Energy Shock vs. Consumers

Are consumers positioned to withstand another shock?

Prepared by:
Joseph Mayans, Chief Economist
(100% written by me, a human)

Overview and Key Takeaways

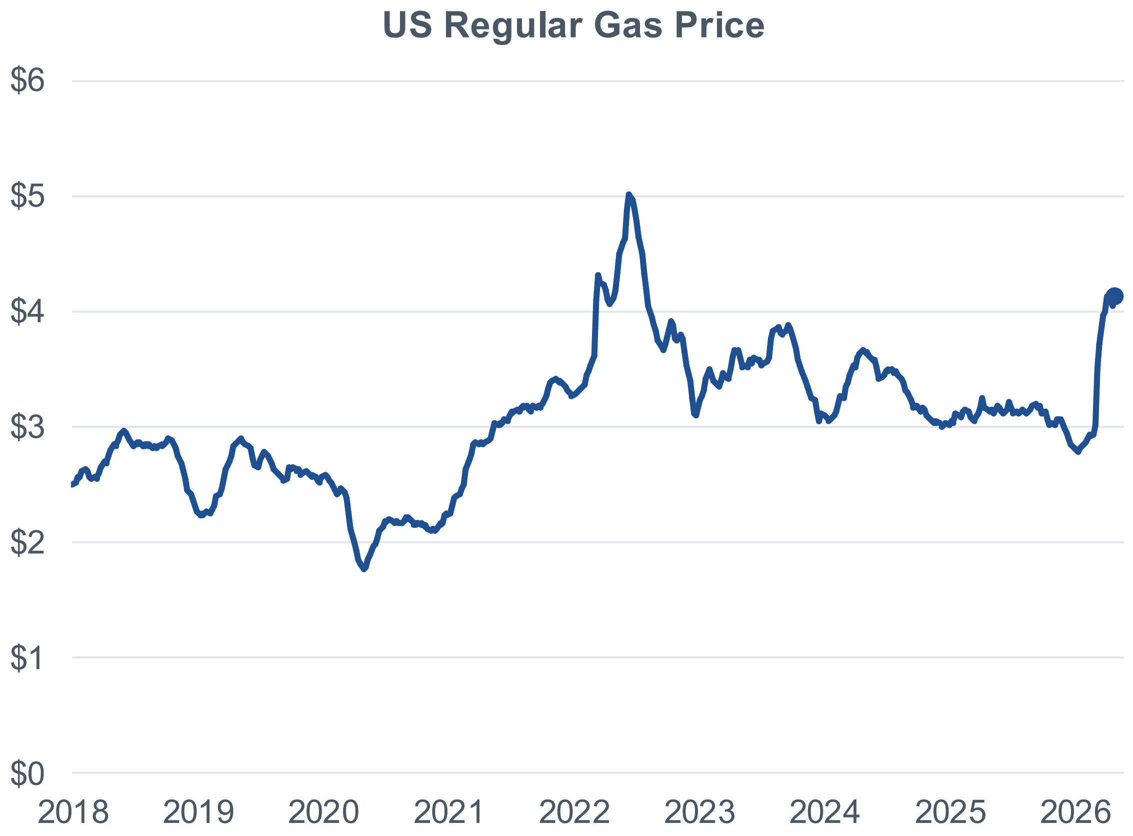
Despite weak consumer sentiment, households have continued to power the U.S. economy through successive shocks in the post-pandemic era. The Russian invasion of Ukraine, the Regional Bank Crisis, and Liberation Day tariffs all threatened to derail the growth outlook, but consumers time and again shrugged off the stress and continued to open their wallets. Now with the Iran War and a significant jump in energy prices, it begs the question: *Are consumers in a place to see us through this shock as well?*

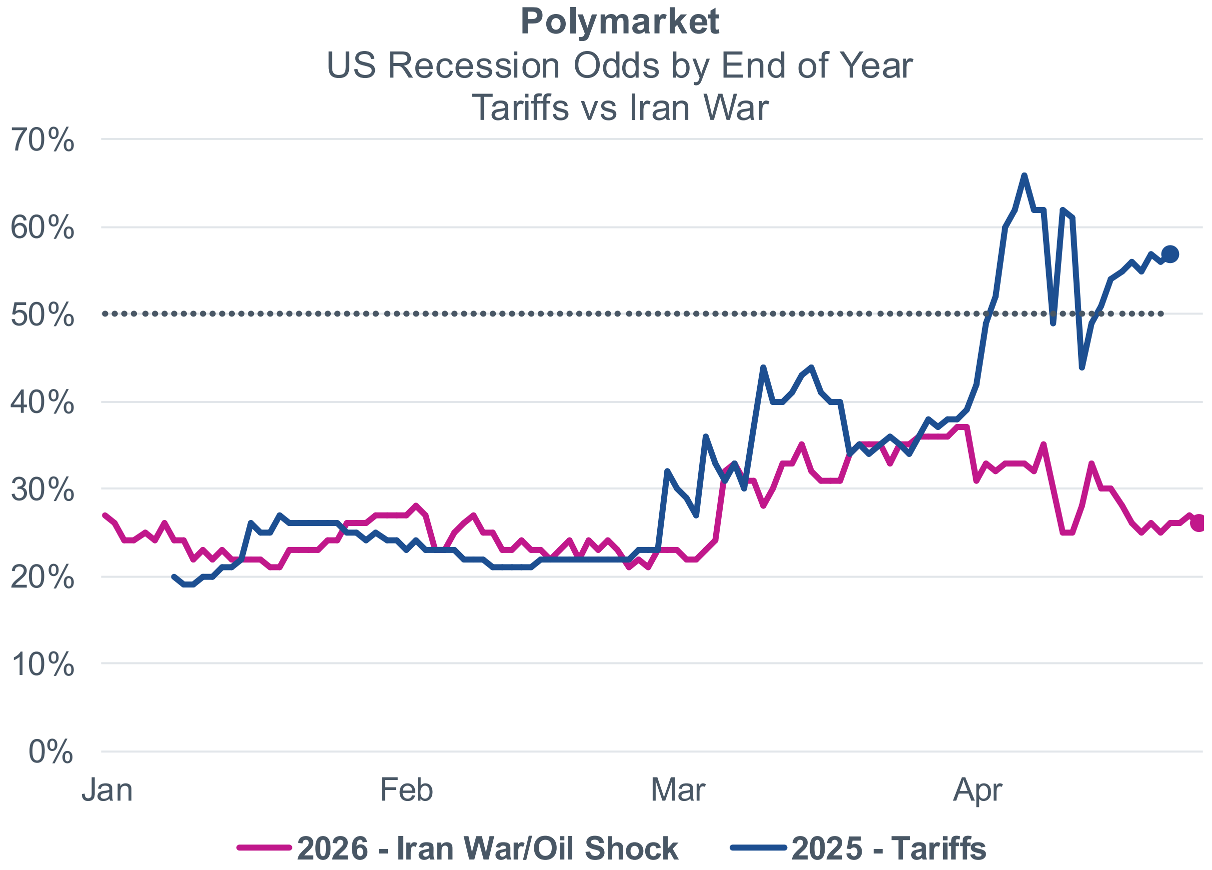
Overall, consumers still appear in decent shape, but two of the three dynamics that helped consumers power through successive shocks have weakened:

- The strong post-pandemic job market is one reason why consumers felt confident to continue spending. That dynamic has shifted with consumers (especially higher income consumers) facing a challenging job market and expectations of higher unemployment ahead
- Income and wage growth was particularly strong following the pandemic, but those pillars of strength have weakened meaningfully and could lead to softer spending in the coming quarters
- Strong net worth positions and growth of liquid assets continue to be a key driver of consumer health. However, the share of household net worth held in corporate equities is at an all-time high, which means households are more vulnerable to stock market pullbacks

War has driven energy prices higher but market recession odds remain low

— Overall impact of the war is still uncertain

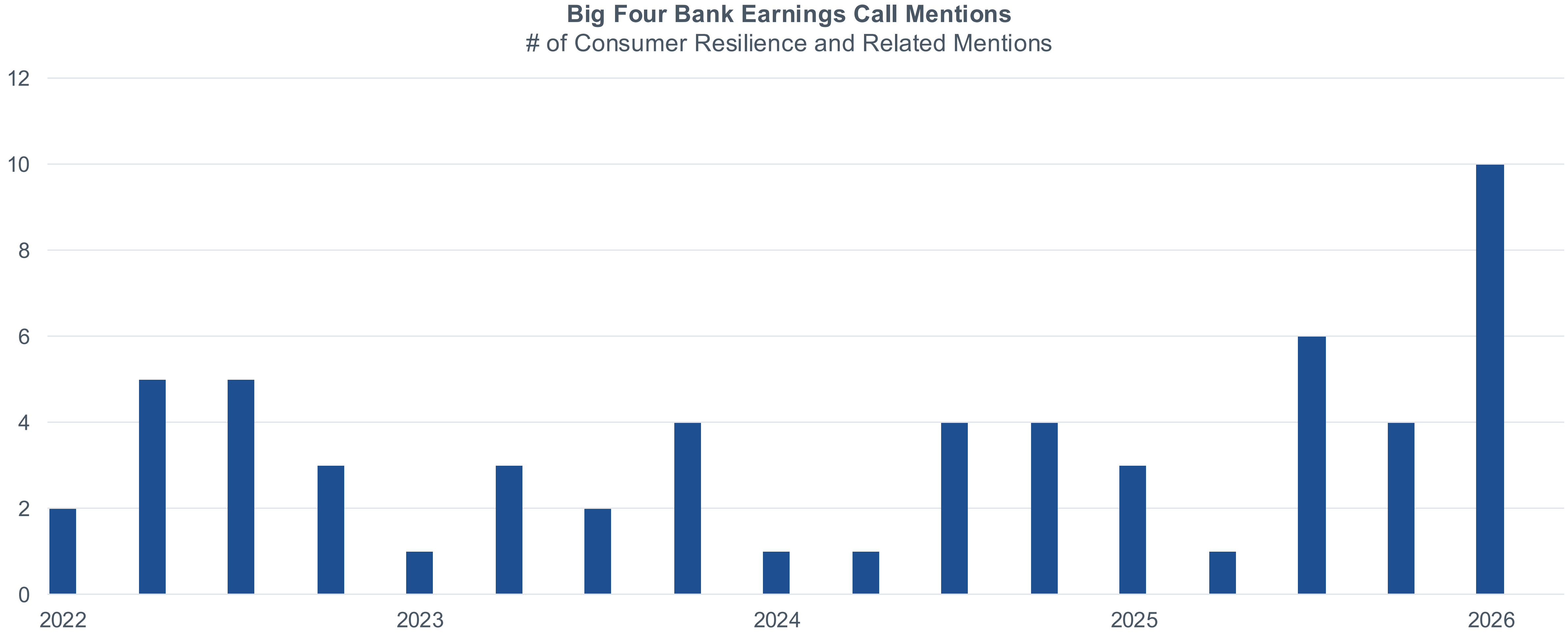




Sources: US Energy Information Administration, Polymarket, and Experian Economic Strategy Group

Largest banks reiterated consumer resilience in Q1 2026 earnings

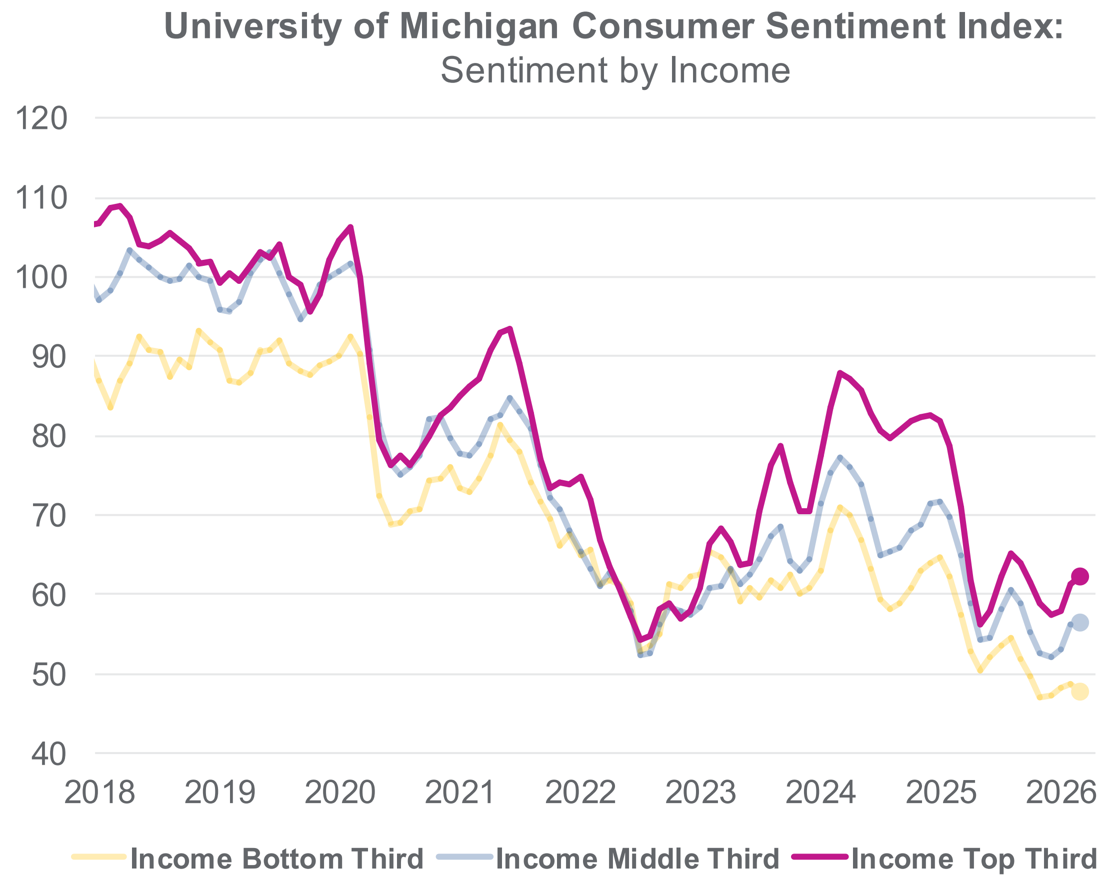
— Pickup in mentions pushes back on some concerns that consumers are at the end of their rope

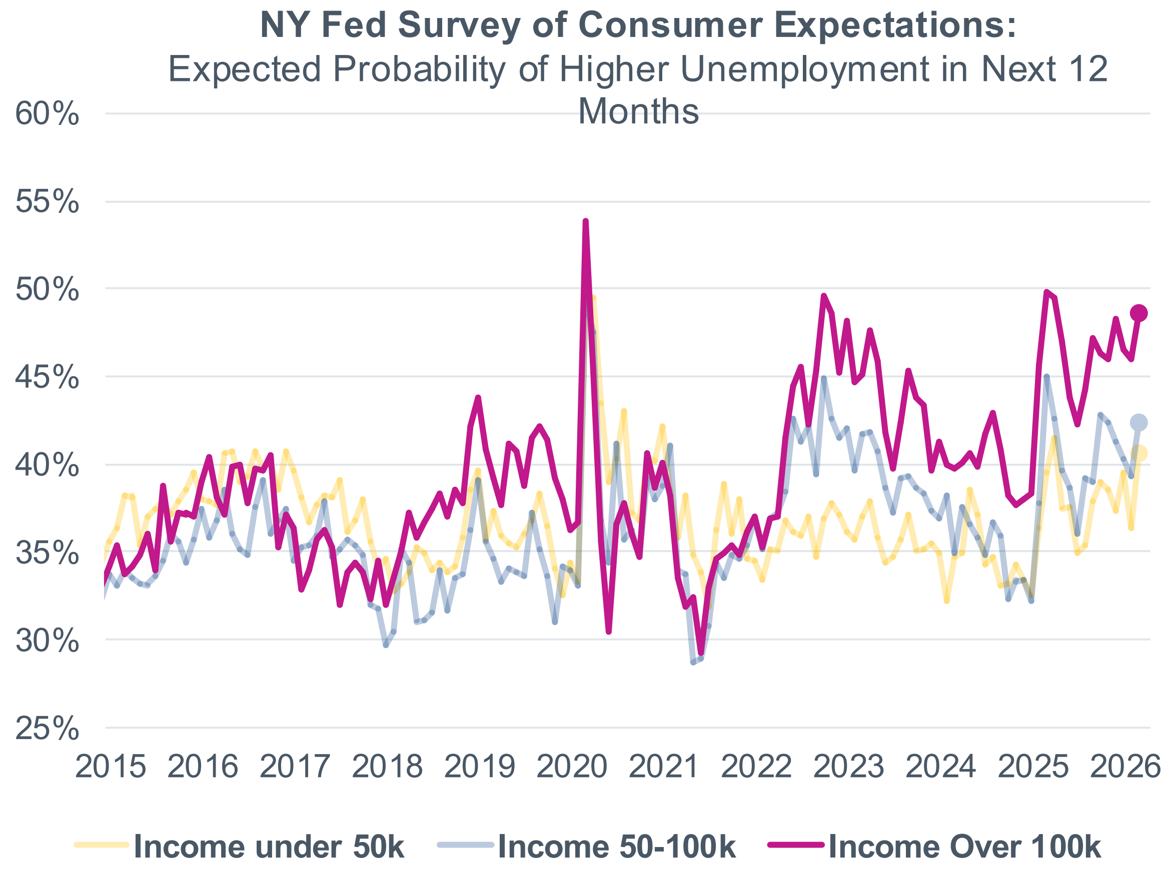


Sources: AI analysis of corporate earnings transcripts and Experian Economic Strategy Group

Consumers continue to express discontent with the economy

— Higher income consumers see greater probability of higher unemployment over the next year. The spread in this view between higher- and lower-income consumers remains significant – perhaps due to different expectations of AI's impact on the labor market

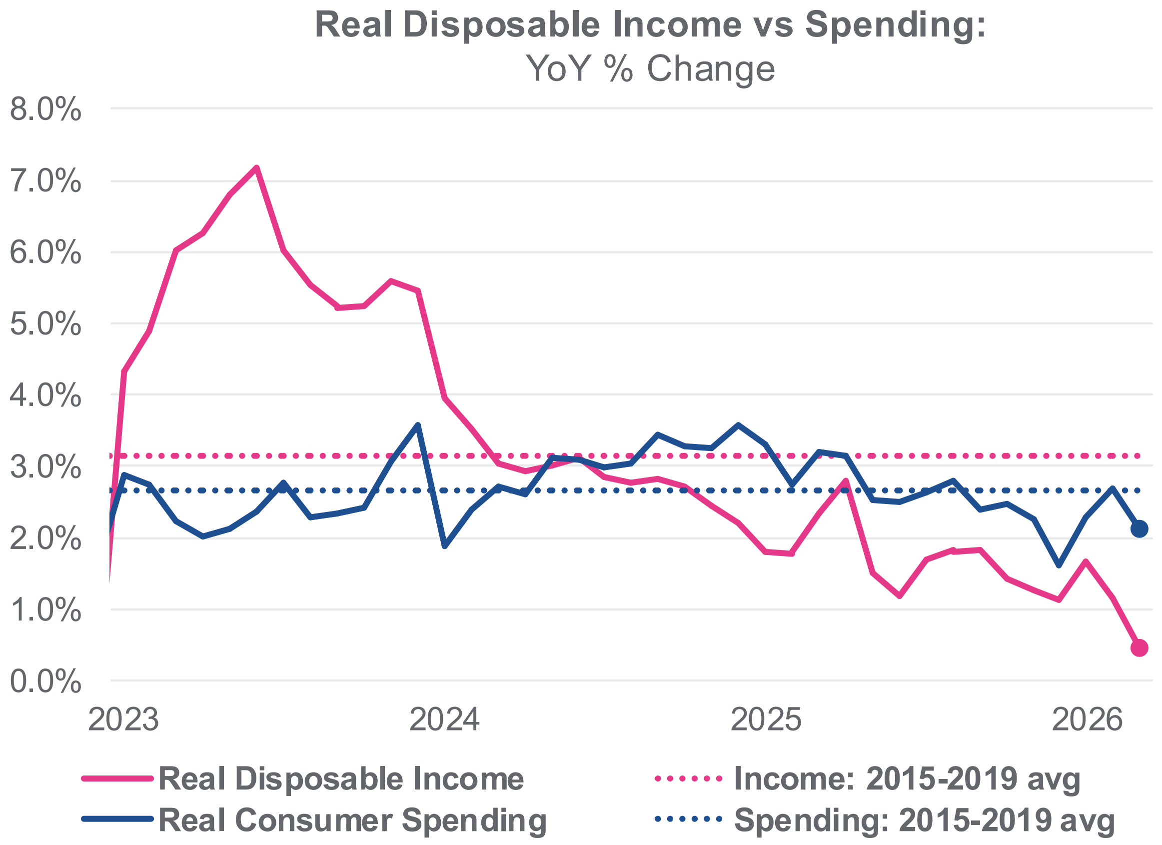


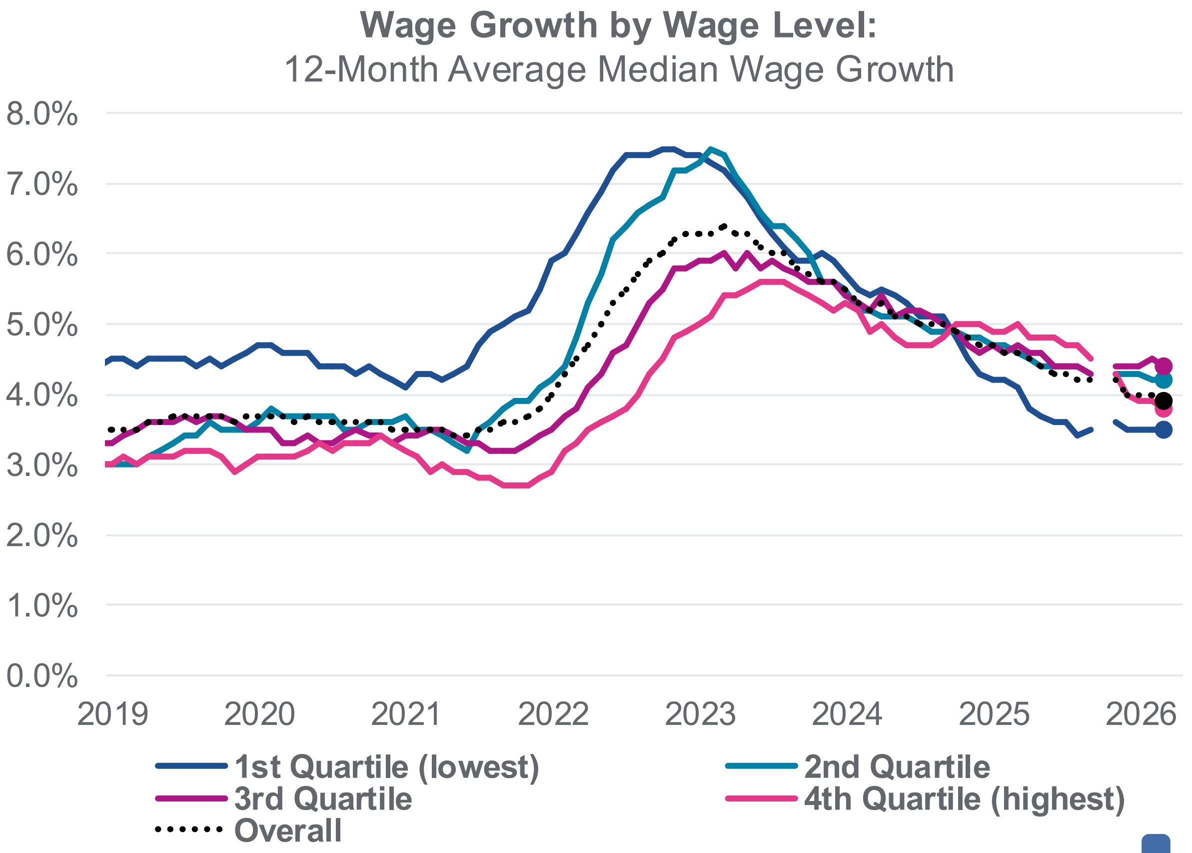


Sources: University of Michigan, Federal Reserve Bank of New York, and Experian Economic Strategy Group

Real income growth has slowed materially, spending has eased modestly

— Wage growth running the slowest for the lowest and highest earning quartiles. Slower growth among higher-income groups will be key to watch as they have been the primary drivers of spending

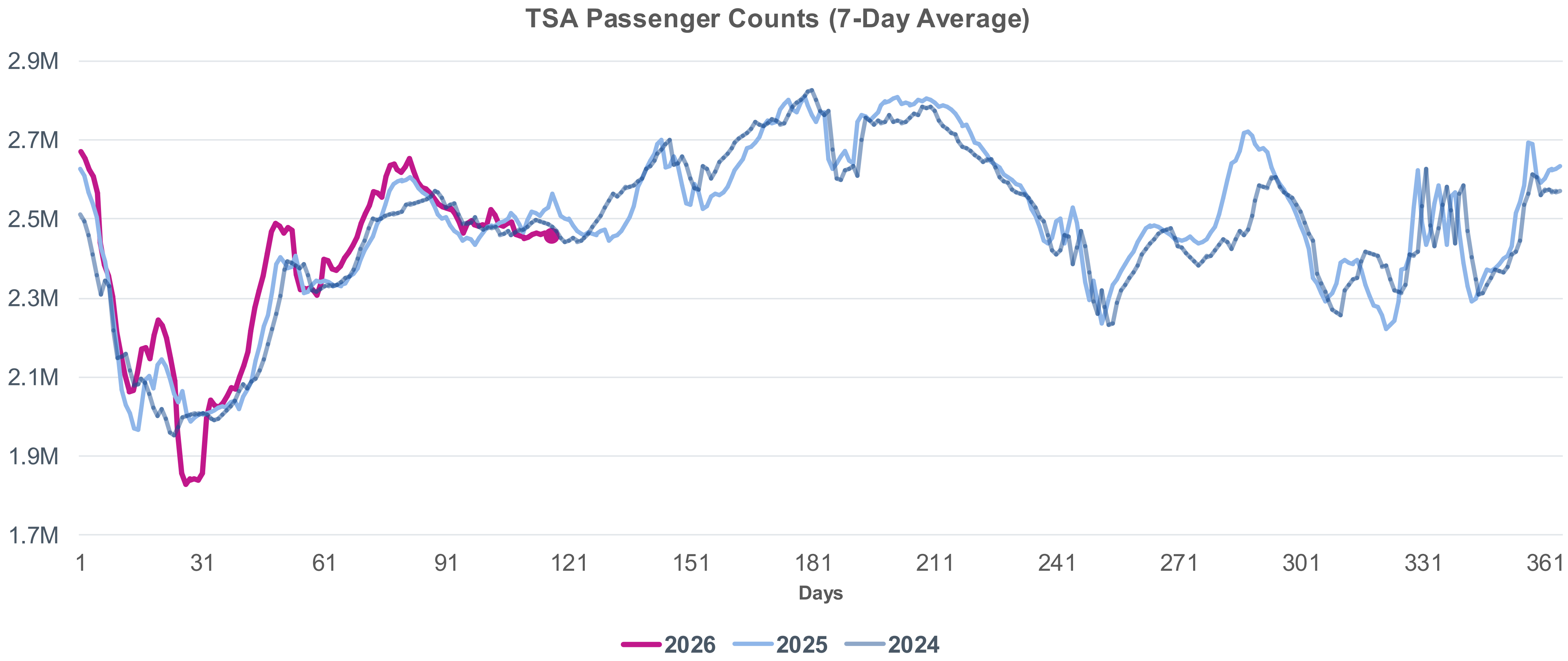




Sources: Bureau of Economic Analysis, Federal Reserve Bank of Atlanta, and Experian Economic Strategy Group

TSA passenger counts running below 2024 and 2025 levels

— May be an early signal that higher-income consumers are easing up on travel and other discretionary spend

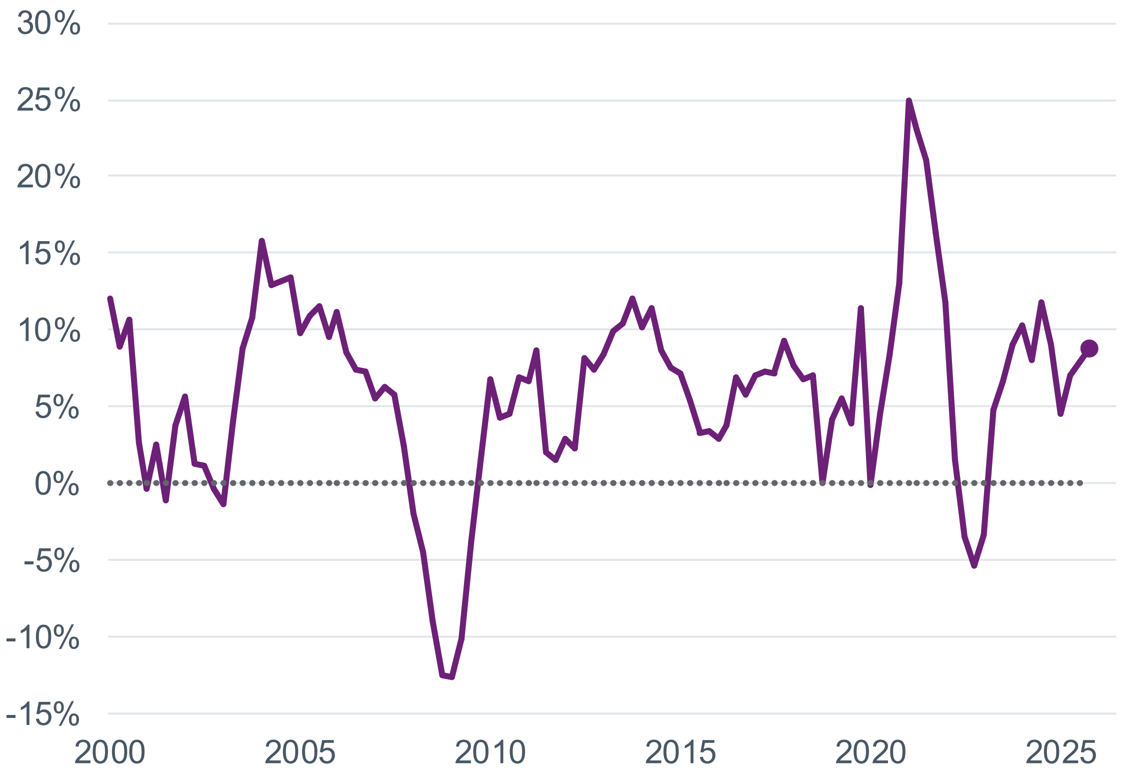


Sources: Transportation Security Administration and Experian Economic Strategy Group

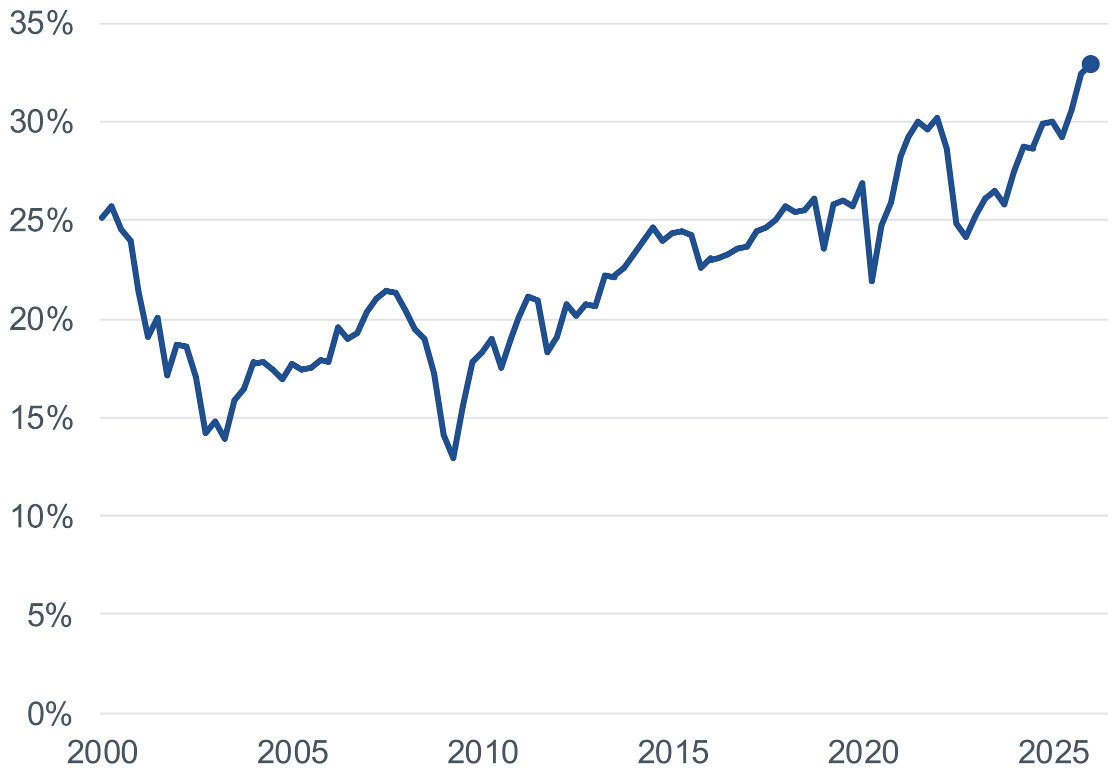
Household net worth has continued to grow at a solid pace

— Net worth growth has been increasingly fueled by strong performance of equity markets. If markets continue to perform well, consumers are well positioned, but are also more vulnerable if equities experience a pullback

Household Net Worth
YoY% Change



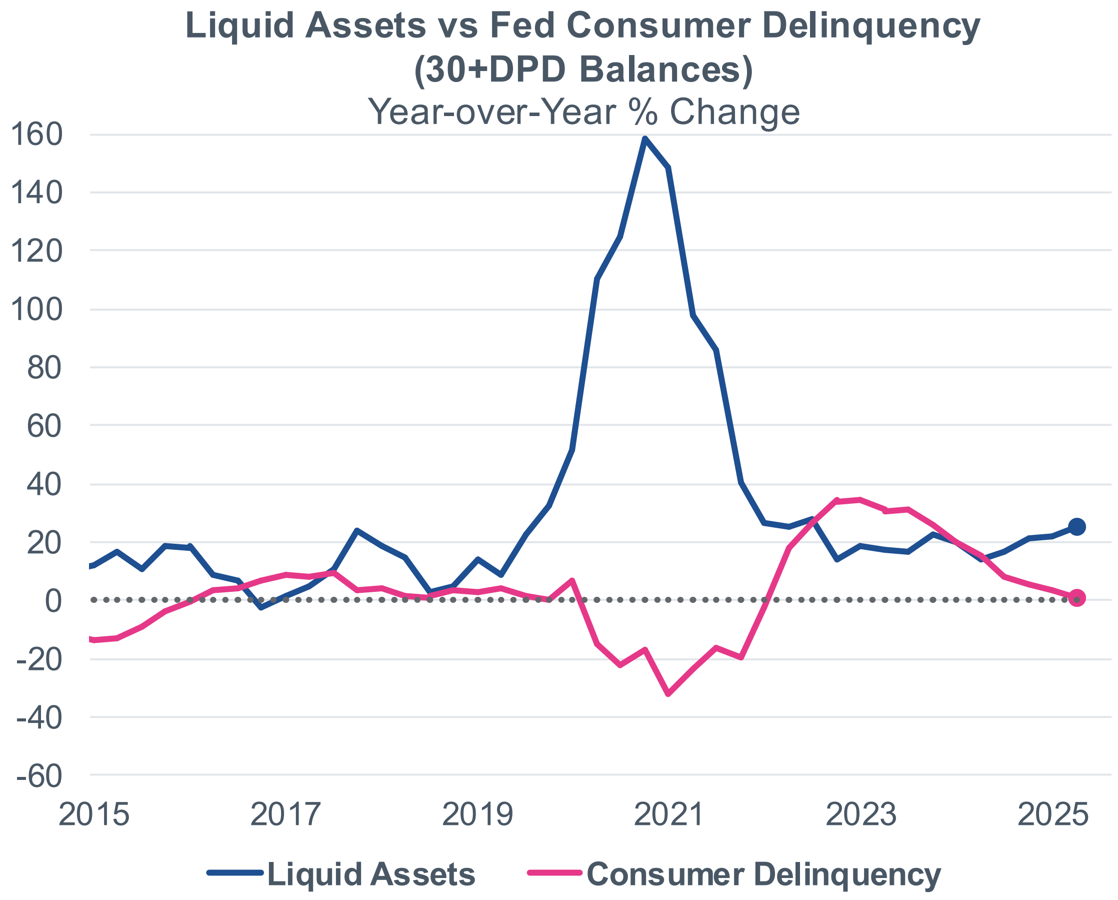
Household Corporate Equities and Mutual Fund Shares as a Share of Household Net Worth

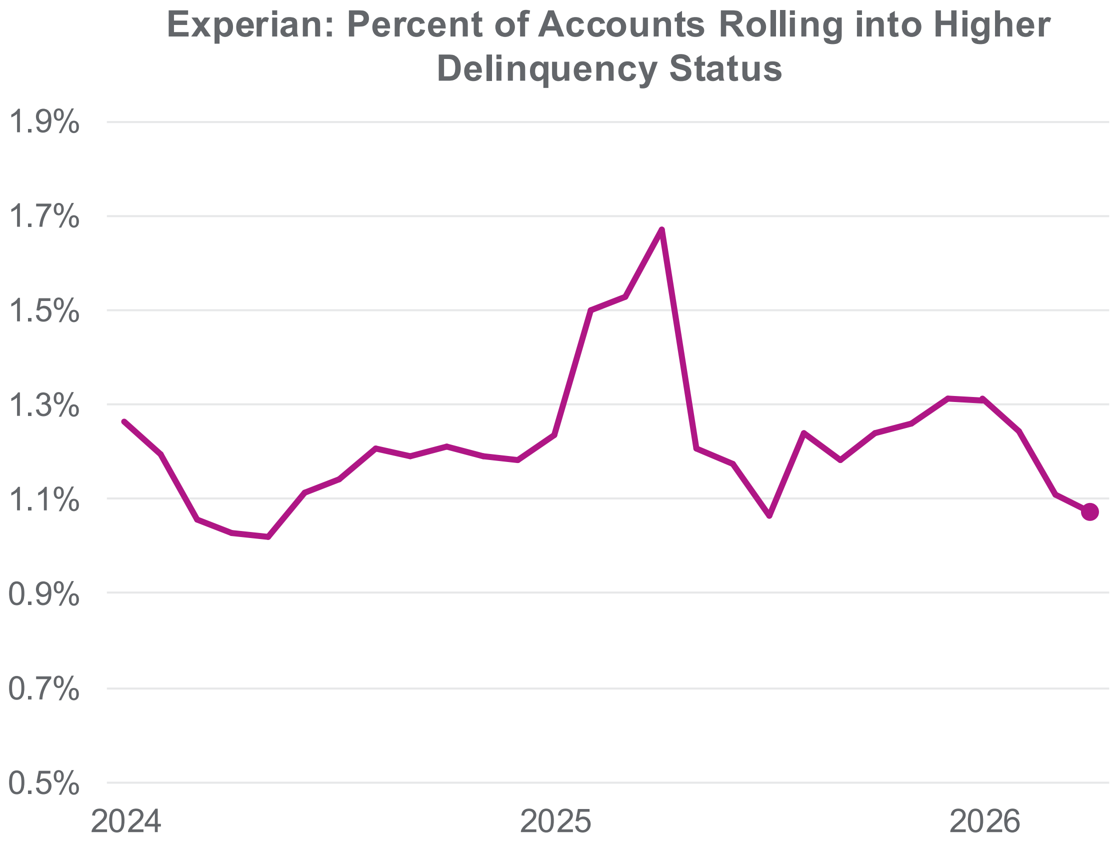


Sources: Federal Reserve and Experian Economic Strategy Group

Liquid assets are also growing at a solid pace

— Overall growth in consumer delinquency (as reported by banks) has improved. And roll rates to higher stages of delinquency also appear to be improving





Sources: Federal Reserve, Experian Ascend Market Insights and Experian Economic Strategy Group

