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Will Inflation Reshape Gen Z's Spending Habits?

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In an article entitled [“Gen Z Will Carry the Deepest Psychological Scars From Inflation,”](#) Bloomberg analysts predicted that after living through a cost-of-living crisis during their formative years, Gen Z members are bracing themselves for inflation to persist in their lives.

Bloomberg based its analysis on Bank of England data that showed that after seeing double-digit price growth, inflation expectations among Gen Zers in the UK between the ages of 16 and 24 have climbed more quickly than any other age group.

Bloomberg wrote, “Economists call this an ‘experience effect,’ where people living through periods of volatile and high price growth in the 1970s and 1980s have those memories seared more deeply in their thinking than those who just know about it from history books.”

[Speaking to Fortune](#), Dayo Abinusawa, founder of London’s Awa Business School and a former lecturer at Cambridge University’s Judge Business School, agreed with the findings. He said, “Gen Z will be left with psychological scars from persistent inflation due to increased uncertainty and anxiety. Young people are typically affected by inflation, as they are most likely to work part-time or in low-paid jobs.”

Other surveys also show inflation is taking its toll on Gen Z.

Bank of America's [2023 Better Money Habits survey](#) of nearly 1,200 Gen Z adults (ages 18 to 26) in mid-August found that the higher cost of living topped the list of barriers to achieving financial success, cited by 53% of Gen Zers. Of the respondents, 73% over the past year have changed their spending habits due to increased prices, including cooking at home more frequently rather than dining out (43%), spending less on clothes (40%), and limiting grocery purchases to essentials (33%). The vast majority plan to continue those spending habits over the next year, even as price pressures decrease.

A [survey from U.S. Bank](#) taken this past May found inflation, recession, and higher interest rates to be the three top concerns among Gen Z respondents, although millennials (ages 27 to 42) shared many of these same feelings.

"Younger generations are dealing with inflation, high interest rates, and high prices, but they also inherited a much different world than older generations: since 1980, college tuition has increased by 169%; the average price of a home is up 540%; and average student-loan debt now sits at \$37,000," said Gunjan Kedia, vice chair of wealth, corporate, commercial, and institutional banking at U.S. Bank. "Despite these headwinds, they are passionate about investing in causes they believe in."

Among younger cohorts of Gen Z, Piper Sandler's [46ths Semi-Annual Generation Z Survey](#) of over 9,000 teens found that "self-reported" spending was down 1% year over year and down 4% compared to last spring as inflation became the second most important political and social issue, cited by 9%, and second only to the environment, 18%.

Respondents also showed a growing price consciousness. The off-price channel increased 545 basis points year over year, with 14% of teens stating that it is their favorite shopping channel. Piper Sandler wrote in the study, "We think that spending pressure is causing teens to be more selective in spend and that off-price inventories are fresh and highly relevant."