

‘Revenge Spending’ Is Showing Signs of Cooling – Good for Inflation, Bad for Some Businesses

The pandemic upended our day-to-day norms (and spending habits). As the lockdowns swept the country, people saved money on categories that were closed or restricted, such as dining out, traveling, or going to the movies.

However, when restrictions cooled and the world opened up again, so did millions of wallets – enter: “revenge spending.”

Typically used by economists, revenge spending happens after an “unprecedented economic event” (like the pandemic), which in turn causes an increase in consumer spending beyond normal levels as individuals feel an urgency to spend to “make up for lost time,” according to the Corporate Finance Institute.

When vaccine mandates were lifted and the lockdown ended, a spike in recreational and travel spending ensued, which in turn caused an increase in demand and, of course, prices (notice higher than normal airfare lately?).

While there has been a confluence of factors that contributed to the rampant level of inflation of the past year, revenge spending didn’t exactly help keep it in check.

“People want to get back out and do things they haven’t done for the past two years,” Garrett Melson, a portfolio strategist at Natixis Investment Managers, told CNN in April of 2022 when revenge spending was running rampant. “They will

complain about prices but they are still going out to spend.”

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Is ‘Revenge Spending’ Slowing Down?

However, as recession fears loom and the economy remains uncertain, revenge spending is cooling, and so might inflation, the *New York Times* reported. If the slowdown of revenge spending continues, it could help bring down inflation in the same way it contributed to an uptick in prices for certain services.

“We see some slowing in so-called revenge categories,” Yelena Shulyatyeva, senior U.S. economist at BNP Paribas, told the outlet.

Omar Sharif, the founder of Inflation Insights, added that he doesn’t anticipate the same surge in prices for airfare and hotels compared to last year.

“We’re just not getting the same kind of pop any longer,” he told *The Times*. “Airfares have pretty much stalled out.”

In May, average airfare dropped by nearly 13% compared to the same period in 2022, and hotel prices rose at a significantly lower rate (3%) year-over-year, as compared to the nearly 19% year-over-year increase from 2021 to 2022.

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