

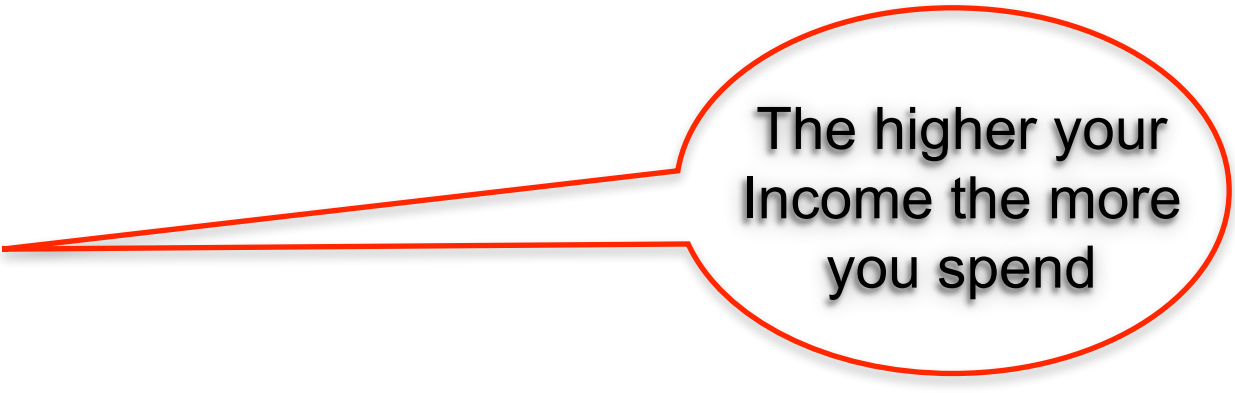
What determines
Consumer Spending?



Real Wealth



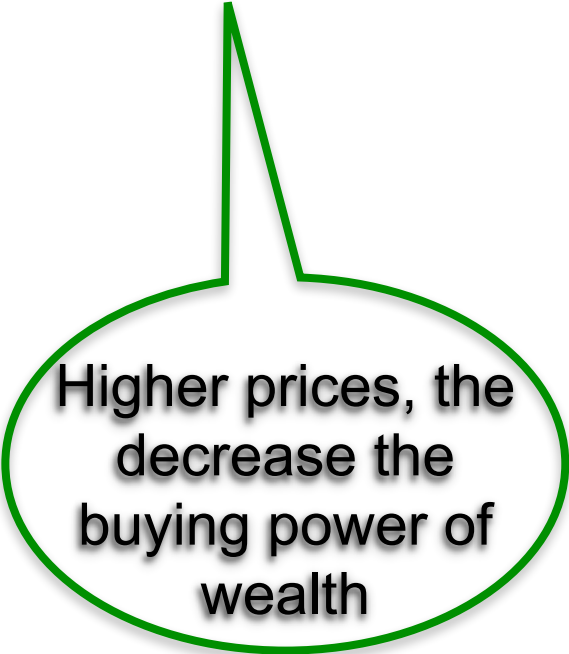
**Pri
ces**

A red speech bubble with a long tail pointing to the left. The bubble is oval-shaped and has a thick red border. Inside the bubble, the text "The higher your Income the more you spend" is written in a bold, black, sans-serif font. The text is arranged in three lines: "The higher your", "Income the more", and "you spend".


**The higher your
Income the more
you spend**



The more optimistic
you are about the
future, the more
you spend



Higher prices, the
decrease the
buying power of
wealth



As the value of their
financial assets and their
homes increase in value,
consumers feel richer and
spend more

What determines Consumer Spending?

Real Income

The higher your Income the more you spend

Real Wealth

As the value of their financial assets and their homes increase in value, consumers feel richer and spend more

Expectations

The more optimistic you are about the future, the more you spend

Prices

Higher prices, the decrease the buying power of wealth

The Consumption Function