WEEKLY STRATEGY

Perspectives

BMO Wealth Management

WEEK ENDED SEPTEMBER 11, 2026

Carol Schleif, CFA, SASB-FSA
Chief Market Strategist

Considering the Consumer

"There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."

- Sam Walton, founder of Walmart

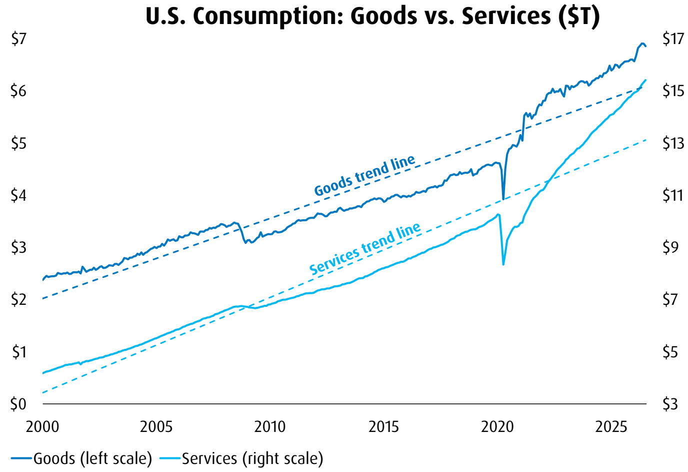
The Through Line: Consumer *spending* drives a substantial portion of economic activity in both the U.S. and Canada, though consumer *stocks* represent much smaller weights in both the S&P 500 and S&P/TSX Composite Indexes. This makes an interesting conundrum for investors: AI and infrastructure spending have arguably been driving the market bus over the past few years, but people – as purchasers, employees and citizens – are the ultimate raison d'etre. This week, we take a broader view on long-term trends impacting consumer behavior, employment, sentiment and balance sheet wherewithal.

Consumers = the bee's knees

The critical role that consumers play in the financial system cannot be overstated. Personal consumption accounts for nearly 70% of Gross Domestic Product (GDP) in the U.S. and over 55% in Canada. It is the foundation that grounds the bulk of economic activity[i] even though AI and infrastructure spending grab the lion's share of headlines and push marginal growth (and inflation) higher.

Headlines often suggest that a serious spending pullback is overdue, despite demonstrable consumer resilience through most economic cycles (chart). True, it could be argued that – at least in the U.S. – a reversion to pre-pandemic rates of growth is probably overdue. However, a dramatic or sustained downturn would be unusual.

U.S. Consumption: Goods vs. Services ($T)

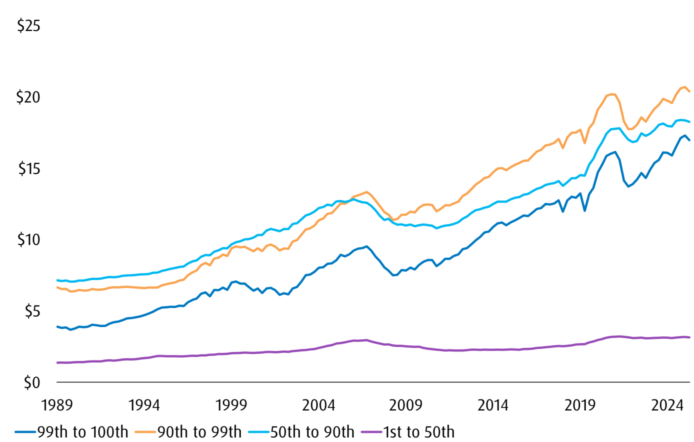


Source: Federal Reserve Bank of St. Louis (2026), as of July 2026.

Households: more than just a K-shaped letter

Most discussions about consumers tend to focus on income strata. Understandable, given the increasingly concentrated nature of wealth. In the U.S., the top 10% of households account for half the spending, meaning they support fully one-third of GDP.[ii] Looking at it another way, data from the Federal Reserve Bank of St. Louis (FRED) indicates that the total financial assets owned by the top 9% exceed those of the bottom 50% of households (chart).[iii] This top tier owns an estimated 45% of housing stock and nearly 90% of public market assets.

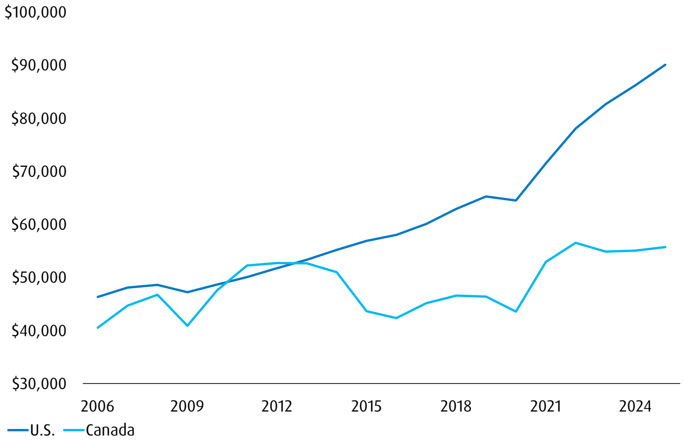
Real Asset Value Distribution by Wealth Percentile ($T)



Source: Bloomberg L.P. (2026), as of 1Q2026.

Aggregate household net worth in the U.S. has been buoyed this decade by multiple rounds of pandemic-era fiscal spending, which was less pronounced in Canada (chart). More recently, U.S. consumers saw meatier tax refunds (on average 11% higher) thanks to last year's One Big Beautiful Bill Act[iv] that temporarily reduced taxes on tips, overtime and social security benefits for some groups.

GDP per Capita ($USD)



Source: Bloomberg L.P. (2026), as of 2025

Delving deeper than just income tiers, another revealing way to slice and dice economic fortunes is by demographic cohorts.

Boomers (born 1946–1964) dominate the top income tier, owning the bulk of individual housing stock and financial assets (featuring significant embedded capital gains and low carrying costs). **Propensity and ability to spend remain high, largely regardless of traditional economic factors like trends in employment.**

Gen X (born 1965–1980) is an often-overlooked demographic. This group is sometimes called the sandwich generation because many are currently straddling the responsibility of caring for aging parents and their own children. They are also a smaller generational cohort, caught between the larger boomer and millennial groups. Gen Xers have been at the forefront of navigating the transition in retirement savings – from defined benefit plans (pensions) to the self-directed plans of today. **It is now the highest-earning group in the U.S. A recent study of Gen X business owners found them the most pessimistic of any generational cohort about the economic outlook.[vi]**

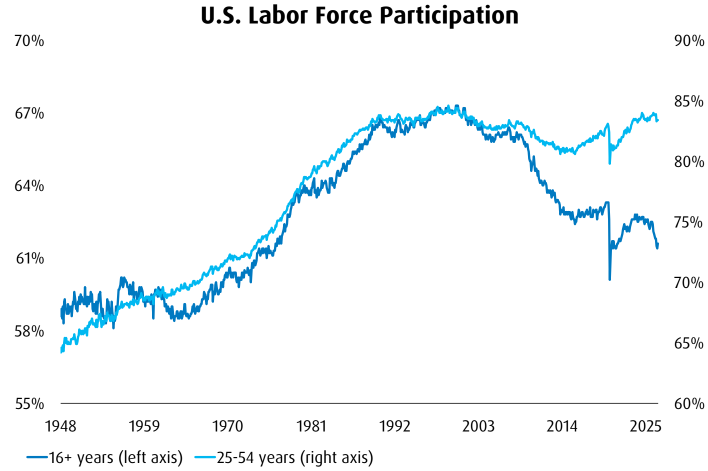
Millennials (born 1981–1996) are a bigger cohort than the entire boomer generation. For millennials, 1990 was the largest single birth year. Turning 36 this year, they are dealing with the memory of 9/11 (they were in 4th grade), the GFC (graduating high school) and COVID (turned 30). They also have the largest aggregate college debt load, face median home prices in the $400,000 range and median new car prices above $50,000. This comes at a time when they are entering prime household-formation years. For those planning to start a family, childcare costs can rival mortgage payments. While their willingness to consume is higher (thanks perhaps to boomer parents) their ability to do so is typically severely constrained by the cost of entry. **Given their sheer numbers, they will be important drivers of marginal spending (or lack thereof).**

Gen Z (born 1997–2012) enjoys the benefit of being both true digital natives and observers of older siblings/parents. They also have the advantage of laws, including 2022's SECURE Act (mandating employers to auto enroll new employees in retirement accounts and requiring them to offer escalation features that increase contributions by a set percentage every year), and the launch of Trump Accounts for all newborns this year. On average, Gen Zs have higher savings rates and bigger balances than earlier generational cohorts did at their age – teeing them up for solid futures thanks to the miracle of compounding. Their ability to consume is high, yet their willingness is shaded by a propensity to favor savings. **A significant proportion of them actively participate in asset markets through retirement accounts – and through digital-only banking, investment, cryptocurrency and prediction markets.**

Consumer as employee

The math is statistically pretty straightforward: employed people tend to keep their wallets open. While a wage (or market) ripple may change marginal spending, they make a core level of expenditure to maintain their lifestyle and ability to work. Last week's U.S. non-farm payrolls report painted a picture of a dynamic employment market making strides in adjusting to new realities. Financial and information services jobs saw declines (with accompanying commentary suggesting potential AI-related impact on rote entry-level jobs), while healthcare, education, leisure/entertainment and construction saw increased opportunities. The participation rate – which in aggregate has been declining – held steady for the working-age segment (chart). Unemployment remained near record lows at just 4.1%.

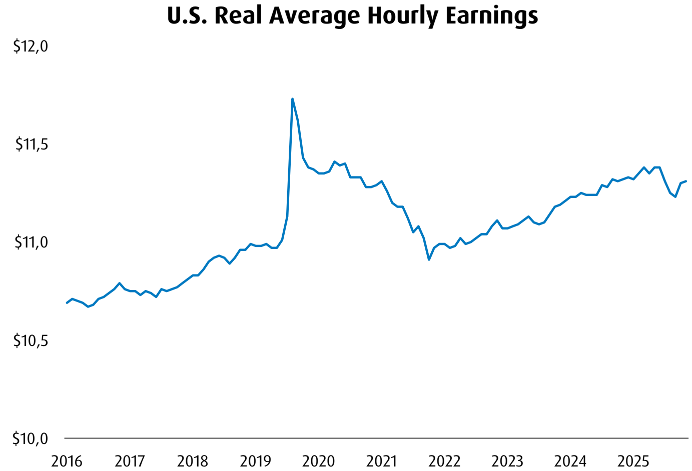
U.S. Labor Force Participation



Source: Bloomberg L.P. (2026), as of 8/31/2026

Wages grew more moderately than payrolls, signaling little in the way of inflation pressure to trouble the Fed when the FOMC holds its rate-setting meeting next week. While consumers would like faster wage growth (after several years of outpacing inflation, wage progression has been challenged recently by higher increases in headline prices), it's a constructive trend from an employer and inflation perspective.

U.S. Real Average Hourly Earnings



Source: Bloomberg L.P. (2026), as of 7/31/2026

In Canada, the escalating trade war is creating concerns about the potential impact on overall employment. Despite the heated tit-for-tat salvos hijacking the news, the initial levies are impacting a relatively targeted number of industries and a low percentage of GDP (and the situation including what is and isn't tariffed is changing day-to-day). Unfortunately, given the integrated nature of supply chains and targeted nature of volleys on both sides of the border, small and mid-sized businesses are likely to bear the brunt of any lasting levies. Helpfully, Canada entered the fray with a stronger GDP print, increased household savings – and promises from Prime Minister Mark Carney that a variety of fiscal programs aimed at the most impacted industries are on the way.

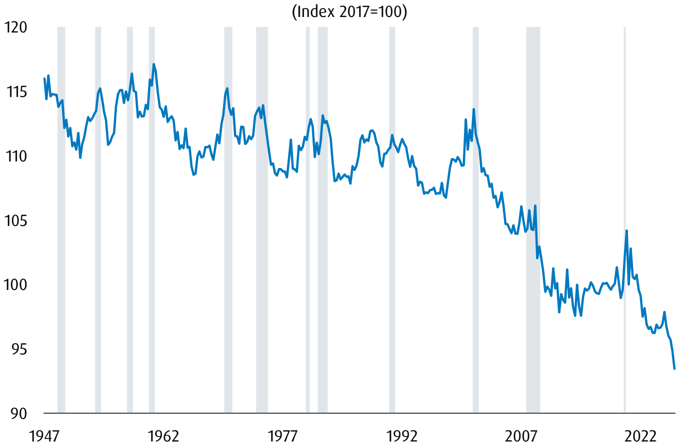
To the ~~victor~~ employer go the spoils?

Despite solid employment prospects, growing wages and record-high household net worth, U.S. consumers in particular have been telling pollsters FOR YEARS how disgruntled they are. Part of this may stem from dissatisfaction over the widening GDP split between labor (wages and benefits) and capital. This chasm was highlighted in a Wall Street Journal report last spring, which noted that "adjusted for inflation, hourly earnings are up 3% since the end of 2019 while profits are up 50%.[vii]"

Throughout history, we've seen a similar widening during periods of substantive technological revolutions (e.g., the buildout of the railroads or the advent of mechanized manufacturing), although this current disparity is the widest on record. Then again, we pointed out last week (WSP: It Ain't Over Yet) that the scope of this AI buildout is record busting in its own right.

U.S. Nonfarm Business Sector: Labor Share of Income

(Index 2017=100)

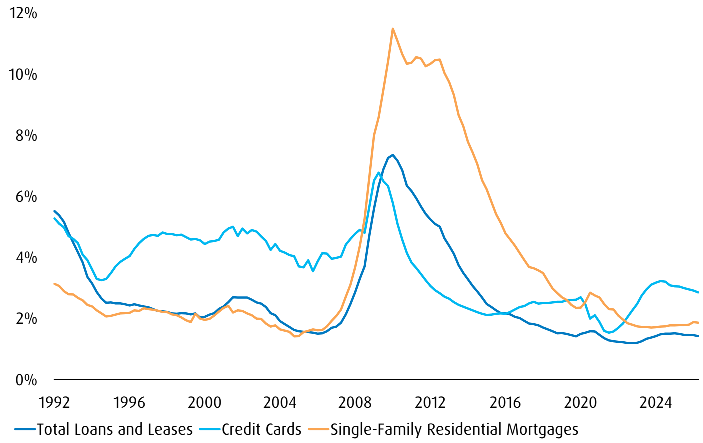


Gray bars indicate U.S. recessions. Source: St. Louis FRED (2026), as of 2Q2026.

Spend now pay later?

Consumers' *willingness* to consume is underpinned primarily by employment status. Their *ability* to consume is influenced at least equally by their balance sheet flexibility. Some headlines have suggested concern over mounting levels of debt and increasing delinquencies – though it depends entirely upon the time frame boundaries of the comparison (chart). While credit card delinquencies are the highest they've been in a decade, those levels were depressed coming out of the GFC – and current rates are well below those in the 20-plus years before that debt-clearing period. Delinquencies across other series (housing, all debt combined) remain low. The emergence of installment payment tools like buy now, pay later (BNPL) programs, which allow purchasers to break payments into bite-sized pieces, complicates the calculation to some degree since these debts do not show up in credit reports or traditional aggregate consumer debt statistics. Recent estimates put the total size of the segment at over half a trillion dollars.[viii]

Select Consumer Loan Delinquency Rates



Source: Bloomberg L.P. (2026), as of 2Q2026.

Implications for investors

The weighting of consumer companies in market indexes has fallen to single digits (Canada) or low double digits (U.S.) as other industries dominate investor attention. Nonetheless, consumption is the bulk of economic activity and bears watching. Assessing consumer health by only looking at income bands can be misleading since generational context often impacts consumption, saving and investment decisions. Spending by older generational cohorts may well be tied more to market and housing values than employment status. Contrast this to younger generations, who delay – or consider outdated – home ownership and reject working for the same employer long term or sticking to just one career path.

Consumer strain (especially psychological) is evident in flagging sentiment numbers. The continued read from frontline retailers and goods/services purveyors paints a consistent picture of careful, value-conscious buyers. They are willing to pay up for experience and perceived value, especially if it offers Instagram appeal. But they are also ready to swap high-end for private label and/or substitute goods/experiences. Balance sheets and employment status are in historically solid shape – and remain supportive of continued discerning, if grudging, consumption.

Next week in North America

All eyes are on the U.S. Federal Reserve; expect a rates decision and presser on Wednesday. The eco data schedule includes a variety of temperature checks on housing and business activity in both the U.S. and Canada.

Monday 9/14:	**U.S.** None scheduled | **Canada** Bloomberg Nanos confidence, CPI, Manufacturing sales
Tuesday 9/15:	**U.S.** Empire State Manufacturing | **Canada** Existing home sales, New motor vehicle sales, Wholesale sales
Wednesday 9/16:	**U.S.** FOMC Rates decision and press conference, Retail sales, Import/Export prices, Manufacturing and Trade inventories | **Canada** Housing starts, Building permits
Thursday 9/17:	**U.S.** Weekly jobless claims, Philly Fed Business Outlook, Housing starts, Pending home sales, Building permits | **Canada** CFIB Business barometer, Industrial production, PPI, Raw materials prices, Foreign securities transactions, Raw materials prices
Friday 9/18:	**U.S.** Industrial production, Capacity utilization, Leading economic indicators | **Canada** none scheduled

[i] Household consumption, percent of GDP in G7 | TheGlobalEconomy.com
[ii] Top 10% of Earners Drive a Growing Share of US Consumer Spending - Bloomberg
[iii] Comparing household assets across the wealth distribution | FRED Blog
[iv] Yes, tax refunds were up double-digits this year: How much more money did people get?
[v] Median Income by Generation: How Do You Compare? | Kiplinger
[vi] The new face of Gen X anxiety: Middle-aged Main Street business owners
[vii] The Record Divide Between Corporate Profits and Worker Pay - WSJ
[viii] $560B BNPL Market in 2026: Size, Growth & Provider Stats