

INSIGHTS & ANALYSIS

# How American Consumers Spend



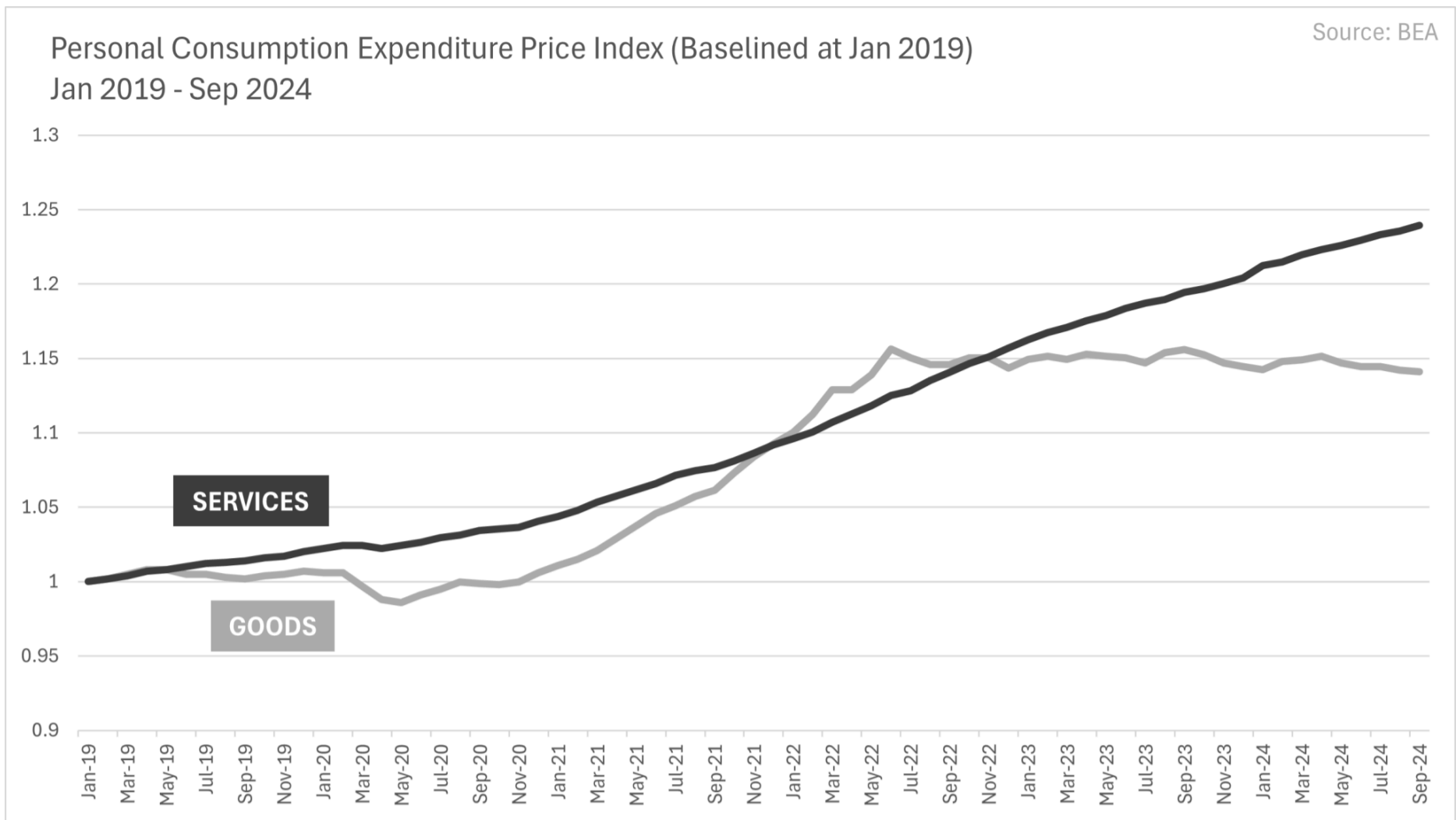
By [Matt Gacioch](#)   
Staff Economist

November 19, 2024

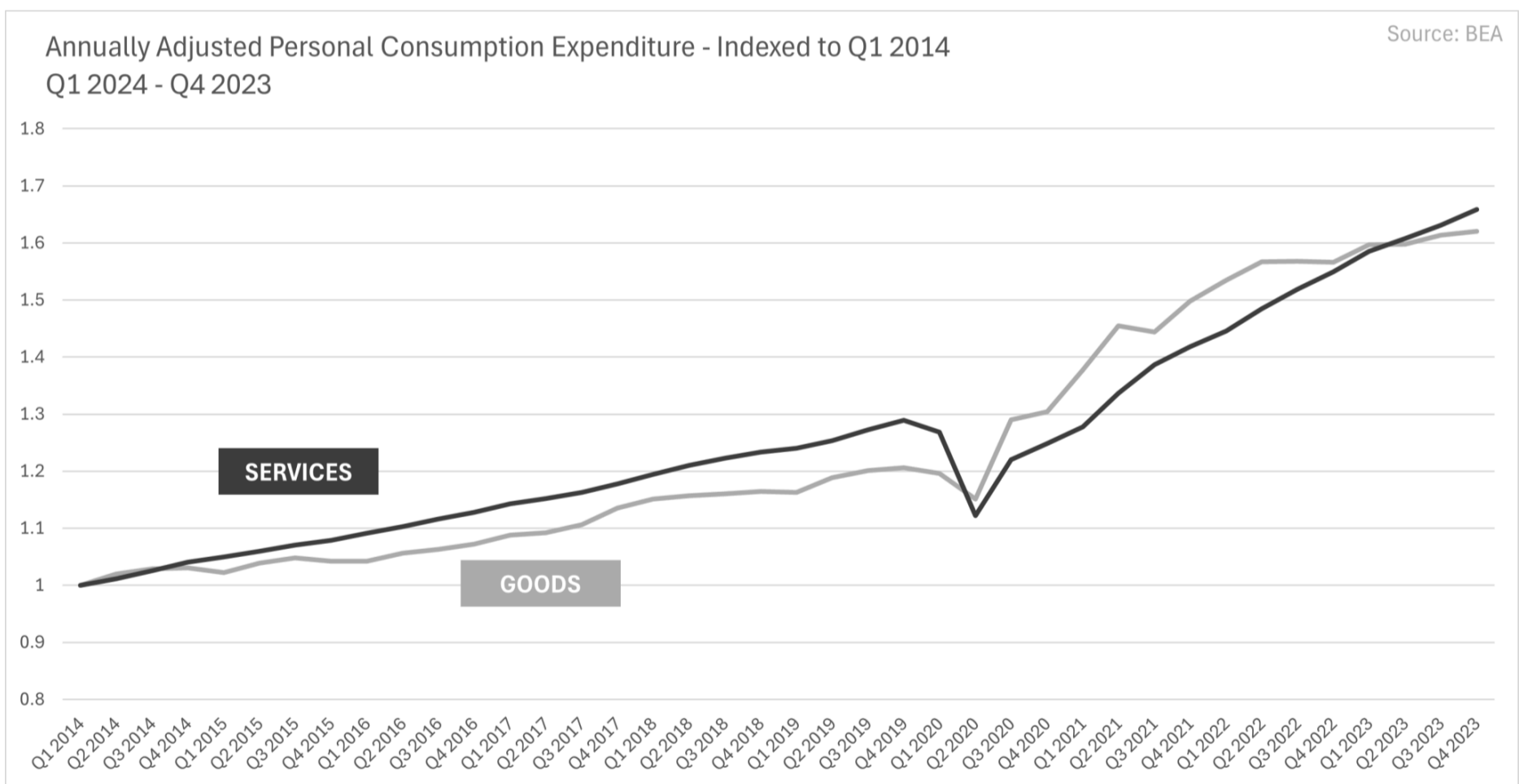
**Pop quiz:** Has there been more inflation on goods or services over the past five years?

If you have felt your brewery input costs steadily on the rise and your grocery bills are giving you heartburn, you could be forgiven for guessing “goods.” However, according to the Personal Consumer Expenditure Price Index (PCEPI) from the Bureau of Economic Analysis (BEA), you’d be wrong.

Since January 2019 the price of goods has risen 14% while services have climbed by a full 24%. Although some of this service inflation is driven up by historically high costs of housing (+30%), prices within the “Food services and accommodations” category has itself risen 29% along with sizeable bumps in “Transportation services” (+27%) and “Financial services and insurance” (+26%). So, with these huge cost bumps, we’ve seen spending on services decline or at least slow, right?

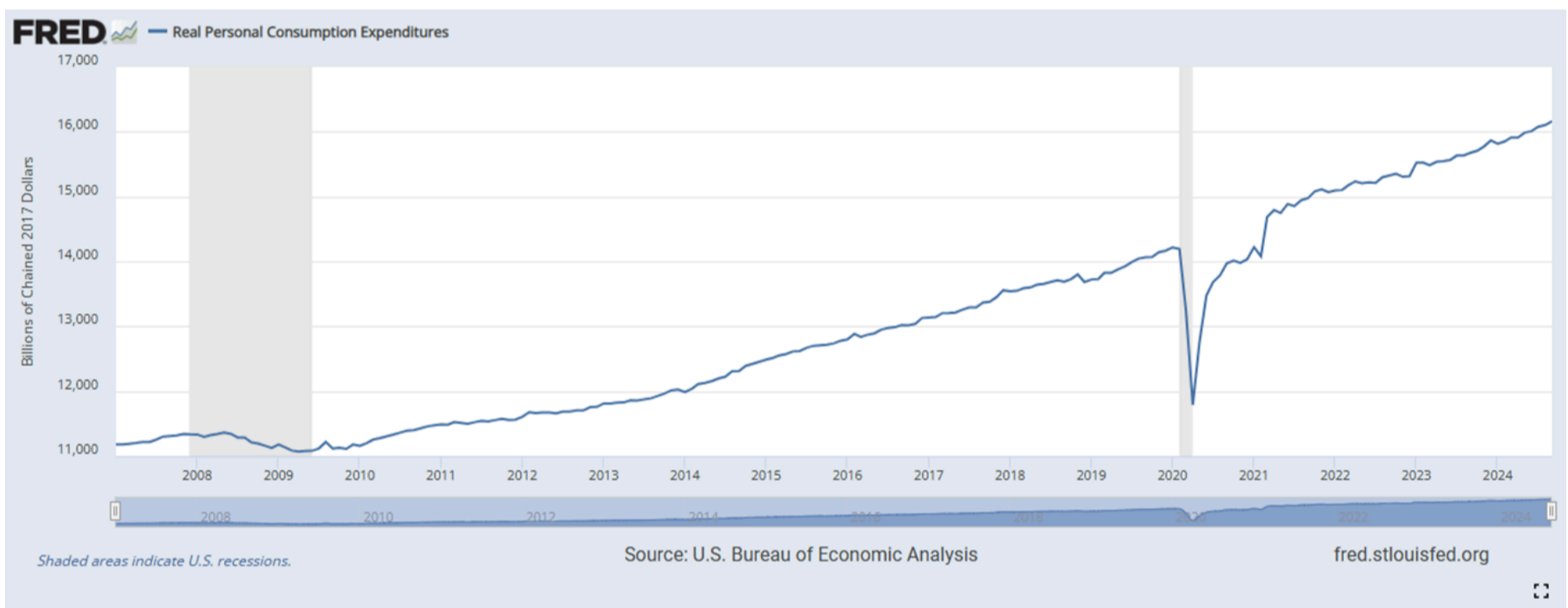
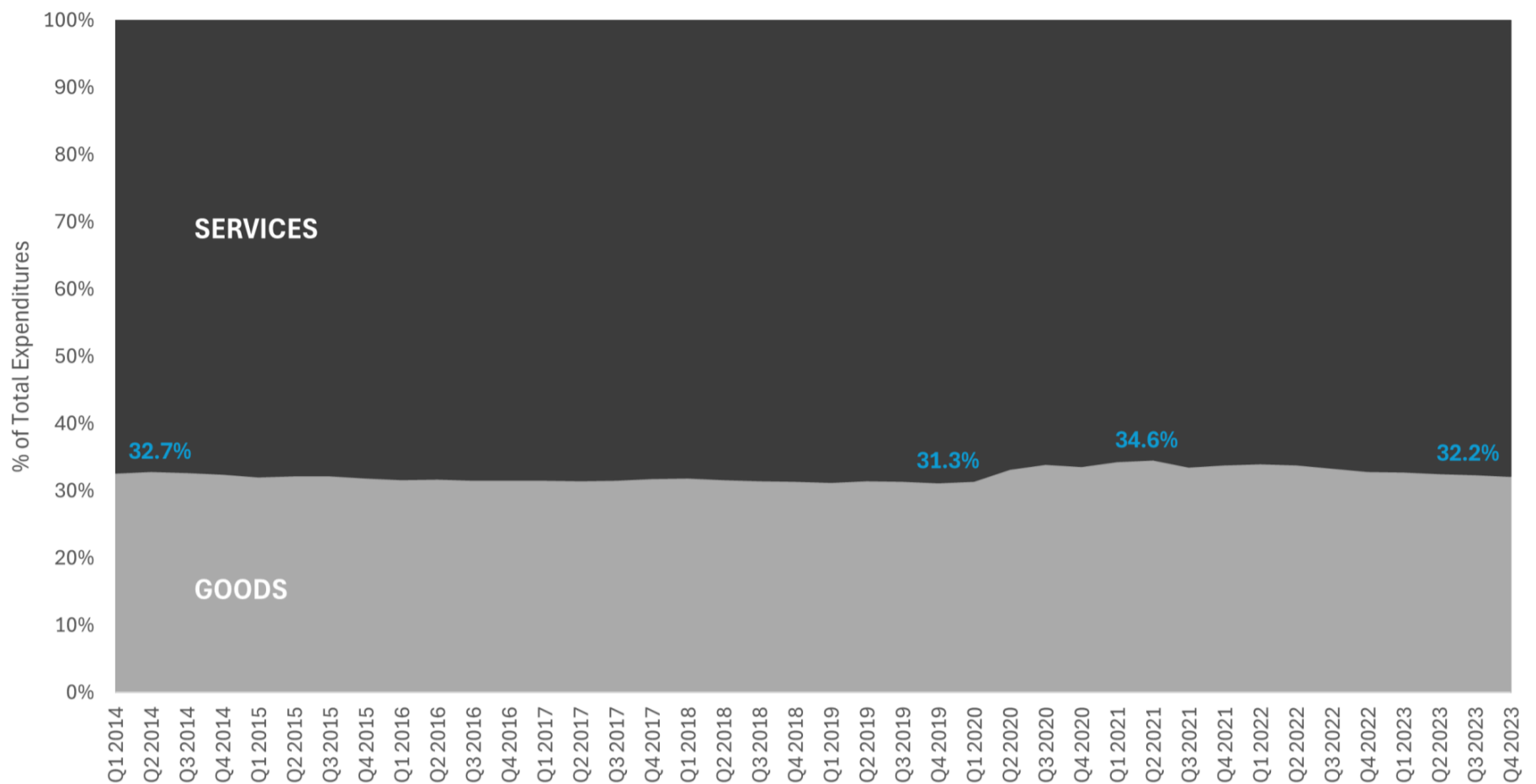


Wrong again, my friend. Not only is service spending not slowing, it is accelerating. And it is gaining relative share of consumer spending compared to goods. All of this in an economic reality where goods spending was also up 39% from 2018 through 2023. Total consumption expenditures in real terms (i.e. inflation-adjusted) continue to climb despite significant inflation. [Vibecession?](#) Someone forgot to tell consumers.



## Annually Adjusted Personal Consumption Expenditure Share - Goods vs. Services Q1 2024 - Q4 2023

Source: BEA



And yet, *how* consumers are spending those additional dollars has evolved considerably over the past five years, which brings us to the purpose of this post. Where consumer spending goes, so too do your customers.

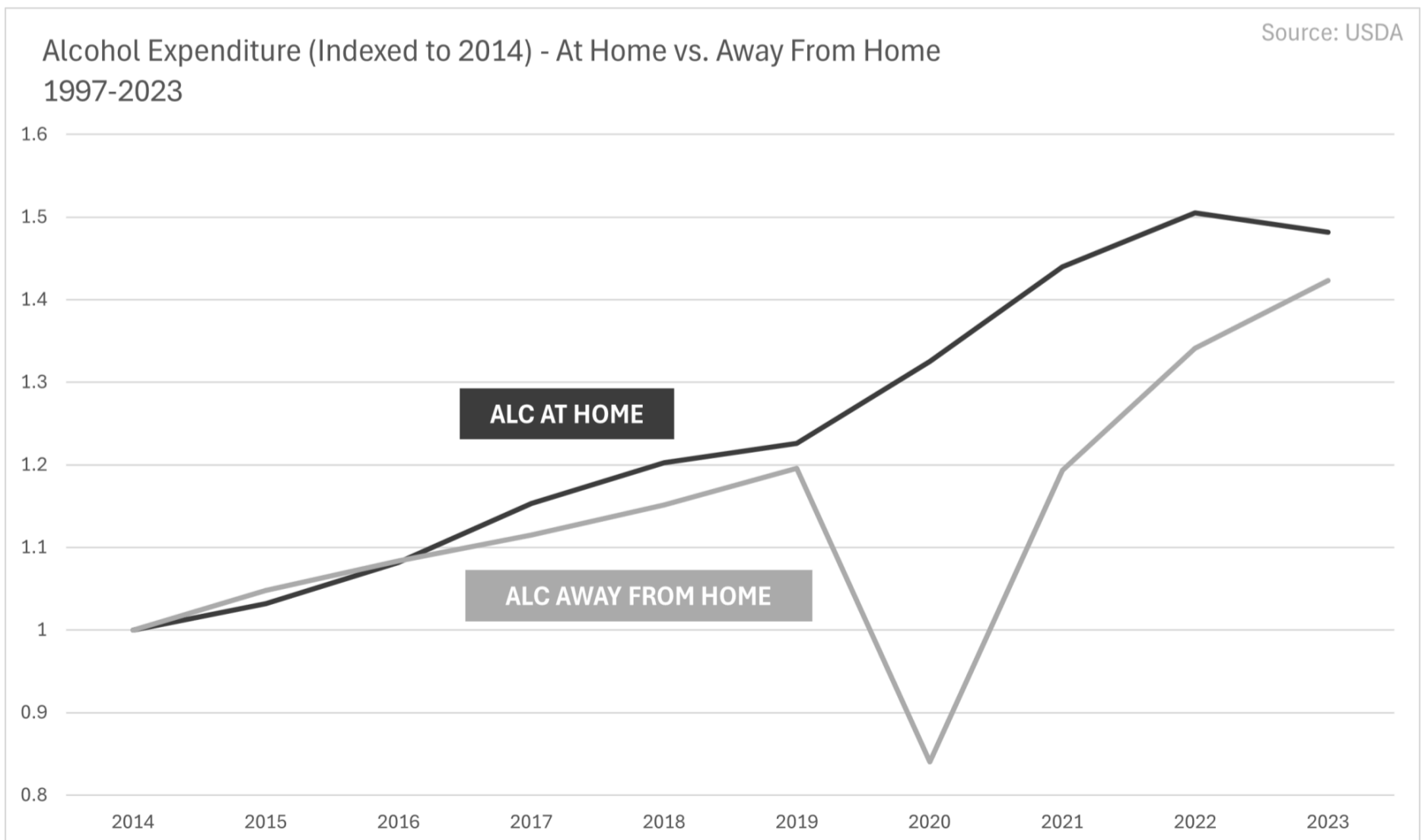
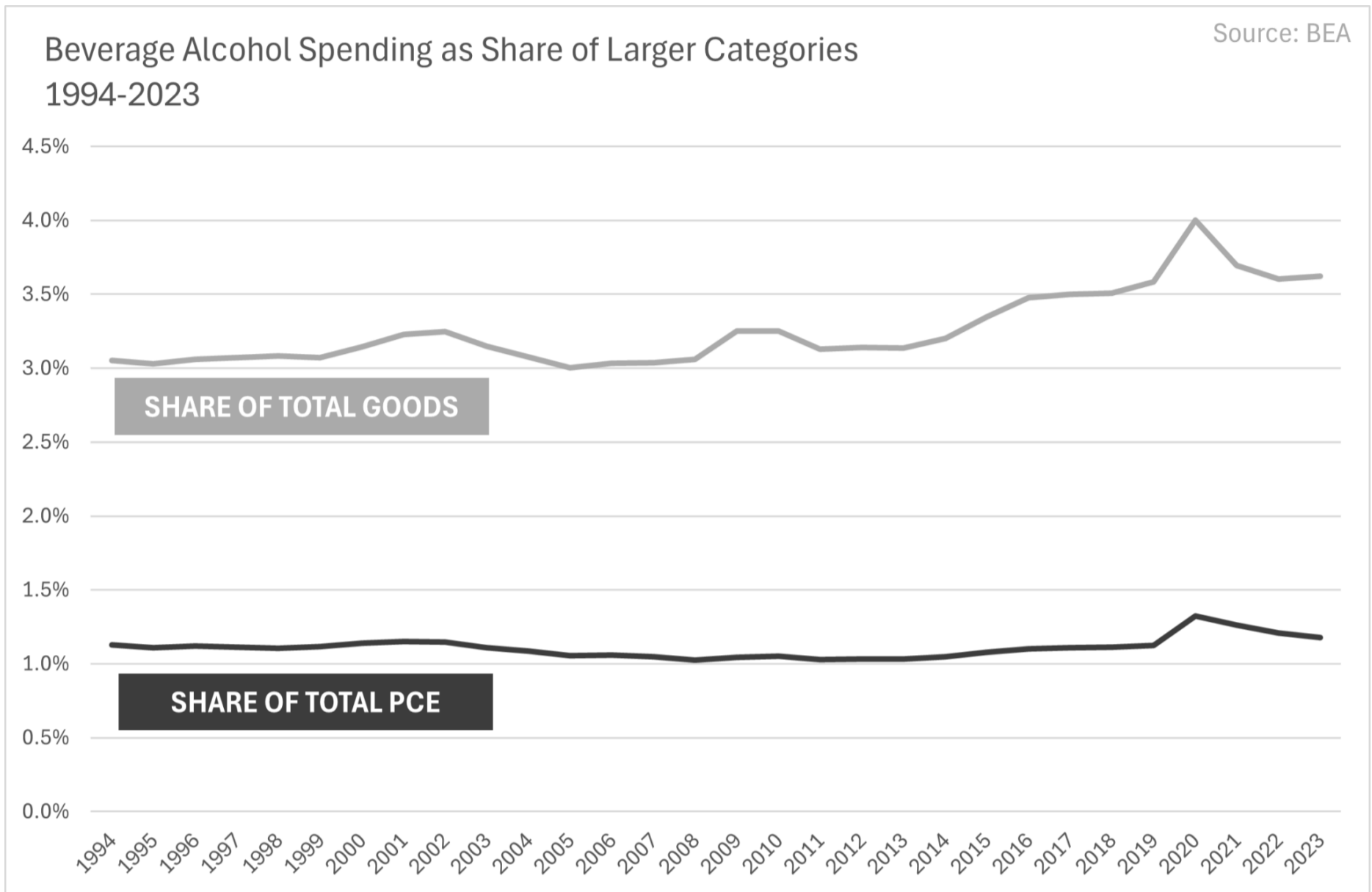
Understanding where consumers are spending helps small and independent breweries from both product and hospitality perspectives. It's important for craft brewers to consider how their beer (and other beverage alcohol if they have it) fits into wider consumption patterns and how to use a services perspective to inform a strategic onsite approach.

## Beverage Alcohol

With all the discussion of how “consumers aren’t drinking anymore,” let’s look first at how consumer spending on beer and other beverage alcohol categories has changed in recent years. For those who follow the Brewers Association (BA) [Insights & Analysis posts](#) closely, you’ll recall that this year’s [Consumer Survey](#) revealed a higher percentage of craft beer drinkers who reported drinking less craft beer than a year ago (26%) than those who reported increased craft consumption (25%). At the same time, consumption frequency of other beverage alcohol categories is on the rise among craft beer drinkers. In fact, 54% of those consuming less craft beer than a year ago cited increased consumption of another beverage alcohol category. Despite the inflationary environment, only 19% reported less craft consumption due to a reduction in disposable income (down from 23% in 2022).

So, how does this reported data track with actual consumer spending? Pretty closely, actually. In the most recent year where we have [full Personal Consumption Expenditure \(PCE\) data](#) (2023), spending on alcohol beverages for off-premise consumption rose 4%, but was flat in terms of share of total expenditure year-over-year (YoY) at 1.2%. In those same years (2022-2023), the BA Consumer Survey showed the same percentage of craft drinkers consuming more and consuming less. In the three decades from 1994-2023,

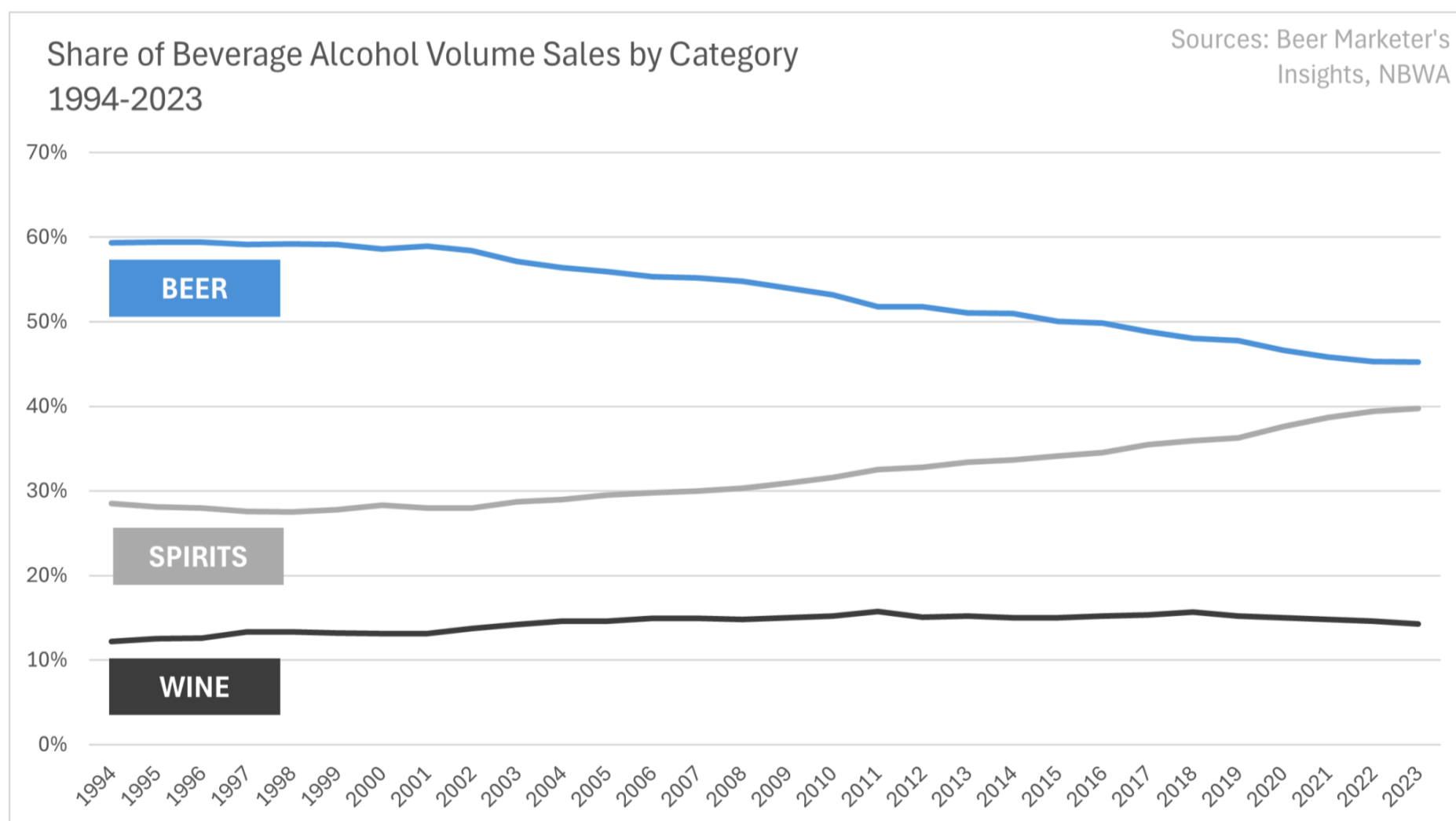
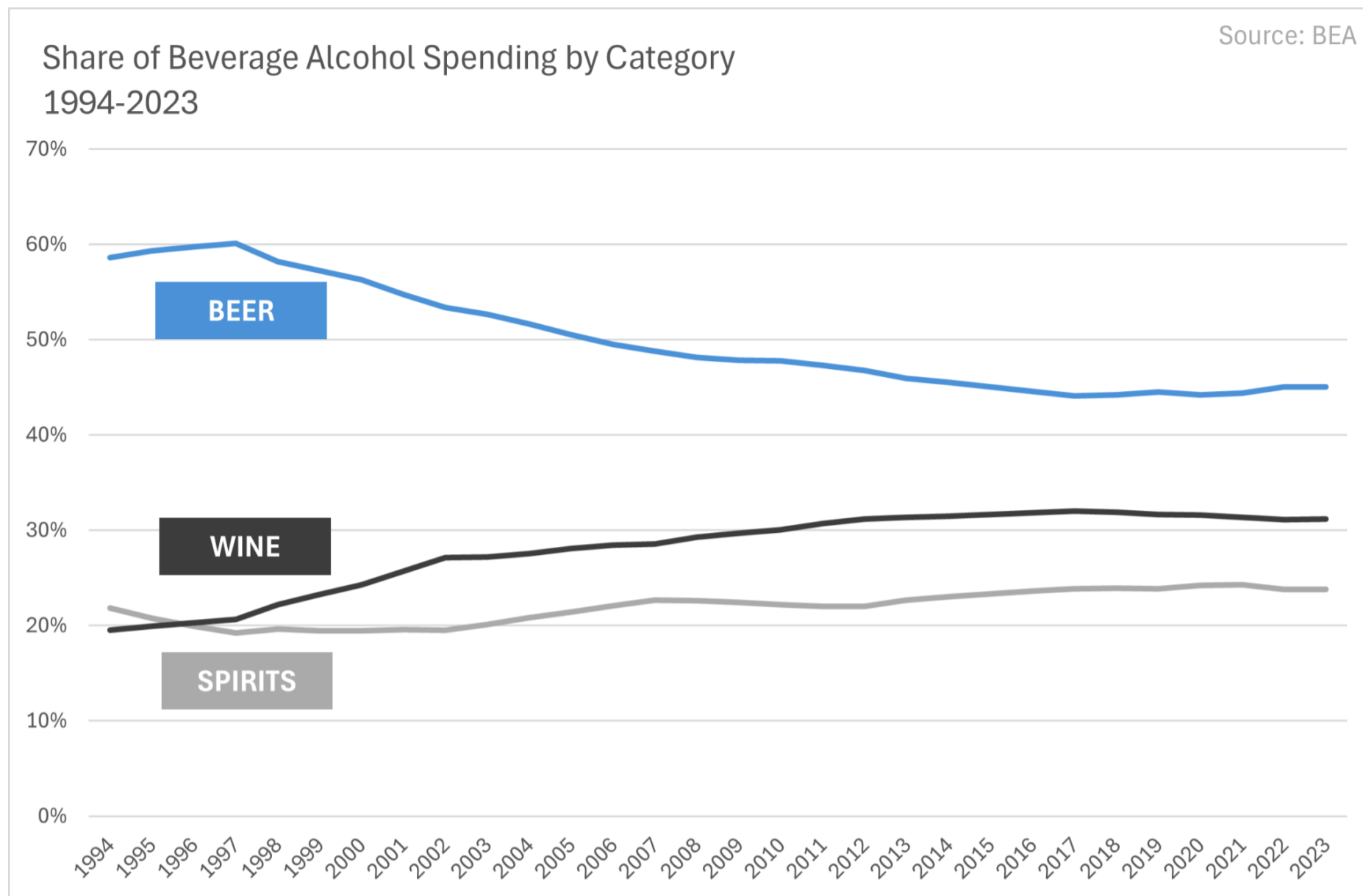
alcohol share of total expenditure stayed largely stable, with a slight decline to 1.0% from 2007-2014 and a slight uptick to 1.3% during the pandemic years of 2020-2021. However, off-premise beverage alcohol has gained more sizable share of total goods spending, leveling off higher in the post-pandemic era than in the years prior.



While there's been little change to beverage alcohol's share of total expenditure over those 30 years, what has changed is the composition of the spending. In the same years that the craft beer revolution was unfolding in the U.S., overall beer lost significant share of total beverage alcohol spending—down about 15 percentage points—from 1994-2014. For those two decades, wine captured

more of that lost share from beer than spirits. Yet, in the past decade, despite more variety of beverage alcohol products than we've seen in our lifetime, share of spending by category has largely leveled off.

It's worth noting that this graph looks different than time series on sales volume, where spirits have gained significantly. This is likely due to a number of factors including tightening of spirits margins for wholesalers and retailers, more on-premise beer share (i.e. higher unit price), and more relative spirits exports than beer (i.e. more volume with less American consumer spending).



## Wider Consumer Spending

We spend so much time looking at beverage alcohol data, but now it's time to look at the negative space (i.e. the rest of consumer spending). What are consumers spending the other 99% of their dollars on? Certainly, there are the major buckets of housing (18% of total expenditures in 2023) and health care (16%). Let's see how some smaller buckets of discretionary spending are evolving and what they can mean for your business.

Note: the parenthetical values after the category names represent the change in consumer spending in the five years from 2018–2023. For reference, the median change for all categories tracked by the BEA was +34% over that same five-year period. Find all this and explore deeper on your own with the [PCE dataset](#).

## Goods

### Recreational Items (+63)

Large growth in spending was observed within games/hobbies (+64%), pet products (+56%), and flowers/plants (+71%). Even on the services side, consumers are spending +63% on veterinary/other services for pets. Find hobbyists and recreation groups who connect with your brand to hold club meetings or access equipment. And pet-friendly spaces are more inclusive to those whose furry family members can't be left at home.

### Information Processing Equipment (+77%)

Think about the infrastructure needed in your facility to accommodate customers' tech. This can mean charging stations, curated spaces for remote workers to post up, and/or quality Wi-Fi to meet computing needs.

### Food Produced and Consumed on Farms (+99%)

Unless you're a farm brewery, you may wonder what in the world this has to do with you. I see it as a reflection of consumer interest in buying local and artisanal when possible. Clearly, this is at the core of craft beer, so don't be afraid to lean into this messaging in your marketing.

### Garments (+24%)

Falling comfortably between the first and second quartile of all spending changes, the sluggish growth in garments is worth noting in the context of brewery merchandise programs. Consumers aren't focusing their dollars here as much as elsewhere.

## Services

### Alcohol in Purchased Meals (+48%)

With growth above the 75th percentile of all categories, alcohol in purchased meals tells a story about beverage alcohol consumption with food. Additionally, meals at limited service eating places was up most among eating place types (+52%). The food and dining service don't necessarily need to be fancy, and a more casual offering might match better with tighter personal spending budgets.

### Lotteries (+42%)

As we saw in our [Onsite Sales Trends analysis](#) earlier this year, some of the most successful businesses have larger discounts on tabs from promotions. With greater consumer spending growth than other types of gambling, lotteries could be a way to get customers in the door and keep them there for longer.

### Movie Theaters (-14%)

Still down from pre-pandemic levels, consumers are choosing not to go out to see movies. This at the same time as one of the top category gainers was in video streaming (+104%). To capitalize, perhaps consider holding off on the movie night, but tie product or event themes to pop culture while Americans are consuming huge amounts of video content at home.

## Taking It Home

Understanding how consumers are willing to allocate their discretionary income can be helpful in positioning the products and services your company offers. Since inflation has begun cooling post-pandemic, real wages have marched upward. Consumers might not feel it yet as certain non-discretionary costs rise faster than wages, but in a probable future with more money in consumers' pockets, being innovative across offerings could help drive some of that additional spending through your doors.



WRITTEN BY

**Matt Gacioch**, *Staff Economist* 

Matt Gacioch (he/him), staff economist for the Brewers Association, helps members make sense of the data that enable their businesses to thrive. He brings experience from market analytics, brewery operations, and consulting, along with an MBA, MS, and BS from the University of Michigan. Follow him on Instagram [@craft\\_econ](https://www.instagram.com/craft_econ)

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