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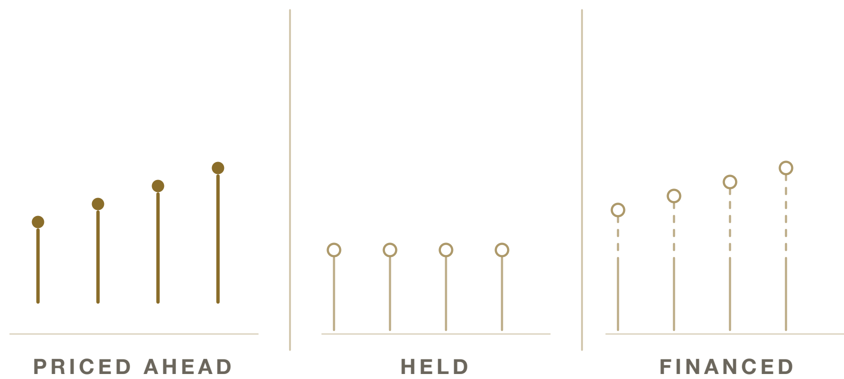


The Price Nobody Charged

Twenty-one consumer companies just told us who has money left. Not one of them had to ask.

As of 7 August 2026. Company figures from the complete Form 8-K and 10-Q/10-K filings of all 21 issuers, 5–7 August 2026, read in full. Price, income and employment data from the Bureau of Labor Statistics, the Bureau of Economic Analysis and the Federal Reserve via FRED.

WHAT HAPPENED

More work. More customers. No more money.

Twenty-one companies that sell to American consumers reported inside forty-eight hours this week. Almost all of them sold more than a year ago — more restaurant meals, more theme-park visits, more nights booked, more deliveries. Shopify processed $115.6bn of merchandise, up 31.6%. Uber ran 18% more trips. Attendance at Disney's domestic parks rose 3%, and its Experiences revenue rose 10%.

By the usual reading, that settles it. The American consumer is fine. The Treasury Secretary read it that way in the same week: the day before the first of these companies reported, Scott Bessent told CNBC he was "sick of hearing about this K-shaped economy" — the shorthand for an economy where richer households pull ahead on one arm of the K while poorer households slide down the other — and declared, "I can say here definitively, the K-shaped economy is over," pointing to wages at the bottom finally catching up.

On pay, he has a point, and our own data agrees with it: the poorest fifth of American households gained 12.9% in real purchasing power between 2019 and 2024 while the richest fifth lost ground. That is the strongest version of his argument, and this note does not dispute it. What this note shows is where the K went when it left the paycheque — because twenty-one companies that never have to ask a customer's income just spent forty-eight hours pricing as if the divide were alive and well.

Start with what those sales earned. **Texas Roadhouse grew comparable sales — the industry's like-for-like measure, counting only established locations — by 6%, set a record for average weekly sales — and its earnings per share fell.** Its own filing is precise about where the money went: restaurant-level profit dollars actually *rose*, and the decline came from overhead and depreciation growing faster than the restaurants' own earnings. The kitchens made more money; the company made less per share. Keep that shape in mind — it recurs.

It is not alone. Papa John's adjusted earnings were flat on 8.8% less revenue, and its bottom-line profit fell. Planet Fitness grew revenue 7% for $5m more of adjusted earnings. Six Flags reported the identical adjusted profit as a year ago, to the million — though on a like-for-like basis, stripping out parks it has since closed, that measure rose 7%. Shake Shack grew revenue 17.2% and its operating profit went *down*, from $22.4m to $20.7m.

Did the extra volume turn into profit?

THE OPERATORS			
Texas Roadhouse	comps +6%, record weekly sales	→	diluted EPS decreased
Shake Shack	revenue +17.2%	→	operating income $20.7m vs $22.4m
Papa John's	revenue -8.8%	→	adj EBITDA flat at $53m
Six Flags	revenue down	→	adj EBITDA $243m in both periods
Planet Fitness	revenue +7%	→	adj EBITDA +$5m
THE PLATFORMS			
Shopify	revenue +34%	→	operating income +68%
Expedia	revenue +14%	→	operating income +65%
Uber	bookings +22%	→	operating income +30%
DoorDash	marketplace GOV +36%	→	adj EBITDA +40%, GAAP net income -30%

Businesses that physically serve the customer grew sales without growing profit. Businesses that intermediate the same transactions converted growth into profit at two to three times the rate.

> Profit figures above are operating income as reported under standard accounting rules, so the two columns compare like with like. DoorDash is the exception: it reports no comparable operating line, so its adjusted earnings measure is shown — alongside the fact that its bottom-line profit *fell* 30% in the same quarter.

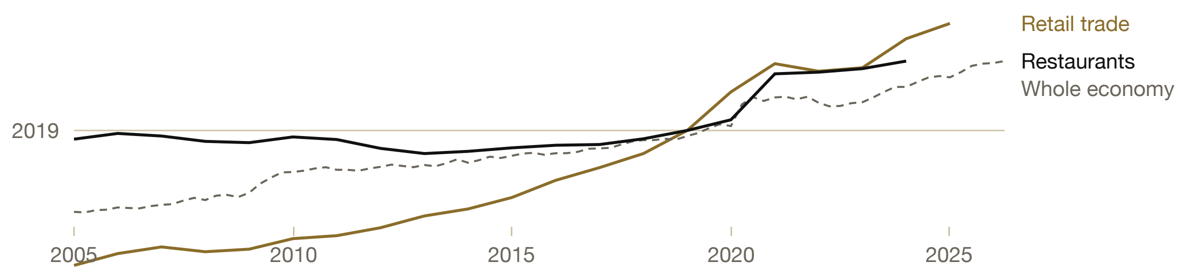
This note is about where that money went, what it reveals about American households that no survey captured, and why almost none of it appears in the numbers the Federal Reserve is required to watch.

RULING OUT THE EASY ANSWER

These businesses are not being run badly.

The obvious explanation for flat profits is that these are poorly managed companies. The data says the opposite.

Are these businesses simply being run badly?



Output per hour worked, with 2019 set to 100. Both industries are getting more from every hour they pay for than at any point on record. The flat profits are not an efficiency problem.

Output per hour worked — how much a business gets from an hour of labour it pays for — is at record levels in both industries. Retail trade is up 24.4% since 2019 and 69.5% since 2007. Restaurants are up 15.8%, matching the whole US economy. These businesses are extracting more from every hour than at any point on record, serving more customers, and earning the same or less.

And the statistics have this quarter's corroboration in the filings themselves. Airbnb's customer-support cost per booking fell roughly **16%** in a year, driven in part by an AI assistant that now resolves nearly half of the support issues it starts without a human agent. Peloton — the group's post-pandemic casualty — beat its own plan to deliver more than **$100m** of run-rate cost savings and posted the first full year of net profit in its history. Texas Roadhouse's labour costs fell as a share of sales, which it credits to a higher average guest check and labour productivity together outrunning wage inflation of roughly 4%. These are not businesses that forgot how to operate.

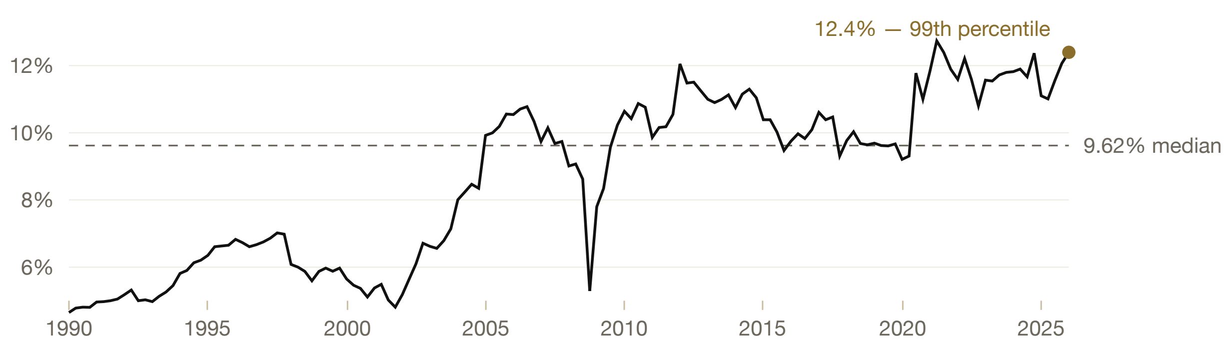
> Output per hour is published annually by the Bureau of Labor Statistics. The latest readings are 2024 for restaurants and 2025 for retail, so this describes the structural setup rather than this quarter — the company figures above are the current-quarter evidence that it is still improving.

WHERE THE MONEY WENT

There is no economy-wide cushion.

The obvious next question is whether business in general is quietly eating inflation to spare its customers. It would be a tidy story. It is also wrong, and the number that disproves it should be stated before anything else.

So is corporate America absorbing inflation? No.



Corporate profits as a share of the whole US economy. If businesses generally were sacrificing profit to shield customers from inflation, this line would be falling. It is near the highest level in thirty-six years and rose over the past year.

Corporate profits are running at **12.4% of the entire US economy** — the **99th percentile** of the past thirty-six years, up from 11.1% a year ago, against a long-run median of 9.6%. If companies as a whole were sacrificing profit to shield customers, this line would be falling. It is close to a record.

So there is no economy-wide cushion. What there is, is a split — and it runs through the middle of the group that reported this week.

Follow the cost lines, not the indices

The clean way to find out what is squeezing these companies is to read their own cost lines — each quarterly filing breaks the quarter's spending into food, labour, rent and the rest. We read all twenty-one. Two patterns hold across the restaurants:

— **Food is the runaway cost.** Texas Roadhouse's food and beverage bill rose **15.7%** against revenue growth of 11.2%. The Burger King restaurants Restaurant Brands runs itself — its Carrols acquisition — paid **14.9%** more for food and packaging. Shake Shack names the single culprit — **"record-high beef costs"**, in what it calls "one of the most challenging cost environments we have faced in many years."

— **Labour is the cost they have learned to control.** Texas Roadhouse's labour bill grew 9.9% — slower than its sales — with wage inflation guided at 3–4% and the rest productivity. Wages at those same company-run Burger Kings rose barely 1%. Disney's parks grew revenue 10% on 3% more operating labour. Six Flags' full-time wage bill *fell* 11%.

Shake Shack also wrote something unusual into a legal filing:

> *"a healthy result given record-high beef costs and the deliberate choice to protect our value positioning rather than fully offset inflation through pricing."*

Read that carefully — *fully* offset. Shake Shack did raise prices, about 4% blended across its channels. Its costs rose faster, and it chose to eat the difference rather than charge it. That is what absorption actually looks like in this group: not zero price increases, but price increases deliberately held below cost inflation, with the gap taken out of margin. Meanwhile Shopify converted 34% revenue growth into 68% operating-profit growth, and Expedia turned 14% into 65%.

Record profits in aggregate; compressing margins at some of the businesses serving ordinary customers. Both are true at once, and the second is invisible inside the first. Which raises the question the rest of this note is about: if absorption is happening at some companies and not others, what decides which?

> **Why the squeeze is not universal, and why we are not quoting price indices.** The pressure is name-specific: Papa John's reports commodity *deflation* in its supply chain, Restaurant Brands passes commodity costs through to franchisees by design, and Roku's input problem is not food at all but "tightening memory chip supply, a trend affecting the entire electronics industry." A national producer-price index cannot see any of that — and a gap between two indices cannot demonstrate absorption while aggregate profits sit at a record. Every cost figure above comes from the companies' own filings. Beyond the restaurants, the fastest-growing costs in this group are marketing and customer acquisition — DraftKings' revenue decline is promotional spend on its new Predictions product, Marriott Vacations' margin fell on higher marketing and sales costs, and Warner Bros. Discovery's on HBO Max launch marketing. The squeeze even echoes second-hand: Yelp's advertising revenue from its restaurant, retail and other services categories fell 10%, which it attributes to "the challenging operating environment for local businesses in these categories" — the squeezed operators cutting their own marketing. The margin story is food at the burger counter and customer acquisition everywhere else.

THE SORT

Everyone's customer showed up. They paid in three different ways.

Not every company absorbed it. And when we read all twenty-one quarterly filings in full, the split was not the two-way sort we expected. It was three-way.

Who passed the cost on, who ate it — and who lent the customer the difference?

PRICED AHEAD OF COST

● **Disney**	parks per-capita +4%, streaming rates +3%
● **Expedia**	average daily rate +5%
● **Texas Roadhouse**	menu actions; check up, traffic +3%
● **Etsy**	commission charged to sellers up
● **Papa John's supply arm**	commissary price up - volumes fell

HELD THE PRICE

○ **Six Flags**	admission pricing flat; per-capita -1% on mix
○ **Burger King US**	value positioning; comps +8.5%
○ **Shake Shack**	+4.0% blended - below its own cost inflation
○ **Planet Fitness**	legacy members held; new-member card $15 since 2024
○ **DraftKings**	revenue per user -13% on promotions
○ **Uber**	fare discipline plus consumer discounts

FINANCED THE PRICE

● **Airbnb**	Reserve Now, Pay Later expanding; installments in MX/BR
● **Marriott Vacations**	price per guest +23%; $2.6bn loan book, growing
● **Six Flags**	season passes sold on 3-12 month installments
● **Peloton**	names consumer-financing availability as a business risk

From the companies' own quarterly filings, all twenty-one read in full. The third category is the one a two-way sort hides: the price went up *and* the payment got easier. Six Flags and Airbnb appear twice for exactly that reason.

Read those lists by customer rather than by company. **The first group priced ahead of its costs and lost nothing** — Disney parks, Expedia's hotel nights, a steakhouse dinner where both the traffic and the cheque went up. Discretionary purchases by households with room. Penn's casinos put it plainly: its growth came from "mid- and high-worth customer segments."

The second group held its price and paid for it out of margin — fast food in a "highly promotional marketplace" (Papa John's words), Burger King leaning into value, Uber holding fares down with consumer discounts because its rivals do. Purchases by households living closer to their paycheque, in categories where a cheaper rival is a street away.

The third group did something subtler: it raised the price and financed the difference. Airbnb's average rate rose — and it now lets guests *reserve now, pay later*, is expanding that across countries, offers interest-free installments in Mexico and Brazil, and credits them for booking strength. Marriott Vacations' price per guest rose 23% — on top of a $2.6bn loan book it runs for its own customers, growing, with its loss reserve up 13% and its financing profit already falling. Six Flags holds its gate price — and sells season passes on three-to-twelve month installment plans, with an allowance in its accounts for "estimated defaults on installment purchase plans." The price did not fall. The payment got easier.

Economists call the underlying idea **price elasticity**: how much volume you lose when you raise the price. It reflects several things — substitutes, contracts, competition. But one of its inputs is simply whether the customer can afford the increase, and across a group this varied that is the factor the pattern keeps returning to. A household with savings absorbs a price rise without changing what it buys. A household with nothing spare walks — or takes the installment plan.

So when twenty-one companies independently work out what their own customers will tolerate and price accordingly, they are collectively taking a reading of American household finances — taken at the till rather than by questionnaire, from firms that watch every transaction and never have to ask anyone's income to set a price.

The honest objection to that inference is that pricing power has other parents. Fast food is more crowded than a theme park; a burger has a substitute across the street and a beachfront house does not, and part of the sort surely reflects that. Two things argue the customer's balance sheet is still doing real work. The third category cuts against the structural story: those firms *had* pricing power and used it — they just had to lend the customer the difference to make it stick, which is a statement about the customer, not the competition. And the split the pricing implies is exactly the split the household data measures directly in the next section, from sources that know nothing about any company's market structure.

The evidence that cuts against this reading, stated rather than buried. The strongest print in the group was Restaurant Brands — Burger King US comparable sales up 8.5% — selling to precisely the customer this argument says is constrained; whatever is happening, it is not that people have stopped showing up. Etsy reports US growth "across all household income levels." Six Flags says guests are trading *up* to higher-tier passes, not down. DoorDash reports growth in its US restaurant category accelerating. None of that fits a story of a consumer in collapse — and this note is not telling one. The claim is narrower: the customers are present, spending, and increasingly particular about price — and the companies serving the thinnest wallets are the ones paying for that in margin or lending against it.

Planet Fitness runs the whole progression in one company. Its standard membership, $10 for a quarter of a century, went to $15 for new members in 2024 — existing members were left untouched. This quarter's rate increase landed on its franchisees, not its members, and the company says it has "initiated and expanded tests around pricing." A price position defended that carefully is not a settled one — which is rather the point.

> The categories above come from reading all twenty-one companies' quarterly filings — the 10-Q or 10-K itself, not the press-release summary — so no company is classified on silence. Where a company's evidence points two ways, it appears twice, labelled.

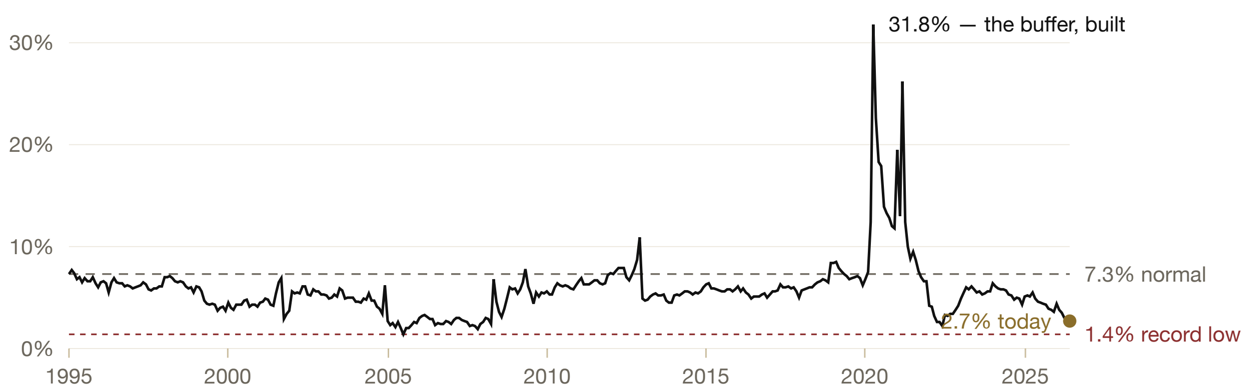
THE SECOND INSTRUMENT

The households say the same thing, measured a completely different way.

Everything above is the supply side — twenty-one companies inferring their customers' finances from what those customers would tolerate. That is one instrument, and it has obvious limits: one quarter, and a company that says nothing about price may still have raised it.

So test it against a second instrument that shares none of those weaknesses. The national accounts and the government's household spending survey measure the same households directly, from tax and survey data, with no company involved.

Where did the money come from — and how much is left?

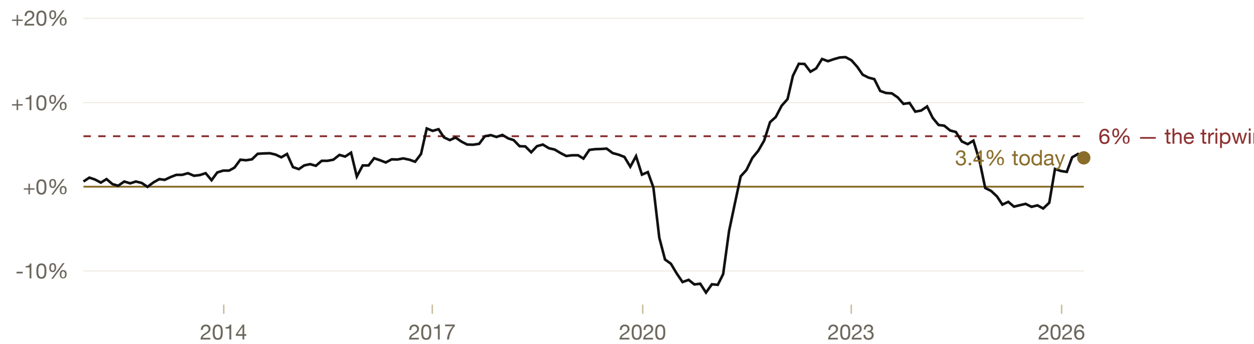


The share of after-tax income American households do not spend. The pandemic built an unprecedented buffer; it has been spent, and the rate now sits at roughly a third of its pre-2020 normal. Half of the past year's growth in consumption came from this line falling rather than from incomes rising.

Americans are spending more. Over the year to April, consumption grew **$1,185bn** — but income growth explains only $802bn of it. Roughly half the increase, **$591bn**, came from households simply saving less.

And they did *not* borrow to do it.

Have households reached for the credit card yet?



Annual growth in revolving consumer credit — essentially credit-card balances. Not yet. The pivot from savings to borrowing has not happened, which is the single most testable claim in this note.

Total consumer credit grew $106bn over the year to May, about **9%** of the spending increase. Households funded this from savings rather than credit by roughly five to one. That is what a drawdown looks like, and it is not what a borrowing binge looks like.

And it is not because the credit was refused. The New York Fed's survey of credit access — it asks households directly whether they applied for credit and what happened — found in June that **applications were at their highest since October 2021**, while only 16.1% of applicants were turned down, against 23.1% a year earlier. The door is open; households have mostly chosen the savings account instead. But applications at a four-and-a-half-year high is worth pausing on: it may be the front edge of the pivot this note argues matters most, which is why our prediction for Tuesday's debt report is stated in advance, in the closing section.

> The income and saving figures are from the Bureau of Economic Analysis. The split is an accounting identity rather than an estimate — consumption is approximately income multiplied by the share people spend. The two components exceed measured consumption growth by $208bn because the saving rate is defined against all household outlays, not consumption alone.

And the survey finds the same split the pricing found

The **Consumer Expenditure Survey** — the government's household-by-household spending survey, and the same data that sets the weights inside the inflation rate — breaks spending down by income. Between 2019 and 2024, after inflation:

- **Incomes converged.** The poorest fifth gained 12.9% in purchasing power. The richest fifth lost 1.4%.
- **Restaurant spending fell in every single income group** — 20.7% at the bottom, 13.9% at the top.
- **But what households added to savings each year diverged sharply.** The poorest fifth added 57.8% less than before. The richest fifth added 30.9% more.

Wages caught up. The ability to put anything aside did not. That is why a gym defends its price for its existing members while a timeshare presentation charges 23% more. And it is the answer to the Treasury Secretary's declaration: the K did not close. It moved — off the paycheque, where his wage figures genuinely have improved, and onto the balance sheet, where no wage statistic can follow it.

The bottom fifth's shift was not a borrowing story either. Its annual saving fell by $2,676 while its annual borrowing rose by $430 — **86% of the change came from saving less, 14% from borrowing more.** The same shape the national accounts show for 2026, from an unrelated survey, two years earlier. The bottom of the distribution reached the drawdown first.

> This survey is annual and its most recent reading is 2024, so it describes the shape of things rather than this quarter. It is also a survey — people misremember — and its savings figures are among its least reliable numbers, which is why the agreement with the national accounts matters more than either reading alone.

ONE HOUSEHOLD, FOUR ROLES

The customer and the workforce are the same people.

Two instruments agreeing is useful. What makes them one story rather than two is that they are measuring the same person — who appears four times in this data.

The same household appears four times in this data.

WORKER — what they earn

+0.1%
real earned income

CONSUMER — what they spend

+2.5%
real spending

FUNDS THE GAP

SAVER — what they hold

2.7%
saving rate
was 7.3% before 2020

BORROWER — what they owe

+3.4%
revolving credit
debt service at the 26th percentile

Spending is rising while earnings are flat. The difference is being funded from the saving rate, not from the credit card — which is why the borrowing statistics look calm and why that calm is not evidence of health.

They are a **worker**. The businesses in this note employ 32.4 million Americans between them — leisure and hospitality plus retail trade, roughly **one job in five**. Services overall account for **86% of all US employment**. When people say the American economy is a service economy, this is the arithmetic behind it.

They are a **customer** of those same businesses. They are a **saver**, spending down the buffer built in 2020. And they are a **borrower**, with a credit line they have not yet touched.

Watch what that means in one company's filing. Texas Roadhouse reported labour inflation of 3.9%. That is its wage bill — and it is also its customer's pay rise, the same dollar counted twice. It also reported ingredient-cost inflation of 7% that it declined to fully pass on. That is margin it gave up, and it is also a price its customer was never charged. Again, the same dollar.

The operator is absorbing cost on behalf of a customer who is, statistically, its own workforce. The wage it pays and the price it does not charge are two sides of a single transaction with the same household.

Why this should matter to the Federal Reserve

Because the absorption has to stop somewhere, and where it stops is employment — the one variable the Fed is obliged to act on. A business that has eaten 12% input inflation for a year does not raise prices on a customer who cannot pay; it cuts hours, then staff. The two sectors doing the absorbing employ one American worker in five. That is why leisure and hospitality losing 43,000 jobs in June and 40,000 in July is not a footnote.

Why this should matter to investors

Because it changes what the earnings are worth. Revenue growth funded by a customer's savings drawdown is not the same asset as revenue growth funded by rising income — the first has an end date and the second does not, and they look identical on an income statement. And the split between the operators and the platforms tells you who keeps the value when volume rises:

the businesses handling the physical transaction absorbed the cost, and the businesses intermediating it converted the same growth into profit at two to three times the rate.

Two instruments. Unrelated methods. The same answer.

Twenty-one companies inferred their customers' finances from what those customers would pay. The national accounts and a household survey measured the same finances directly. Neither reading is conclusive alone — but they fail in completely different ways, and they agree. The pressure is real, and it is being stored in company margins on one side and household savings on the other. Neither store appears in employment or in prices until it is exhausted — and those are the only two things the Federal Reserve is obliged to act on.

WHY THE FED SEES IT LAST

A price that was never charged cannot appear in the inflation rate.

The Federal Reserve is required by law to watch two things: **maximum employment** and **stable prices**. Not household savings. Not corporate margins. Not who can absorb a price increase.

What the two preceding sections describe is **two separate cushions, suppressing two different signals**. Some companies absorbed cost in margin, so the inflation rate never recorded the pressure that entered the system. Households absorbed the price rises that did happen by drawing on savings rather than buying less, so demand never weakened and the disinflationary signal that falling demand would produce never appeared either.

Both of the things a central bank is required to look at are being held up at once, by two different buffers, for two different reasons. Prices look contained because some companies ate the cost. Demand looks healthy because households spent their savings. Neither reading is false, and neither is durable. Four mechanics make it concrete.

The inflation rate is quietest where customers are weakest

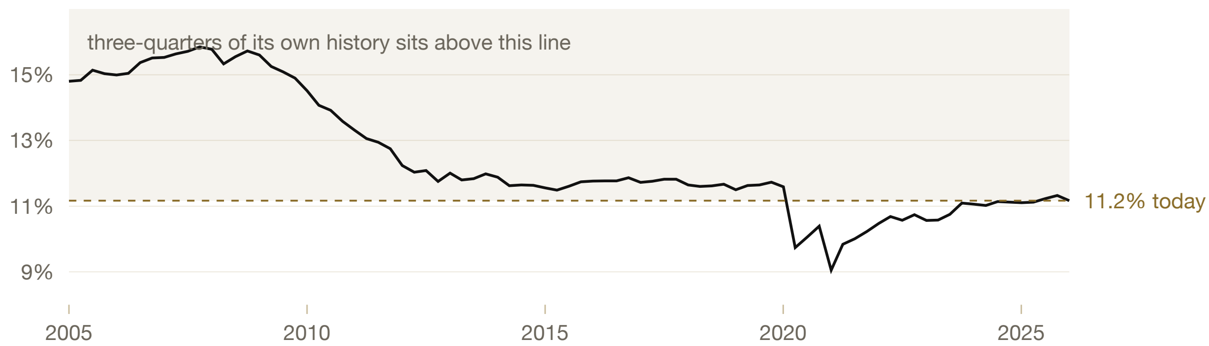
The Consumer Price Index measures prices companies *did* charge. There is no line in it for the increases the absorbers declined to take. So the reading is softest exactly where the customer had least room — because that weakness is what stopped the price rise. Soft category inflation normally reads as "no pressure here." It can equally mean "this customer had none."

Some of the borrowing is moving where the statistics cannot follow

The consumer-credit figures quoted earlier count what banks and finance companies report. But look back at the third category of the sort: Airbnb's pay-later booking, Six Flags' installment season passes, Marriott Vacations' in-house loan book, the buy-now-pay-later plans spreading through online checkouts. Some of that is visible if you know where to look — Marriott Vacations' loans are bundled into bonds and reported. But the fastest-spreading piece, the pay-in-four plan at the online checkout, is largely unreported to credit bureaus — an omission regulators themselves call *phantom debt* — and a season pass paid off over twelve months sits in a company's receivables, not in any household-credit statistic. Shopify, which processes checkouts for millions of merchants, grew its merchant lending 25% in six months. So a household can be spreading more and more of its spending across future paycheques while the official household-credit numbers stay calm — a third cushion, sitting between the other two, invisible for a different reason: not absorbed, just unrecorded.

The debt statistics look reassuring for a mechanical reason

And the number everyone quotes to say households are fine?



Debt payments as a share of after-tax income, all US households combined. It looks reassuring, and it is dollar-weighted — dominated by wealthier households holding cheap fixed-rate mortgages. It cannot see the households that are stretched.

Household debt payments currently take 11.2% of after-tax income. Debt has been a heavier burden than that in roughly three-quarters of the quarters since the measure began in 2005. But that figure adds every household together and weights by dollars — and it is dominated by wealthier households holding mortgages fixed at 2020–21 rates. A family carrying a maxed credit card at 20.9% barely moves it. The number cannot tell the difference between nobody being stressed and the stressed households being too small a share of the total to register.

The same is true of the interest figures

American households collectively earn about $2,020bn a year in interest and pay about $281bn in credit-card interest — better than seven dollars in for every dollar out. That looks like a sector doing well out of high rates. But the interest is earned by whoever owns the assets and paid by whoever carries the balance, and they are not the same households. The Federal Reserve's own distributional accounts put the top 1%'s net worth at roughly thirteen times that of the entire bottom half. **No household holds the average.**

HOW FAST

Slower than the headlines will suggest.

If the cushions are finite, the question is how long they last. Two of the three can be put on a clock; the unrecorded one, by definition, cannot.

On the household side, the saving rate is 2.7% and has been falling at about 1.9 percentage points a year. At that pace it reaches its 1990–2026 low of 1.4% in roughly eight months. That is arithmetic on a recent trend, not a forecast — the rate rose 0.8 points in a single month within the past year.

On the company side, there is a measurable amount of room and it is larger than the household's — but it is being consumed faster than it was. The group's clearest absorber, Shake Shack, saw its operating margin fall from 6.28% to 4.97% over the year, a compression of **131 basis points**. At that rate there are roughly **under four years** before the margin is gone.

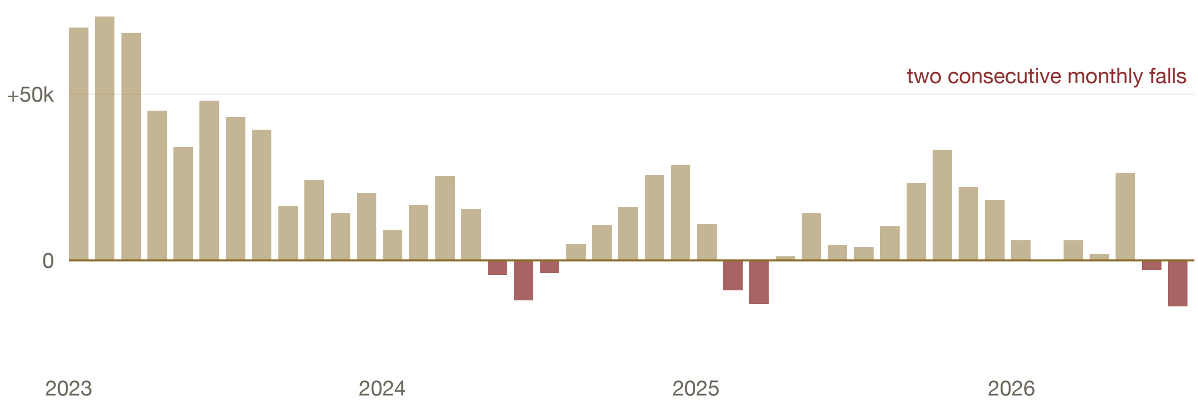
Two caveats before that figure travels. That company opened **16 new locations** in the quarter, and new restaurants run below mature margins, so part of the compression is the cost of expansion rather than the cost of inputs. And it is one company, one year, extrapolated in a straight line.

It should be read as room before behaviour must change, not as a countdown to failure. No company rides its margin to zero; it cuts hours, closes locations, and eventually raises prices — and *how* it chooses among those is the transmission into employment. That transmission is not hypothetical: Papa John's, the weakest print in the group, has already approved the closure of seventeen more company-owned restaurants — most expected to close by the end of the year — and says its portfolio review will result in "additional strategic restaurant closures."

The squeeze depends on whether input costs stay where they are, and the operators have told us what they expect. Texas Roadhouse guides to commodity inflation of about 5% for 2026 with roughly 60% of its remaining costs locked in — above its 3–4% wage guide, so the food-over-labour squeeze persists but does not accelerate. Shake Shack expects beef inflation "to persist into the second half" and calls the back half "real headwinds." If those costs instead fall away, the squeeze resolves and nothing reaches the consumer or the labour market. That four-year figure shortens or lengthens with the operators' own cost guides.

The channel to watch is employment, because it is the one the Fed is obliged to act on. It has just started to move.

Has any of this reached the thing the Fed must act on?



Monthly change in leisure and hospitality employment, averaged over three months. These are the businesses in this note, and the jobs belong to the customers they sell to.

Leisure and hospitality lost 43,000 jobs in June and 40,000 in July, with the three-month average swinging from +26,300 in May to **−13,700** in July. It is the largest two-month decline in the sector since at least 2022 — but it is the *third* such pair in just over two years, after April–May 2024 and January–February 2025, and neither of those became a trend. Retail trade cut 19,400 jobs in July. Headline payrolls fell 23,000. These are the sectors employing the customers they sell to. Two months is not a trend. It is the first reading of this the mandate can see at all.

IS THIS A PRECURSOR?

Stress is accumulating. That is not the same as a crisis coming.

Two finite buffers are being drawn down at once — company margins and household savings — with a third, unrecorded layer of point-of-sale credit building beneath them, while the instruments that would normally flag it all read benign. That is accumulating stress by definition, and it is reasonable to ask whether it is the front end of something worse.

The honest answer is that the historical record points both ways, and a reader deserves both readings rather than the one that suits us.

The saving rate has been this low twice before in thirty-six years. In **2005–07** it fell to 1.4%, and what followed was the financial crisis. In **2022** it touched 2.2%, and nothing broke. Same indicator, opposite outcomes.

What separates them is the balance sheet underneath, and today's looks more like 2022 than 2005:

— **In July 2005, households were spending down savings *and* carrying record debt.** Debt payments took **15.1%** of after-tax income. Today they take **11.2%** — four percentage points lower.

— **The debt was accumulating then; it is not now.** Revolving credit grew 3.7% in 2005 and 3.4% today — almost identical — but in 2005 that was happening on top of a debt burden already at 15.1% of income and still climbing, against a rising housing market. Today it sits on a burden of 11.2% that has been falling for years. The widely-cited explanation for the 2005 episode is home-equity extraction; this note does not test that claim and does not rest on it. The debt-service comparison alone is enough to show the two situations are not the same.

So the configuration that turned 2005 into 2008 was low savings *plus* heavy borrowing. Today has the first without the second.

Which makes the pivot to credit the thing that matters, rather than the saving rate itself. If households empty the buffer and then start borrowing, the picture begins to rhyme with 2005. If input costs fall back and the margin squeeze resolves, it rhymes with 2022. Both remain open, and the tripwires below are written to tell them apart — not to predict which.

> Two historical episodes is not a base rate. Nothing here estimates the probability of a crisis, and nothing here should be read as forecasting one. What the data supports is narrower and still worth acting on: pressure is building in two places that the standard warning system is structurally unable to see, so if it does develop through this channel, the numbers everyone watches will be the last to show it.

WHERE THE CHAIN ENDS

An absorbed cost is postponed, not avoided.

Follow the cushions past the consumer and the chain reaches the Treasury. Each link below depends on the one before it, and a chain of conditionals is a scenario rather than a forecast — but this is where a story about restaurant margins stops being a story about restaurants.

— **The inflation rate is accurate, and incomplete.** Worth stating carefully. The Consumer Price Index is not wrong — consumers genuinely did not pay those prices, so they genuinely did not experience that inflation. What the index cannot show is cost that entered the system and stopped at the margin. It is right about what happened and silent about what is stored.

— **Stored pressure releases in jumps, not gradually.** A business that has eaten 12% input inflation for a year does not pass through one percent at a time when it finally moves.

— **And the second cushion empties on its own schedule.** When savings run out, households stop absorbing price rises by dipping into the buffer and start absorbing them by buying less. Cost pressure releasing into prices while demand simultaneously weakens is an awkward combination for a central bank, because the two mandates point in opposite directions at the same moment.

— **A late, sharp price move argues for more tightening than the market has priced in.** Not because the Fed misread the number in front of it, but because that number was never measuring the pressure behind it.

— **And tightening lands on $39.9 trillion of federal debt.** Gross interest on the debt ran about $1.2 trillion in the last fiscal year. A single percentage point across the stock is roughly $400bn annually once it has rolled — simple arithmetic on the stock, and the fiscal channel that The Debt Endgame examined from the opposite direction.

That is the trilogy closing on itself. The sovereign balance sheet and the corporate credit stack were examined separately. The household turns out to be the transmission line between them — the place where inflation is currently being absorbed on both sides of the transaction, and therefore the place where the timing of everything downstream is set.

> **The off-ramp, stated as plainly as the chain.** Five conditional links multiply their uncertainty, and the first has a documented benign resolution: in 2022 a gap like this closed because input costs fell back, absorption ended, nothing was released, and the fiscal question never arose. Whether that exit opens this time is written in the operators' own cost guides, quoted in the runway section above: the squeeze is guided to persist through 2026, but not to accelerate. Nothing here assigns a probability to either branch.

↑↓ WHAT THE MARKET IS PAYING

The market has already picked a side. Check its work.

If the platform-versus-operator split is real, it should show up in what investors pay for a dollar of these earnings — and it does, emphatically. We spread all twenty-one names on the fund's standard comparison table: latest audited annual accounts from SEC filings, live market prices. The market pays roughly **100 to 240 times** last year's earnings for the platforms converting this quarter's volume into profit — Shopify near 100, DoorDash around 112, DraftKings far higher on barely positive earnings — and **20 to 33 times** for the operators handling the physical transaction: Disney around 22, Restaurant Brands 24, Texas Roadhouse 33.

The prices are not the anomaly — they price exactly the conversion gap this note documents. The anomalies are the exceptions:

— **Shake Shack trades near 74× last year's earnings** — a platform multiple on the group's clearest margin absorber, with a 3% net margin and beef inflation guided into the second half. It was also the group's worst earnings-day reaction. A premium price on a compressing margin is a bet the compression is temporary.

— **Lyft screens at 2× earnings — and is not cheap.** Our accounting screens flag that its reported profit is mostly a one-time tax accounting gain, with 41 cents of operating cash behind each reported dollar. The bargain multiple is an artifact.

— **Papa John's is the opposite case** — the weakest operator in the group, guidance cut to comparable sales of −6 to −8%, yet the same screens come back clean. Its problem is demand, not accounting. That is what honest distress looks like.

— **DraftKings carries goodwill and acquired intangibles — the accounting value assigned to past acquisitions — at roughly four times its book equity.** Earnings are cash-backed, but any future write-down of that value lands directly on shareholders' funds.

The market's first verdict on the week ran the same direction as the sort: Airbnb up 17%, Uber up 10% and Shopify up 5% on their prints; Shake Shack down 4% and Expedia down 3% on theirs. For a reader who holds these through funds rather than singly: **XLY**, the S&P consumer-discretionary sector fund, is the standard vehicle for this group — and is dominated by its largest members, so it behaves like the platforms, not the operators this note is about. The operator story lives in the equal-weighted retail fund **XRT** and in the single names.

> Multiples are computed on the latest full fiscal year (2025 for most names) against early-August 2026 prices; a company can look expensive against last year's earnings and cheaper against this year's if profits are growing. Earnings-day moves are two-day windows around each release; twenty of the twenty-one were complete at writing, DraftKings' window closing 10 August. The accounting screens are the fund's standard forensic battery — scores of the Beneish, Altman, Piotroski and Montier families plus cash-conversion checks — and a flag is a reason to look closer, not a verdict of wrongdoing.

WHAT WOULD CHANGE OUR MIND

Stated in advance, and scored in public.

Ahead of Tuesday's Household Debt and Credit report, we expect credit-card and auto delinquency rates for households aged 18–39 to print **roughly stable rather than sharply higher.** If this spending is funded from savings rather than credit — as both the national accounts and the spending survey indicate — then borrowing distress should not yet be accelerating.

If those rates jump, the sequence in this note is wrong. It would mean households already made the move from savings to credit, and that we mis-timed the story rather than merely arrived early. We will say so in those words.

- **Input costs falling back toward menu prices.** This is how the 2022 episode resolved, and it ends the squeeze without anything else happening. The check is the operators' own guides, not an index: Texas Roadhouse guiding commodity inflation below 5%, or Shake Shack's beef pressure breaking before year-end, would mean the squeeze is resolving.
- **Revolving credit growth passing 6%** — currently 3.4%. That is the moment households switch from savings to the credit card, and the point at which a 20.9% interest rate starts to bite.
- **The saving rate holding above 2.5% for three consecutive months.** The series is jumpy enough that one month proves nothing. Three would extend the runway materially.
- **A third consecutive monthly fall in leisure and hospitality employment.** That moves the labour signal from noise to trend, and puts this inside the Fed's mandate for the first time.

What this is not

It is not a recession call. Almost every company in this group sold more than it did a year ago, and that evidence is strong. It is not a claim that households are drowning in debt — on the aggregate measures they are the opposite, which is the whole point, because those measures cannot see the households that are. And it is not a claim that anyone is behaving badly: companies absorbing costs rather than passing them on are responding to their own customers, and the split by customer type is what competition looks like when demand is elastic in one place and not in another.

It is a claim about **durability**. A restaurant can absorb 12% input inflation for a while. A household can spend down its savings for a while. Both are real, both are rational, and both are finite — and the two official numbers that would tell you when they run out are the last two places it will show up.

> This is the third of three balance sheets. The Debt Endgame took the sovereign one; The Private Credit Reckoning took the corporate one. The household is the last of the three and the least instrumented.

Sources & Method

Company figures and corpus coverage. Every company claim in this note comes from primary SEC filings read in full: the Item 2.02 Form 8-K earnings release *and* the Form 10-Q quarterly report (Form 10-K for Peloton, whose fiscal year ends in June) for all 21 issuers, filed 5–7 August 2026 — roughly 5.5 million characters of filing text; accession numbers available on request. Commentary was extracted across eleven themes (customer, pricing, cost drivers, promotion, labour, volume, credit, productivity, competition, geography, outlook); coverage per theme was 20 or 21 of 21 companies except geography (13 of 21, most filers not splitting results geographically). No company is classified on the absence of language in a press-release summary; the three-way pricing sort reflects each filing's own stated actions.

Quotations. Treasury Secretary Scott Bessent's remarks are from his CNBC *Squawk Box* appearance of 4 August 2026, as carried by multiple outlets; they are quoted for the public debate they frame, and this note's response rests on the data above, not on a characterisation of his argument.

Credit access. Application and rejection rates from the Federal Reserve Bank of New York's SCE Credit Access Survey, June 2026 wave (released July 2026, fielded every four months). The New York Fed's site rejects automated retrieval; the figures quoted were cross-checked across two independent press summaries of the release.

Comparison table and accounting screens. Valuation multiples computed from as-reported SEC XBRL company facts (latest fiscal year, 2025 for all names but Peloton's FY2026) against Schwab real-time market data, 7 August 2026. Accounting screens are the fund's standard forensic battery (Beneish M, Altman Z', Piotroski F, Montier C, Sloan accruals, cash-conversion and balance-sheet flag checks) run on the same as-reported data; the Altman Z' distress reading systematically penalises lease-heavy restaurant balance sheets and deposit-carrying betting platforms, and is interpreted accordingly in the body. Earnings-day reactions are two-day windows (close before the filing date to close after); 20 of 21 windows were complete at writing, the exception being DraftKings, which reported on the final trading day of the week and whose window closes 10 August.

Productivity. Output per hour from the BLS industry productivity programme: `IPUTN722L000000000` (food services and drinking places, latest observation 2024), `IPUHN4445L000000000` (retail trade, 2025) and `OPHNFB` (nonfarm business, 2026Q2). Rebased to 2019 = 100.

Households. Saving rate `PSAVERT`, disposable income `DPI` and consumption `PCE` from the Bureau of Economic Analysis; consumer credit `REVOLSL`, `NONREVSL` and `TOTALSL` from Federal Reserve G.19; debt service `TDSP`, current through 2026Q1 only and beginning in 2005; household interest income `PII`, a seasonally adjusted annual rate rather than a trailing sum; net worth by percentile from the Federal Reserve Distributional Financial Accounts. The consumption decomposition is an accounting identity, not a regression: the income leg is the change in disposable income at the prior year's spending share, the saving leg is current disposable income multiplied by the change in the saving rate. The two legs exceed measured consumption growth by $208bn because the saving rate is defined against all personal outlays rather than consumption alone. The runway figure extrapolates the trailing twelve-month rate of decline from the June observation; it is not a forecast and the series is not monotonic.

Distribution. BLS Consumer Expenditure Survey by quintile of income before taxes, latest observation 2024. Real changes use each category's own consumer price index rather than a single headline deflator; a single deflator understates the real decline in restaurant spending, because food-away-from-home prices rose 29.7% over 2019–2024 against 22.7% for all items. The survey is interview-based, under-reports total spending relative to the national accounts, and its asset and liability items are among its least reliable; the divergence in annual additions to assets is reported as suggestive rather than established.

Profit share. Corporate profits `CP` against gross domestic product `GDP`, both from the Bureau of Economic Analysis via FRED, quarterly; percentile computed against the ratio's own history from 1990.

Employment. BLS establishment survey: `USLAH` (leisure and hospitality), `USTRADE` (retail trade), `PAYEMS` (total nonfarm), July 2026 vintage. Employment figures quoted in the body are raw month-over-month changes; three-month averages are labelled as such where used. Three-month averages are of the month-over-month change. Hourly-earnings comparisons use data as revised in the July release; figures published before that revision differ.

Scope. Twenty-one companies in a single quarter. All comparisons are descriptive. No significance testing is performed or implied.

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