ALGER

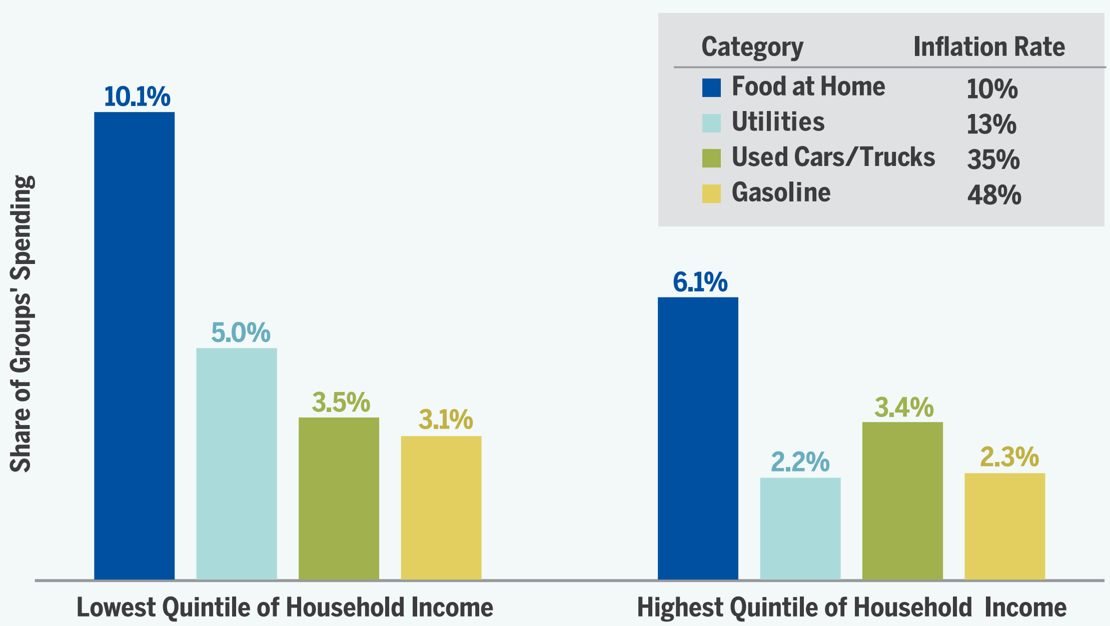
Alger On the Money

A View on the U.S. Market

Navigating Inflation

Inflation hits some areas of the economy harder than others. For investors, it may be important to understand where stress from higher inflation may be the most acute. Below we provide insights to help navigate this challenging environment.

Inflation Impacts Lower Income Consumers Much More



Source: Consumer Expenditure Surveys, U.S. Bureau of Labor Statistics, April 2021. Inflation is year-over year change in March 2022 Consumer Price Index.

- Lower income consumers are more adversely impacted by higher inflation because many of the spending categories with the highest inflation make up larger portions of their budgets as compared to higher income consumers.
- The lowest income quintile of U.S. consumers spend 10.1% of their total annual expenditures on food at home compared to the highest quintile spending only 6.1% of their budgets on food at home (see above). That means the 10% inflation in food impacts lower income consumers more. Lower income consumers also spend a larger portion of their incomes on other areas with high inflation such as utilities, gasoline and to a lesser extent, used automobiles.
- We believe certain retailers with exposure to low-end consumers may face some of the most significant challenges from higher inflation. On the other hand, certain luxury goods companies whose consumers are less impacted by higher inflation may be less challenged by the current economic environment.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by U.S. urban consumers for a market basket of consumer goods and services.

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