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NEW STUDY

Wealthy ramp up spending while others tread water

Diners eat at a restaurant in the Meatpacking District of Manhattan in 2024 in New York. JULIA DEMAREE NIKHINSON — ASSOCIATED PRESS FILE

BY CHRISTOPHER RUGABER

THE ASSOCIATED PRESS

WASHINGTON>> Higher-income Americans and those with college degrees have ramped up their spending more quickly in the past three years than other consumers, according to new data released Tuesday, evidence of worsening inequity that may explain some of the growing pessimism about the economy.

The data, released by the Federal Reserve Bank of New York, also show that in the final three months of last year, lower-income and rural households faced higher inflation than higher-income households. The spending data focuses only on goods excluding autos, and does not capture likely spending by higher-income households on travel, restaurants and entertainment.

The figures add support to the notion of a "K-shaped" economy, in which upper-income Americans are fueling a disproportionate share of the consumption that is the primary driver of the economy, while lower-income households see fewer gains. Poorer households in general often experience higher inflation, with a greater share of their spending being set aside for goods that have seen prices soar since the pandemic, things like housing, groceries, and utilities.

The New York Fed's data show that households with incomes of $125,000 and higher have boosted their spending 2.3%, adjusted for inflation, since 2023, while middle-income households — those between $40,000 and $125,000 — have increased their spending by 1.6%. Those earning below $40,000 have lifted their spending by just 0.9%, the report showed.

The figures are an addition to the New York Fed's economic heterogeneity indicators, a series of data sets intended to track variations in the economy by geographic region and demographic and income groups. The goal is to get a better sense of how different groups are faring, trends that can be shrouded by nationwide averages.

The figures are derived from a group of 200,000 consumers tracked by the analytics firm Numerator. Their data closely tracks monthly retail sales released by the government, the New York Fed said.

The report underscores a pattern that has emerged since the pandemic: Lower-income households fared better in 2021 and 2022 when companies were desperate to hire and willing to pay, while the government also provided several economic stimulus checks. Yet beginning roughly in early 2023, hiring slowed and sharp gains in stock market fueled spending gains in wealthier households.

Note

The division is also clear when examined through the lens of education. In 2023 and most of 2024, inflation-adjusted spending by non-college households fell below its January 2023 level. It only regained that level in November 2024, while households with a college graduate had by then boosted their spending by 4%.

The New York Fed notes that college-educated households continued to spend at a rapid pace in 2025 even as hiring slowed and there were a spate of job cuts in white-collar industries such as high tech, government and marketing.

"The difference in the trend in retail spending between college graduates and nongraduates is consistent with the story of a 'K-shaped economy,'" Rajashri Chakrabarti, an economic research advisor at the New York Fed, and three colleagues wrote.

The findings echo other recent research, including a short paper by the Federal Reserve Bank of Dallas last November. The Dallas Fed found modest increases in consumption and income inequity over the past three decades. The wealthiest one-fifth of Americans accounted for about 54% of earnings from 1990-99, the researchers found, a figure that had risen to 60% in the 2020-25 period. The proportion of spending by the richest one-fifth increased to 57% from 53% between those two periods, the Dallas Fed concluded.

Note