The K-Shaped Consumer Economy

Why uneven consumer demand matters for business and economic growth

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The big issue: growth depends on who can spend

Total spending can look healthy even when much of the consumer market is under pressure.

The headline

Consumers are spending. The economy is growing.

The blind spot

That growth may come from a relatively narrow group of households.

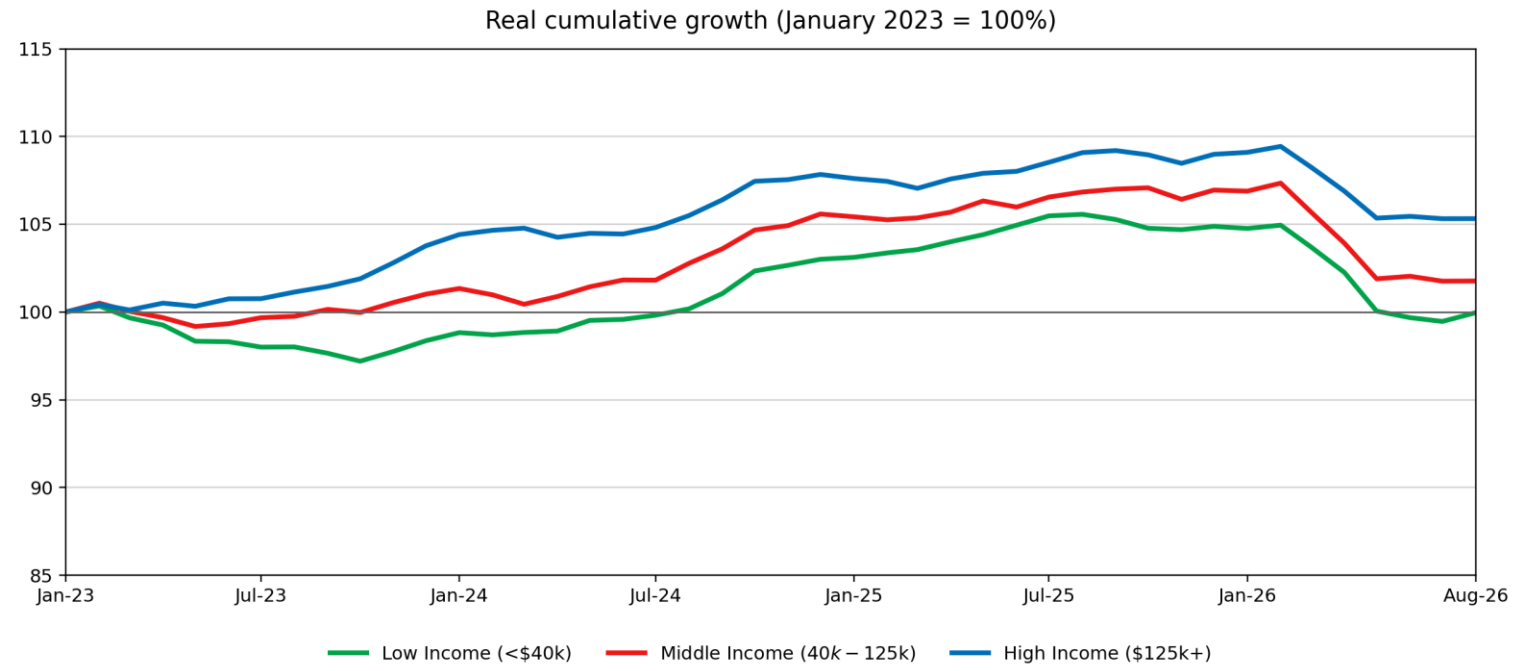
The business risk

Other customers cut back, postpone purchases, or switch to cheaper options.

A strong economy needs more than strong spending by a few groups.

Retail spending is growing at different speeds

Real retail spending, excluding autos · January 2023 = 100



High-income shoppers experienced stronger real retail-spending growth than other groups.

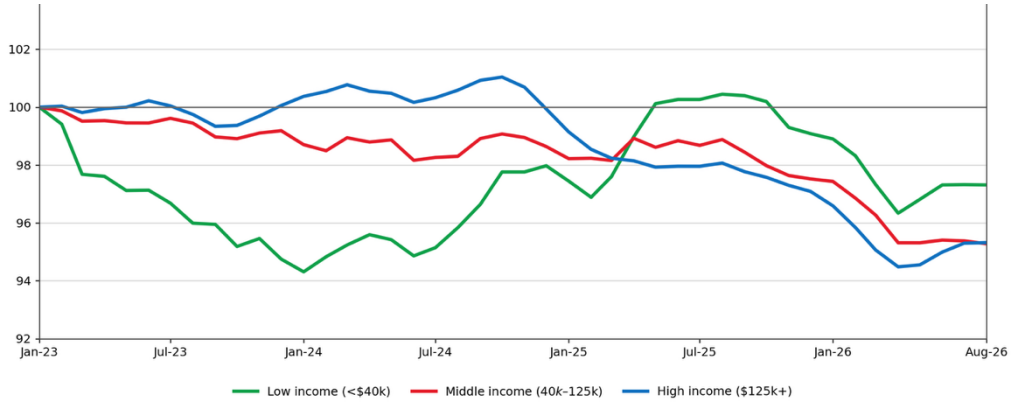
Source: Federal Reserve Bank of New York, Economic Heterogeneity Indicators (Numerator retail data)

SPENDING BY INDUSTRY

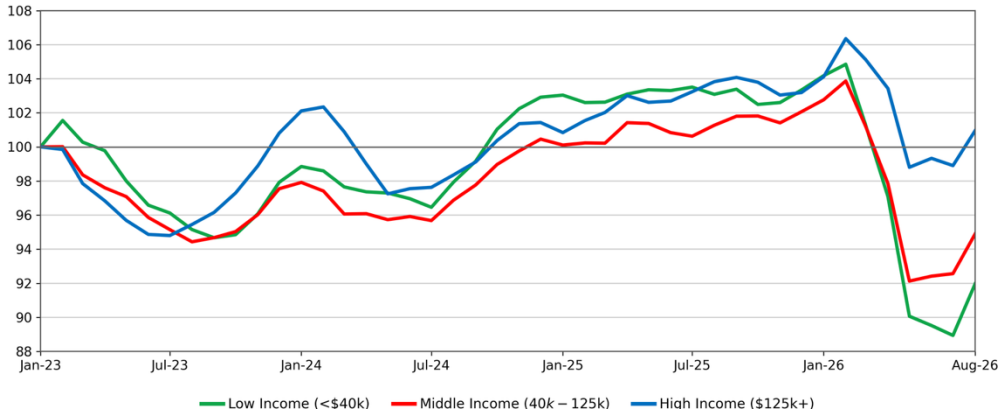
One economy, very different consumer markets

Real spending by income group · Jan. 2023 = 100

Food and beverage stores



Gas stations



Demand does not move in the same direction or at the same speed across industries.

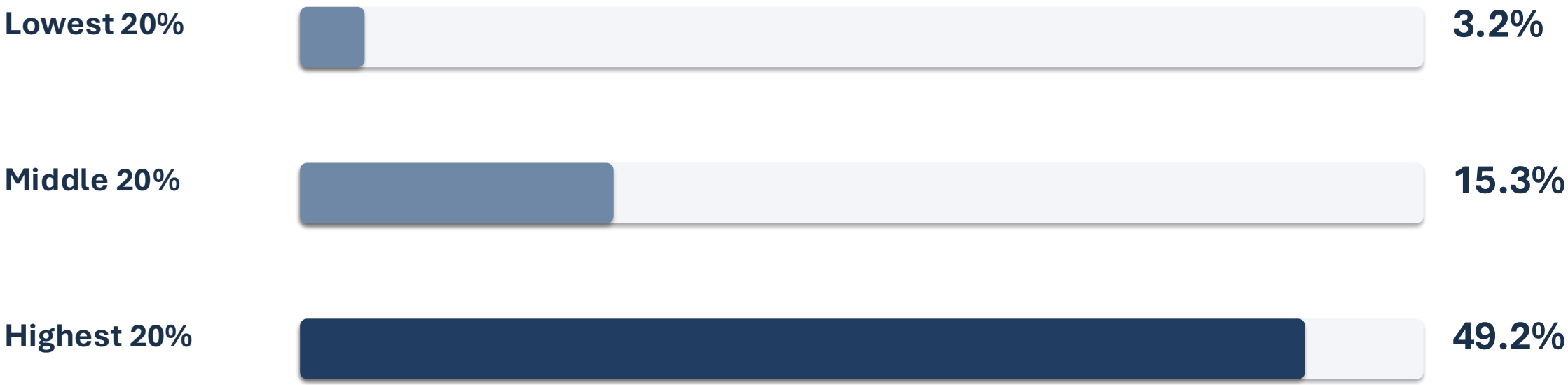
This matters for sales forecasts, customer mix, and market-share competition.

The national spending trend can hide weakness in individual product markets.

Source: New York Fed, Economic Heterogeneity Indicators (Numerator), through Aug. 2026.

In Spokane, income is concentrated too

Share of all household income received by each fifth of households · 2025



The top fifth receives almost half of household income; the bottom fifth receives about 3%.

Source: U.S. Census Bureau, 2025 ACS 1-year estimates, Table B19082, Spokane County (income share by quintile).

The affordability squeeze is real in Spokane

2024 median income compared with the cost of a financially stable household

Household	Stability budget	Median income	Difference
One adult	$56,064	$39,327	**–$16,737**
Two adults	$81,276	$90,670	**+$9,394**
Two adults, 2 children (no paid care)	$131,868	$133,681	**+$1,813**
Two adults, 2 children (paid child care)	$159,156	$133,681	**–$25,475**

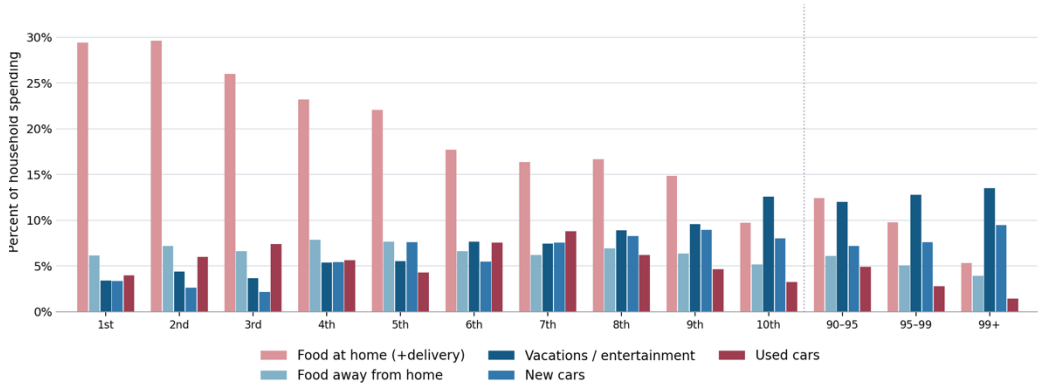
Child care changes the picture: a four-person household can face a $25,475 stability gap.

Sources: United for ALICE, Spokane County 2024 Stability Budgets; Census 2024 ACS 1-year, B19019. Gaps are illustrative.

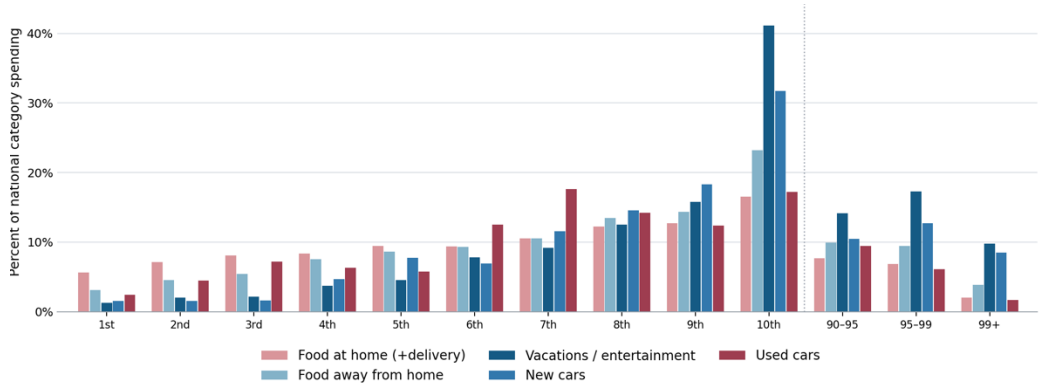
Essentials and discretionary purchases tell different stories

2025 Survey of Consumer Finances · income groups from lowest to highest

A | Share of a household's budget



B | Share of all category sales



Food is a major budget item for lower-income households; affluent buyers drive more vacation spending.

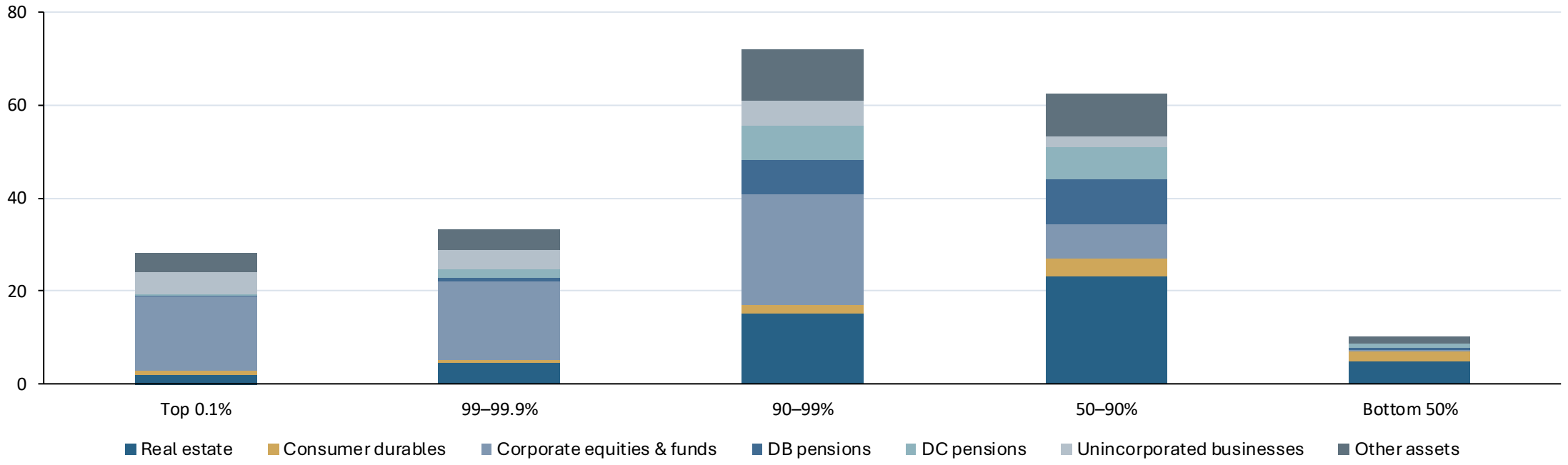
A business must understand both its customers' budgets and its share of each market.

Customer purchasing power affects industries differently, not just total spending.

Source: Federal Reserve Board, "Measuring Spending in the SCF," Fig. 5 (Oct. 2026).

Financial gains do not reach all consumers equally

Financial asset holdings and other assets by wealth group · 2026 Q2, $ trillions



Asset-market gains can support some consumers more than others.

Source: Federal Reserve Board, Distributional Financial Accounts, 2026 Q2.

How a spending gap can slow economic growth

When customers cannot spend, the effects can spread beyond retail.

1

Households cut back

Fewer discretionary purchases

2

Businesses see weaker sales

Unsold capacity and inventory

3

Firms delay expansion

Less hiring and investment

4

Growth loses momentum

Weaker consumption and investment

GDP can fall short of what the economy could produce when demand is weak and capacity is unused.

The impact varies across industries

Different customers respond differently when budgets tighten.

Essential products

Consumers still buy, but may shift to lower-priced brands or smaller baskets.

Discretionary products

Dining out, entertainment, travel, and upgrades can be delayed.

Premium products

Affluent customers may support demand even when other segments slow.

A growing economy does not mean every industry has a growing customer base.

A company can maintain market share, and still lose sales

What happens when customers spend less across an entire product category?

BEFORE

$100M

Total category sales

Company: 10% share = $10M sales

AFTER

$95M

Total category sales

10% share = $9.5M sales

To maintain $10M in sales, the company must increase its market share by ≈ 10.5263%.

Illustrative arithmetic, not actual company or industry data.

MANAGEMENT TAKEAWAY

What should business leaders watch?

Look past the total sales number to the customer and category underneath it.

1	**Customer mix**	Which households and customer groups drive revenue?
2	**Purchase frequency**	Are customers visiting less often or buying smaller baskets?
3	**Trading down**	Are shoppers switching brands, formats, or channels?
4	**Volume versus price**	Are sales increasing because of more units or only higher prices?

Practical management framework derived from the spending and affordability evidence presented.

CONCLUSION

The strongest growth comes from a broad customer market

A K-shaped consumer economy can leave spending opportunities unrealized.

For households

Financial pressure limits purchases beyond necessities.

For businesses

Weaker categories and customer segments can restrict revenue growth.

For the economy

When capacity is unused, weaker demand can slow spending, hiring, and investment.

A healthy growth headline is not the same as a healthy market for every business.

Thank you

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