NRF® 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

How did holiday sales hold up?

U.S. holiday sales rose 4.1 percent in 2019 from a year earlier as steady wages and job growth along with strong household balance sheets encouraged consumers to shop during November and December. A 6.7 percent year-over-year upsurge in retail spending in December provided a major boost for the season following a modest 1.3 percent increase in November. The combined growth rate for the two months was nearly twice the 2.1 percent increase seen during the 2018 holiday season and came in at the top end of NRF's forecast of between 3.8 percent and 4.2 percent. Total holiday sales (excluding automobile dealers, gasoline stations and restaurants) came to a record $730.2 billion. While these are preliminary results based on Census Department data subject to revision in the coming months, they still represent a good benchmark to measure the accuracy of our forecast.

The increase in holiday spending is consistent with our assessment that the consumer continues to put the economy in a solid position for economic growth in 2020. Consumers remain confident about the near-term outlook for both job security and improved compensation. The mid-month preliminary University of Michigan consumer sentiment survey registered 99.1, which is teasing the expansion's peak of 101.4 registered in March 2018 shortly after the tax cuts and government stimulus program that boosted economic activity that year took effect.

On a year-over-year basis, non-store retail sales – made up largely of online sales but also including catalog sales and miscellaneous categories like vending machines or kiosks – were up 14.6 percent and played a determining role. Non-store purchases represented 23 percent of total sales during the holiday season, approximately 2 percentage points greater than in 2018. Non-store data is a close approximation of ecommerce spending and includes online sales from both pureplay digital retailers and bricks-and-mortar retailers. But some analysts incorrectly cite this category as if it included only sales by pureplay online sellers and use it to argue that ecommerce has overtaken specific retail categories. That is not the case, and observers need to look at the actual ecommerce numbers the Census Bureau puts out quarterly. Even then, those numbers include sales by both pureplay online sellers and traditional retailers.

How much is ecommerce penetrating total retail sales? While there is no doubt that online purchases will gain further market share over time, that's hard to say because the retail industry is evolving and transforming so quickly. Virtually all major retailers have made significant investments in omnichannel strategies and now have both online and in-store capabilities that they use interdependently to differentiate themselves from their online-only competitors. For example, many large bricks-and-mortar retailers now leverage their physical stores to serve as local distribution centers, allow customers to buy online and pick up in-store, or as locations to return items purchased online. Unfortunately, a breakout of online purchases delivered from warehouses versus fulfillment by a store is not yet available. However, with the encouragement of NRF, the Census Bureau is now producing more granular ecommerce estimates broken out by retailers' primary kind of business. While ecommerce will continue to gain traction, bricks-and-mortar merchants that further embrace multichannel will contribute to ongoing ecommerce growth.

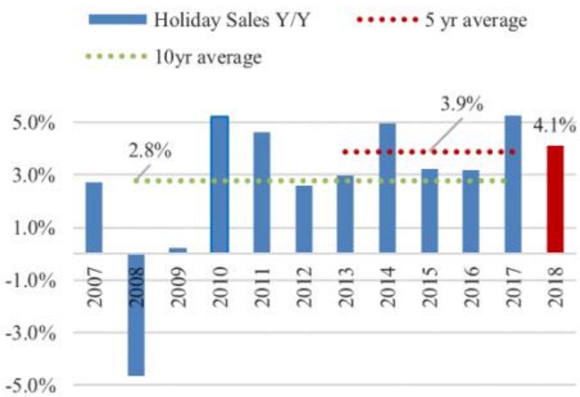
SYNOPSIS

The holiday season is critical for retail and accounted for 19.3 percent of annual retail sales in 2019 and in some categories even more. Retailers geared up with increased demand for holiday workers during November and December. According to data analyzed from the Bureau of Labor Statistics, retailers added 580,200 temporary holiday jobs in 2019. That was near the middle of NRF's forecast of between 530,000 and 590,000 jobs and was a 4.7 percent increase from 2018's 554,000. Unfortunately, BLS still does not count retail transportation and warehouse positions that represent a large area of our industry's job growth.

Combined retail spending from October through December grew 4.1 percent over 2018, the same year-over-year increase seen for November and December. That provides reassurance of NRF's expectation of a 2.3 percent annualized growth in real consumer spending for the fourth quarter. However, that would be a sharp downward swing in consumer spending from the average 3.9 percent registered during the second and third quarters. While a slower pace for the economy is expected in 2020, it may be a little more balanced and less uncertain. It is expected that consumers will continue to be the driver for the 2020 economy and have the ability and willingness to spend.

RETAIL SALES

Holiday retail sales during 2019 grew 4.1 percent compared with 2018. December's year-over-year retail sales rose 6.7 percent, the highest pace in 26 months.

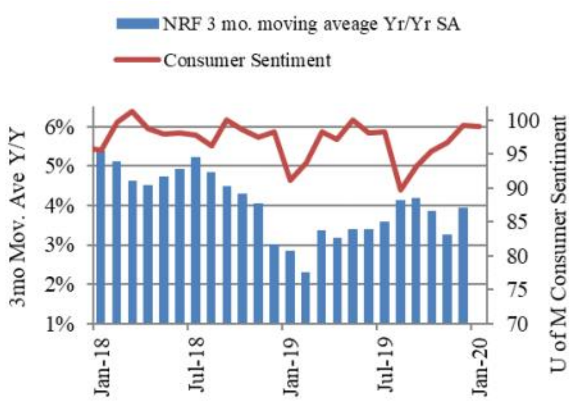


EMPLOYMENT

Payrolls increased by 145,000 jobs in December, below expectations, but the unemployment rate was unchanged at 3.5 percent. The labor market remains solid, though monthly gains have slowed.

CONSUMER SENTIMENT

Dipping slightly in January, consumer sentiment remains strong. Retail sales from October through December grew at a healthy rate of 4.1 percent compared with the same period in 2018.

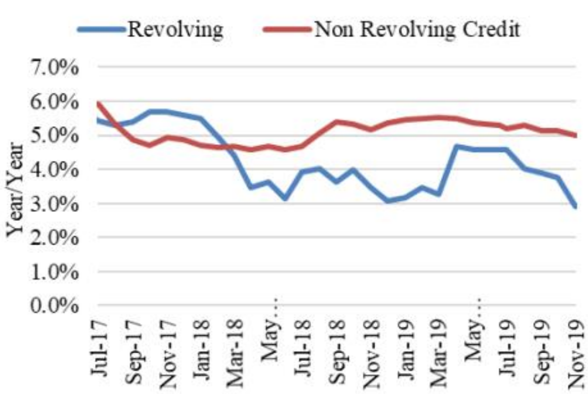


HOLIDAY HIRING

Retailers added approximately 580,000 jobs to payrolls during the holiday season, within the NRF forecast of between 530,000 and 590,000. Holiday jobs in 2019 were 16,200 greater than in 2018.

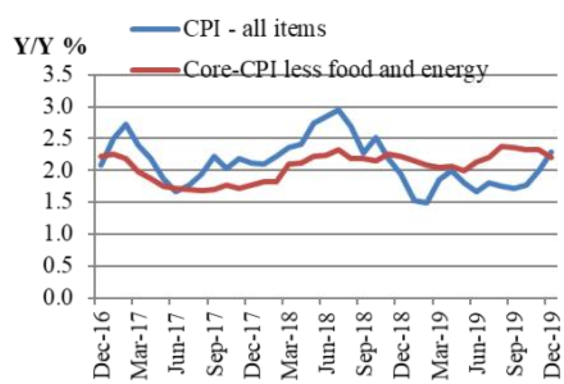
CREDIT

Revolving and nonrevolving credit moved in opposite directions. The volume of outstanding revolving credit (credit cards) is greater than a year ago but its growth rate has slowed. Nonrevolving balances and growth remain steady.



INFLATION

The Consumer Price Index increased 2.3 percent in December from a year earlier, up from the 2018 increase of 1.9 percent. The year-over-year change in the core CPI has been relatively stable and has averaged 2 percent since early 2017.



HOUSING

Housing is signaling a bright spot, due in part to lower mortgage rates and fewer worries of a recession. Home sales picked up, although erratically in the second half of 2019, and are expected to increase in 2020.

LEADING ECONOMIC INDEX

The Conference Board's Leading Economic Index has been pulled into negative territory, pointing to a cooling U.S. economy caused by the combination of the trade war and weak manufacturing.