

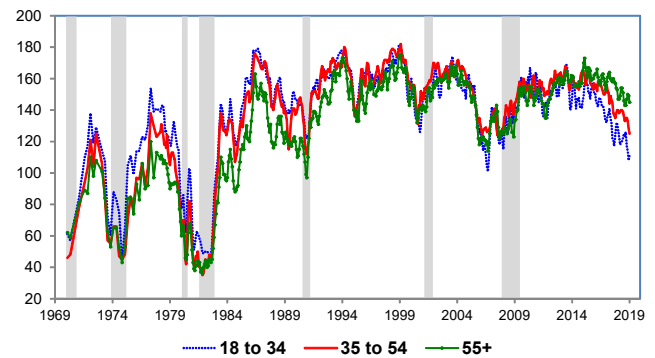
Subject: Age Reversal in Buying Attitudes

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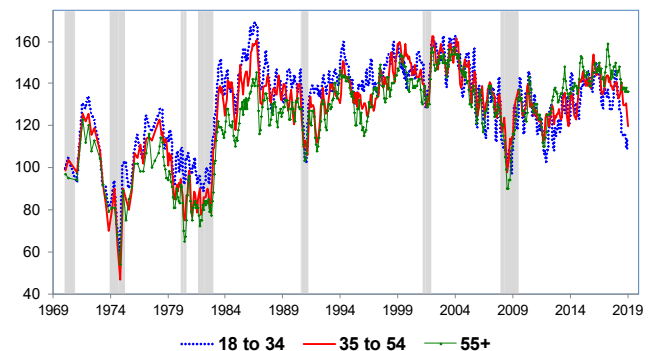
The Surveys of Consumers have long documented differences in buying attitudes across age groups. Traditionally, younger age groups voiced the most favorable views of buying conditions for all types of discretionary purchases. The differences were comparatively small, but consistent over many decades. That pattern has recently changed. Consumers under age 35 had viewed buying conditions more favorably for most of the past half century, but in the past decade, younger consumers viewed them less favorably than other age groups. The gap is widest for homes, followed by vehicles, and smallest for purchases of large household durable goods—see the charts. Indeed, in the earlier time period, the rank order was from youngest to oldest, but in the past decade, that rank order reversed. In recent surveys, the youngest consumers held the least favorable views, followed by middle age consumers, with the most favorable views held by those over age 55. Moreover, the most recent data indicate that the divergence in buying views across age groups has increasingly widened. Note that for household durables, the reverse ordering across age groups occurred only in the past few years.

Buying Conditions for Houses



The consistent pattern of more favorable attitudes among the young in prior decades was attributed to their relatively greater material needs as they established separate households, married and started families. In the past decade, it has been suggested that weakened job and income prospects, delayed marriage, the burden of educational debt, and other factors have reduced their spending. Some observers have suggested an underlying change in material aspirations that have reduced the appeal of home and vehicle ownership. Others have suggested that the baby-boom generation has always been more spending minded than either older or younger generations. Some have placed importance on the formative experiences of those who came of age at the time of the financial wreckage left by the Great Recession, making them more cautious about taking financial risks and incurring debt. Finally, many have noted that the muted spending by young consumers has acted to limit the pace of economic growth. This recognition of the importance of spending by young consumers has prompted an array of policies to boost their spending such as forgiving student debt and many other proposals now debated in the political arena.

Buying Conditions for Vehicles



The Michigan surveys ask consumers to explain why they hold their views about buying conditions. Prices were not mentioned to a greater extent, either negatively or positively, by younger consumers compared with other age groups. Nor did a host of other reasons show a distinctive profile for younger consumers, save one. The less favorable views of the young were mirrored in their more frequent concerns about the incurrence of additional debt. There are many reasons to anticipate this aversion among the young, as has been already mentioned. It is also true that stricter credit standards by financial institutions have also been reported more frequently by younger consumers. The biggest impact has been on home ownership. Among those under age 35, home ownership rates improve slightly in the past few years to 36.2% in 2018, but these figures remain well below the peak of 43.1 recorded by the Census Bureau in 2004 and 2005. The biggest jump in the home ownership rate occurs from age 35 to 44; the 2018 rate was 59.8 for those aged 34 to 44, well below the peak of 69.3 in 2005. Growth in home ownership must increase by 23.6 percentage points in the years ahead to move the home ownership rate to match the current lower rate for those aged 35 to 44 of 59.8%.

Buying Conditions for Durables

