

# U.S. Consumer Monitor: Holiday Spending Preview

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Michael Brown | Principal U.S. Economist  
[michael.brown@visa.com](mailto:michael.brown@visa.com)

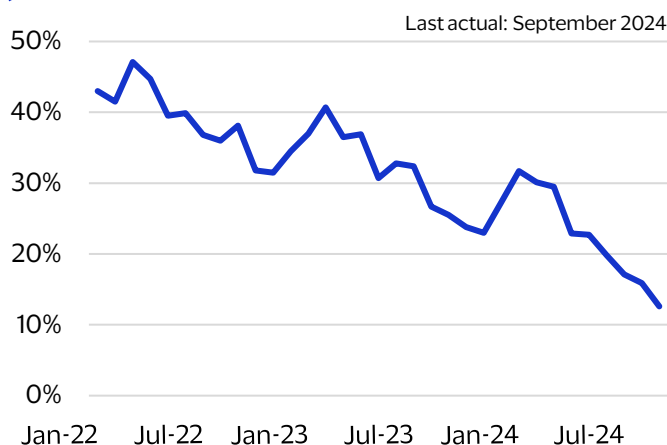
Bruce Cundiff | VP, Consumer Insights  
[bcundiff@visa.com](mailto:bcundiff@visa.com)

Sean Windle | U.S. Economist  
[swindle@visa.com](mailto:swindle@visa.com)

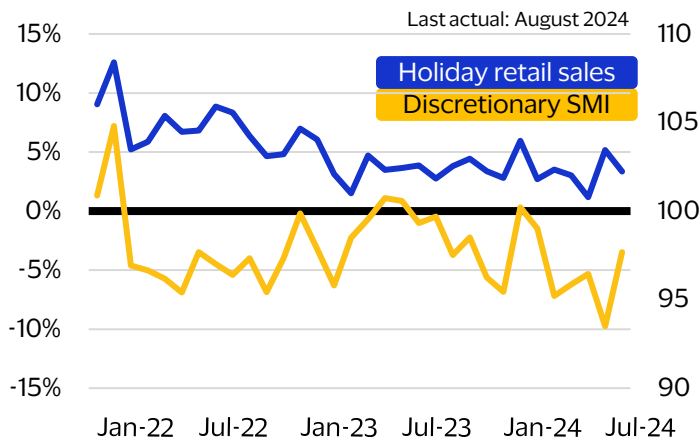
## Consumers may face holiday headwinds this shopping season



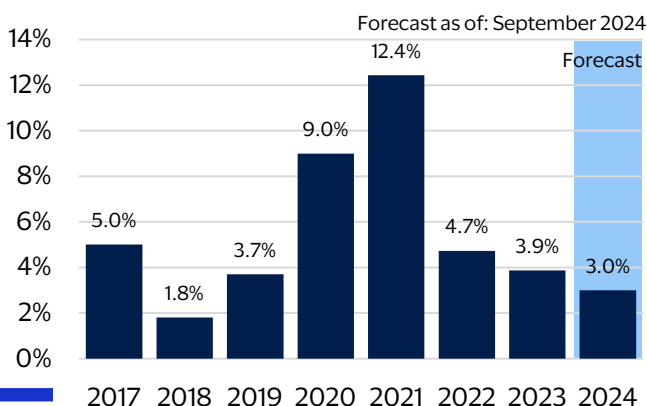
**Fig. 1: Consumer labor market observations**  
 (SA,\* percent, jobs plentiful less hard to get)



**Fig. 2: Holiday retail sales growth<sup>1</sup> vs Discretionary Spending Momentum Index (SMI)** (NSA\*, sales excluding autos, gas and restaurants; YoY percent change)



**Fig. 3: Holiday retail spending, Nov-Dec<sup>1</sup>** (NSA\*, sales excluding autos, gas and restaurants; YoY percent change)



\* SA is seasonally adjusted, NSA is non-seasonally adjusted.

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### Reverting back to fundamentals

Consumers have shown some semblance of spending strength in recent months, but several factors may dampen their willingness to spend this holiday season. While inflation continues to abate, the price level of many holiday purchases—both goods and services—remains elevated compared to the past several years. The Conference Board's Consumer Confidence Index has shown overall consumer confidence improving, but it has certainly not been strong enough throughout 2024 to portend a break out in holiday spending. Waning confidence in the labor market, both at present and (possibly more importantly) in the future may also push some consumers to curtail their holiday spending due to job loss concerns. Additionally, while an increasing percentage of consumers expect their family financial situation to improve in the coming six months, those who see their *present* family financial situation as bad has also been increasing in recent months—nearly to the same level as consumers who see it as good.

### Bracing for holiday headwinds

In contrast with last year, we enter this holiday season with a softer labor market, rising unemployment and no pandemic savings cushion. While these developments paint a pessimistic picture, incomes continue to hold up. Average hourly earnings growth is still tracking faster than pre-pandemic levels, with growth accelerating in August compared to July. Consumer confidence, while not robust throughout 2024, has benefited from cooling inflation and falling gasoline prices. Recent retail sales trends are also encouraging, with holiday sales categories<sup>1</sup> up 0.3 percent in August from the previous month, and up 3.5 percent from August 2023. Our Discretionary Spending Momentum Index rose 4.8 points in August to 97.5 in another sign of spending growth in the months ahead. Nonetheless, the primary engine that fuels holiday spending is growth in real disposable income, which has slowed considerably. In July, real incomes rose 1.1 percent year-over-year (YoY), compared to 4.4 percent YoY growth in July 2023.

### Sales looking a little less holly jolly this year

With the backdrop of softer income growth and softening consumer confidence, **we see holiday sales rising 3.0 percent YoY this season.** If realized, this season could be slightly below the average during the last expansion (2010-2019) of 3.6 percent. Given the ongoing trend for a more elongated holiday shopping season, we have also estimated holiday sales including the month of October. Under this broader definition, we estimate holiday sales will rise 3.1 percent YoY this season, down from 3.8 percent in 2023. Last year, the nominally reported sales were lifted, in part by inflation pressures. This year, as inflation subsides, we expect more real (inflation-adjusted) consumer spending growth. The implication of the outlook is that foot traffic (real spending) should be stronger while prices continue to moderate. On net, this will likely weigh on holiday sales revenues (nominal spending) this season.

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## Sources

Fig. 1: Visa Business and Economic Insights and The Conference Board

Fig. 2: Visa Business and Economic Insights and U.S. Department of Commerce

Fig. 3: Visa Business and Economic Insights and U.S. Department of Commerce

## Footnotes

<sup>1</sup> We define holiday sales as non-seasonally adjusted nominal retail sales on all forms of payment less sales at automotive dealers, gas stations and restaurants for the months of November and December as reported by the U.S. Department of Commerce.

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# Accessibility notes

Figure 1: Line chart showing the seasonally adjusted change in consumer labor market observations from January 2022 through September 2024. The line shows the percentage of consumers who viewed jobs as "plentiful" less those who viewed them as "hard to get." Positive consumer sentiment on the labor market ranged from 43 percent in January 2022 to a high of 47 percent in March 2022 before declining to a low of 12.6 percent in September 2024.

Figure 2: Line chart showing year-over-year growth (non-seasonally adjusted) in holiday retail sales excluding autos, gas and restaurants relative to the discretionary spending momentum index (SMI) from January 2022 to August 2024. Growth in holiday retail sales ranged from 9.0 percent in January 2022 to a high of 12.6 percent in February 2022, dropped to a low of 1.18 percent in June 2024 and increased slightly to 3.3 percent in the most recent figure from August 2024. Growth in the discretionary SMI ranged from 100.9 in January 2022 to a high of 104.8 in February 2022, declining to a low of 93.5 in July 2024 before rising to 97.7 in August 2024.

Figure 3: Bar chart showing the year-over-year percent change (non-seasonally adjusted) in holiday retail spending excluding autos, gas, and restaurants, starting at 5.0 percent in 2017 before falling to a low of 1.8 percent in 2018, then rising to a high of 12.4 percent in 2021 and decreasing to a low of 3.0 percent in the forecast for 2024.



## Visa Business and Economic Insights Staff

<b>Wayne Best, Chief Economist</b>	<a href="mailto:wbest@visa.com">wbest@visa.com</a>
<b>Bruce Cundiff, Vice President, Consumer Insights</b>	<a href="mailto:bcundiff@visa.com">bcundiff@visa.com</a>
<b>Simon Baptist, Principal Asia Pacific Economist</b>	<a href="mailto:sbaptist@visa.com">sbaptist@visa.com</a>
<b>Mohamed Bardastani, Principal CEMEA Economist</b>	<a href="mailto:mbardast@visa.com">mbardast@visa.com</a>
<b>Michael Brown, Principal U.S. Economist</b>	<a href="mailto:michael.brown@visa.com">michael.brown@visa.com</a>
<b>Adolfo Laurenti, Principal European Economist</b>	<a href="mailto:laurenta@visa.com">laurenta@visa.com</a>
<b>Richard Lung, Principal Global Economist</b>	<a href="mailto:rlung@visa.com">rlung@visa.com</a>
<b>Dulguun Batbold, Senior Global Economist</b>	<a href="mailto:dbatbold@visa.com">dbatbold@visa.com</a>
<b>Weiwen Ng, Senior Innovation Economist</b>	<a href="mailto:weiweng@visa.com">weiweng@visa.com</a>
<b>Joel Virgen Rojano, Senior LAC Economist</b>	<a href="mailto:jvirgenr@visa.com">jvirgenr@visa.com</a>
<b>Jennifer Doettling, Director, Content and Editorial</b>	<a href="mailto:jdoettli@visa.com">jdoettli@visa.com</a>
<b>Michael Nevski, Director, Consumer Insights</b>	<a href="mailto:mnevski@visa.com">mnevski@visa.com</a>
<b>Travis Clark, U.S. Economist</b>	<a href="mailto:wiclark@visa.com">wiclark@visa.com</a>
<b>Hannah Heeran, European Economist</b>	<a href="mailto:heeranh@visa.com">heeranh@visa.com</a>
<b>Woon Chian Ng, Asia Pacific Economist</b>	<a href="mailto:woonng@visa.com">woonng@visa.com</a>
<b>Sean Windle, U.S. Economist</b>	<a href="mailto:swindle@visa.com">swindle@visa.com</a>
<b>Jen Petosky, Analyst, Content and Editorial</b>	<a href="mailto:jepetosk@visa.com">jepetosk@visa.com</a>
<b>Michelle Yi, U.S. Economic Analyst</b>	<a href="mailto:michyi@visa.com">michyi@visa.com</a>
<b>Juliana Tang, Project Coordinator</b>	<a href="mailto:jultang@visa.com">jultang@visa.com</a>

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