



Simmering under pressure: How consumers are spending smarter this summer

Consumers are pulling back and making choices on value.



Introduction

Wary consumers planning for a leaner summer

Consumer confidence is cooling significantly as more Americans brace for continued economic uncertainty. Nearly 40 percent say their household income has declined—roughly double the level reported last year—driven primarily by job loss and broader workforce shifts.

Consumers say they are reducing their spending, with plans to cut back in 15 of the 17 categories tracked in our annual survey. That's a sharp reversal from last fall, when consumers planned to increase spending in most categories. Overall, 71 percent now expect a recession in the year ahead, and half plan to spend less because of uncertainty about tariffs and potential price impacts.

From groceries to travel to dining out, consumers are searching for lower-cost options, finding ways to stretch their budgets, and making more intentional choices about where to spend—on both essentials as well as the discretionary purchases that matter most to them.

About the survey:

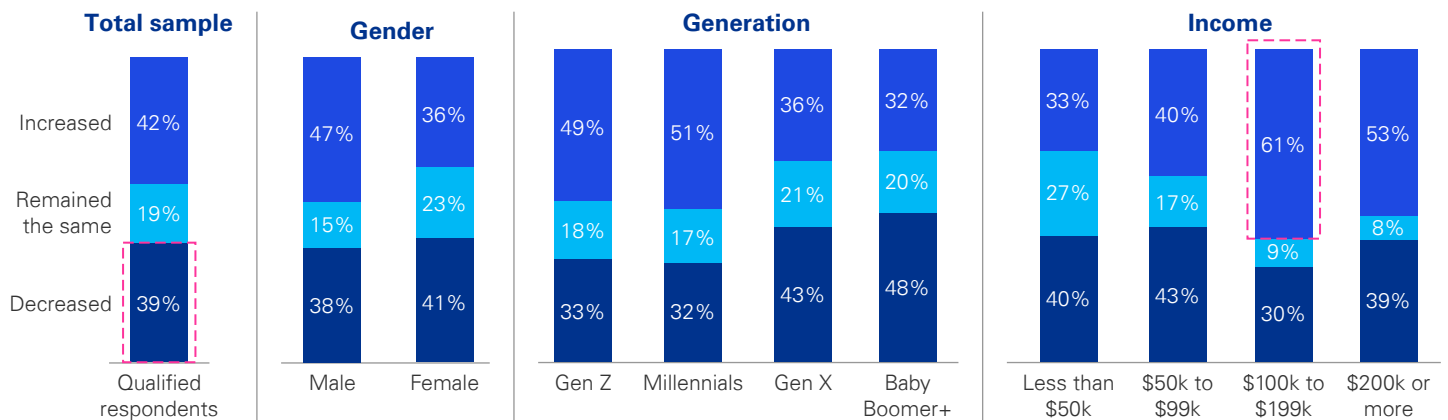
Our annual summer 2025 consumer survey seeks to accurately represent U.S. demographics with 1,500-plus respondents and a +/- 3 percent variance compared to the U.S. census for gender, age, and income.

1 Household income concerns

Income and employment stability emerged as key factors, with 39 percent of all consumers in our survey reporting a drop in household income—a sharp increase from just 20 percent last year. Job loss was the most frequently cited response, with additional impact from retirements, shifts to

part-time work, and other household changes. By income group, those earning under \$100,000 were especially hard-hit, although 61 percent of consumers in the \$100,000–\$199,000 bracket reported increased income—a lone sign of resiliency in an otherwise fragile income picture.

Household income changes by demographic segment (2025 vs 2024)

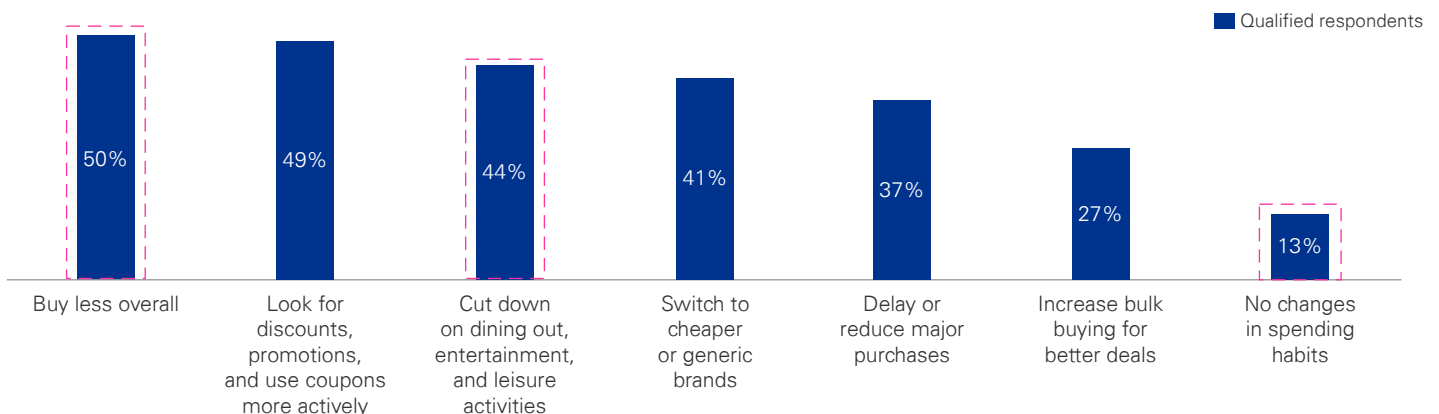


2 Recession and tariff concerns are influencing behaviors

While actual tariff and price movements continue to evolve, consumers' perceptions about what may lie ahead are already influencing their behaviors. Price anxiety and economic uncertainty are weighing heavily on consumers, with more than 7 in 10 now expecting a recession within the next year. Inflation is a continuing challenge, with 74 percent reporting a cost-of-living increase of more

than 5 percent over the last year. Tariffs are also on consumers' minds: 52 percent believe tariffs are already contributing to higher prices and 79 percent anticipate further price increases ahead. In response, half of consumers say they plan to buy less overall and 44 percent are cutting back on dining out, entertainment, and other discretionary spending.

Effect of rising tariff on consumer spending habits

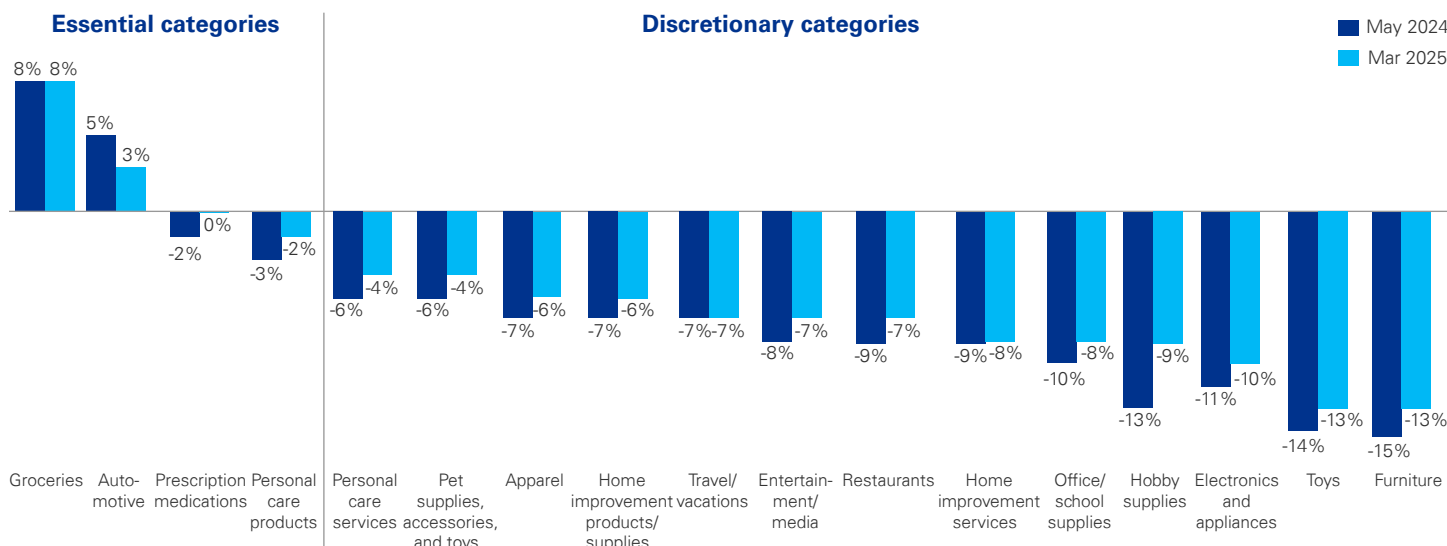


3 Prioritizing the essentials

Consumers are reworking their budgets to focus on essentials. While planned spending is up slightly for automotive needs, expectations are down across every other category in the survey—including discretionary areas like restaurants, electronics, home improvements, and furniture. Mass market remains the dominant retail channel, especially among lower-income households, reflecting the continued prioritization of affordability and convenience. But with shoppers becoming more selective,

retailers across all categories may face increased pressure to demonstrate value and relevance for non-essential purchases. Housing affordability is another factor that can influence consumer spend. The income needed to afford a median-priced home is nearly \$117,000, which is almost double the price of just five years ago.¹ Add to that the rising costs of taxes and insurance, and many remain priced out of the housing market.^{2, 3}

Anticipated change in monthly spend by category, summer 2024 versus summer 2025



4 Still packing their bags

Travel remains a priority for many households, even amid financial concerns. Fifty-eight percent of consumers plan to travel this summer, a rate roughly consistent with the past two years. But while travel intent is holding steady, many are planning fewer trips overall. More consumers are limiting themselves to a single trip this year, with 48 percent planning just one getaway (up from 42 percent last year), while the number planning multiple trips fell slightly. While the desire to get away remains strong, the overall expectation for a 6.6 percent reduction in travel spending is clearly influencing how—and how often—consumers plan to travel.



¹ “Study: Hopeful homebuyers need income of nearly \$117,000 to afford typical home in U.S.,” Jeff Ostrowski, Bankrate, March 31, 2025.

² “Total Property Tax Collections Hit Record High in 2024,” National Association of Home Builders, March 31, 2025.

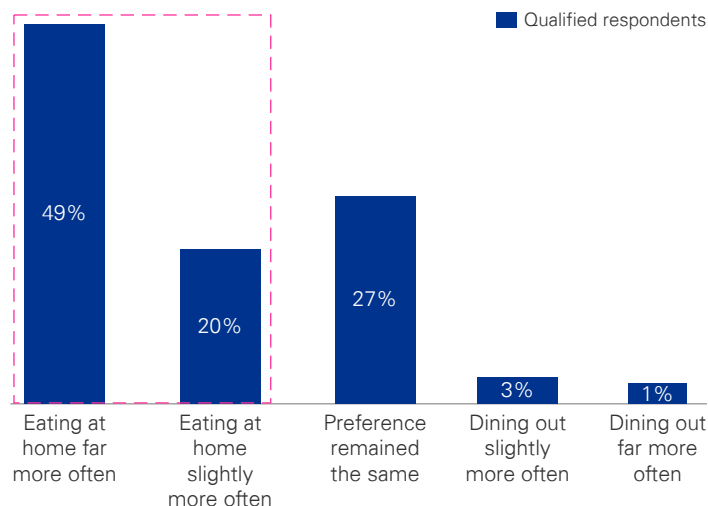
³ “U.S. Department of the Treasury Report: Homeowners Insurance Costs Rising, Availability Declining as Climate-Related Events Take Their Toll,” U.S. Department of the Treasury, January 16, 2025.

5

Home cooking makes a comeback

Dining behavior continues to shift as consumers look for ways to save. Nearly 70 percent say they're eating at home more often than last year, and 85 percent cite budget constraints as the top reason. Breakfast and snacks are most likely to be prepared at home, while lunch and dinner still include some mix of delivery or dining out—especially among younger generations. Quick service restaurants are gaining modest traction, with 26 percent of respondents saying they are choosing fast food options more often. But 38 percent are eating less often at casual dining restaurants, and 34 percent have not visited fine dining at all this year.

Change of preference for eating meals at home compared to dining out at restaurants



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Wellness remains a priority

Consumers continue to prioritize physical and mental well-being, even amid economic pressure. Fifty-seven percent report improved quality in their diets, 52 percent are exercising at least three times a week, 48 percent are using supplements or vitamins, and nearly one in four hold a gym membership. Mental health, weight management, and stress reduction rank among the top wellness goals—

especially for women and younger consumers. While cost remains a barrier for some, many are still investing in simple, routine-driven health behaviors to support long-term wellness: 38 percent are drinking less alcohol, including about half of Gen Z and Millennials—compared to just 21 percent of Baby Boomers.

Conclusion: Navigating a tougher consumer climate

Our latest survey reflects a consumer under pressure on multiple fronts: income challenges, cost-of-living increases, and significant concerns about the economy. Whether driven by perception or experience, consumer behavior is shifting. Many are cutting back on discretionary spending to reserve budget for the essentials. Retailers and brands should prepare for a slower, more value-driven summer—and adjust their strategies accordingly.



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- Use pricing as a strategic lever in the face of rising costs and tariff concerns
- Improve margins through smarter direct sourcing and indirect procurement
- Adapt supply chains using intelligent forecasting and demand planning
- Drive top-line growth and maintain relevance in a cautious consumer market

Whether supporting near-term challenges or enabling long-term transformation, KPMG delivers insights and outcomes that make the difference.

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