Two-Thirds of Americans Expect the United States to Enter Recession This Year; Most Are Taking Steps to Navigate Economic Uncertainty

Northwestern Mutual's 2023 Planning & Progress Study finds U.S. adults have on average$65K in personal savings – nearly a 5% increase over last year

Consumers are also cutting costs and postponing large expenses

Top 3 financial concerns: inflation, recession and gas prices

Generation "X" stands for "anXious," says Northwestern Mutual's Mitchell

MILWAUKEE, May 15, 2023 /PRNewswire/ -- Two-thirds (67%) of U.S. adults expect the economy will enter into recession later this year – a key finding from Northwestern Mutual's newly released 2023 Planning & Progress Study exploring Americans' attitudes and behaviors toward their finances.

Two-thirds of Americans say the economy will enter into recession: Northwestern Mutual's 2023 Planning & Progress Study

For those who see a recession looming, one-third (33%) say it will be short-lived, lasting a year or less, while one-fifth (19%) say it will last more than two years. And among those anticipating a recession, three out of four expect it to have a high or moderate impact on both their near-term (78%) and longer-term (75%) finances.

According to the research, most Americans are responding to economic uncertainty with action, making adjustments – small and large – to their financial priorities and choices.

Cutting costs tops list of measures being taken to address economic uncertainty
The top three steps people are taking include cutting costs (64%), building up savings (50%), and postponing large expenses until the economy is on more stable footing (41%). Even high-net-worth individuals – those with total household investable assets greater than $1 million – are building up savings (50%) and postponing large expenses (38%).

"Periods of uncertainty provide opportunities to stress test financial strategy," saidChristian Mitchell, chief customer officer at Northwestern Mutual. "Consumers want to know if their wealth building plans and their lifestyles will remain on track if the economy pulls back, and many are taking positive steps to prepare for whatever economic season may come."

Personal savings are up… but not quite as high as inflation
This year's study finds that, on average, Americans' personal savings (excluding retirement assets) stand at$65,100 – a nearly 5% increase over the $62,000 reported last year, but short of the 6.5% inflation rate the U.S. economy saw in 2022.

Meanwhile, despite the Federal Reserve's campaign to fight inflation by raising interest rates, more than half (54%) of Americans say they expect inflation to increase further this year versus 19% who say it will decrease and 27% who say it will stay the same.

Inflation and recession are top financial concerns for most people
Not surprisingly, inflation (51%) and recession (26%) came in as people's top financial concerns this year. Interestingly, coming in at #3 is an issue that has receded somewhat from the news cycle – gas prices (24%).

Gen Z agrees that inflation (38%) is the top financial concern. More than six in 10 (61%) of America's youngest adults believe inflation will increase this year, with only 15% saying it will decrease. However, they say their next greatest financial worries are gas prices (26%), climate change (22%) and job stability (21%).

"The impact of inflation continues, and Americans are reminded about elevated prices every time they fill up their gas tanks," said Mitchell. "However, worries about recession are quickly rising from nil to real. For Gen Z in particular, that means learning how to prepare for the long-term and the risk of the first sustained economic downturn in their young professional lives."

Uncertainty impacts younger people differently than older
Economic uncertainty is leading the majority of Americans (60%) to postpone plans and purchases of one kind or another. More than a third (36%) of people say they are postponing daily purchases like meals out, new clothes and event tickets. Three in 10 (29%) say they are shelving large purchases or projects like remodeling a home or buying a new car. For younger adults, the postponements also include putting some big life decisions on pause.

Postponed:	Gen Z	Millennials	Gen X	Boomers+
Buying or building a new home	23 %	18 %	12 %	6 %
Changing jobs / searching for a new job	29 %	19 %	10 %	3 %
Starting a business	22 %	15 %	6 %	2 %
Getting married	13 %	9 %	3 %	1 %
Having / adopting children	9 %	8 %	1 %	0 %

Planning and risk
There is an exact 50/50 split between how people approach financial planning in America. Half of U.S. adults say they are disciplined, with 20% identifying as highly disciplined planners and 30% as disciplined. The other half identify as undisciplined, with 36% saying their planning is informal and 15% saying they don't plan at all.

The good news is that a large majority (70%) of Americans say they have clarity on exactly how much they can spend now versus save for later. The number jumps to 83% for those who work with a financial advisor. About six in seven (86%) of those who identify as disciplined or highly disciplined planners feel this same financial confidence.

When it comes to risk, 63% of Americans say they're very or somewhat tolerant of financial risk in their investments. Interestingly, comfort with risk goes up for people who work with advisors (71%), those who consider themselves disciplined or highly disciplined planners (72%) and high-net-worth individuals (79%).

"We are extremely encouraged to see that Americans – especially those who have sought out professional advice – seem to understand the value of staying in the market in order to build long-term wealth," said Mitchell. "The fact is, wealth isn't generated only when times are good, but also by the decisions people make when the markets and economy are under pressure and often that is the decision to do nothing at all. When it comes to saving and investing, playing the long game tends to win, generation after generation."

The study found that just over half (52%) of U.S. adults say they have a financial plan that factors for up and down economic cycles over time. That compares to 84% of high-net-worth individuals who say the same, and 79% for those who work with an advisor.

Generation anXious
The research revealed some significant red flags about Generation X, Americans born between the years 1965 and 1980.

More than half (55%) of Gen X say they won't be financially prepared for retirement when the time comes. On average, Gen Xers say there's a 46% chance they could outlive their savings, and four in 10 (38%) haven't taken any steps to address it. They also report markedly lower feelings of financial security (5.6 on a 10-point scale) than Gen Z (6.1), Millennials (6.3), and Boomers+ (6.2).

Digging deeper, Gen X shows lower levels of confidence in themselves than the general public and is worried about what lies ahead.

	All	Gen X
I have had / will have a successful career	70 %	66 %
I can enjoy today without sacrificing happiness in the future	65 %	57 %
My financial planning incorporates the possibility of unplanned financial or health emergencies	60 %	55 %
I have achieved / will achieve long-term financial security	57 %	52 %
Social Security will be there when I need it	55 %	45 %

"Part of what's coming through in the numbers is likely the anxiety that can emerge in that period of life when your ideal retirement age comes into view," said Mitchell. "Clearly a significant number of Gen X don't feel ready, and that should be a call to action. It's also a call to action to advisors that Gen X clients are facing some specific challenges and need help, both now and in the coming years."

In forthcoming data sets, the 2023 Planning & Progress Study will explore wide-ranging issues facing Americans spanning savings and debt, work and retirement, planning, priorities and more.

About The 2023 Northwestern Mutual Planning & Progress Study
The 2023 Planning & Progress Study was conducted by The Harris Poll on behalf of Northwestern Mutual among 2,740 U.S. adults aged 18 or older. The survey was conducted online between February 13 and March 2, 2023. Data are weighted where necessary by age, gender, race/ethnicity, region, education, marital status, household size, household income, and propensity to be online to bring them in line with their actual proportions in the population. A complete survey methodology is available.

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