

The US consumer in 2026 – key themes and trends

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UNLOCK THE POWER
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Key themes for our conversation



The US economic and consumer environment in 2026



A bifurcated consumer by income and by age



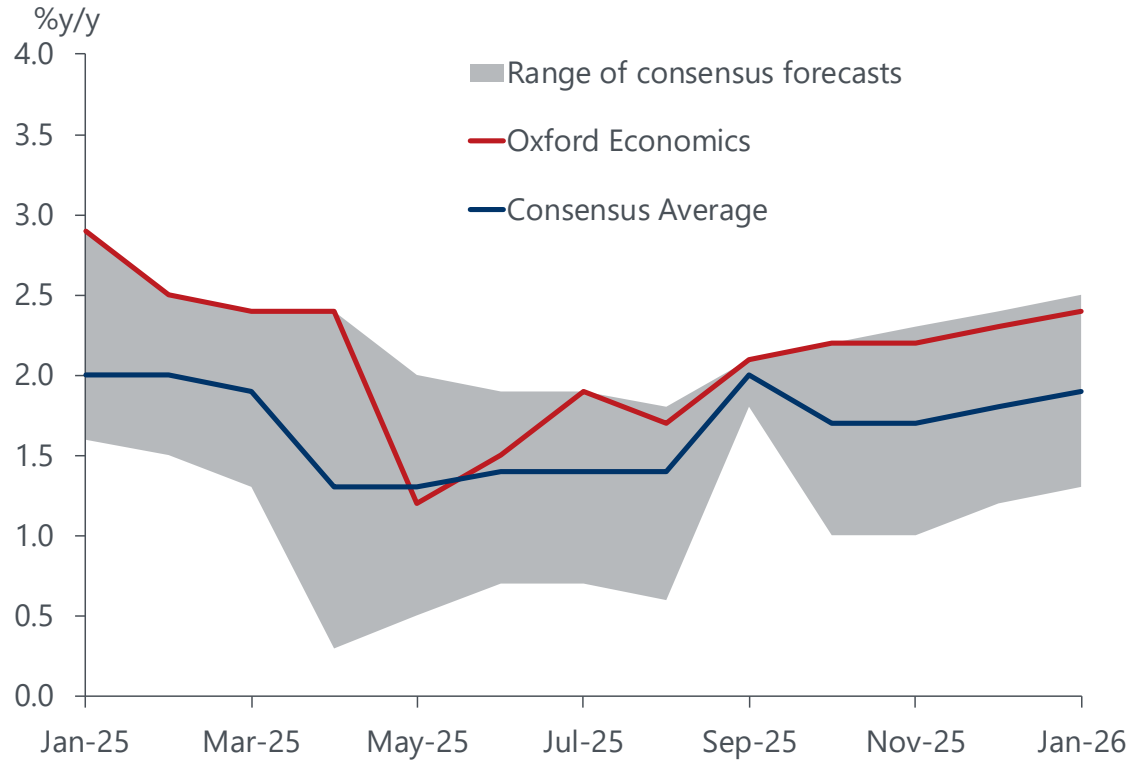
Targeting different consumers in a complex macro environment



Risks and scenarios to monitor

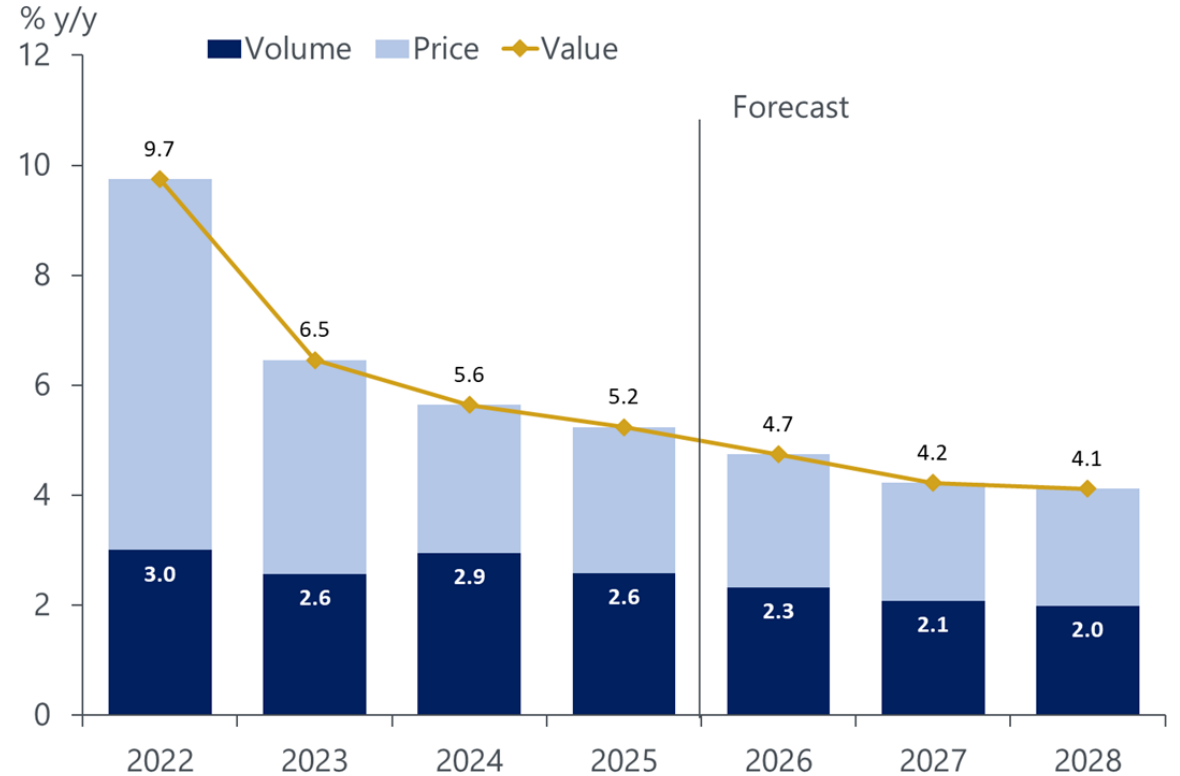
We've become more upbeat on the US consumer

US: 2026 forecast for real consumer spending



Source: Oxford Economics, Blue Chip Economic Indicators

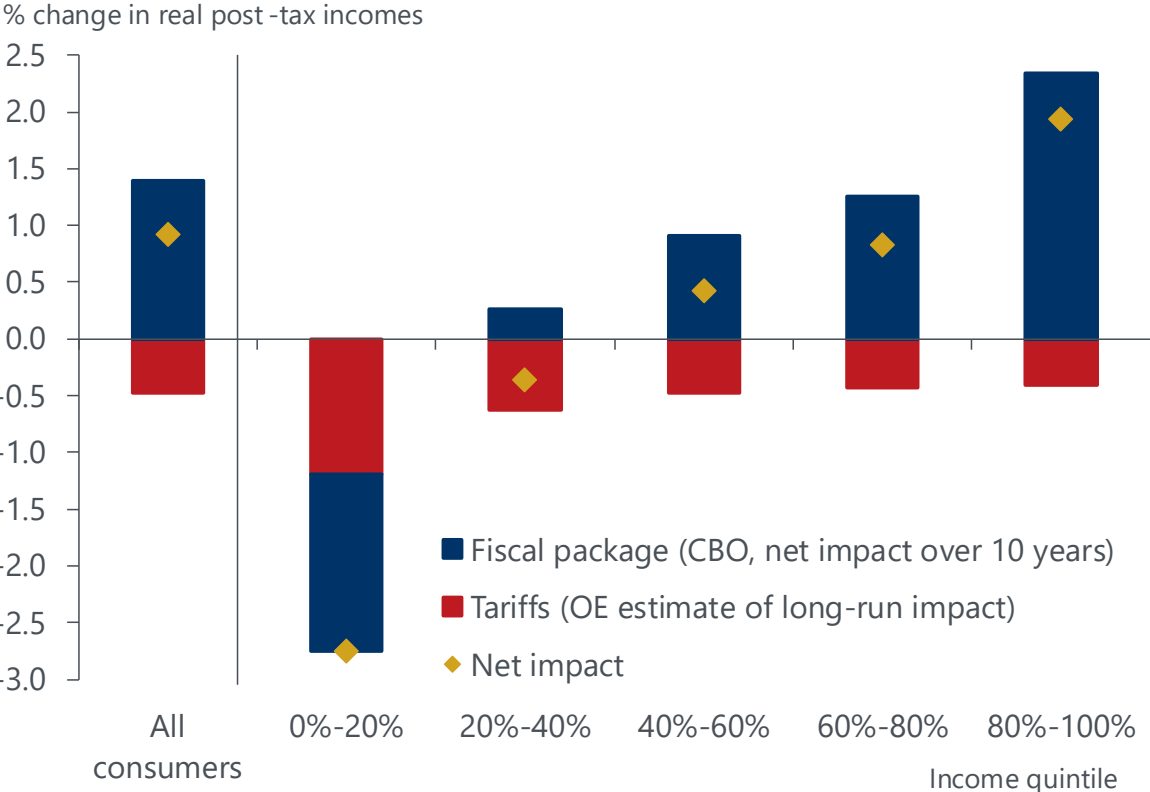
US: Consumer spending growth



Source: Oxford Economics/Haver Analytics

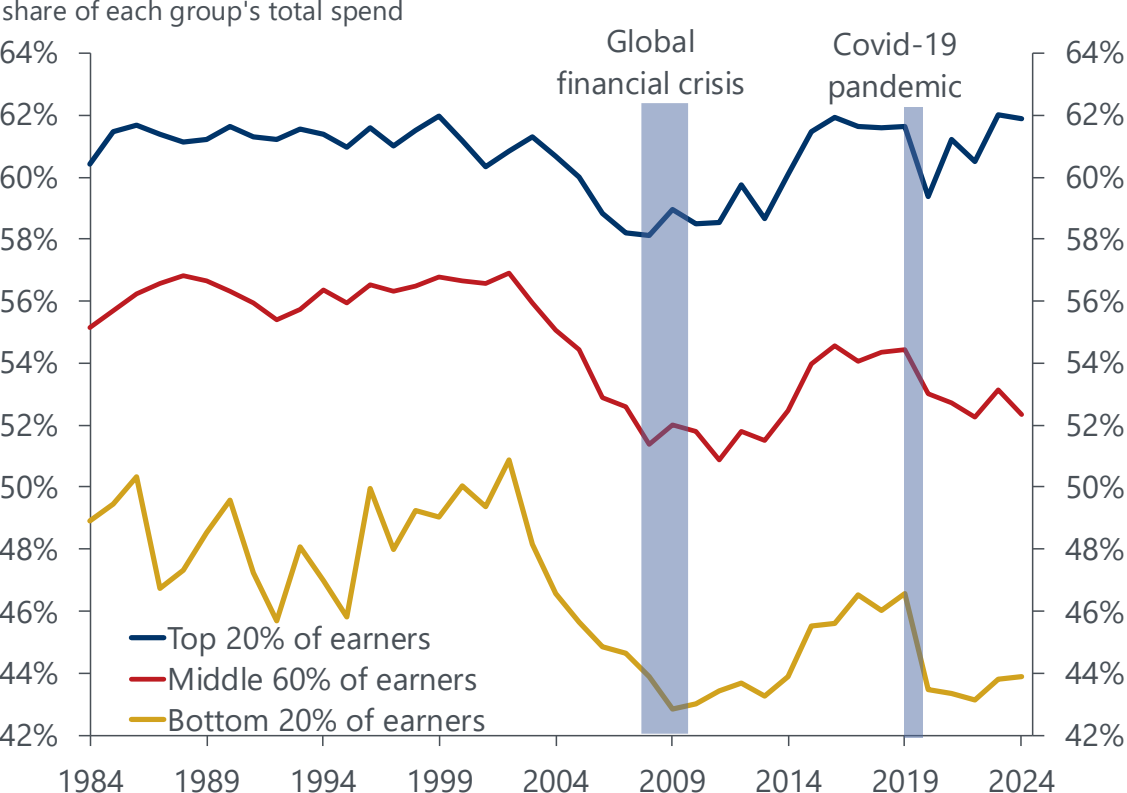
Consumer is bifurcated

US: Net impact of policy by household income



Sources: Oxford Economics, Haver Analytics, CBO

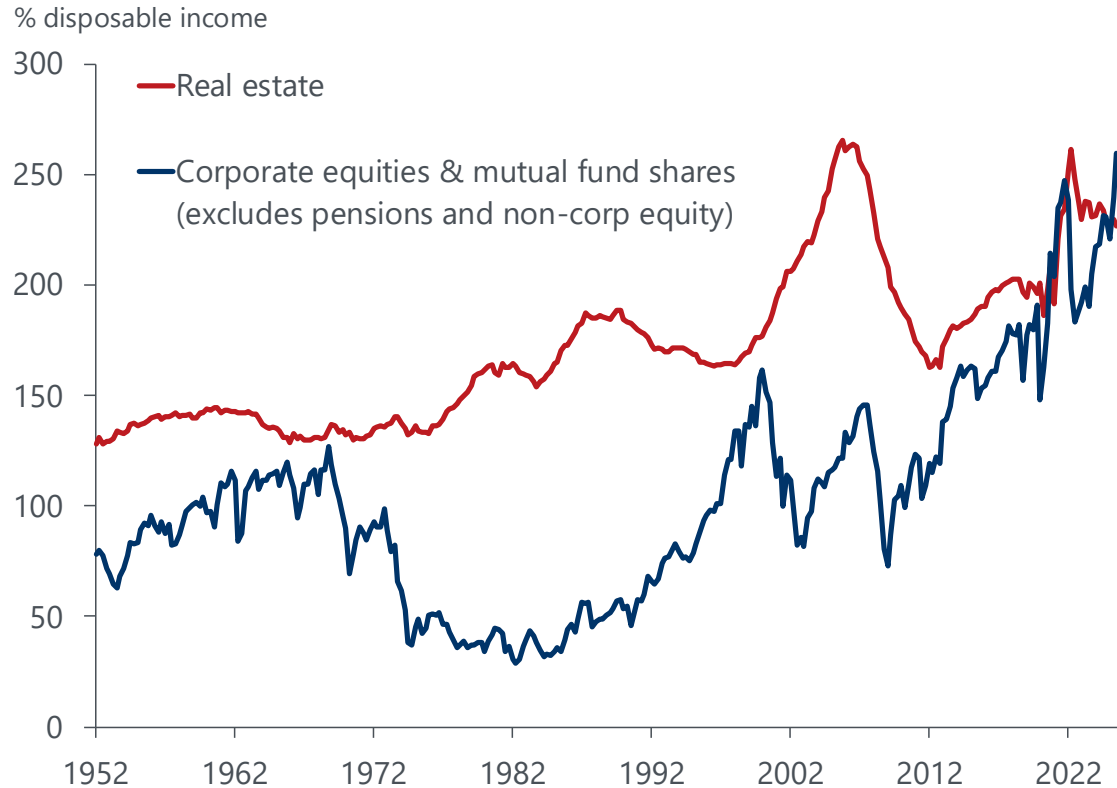
US: Consumer discretionary spending by income



Sources: Oxford Economics, Haver Analytics

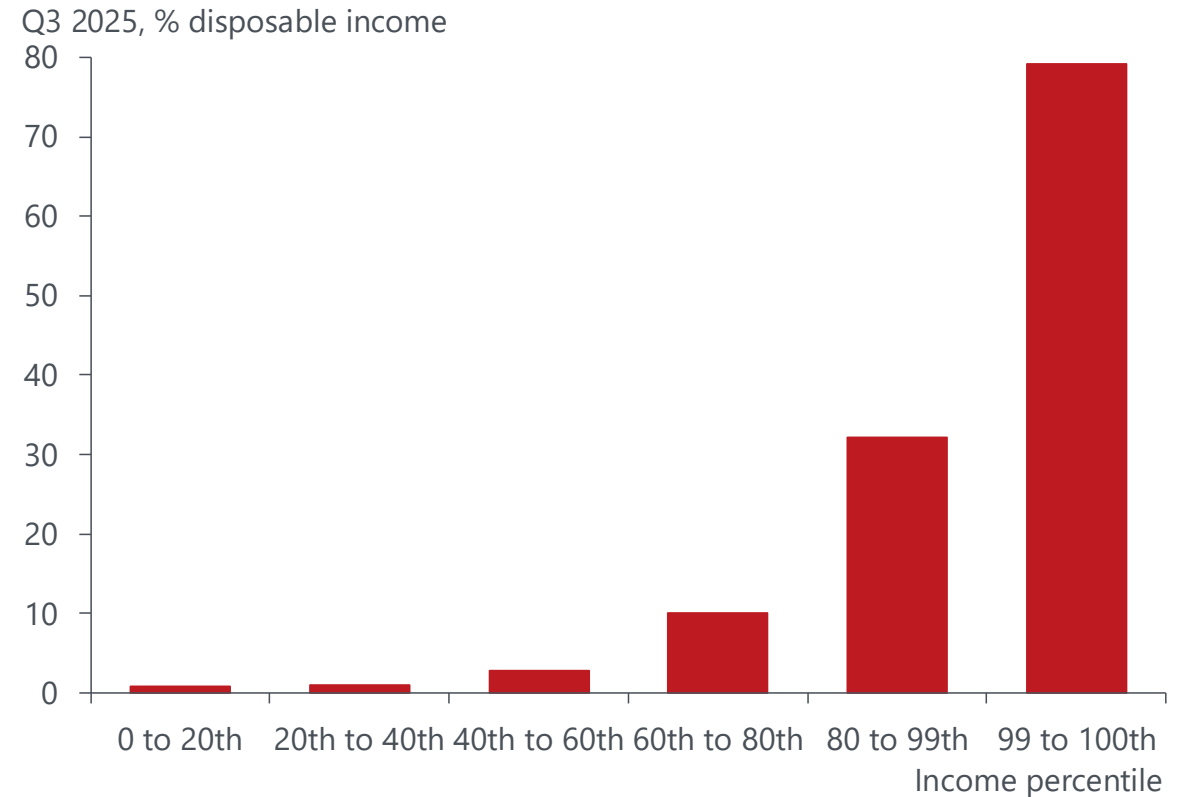
The growing role of wealth driving spending

US: Household wealth



Sources: Oxford Economics, Haver Analytics

US: Change in household net worth in past four quarters



Sources: Oxford Economics, Haver Analytics

Sources: Oxford Economics, Haver Analytics

Macro drivers to monitor based on target consumer segments



Low-income households

- **Inflation**, especially of food and energy prices
- **Social security benefits**, such as Medicaid, SNAP and other provisions for low-income households
- **Unemployment rate**, particularly **hiring rate**
- **Delinquency rates** on credit card, auto and other loans



Middle-income households

- **Real wage growth**
- **Layoffs** (sharp rise in layoffs equals loss of income stream and/or confidence)
- **House prices** (real estate dominates middle-class wealth)
- **Consumer interest rates** and **availability of credit**



High-income households

- Wage growth in **high paid sectors** (technology, finance, professional, scientific and technical services, and management)
- **Equity prices** (equity holdings dominate high-income wealth)
- **Luxury spending** on categories such as dining out, events, and tourism



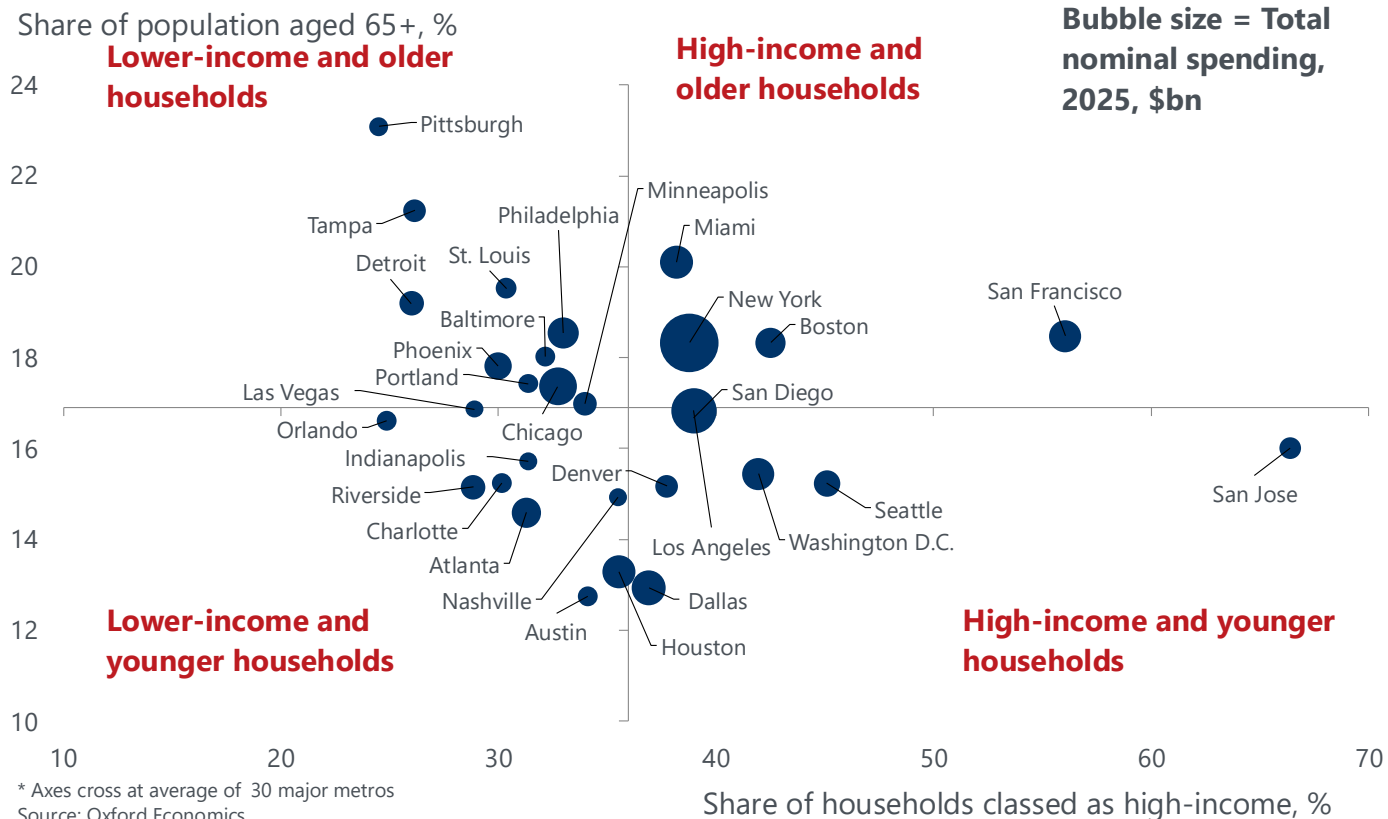
Retirees & older households

- **Financial asset prices** and **income streams**
- **House prices**
- **Social security** and **pension income**
- **Medical and pharmaceutical costs**

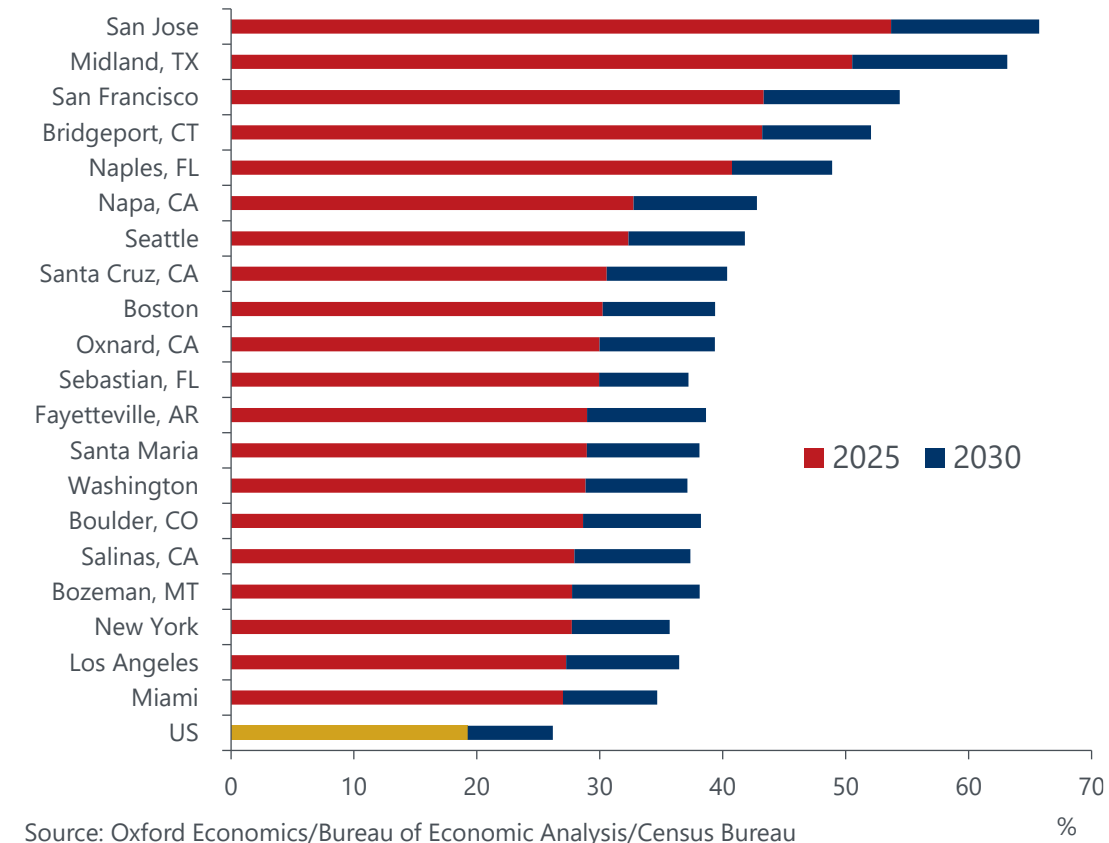
Combining age and income profiles to target different consumers

- ❖ San Jose, Seattle, Washington D.C., Los Angeles, and San Diego have more high-income, younger households.
- ❖ Younger and wealthier consumers spend more on restaurants, recreation, and entertainment.
- ❖ San Francisco, Boston, New York, and Miami have many high-income, yet older households.

Major 30 metros: Household income and age profile, 2025

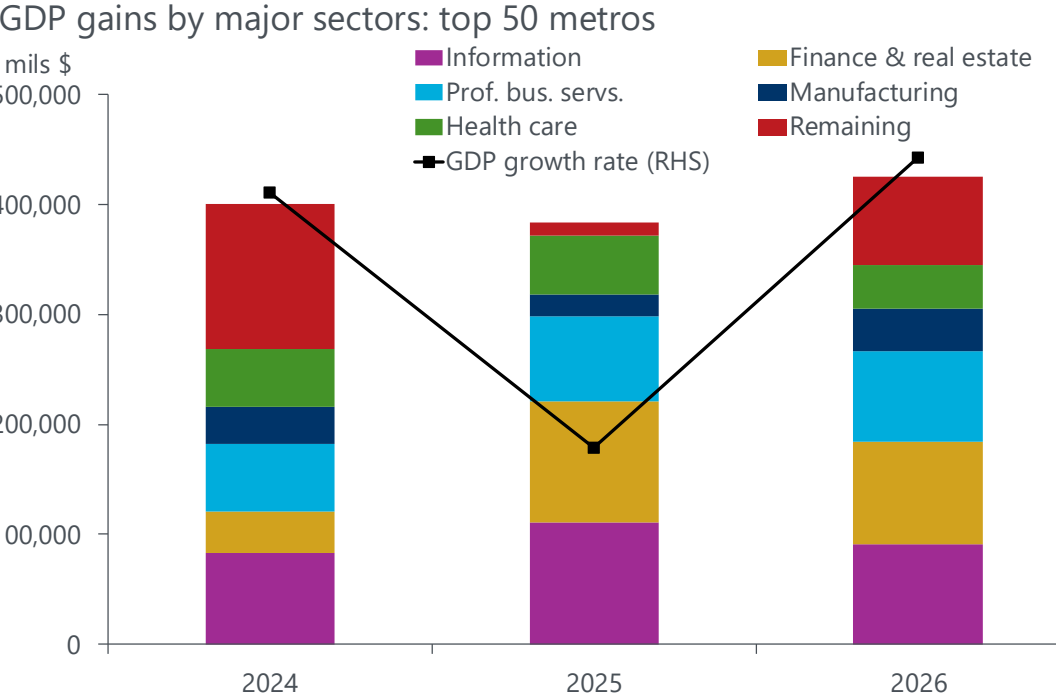


Share of households making \$250,000 or more: top 20 metros

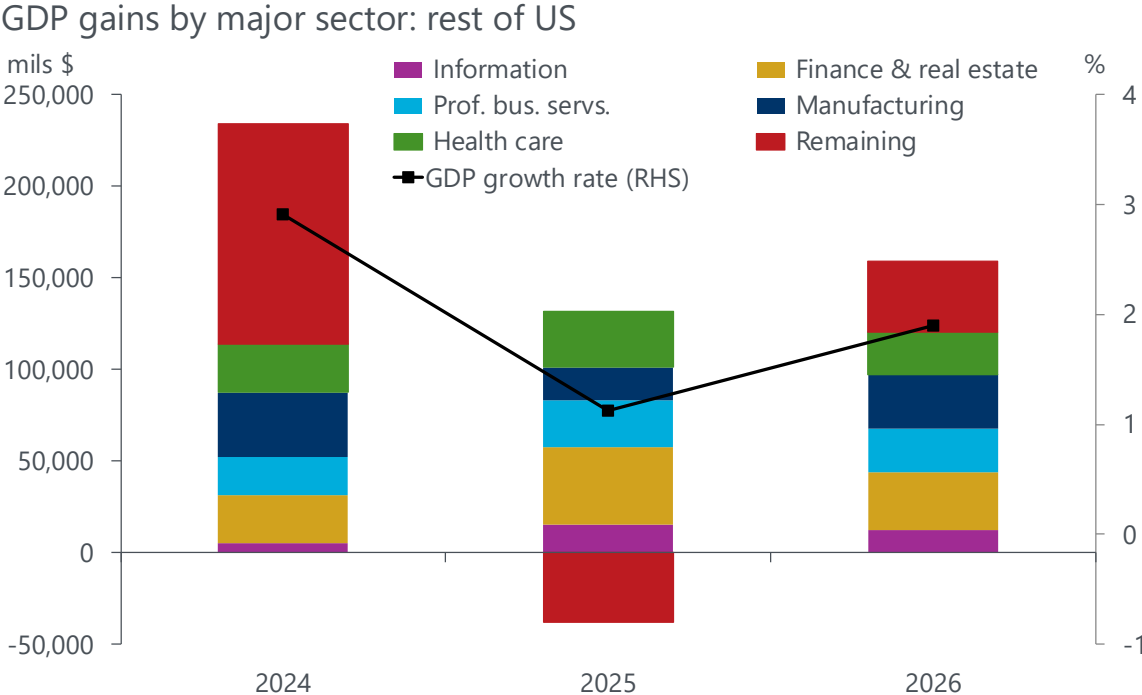


GDP gains are concentrated in office-using sectors

- ❖ Information, finance and professional business services generate high GDP per job and are concentrated in top metros.
- ❖ Health care and leisure & hospitality generate lower GDP.
- ❖ Top metros will benefit from further AI investment.



Source: Oxford Economics/Bureau of Economic Analysis

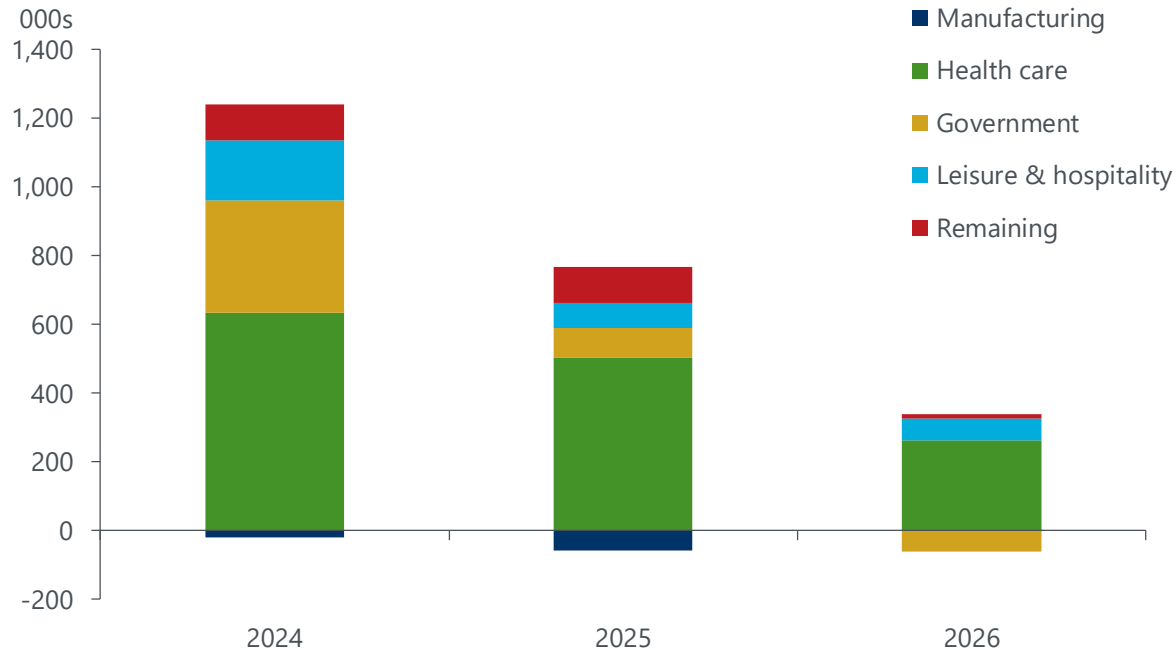


Source: Oxford Economics/bureau of Economic Analysis

Job gains will be concentrated in health care in 2026

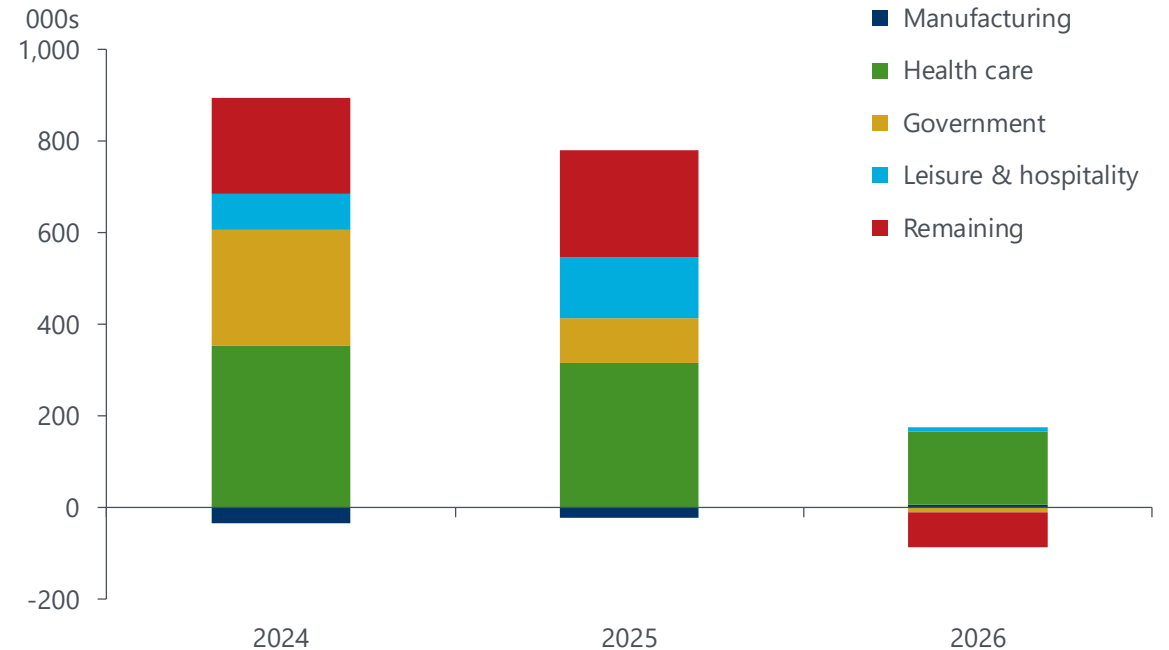
- ❖ Lower immigration will continue to weigh on job gains in 2026.
- ❖ Health care will continue to be the job engine, yet it too will slow in 2026.
- ❖ US to see no job gain outside of health care and leisure and hospitality. Top 50 ekes out a gain due to stronger L&H gains.

Job gains by major sectors: top 50 metros



Source: Oxford Economics/Bureau of Labor Statistics

Job gains by major sectors: rest of US

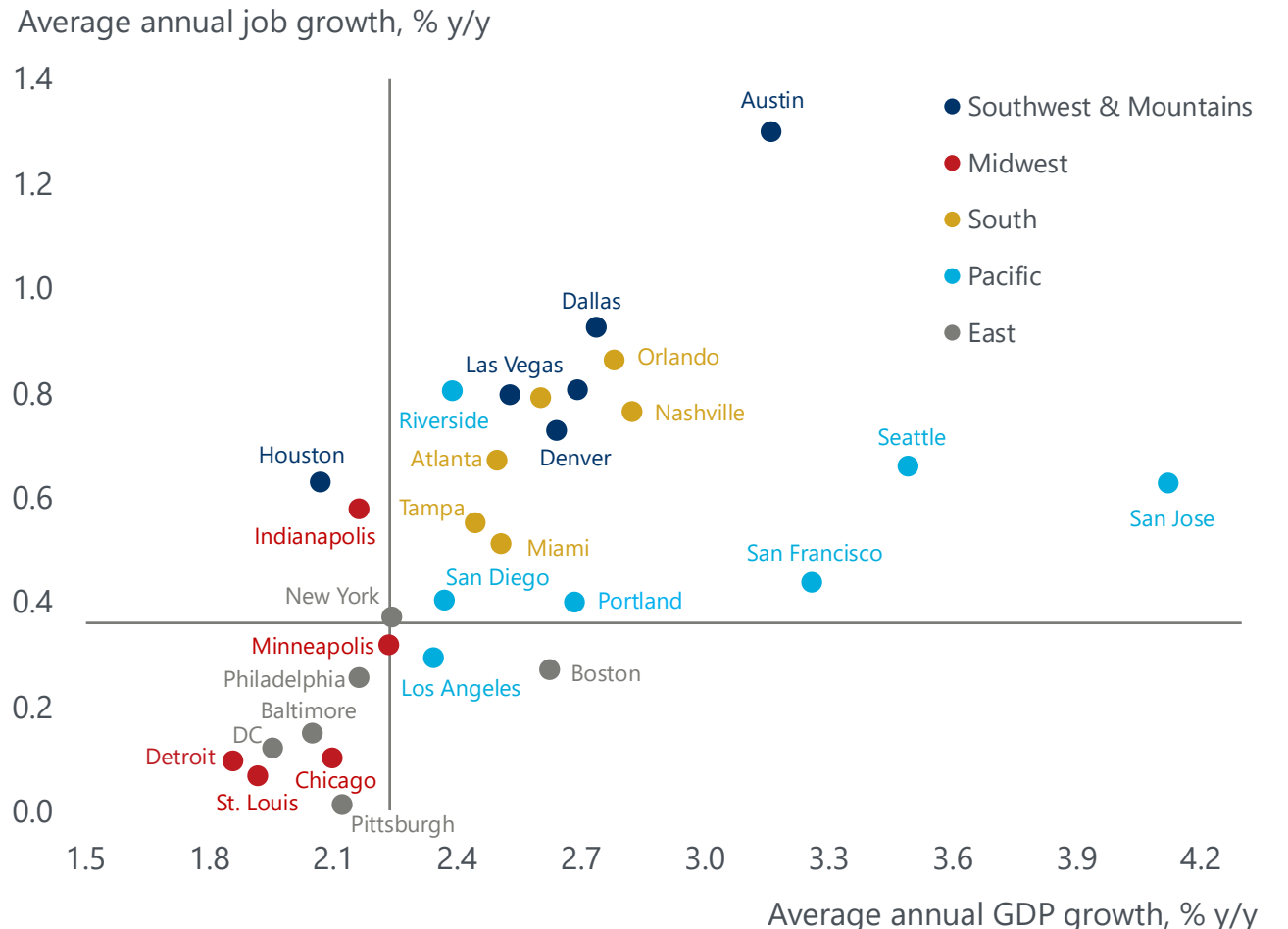


Source: Oxford Economics/Bureau of Labor Statistics

Tech and southern metros to lead GDP and job growth

- Austin is forecast to lead major metros for job growth through 2030, supported by most sectors including construction (on its new light rail) and aided by its fast-growing and younger-than-average population. San Jose will lead GDP growth, led by its strong tech sector. This will boost consumer spending, which is the largest component of a metro's GDP.
- Of the "Big Three"—New York, Los Angeles, and Chicago—Chicago is set to underperform the US for GDP and job growth through 2029, while New York will (marginally) outperform in both.
- Manufacturing (export-exposed) Midwest metros will trail as will Washington and Baltimore, which are most reliant on the federal government.

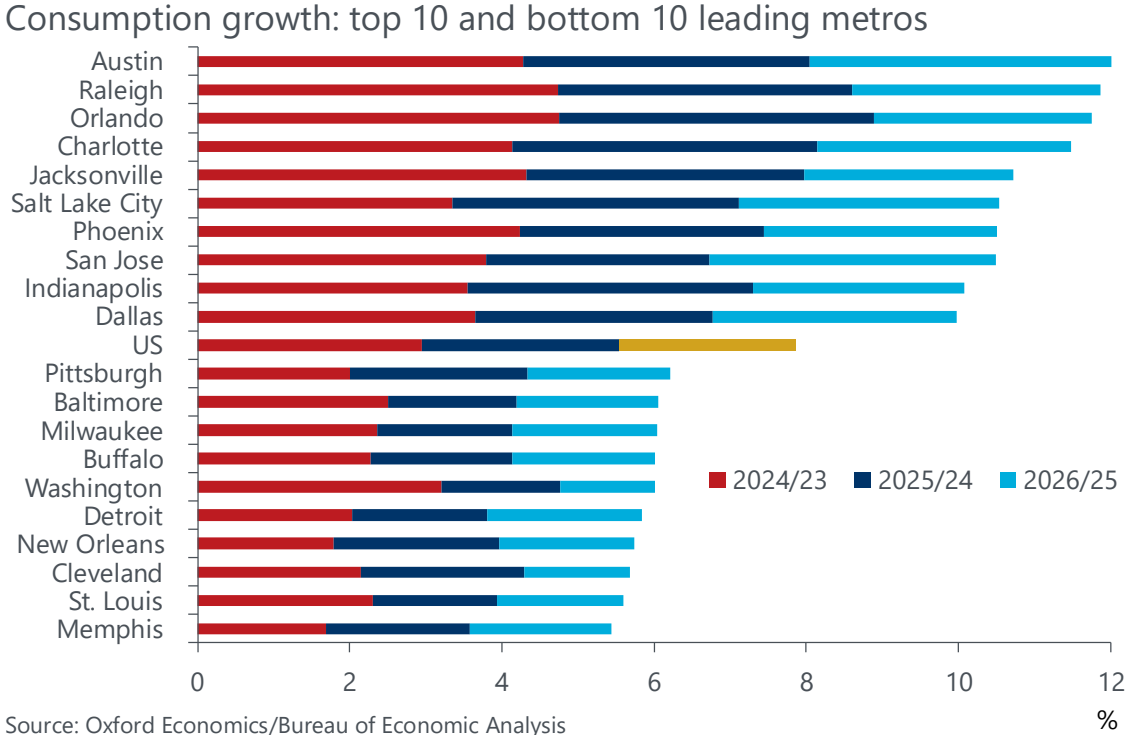
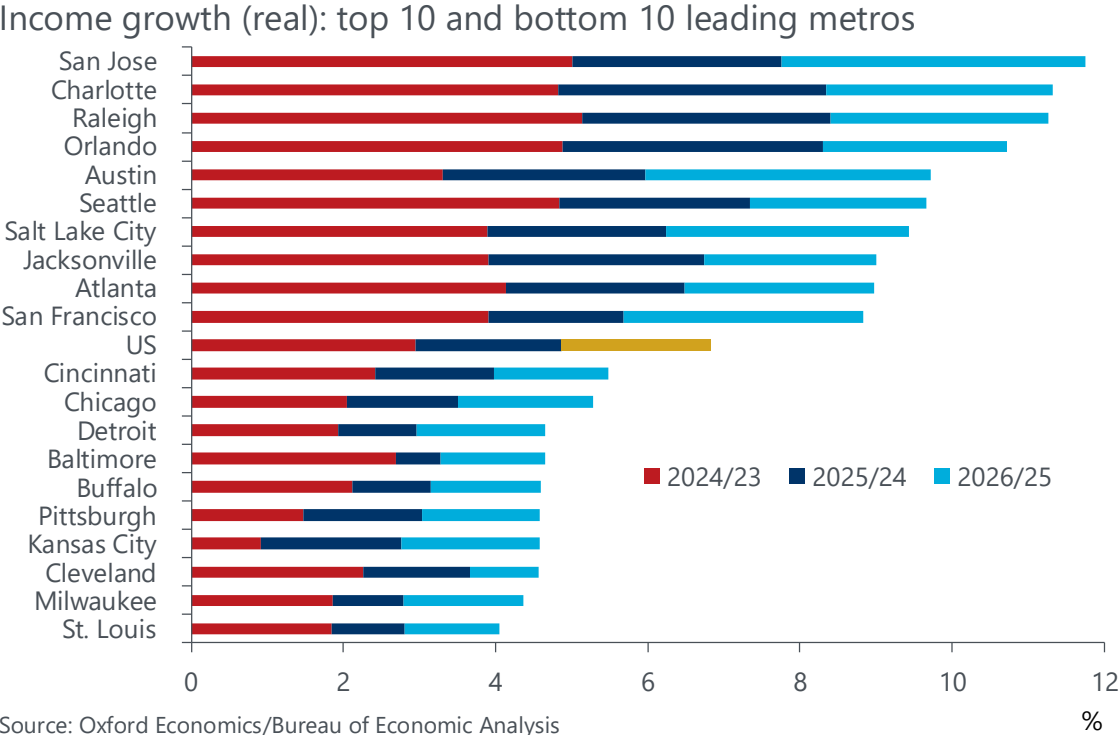
Major 30 metros: GDP and job growth, 2026–30



Source: Oxford Economics *Axis intersection denotes the US aggregate.

Likewise, for income and consumer spend growth disparity

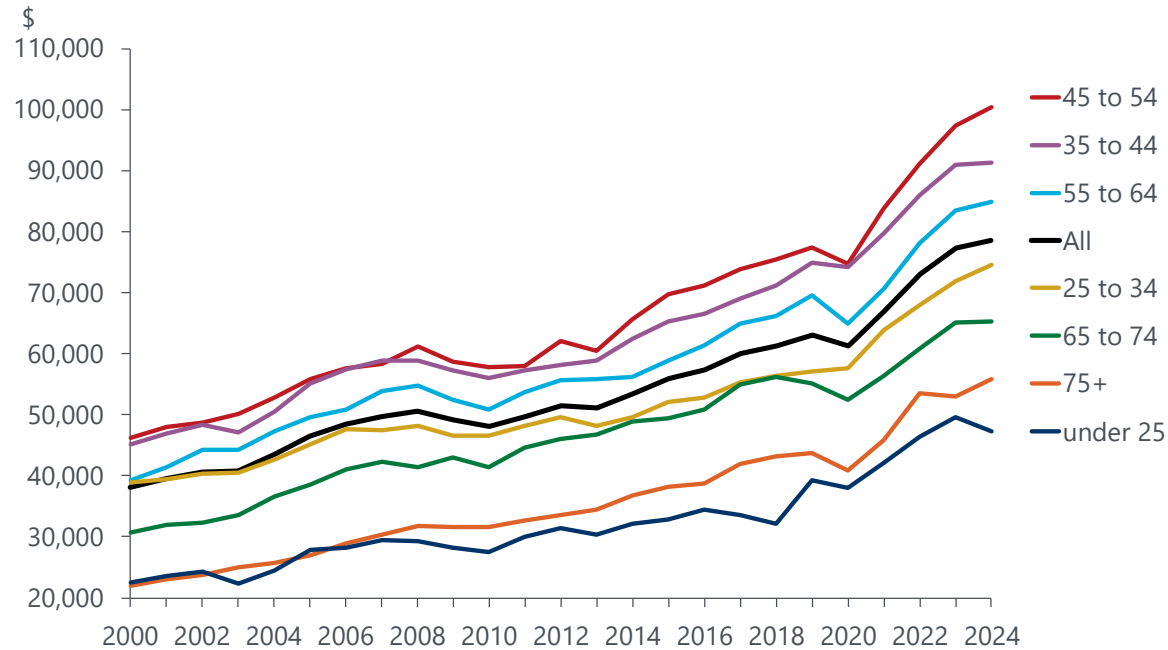
- ❖ The combination of GDP, job, and population growth yield a mixed picture for personal income and consumer spending growth.
- ❖ San Jose, Charlotte, Raleigh, Orlando, and Austin leading income; Sun Belt leading consumer spending. Ordering changed only marginally.
- ❖ Washington's income and consumer spending hold better than Midwest metros which trail.



Lifecycle spending is highest in late middle age

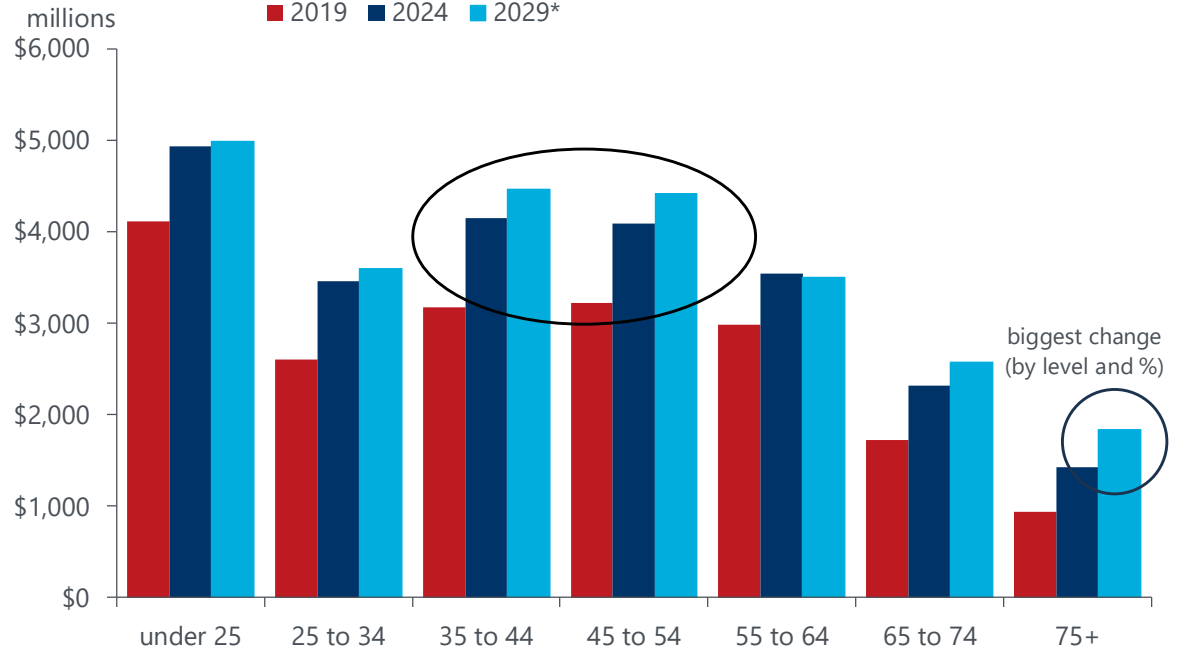
- ❖ Lifecycle spending is highest for those 45 to 54, followed closely by those 35 to 44.
- ❖ Spending for both groups is nearly the same as there are more millennials (35 to 44) than Gen-X (45 to 54).
- ❖ Total spending for 75+ will see the biggest growth due to baby boomers and longevity.

Average annual expenditures by age group



Source: Oxford Economics/Bureau of Labor Statistics

Total spending by age group: population x average spending per capita

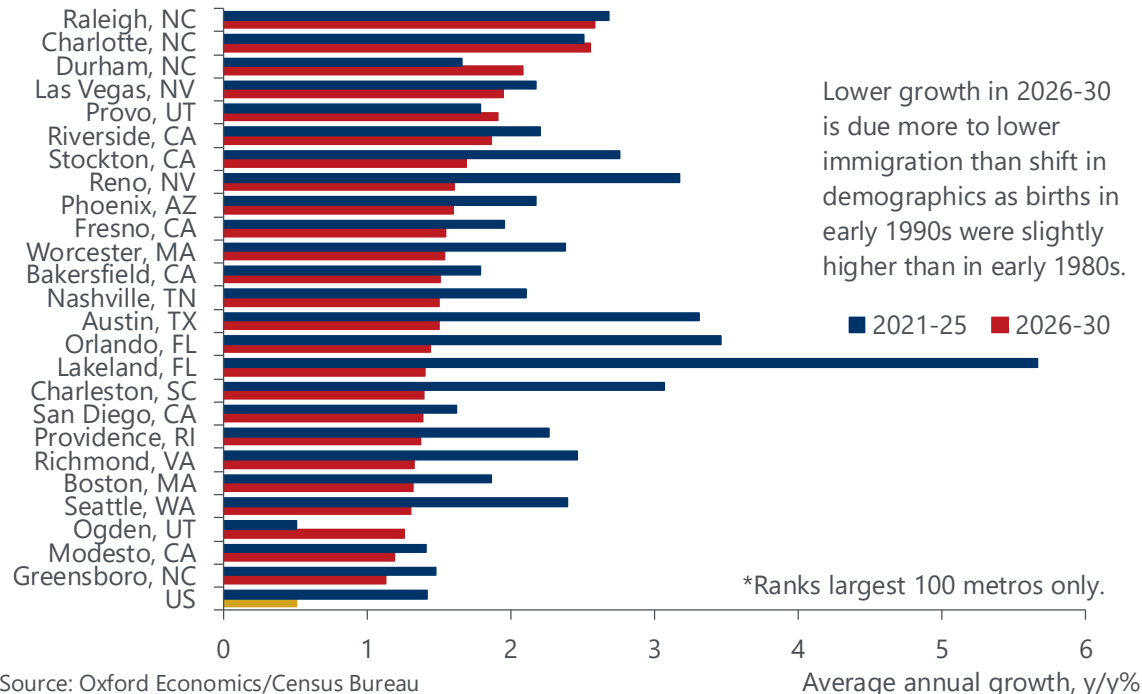


Source: Oxford Economics/Bureau of Labor Statistics/Census Bureau

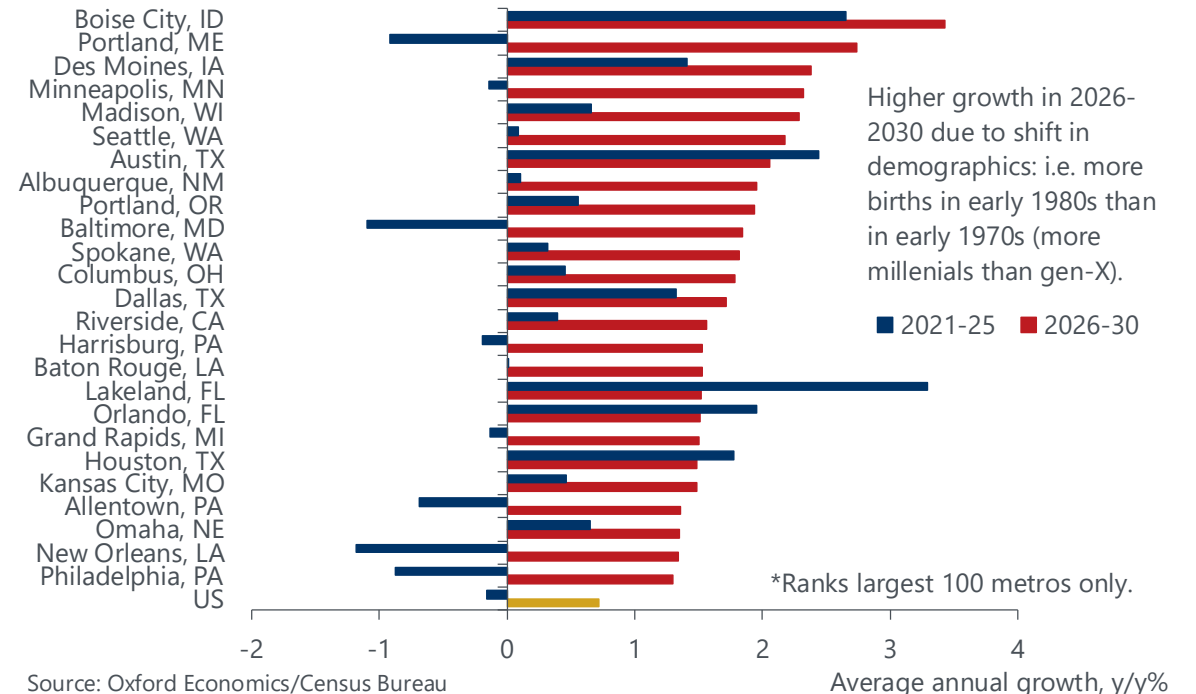
Millennials are entering their peak spending period

- ❖ Metros with fastest growing 35-44-year-olds are in Sun Belt but also California and large college towns.
- ❖ Most will see slower population growth ahead due to the decline in immigration.
- ❖ Metros with fastest 45-54-year-olds are more disparate. Most see faster growth due to demographic shift (more millennials).

Metros* with the fastest-growing 35-44-year-olds



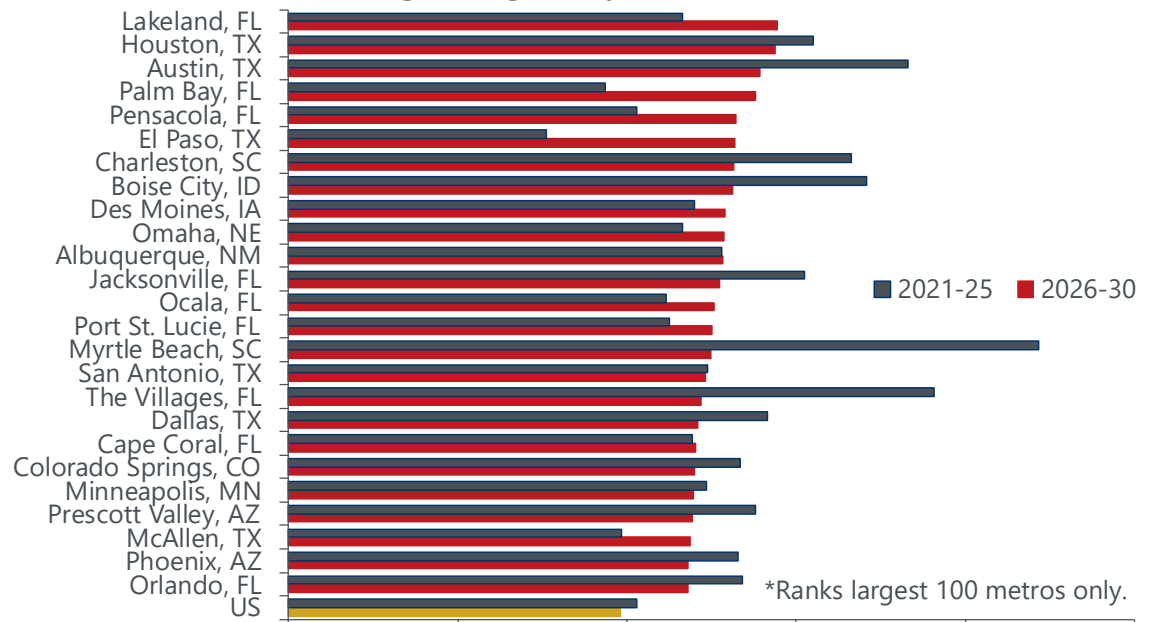
Metros* with the fastest-growing 45-54-year-olds



Every metro to see fast growth in 75+, but few do in those under 25

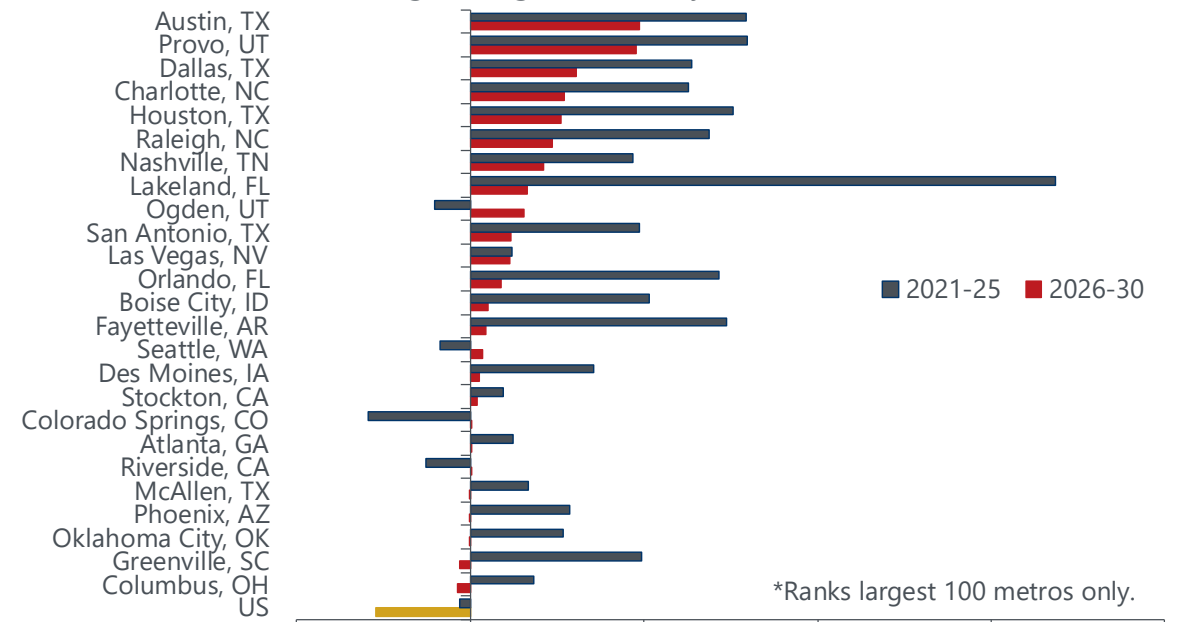
- ❖ Every metro is seeing robust growth in the 75+ age cohort, even small metros losing population..
- ❖ However, due to the drop in births starting in 2008, most metros are seeing very low growth in those under 25.

Metros* with the fastest growing 75+ year olds



Source: Oxford Economics/Census Bureau

Metros* with the fastest growing under 25 year olds



Source: Oxford Economics/Census Bureau

Our latest scenarios focus on the US AI boom, trade protectionism, the stance of fiscal policy, and financial market conditions

Baseline (45%)

Higher tariffs trigger a notable global slowdown in our latest baseline forecast. Although the impact is mitigated by limited retaliation, global trade declines significantly in the near term and trade policy uncertainty weighs on global investment. Financial markets, especially stocks, have proven fairly resilient to recent tariff news. However, we expect them to become increasingly sensitive to any negative surprises in growth and inflation data.

Our latest baseline forecast is for world GDP growth of 2.8% in 2026, as fiscal policy supports growth in the US and China.

Alternative global scenarios



Tech downturn (15%)

AI boom turns to bust, with global growth slowing sharply under the weight of falls in stock prices and investment.



Worst-case trade war (10%)

The US hikes tariffs further, triggering greater retaliation from trading partners and significant supply chain disruption.



Tighter fiscal policy (10%)

Fiscal austerity weighs on global growth as market concerns prompt governments to tackle rising public debt levels.



AI boom (20%)

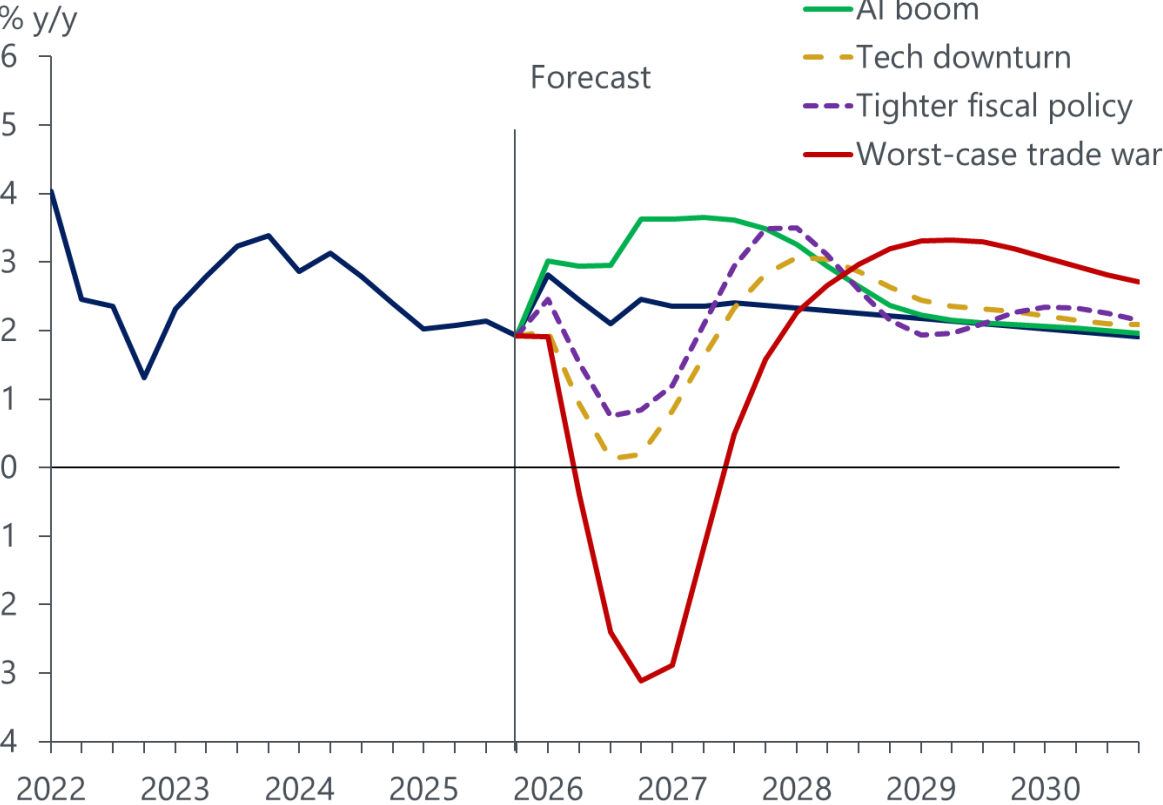
The global economy is bolstered by buoyant US tech investment and stock prices, at the same time as rapid AI adoption fuels gains in productivity.

Worst-case trade war scenario results in large shock to growth and prices

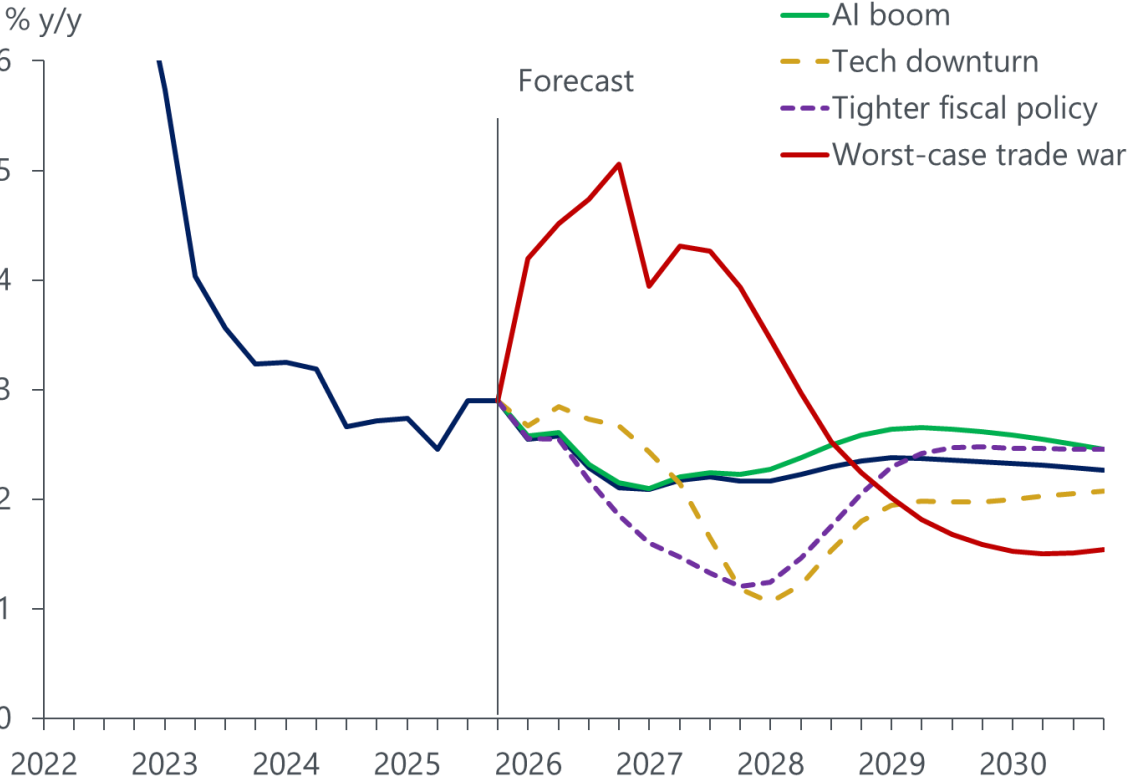
The Worst-case trade war scenario leads to a recession in the US, whilst the Tech downturn and Tighter fiscal policy scenarios lead to notably slower growth.

The Worst-case trade war scenario leads to notably higher inflation. Tighter fiscal policy would put downward pressure on prices.

US: GDP growth



US: Inflation (CPI)



Source: Oxford Economics/Haver Analytics

Source: Oxford Economics/Haver Analytics

How do these scenarios affect the US consumer?

Tech downturn

- AI bubble bursts, leading to a significant correction in the stock market
- High-income asset owning consumers exposed to stock market losses

Worst-case trade war

- Inflationary pressures hurt real disposable income, particularly affecting low-income households
- Wider stock market selloff, similar to liberation day impacts high-income asset owning consumers

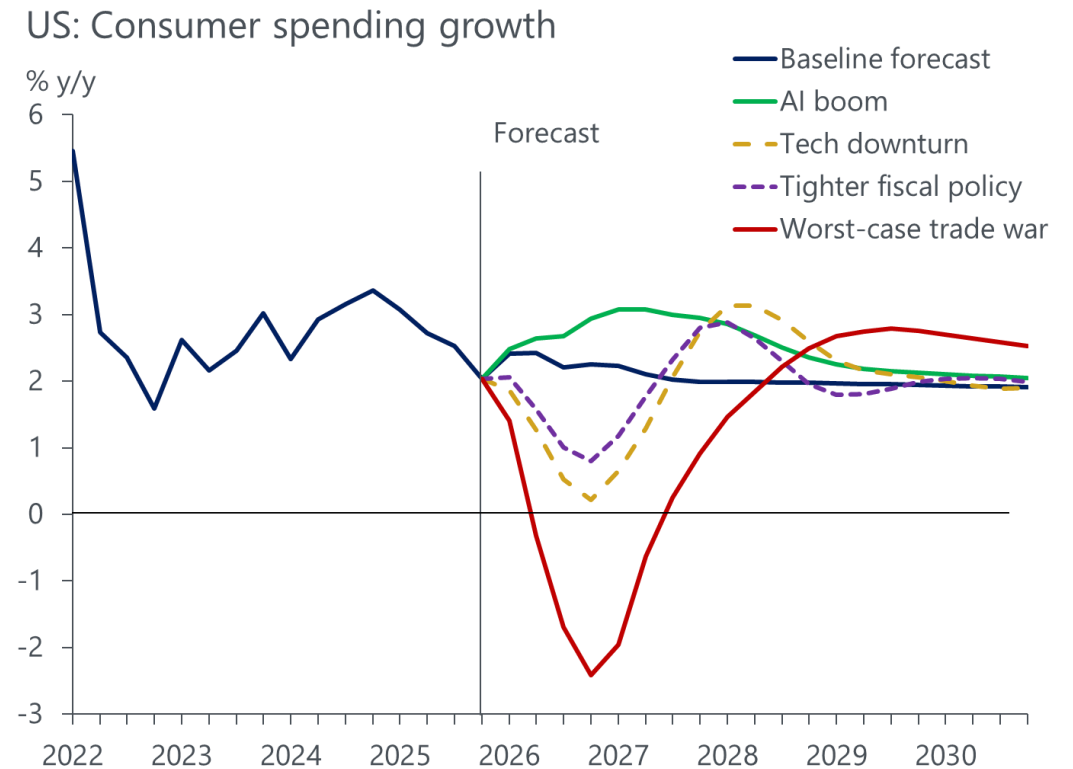
Tighter fiscal policy

- Fiscal austerity has largest impact on low-income households
- Initial surge in bond yields has most impact on middle class households as it pushes up mortgage rates

AI boom

- Asset prices linked to AI and technology surge, supporting high-income asset owning households
- Labor market bifurcation is increased (“hollowing out” effect of technology)

US consumer spending growth under baseline and alternative risk-scenarios



Source: Oxford Economics/Haver Analytics

Questions