

Inflation and WTP for Sustainable Products

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Abstract

We examine how inflationary pressure shapes consumers' willingness to pay (WTP) a premium for sustainable products, and whether this relationship operates through consumers' valuation of sustainability in retail environments. Using five repeated cross-sectional, nationally representative online surveys from Portugal collected December 2021–June 2024 (N = 5,013), we model WTP premiums (0–100%) for sustainably produced goods across product categories. We combine macroeconomic indicators (year-on-year CPI inflation and the 1-year Euribor rate) with a high-inflation indicator (months in which CPI inflation exceeds 3%) and a post-2021 period dummy capturing broader structural shifts. Because WTP is bounded, we estimate fractional-response models and report average marginal effects, with demographic controls and wave/region fixed effects. Aggregated across categories, high inflation reduces WTP by 4.82 percentage points (95% CI: –6.82, –2.82), while the post-2021 period is associated with higher WTP (+7.97 pp; 95% CI: 5.47, 10.22). Category patterns indicate larger inflation sensitivity for daily necessities (food: –6.04 pp; personal hygiene: –6.72 pp) than for durable purchases (automobiles: –3.90 pp). Inflation depresses WTP across the age distribution, with larger point estimates among younger consumers (about –6.5 pp at age 20 vs. –3.5 pp at age 60), though the age–inflation interaction is not statistically significant; parenthood effects are similarly small. Mediation tests indicate that inflation also reduces the valuation of sustainable stores (–0.466 units), which in turn is positively associated with WTP (+2.53 pp per unit). Including the mediator attenuates the direct inflation effect (from –2.89 to –1.79 pp), with a significant indirect effect of –1.10 pp, supporting partial mediation. Overall, inflation constrains sustainable consumption via reduced purchasing power and weakened sustainability salience in retail contexts, highlighting the importance of credible, low-friction sustainability signaling and pricing strategies during high-inflation episodes.

Keywords: inflation, sustainable consumption, willingness to pay, retail sustainability, mediation

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