

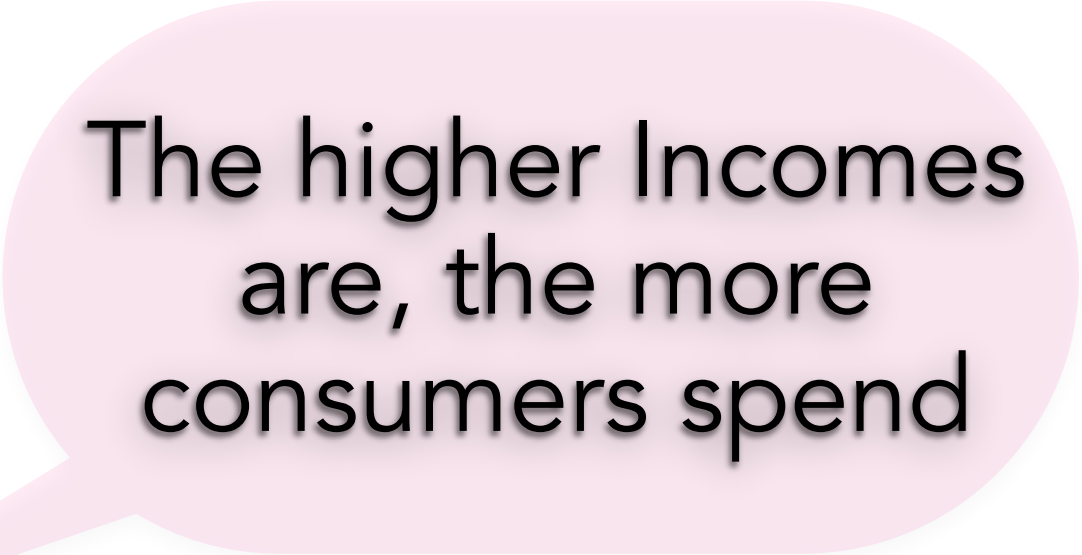
What determines Consumer Spending?



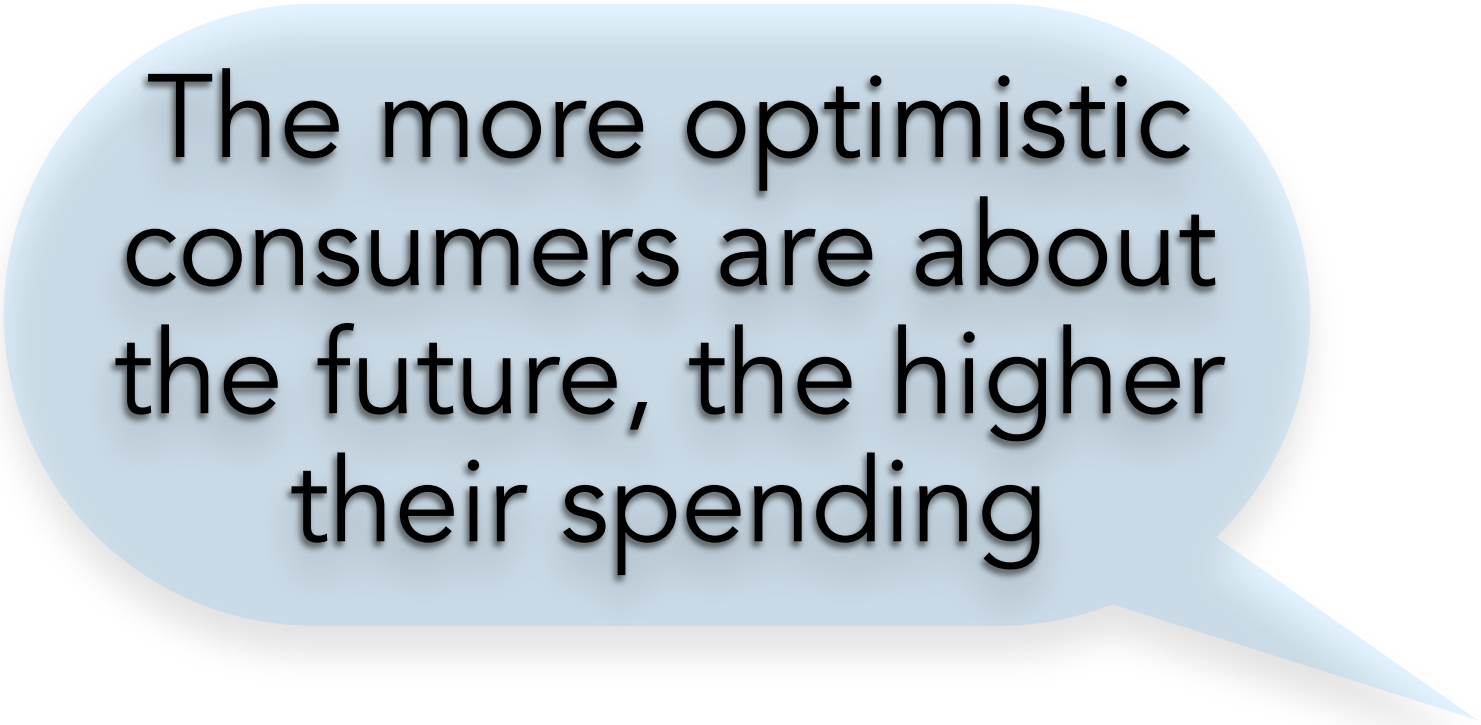


Expectations

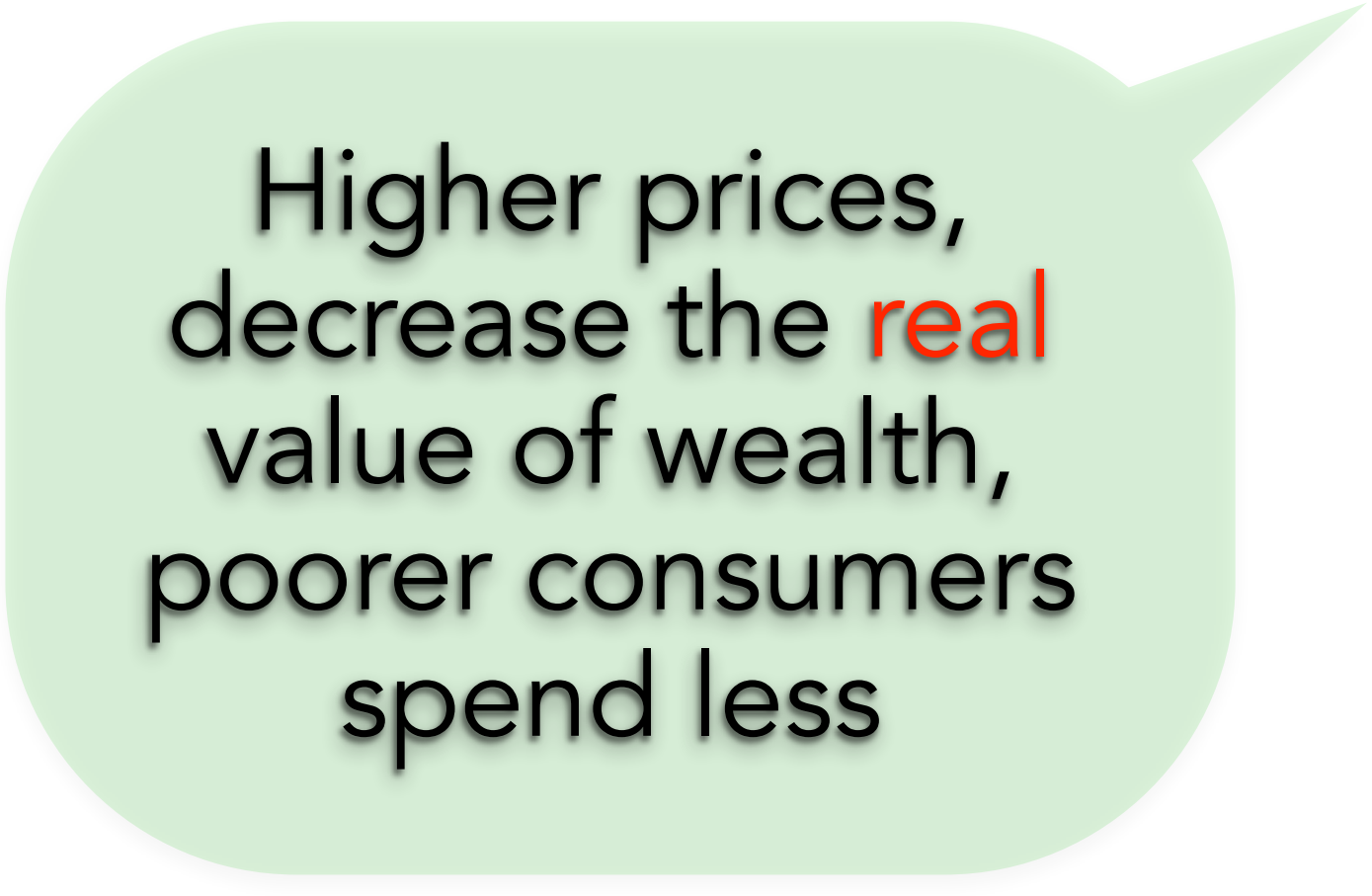
Priees



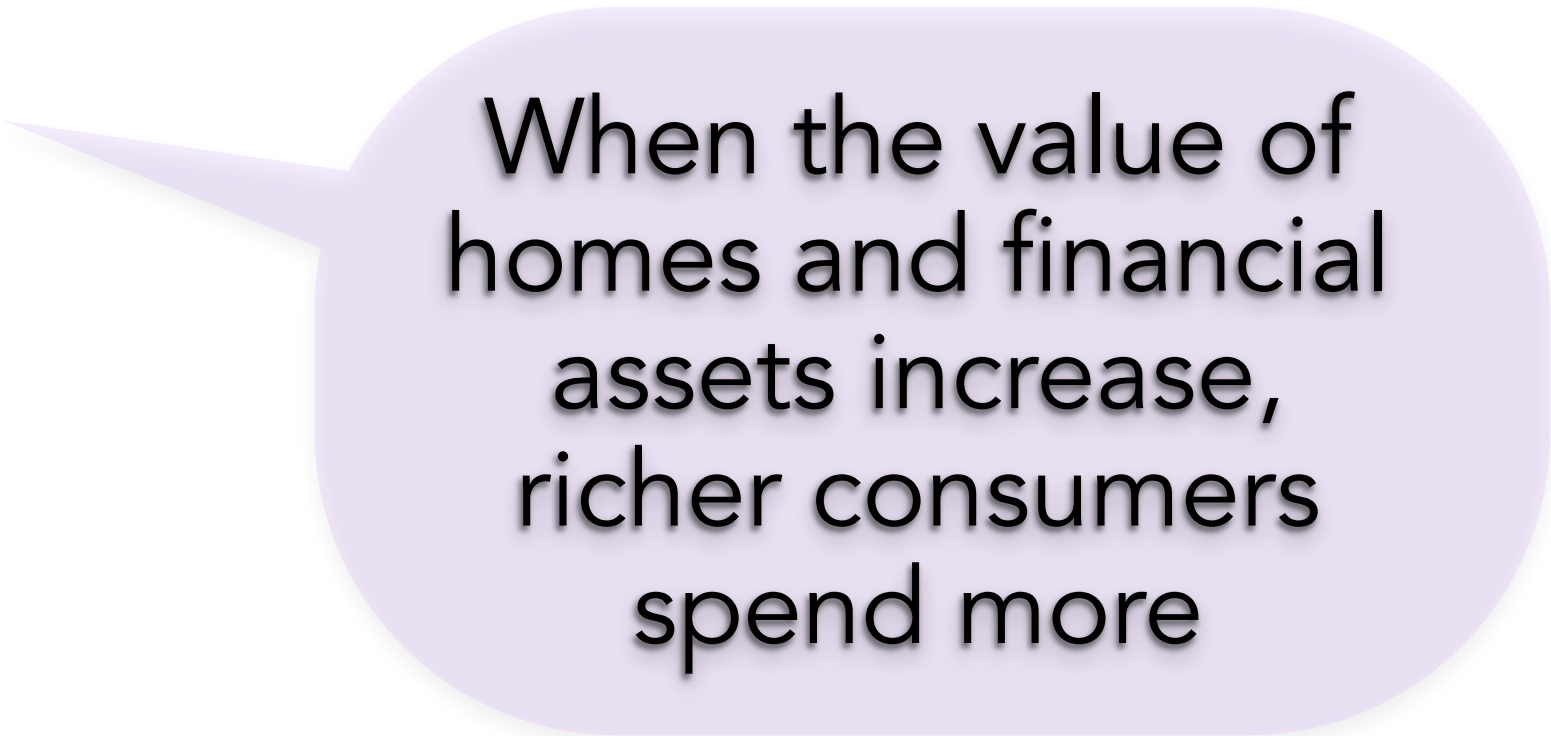
The higher Incomes
are, the more
consumers spend



The more optimistic
consumers are about
the future, the higher
their spending



Higher prices,
decrease the **real**
value of wealth,
poorer consumers
spend less



When the value of
homes and financial
assets increase,
richer consumers
spend more

What determines Consumer Spending?

The more optimistic consumers are about the future, the higher their spending

Higher prices, decrease the **real** value of wealth, poorer consumers spend less

Real Income
Real Wealth
Expectations
Prices

The higher Incomes are, the more consumers spend

When the value of homes and financial assets increase, richer consumers spend more

What determines Consumer Spending?

Real Income

Wealth

Expectations

Prices