

Global Collaboration

Best of Times, Worst of Times: How to invest amidst shifting class dynamics and the US K-shaped economy



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"It was the best of times, it was the worst of times". The famous opening line of Charles Dickens' 'A Tale of Two Cities' captures a period of contradiction: the French aristocracy indulging in opulence and privilege, the peasantry experiencing poverty and oppression. While 2026 is thankfully not 18th century France, shifting class dynamics remain more topical than ever, from the US K-shaped economy to the squeezed Chinese middle class. In this note, we examine the changes in how high- vs. low-income Americans spend their time and money over the last two decades and what it means for investing today.

US income and wealth inequality is rising; the US is experiencing a K-shaped economy. A smaller share of the population controls income earned and health vs. two decade ago. Consumer confidence, especially low and middle income, has collapsed.

Time is money. And money talks. Our analysis leverages two rich and long-running databases from the US Bureau of Labor Statistics. **(1)** The American Time Use Survey covers 7,700 nationally representative individuals and examines how they spend their time across distinct activities. **(2)** The Consumer Expenditure Survey examines average household expenditure across specific products and services.

Over the last two decades, high-income Americans are spending less time on work and more on leisure; it's the reverse for low-income. This trend is amplified when looking at the last five years only. Within leisure, in 2024 high-income Americans overindex to socializing, reading and participation in sports & exercise. Low-income overindex to watching TV, playing games/computer and general relaxation. Looking at the *change* in the last five years, high-income Americans spent incremental leisure time on playing games/computer, general relaxation, reading and sports & exercise. Lost leisure time for low-income has mainly come from watching TV, sports & exercise and reading.

Low-income Americans have experienced increasing pressure on necessities, high-income Americans are saving and investing more. Housing, health insurance and food have increasingly been eating into household expenditure for low- and middle-income Americans. This is especially true for housing pressures on middle class Americans in the last five years. High income Americans have been increasing allocations to savings/investments, pensions, and vehicles.

Over the last five years, certain categories/sectors have become significantly more K-shaped, while others have seen a moderation. Within our coverage, **vehicle purchases** are the most K-shaped, with the top 20% of earners spending 6.9x more in 2024 than the low income earners. This is followed by **alcoholic beverages** (5.7x), **food away from home** (4.6x) and **personal care products** and services (4.2x). **Medical services** (3.5x), **apparel** (3.4x) and **health insurance** (2.9x) sit middle of the pack. Most egalitarian are **housekeeping supplies** (2.6x), **food at home** (2.4x), **drugs** (2.3x) and **tobacco** (0.8x). Over the last five years, vehicle purchases, food away from home and personal care products have become *more* K-shaped. Alcoholic beverages, medical services, apparel, housekeeping supplies and good at home have become *less* K-shaped.

INVESTMENT IMPLICATIONS

"It was the best of times, it was the worst of times". The famous opening line of Charles Dickens' 'A Tale of Two Cities' captures a period of contradiction: the French aristocracy indulging in opulence and privilege, the peasantry experiencing poverty and oppression. While 2026 is thankfully not 18th century France, shifting class dynamics remain more topical than ever, from the US K-shaped economy to the squeezed Chinese middle class. In this note, we examine the changes in how high- vs. low-income Americans spend their time and money over the last two decades and what it means for investing today.

EXHIBIT 1: The famous opening line of Charles Dicken's 'A Tale of Two Cities' captures a period of contradiction...



Source: A Tale of Two Cities (The First British Edition) Phiz or Hablot Knight Browne (1859)

EXHIBIT 2: ... the French aristocracy indulging in opulence and privilege, the peasantry experiencing poverty and oppression.



Source: A Tale of Two Cities (The First American Edition) John McLenan (1859)

American & European Alcoholic Beverages. The K-shaped economy has taken centre stage in cyclical camp of the ongoing cyclical vs. structural debate in US alcohol. At a macro level, the Bureau of Economic Analysis' data finds that Americans spent ~1.93% of their personal expenditure on alcohol in 2025. This is actually 4bps higher than in 2019, which we believe is likely driven by three potential factors (i) higher on-premise spending, especially due to higher pricing in the on-premise vs. off-premise, (ii) premiumization during COVID, and (iii) the growth of spirits-RTDs. By income cohort, we have seen relatively more pressure alcohol spending for lower-income Americans. Looking at the Bernstein K-Shaped index, between 2014 and 2018, the ratio increased from ~4.5x to almost ~8.0x. Alcohol consumption per capita was largely stable (on average) over this time period, and so a major contributor to the increase in multiple is likely premiumization, especially amongst spending of high earnings. 2020 also saw a spike in the multiple, reflective of the premiumization seen during COVID. However since then, the multiple has contracted to just below ~6.0x in 2024 (albeit still above 2004 levels).

US Restaurants. With low-income QSR spending down LDD% for the second consecutive year while high-income consumer spending grew by +MSD%, we believe concepts tied to middle- and upper-income consumers should continue to outperform lower-income-oriented QSRs that remain exposed to pressured discretionary budgets, particularly in a scenario where grocery inflation once again outpaces restaurant pricing. We expect QSRs to remain under pressure, while independents and casual dining continue to outpace peers on stronger value perception, protein-forward menus, and lower dependence on breakfast and snacking occasions, which supports names such as DRI. Similarly, companies skewing toward middle- and higher-income consumers, including CAVA, SBUX, and CMG, should benefit disproportionately from the K-shaped economy, especially as these companies have taken less price than inflation in FY25, supporting a recovery of lower income consumer spending.

Overall, we think the K-shaped economy favors operators with the right income exposure, stronger perceived value, and the scale or execution discipline to defend traffic and margins.

US Food. We've seen several notable, and seemingly more structural, changes in consumer behavior with respect to food at home spending and time spent preparing food in the U.S. since the pandemic began. For Americans with a lower level of education, we've seen a marked increase in overall time spent on eating and drinking, which could well be driven by the increased interest in cooking from scratch that began in the early days of the pandemic and seems to have been spurred by continuing health and wellness trends. In terms of spending patterns, Food at home spending was generally declining modestly as a % of total annual expenditures before the pandemic. But there was a marked upward reset between 2020 and 2022 as more people started to work from home and as food prices escalated sharply, followed by some fairly stable years since then. Overall, our concern for U.S.-centric packaged food makers is that Americans are increasingly shunning more heavily-processed foods with complex ingredients and we see a need for companies to focus on innovation that helps families to eat healthily while reducing time taken for meal preparation.

European Food & General Retail. Food retailers are the likely beneficiaries of increased trading down from restaurants and out of home occasions, particularly at the lower end of the spectrum, whilst more affluent consumers will continue to be more resilient in their food at home spending. The lowest income consumers have seen the largest change in their % spend on food at home as inflation bites whilst more affluent consumers have been more resilient. Ahold Delhaize is skewed to a slightly more affluent consumer which provides some greater defensiveness. For apparel retail, apparel has been decreasing as a % sales as the category remained deflationary over the last few decades. Recent trends which show less affluent consumers spending more on clothing likely reflect greater levels of price increases in the very bottom end of the category. This increased pricing at the bottom end could put further pressure on low income consumers, affecting businesses like JD Sports, H&M and Pandora. The higher end consumer is likely to be more resilient and has experienced less overall price increases. Brands like Inditex are more likely to be resilient.

US Apparel and Specialty Retail. Apparel spend as a share of wallet has declined across income cohorts over time, reflecting the rise of fast fashion, growth in private label, and a shift in consumer budgets toward necessities, with spend remaining structurally skewed toward higher-income consumers. Within this context, Sportswear continues to take share of Apparel, supported by higher participation in sports, exercise, and recreation - particularly among higher-income cohorts. As health and wellness trends continue, coupled with casualization and premiumization trends, we expect Sportswear growth to continue to outpace that of Apparel overall ([The Long View: Global Sportswear - Evolution of the sector over the next decade](#)).

European Food & HPC; US Tobacco. Across consumer staples, whether in Food, HPC, or Tobacco, the low income consumer is especially important because (1) spending is generally less skewed to high-income consumers than in other areas, and (2) the low income consumer tends to be the driver of incremental changes in consumption. As such, pressure on income growth or consumer confidence for the low income consumer tends to be quite important in these areas, as we have seen in the US over the past two years. To combat this, we need to see the companies doing a better job of innovating at premium price points to attract higher spend from more affluent consumers (as we have seen to extent in the personal care space), and continuing to focus on R&D/innovation to drive intrinsic differentiation of their offerings and re-inforce their value proposition to low-income consumers, even in times of economic pressure.

US Media. Media companies in transition from Linear to Streaming have remained resilient through this K-shaped economic period. After all, Netflix ad-tier costs [less than two cappuccinos](#) per month, and every player has SKUs to cover "cheap" to "how much?". Players in the space have grown both DTC subscribers and pricing while managing Linear/PayTV decline that remains - and will remain - a material premium to SVOD alternatives given the cost of live content/sports. As the market transitions to streaming as the next standard, the primary constraint appears to be already high household penetration, rather than weakness among lower-income consumers. If anything, switching from traditional pay-TV packages to a few streaming subscriptions can ease pressure on consumers' wallets. One potential scenario is streaming subscribers increasingly downgrading to ad-supported tiers as a way to save a few extra dollars—Netflix says 60% of new subs are taking ad/cheap-tier, and [we estimate ~40% of subs](#) (from "0%" just 3 years ago) will be on ad-tier by 2030. The rise of free social media content courtesy of TikTok, Instagram and YouTube (covered by Shmulik) has weighed on "long-form" engagement in recent years, and we anticipate shifting consumer expectations (to cheap/free, instant, mobile, and non-committal) to shape price points and monetization models that would keep everyone glued to the screen—one way or the other.

European Autos. The record-low consumer confidence that we see in the US is a misleading predictive factor regarding the automotive market due to the relative affluence of most new vehicle buyers. The current US Administration's withdrawal of support for clean vehicles such as the abolition of the IRA tax and lease credits for BEVs and the dismantling of the Obama-

Biden greenhouse gas regulations has forced a rethink of certain investment decisions but provides further opportunities for selling ICE and PHEV technologies in a market where the average car buyer is getting wealthier. US vehicle average transaction prices (ATP) have doubled from around \$25,000 in 2010 to over \$50,000 in 2025, with a marked acceleration visible post COVID (ATPs in 2020 were around \$35,000). This has provided some relief for the German carmakers as US profitability levels exceed their global average, and they have been increasingly squeezed in the last three years in China. BMW, Mercedes and Porsche have increased their unit sales in the USA between 2019 and 2025 by 19%, 5% and 25% respectively (despite the 4% contraction in the overall market during this period) while increasing their ATPs between January 2019 and April 2026 by 22%, 25% and 26% respectively. The higher mix/higher price environment and the elimination of the requirement to sell margin-sapping BEVs whose high battery costs significantly reduce contribution margin vs equivalent ICE models has also led to strong returns in North America for certain auto companies. Stellantis on the other hand stands as a stark warning of the dangers of losing sight of one's customers. Encouraged by the strong recovery in new vehicle demand as the US emerged from COVID lockdowns, it raised its prices at a faster rate than its cross-town rivals and was slower to course correct when vehicle supply became more plentiful, especially once post-COVID semiconductor shortages eased. Meanwhile, rises in interest rates were also eating into affordability. Data from Cox Automotive shows that between January 2019 and February 2024, Jeep had raised its average US transaction price by 54% to \$56,087 and Ram's ATP was up 48% to \$70,312, so well above the 29% increase to \$47,244 over the same period in the average new vehicle transaction price. Over the same period, Ford raised its ATP by 29%, Chevrolet by 27% and GMC by 40%. Why is this problematic. It led to a short-lived boost to profitability for Stellantis up to 1H24 but revenues and earnings subsequently collapsed and remain on the floor. Stellantis brand customers have typically lower incomes than those buying GM and Ford products - data from October 2023 from Motor and Wheels ([link](#)) shows that Stellantis' Dodge customers had a median household income of \$62,000, Jeep customers were at \$68,000, and Ram were at \$69,000. The same data set shows Ford customers at a median household income of \$77,000 while GM's GMC, Buick and Chevrolet customers were at \$82,000, \$80,000 and \$75,000 respectively. By comparison, the average median household income for BMW buyers was >\$100,000, >\$100,000 for Mercedes buyers (our estimate) and >\$300,000 for Porsche buyers.

US Biopharma. In most developed countries around the world, drug spend has primarily been covered by insurance (private or government). However, things are changing with the GLP1 and anti-obesity market shifting the spend directly from the consumers' wallet instead. Now more than 50% of new anti-obesity medication prescriptions in the US are being paid for by cash, with insurance (government or employer) only contributing a minority. Mix this dynamic with Affordable Care Act rebates rolling off for the lowest income consumer - so coverage is thinning, GLP1 prices coming down & new BRIDGE/BALANCE access opening up & we expect to see meaningful inflections in Drug-spend as access broadens, particularly for the top 3 income quintiles. Despite price-reductions, revenues are increasing as utilization expands and more and more patients are encouraged to use these products. Generally, pharmaceutical companies are highly resilient due to the need for these products, but new dynamics are at play for the still relatively nascent & under-penetrated GLP1 market. As such, we rate LLY OP (high GLP1 exposure), we also rate GILD OP, as well as MRK, PFE, BMY, AMGN, ABBV, MRNA MP and expect to see most of our coverage as highly resilient to the impacts of the K-shaped economy.

U.S. Healthcare Services. The K-shaped economy will be LT drivers of growth in safety net programs such as Medicaid and Marketplace. These two areas are currently out of favor due to recent policies to shrink enrollment, but we would expect the long term growth to resume and see this as a buying opportunity. Over the 30 years pre-COVID we saw US population grow around 1% per year, while safety net health insurance coverage grew 4x this rate. This growth in coverage will require MCOs to act as agents of the government to control this expanding expenditure pressure.

Global Luxury Goods. Questions abound on the long-term rate, trajectory and drivers of global luxury goods demand. If China was to go back to producing wealth to a larger and larger aspirational consumer audience, global luxury goods would go back to being a global middle class play. In that context, best in class mega-brands would once again lead growth and returns (See [Global Luxury Goods: The Six Rings of Quality](#)). These would include LVMH with LV, Hermès, Richemont with Cartier and Van Cleef & Arpels. If instead income and wealth inequality continued to increase, the richest consumers would be driving the global luxury market growth, putting smaller and higher brands at an advantage. Given its flexibility and credibility to serve both the high-end and the aspirational consumers, we see Richemont thriving in both scenarios. Which confirms it as our most preferred long-term exposure in the sector.

Table Of Contents

I. Executive Summary.....	6
II. Introduction.....	9
III. Time is Money: Key Conclusions.....	13
IV. Money Talks: Key Conclusions.....	16
V. Consumer Confidence.....	21
VI. Sector Deep-Dives.....	23
Alcoholic Beverages - Nadine Sarwat & Trevor Stirling.....	23
Food & Restaurants - Danilo Gargiulo, Alexia Howard & Callum Elliott.....	28
Sportswear and Apparel - Aneesha Sherman & William Woods.....	32
Household & Personal Care Products - Callum Elliott.....	35
Tobacco - Callum Elliott.....	38
Media - Laurent Yoon.....	39
Autos - Stephen Reitman.....	42
Healthcare - Lance Wilkes & Courtney Breen.....	46
VI. Appendix.....	50

DETAILS

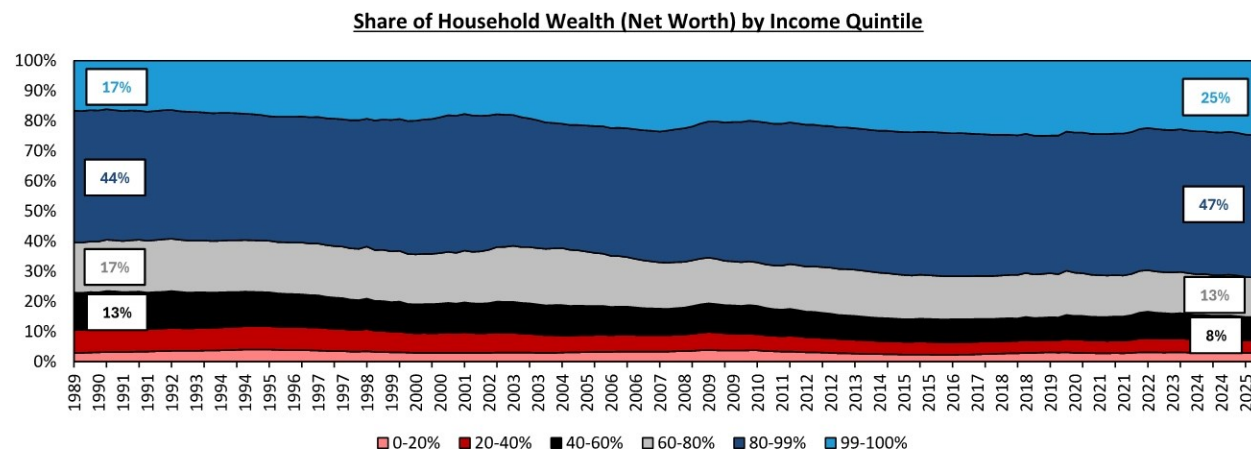
Continue below.

I. EXECUTIVE SUMMARY

US income and wealth inequality is rising; the US is experiencing a K-shaped economy. A smaller share of the population controls income earned and wealth vs. two decade ago (Exhibit 3). Consumer confidence, especially low and middle income, has collapsed.

Time is money. And money talks. Our analysis leverages two rich and long-running databases from the US Bureau of Labor Statistics. **(1)** The American Time Use Survey covers 8,100 nationally representative individuals and examines how they spend their time across distinct activities. **(2)** The Consumer Expenditure Survey examines average household expenditure across specific products and services. In both cases, the latest available data is to 2024, though the long-term trends are often indicative of underlying trends in each category. Furthermore, our Bernstein analysts offer analysis and commentary on more recent trends and implications for their sectors.

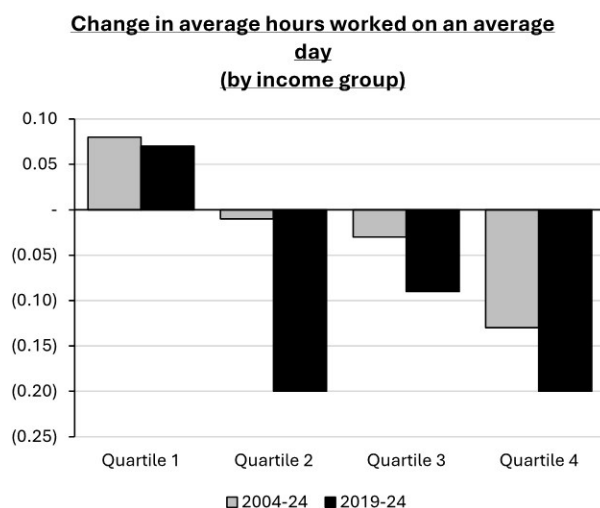
EXHIBIT 3: **US income and wealth inequality is rising; the US is experiencing a K-shaped economy**



Source: Federal Reserve, Bernstein analysis

Over the last two decades, high-income Americans are spending less time on work and more on leisure; it's the reverse for low-income (Exhibit 4 and Exhibit 5). This trend is amplified when looking at the last five years only. Within leisure, in 2024 high-income Americans overindex to socializing, reading and participation in sports & exercise. Low-income overindex to watching TV, playing games/computer and general relaxation. Looking at the *change* in the last five years, high-income Americans spent incremental leisure time on playing games/computer, general relaxation, reading and sports & exercise. Lost leisure time for low-income has mainly come from watching TV, sports & exercise and reading.

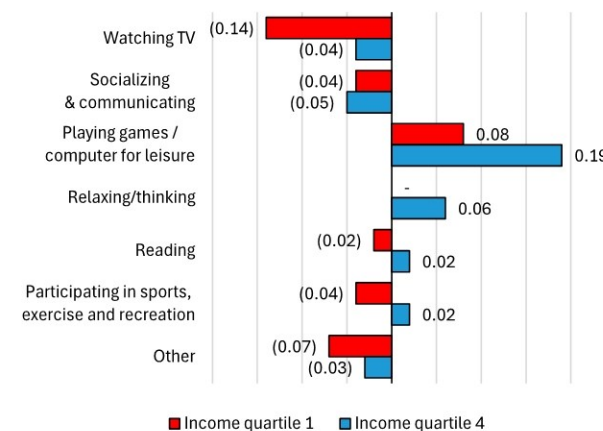
EXHIBIT 4: Over the last two decades, high-income Americans are spending less time on work and more on leisure...



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

EXHIBIT 5: ...it's the reverse for low-income

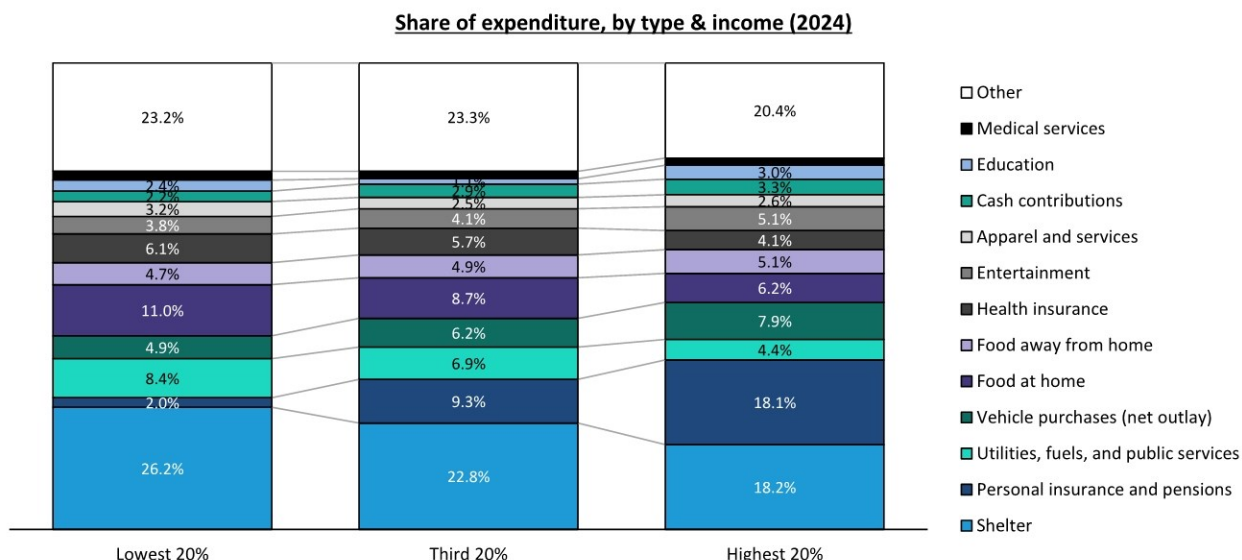
Change in average hours spent per day on leisure and sports, by activity (2019-24)



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

Low-income Americans have experienced increasing pressure on necessities, high-income Americans are saving and investing more. Housing, health insurance and food have increasingly been eating into household expenditure for low- and middle-income Americans. This is especially true for housing pressures on middle class Americans in the last five years. High income Americans have been increasing allocations to savings/investments, pensions, and vehicles.

EXHIBIT 6: Low-income Americans have experienced increasing pressure on necessities, high-income Americans are saving and investing more

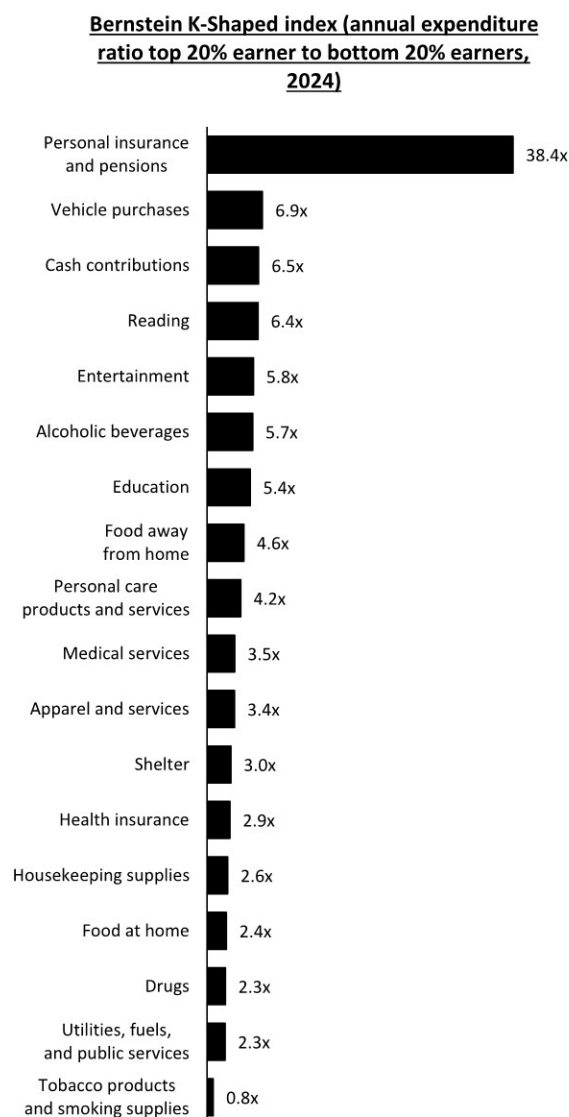


Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

Over the last five years, certain categories/sectors have become significantly more K-shaped, while others have seen a moderation (Exhibit 7 and Exhibit 8). Within our coverage, **vehicle purchases** are the most K-shaped, with the top 20% of earnings spending 6.9x more in 2024 than the low income earners. This is followed by **alcoholic beverages** (5.7x), **food away from home** (4.6x) and **personal care products** and services (4.2x). **Medical services** (3.5x), **apparel** (3.4x) and **health**

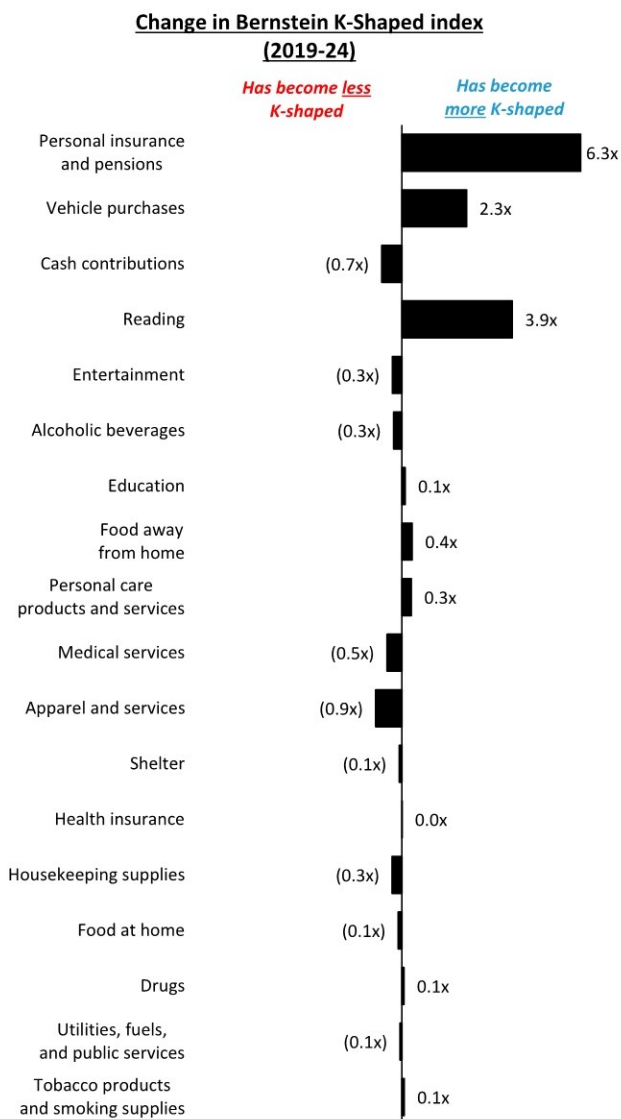
insurance (2.9x) sit middle of the pack. Most egalitarian are **housekeeping supplies** (2.6x), **food at home** (2.4x), **drugs** (2.3x) and **tobacco** (0.8x). Over the last five years, vehicle purchases, food away from home and personal care products have become *more* K-shaped. Alcoholic beverages, medical services, apparel, housekeeping supplies and good at home have become *less* K-shaped.

EXHIBIT 7: Bernstein's K-shaped index captures which sectors see more or less K-shaped spending



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 8: Over the last five years, certain categories/sectors have become significantly more K-shaped, while others have seen a moderation



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

II. INTRODUCTION

Income and wealth inequality has widened over the last two decades

The US has seen widening income inequality over the last 45 years, as evidenced by growing Gini coefficient / index (Exhibit 9). Gini index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. In 2024, the index has a value of ~42, close to all-time highs.

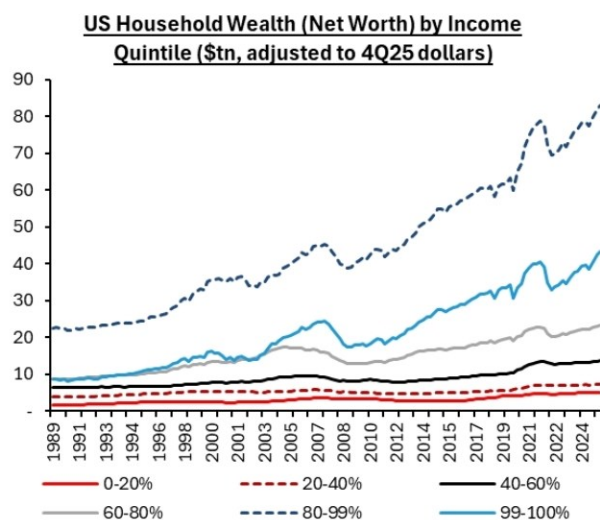
EXHIBIT 9: **The US has seen widening income inequality over the last 45 years, as evidenced by growing Gini coefficient**



Source: FRED, Bernstein analysis

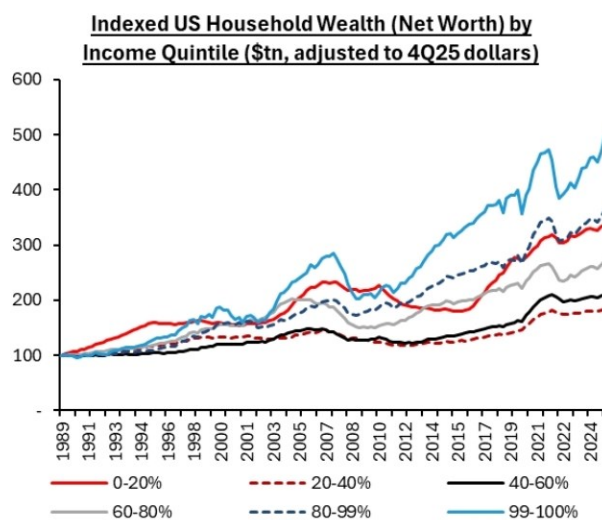
The growth in equality is even more stark when examined on the basis of wealth (Exhibit 10 to Exhibit 12). The top 1% in terms of household by income account for 25% of US wealth today vs. 'just' 17% in 1980. The next highest 19% account for 47% of wealth, vs. 44% in 1990. In contrast, the middle 20% of Americans - the very definition of middle class - account for only 8% of wealth, down from 13% in 1990.

EXHIBIT 10: **The growth in equality is even more stark...**

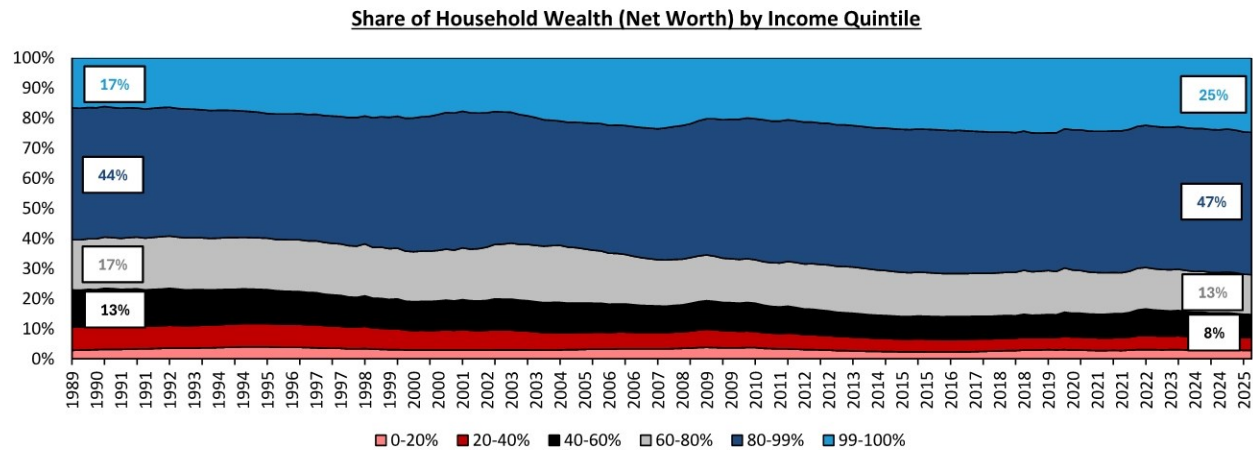


Source: Federal Reserve, Bernstein analysis

EXHIBIT 11: **... when examined on the basis of wealth**

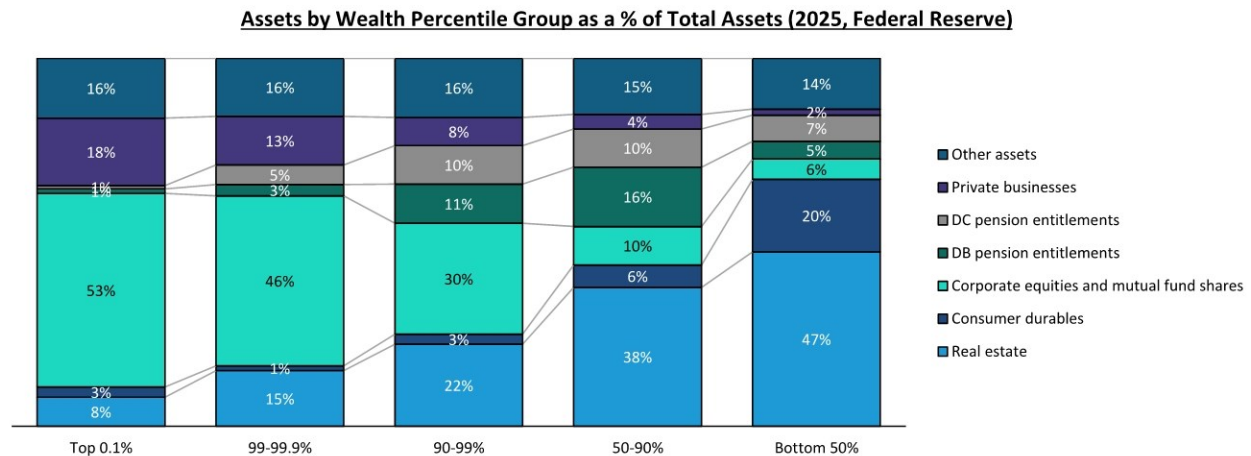


Source: Federal Reserve, Bernstein analysis

EXHIBIT 12: **The top 1% in terms of households by income account for 25% of US wealth today vs. 'just' 17% in 1980**

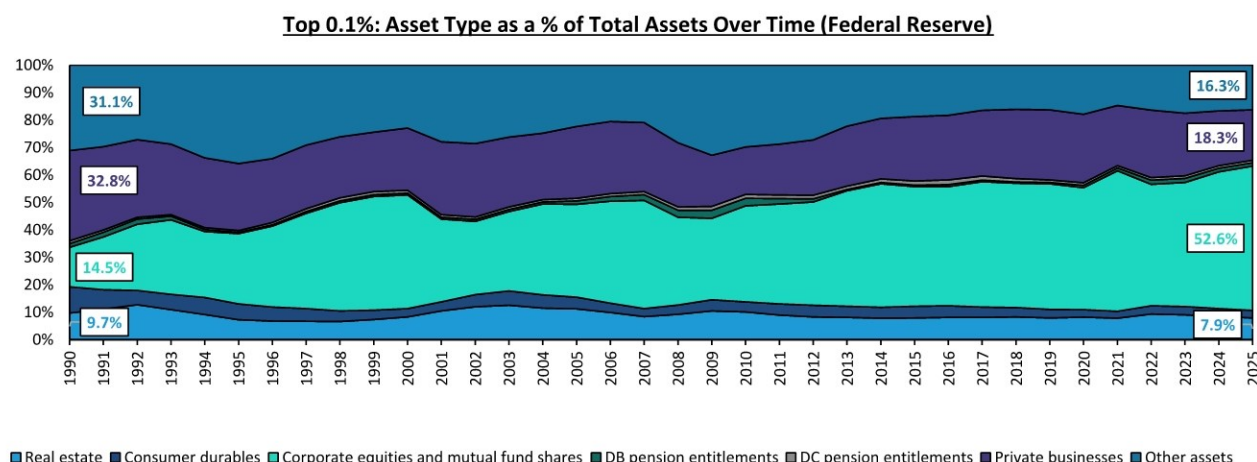
Source: Federal Reserve, Bernstein analysis

The composition of that wealth is also dramatically different by group (Exhibit 13). The bottom 50% have almost half of their wealth in real estate, with another 20% in consumer durables. In contrast, the top 0.1% only have 8% of their wealth in real estate. Instead, it largely comprises corporate equities & mutual fund shares (53%) and private businesses (18%).

EXHIBIT 13: **The composition of that wealth is also dramatically different by group**

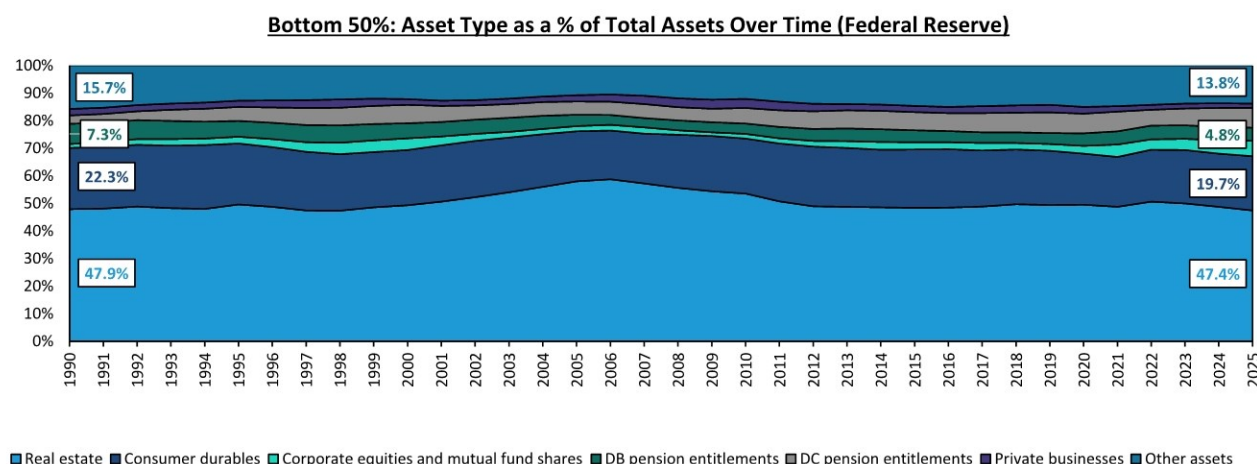
Source: Federal Reserve, Bernstein analysis

EXHIBIT 14: Within the top 0.1%, corporate equities and mutual fund shares as a % of total assets has drastically increased



Source: Federal Reserve, Bernstein analysis

EXHIBIT 15: Of the bottom 50%, the mix of asset types has remained relatively steady, with real estate making up ~50% of total assets

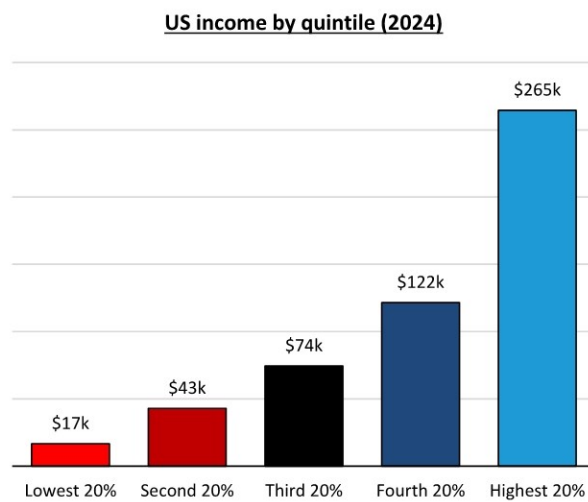


Source: Federal Reserve, Bernstein analysis

In BLS' Consumer Expenditure Survey, the lowest 20% of the Americans by income have an average income of \$17k vs, the highest 20% at \$265k; this gap has widened over the last two decades

Much of the analysis in this note uses the US Bureau of Labor Statistics' Consumer Expenditure Survey, which splits Americans into income quintiles. (Exhibit 16) In 2024, the lowest 20% earned, on average \$17k per year. This will include individuals who earned higher than this (i.e. the upper limited of the quintile) as well as students and individuals who are unemployed. The middle 20% of Americans earned \$74k. The top 20% earned \$265k. Indexed to 2004, the top 20% saw the strongest increase in their income, followed by the next highlight 20% (Exhibit 17).

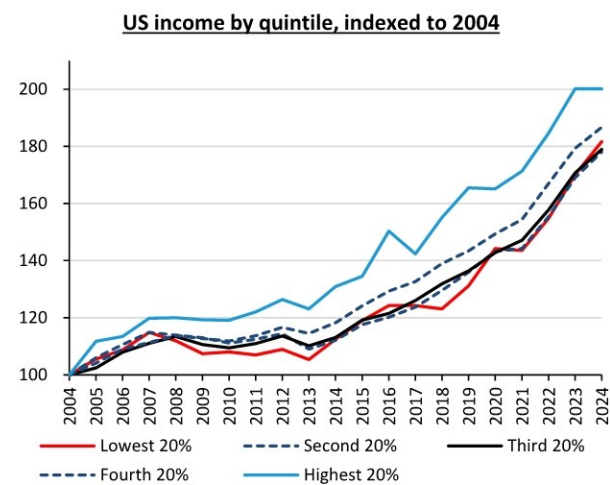
EXHIBIT 16: In BLS' Consumer Expenditure Survey, the lowest 20% of the Americans by income have an average income of \$17k vs, the highest 20% at \$265k



Lowest 20% will included individuals such students and unemployed.

Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 17: Indexed to 2004, the top 20% saw the strongest increase in their income, followed by the next highlight 20%.



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

III. TIME IS MONEY: KEY CONCLUSIONS

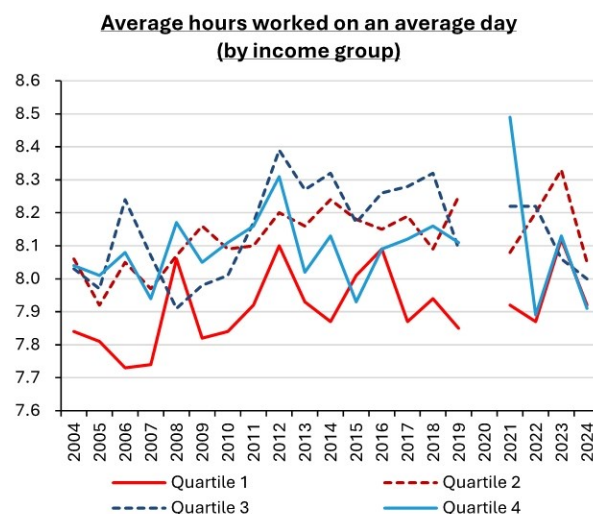
US Bureau of Labor Statistics; American Time Use Survey

For years (except in 2020 during COVID), the US Bureau of Labor Statistics has been running the American Time Use Survey. Its goal is to provide “nationally representative estimates of how, where, and with whom Americans spend their time”. It is also “the only federal survey providing data on the full range of non-market activities, from childcare to volunteering”. Sample cases for the survey are selected monthly, „and interviews are conducted continuously throughout the year. Estimates are released annually. In 2022, ~7,700 nationally representative individuals were interviewed. We note that sometimes categories appear irrelevant for today’s world (i.e. time spent on “household and personal mail”) while others that are relevant today were shoehorned into existing categories (i.e. video games are included in an overall ‘playing games’ category). This is likely an attempt at maintaining the long-term consistency and integrity of the survey. Nevertheless, it can still directionally reveal meaningful findings.

Low income Americans have steadily been working more, while higher income Americans have steadily been working less

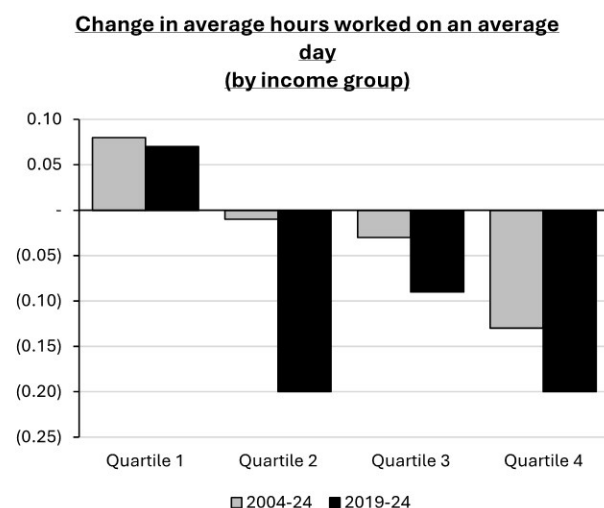
Over the last two decades, high-income Americans are spending less time on work and more on leisure; it’s the reverse for low-income. This trend is amplified when looking at the last five years only (Exhibit 18 and Exhibit 19).

EXHIBIT 18: **Over the last two decades, high-income Americans are spending less time on work and more on leisure**



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

EXHIBIT 19: **This trend is amplified when looking at the last five years only**

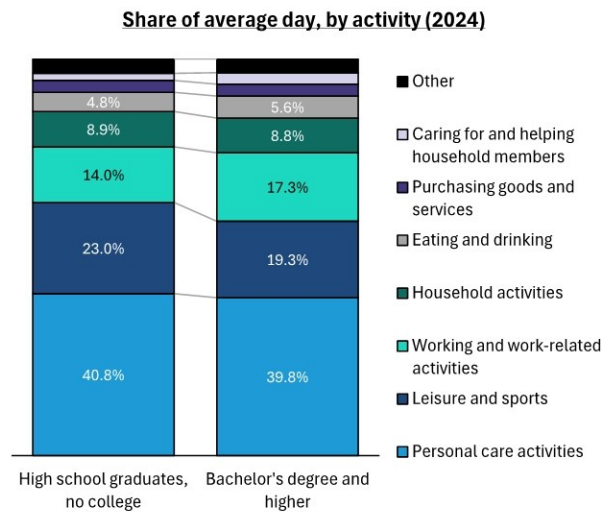


Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

Over the last five years, Americans with only a high school diploma saw reduced time spent on leisure and sports, while Americans with a Bachelor's degree (and higher) saw increased time spent on leisure and sports

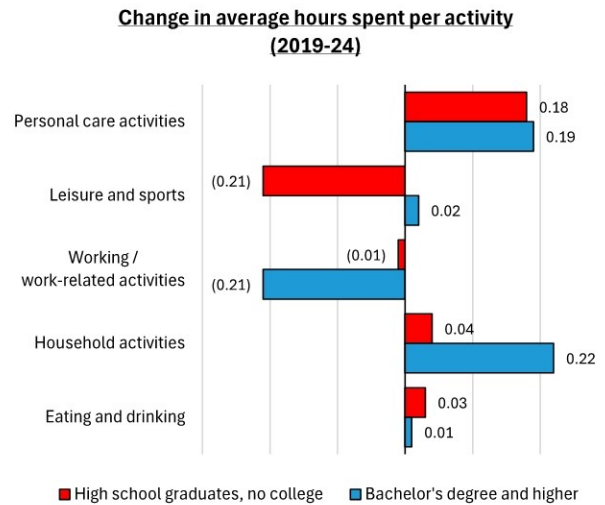
The US Bureau of Labor Statistics doesn't have easily accessible data for time spent in total across the day by income (Exhibit 20). However, it does provide this by level of education, which we use as a proxy. In 2024, Americans with at least a bachelor's degree spent ~17% of their day working or on work related activities (note that this average will include those who are unemployed or choose not to work), this compares to ~14% for those with a high school diploma. This difference in work hours comes largely at the expense of leisure & sports time. But when looking at the *change* over the last five years, Americans with only a high school diploma saw reduced time spent on leisure and sports, while Americans with a Bachelor's degree (and higher) saw increased time spent on leisure and sports (Exhibit 21).

EXHIBIT 20: Americans with at least a bachelor's degree work more and have less leisure time than those with only a high school diploma



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

EXHIBIT 21: But over the last five years, Americans with only a high school diploma saw reduced time spent on leisure and sports, while Americans with a Bachelor's degree (and higher) saw an increase.

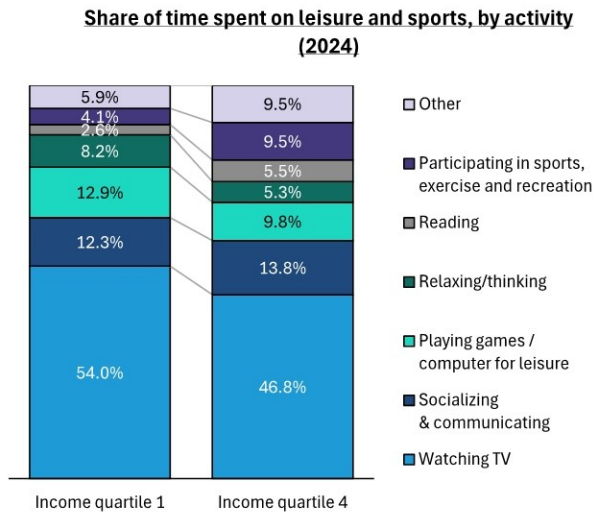


Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

Low income Americans have reduced their time spent watching TV (though still watch more than higher income Americas); high income Americans spent more time (and have also increased relative time spent on) playing games / computer for leisure use and sports / exercise

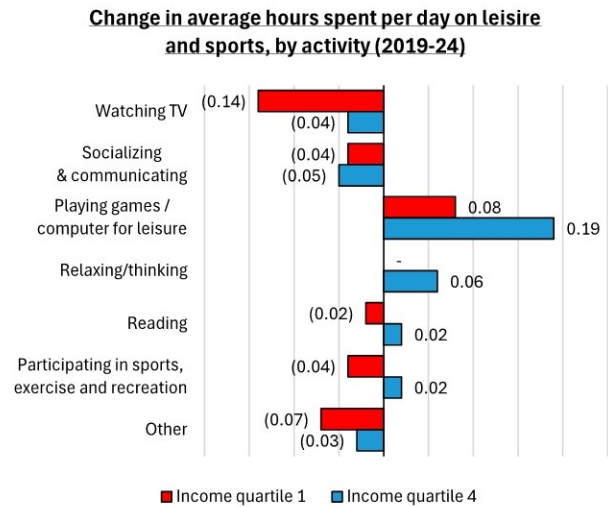
Within leisure, in 2024 high-income Americans overindex to socializing, reading and participation in sports & exercise (Exhibit 22). Low-income overindex to watching TV, playing games/computer and general relaxation. Looking at the *change* in the last five years, high-income Americans spent incremental leisure time on playing games/computer, general relaxation, reading and sports & exercise (Exhibit 23). Lost leisure time for low-income has mainly come from watching TV, sports & exercise and reading.

EXHIBIT 22: **Within leisure, in 2024 high-income Americans overindex to socializing, reading and participation in sports & exercise**



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

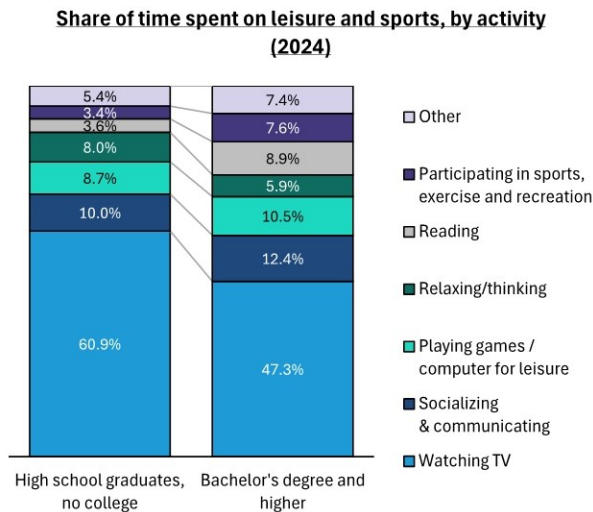
EXHIBIT 23: **Looking at the change in the last five years, high-income Americas spent incremental leisure time on playing games/computer, general relaxation, reading and sports & exercise**



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

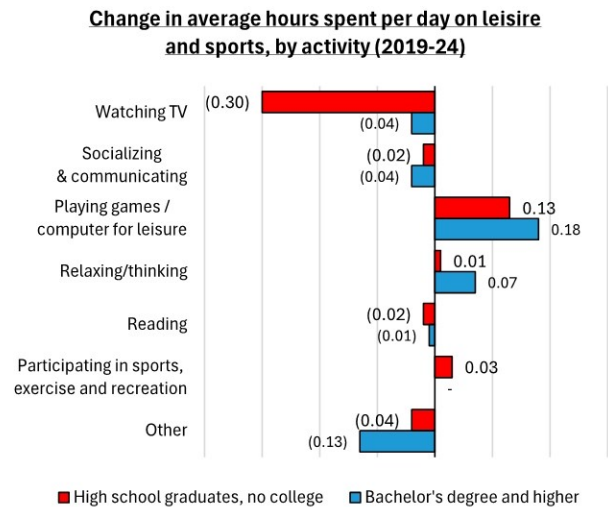
Exhibit 24 and Exhibit 25 repeats the above analysis but by education level, and we find a similar (though not exact) pattern.

EXHIBIT 24: **We repeat the above analysis but by education level...**



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

EXHIBIT 25: **... and we find a similar (though not exact) pattern**



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

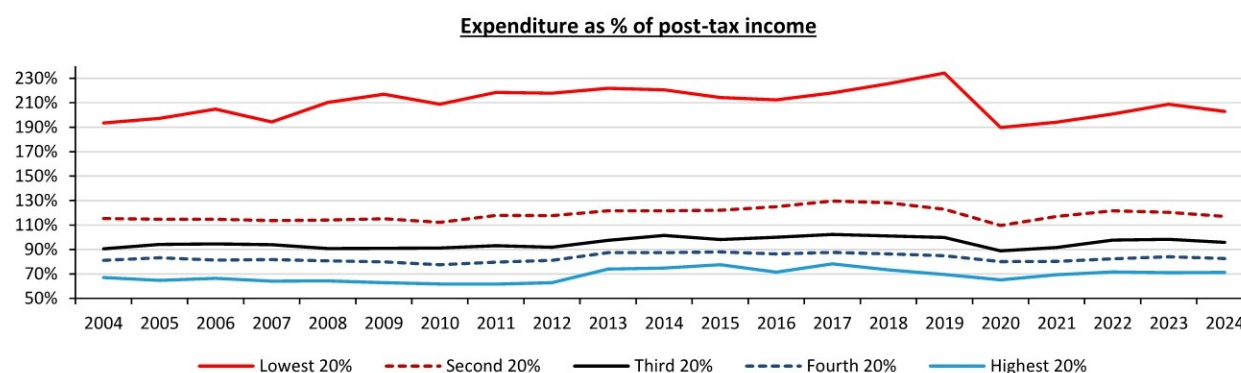


IV. MONEY TALKS: KEY CONCLUSIONS

The lowest 40% of American by income tends to spend more than they earn (incl. relying on savings, loans and pensions); in contrast the highest 20% save / invest a considerable amount of their income

Exhibit 26 illustrates total expenditure as a share of income over the last two decades by income quintile using data from the **US Bureau of Labor Statistic's Consumer Expenditure Survey**. The lowest 40% of American by income tends to spend more than they earn (incl. relying on savings, loans and pensions). All Americans spent a smaller share of their income during the COVID years, but this was especially pronounced for the bottom 20%. In contrast, the highest 20% if households by income save / invest a considerable amount of their income, only spending ~70% of their income on what BLS defines as "expenditure" (see definitions in appendix).

EXHIBIT 26: The lowest 40% of American by income tends to spend more than they earn (incl. relying on savings, loans and pensions); in contrast the highest 20% save / invest a considerable amount of their income

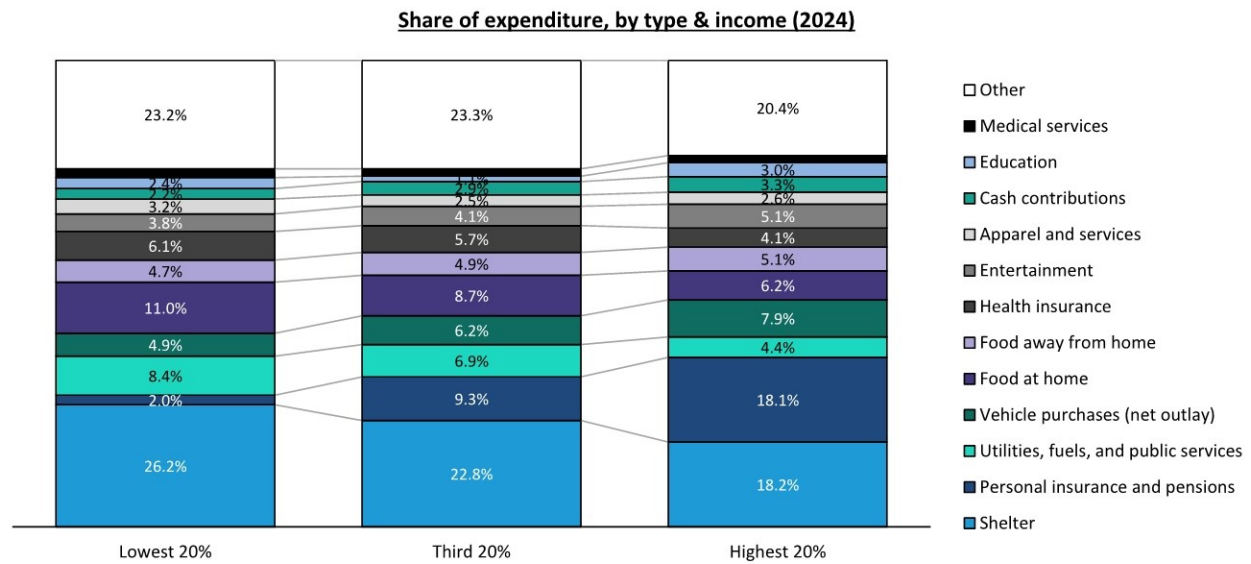


Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

Low income Americans have experiences increasing pressure on necessities, high come Americans are saving and investing more

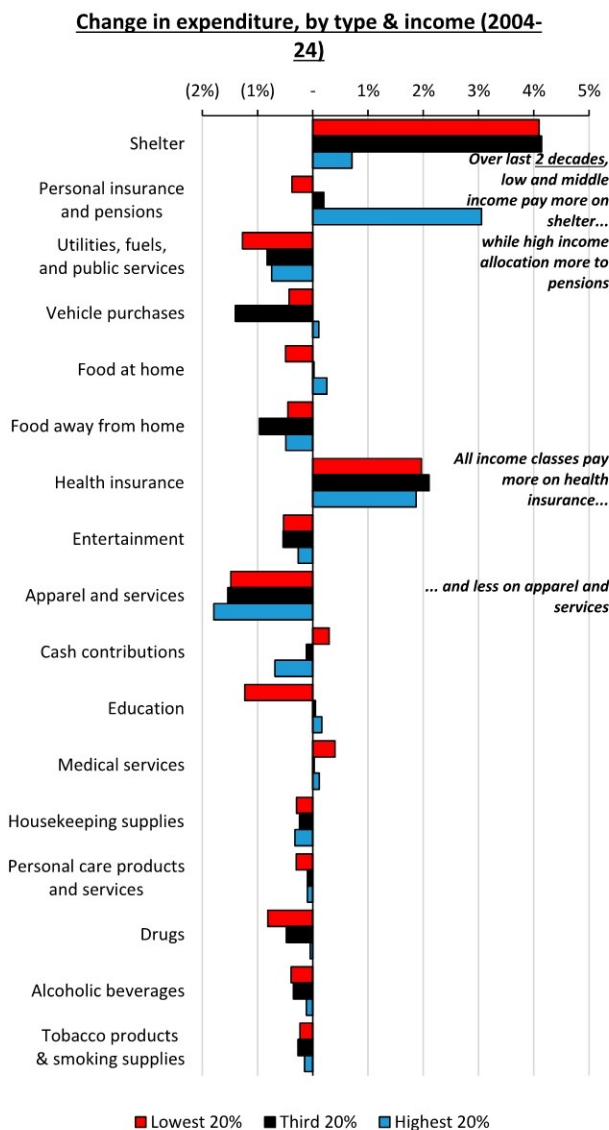
Exhibit 27 illustrates the share of expenditure by type for the lowest, third and highest 20% of Americans by income. A few things stick out. Shelter accounts for ~26% of expenditure for the lowest 20% vs. ~18% for the highest 20%. In contrast, the highest 20% allocate 20% to personal insurance/pensions vs. just 2% for the lowest 20%. The lowest 20% spend disproportionately more of their income on utilities/fuel food at home and health care.

EXHIBIT 27: The lowest 20% spend disproportionately more of their income on shelter, utilities/fuel food at home and health care.

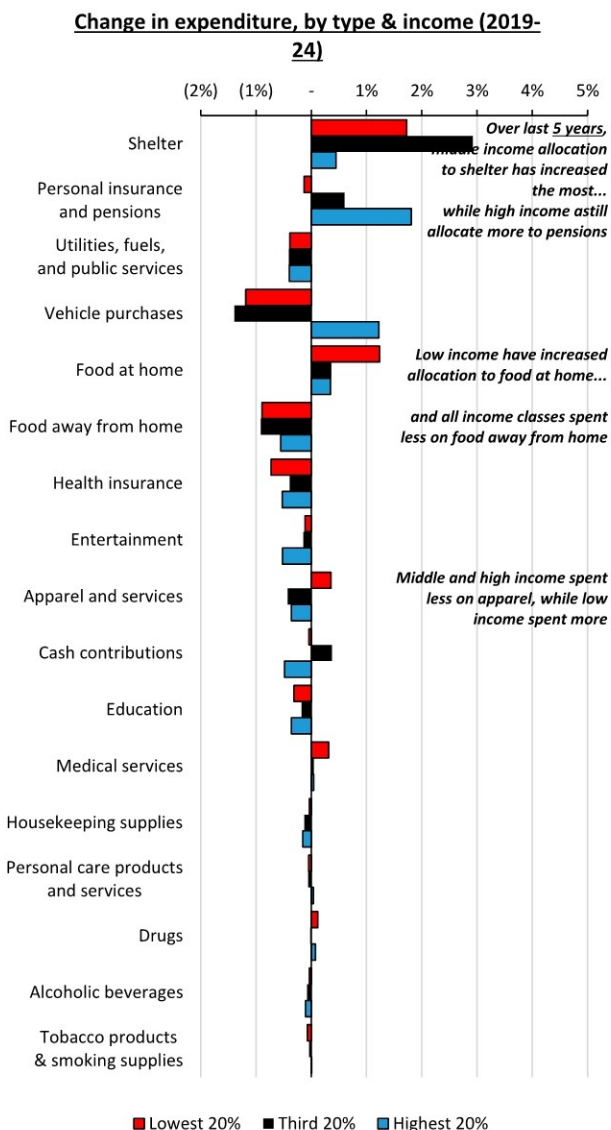


Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

Low-income Americans have experienced increasing pressure on necessities, high-income Americans are saving and investing more. Housing, health insurance and food have increasingly been eating into household expenditure for low- and middle-income Americans. This is especially true for housing pressures on middle class Americans in the last five years. High income Americans have been increasing allocations to savings/investments, pensions, and vehicles (Exhibit 28 and Exhibit 29).

EXHIBIT 28: Low-income Americans have experienced increasing pressure on necessities...


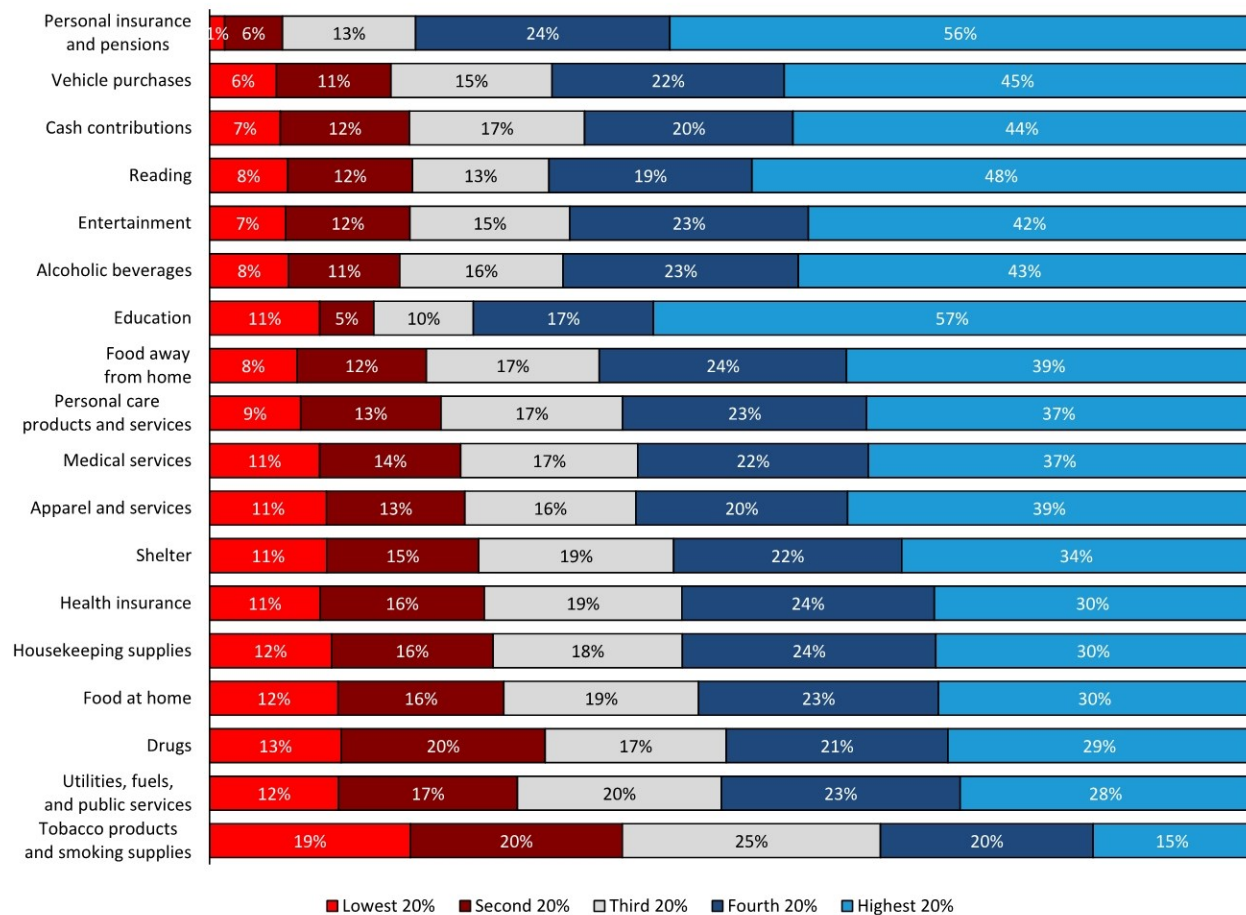
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 29: ... high-income Americans are saving and investing more


Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

Over the last five years, certain categories/sectors have become significantly more K-shaped, while others have seen a moderation

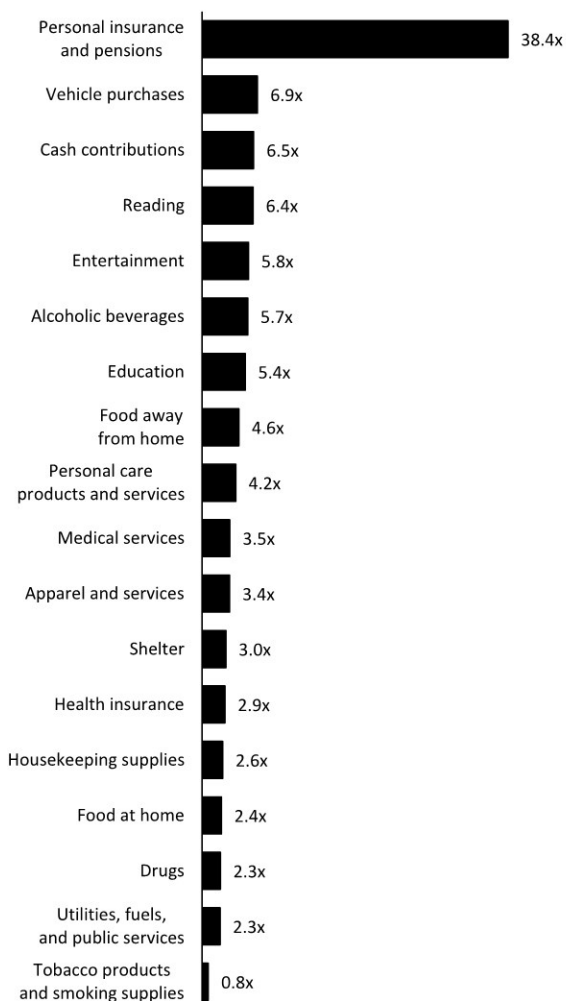
Each sectors' implied sales are distributed across income cohorts in a different way (Exhibit 30). Within our coverage, **vehicle purchases** are the most K-shaped, with the top 20% of earnings spending 6.9x more in 2024 than the low income earners (Exhibit 31). This is followed by **alcoholic beverages** (5.7x), **food away from home** (4.6x) and **personal care products** and services (4.2x). **Medical services** (3.5x), **apparel** (3.4x) and **health insurance** (2.9x) sit middle of the pack. Most egalitarian are **housekeeping supplies** (2.6x), **food at home** (2.4x), **drugs** (2.3x) and **tobacco** (0.8x). Over the last five years, vehicle purchases, food away from home and personal care products have become *more* K-shaped. Alcoholic beverages, medical services, apparel, housekeeping supplies and food at home have become *less* K-shaped. (Exhibit 32).

EXHIBIT 30: **Each sectors' implied sales are distributed across income cohorts in a different way****US share of average annual expenditure by category and by income quintile (2024)**

Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 31: Cars, alcoholic beverages and food away from home are some of the most K-shaped sectors, with tobacco and food at home being the least

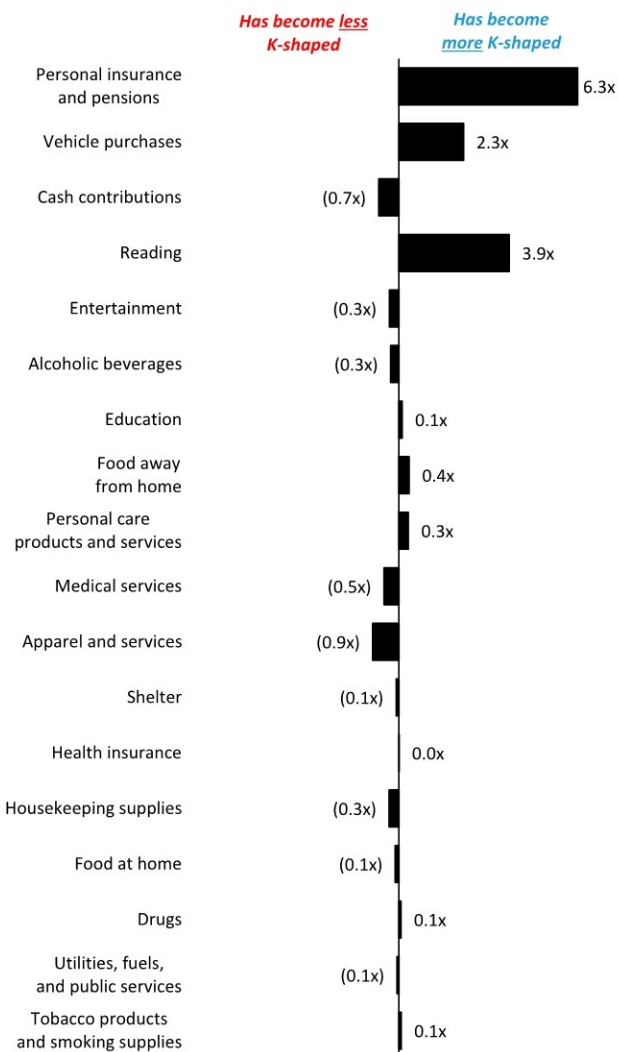
Bernstein K-Shaped index (annual expenditure ratio top 20% earner to bottom 20% earners, 2024)



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 32: Over the last five years, vehicle purchases, food away from home and personal care products have become more K-shaped. Alcoholic beverages, medical services, apparel, housekeeping supplies and good at home have become less K-shaped.

Change in Bernstein K-Shaped index (2019-24)

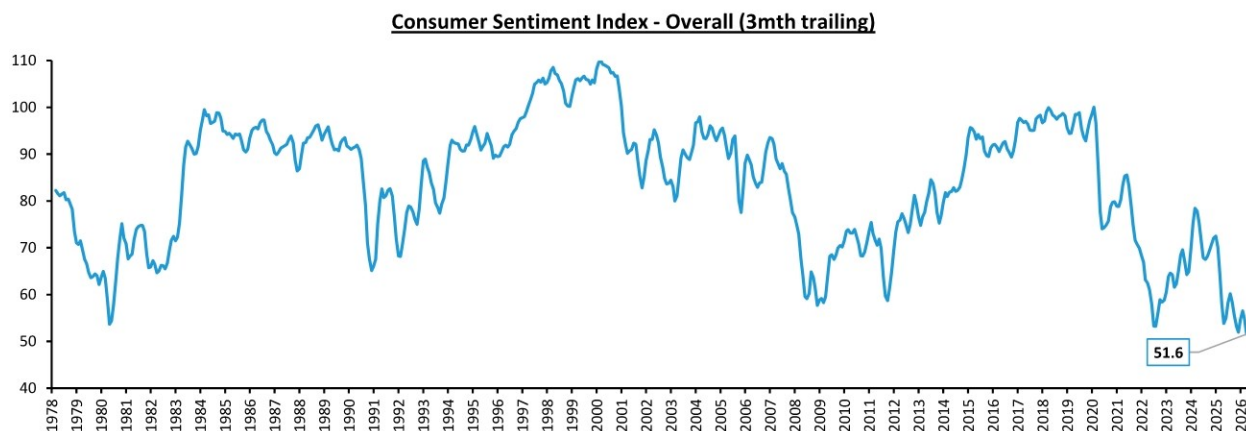


Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

V. CONSUMER CONFIDENCE

The University of Michigan publishes a monthly consumer sentiment index to assess near-time consumer attitudes on the business climate, personal finance, and spending in the US. The index is normalized to have a value of 100 in the first quarter of 1966. At an aggregate level, consumer confidence has plummeted to peak-pandemic levels in May-26, reaching 51.6 on a 3mth trailing basis (Exhibit 33).

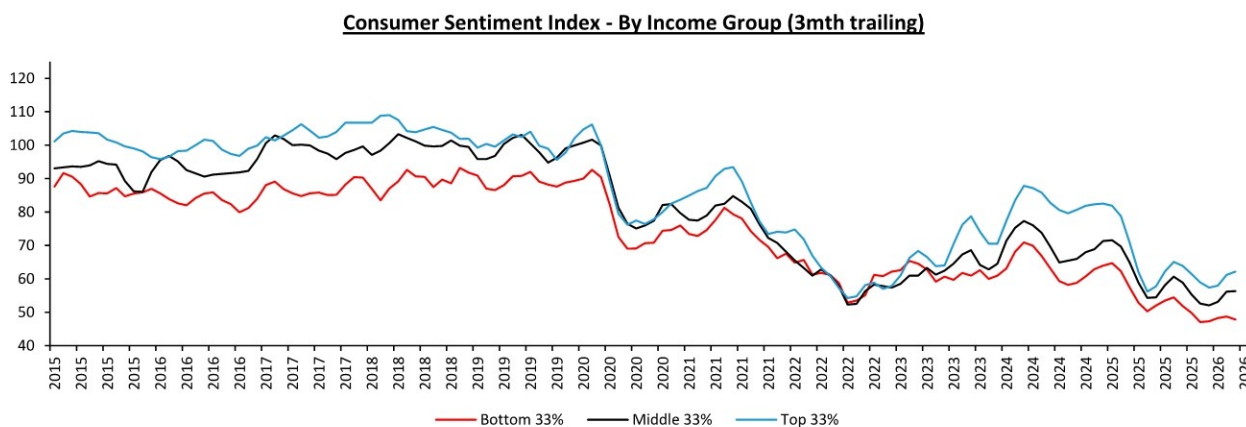
EXHIBIT 33: **Consumer sentiment have fallen to record lows in 2026**



Source: University of Michigan, Bernstein analysis

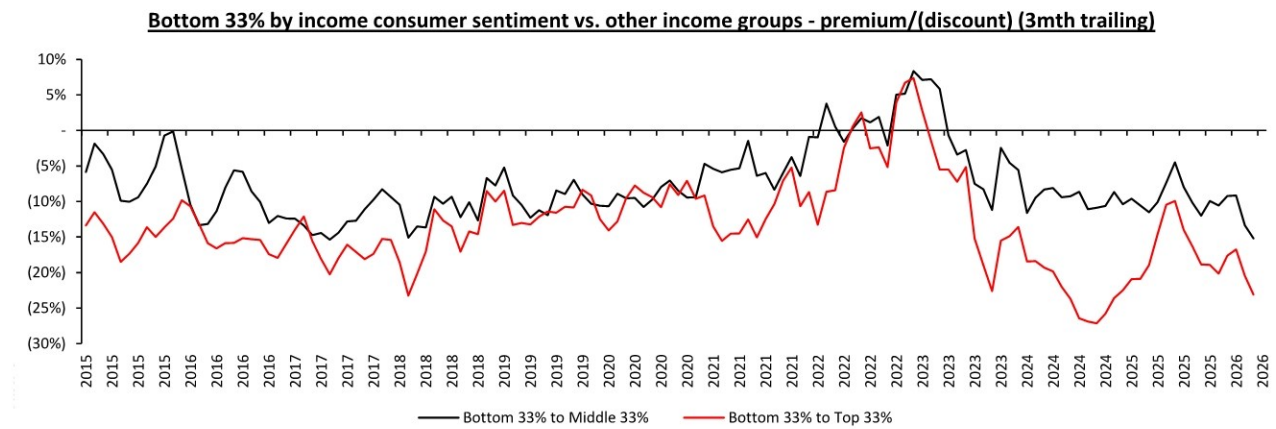
Whilst consumer sentiment has weakened in all income terciles, with all income groups more pessimistic about their prospects, the bottom income tercile has consistently seen the lowest consumer confidence over the last 3 years (Exhibit 34). The bottom income tercile has sustained a large consumer confidence discount against the other two income terciles, which has worsened sequentially in 2026 (Exhibit 35).

EXHIBIT 34: **In particular, the bottom income group have seen the lowest consumer confidence over the last 3 years...**



Source: University of Michigan, Bernstein analysis

EXHIBIT 35: ...Sustaining a large consumer confidence discount to the other two income groups



Source: University of Michigan, Bernstein analysis

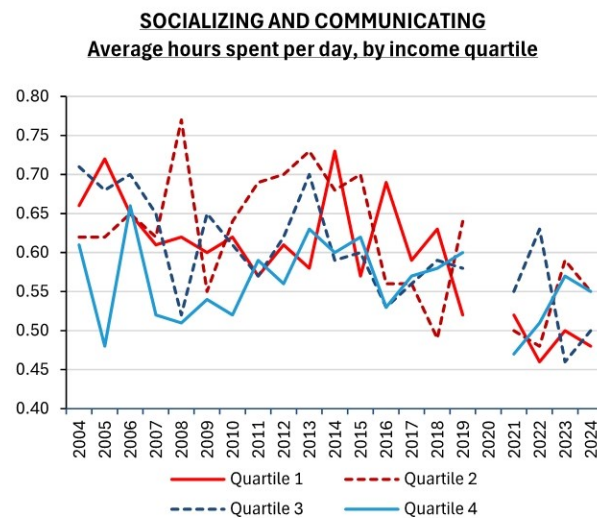
VI. SECTOR DEEP-DIVES

ALCOHOLIC BEVERAGES - NADINE SARWAT & TREVOR STIRLING

Time: Socializing & communicating

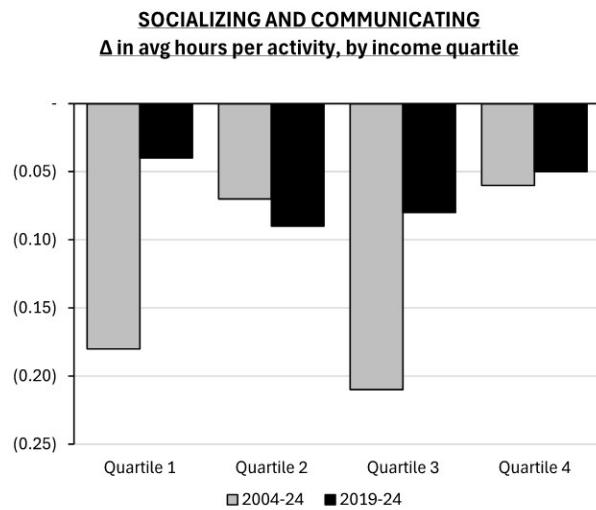
We have long emphasized the role of alcohol as a social lubricant in society, and therefore the fact that its consumption centers around social occasions (see: [Weekend Consumer Blast: Health & wellness has reached a fever pitch for alcohol... The fever might be starting to break.](#) and [Weekend Consumer Blast: Confessions of a 'Sin' Analyst... What covering booze and weed has taught me](#)). Over the last two decades, the average time spent socializing and communicating has fallen for all income cohorts and was most pronounced in the 1st quartile (i.e. low-income) Americans. Over the last five years, the reduction in time spent socializing and communicating has been most pronounced in the middle class (quartile 2 & 3).

EXHIBIT 36: Over the last two decades, the average time spent socializing and communicating has fallen for all income cohorts and was most pronounced in the 1st quartile (i.e. low-income) Americans



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

EXHIBIT 37: Over the last five years, the reduction in time spent socializing and communicating has been most pronounced in the middle class (quartile 2 & 3).

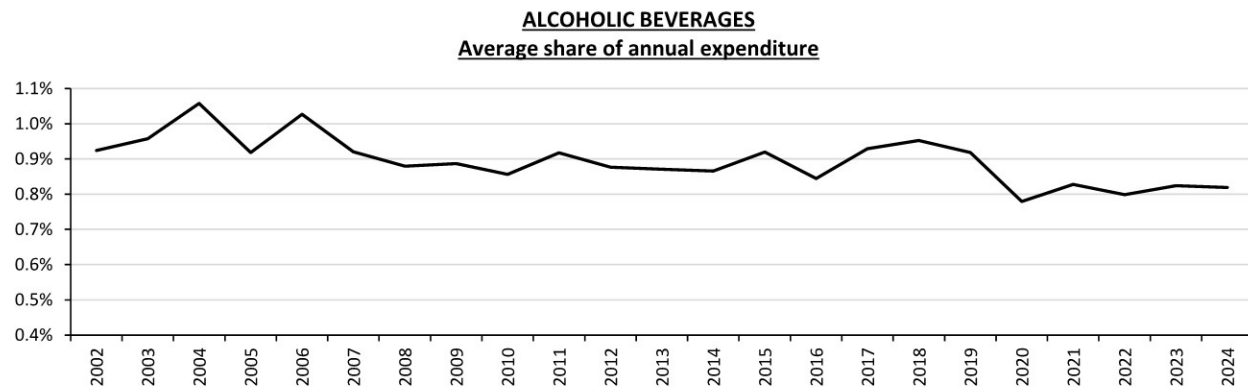


Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

Expenditure: alcoholic beverages

Between 2007 and 2019, the share of annual household expenditure spent on alcoholic beverages (in the off-premise, as measured by BLS' consumer expenditure survey) was broadly flat at ~0.9%. This has stepped down to ~0.8% over 2020 to 2024. However, we note that part of this is explained by the on-premise (see further below).

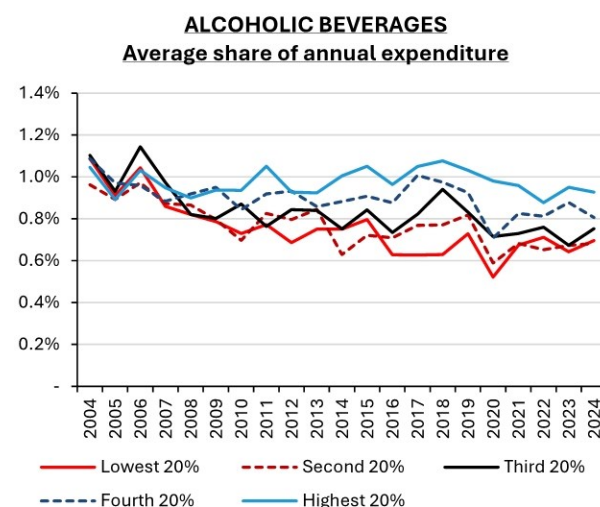
EXHIBIT 38: Between 2007 and 2019, the share of annual household expenditure spent on alcoholic beverages (in the off-premise, as measured by BLS' consumer expenditure survey) was broadly flat at ~0.9%. This has stepped down to ~0.8% over 2020 to 2024



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

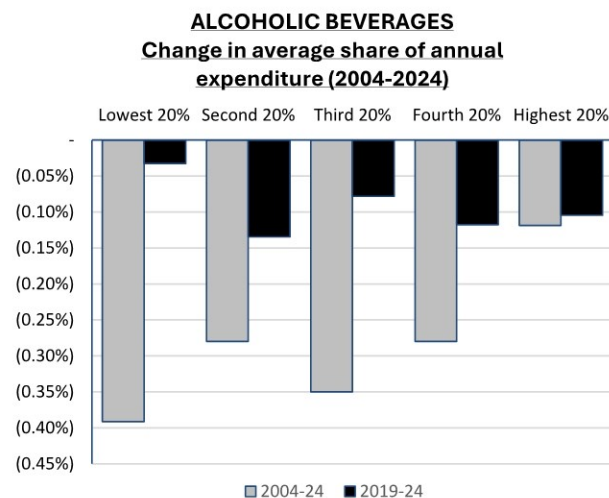
The share of household expenditure allocated to alcohol differs by income. The lowest 20% of households by income spent ~0.7% of household income on alcoholic beverages, the lowest of all cohorts. This income cohort has also seen the biggest decline in the share of household expenditure allocated to alcohol over the last two decades. In contrast, the highest 20% of households spend almost ~1% of their expenditure on alcohol. This has reduced over the last two decades, but by the lowest amount vs. other cohorts. It has also seen little change over the last five years.

EXHIBIT 39: The share of household expenditure allocated to alcohol differs by income



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 40: The lowest 20% of households by income have seen the biggest decline in the share of household expenditure allocated to alcohol over the last two decades



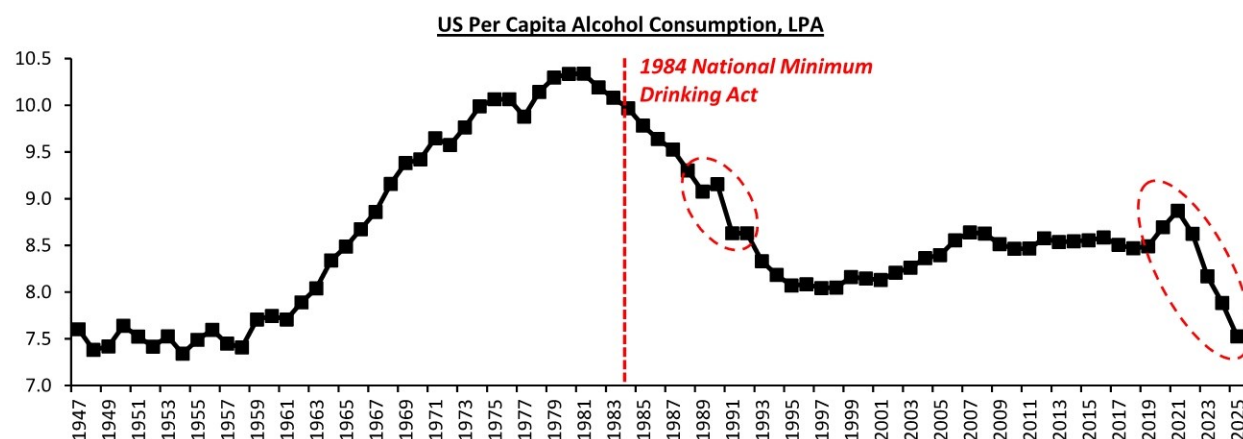
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

An alternative dataset is the Bureau of Economic Analysis's (BEA) personal expenditure data (Exhibit 42 and Exhibit 43). Crucially, this dataset is superior to BLS's Consumer Expenditure Survey because (i) it takes into account both off-premise and on-premise spending, and (ii) it is updated on a monthly basis. We also find a strong historical correlation between this dataset, and our bottom-up estimates of per capita alcohol consumption (Exhibit 41). However, the dataset cannot be dissected at an income level.

This BEA dataset reveals that Americans spent ~1.93% of their personal expenditure on alcohol in 2025. This is actually 4bps higher than in 2019. We see three potential reasons for this:

- **On-premise spending.** The entirety of this increase is from on-premise spending. In 2015, Americans spent 0.82% of personal expenditure on beverage alcohol in the on-premise. This is 3bps higher than what they spent in 2019. Part of this is due to pricing. On-premise pure pricing has increased faster off-premise categories for all alcohol categories. This is especially true for spirits, where on-premise spirits pricing exceeded CPI by 3%pts (Exhibit 44). For more see: [US Spirits: A \\$20+ cocktail... in this economy? No thanks. A deep-dive into spirits pricing.](#)
- **Premiumization during COVID.** Premiumization has been a constant (on average) in US alcohol for decades. COVID saw even greater premiumization (especially in full-strength spirits) as consumers were stuck at home and flush with stimulus checks. Consumers might not have been drinking dramatically more, but they were drinking better. We are seeing selective downtrading today as wallets are under pressure, but clearly this has contributed to higher expenditure.
- **The growth of spirits-RTDs.** Spirits-RTDs have seen strong growth in the last few years. Part of the volume is being sourced from light beer, and part from full-strength spirits. In both cases, spirits-RTDs on a per-alcohol-unit basis is more expensive than the volume that they are cannibalizing (i.e. beer or full-strength spirits). However, today's cash strapped consumer is primarily concerned with cash outlay, rather than price per unit. The result is that while alcohol volume consumed is down, spending can be similar.

EXHIBIT 41: **We also find a strong historical correlation between the BEA dataset, and our bottom-up estimates of per capita alcohol consumption.**



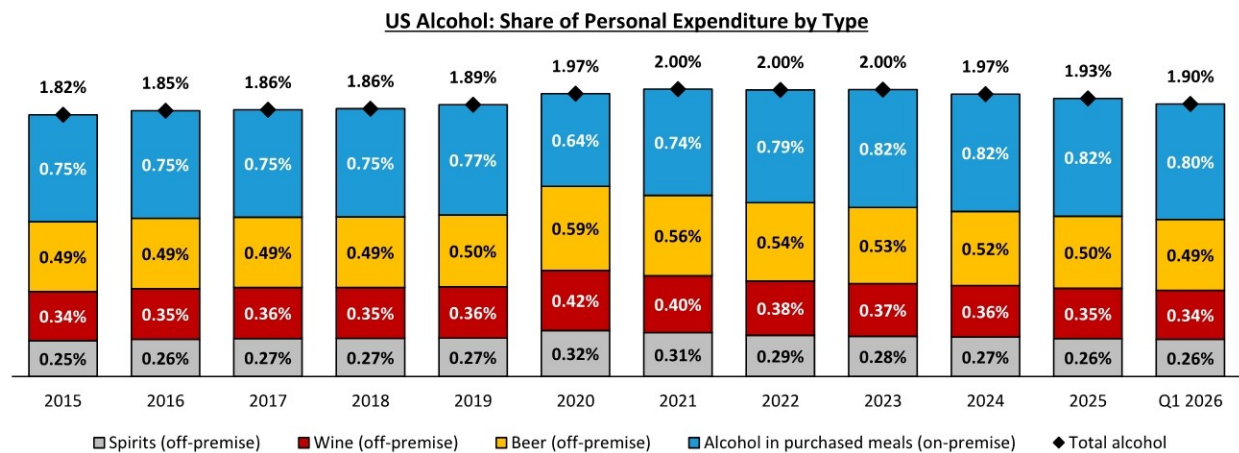
Source: DISCUS, BMI, Nielsen, NABCA, Bernstein analysis and estimates

EXHIBIT 42: This BEA dataset reveals that Americans spent ~1.93% of their personal expenditure on alcohol in 2025. This is actually 4bps higher than in 2019



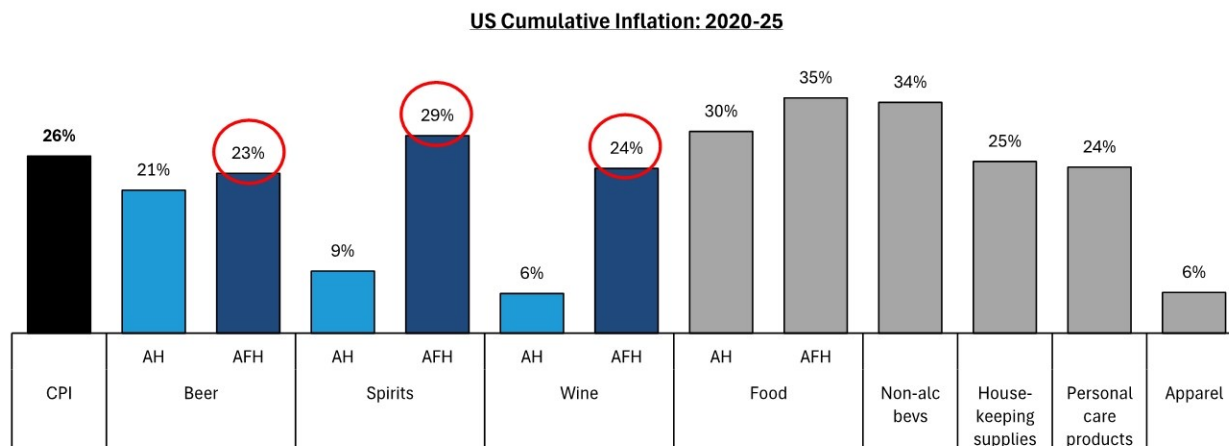
Source: BEA, Bernstein analysis

EXHIBIT 43: This BEA dataset reveals that Americans spent ~1.93% of their personal expenditure on alcohol in 2025. This is actually 4bps higher than in 2019.



Source: BEA, Bernstein analysis

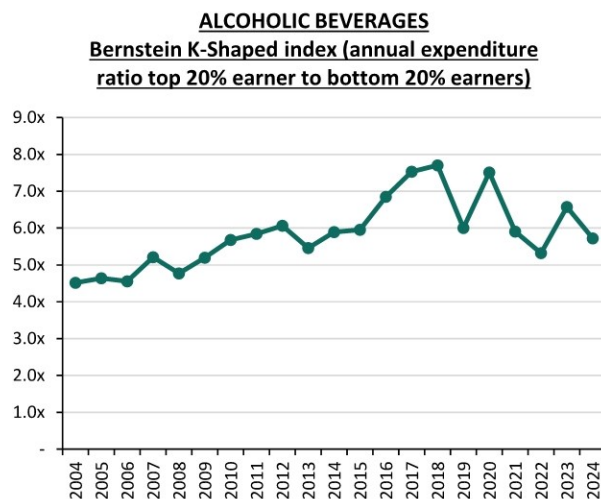
EXHIBIT 44: On-premise pure pricing has increased faster off-premise categories for all alcohol categories. This is especially true for spirits, where on-premise spirits pricing exceeded CPI by 3%pts.



Source: BLS, Bernstein analysis

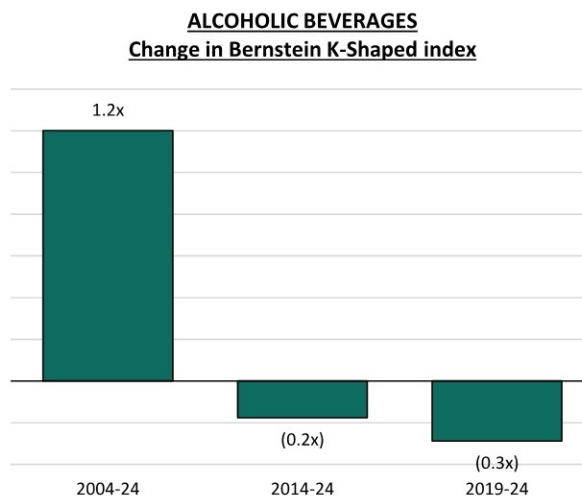
Exhibit 45 illustrates the Bernstein K-shaped index for alcohol, capturing the ratio of annual expenditure on alcohol for the top 20% of earnings to the bottom 20% of earners. The higher the multiple, the more unequal spending is. Between 2014 and 2018, the ratio increased from ~4.5x to almost ~8.0x. Alcohol consumption per capita was largely stable (on average) over this time period, and so a major contributor to the increase in multiple is likely premiumization, especially amongst spending of high earnings. 2020 also saw a spike in the multiple, reflective of the premiumization seen during COVID. However since then, the multiple has contracted to just below ~6.0x in 2024 (albeit still above 2004 levels) (Exhibit 46).

EXHIBIT 45: The Bernstein K-shaped index for alcohol captures the ratio of annual expenditure on alcohol for the top 20% of earnings to the bottom 20% of earners.



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 46: While the multiple has contracted since the peaks of COVID, it is still above the levels seen in the 2000s



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

FOOD & RESTAURANTS - DANILO GARGIULO, ALEXIA HOWARD & CALLUM ELLIOTT

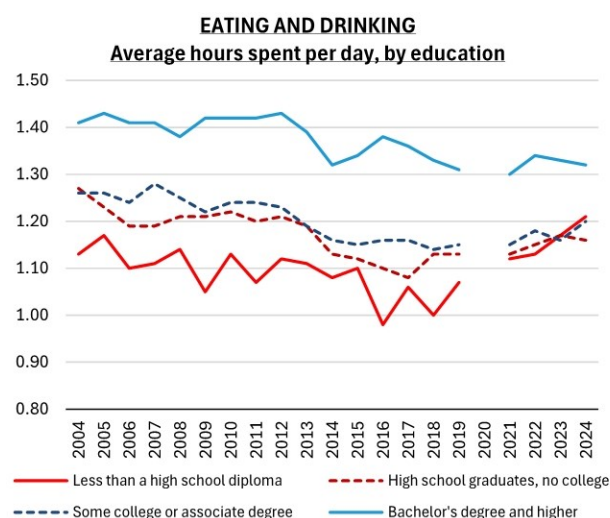
Time: eating and drinking

In the past we argued that the continued efforts of restaurants to increase speed of service and convenience has resulted in greater efficiencies in the store and in less time spent eating and drinking by consumers. This effect is also explainable by the growth of fast food continuing to outpace the demand growth for full service restaurants - with evident results that consumers spend less time overall eating away from home when they do dine out.

While on average the number of hours spent per day eating and drinking has declined secularly, after the pandemic we note that consumers with less than a high school diploma are now spending much more time on eating and drinking (Exhibit 47 and Exhibit 48). We believe this may be the consequence of two main factors: (1) The increase in cooking from scratch that occurred early in the pandemic, (2) Compression of spending of food away from home for low income consumers, who tend to disproportionately visit fast food establishments relative to higher income consumers.

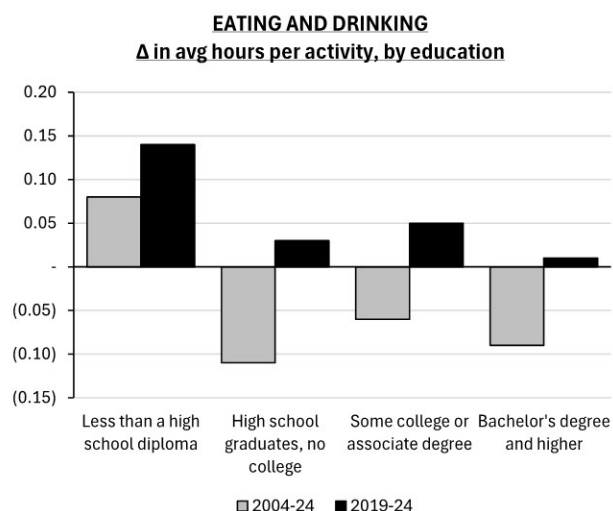
The increase in cooking from scratch occurred early in the pandemic, and has been spurred by the Make America Healthy Again movement. We also note that older people who are on lower fixed incomes but have more time on their hands because they are retired may well be using cooking from scratch with cheaper ingredients (e.g. a smaller portion of animal protein with more emphasis on beans and pulses) to make their food dollars go further, particularly after the intense food inflation we saw in 2022/3.

EXHIBIT 47: Less educated Americans are now spending more time on eating and drinking than they were before the pandemic.



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

EXHIBIT 48: Time spent on eating and drinking was generally decreasing across most educational cohorts before the pandemic, but this has picked up across all groups since then



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

Expenditure: food by channel

Food at home spending was generally declining modestly as a % of total annual expenditures before the pandemic. But there was a marked upward reset between 2020 and 2022 as more people started to work from home and as food prices escalated sharply, followed by some fairly stable years since then (Exhibit 49 and Exhibit 50).

The ratio of spending on food at home between top earners and bottom earners has remained fairly stable over the long term, although it compressed during the financial crisis of 2008/9 and again as pandemic stimulus spending kicked in during 2021/22. More recently this ratio has restabilized to more normal levels (Exhibit 51 and Exhibit 52).

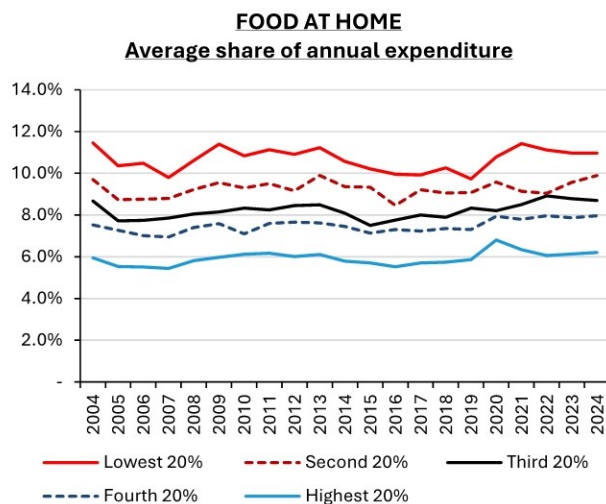
Food away from home spending was broadly stable as a share of total annual expenditures prior to the pandemic (around 5.5%), followed by a sharp contraction in 2020 and a recovery thereafter. However, this recovery has been:

- Incomplete: On average, consumers are now spending ~5% of their total annual expenditures on food away from home vs ~5.5% pre-pandemic.
- Uneven: lower-income households have trailed other income cohorts on the speed of recovery.

Stepping back, over the past two decades, lower-income cohorts have reduced their share of wallet allocated to restaurants by ~40bps, with the most pronounced pullback occurring in the last five years. By contrast, higher-income households have demonstrated greater resilience, with more modest long-term declines in spending share, which highlights increasingly discretionary nature of restaurant spending and its sensitivity to income (Exhibit 53 and Exhibit 54).

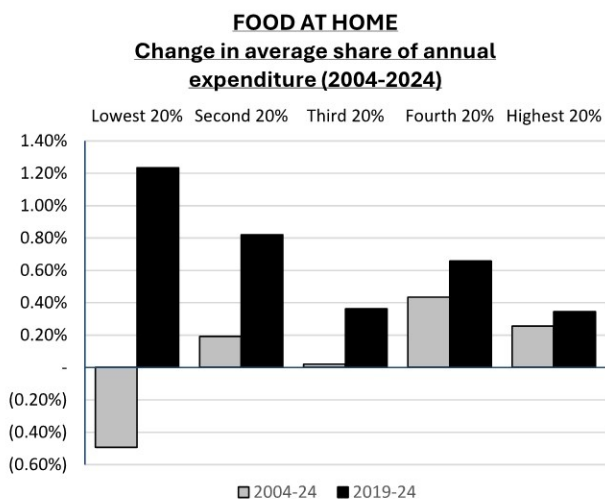
Similarly, the ratio of spending on food away from home between top earners and bottom earners narrowed gradually from the mid-2000s through the late 2010s, declining from ~5.0x to ~4.3x–4.4x as participation broadened across income groups, likely thanks to increasing disposable income that resulted in greater spend at restaurants for consumers who previously could not afford eating away from home. However, this trend has reversed in the post-COVID period. The top-to-bottom spending ratio has re-expanded to ~4.6x, increasing by ~0.4x since 2019, only marginally retracting in 2024 as restaurants started pursuing a discounting and promotional strategy to re-entice consumers back to restaurants amid falling traffic trends (Exhibit 55). We think lower- and middle-income households are increasingly trading down or substituting toward food at home or other discretionary items, as the pricing inflation gap between restaurants and other consumer categories has widened during the Pandemic. On the other hand, higher-income households continue to sustain frequency and, in some cases, trade up - resulting in an increased need for a barbell pricing and menu strategy to attract both ends of the consumer spending spectrum. (Exhibit 56).

EXHIBIT 49: Food at home spending was generally declining modestly as a % of total annual expenditures before the pandemic. But there was a marked upward reset between 2020 and 2022



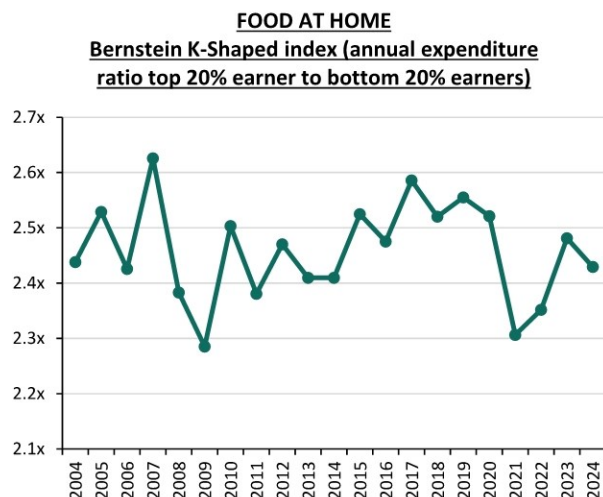
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 50: This upward step in spending on food at home since the pandemic began has been most pronounced among lower income households



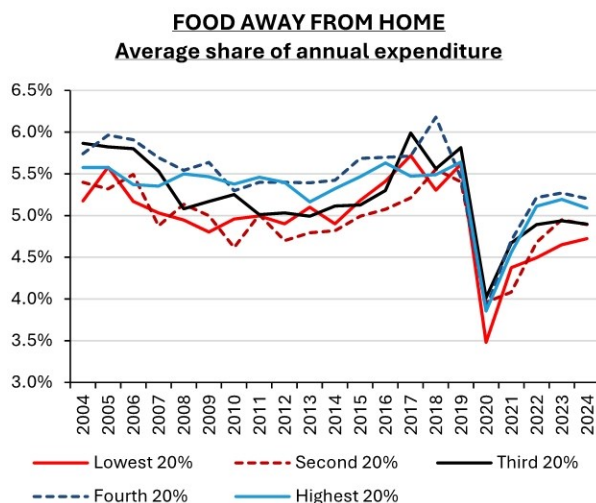
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 51: The ratio of spending on food at home between top earners and bottom earners compressed during the financial crisis of 2008/9 and again as pandemic stimulus spending kicked in in 2021/22. More recently this ratio has restabilized to more normal levels



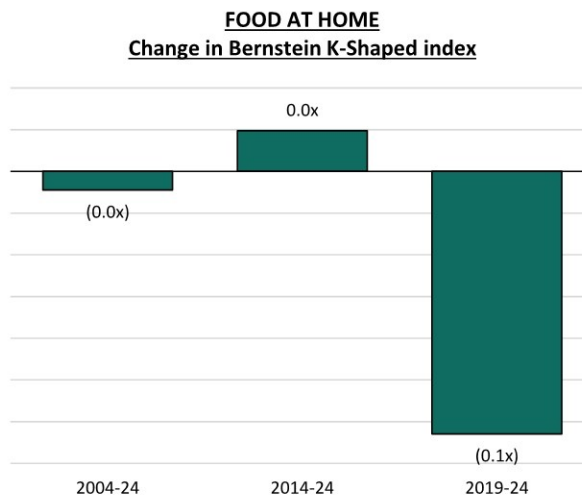
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 53: Food away from home spending declined modestly as a % of total annual expenditures pre-pandemic, followed by a sharp contraction in 2020 and a partial recovery thereafter. The recovery remains incomplete, particularly for lower-income cohorts.



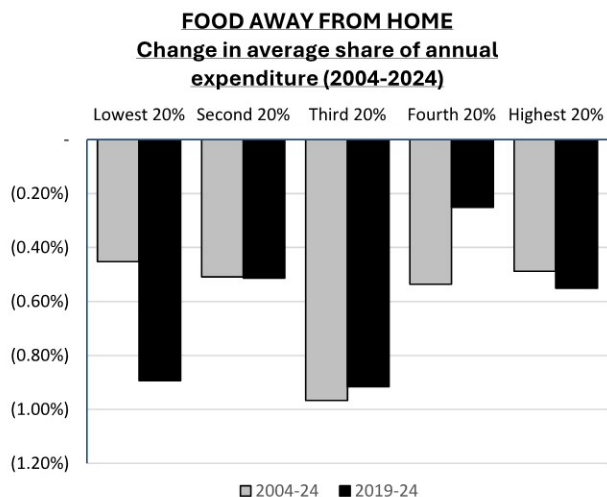
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 52: The ratio of spending on food at home between top earners and bottom earners has remain fairly stable over the long term, although certain events like the financial crisis or stimulus spending seems to have compressed this ratio temporarily



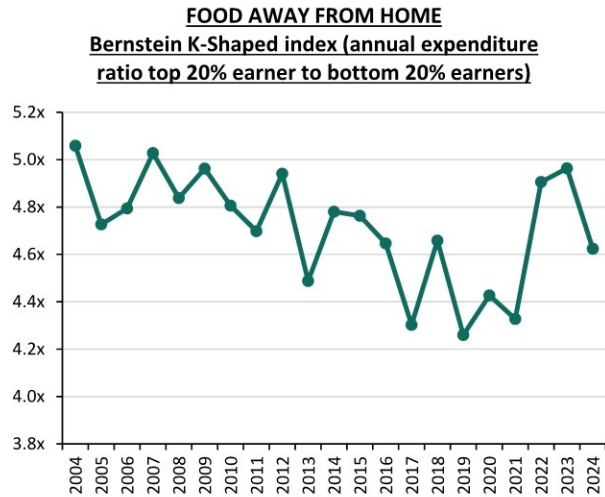
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 54: The decline and subsequent recovery in food away from home spending has been uneven across income groups, with lower-income households seeing the largest sustained reduction in share of wallet



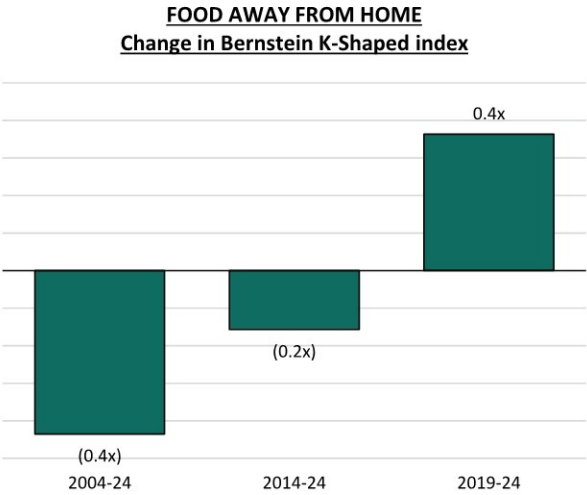
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 55: **The ratio of spending on food away from home between top earners and bottom earners compressed over the long term through the mid-2010s, but has re-expanded after the pandemic only to dip again in 2024**



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 56: **Food away from home has become more K-shaped in recent years. While the long-term trend showed mild compression (2004–2019), the top-to-bottom spending ratio has widened by ~0.4x since 2019**



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

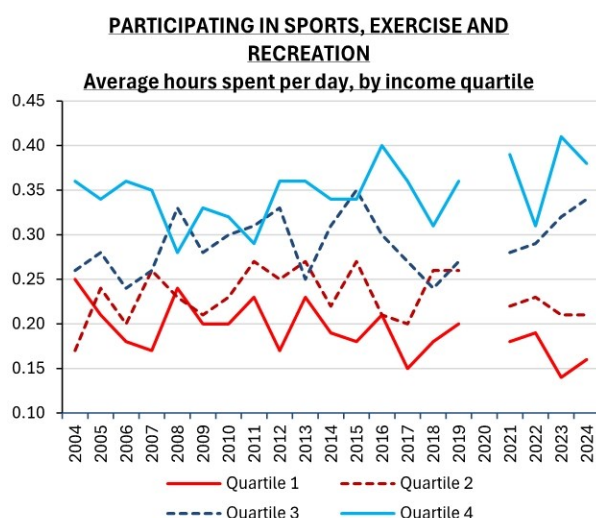
SPORTSWEAR AND APPAREL - ANEESHA SHERMAN & WILLIAM WOODS

Time: participating in sports, exercise and recreation

The data points to a clear and persistent income-based divergence in participation in sports, exercise, and recreation. Higher-income cohorts, particularly in quartiles 3 and 4, have steadily increased the time allocated to these activities over the past two decades, while low-income consumers (quartile 1) have showed the opposite trend off of an already lower base (Exhibit 57-Exhibit 58). This gap has widened meaningfully over time, suggesting that engagement in health and wellness trends has become increasingly skewed toward more affluent households, who are now spending less time on work and more time on leisure, while the reverse is true for low-income cohorts.

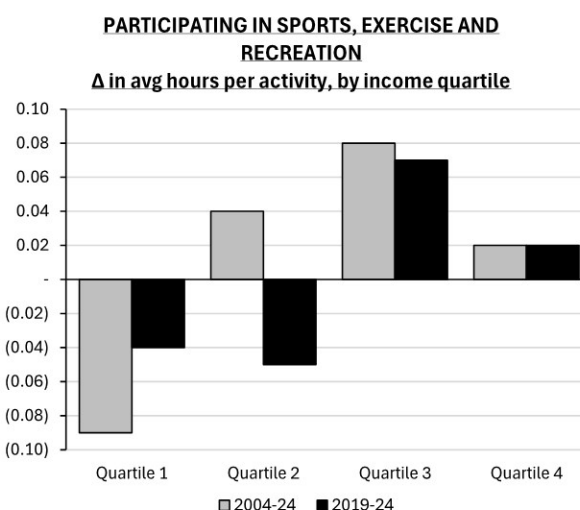
Looking ahead, we expect structural tailwinds to remain supportive of participation in sports, exercise, and recreation, especially for higher-income consumers. Ongoing health and wellness trends should continue to benefit higher-income consumers, who have greater access, ability to afford, and willingness to invest in such lifestyles. However, improving access to GLP-1 therapies — particularly as costs decline — could help broaden participation over time. As a result, while the current gap is likely to persist, we expect to see some moderation once lower-income participation in sports, exercise, and recreation stabilize, even as higher-income cohorts remain the primary drivers of growth.

EXHIBIT 57: Over the last two decades, the average time spent on sports, exercise, and recreation has increased for higher-income cohorts, but has decreased for 1st quartile (i.e. low-income) Americans



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

EXHIBIT 58: Over the past five years, increases in time spent on exercise and recreation have been most pronounced among upper-middle-income consumers (quartile 3)



Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

Expenditure: apparel and services

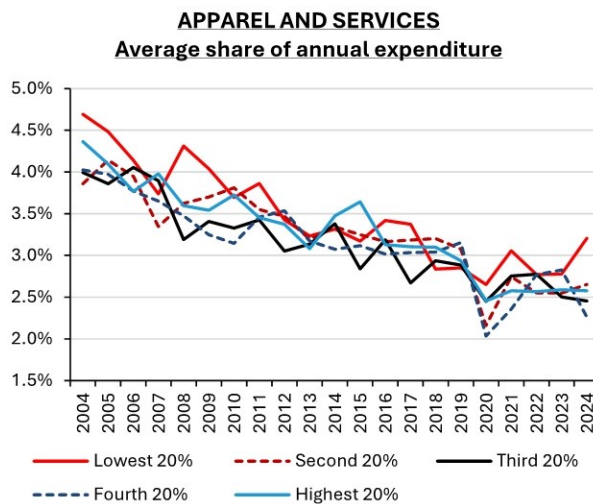
The share of annual expenditure spent on Apparel and Services in the US has been declining over the past two decades across income cohorts (Exhibit 59). Apparel & Footwear (A&F) price increases have lagged wage inflation, while the increasing prevalence of fast fashion has lowered the cost of staying on trend. At the same time, consumers have allocated a greater share of their budgets toward necessities (e.g., housing, healthcare, food), putting pressure on discretionary categories like apparel.

While the overall trend is consistent across income groups, spending remains structurally skewed toward higher-income consumers. High-income cohorts continue to spend significantly more on apparel in absolute terms, with the gap versus lower-income consumers broadly stable at ~3.4x over time (Exhibit 61). More recently, however, there has been some divergence in direction of spend: over the past five years, low-income consumers (1st quartile) have are spending more on apparel as a percent of their total expenditure, while higher-income cohorts have continued to modestly reduced their share of spend on

apparel (Exhibit 60).

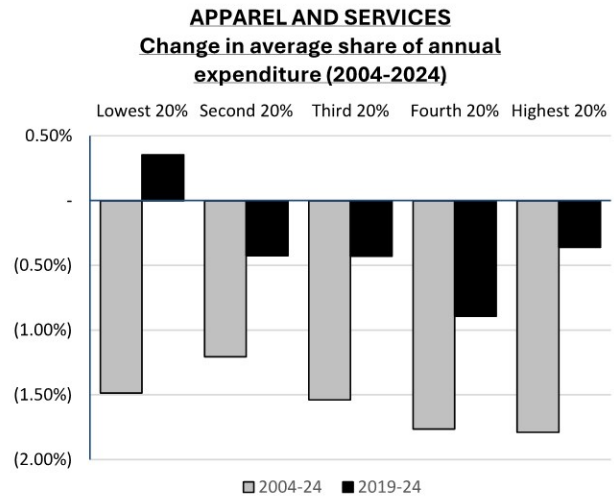
However, Sportswear continues to take share within Apparel, supported by rising participation in sports, exercise, and recreation, particularly among higher-income cohorts (as discussed above). As participation intensity increases and health and wellness become more embedded in daily routines, this is driving higher frequency of use, faster replacement cycles, and greater willingness to spend on Sports Apparel and Footwear. As a result, Sportswear remains well positioned to grow ahead of GDP and Apparel and Footwear (A&F), supported health and wellness trends as well as continued casualization and premiumization trends. More detail: [The Long View: Global Sportswear - Evolution of the sector over the next decade](#)

EXHIBIT 59: Apparel's share of annual expenditure has been steadily shrinking as the relative cost of clothing has declined and consumers allocate a greater share of their budgets to necessities (e.g., housing, healthcare, food)



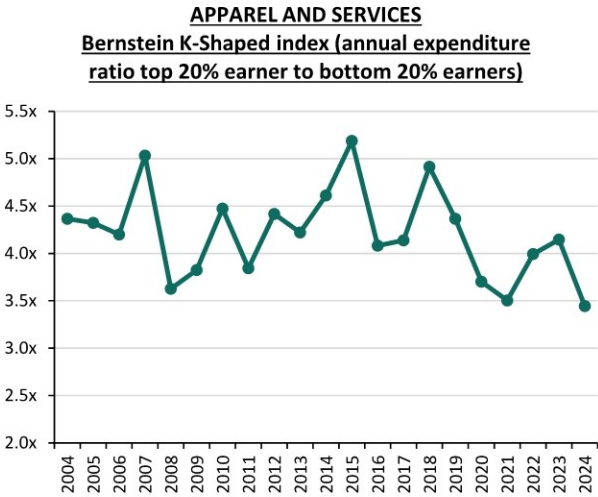
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 60: In contrast to the overall trend, over the past five years, low-income consumers (1st quartile) are spending more on apparel, as they've spent less on vehicle purchases, food away from home, and education



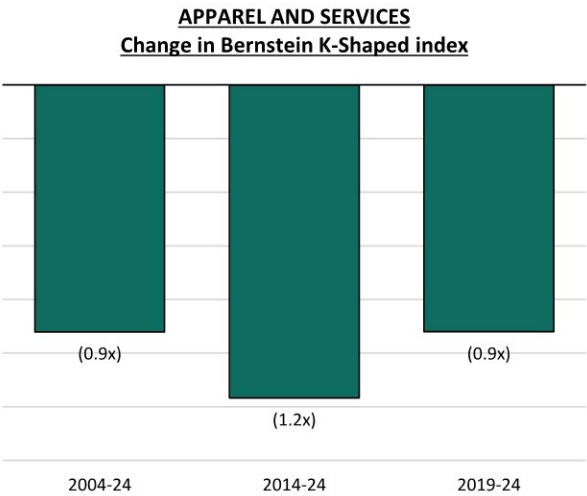
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 61: While apparel has become less K-shaped over the last two decades, the sector remains moderately K-shaped, with high-income consumers still spend 3.4x more than low-income consumers on apparel



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 62: High-income consumers spend 3.4x more than low-income consumers on apparel as of 2024, vs. 4.3x in 2004



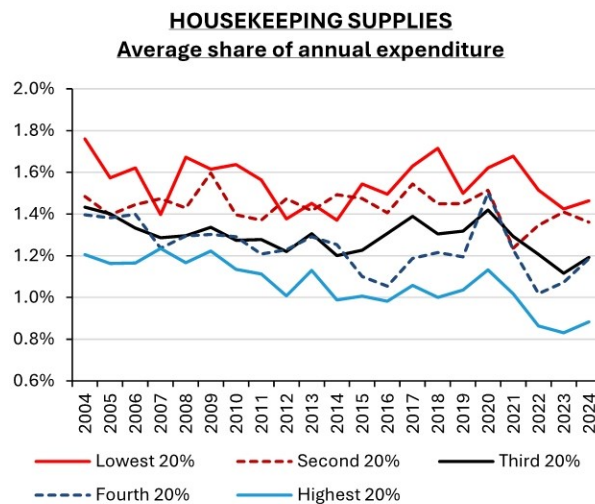
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

HOUSEHOLD & PERSONAL CARE PRODUCTS - CALLUM ELLIOTT

The data across HPC varies markedly between Household and Personal Care. Across Household, we see broad-based declines in share of wallet over the past twenty years and five years across all income cohorts. Counter to the K-Shaped narrative, the ratio of spending between high-income consumers and low income consumers has actually narrowed consistently over the past twenty years and the past five years. **What K-Shaped Economy?** (Exhibit 63 to Exhibit 66).

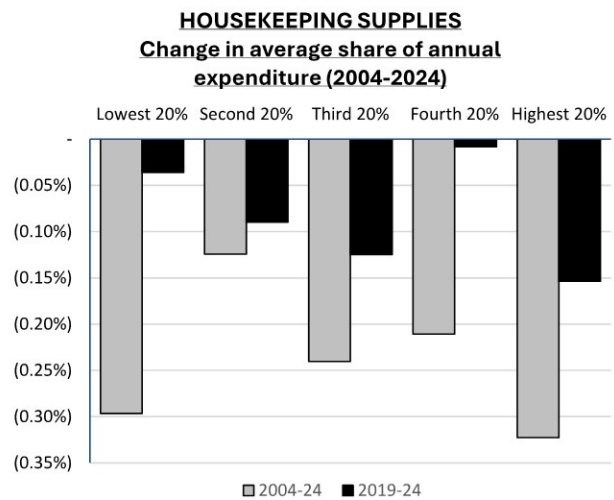
The personal care data show the opposite. Whilst the data are volatile, with no obvious concerted trend over the longer term, there is some evidence of K-Shaped pressures over the past couple of years, with a higher proportion of spending being driven by higher-income consumers, perhaps as a result of the PC companies doing a better job of innovating at premium price points (Exhibit 67 to Exhibit 70).

EXHIBIT 63: **Across Household, we see broad-based declines in share of wallet...**



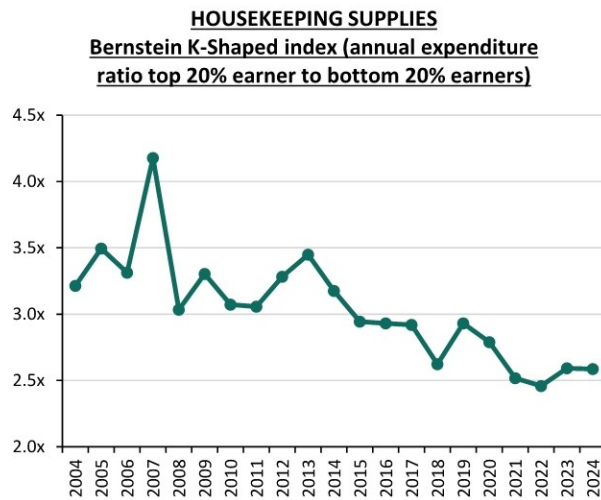
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 64: **... over the past twenty years and five years across all income cohorts**



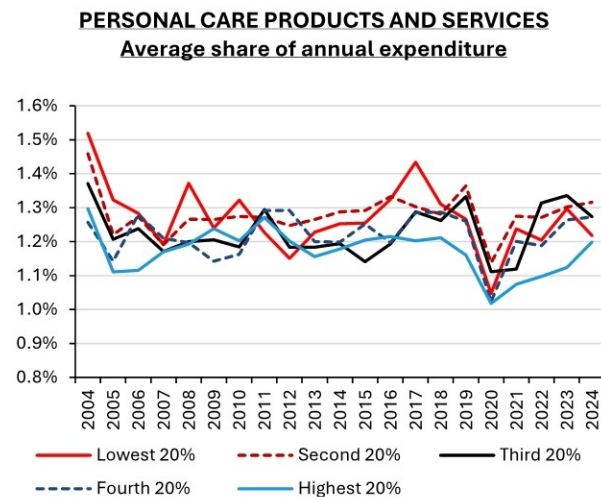
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 65: Counter to the K-Shaped narrative, the ratio of spending between high-income consumers and low income consumers has actually narrowed consistently...



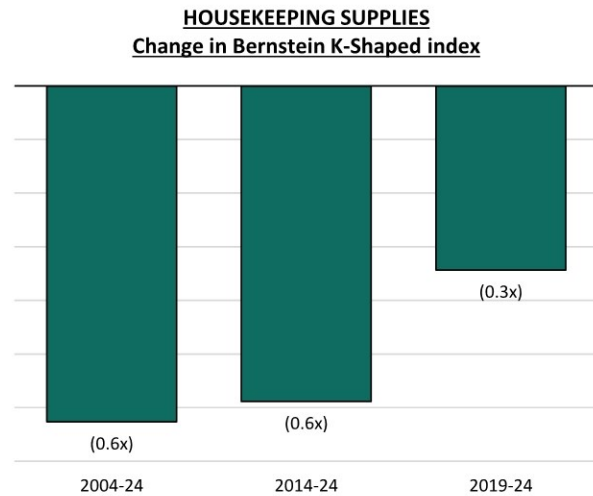
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 67: The personal care data show the opposite



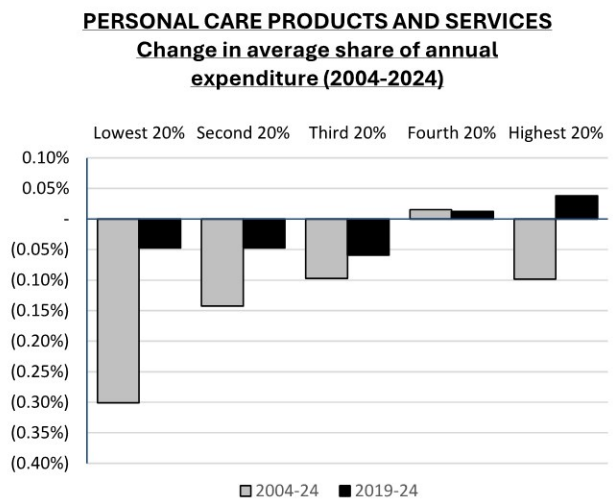
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 66: ... over the past twenty years and the past five years



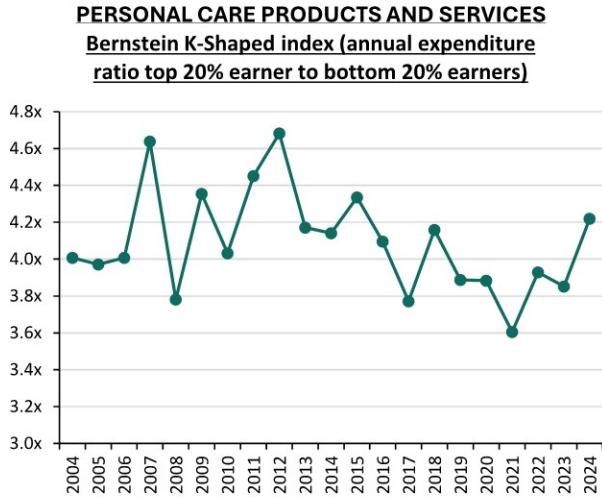
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 68: Whilst the data are volatile, with no obvious concerted trend over the longer term...



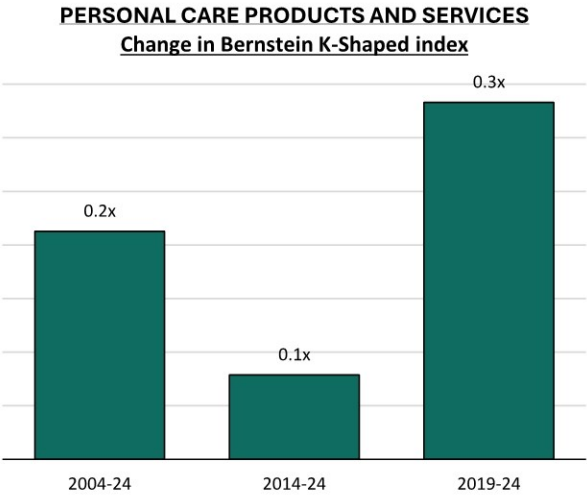
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 69: **there is some evidence of K-Shaped pressures over the past couple of years, with a higher proportion of spending being driven by higher-income consumers...**



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 70: **... perhaps as a result of the PC companies doing a better job of innovating at premium price points**

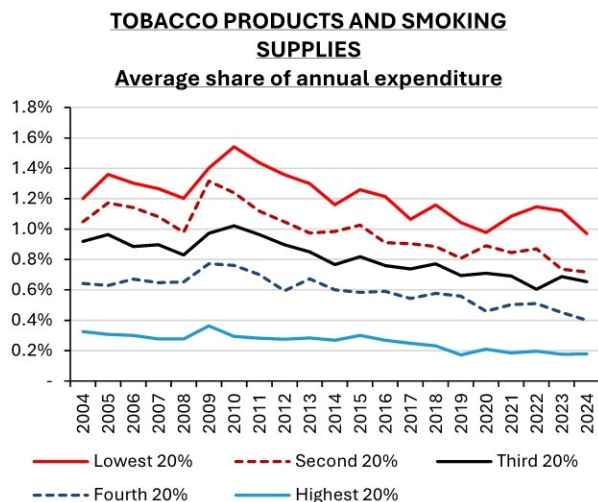


Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

TOBACCO - CALLUM ELLIOTT

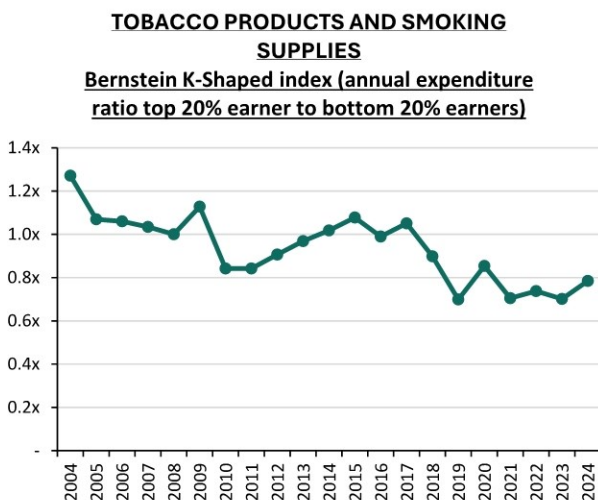
Tobacco is very unusual in the sense that it's the only category of consumer spending captured in the BLS data, to which high-income consumers "under-index" - the top 20% of US earners are responsible for only around 15% of spending on tobacco products, which is also reflected in it being the only category which scores less than 1.0x on our K-Shaped Index. In this sense, our view is that this "K-Shaped" debate is somewhat less relevant for the tobacco sector than most other areas of consumer spending (Exhibit 71 to Exhibit 74).

EXHIBIT 71: Tobacco is very unusual in the sense that it's the only category of consumer spending captured in the BLS data, to which high-income consumers "under-index"



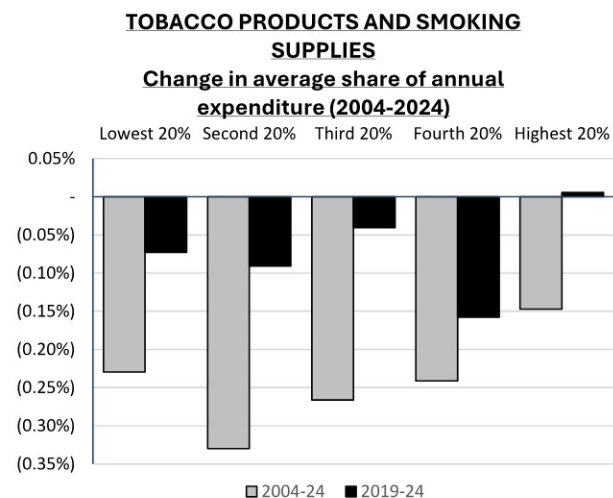
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 73: The top 20% of US earners are responsible for only around 15% of spending on tobacco products, which is also reflected in it being the only category which scores less than 1.0x on our K-Shaped Index.



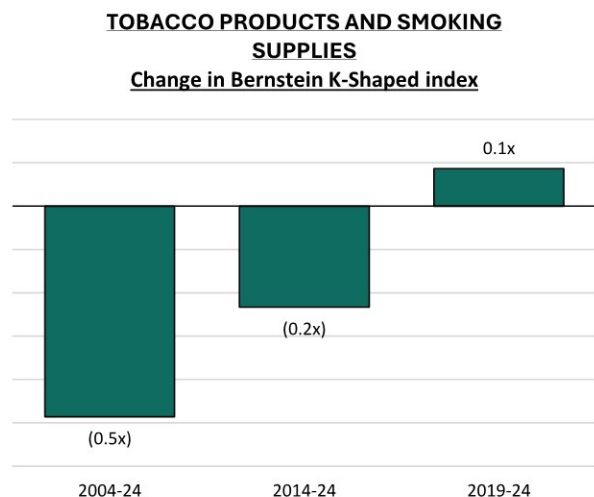
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 72: Share of household expenditure on tobacco has fallen across all income cohorts over the last two decades



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 74: In this sense, our view is that this "K-Shaped" debate is somewhat less relevant for the tobacco sector than most other areas of consumer spending.



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

MEDIA - LAURENT YOON

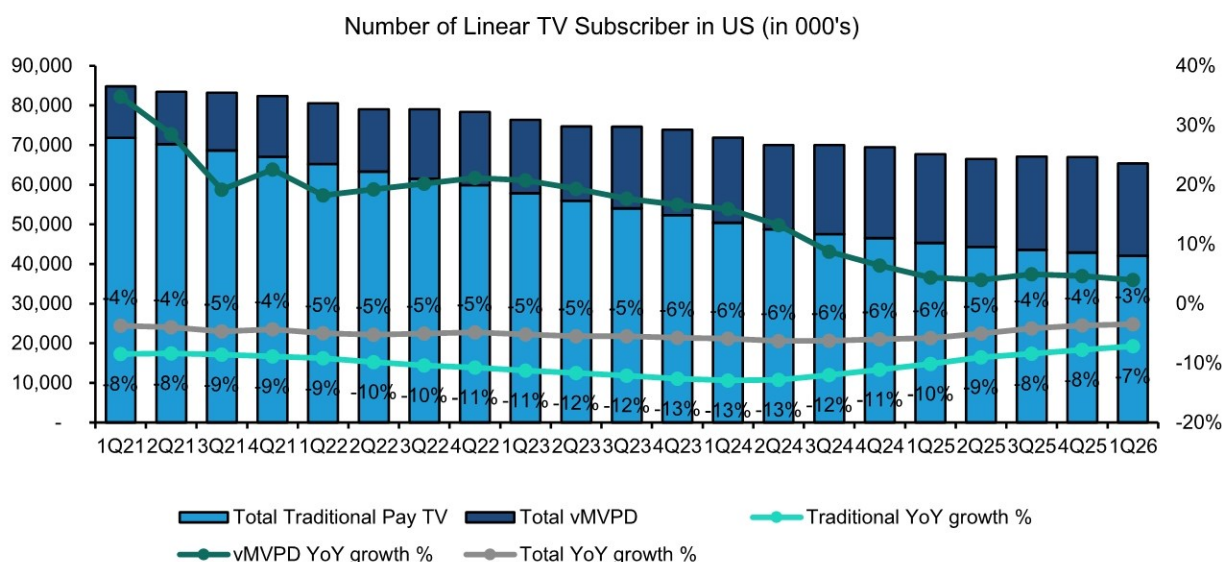
Time: watching TV

TV viewing time per person has declined over the past 20 years, with the drop becoming particularly pronounced since 2019 ([Exhibit 77](#)). We attribute this primarily to three key factors: (1) the number of traditional pay-TV households has fallen sharply as users rapidly switched to cheaper streaming subscriptions during the lockdown period, and as traditional media companies launched their own alternatives to Netflix (e.g., Disney+ in November 2019 and HBO Max in May 2020) ([Exhibit 75](#)); (2) streaming users spend less time watching (<2 hours per day) than traditional linear TV viewers did (around 5 hours per day in 2019), as linear schedules encouraged “appointment viewing”; and, most importantly, (3) the expansion of entertainment and attention alternatives, particularly with the rise of social media.

Additionally, the K-shaped economy appears to be influencing TV viewing behavior. The most notable insight is that lower-income quartile has reduced their viewing time significantly more than the highest quartile in recent years ([Exhibit 76](#)). We attribute this pattern to the lower-income segment increasing its working hours, shifting consumption to social media/short-form content on mobile devices.

The decline in viewing time appears to have affected the traditional linear TV model, but has not had a negative impact on the streaming business. Subscriber numbers among major platforms in the U.S. have continued to rise ([Exhibit 78](#)), as have prices ([Exhibit 79](#)), despite a slowdown in engagement growth on some platforms ([Exhibit 80](#)).

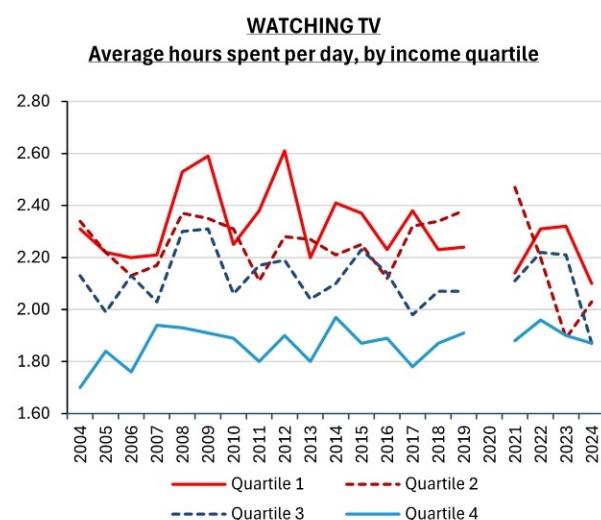
EXHIBIT 75: The number of traditional pay-TV households has fallen sharply as users rapidly switched to cheaper streaming subscriptions



Both the traditional Pay TV and vMVPD subscribers are based on the sum of the major players in the industry.

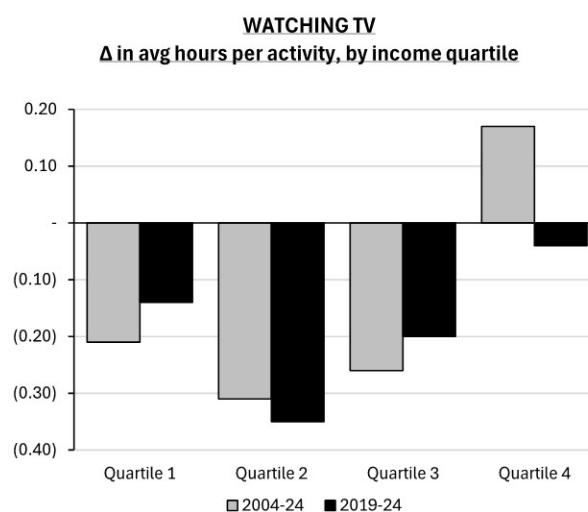
Source: Company reports, SNLK, Bernstein estimates and analysis

EXHIBIT 76: Lower-income quartiles have reduced their TV viewing time significantly more than the highest quartile



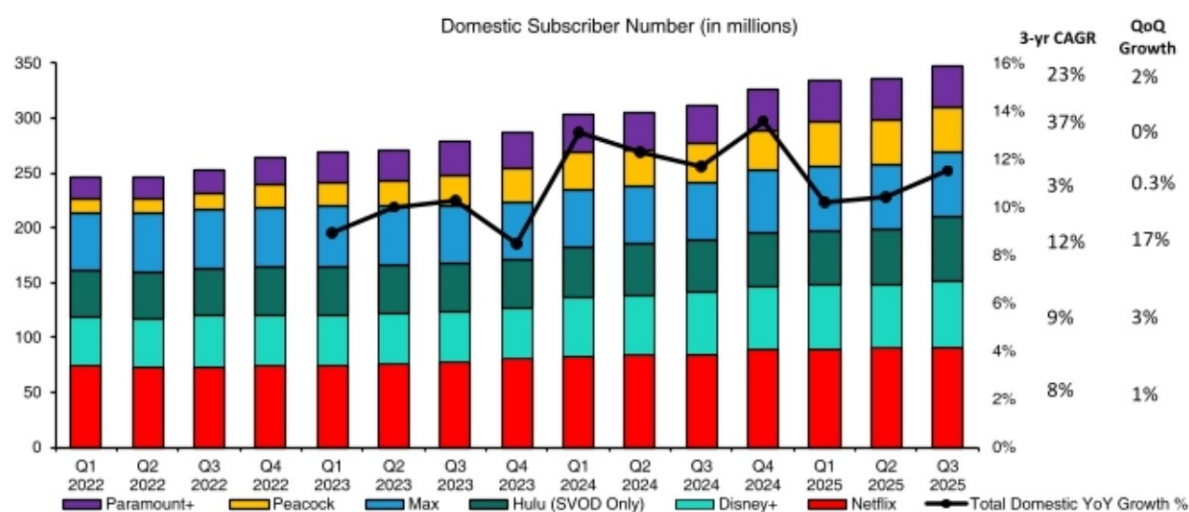
Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

EXHIBIT 77: TV viewing time per person has declined over the past 20 years, with the drop becoming particularly pronounced since 2019



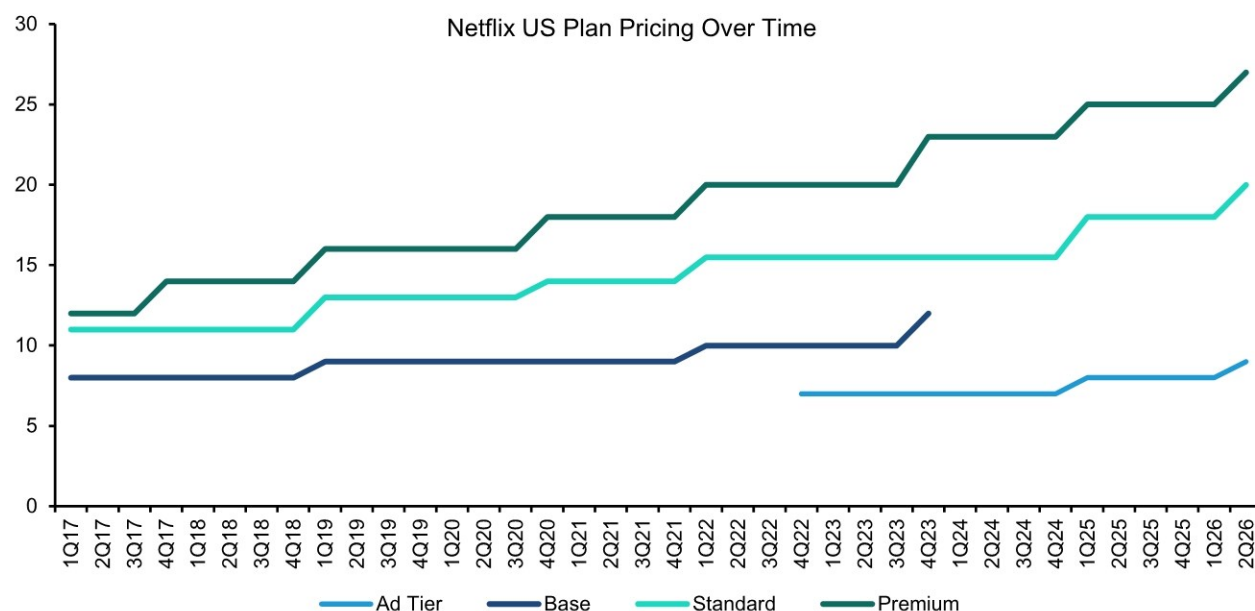
Source: US Bureau of Labor Statistics' American Time Use Survey, Bernstein analysis

EXHIBIT 78: Streaming subscribers in the US have continued to rise despite the K-shaped economy dynamics



Includes US and Canada; The subscriber numbers for Netflix in Q1 & Q2'25 are our estimates; the subscriber numbers for Paramount+ from Q1'24 onwards are our estimates

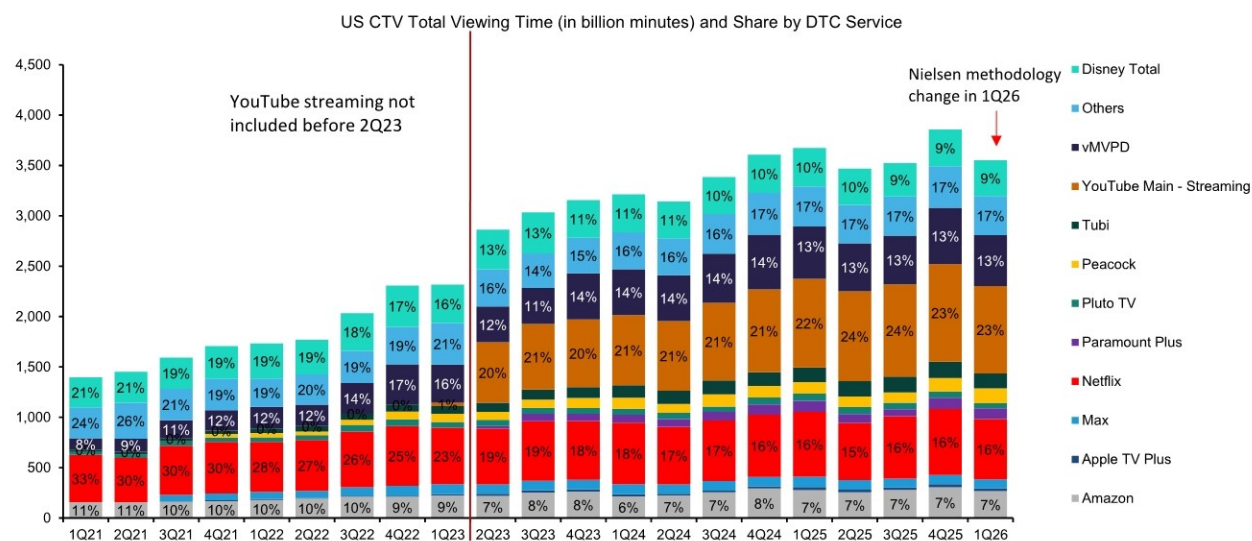
Source: Company reports, SNLK, Bernstein estimates and analysis

EXHIBIT 79: Netflix has raised prices every 12 to 18 months, but Ad-tier remains an affordable option

Source: Company reports; Bernstein analysis

EXHIBIT 80: US CTV viewing time has been stable in recent quarters

Note: Nielsen had a methodology change in 1Q26 so total viewing minutes may not be comparable to prior quarters



Quarterly total viewing time is calculated with average weekly viewing minutes in the quarter and aggregated by number of days in the quarter. No reporting on Youtube Streaming data by Nielsen prior to 2Q23

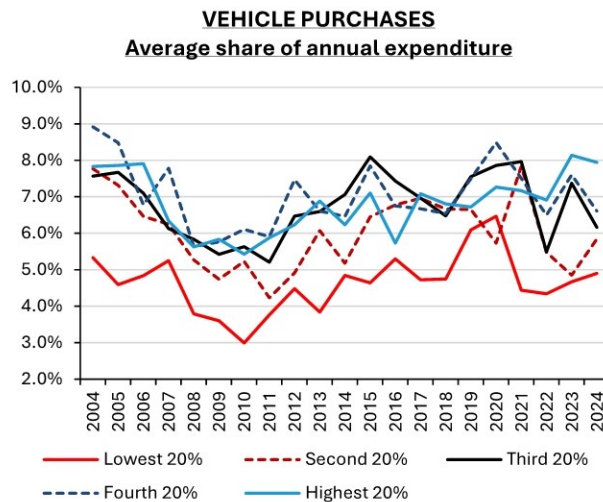
Source: Nielsen; Bernstein analysis

AUTOS - STEPHEN REITMAN

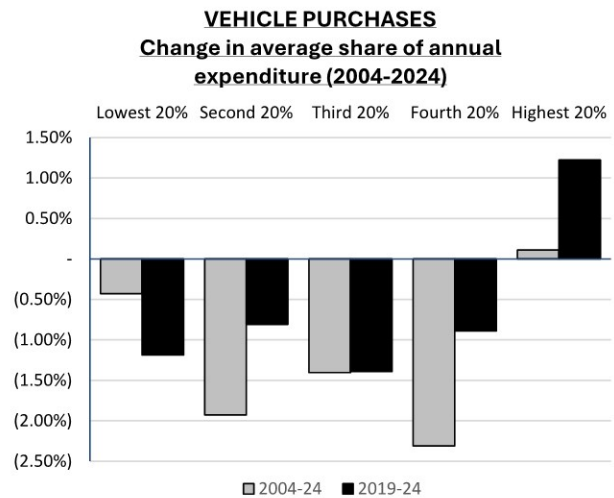
According to data published by Cox Automotive in January 2026, the proportion of new-car buyers with incomes of less than \$100,000 had dropped from 50% in 2020 to 37% in 2025, while the proportion of buyers with incomes of more than \$200,000 has risen from 18% to 29% during the same time period. In short, the average auto buyer is getting wealthier, the very definition of the K-shaped economy. Indeed, the record-low consumer confidence that we see in the US is a misleading predictive factor regarding the automotive market due to the relative affluence of most new vehicle buyers. Carmakers have increasingly been pricing millions of Americans out of the new-vehicle market, including by cutting entry-level vehicle lines such as small cars. Cox data shows that the average transaction price (ATP) of a new vehicle in the US has risen from \$37,851 in January 2020 to \$50,326 in December 2025, an increase of 33%. Meanwhile, the median household income in the US was \$83,730 in 2024, according to the US Census Bureau, an increase of 24% since 2020 (\$67,521) so materially below the rate of new vehicle ATP growth.

A study by consultants Plante Moran found a third of the US population cannot afford new vehicles, with very limited choices for those who may be on the fence. There are ~110 “affordable” models, in relative terms, for household incomes of \$65,000 or less compared with more than 250 “affordable” models for those with incomes of up to \$105,000, according to the study ([link](#)). In 2010, 96 models sold at a sticker price at or above \$40,000 according to Edmunds. In 2025, 156 models were offered \$60,000, the inflation adjusted equivalent to 2010's \$40,000. At the other end of the spectrum, there has been a marked reduction in budget models. In 2010, there were 25 models priced at around \$20,000 or less. In 2025, there were only 20 models available at ~\$30,000, the inflation adjusted equivalent to 2010's \$20,000. An exemplar of this trend can be found with Stellantis' Jeep brand. Back around 2016, Jeep's US lineup of about a half-dozen nameplates ranged in starting price from ~\$17,000 to \$30,000. Today, starting prices on Jeep's US vehicles range from just shy of \$30,000 for the Compass to \$64,000 for the Grand Wagoneer, which tops out at just over \$100,000. The surge in Jeep pricing drove profitability up to 1H24 (as Jeep recognizes revenue and profit when the vehicle is wholesaled to the dealer, not when the vehicle is retailed by the dealer), but caused a disastrous drop in US market share. Jeep's share of the US market fell from 5.3% in 2016 to only 3.6% in 2025.

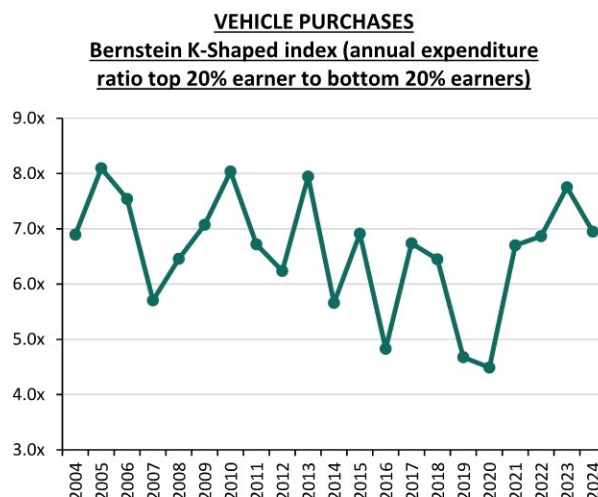
The inexorable rise in ATPs has put more pressure on monthly household budgets. According to data from Edmunds, the share of new-car buyers committing to monthly payments of \$1,000 or more reached a record high of 20.3% of all financed new-vehicle purchases in 4Q25, up from 19.1% in 3Q25 and 18.9% in 4Q24. The average monthly payment on financed new-vehicle purchases reached a new all-time high of \$772 in 4Q25 compared to \$754 in 3Q25 and \$754 in 4Q24. The average amount financed for new-vehicle purchases climbed to a record \$43,759 in 4Q25 compared to \$42,647 in 3Q25 and \$42,113 in 4Q24. Edmunds also reports that 84-month or longer loans made up 20.8% of financed new-car purchases in 4Q25, well above the 17.9% share seen in 4Q24, underscoring consumers' continued reliance on extended loan terms as an affordability tool.

EXHIBIT 81: Auto purchases average share of annual expenditure

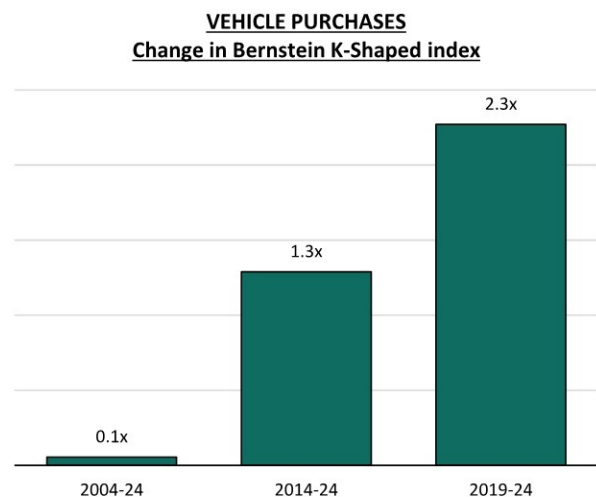
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 82: Auto purchases - change in share of annual expenditure

Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 83: Auto purchases

Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 84: Auto purchases

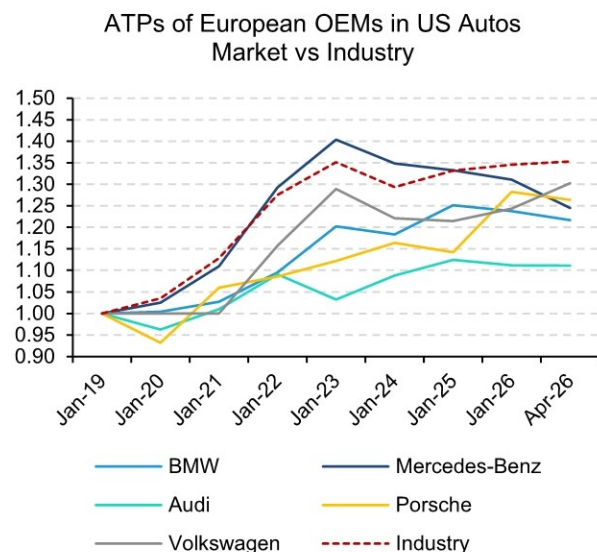
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

The US has increasingly come back into focus as China, once the main growth engine for German premium car manufacturers, has become a major headache. Demand in the Middle Kingdom has shifted at a dizzying pace away from combustion engines to fully battery electric and plug-in hybrid vehicles. The German carmakers do offer zero emission vehicles, although until recently they have struggled to match the pace of technical innovation of Chinese brands such as Xiaomi and BYD. But their biggest challenge is that the main growth in BEV demand continues to be in lower priced sub-premium sectors where the Germans have tended not to operate - there is simply very constrained demand for premium BEVs in China as affluent buyers prefer combustion ICE vehicles. So the German makers have held on to or even grown their share of the ICE market in China, but this is a share of a rapidly shrinking pie. This is why maintaining and growing their presence in the US market is so critical.

The US Administration's withdrawal of support for clean vehicles such as the abolition of the IRA tax and lease credits for BEVs and the dismantling of the Obama-Biden greenhouse gas regulations has forced a rethink of certain investment decisions but provides further opportunities for selling ICE and PHEV technologies in a market that has continued to support rising prices and strong profitability, even with the tariff headwinds that were introduced last year. US vehicle average transaction prices (ATP)

have doubled from around \$25,000 in 2010 to over \$50,000 in 2025, with a marked acceleration visible post COVID (ATPs in 2020 were around \$35,000). This has provided a bonanza for the German carmakers whose US profitability levels exceeds their global average. BMW, Mercedes and Porsche have increased their unit sales in the USA between 2019 and 2025 by 19%, 5% and 25% respectively [Exhibit 85](#), against an overall market decline of 4%, while increasing their average transaction prices between January 2019 and April 2026 by 22%, 25% and 26% respectively.

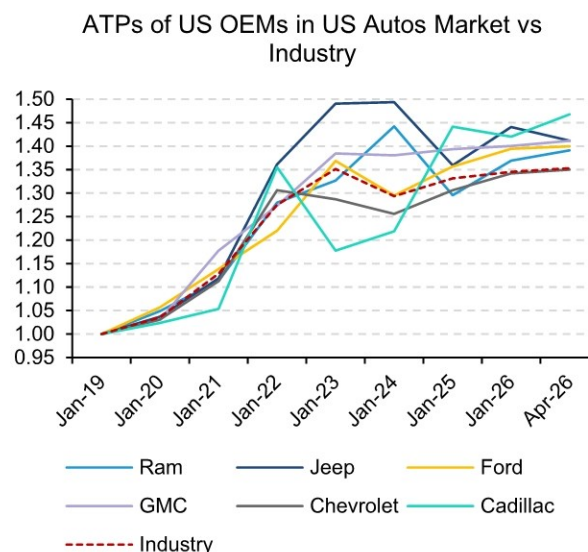
EXHIBIT 85: ATPs in the US auto market since January 2019 have on average risen by 35%



ATP - average transaction price (does not include consumer incentives)

Source: Cox Automotive, Bernstein analysis

EXHIBIT 86: Detroit Three manufacturers have priced more aggressively in the US autos market relative to foreign brands



ATP - average transaction price (does not include consumer incentives)

Source: Cox Automotive, Bernstein analysis

The higher mix/higher price environment and the elimination of the requirement to sell margin-sapping BEVs whose high battery costs significantly reduce contribution margin vs equivalent ICE models has also led to strong returns in North America for GM and Ford (both not covered). Stellantis on the other hand stands as a stark warning of the dangers of losing sight of one's customers. Encouraged by the strong recovery in new vehicle demand as the US emerged from COVID lockdowns, it raised its prices at a faster rate than its cross-town rivals and was slower to course correct when vehicle supply became more plentiful, especially once post-COVID semiconductor shortages eased. Meanwhile, rises in interest rates were also eating into affordability. Data from Cox Automotive shows that between January 2019 and February 2024, Jeep had raised its average US transaction price by 54% to \$56,087 and Ram's ATP was up 48% to \$70,312, so well above the 29% increase to \$47,244 over the same period in the average new vehicle transaction price. Over the same period, Ford raised its ATP by 29%, Chevrolet by 27% and GMC by 40% [Exhibit 86](#).

Stellantis brand customers have typically lower incomes than those buying GM and Ford products - data from October 2023 from Motor and Wheels ([link](#)) shows that Stellantis' Dodge customers had a median household income of \$62,000, Jeep customers were at \$68,000, and Ram were at \$69,000. The same data set shows Ford customers at a median household income of \$77,000 while GM's GMC, Buick and Chevrolet customers were at \$82,000, \$80,000 and \$75,000 respectively. By comparison, the average median household income for BMW buyers was >\$100,000, >\$100,000 for Mercedes buyers (our estimate) and >\$300,000 for Porsche buyers.

Back in October 2024, a Stellantis US dealer succinctly summed up to us in a Bernstein webinar the problem the group was facing after the market turned, "I have customers coming in to buy a Jeep Grand Cherokee expecting to pay \$40,000 and I've got rows of Grand Cherokees in my lot at over \$60,000 with luxury features such as massaging seats that our customers just cannot afford" ([link](#)). While GM reported North America adjusted EBIT of \$14.5bn in 2024 (9.2% margin) and \$10.5bn (6.8%), Stellantis North America reported a €2.7bn adjusted operating income (AOI) in 2024 (4.2% margin) after a €1.7bn negative AOI in 2H24 and a €1.9bn negative AOI (-3.1%) in 2025. As of April 2026, Stellantis' Jeep and Ram ATP's were 12% and 6% below their peak levels of February 2024. On the other hand, Ford, Chevrolet and GMC ATP's in April 2026 were 8%, 6% and 2% above their levels in February 2024. This helps explain the delta in the North America margins of Stellantis and GM. Stellantis

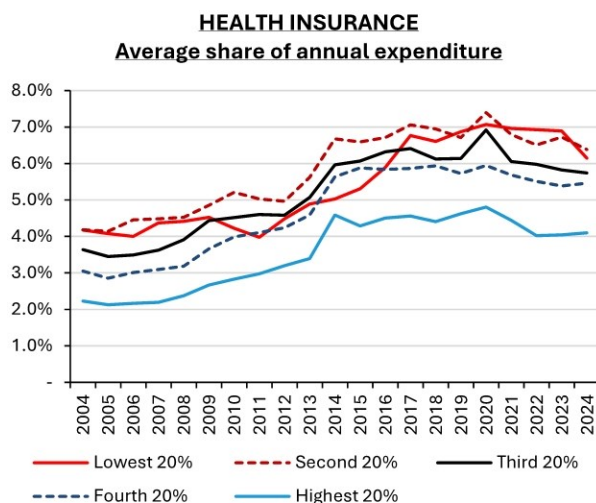
reported on 30 April 2026 a positive 1.6% adjusted operating income (AOI) margin in North America on the back of an already reported 17% yoy increase in shipments and a 3.8% increase in US registrations. But some €400m of IEEPA tariff refunds had been booked in Stellantis' 1Q26 North America AOI. Excluding this one-timer, the underlying margin was a far less impressive negative 0.9%. Its crosstown rival GM had already reported for the same period a North America AOI margin of 10.1% or 8.6% if its IEEPA refund was similarly excluded, despite a 9.6% yoy decline in US registrations in 1Q26.

HEALTHCARE - LANCE WILKES & COURTNEY BREEN

Expenditure: health insurance, medical services, drugs & medical supplies

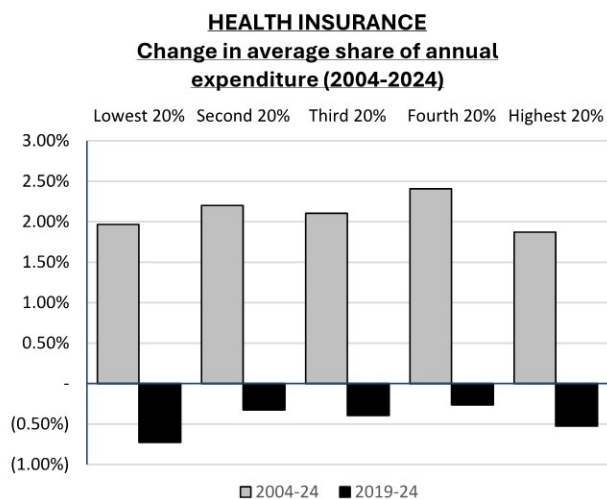
The K-shaped economy will be LT drivers of growth in safety net programs such as Medicaid and Marketplace. These two areas are currently out of favor due to recent policies to shrink enrollment, but we would expect the long term growth to resume and see this as a buying opportunity. Over the 30 years pre-COVID we saw US population grow around 1% per year, while safety net health insurance coverage grew 4x this rate. This growth in coverage will require MCOs to act as agents of the government to control this expanding expenditure pressure.

EXHIBIT 87: **Health insurance - average share of annual expenditure**



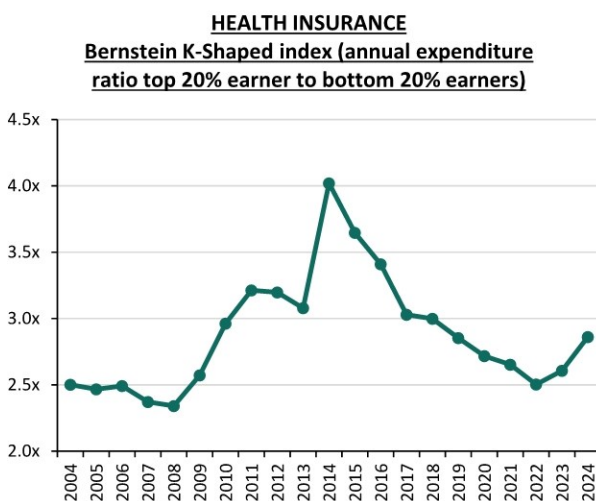
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 88: **Health insurance - change in share of annual expenditure**



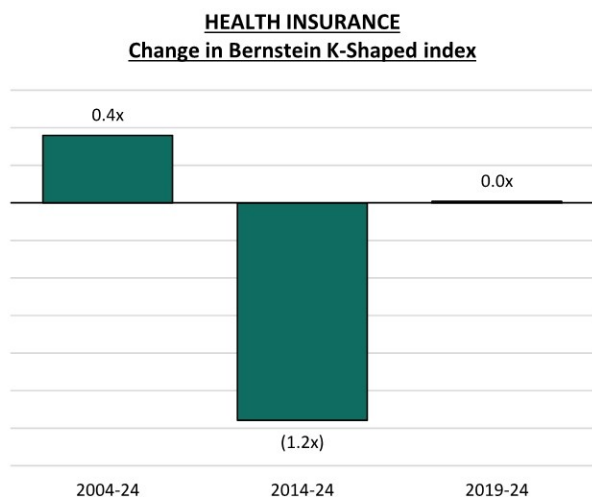
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 89: **Health insurance - Bernstein K-shaped index**

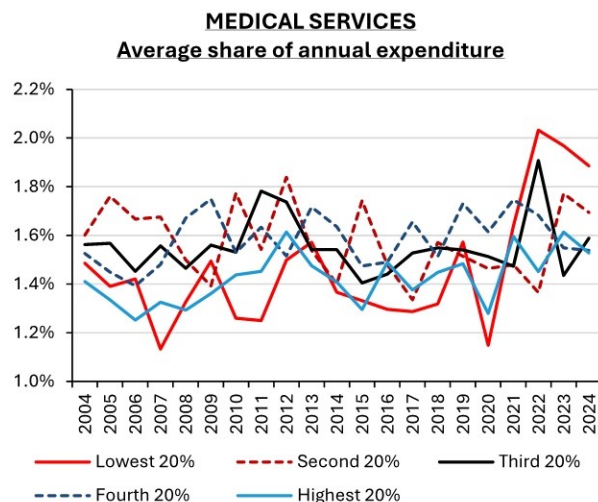


Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

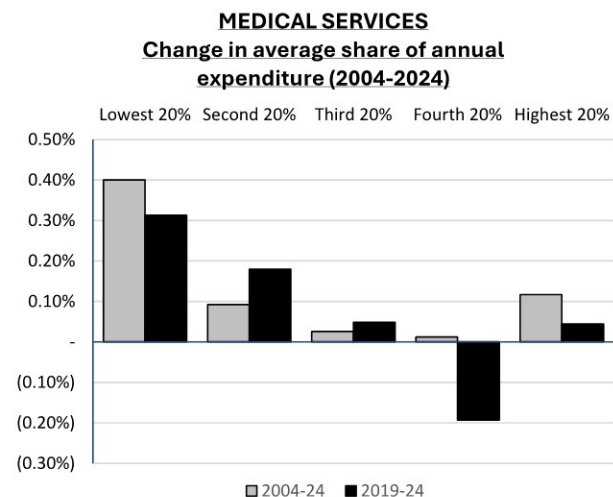
EXHIBIT 90: **Health insurance - change in Bernstein K-shaped index**



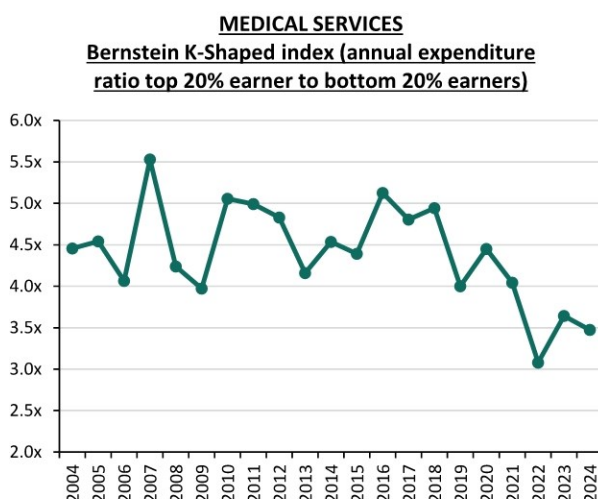
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 91: Medical services - average share of annual expenditure

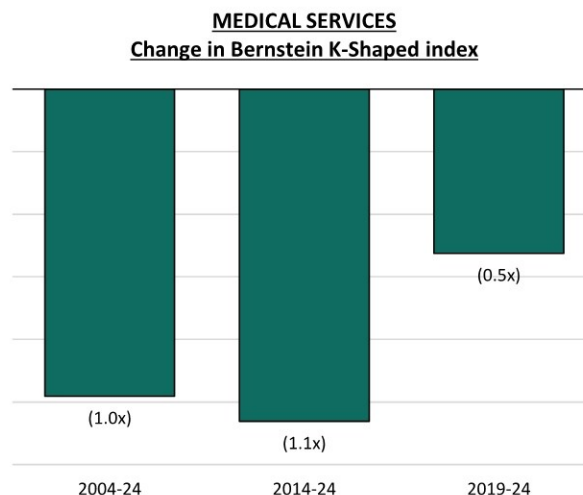
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 92: Medical services - change in average share of annual expenditure

Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 93: Medical services - Bernstein K-shaped index

Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 94: Medical services - Change in Bernstein K-shaped index

Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

Expenditure: drugs

While we've seen some changes in the relative drug spend between the quintiles evolve over the past two-decades, there are new dynamics that are likely to continue to shake up the relative spends across the socio-economic quintiles. Implementation of the Affordable Care Act between 2010-14 likely drove the relative lowering of drug costs for the lowest quintile, swinging their share down to below the second 20% and equal with the third 20%. Additionally, GLP1s have opened a new consumer-driven market for pharmaceuticals in a way that we haven't seen before. Patients are reaching into their own wallets, separate to any insurance coverage that they may (or may not) have to pay directly as a consumer for their weight loss products. While possible for all drug classes, and over all years, the telehealth integration & the new direct to consumer net-price offerings from the manufacturers have made this more appealing and accessible since 2024 (an inflection year in drug spend for most). In fact, now more than 50% of all new obesity prescriptions are being paid for exclusively through the consumer channels, with

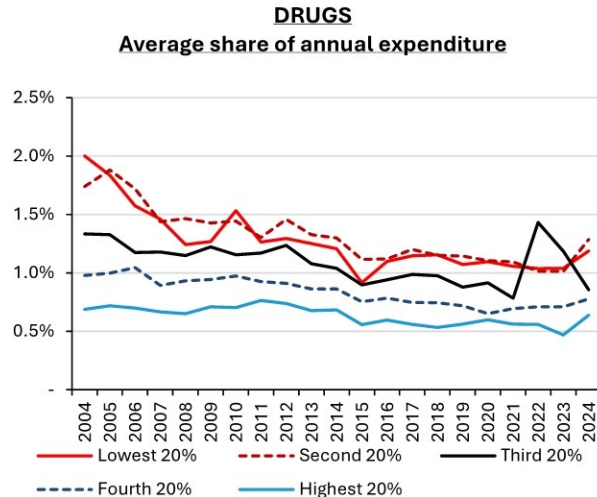
insurance (commercial or government) only covering a minority of these new obesity prescriptions. As we look forward, beyond this data - there are some major changes to insurance accessibility and GLP1 drugs that are likely to drive in more divergent spends on drugs for these quintiles.

For the lowest quintile - these patients are likely to experience less coverage or higher deductible plans translating to greater drug spend as the Affordable Care Act subsidies roll off. Additionally, while the White House did negotiate new prices and access for Medicaid to the GLP1s for obesity (part of the BRIDGE/BALANCE program), the States are on the hook to find the budget to provide access to their Medicare enrolled. Given most states are already struggling to make their budgets work without offering new benefits, we don't expect low-to-no patient cost GLP1s will expand with any pace. In sum, the average individual at the lowest end of income, is likely to be paying more for less.

For the over 65s (who tend to concentrate towards above average economic status) - these are the patients where the White House BRIDGE/BALANCE program will deliver the most meaningful impact. The Federal Government is footing the bill to expand access to the anti-obesity medications through Medicare, with the patient only needing to pay \$50 per month for their weight loss shot or pill. We recognize that there is a wide range of fortunes for this group, but they do skew higher-income than younger age-categories will see their monthly costs for these anti-obesity products drop from \$350-450 per month to just \$50. In sum, this higher-income exposed cohort are the biggest winner, with out-of-pocket anti-obesity drugs coming down.

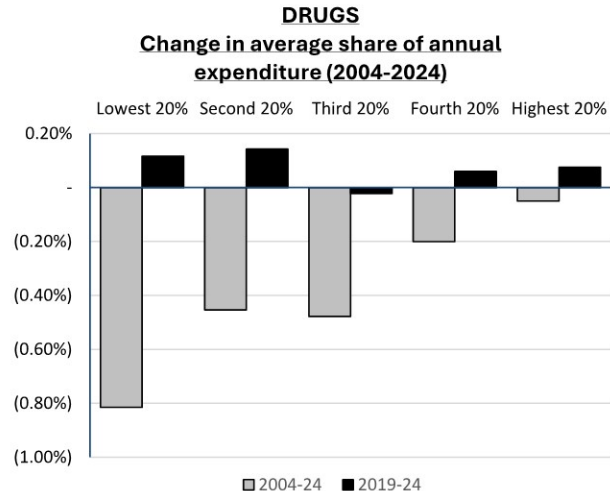
More broadly, the weight-loss pills have launched & at prices that are two-thirds current prices of the injectables, approximately 50% of the price of injectables last year. This is leading to a massive expansion in utilization of these products beyond what was previously the highest utilization by the richest. Elasticity associated with the price reductions in the consumer market for both the pills & the injectables is translating into greater revenues, so we do expect that 2026 data may drive an even greater inflection for the top three quintiles in drug spend from 2025 to 2026 than we may even see from 2024 to 2025. While drug spend is likely to increase for these top-quintiles faster than for the bottom - it's important to recognize they are getting much more with that inflection, rather than paying more for the same (or less) like the lowest quintiles.

EXHIBIT 95: While there has been a steady decline in spend - we've seen upswing in most recent years - across almost all cohorts



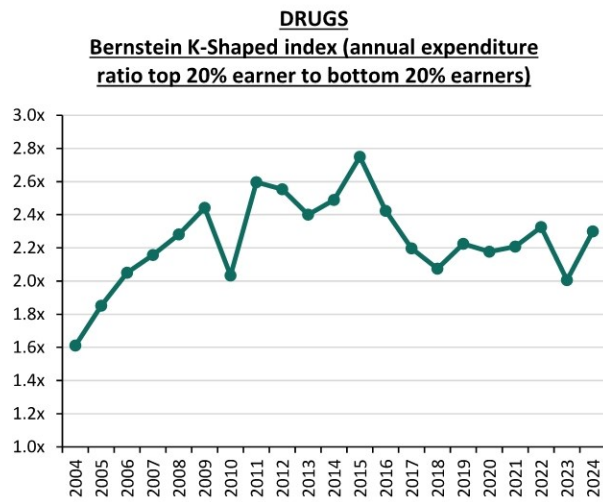
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 96: While both ends are increasing - we see the relative increase from '19-'24 most exaggerated for the lower quintiles



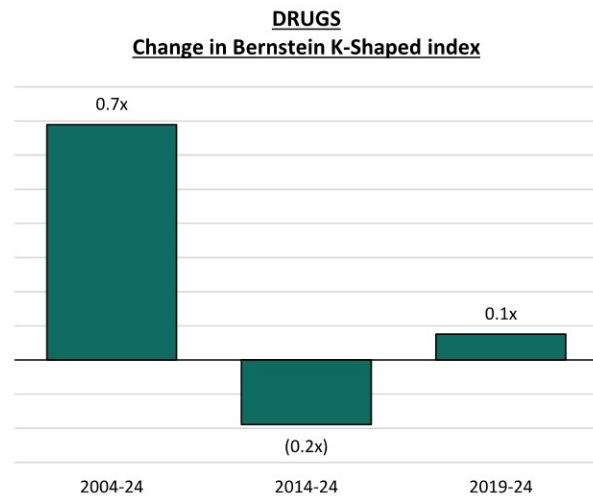
Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 97: **Relative drug spend for top 20% peaked at almost 2.8x in '15, however recent years have stabilized close to 2.2x**



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

EXHIBIT 98: **We saw index impacted by ACA implementation in '14, expiry of rebates in '25-'26 and GLPs are likely to evolve the dynamics further**



Source: US Bureau of Labor Statistics' Consumer Expenditure Survey, Bernstein analysis

VI. APPENDIX

BLS Consumer Expenditure Survey: Glossary

Full list available here: [Glossary : U.S. Bureau of Labor Statistics](#)

Consumer unit - Consumer units consist of families, single persons living alone or sharing a household with others but who are financially independent, or two or more persons living together who share major expenses.

Education of reference person - The number of years of formal education of the reference person, on the basis of the highest grade completed. If enrolled at time of the interview, the interviewer records the grade currently attended. Persons not reporting the extent of their education are classified under no school or not reported.

Income after taxes - Income before taxes less personal taxes, which include Federal, State, and local income taxes and other taxes.

Quintiles of income before taxes - For each time period represented in the tables, complete income reporters are ranked in ascending order, according to the level of total before-tax income reported by the consumer unit. The ranking is then divided into five equal groups. Incomplete income reporters are not ranked and are shown separately.

Food at home refers to the total expenditures for food at grocery stores (or other food stores) and food prepared by the consumer unit on trips. It excludes the purchase of nonfood items.

Food away from home includes all meals (breakfast and brunch, lunch, dinner and snacks and nonalcoholic beverages) including tips at fast food, take-out, delivery, concession stands, buffet and cafeteria, at full-service restaurants, and at vending machines and mobile vendors. Also included are board (including at school), meals as pay, special catered affairs, such as weddings, bar mitzvahs, and confirmations, school lunches, and meals away from home on trips.

Alcoholic beverages includes beer, ale, and other malt beverages, distilled spirits at home, and wine.

Utilities, fuels, and public services includes natural gas; electricity; fuel oil and other fuels, such as wood, kerosene, coal, and bottled gas; water and other public services, such as garbage and trash collection, sewerage maintenance, septic tank cleaning; and telephone charges.

Housekeeping supplies includes laundry and cleaning supplies, paper towels, napkins, and toilet tissue, stationery supplies, postage, delivery services, miscellaneous household products, and lawn and garden supplies.

Vehicle purchases (net outlay) a net outlay is defined as the household's total payment or purchase amount of a good or service minus any reimbursements. A net outlay is commonly referred to as the total out-of-pocket spending. Vehicle purchases (net outlay) include the purchase price minus trade-in value on new and used domestic and imported cars and trucks and other vehicles, such as motorcycles.

Health insurance includes traditional fee-for-service health plans, preferred-provider health plans, health maintenance organizations (HMO's), commercial Medicare supplements, and other health insurance.

Medical services includes hospital rooms and services, physicians' services, service by a professional other than a physician, eye and dental care, lab tests and X-rays, medical care in a retirement community, and care in convalescent or nursing home.

Drugs includes nonprescription drugs and vitamins and prescription drugs.

Personal care products and services includes products for the hair, oral hygiene products, shaving needs, cosmetics and bath products, electric personal care appliances, other personal care products, and personal care services for males and females.

Reading includes subscriptions for newspapers and magazines; books through book clubs; e-books and digital reading material; and the purchase of single-copy newspapers, magazines, newsletters, books, and encyclopedias and other reference books.

Education includes tuition; fees; and textbooks, supplies, and equipment for public and private nursery schools, elementary and high schools, colleges and universities, and other schools, and prepaid tuition.

Tobacco products and smoking supplies includes cigarettes, e-cigarettes, cigars, snuff, loose smoking tobacco, chewing tobacco, and smoking accessories (such as cigarette or cigar holders, pipes, flints, lighters, and pipe cleaners).

Cash contributions includes cash contributed to persons or organizations outside the consumer unit, including alimony and child support payments; care of students away from home; and contributions to religious, educational, charitable, or political organizations.

Life, endowment, annuities, and other personal insurance includes premiums for whole life and term insurance; endowments; income and other life insurance; mortgage guarantee insurance; mortgage life insurance; premiums for personal liability, accident and disability, and other nonhealth insurance other than for homes and vehicles.

Retirement, pensions, and Social Security includes all Social Security contributions paid by employees; employee contributions to railroad retirement, government retirement, and private pension programs; and retirement programs for the self-employed.

BERNSTEIN TICKER TABLE

Ticker	Rating	5 Jun 2026		Price Target	TTM Rel. Perf.	Adjusted EPS				Adjusted P/E (x)		
		Cur	Closing Price			Cur	2025A	2026E	2027E	2025A	2026E	2027E
CUERVO*.MM (Cuervo)	O	MXN	14.02	23.00	(52.3)%	MXN	2.41	1.39	1.64	5.8	10.1	8.5
BF/B (Brown-Forman)	M	USD	26.16	29.00	(28.3)%	USD	1.83	1.71	1.72	13.5	15.3	15.2
CGC (Canopy Growth)	M	USD	1.03	1.80	(49.1)%	CAD	(5.56)	(0.32)	(0.23)	(0.3)	(4.5)	(6.3)
WEED.CN (Canopy Growth)	M	CAD	1.44	2.50	(46.9)%	CAD	(5.56)	(0.32)	(0.23)	(0.3)	(4.5)	(6.4)
STZ (Constellation)	O	USD	140.91	197.00	(41.7)%	USD	11.82	12.00	13.11	11.9	11.7	10.7
CRON.CN (Cronos)	M	CAD	3.85	3.45	23.2%	USD	(0.02)	0.07	0.10	(112.1)	40.7	27.4
CRON (Cronos)	M	USD	2.74	2.50	19.1%	USD	(0.02)	0.07	0.10	(111.2)	40.4	27.1
TAP (Molson Coors)	M	USD	39.06	45.00	(49.0)%	USD	5.42	4.81	5.35	7.2	8.1	7.3
SAM (Boston Beer)	M	USD	164.72	210.00	(49.8)%	USD	9.89	9.95	11.51	16.7	(28.0)	14.3
TLRY (Tilray)	M	USD	4.94	10.00	2.9%	USD	(2.46)	(0.65)	(0.19)	(2.0)	(7.6)	(25.7)
TLRY.CN (Tilray)	M	CAD	6.89	13.60	3.3%	USD	(2.46)	(0.65)	(0.19)	(2.0)	(7.6)	(25.7)
ABI.BB (AB InBev)	O	EUR	67.70	88.00	(3.9)%	USD	3.67	4.52	5.00	21.2	17.3	15.6
BUD (AB InBev)	O	USD	78.50	103.00	(13.7)%	USD	3.67	4.52	5.00	21.4	17.4	15.7
HEIA.NA (Heineken)	O	EUR	66.74	120.00	(28.3)%	EUR	4.78	5.71	6.32	14.0	11.7	10.6
HEIO.NA (Heineken Holding)	O	EUR	61.00	111.00	(24.3)%	EUR	4.78	5.71	6.32	18.0	12.0	10.7
DGE.LN (Diageo)	O	GBp	1,495.00	2,400.00	(36.0)%	USD	1.64	1.69	1.70	12.1	11.8	11.7
DEO (Diageo)	O	USD	80.43	130.00	(47.9)%	USD	6.57	6.74	6.81	12.2	11.9	11.8
RI.FP (Pernod Ricard)	O	EUR	62.10	117.00	(42.1)%	EUR	7.26	5.86	6.19	8.6	10.6	10.0
CPR.IM (Campari)	O	EUR	5.52	10.20	(14.5)%	EUR	0.31	0.33	0.41	18.0	16.8	13.6
RCO.FP (Rémy Cointreau)	O	EUR	41.76	54.00	(24.1)%	EUR	1.72	1.83	2.16	24.3	22.9	19.3
BRBR (BellRing)	M	USD	8.77	11.00	(110.1)%	USD	2.17	1.33	1.57	6.1	7.0	6.9
CAG (Conagra)	U	USD	13.01	12.00	(65.9)%	USD	2.30	1.70	1.58	5.7	7.6	8.2
CPB (Campbell Soup)	U	USD	21.68	19.00	(60.8)%	USD	2.97	2.20	1.99	7.3	9.8	10.9
GIS (General Mills)	U	USD	33.15	31.00	(63.6)%	USD	4.21	3.45	2.93	7.9	9.6	11.3
HSY (Hershey)	M	USD	184.58	208.00	(10.9)%	USD	6.32	8.32	9.75	29.2	22.2	18.9
KHC (Kraft Heinz)	U	USD	22.58	21.00	(39.5)%	USD	2.60	1.97	1.91	8.7	11.4	11.8
LW (Lamb Weston)	M	USD	42.12	42.00	(48.1)%	USD	3.34	2.76	2.88	12.6	15.2	14.6
MDLZ (Mondelez)	O	USD	62.04	74.00	(30.8)%	USD	2.92	3.04	3.32	21.3	20.4	18.7
MKC (McCormick)	O	USD	47.24	77.00	(59.5)%	USD	3.00	3.10	3.41	15.7	15.2	13.9
SJM (SJM)	O	USD	103.54	134.00	(31.1)%	USD	10.13	9.05	10.25	10.2	11.4	10.1
SMPL (Simply Good Foods)	M	USD	11.94	12.00	(88.5)%	USD	1.92	1.64	1.69	6.2	7.3	7.1
TSN (Tyson)	M	USD	58.73	72.00	(18.0)%	USD	4.12	4.09	4.65	14.2	14.4	12.6
ABBV (AbbVie)	M	USD	227.23	225.00	(3.1)%	USD	9.98	14.29	15.93	22.8	15.9	14.3
AMGN (Amgen)	M	USD	349.58	335.00	(2.6)%	USD	21.85	22.49	22.82	16.0	15.5	15.3
BMJ (Bristol-Myers Squibb)	M	USD	57.27	58.00	(4.6)%	USD	6.15	6.31	6.02	9.3	9.1	9.5
MRK (Merck)	M	USD	120.79	100.00	31.3%	USD	8.97	5.06	9.21	13.5	23.9	13.1
GILD (Gilead)	O	USD	129.16	160.00	(7.4)%	USD	8.15	(0.69)	9.65	15.8	(188.3)	13.4
LLY (Eli Lilly)	O	USD	1,131.42	1,300.00	23.4%	USD	24.20	37.41	47.99	46.7	30.2	23.6
PFE (Pfizer)	M	USD	26.04	30.00	(11.7)%	USD	3.23	2.92	2.57	8.1	8.9	10.1
MRNA (Moderna)	M	USD	47.44	45.00	57.3%	USD	(7.27)	(8.39)	(4.18)	(6.5)	(5.7)	(11.4)
NFLX (Netflix)	O	USD	82.18	110.00	(58.6)%	USD	2.53	3.20	3.80	32.5	25.7	21.7
DIS (Disney)	O	USD	99.71	129.00	(35.7)%	USD	5.93	6.85	7.37	16.8	14.6	13.5
WBD (Warner Bros)	M	USD	26.24	27.75	147.6%	USD	0.29	(1.23)	(0.32)	90.5	(21.4)	(82.9)
PSKY (Paramount Skydance)	U	USD	10.22	12.00	NA	USD	0.52	0.66	0.60	19.7	15.5	17.0
CMCSA (Comcast)	M	USD	23.82	32.00	(50.0)%	USD	4.30	3.34	3.90	5.5	7.1	6.1
FOXA (Fox)	M	USD	66.89	73.00	(0.1)%	USD	4.47	5.16	5.81	14.9	13.0	11.5

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

BF/B, CGC, WEED.CN, CRON.CN, CRON, TLRY, TLRY.CN, GOOGL, META estimate is Reported EPS; CGC, WEED.CN, CRON.CN, CRON, SAM, TLRY, TLRY.CN, HEIO.NA, DRI, CAVA, SBUX, CMG, PNDORA.DC, GOOGL, META valuation is Reported P/E (x); BRBR valuation is EV/EBIT (x); STZ, RCO.FP, CFR.SW base year is 2026;

Source: Bloomberg, Bernstein estimates and analysis.

Ticker	Rating	Cur	5 Jun 2026		TTM	Adjusted EPS				Adjusted P/E (x)		
			Closing	Price		Cur	2025A	2026E	2027E	2025A	2026E	2027E
			Price	Target	Rel. Perf.							
AGL (agilon health)	M	USD	96.85	86.00	60.2%	USD	(24.46)	(4.81)	(4.52)	(4.0)	(20.1)	(21.4)
CNC (Centene)	O	USD	62.33	68.00	(10.7)%	USD	2.08	3.38	4.23	29.9	18.4	14.7
CVS (CVS)	O	USD	95.93	106.00	27.8%	USD	6.75	7.37	8.14	14.2	13.0	11.8
ELV (Elevance)	O	USD	415.53	424.00	(16.3)%	USD	30.30	26.93	28.88	13.7	15.4	14.4
HUM (Humana)	O	USD	350.08	425.00	29.8%	USD	16.60	9.12	15.41	21.1	38.4	22.7
HCA (HCA)	M	USD	372.13	413.00	(26.8)%	USD	28.21	30.44	33.14	13.2	12.2	11.2
UNH (UNH)	O	USD	399.47	492.00	10.7%	USD	16.35	18.86	21.99	24.4	21.2	18.2
MOH (Molina)	O	USD	190.86	208.00	(59.3)%	USD	11.03	5.35	9.65	17.3	35.7	19.8
CI (Cigna)	O	USD	289.48	371.00	(31.2)%	USD	29.84	30.38	33.00	9.7	9.5	8.8
DRI (Darden)	O	USD	198.12	230.00	(32.2)%	USD	9.55	10.66	11.82	22.3	18.7	16.8
CAVA (Cava)	O	USD	72.60	95.00	(31.6)%	USD	0.54	0.60	0.86	134.7	121.7	84.2
SBUX (Starbucks)	O	USD	95.29	110.00	(14.8)%	USD	2.13	2.36	3.05	58.4	51.7	31.1
CMG (Chipotle)	O	USD	29.34	50.00	(68.5)%	USD	1.19	1.21	1.43	25.2	25.9	21.0
AD.NA (Ahold Delhaize)	M	EUR	35.85	38.00	(13.6)%	EUR	2.67	2.80	3.10	13.4	12.8	11.6
HMB.SS (H&M)	U	SEK	166.30	130.00	8.5%	SEK	7.73	7.52	8.60	21.5	22.1	19.3
JD/.LN (JD Sports)	O	GBP	84.48	100.00	(7.7)%	GBP	0.12	0.11	0.12	7.2	7.7	6.9
PNDORA.DC (Pandora)	U	DKK	579.20	370.00	(65.0)%	DKK	67.90	57.08	42.61	8.5	10.1	13.6
ITX.SM (Inditex)	O	EUR	55.00	60.00	4.5%	EUR	2.00	2.27	2.51	27.6	24.2	21.9
GOOGL (Alphabet)	M	USD	368.53	390.00	94.8%	USD	10.81	14.47	14.32	34.1	25.5	25.7
META (Meta)	O	USD	593.00	850.00	(37.7)%	USD	23.49	33.54	37.04	25.2	17.7	16.0
STLAP.FP (Stellantis)	M	EUR	6.23	6.20	(40.0)%	EUR	(0.42)	0.63	1.39	(14.9)	9.9	4.5
STLA (Stellantis)	M	USD	7.11	7.30	(50.9)%	USD	(0.46)	0.74	1.63	(15.5)	9.6	4.4
MC.FP (LVMH)	O	EUR	479.05	600.00	(10.6)%	EUR	22.73	22.22	26.71	21.1	21.6	17.9
RMS.FP (Hermes)	O	EUR	1,619.00	2,150.00	(43.3)%	EUR	43.12	44.33	52.47	37.5	36.5	30.9
CFR.SW (Richemont)	O	CHF	164.65	200.00	(3.5)%	EUR	5.96	6.89	7.71	30.1	26.0	23.3
RACE (Ferrari)	O	USD	346.99	402.00	(52.1)%	EUR	8.96	9.71	10.51	33.6	31.0	28.7
BMW.GR (BMW)	O	EUR	70.16	108.00	(20.5)%	EUR	11.89	10.72	12.03	5.9	6.5	5.8
MBG.GR (Mercedes)	M	EUR	48.11	61.00	(18.4)%	EUR	5.34	5.76	7.69	9.0	8.4	6.3
PAH3.GR (Porsche SE)	M	EUR	30.56	35.00	(23.2)%	EUR	8.66	8.91	10.89	3.5	3.4	2.8
EDME			1,544.13									
SPX			7,383.74									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

BF/B, CGC, WEED.CN, CRON.CN, CRON, TLR, TLR.CN, GOOGL, META estimate is Reported EPS; CGC, WEED.CN, CRON.CN, CRON, SAM, TLR, TLR.CN, HEIO.NA, DRI, CAVA, SBUX, CMG, PNDORA.DC, GOOGL, META valuation is Reported P/E (x); BRBR valuation is EV/EBIT (x); STZ, RCO.FP, CFR.SW base year is 2026;

Source: Bloomberg, Bernstein estimates and analysis.

DISCLOSURE APPENDIX

I. REQUIRED DISCLOSURES

References to "Bernstein" or the "Firm" in these disclosures relate to the following entities: Bernstein Institutional Services LLC (April 1, 2024 onwards), Sanford C. Bernstein & Co., LLC (pre April 1, 2024), Bernstein Autonomous LLP, BSG France S.A. (April 1, 2024 onwards), Sanford C. Bernstein (Hong Kong) Limited 盛博香港有限公司, Sanford C. Bernstein (Canada) Limited, Sanford C. Bernstein (India) Private Limited (SEBI registration no. INH000006378), Sanford C. Bernstein (Singapore) Private Limited, Sanford C. Bernstein Japan KK (サンフォード・C・バーンスタイン株式会社) and analysts employed by Société Générale Africa Technologies & Services to produce Bernstein research under a Global Services Agreement in place between Bernstein and Société Générale.

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Please visit: <https://bernstein-autonomous.bluematrix.com/sellside/Disclosures.action>.

Or, you can also write to the Director of Compliance, Bernstein Institutional Services LLC, 245 Park Avenue, New York, NY 10167.

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