

# NRF<sup>®</sup> MONTHLY ECONOMIC REVIEW

Economic Data & Trends for the Retail Industry

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*\*The data for this report is released on a rolling schedule. The presented numbers are current as of publication and are subject to revision.*

## SYNOPSIS

### What Does the Consumer Landscape Look Like for 2016 Holiday Sales?

It's the time of the year again when consumers and retailers turn their attention to the holiday season. As a primary contributor to economic growth since the Great Recession, it is essential to monitor the American consumer's fiscal state. Consumer spending accounts for 70 percent of gross domestic product year-round. And the motivations and behavior behind that spending are critically important at this time of year because holiday sales account for 19 percent of annual retail industry sales.

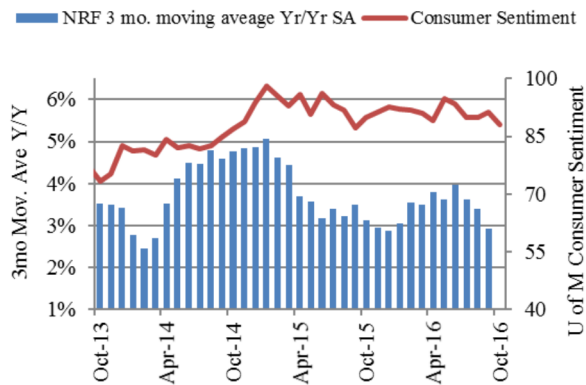
This year, NRF expects U.S. holiday retail sales to rise 3.6 percent, which is ahead of last year's 3.2 percent increase and the seven-year average of 3.4 percent since the recovery began in 2009. We are optimistic that retailers will see a healthy holiday season and several indicators support this outlook.

Over the past year, job growth has averaged 178,000 positions per month. In September, average hourly wages for all private-sector workers grew by 2.6 percent, up from 2.4 percent growth in August. Persistent job gains and a resulting boost in wages have kept household confidence at elevated levels in recent months and should be supportive of sustained growth in retail sales. Consumer confidence has declined more recently, however, amid the political turbulence of an election year and increased talk of higher interest rates. Meanwhile, access to and use of credit has grown and has provided additional spending capacity even though consumers appear to be cautious about taking on additional debt. Household net worth hit an all-time high of \$89.1 trillion at midyear due largely to higher home values but also gains from the stock market. This wealth effect should provide some boost to spending. The inflation of domestic core goods prices remains weak but core services have begun to slightly accelerate. Nevertheless, the holiday sales outlook reflects weaker consumer goods prices that, while attractive to shoppers, have the effect of reducing topline sales forecasts.

This holiday season will build on last year's sales innovations and technology. E-commerce sales will continue to accelerate but bricks-and-mortar will continue to be a mainstay for the shopping experience. Non-store sales, which include e-commerce purchases, are forecast to increase by 7 to 10 percent. NRF anticipates that retailers this season will need to gear up and add as many as 690,000 positions. Some of those employment gains have probably already taken place in October as earlier shopping has stretched the holiday season to more than just the traditional November-December period. All in all, NRF is seeing a modest pickup in economic activity in the second half of this year, providing a base for a decent 2016 holiday shopping season.

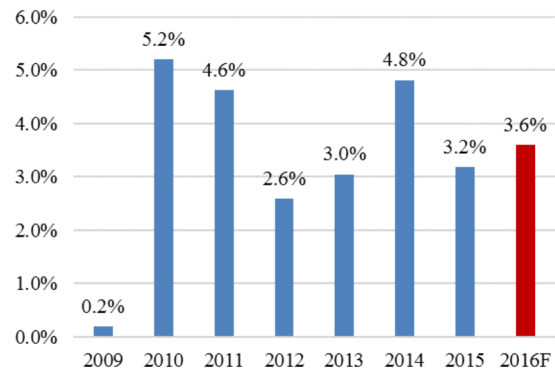
## CONSUMER SENTIMENT

Despite sliding confidence, consumers remain engaged, with September retail sales up 3.5% year-over-year gain and ahead of the three-month trend.



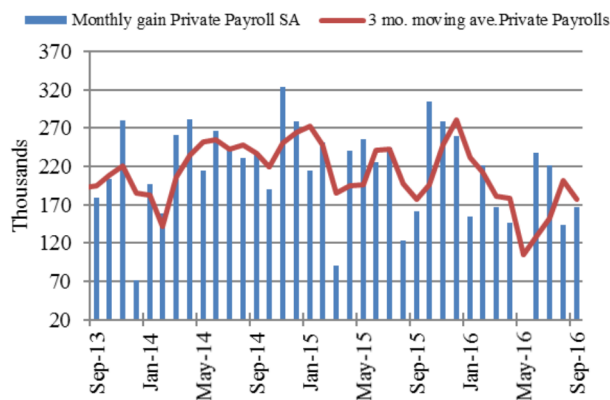
## HOLIDAY SALES

Retail sales were somewhat unfavorable earlier in 2016, but holiday spending is expected to increase a healthy 3.6%, compared with the seven-year average of 3.4%.



## PAYROLL

Private payrolls are up an average of 177,000 jobs over the last three months and are supporting consumer spending.



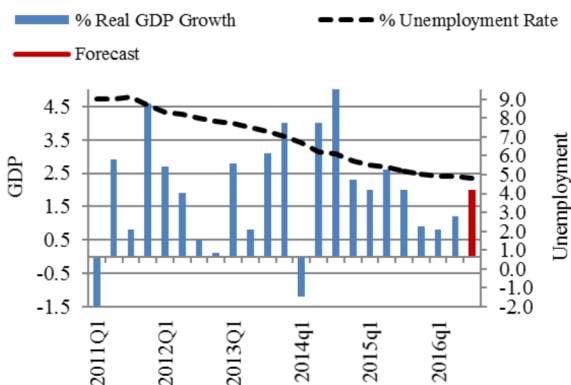
## RETAIL EMPLOYMENT

Retail payrolls remain on a steady, positive path. Over 600,000 openings are available and firms could add as many as 690,000 seasonal holiday positions.



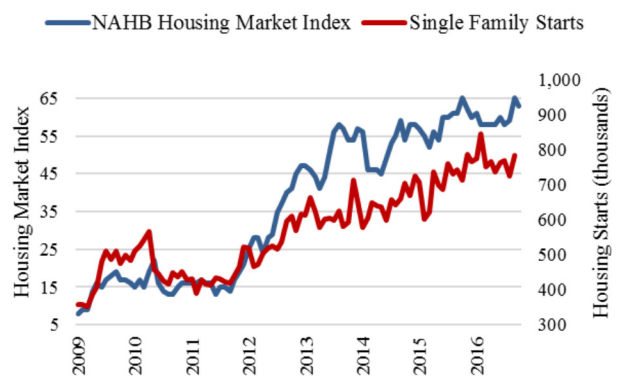
## GDP & UNEMPLOYMENT

While there were concerns about the economy, summer indicators support a rise in third-quarter GDP. September unemployment inched up 0.1 percentage points to 5%.

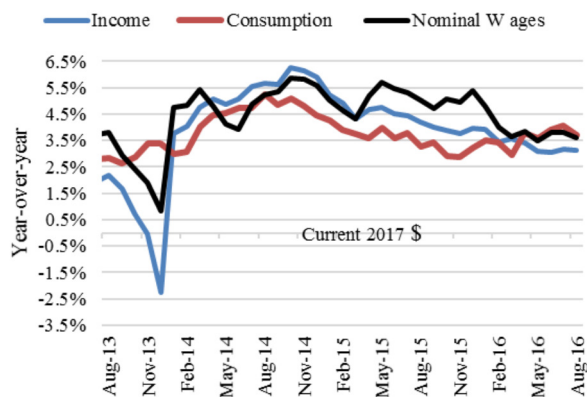


## HOUSING MARKET

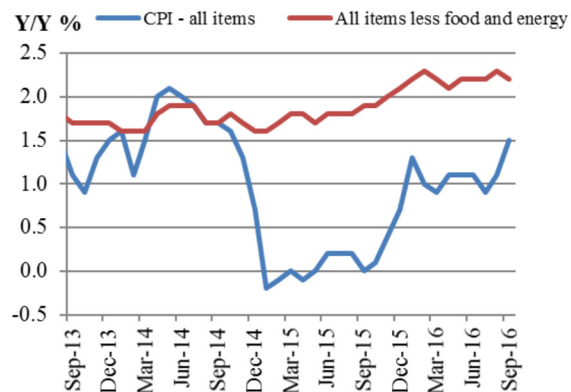
Single-family housing activity has been steady in 2016 and has contributed to gains in home-related retail sales. Builder sentiment slipped slightly in September.



Steady payrolls and wage growth have been a boost to aggregate consumer spending. The pace of spending going forward will continue to be a key driver of the pace of economic activity.



September's all-items Consumer Price Index inflation rose at the fastest year-over-year pace in two years. The inflation report strengthens expectations of a Fed rate hike in





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