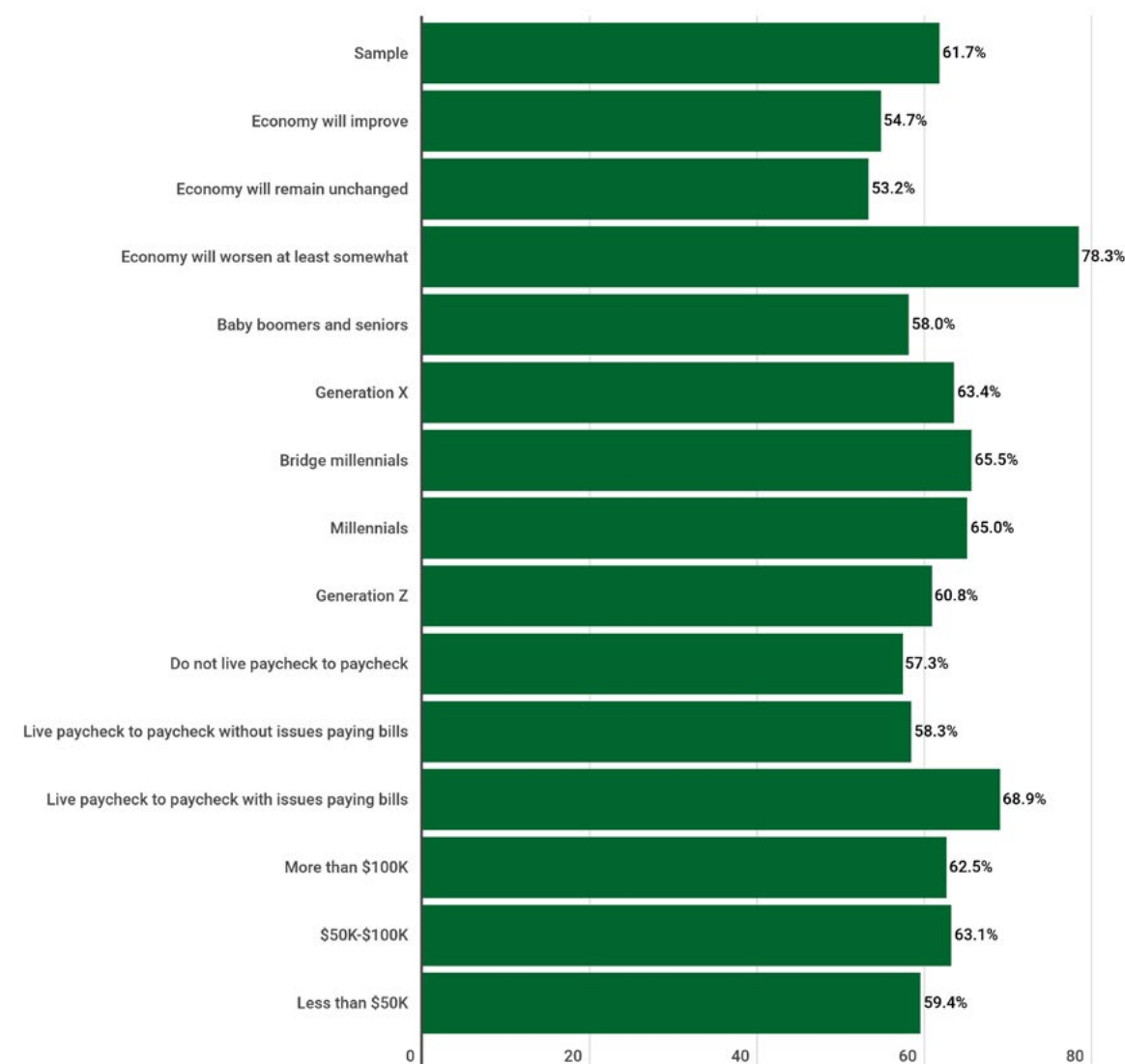
The purchasing power of the U.S. dollar has dropped approximately 12% in the last two years, and for many consumers, the very real impact on their spending power outweighs any positive news from the Feds.

The U.S. government (both the BLS and the Fed) have a more optimistic outlook on the current economic situation than consumers, using job growth and other factors as evidence that we are not in a recession. BLS data from July showed a deceleration in the inflation rate, decreasing to 8.5% in July from 9.1% in June.<sup>1</sup>

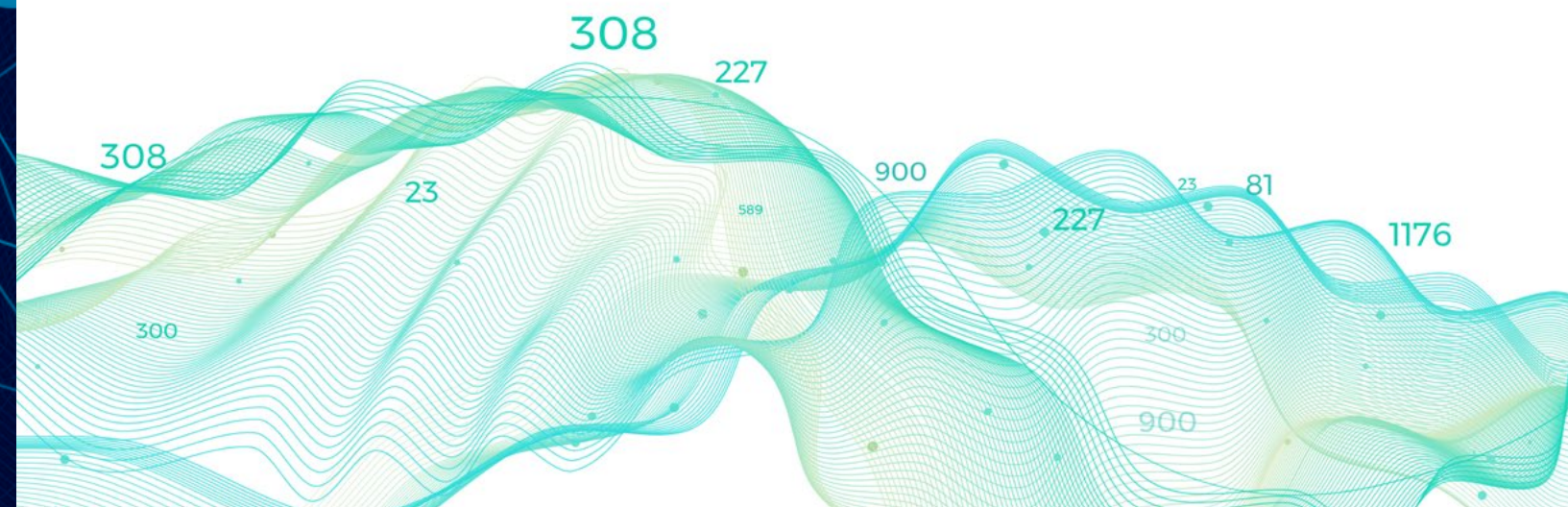
Despite these nuggets of good news, however, 62% of U.S. consumers expect a recession in the next two years, and 48% think it will happen in the next year. Financially struggling consumers are the most likely to believe that the U.S. is already in a recession, including 34% of consumers living paycheck to paycheck with issues paying bills and 29% of consumers annually earning less than \$50,000.

<sup>1</sup> U.S. Bureau of Labor Statistics. Consumer Price Index unchanged over the month, up 8.5 percent over the year, in July 2022. U.S. Bureau of Labor Statistics. August 2022. <https://www.bls.gov/opub/ted/2022/consumer-price-index-unchanged-over-the-month-up-8-5-percent-over-the-year-in-july-2022.htm>. Accessed August 2022.

**Figure 4A**  
**Consumers' gloomy economic predictions**  
*Share of consumers who expect a recession, by demographic*

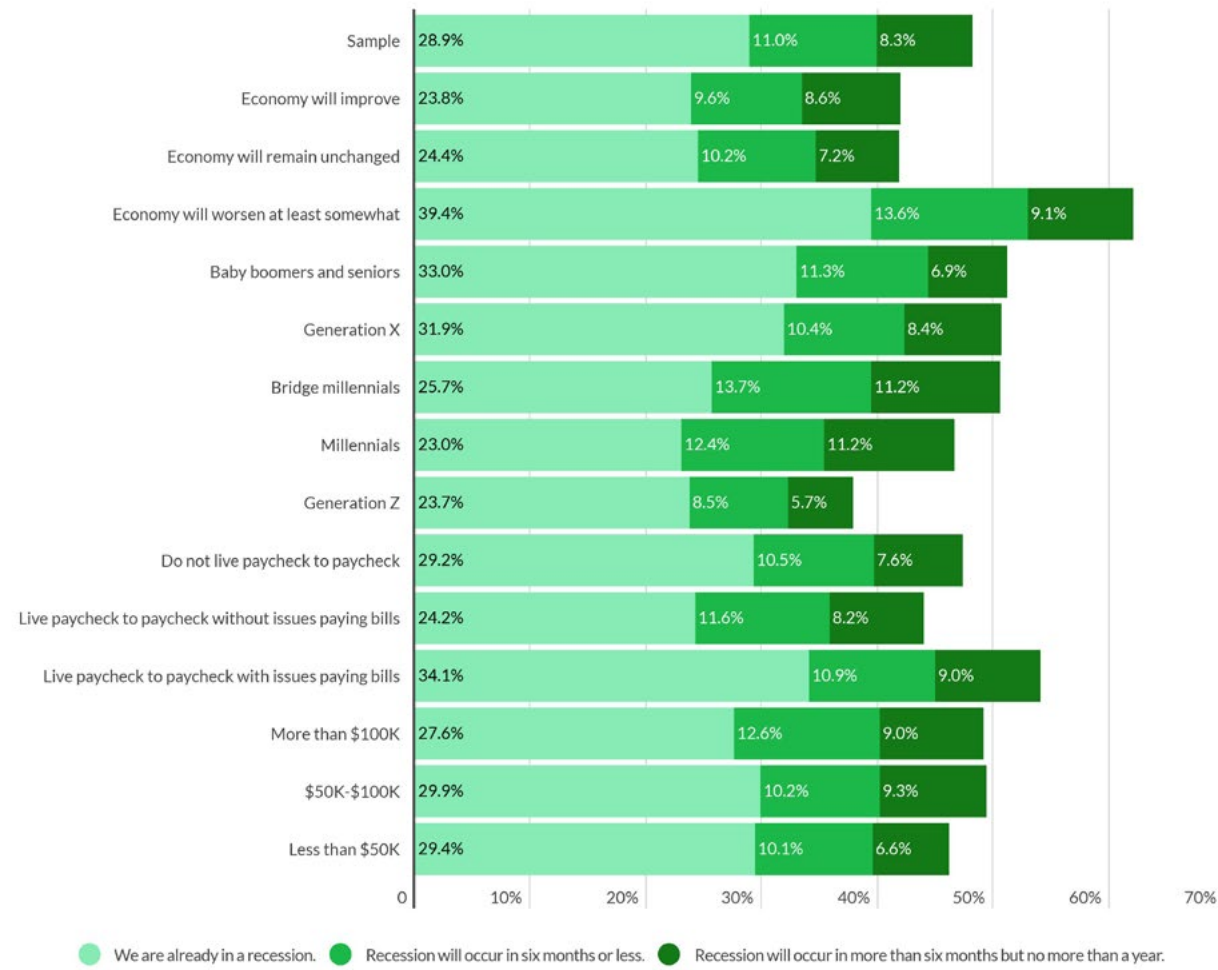


Source: PYMNTS  
 Consumer Inflation Sentiment, August 2022  
 N = 2,169: Complete responses, fielded August 16, 2022 - August 23, 2022



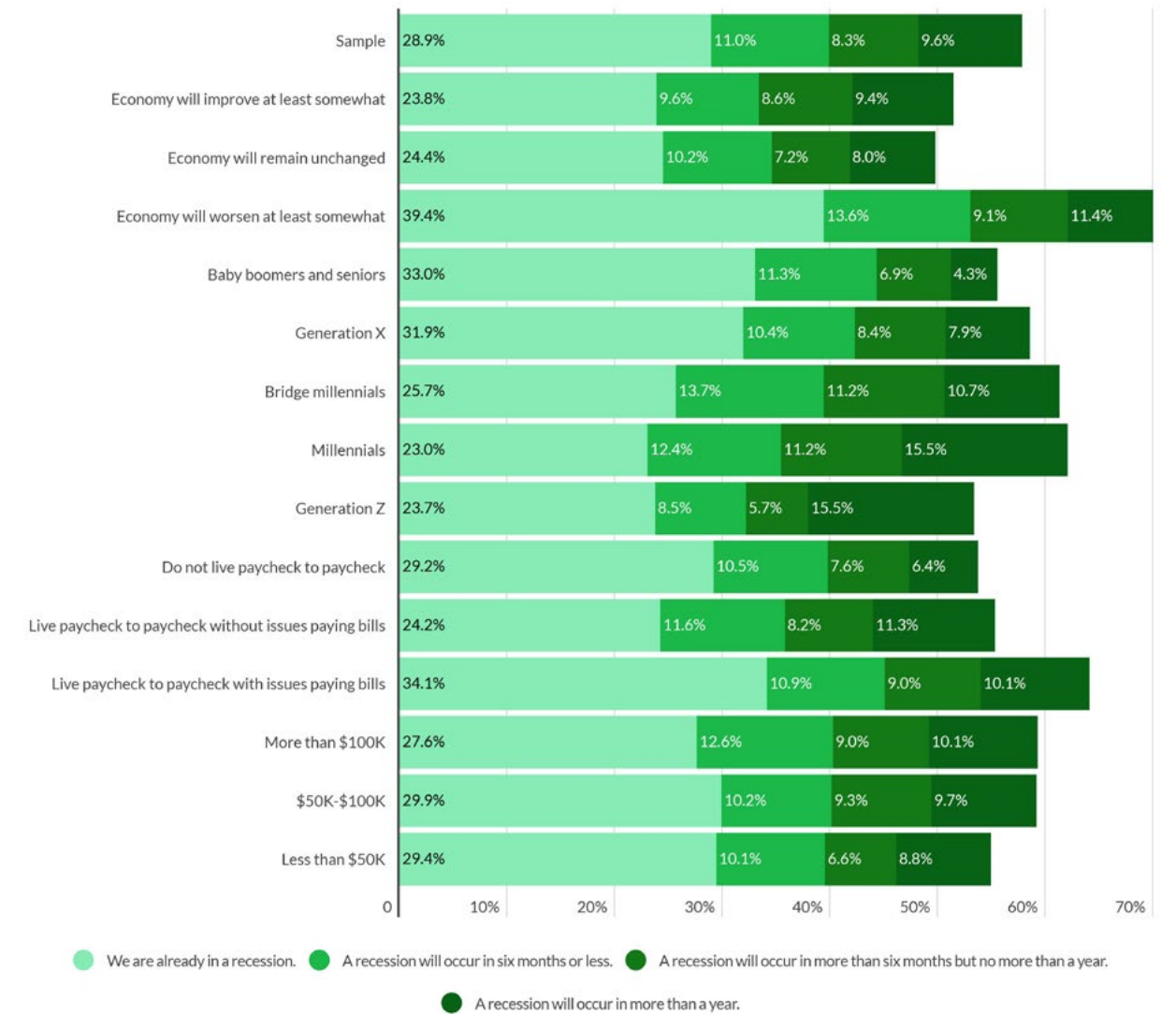


**Figure 4B**  
**Consumers' gloomy economic predictions**  
*Consumers' prediction of time until a recession begins, by demographics of those who think it will start within the next year*

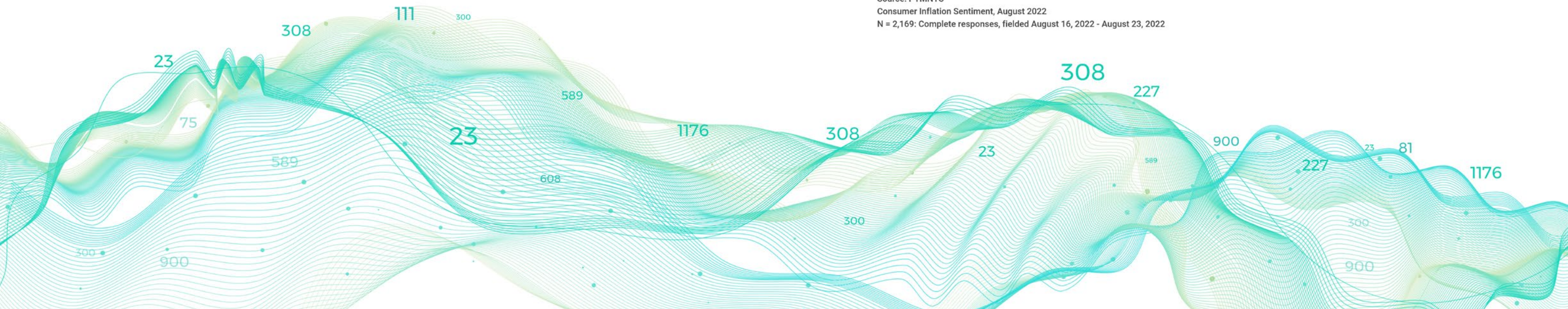


Source: PYMNTS  
 Consumer Inflation Sentiment, August 2022  
 N = 2,169: Complete responses, fielded August 16, 2022 - August 23, 2022

**Figure 4C**  
**Consumers' gloomy economic predictions**  
*Consumers' prediction of time until a recession begins, by demographic*



Source: PYMNTS  
 Consumer Inflation Sentiment, August 2022  
 N = 2,169: Complete responses, fielded August 16, 2022 - August 23, 2022



# CONCLUSION

In the coming months, consumers will have to make daunting choices about their spending — some trivial, some more significant. Reassurances from economists hold little sway for consumers who expect to make major sacrifices in the coming months. Merchants hoping to survive in this climate should be sensitive to the sacrifices their patrons will have to make.

## METHODOLOGY

**Consumer Inflation Sentiment: Inflation Slowly Ebbs, But Consumer Outlook Remains Gloomy**, produced independently by PYMNTS, examines and analyzes inflation's impact on consumers. We surveyed 2,169 U.S. consumers between August 16 and August 23 about their experiences and perceptions. Our respondents' average age was 47, 52% were female and 36% earned more than \$100,000 annually.

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