WEEKLY COMMENTARY

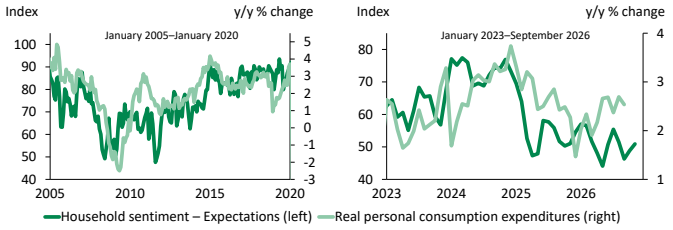
How Long Can US Consumers Keep Spending?

By Francis Généreux, Lead Economist

With American Thanksgiving just around the corner and Black Friday sales set to kick off the holiday shopping season shortly thereafter, it's a good time to ask whether US consumers will rise to the challenge once again. Expectations are high again this year. The National Retail Federation (NRF) forecast calls for holiday spending to grow by 4.2% in 2026, following a 3.1% gain in 2025. The NRF also expects holiday spending to exceed US$1 trillion for the first time. Next weekend will be especially important for retailers. According to an NRF survey, nearly 203 million consumers shopped between Thanksgiving and Cyber Monday 2025.

This optimism is being fuelled by the remarkable resilience US consumers have shown since the start of the year, despite more challenging conditions. As the November 3 midterm results made clear, Americans appear frustrated with the economy and, above all, the high cost of living. Yet real consumer spending grew at an annualized rate of 3.8% in both the second and third quarters, the strongest showing since 2024. The contrast between consumer behaviour and sentiment is striking, as confidence indexes are at levels that, before the pandemic, would have been associated with a struggling economy (graph 1). According to the Chicago Fed, the weaker correlation between consumer sentiment and spending largely reflects the pandemic's economic repercussions, as well as changes in survey methodology, some of which were also prompted by the pandemic.

Graph 1
US Real Spending Continues to Grow, Despite Weak Consumer Sentiment



University of Michigan, Bureau of Economic Analysis and Desjardins Economic Studies

The recent decline in gasoline prices is another encouraging sign for households. Since mid-September, prices at the pump have fallen by 70.4 US cents per gallon, or 16.2%. Prices remain relatively high, but the decline will still provide consumers with some relief. Mortgage rates have also fallen from their early October peak. However, consumers still have reason for concern and frustration. October's jump in food prices was the highest since April. Another negative factor is the broad stock market sell-off, which has lasted nearly two months.

Household spending growth is generally constrained by income growth, which is currently quite weak. Over the past six months, real disposable income has increased by just 0.4% in total. Prices have soared since the start of the war in Iran, which is clearly one of the main reasons for weaker growth. Labour income and government transfers have also grown more slowly. Yet real consumer spending rose by 1.8% over the same six-month

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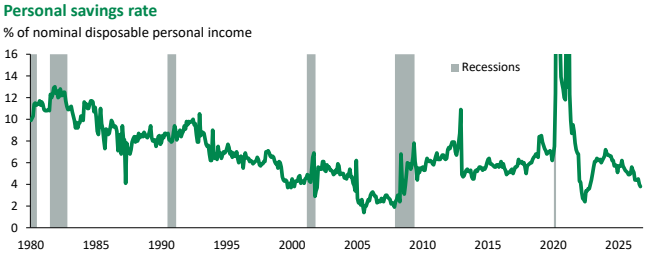
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Sonny Scarfone, Principal Economist • Oskar Stone, Macro Strategy Associate • LJ Valencia, Economist

Desjardins Economic Studies: 514-281-2336 or 1-866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

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period. Most of that increase came at the expense of savings, meaning the share of income that isn't spent. The household savings rate fell to just 3.8% in September, the lowest level since summer 2008, excluding pandemic-driven declines (graph 2). The downward trend in savings since the post-pandemic peak in winter 2024 has been hard to miss. But there's a floor to how far the savings rate can fall. Just as there's a limit to how much debt consumers can take on, there's also a limit to how far they can reduce the share of income they set aside. With the holiday season approaching, the weak savings rate could support retail spending in the near term but poses longer-term risks. Except when driven by changes in fiscal policy, similar declines in household savings rates have been associated with periods of personal financial stress, such as a rising cost of living or higher interest rates, or episodes of market exuberance that have sometimes preceded recessions. In contrast, recessions tend to create conditions where anxious households increase their savings despite falling incomes.

Graph 2
US Households Save Less to Spend More

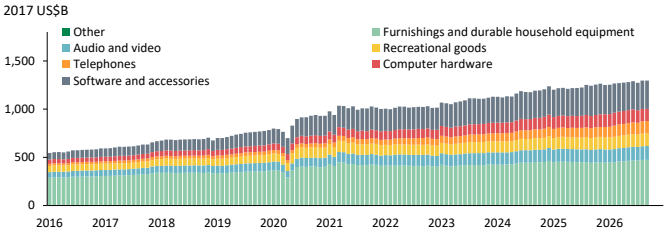


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Economic disparities may also help explain why consumer spending has remained resilient even as confidence has faded and real income growth has weakened. In recent years, both the US economy and consumer spending have often been described as K-shaped. This suggests that growth has been driven by households with the highest incomes or substantial financial assets, while less affluent households remain more vulnerable to shifts in economic conditions, confidence and the cost of living. The views of less affluent households may dominate surveys, but spending by wealthier households boosts total consumption. According to research by the New York Fed, this dynamic was clearly significant from 2023 to early 2026, but more recent data suggest a more even pattern across households. Greater stock market volatility and the risk that a potential bubble in AI stocks could collapse may even cloud the outlook for households with substantial financial assets. Consumer confidence remains much higher among households with large stock holdings. However, over the past six months, the University of Michigan consumer sentiment index has fallen just as much for these households as it has for those with no stock holdings at all.

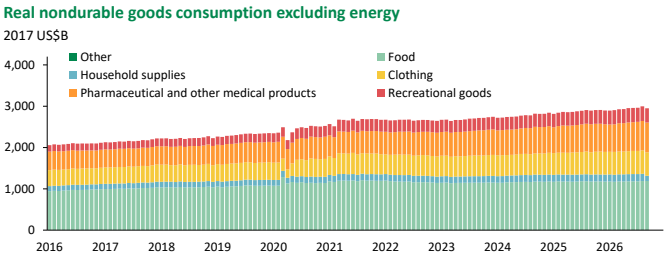
Finally, the resilience of consumer spending may also have a more structural explanation: how its composition has changed since the pandemic. Some spending categories that are becoming more important seem to be less directly tied to consumer sentiment (graphs 3 to 5). This is particularly true of durable goods, where growth has been driven largely by software and tech products, which may be less discretionary than they once were. Among nondurable goods, spending on pharmaceuticals is showing the clearest upward trend. As with food, it's generally harder to cut back on these purchases when confidence fades. In services, growth is mainly driven by health care, which accounts for a growing share of spending. Health care spending is also harder to reduce, as is housing, which likewise represents a large share of consumer spending. In short, the changing composition of consumer spending has probably made it less sensitive to shifts in economic conditions or confidence.

Graph 3
Increased Spending on Durable Goods Is Largely Driven by Software and Tech Goods



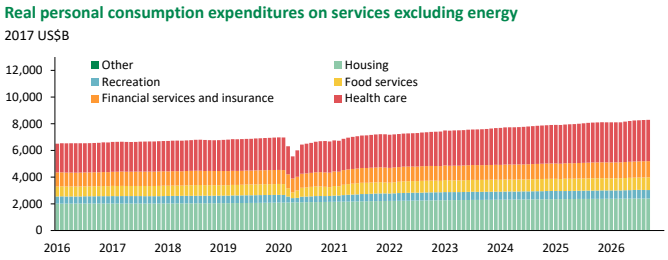
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Graph 4
Prescription Drugs Account for a Growing Share of Consumer Spending



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Graph 5
Health Care Also Accounts for a Growing Share of Consumer Spending



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These factors suggest that US consumers will once again come through this holiday season. Despite monthly fluctuations, the relatively solid labour market, along with the decline in gasoline prices, could provide a near-term boost to consumer spending. That said, current economic conditions can hardly be described as entirely favourable. With the savings rate already low, households have little room to sustain spending growth that outpaces their incomes. The concentration of growth among more affluent households poses another risk, especially in the event of a market correction. Given these risks, the real question is whether consumer resilience can last throughout 2027.

What to Watch For

TUESDAY November 24 - 9:00

September	**y/y**
Consensus	2.72%
Desjardins	2.78%
August	**2.65%**

TUESDAY November 24 - 10:00

November	
Consensus	92.1
Desjardins	93.5
October	**91.7**

WEDNESDAY November 25 - 8:30

October	**m/m**
Consensus	0.4%
Desjardins	0.4%
September	**0.5%**

WEDNESDAY November 25 - 10:00

October	**ann. rate**
Consensus	645,000
Desjardins	600,000
September	**676,000**

FRIDAY November 27 - 8:30

Q3 2026	**$B**
Consensus	9.90
Desjardins	8.90
Q2 2026	**8.84**

UNITED STATES

S&P/Case-Shiller home price index (September) – In August, existing home prices posted their fourth consecutive monthly increase of 0.3%. We're expecting September's print to show a slightly smaller gain of 0.2%. Existing home sales edged up during the month, but this occurred amid a broader downward trend that's increasing the inventory of existing homes available for sale. The expected monthly gain would bump the year-over-year change in the S&P/Case-Shiller index up from 2.7% to 2.8%. However, home price growth could slow further in the coming months due to weaker demand caused by rising mortgage rates.

Conference Board Consumer Confidence Index (November) – In October, the Conference Board index recorded its strongest monthly growth since May 2025. This wiped out a good portion of the losses suffered in previous months, which were caused by higher gasoline prices. As pump prices started to drop from their mid-September peak, consumer confidence improved, and we're likely to see a continued positive effect in November as gasoline continues to fall. Other confidence indexes also improved during the current month. The net impact of the midterm elections remains to be seen. The stock market decline and the IT outages affecting a number of major companies could also erode confidence. All told, we still expect the Conference Board index to increase further.

Personal consumption expenditures (October) – After a fairly strong gain of 0.5% in August, real consumer spending was flat in September, recording its smallest change since January. Look for positive but lacklustre growth in October. We know that the number of new motor vehicles sold in the past month decreased. Other retail sales categories performed better, but once adjusted for prices, growth in spending on durable goods is likely to be subdued. Spending on non-durable goods should be slightly stronger, despite a likely decline in clothing. As for services, we expect relatively weak growth, with food services and energy spending both contracting. Overall, real consumer spending likely inched up just 0.1%. A 0.3% increase in the Personal Consumption Expenditures price index should push nominal spending up 0.4%. The year-over-year change in the PCE deflator likely rose from 3.6% to 3.8%, with the core deflator edging up from 3.1% to 3.2%. Given the acceleration in hiring, real disposable income probably improved in October after a 0.3% decline in September.

New home sales (October) – New single-family home sales have been rather volatile recently. After rising 6.9% in June, sales fell 4.9% in July and then rebounded 5.1% in August. September was a flatter month, with sales edging down 0.6%. However, based on a number of other indicators, we're expecting a much larger dip in October. Building permits for single-family homes dropped 8.6% in October. Permit levels have also fallen to their lowest level since January 2023. Weak builder confidence and decreases in both online searches and mortgage applications for home purchases are all sending the same signal. Sales could fall to an annualized pace of 600,000 units.

CANADA

Current account balance (Q3 2026) – We anticipate that the current account surplus remained broadly unchanged in Q3 2026 from $8.8B in the second quarter. The Q3 trade balance in goods was probably a tailwind and in line with the downwardly revised $11.2B in Q2. The services trade balance likely also posted a respectable surplus in the quarter, at about $0.9B. The investment account balance is expected to have been little changed in the quarter.

MONDAY November 23 - 4:00

November	
Consensus	51.7
October	**51.7**

OVERSEAS

Eurozone: PMI (November – preliminary) – The eurozone composite PMI decreased in October, falling from a recent peak of 53.1 in September—its highest level since the spring of 2023—to a four-month low of 51.7. The index is still in expansion territory, which remains positive for the eurozone's economic growth. The slowdown was primarily in the services sector, while the manufacturing PMI appears more stable. It'll be interesting to see if the composite PMI improves in November or if the downward trend continues. The recent decline in oil prices could be a positive factor.

Economic Indicators

Week of November 23 to 27, 2026

Day	Time	Indicator	Period	Consensus	⬡	Previous reading
UNITED STATES						
MONDAY 23	16:00	Speech by Federal Reserve Bank of New York President J. Williams				
TUESDAY 24	9:00	S&P/Case-Shiller home price index (y/y)	Sep.	n/a	2.72%	2.65%
	10:00	Consumer confidence	Nov.	92.1	93.5	91.7
WEDNESDAY 25	8:30	Initial unemployment claims	Nov. 16–20	200,000	203,000	203,000
	8:30	Real GDP (ann. rate)	Q3s	3.5%	3.4%	3.4%
	8:30	Durable goods orders (m/m)	Oct.	0.5%	1.7%	1.9%
	8:30	Personal income (m/m)	Oct.	0.3%	0.6%	0.2%
	8:30	Personal consumption expenditures (m/m)	Oct.	0.4%	0.4%	0.5%
	8:30	Personal consumption expenditures deflator				
		Total (m/m)	Oct.	0.3%	0.3%	0.5%
		Excluding food and energy (m/m)	Oct.	0.3%	0.3%	0.3%
		Total (y/y)	Oct.	3.8%	3.8%	3.6%
		Excluding food and energy (y/y)	Oct.	3.2%	3.2%	3.1%
	10:00	Existing home sales (ann. rate)	Oct.	645,000	600,000	676,000
	14:00	Release of the Beige Book				
THURSDAY 26	---	Markets closed (Thanksgiving Day)				
FRIDAY 27	8:30	Goods trade balance – preliminary (US$B)	Oct.	-133.0	-131.8	-134.9
	8:30	Retail inventories (m/m)	Oct.	n/a	n/a	0.3%
	8:30	Wholesale inventories – preliminary (m/m)	Oct.	n/a	n/a	0.7%
CANADA						
MONDAY 23	---	---				
TUESDAY 24	11:30	Speech by Bank of Canada Governor T. Macklem				
WEDNESDAY 25	---	---				
THURSDAY 26	---	---				
FRIDAY 27	8:30	Current account balance ($B)	Q3	9.90	8.90	8.84

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours). ⬡ Desjardins Economic Studies forecast.

Economic Indicators

Week of November 23 to 27, 2026

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
MONDAY 23							
France	3:15	Composite PMI – preliminary	Nov.	48.1		46.6	
France	3:15	Manufacturing PMI – preliminary	Nov.	49.8		49.5	
France	3:15	Services PMI – preliminary	Nov.	47.5		46.2	
Germany	3:30	Composite PMI – preliminary	Nov.	53.5		53.4	
Germany	3:30	Manufacturing PMI – preliminary	Nov.	54.1		54.2	
Germany	3:30	Services PMI – preliminary	Nov.	52.4		52.5	
Eurozone	4:00	Composite PMI – preliminary	Nov.	51.7		51.7	
Eurozone	4:00	Manufacturing PMI – preliminary	Nov.	52.7		52.7	
Eurozone	4:00	Services PMI – preliminary	Nov.	51.9		51.9	
United Kingdom	4:30	Composite PMI – preliminary	Nov.	52.9		52.9	
United Kingdom	4:30	Manufacturing PMI – preliminary	Nov.	53.0		53.0	
United Kingdom	4:30	Services PMI – preliminary	Nov.	53.0		53.0	
Japan	19:30	Composite PMI – preliminary	Nov.	n/a		52.1	
Japan	19:30	Manufacturing PMI – preliminary	Nov.	n/a		53.3	
Japan	19:30	Services PMI – preliminary	Nov.	n/a		51.7	
TUESDAY 24							
Germany	4:00	ifo Business Climate Index	Nov.	90.5		90.2	
Germany	4:00	ifo Current Assessment Index	Nov.	89.1		88.8	
Germany	4:00	ifo Expectations Index	Nov.	92.0		91.6	
WEDNESDAY 25							
South Korea	---	Bank of Korea meeting	Nov.	3.25%		3.00%	
Germany	2:00	Real GDP – final	Q3	0.2%	1.2%	0.2%	1.2%
France	2:45	Consumer confidence	Nov.	81		80	
THURSDAY 26							
Japan	0:00	Leading index – final	Sep.	n/a		116.4	
Japan	0:00	Coincident index – final	Sep.	n/a		119.5	
Germany	2:00	Consumer confidence	Dec.	-30.0		-30.8	
Eurozone	4:00	M3 money supply	Oct.		3.5%		3.5%
Japan	18:30	Tokyo Consumer Price Index	Nov.		3.1%		2.8%
FRIDAY 27							
France	2:45	Personal consumption expenditures	Oct.	0.3%	n/a	-0.5%	-0.4%
France	2:45	Consumer price index – preliminary	Nov.	-0.1%	3.5%	0.4%	3.4%
France	2:45	Real GDP – final	Q3	-0.1%	-0.1%	-0.1%	-0.1%
Eurozone	5:00	Consumer confidence – final	Nov.	n/a		-16.9	
Eurozone	5:00	Industrial confidence	Nov.	-3.3		-3.4	
Eurozone	5:00	Services confidence	Nov.	5.0		5.3	
Eurozone	5:00	Economic confidence	Nov.	97.2		96.9	

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).