

Market **Pulse**



Why the Average Consumer No Longer Exists

The State of the K-Shaped Economy

EQUIFAX[®]



The Statistical Myth of the “Average” Consumer

In a K-shaped economy, traditional financial indicators are no longer enough to tell the full story. While record-breaking wealth and high national savings rates suggest a robust economy, these averages mask a growing divide where many households feel increasingly strained. The post-pandemic economy has made finding the "average consumer" harder within a split reality: one group thriving through asset growth and liquidity, while another is squeezed by the rising costs of essentials like rent, food, and utilities.

Let’s explore why understanding this distribution — rather than the mean — is essential for modern growth and risk management. By moving beyond traditional credit scores

and embracing predictive data, organizations can identify high-capacity affluents, pinpoint resilient consumers, and navigate generational wealth shifts.



When Averages Stop Explaining Reality

Total U.S. household wealth now exceeds \$71.2 trillion. But that wealth is the most unevenly distributed in modern history. Equifax data finds there are 13.8 million affluent households (making \$1M+ annually) in the U.S. and they have \$53.4 trillion in total assets while there are 71 million mass market households (making under \$100K annually) and they have \$1.5 trillion in total assets.¹ The same distortion appears in savings. The national savings rate sits around 3–4%, yet the bottom half of households often have a negative savings rate.²

These numbers are not wrong. They are incomplete.

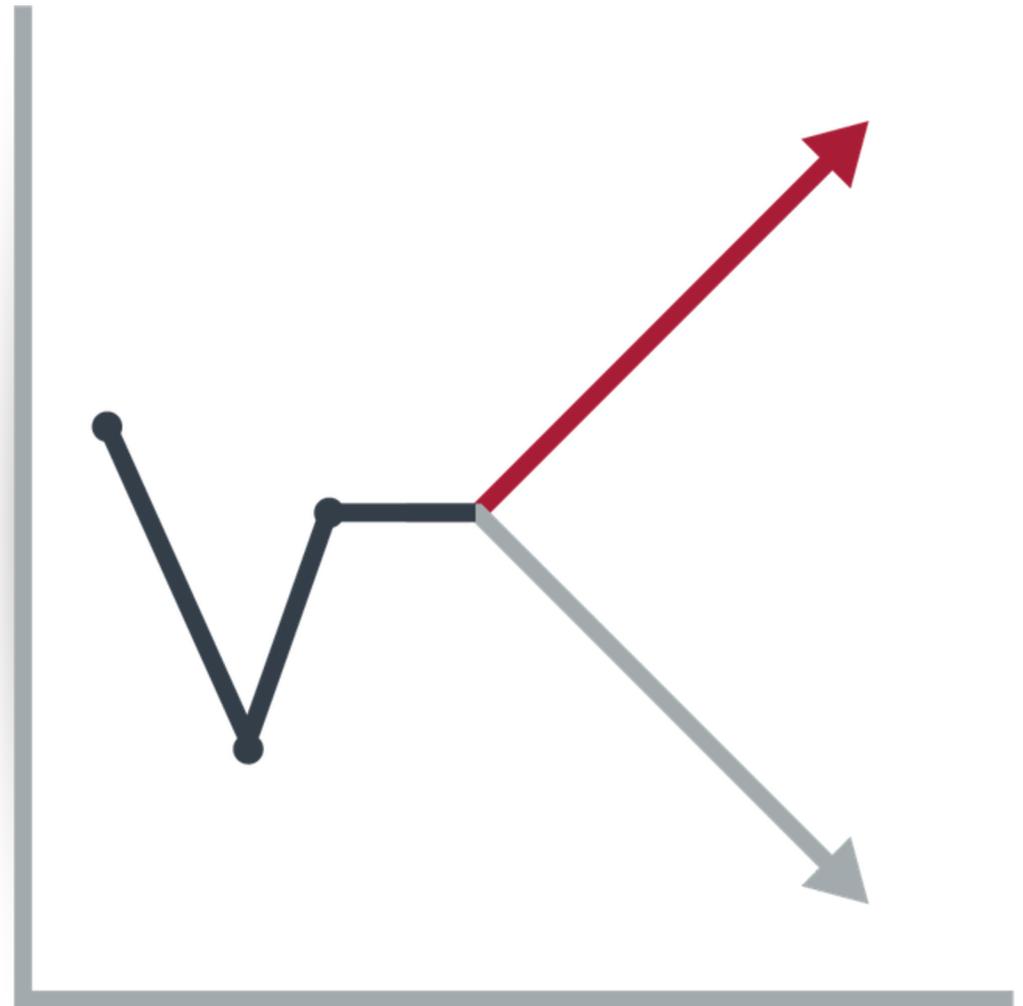
Averages smooth over stress. They hide divergence. As a result, aggregate indicators mask when nearly 20% of consumers are experiencing some financial strain.³

The K-Shaped Economy

The post-pandemic economy did not impact all households evenly. Instead, it split the economy into two distinct groups.

One group maintained or grew their wealth (the upper K arm, or "Thrivers"), benefiting from asset growth, fixed housing costs, and liquidity. The other group, financially vulnerable, (the lower K arm, or "Strivers"), squeezed by rising prices in rent, food, utilities, and rising debt. Between them, the middle thinned.

By 2026, this split is no longer a transition period. It is the structure of the new economy.



Seeing Beneath the Headlines

Financial health is a dynamic interplay of capacity, assets, and history. The Market Pulse Index is a composite framework designed to measure the variability of financial health across the U.S. population. Rather than isolating one metric, the Market Pulse Index integrates five interconnected dimensions of consumer finances:



Together, these pillars provide a holistic measure of consumer financial strength, scaled into a single index. But the real power of the Market Pulse Index is not the headline number — it's the distribution beneath it.

Looking Under the Number

Broad economic averages like GDP or CPI mask the widening gap between the "Thrivers" and the "Strivers." Rising national wealth hides the fact that the middle tier of the market has shrunk by 6% over the last three years.¹ Additionally, inflationary impacts are delayed; looking at single variables creates blind spots and misses the cumulative stress of debt and price increases.

The Market Pulse Index was specifically designed to surface that divergence. Instead of asking "How is the average consumer doing?" it asks:

- **How wide is the gap between financially strong and financially stressed households?**
- **Is financial resilience broad-based or concentrated?**
- **Are more consumers clustering at the extremes?**

Threats and opportunities do not emerge in the average. They emerge in the distribution.

The Shrinking Middle

The Equifax data that fuels the Market Pulse Index has revealed that over the last three years, there has been a 6% contraction in the “middle tier” (Index value 50–79). Consumers who once clustered in moderate financial health are increasingly migrating toward opposite ends of the spectrum:

- Some are strengthening — building assets, improving credit profiles, and expanding capacity.
- Others are weakening — facing higher debt burdens, reduced savings buffers, and greater vulnerability to economic shocks.

This migration toward the upper and lower arms signals growing polarization in financial well-being. In other words, while aggregate metrics may appear stable, the underlying structure is shifting.

As the Market Pulse Index analysis suggests,

“Aggregate metrics (like GDP) mask the personal recession experienced by the bottom 20% of consumers.”

For nearly half the population, rising prices, tighter credit conditions, and eroding savings have created a materially different economic reality than what headline growth figures imply.

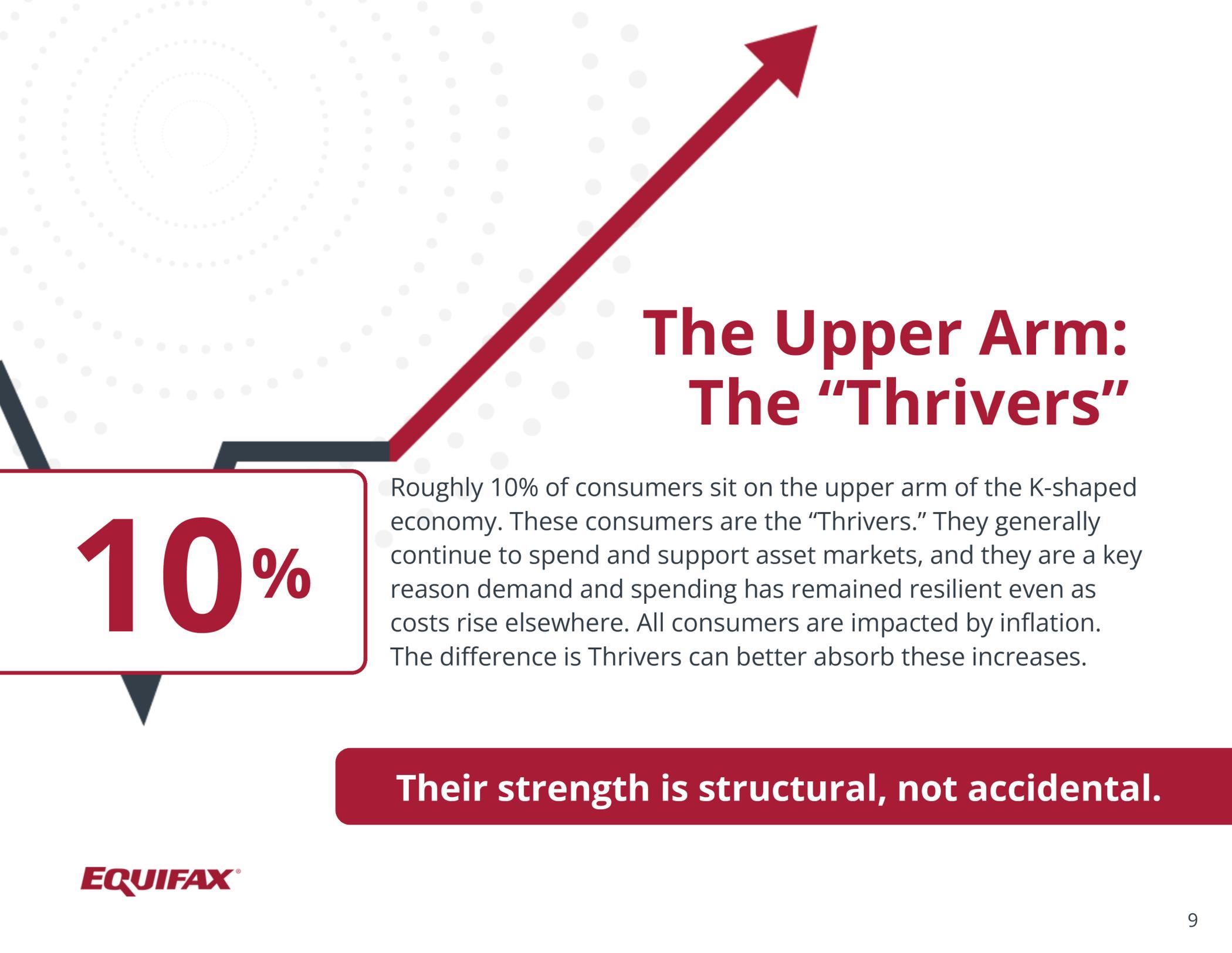
When the middle tier shrinks, the following typically occurs:

- Credit risk becomes more concentrated.
- Spending growth becomes more dependent on financially stronger households.
- Economic resilience becomes less evenly distributed.
- Policy and business decisions based solely on averages become less precise.

The Market Pulse Index reframes consumer financial stability as dynamic, not a single data point. By examining how credit, debt, income, capacity, and assets interact — and how those interactions are distributed — it reveals where systemic pressure is building and where strength is consolidating.

**The lesson is clear:
If we only look at the number, we miss the story.
If we examine the distribution, we may see the future.**

The myth of the average consumer is not merely outdated; it can be misleading. Understanding the distribution, not the mean, is now the starting point for growth, risk management, and relevance.



The Upper Arm: The “Thrivers”

10%

Roughly 10% of consumers sit on the upper arm of the K-shaped economy. These consumers are the “Thrivers.” They generally continue to spend and support asset markets, and they are a key reason demand and spending has remained resilient even as costs rise elsewhere. All consumers are impacted by inflation. The difference is Thrivers can better absorb these increases.

Their strength is structural, not accidental.



Why the Upper Arm Is Thriving

More than 50% of outstanding mortgages are locked at interest rates below 4%. For millions of households, mortgage costs are effectively frozen in time. At the same time, home values have surged, creating more than \$30 trillion in equity.⁴

Add historically high levels of liquid cash and the picture becomes clear.

Thrivers have buffers. They have flexibility. They have options.

This is what confidence looks like in 2026.

⁴ [Federal Reserve Bank of St. Louis, Households: Owners' Equity in Real Estate, Level, January 15, 2026](#)

The Hidden Divides Within the Upper Arm

The biggest mistake organizations make is assuming the upper arm is uniform. It is not.

Some Thrivers are Legacy Thrivers, with long-standing wealth and deep balance sheets. Others are Newly Upwardly Mobile, having recently moved up from the middle.

Then there is a quieter group: the Struggling Upper Tier.

These households still look strong on paper. They often have high incomes and strong credit scores. But liquidity is thinner, and reliance on credit is growing. The cracks are not easily visible until they become significant.

The Takeaway

The upper arm is not a monolith. Growth comes from identifying those with genuine liquidity, while risk mitigation requires spotting the "invisible cracks" in high-net-worth households that are beginning to leverage credit to maintain their lifestyle. Hidden stresses, "signal noise," and broad targeting could lead to high customer acquisition costs. Granular segmentation, targeting wealth (assets) vs. income, can help you keep acquisition costs down while growing your business.

The Lower Arm: The “Resilient Strivers”

20%

The lower arm of the K-shaped economy represents roughly 20% of the population. These consumers are often described as “struggling,” but that word misses the point.

Most are working. Most are paying their bills. Many are doing everything right. They are the “Resilient Strivers.”

Housing, utilities, and groceries now consume 64% of total spending for low-income households.

64%

The Silent Squeeze

Inflation does not hit evenly. For Resilient Strivers, rising costs in essentials have reshaped daily life.

Housing, utilities, and groceries now consume 64% of total spending for low-income households, with double-digit increases (housing +34%, food +34% and electricity +41%) since 2019.⁵ Auto loans are more often larger relative to income, even for modest vehicles. Student loan payments are hindering cash flow.

The problem is not behavior; it's math.

Invisible but Economically Active

More than 76 million consumers have thin files or are credit invisible. They pay rent, utilities, and phone bills reliably, yet they remain invisible to traditional credit systems. From the outside, they look risky. In reality, many are managing volatility with discipline and tradeoffs.



Why Traditional Signals May Arrive Too Late

For consumers, credit scores are often lagging indicators. By the time a payment is missed, financial stress has often been building for months.

To identify resilience early, organizations must look at:

- **Trended income and employment**
- **Utility and rent payments**
- **Changes in cash-flow behavior**

The Takeaway

Mitigate risk with trended and alternative data. Relying solely on a credit score renders the Resilient Strivers invisible, a missed opportunity for your business. By considering real-time data, like income and utility verification, you open the door for more growth without increased risk. Don't let your competition get ahead.

The Generational Wealth Gap

For decades, age was a reliable proxy for financial capacity. Older usually meant wealthier. Younger usually meant riskier.

In a K-shaped economy, that shortcut no longer works.

The Crossover Moment

In late 2025, Gen Z's Market Pulse Index number (59.04) surpassed that of millennials (58.82) for the first time. The difference was small, but the momentum behind it was not. Gen Z's capacity grew at four times the rate of millennials, whose progress flattened largely due to a 12% year-over-year increase in childcare and non-discretionary housing costs. Gen Z is entering the workforce with higher initial financial agility, creating a new "Upper Arm" of young, high-potential consumers.



Artificial Prime and Shadow Risk

Many millennials and Gen Z consumers appear to be prime customers based on their credit scores, but high student loan balances — often exceeding 50% of annual income — mask vulnerability. Payment priorities have shifted since COVID: Auto loans and mobile services often now take priority as “survival tools,” while student loans and unsecured debt are often the first obligations to be deprioritized.

This shift creates shadow risk, where lenders may think accounts are safe, but multiple obligations compete for the same last available dollar.

The Takeaway

Age no longer correlates to financial capacity. In the 2026 K-shaped economy, the traditional life cycle of wealth where older means more financially stable has been disrupted by a “crossover event” that favors Gen Z’s agility over the squeezed millennials. Target the young and affluent for new opportunities and gain a larger wallet share.

Leading in a K-Shaped Economy

The K-shaped economy did not create inequality. It revealed it.

The future belongs to organizations that stop asking “How is the average doing?” and start using granular segmentation and alternative data sources to find the consumers averages miss.

That shift is the difference between reacting late and leading early.

Static scores and broad demographic filters are no longer sufficient.

Precision prospecting means identifying resilient, high-potential consumers — including those overlooked by traditional segmentation. It also means distinguishing between temporary stress and structural decline.

**The opportunity is not more volume.
It is better alignment.**

Two consumers in the same demographic can be moving in opposite financial directions. What matters is trajectory. By tracking financial momentum, not just position, organizations can engage at moments of peak capacity and avoid mistimed risk exposure.

Velocity has become a competitive advantage.

The Cost of Standing Still

In a divergent environment, inertia is expensive:

- **Rising customer acquisition costs**
- **Mispriced risk**
- **Delayed detection of financial stress**
- **Eroding market share**

Predictive agility is not about predicting the future with certainty. It is about building the capacity to respond — faster and more precisely — to whatever shape the economy takes next.

In this environment, precision + velocity = growth



Engage with our dedicated team of Equifax Advisors to learn more about what these insights mean for you:



See more
[Trends and Insights](#)



Register for the next
[Market Pulse webinar](#)



Connect via a complimentary
[Market Pulse Advisory session](#)

