

2018 Holiday Spending Outlook

November 2018



Holiday spending expected to grow 4.0-4.5 percent year-over-year

The holidays are quickly approaching and shoppers are expected to be especially merry this holiday season. U.S. holiday spending* is likely to grow 4.0-4.5 percent year-over-year (YoY), according to the **Visa Retail Spending Monitor (RSM)**, which reports spending on all forms of payment, including cash and check. This represents a slight acceleration from the 3.9 percent gain in 2017.

E-commerce should drive growth this holiday season as shoppers increasingly move toward online channels for their gifts, particularly mobile devices. E-commerce spending** is forecast to grow 17 percent in 2018, slightly slower than the 19 percent and 20 percent gains in 2016 and 2017, respectively. While the continued move to buy online creates challenges for brick-and-mortar retailers, it's not all doom and gloom. Analysis of VisaNet data shows that while e-commerce is dominating growth among large retailers, face-to-face spending growth remains robust among smaller retailers.

Key Points:

Solid holiday spending growth expected due to strong consumer tailwinds

E-commerce to continue driving holiday spending with double-digit growth

Strong job growth to boost holiday spending on the West Coast and Northeast

* Retail sales excluding autos, gas and restaurants (November-December 2018). All forms of payment.

** E-commerce spending, excluding recurring payments, mail order/telephone order transactions; VisaNet (controls for Visa-specific factors and is indicative of online spending growth on all forms of payment)



'Tis the season

Consumers are well-positioned to spread holiday cheer. Employers have added jobs to payrolls for 97 consecutive months, bringing the unemployment rate down to 3.7 percent—the lowest level since 1969. The tight labor market is helping to firm up wage growth, which recently hit a post-recession high of 3.1 percent.

These developments have propelled consumer confidence to the highest level since the dot-com boom in 2000. In addition, tax cuts have added to the rosy holiday picture this year. The boost to paychecks since early 2018 means many consumers are both able and willing to spend.

Consumers are spending more, especially online

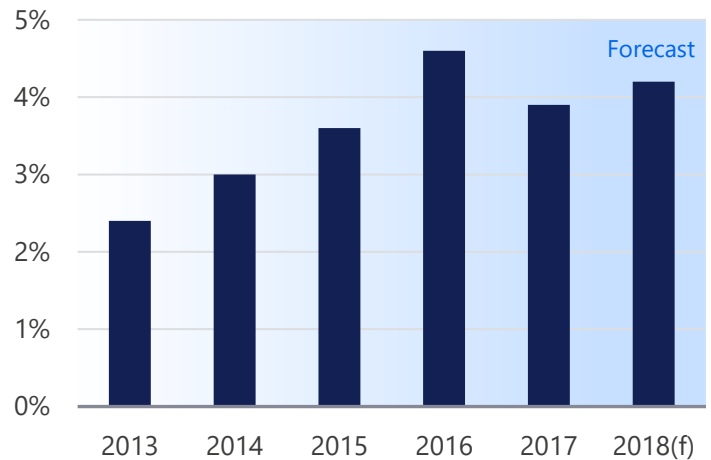
A Visa consumer survey* found that 78 percent of holiday shoppers plan to spend the same amount or more on holiday gifts this year compared to last year. This is a slight increase from 76 percent in the 2017 survey. Better jobs and promotions were among the reasons consumers said they were spending more; they were also less concerned about their employment situation.

The average holiday shopper plans to spend about \$600 on gifts this year. However, that figure gets a bump from a small share of shoppers that plan to spend large amounts—about 4 percent of them plan to spend more than \$2,000 on gifts. The typical (median) consumer plans to spend between \$301 and \$500.

Consumers plan to do 49 percent of their holiday shopping online this year. This figure has increased 1 percentage point each year from 46 percent in 2015. Reasons for preferring to shop online vary depending on the age of the shopper. Those under 35 are the most likely to say they find better prices online, those 35-54 are especially likely to cite convenience, while those 55 and older are most likely to say they dislike battling crowds.

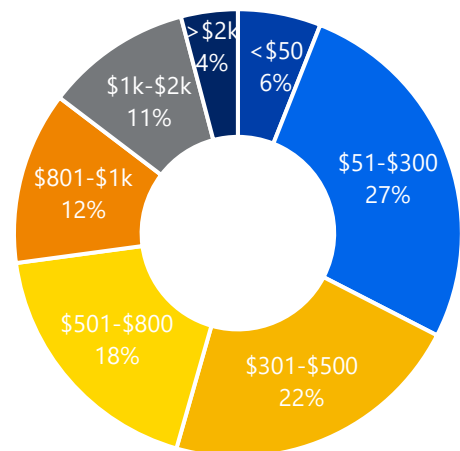
Overall, consumers say they plan to do 16 percent of their holiday shopping specifically on a mobile device. Younger consumers are especially likely to reach for their mobile device, with those under 35 planning to do 23 percent of their holiday shopping on their mobile device compared to just 9 percent among consumers 55 and older.

Holiday retail spending (YoY growth)
Retail sales excluding autos, gas and restaurants on all forms of payment

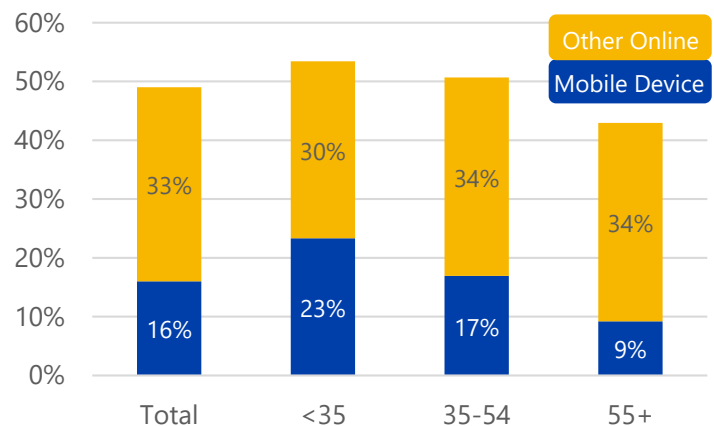


Source: Visa Retail Spending Monitor (all forms of payment)

How much do you plan to spend on gifts this holiday season?



How much of your holiday shopping will be done online?



Source: Prosper Insights & Analytics; Visa Business and Economic Insights

* Online survey of 4,660 American consumers on behalf of Visa by Prosper Insights & Analytics, October 2018

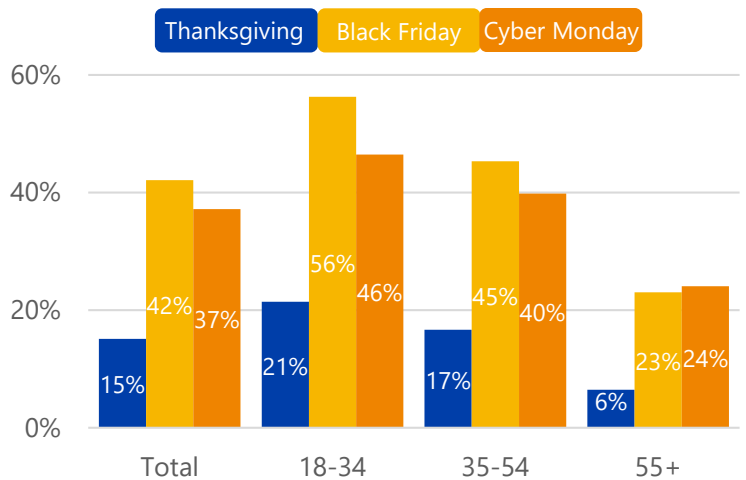
Cash registers—hear them ring

The long Thanksgiving weekend is lining up to be one of the strongest in years past, with 59 percent of holiday shoppers indicating they plan to shop on Thanksgiving Day, Black Friday or Cyber Monday. This is a big jump from 51 percent in 2013.

Black Friday should be the most popular day, with 42 percent of shoppers planning to hit the stores. Cyber Monday is also a big shopping day—37 percent of consumers plan to shop that day. Only a small share—15 percent—say they plan to shop on Thanksgiving Day, but this is a significant increase from 10 percent in 2013. Millennial shoppers (under 35) are more likely than older shoppers to say they plan to shop on any given day over the long weekend.

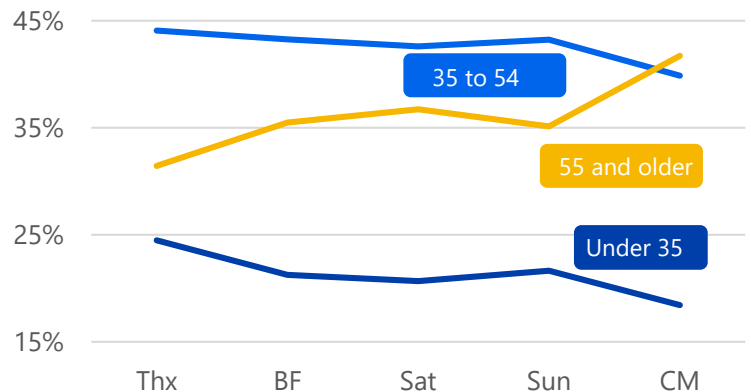
Analysis of Visa consumer credit cardholders last year shows that although millennials were the most likely to shop on key days, they only represented a small share (21 percent overall) of spending over the five day holiday shopping weekend in 2017. They were a slightly larger share of spending—25 percent—on Thanksgiving day. Consumers aged 55 and older, on the other hand, accounted for 37 percent of spending over the holiday weekend and 42 percent of spending on Cyber Monday. Those in the 35 to 54 age group accounted for the largest share of spending, although their share of spending dropped on Cyber Monday. Older consumers were likely able to continue their shopping in stores on the weekday.

Share of consumers planning to shop



Source: Prosper Insights & Analytics; Visa Business and Economic Insights

Share of Visa consumer credit spending (Last year, 2017, by age of cardholder)



Source: VisaNet; TransUnion LLC; Visa Business & Economic Insights

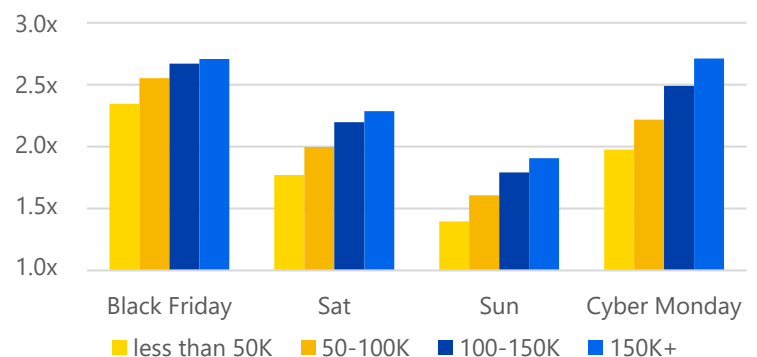
Black Friday shoppers span income levels, but Cyber Monday skews affluent

Income level plays a big role in the day consumers choose to do their holiday shopping.

Those with annual household incomes of \$150,000 and higher spend on average 2.7x more on Black Friday than they do on Thanksgiving. Consumers with incomes under \$50,000 spend about 2.3x more.

On Cyber Monday, however, affluent consumers earning \$150,000 or more still spend 2.7x what they spend on Thanksgiving, while those earning under \$50,000 spend only about 2.0x the amount.

Relative spending by household income (2017, index total Thanksgiving Day spend = 1.0x)



Source: VisaNet; TransUnion LLC; Acxiom; Visa Business and Economic Insights



Regional consumer spending trends

Recent retail spending growth around the country offers a glimpse into potential regional spending this holiday season. The same economic factors that supported growth in the first ten months of the year—such as population, job and income growth—are likely to persist into November and December.

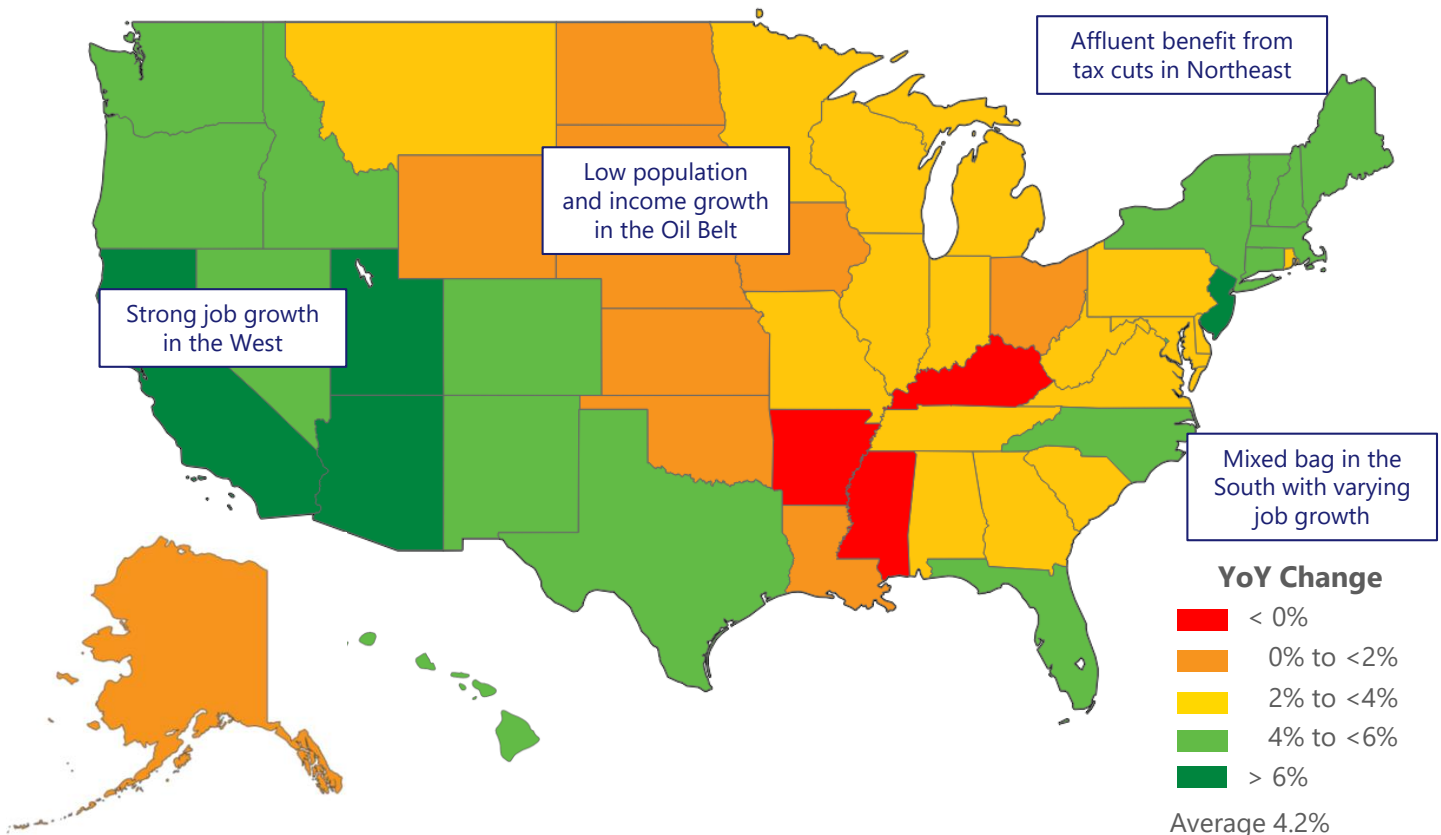
In the U.S. overall, retail sales excluding autos, gas and restaurants (the common definition for holiday sales) grew 4.2 percent YoY from January through October 2018. Growth was especially strong in the southwest states, where job and income growth was faster than average. Population growth in most western states is growing about twice as quickly as the rest of the country, with the exception of California, where growth was about average.

Retail spending in the Northeast has also been strong so far this year, despite slower-than-average job and population growth as many people leave the area, especially younger workers. However, income growth remains relatively strong, perhaps because employers are raising wages to keep workers. Consumers in these states also tend to be relatively high income earners who may benefit disproportionately from tax cuts and gains in the equity markets.

Retail spending growth in oil belt states has been slower than average. Higher gas prices have corresponded to more oil industry jobs, but these gains are not enough to offset the longer-term trend of jobs moving towards the coasts. The silver lining for consumers is lower inflation, so consumer purchasing power is better than meager wage gains would suggest.

Trends in the Midwest and South are a mixed bag. Spending in some states, like Kentucky and Arkansas, declined on a year-ago basis due to job growth at one-third the rate of the nation overall. Other states, like North Carolina and Florida, are experiencing rapid job growth, which is fueling income and spending gains.

**Retail sales excluding autos, gas and restaurants on all forms of payment
(January-October 2018, YoY Change)**



Sources: Visa Business and Economic Insights; Bureau of Labor Statistics; Retail Spending Monitor (spending on all forms of payment)



Methodology

Visa's Retail Spending Monitor measures estimated historical performance of certain segments of the U.S. economy across payment types. Retail sales (sales by establishments engaged in retailing merchandise) in the context of Retail Spending Monitor is a set of industry segments defined by the U.S. Department of Commerce. The Retail Spending Monitor analyzes data in a manner consistent with this definition for industry segments that are not auto related. The Retail Spending Monitor is based on a sample of aggregated, depersonalized Visa transaction data analyzed utilizing a proprietary economic and statistical model and is not reflective of Visa operational and/or financial performance. The Retail Spending Monitor is provided on an "as is" basis without any warranties of any kind, express or implied, including, without limitation, as to the accuracy of the data or the implied warranties of merchantability, fitness for a particular purpose, and/or non-infringement. The Retail Spending Monitor is intended for informational purposes only and should not be relied upon for marketing, legal, technical, tax, financial or other advice. Visa is not responsible for your use of the information contained herein, including errors of any kind, or any assumptions or conclusions you might draw from its use. Each Retail Spending Monitor report is as of the publication date, and Visa has no obligation to update the data contained therein.

Forward-looking statements

This newsletter contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are generally identified by words such as "outlook," "forecast," "projected," "could," "expects," "will" and other similar expressions. Examples of such forward-looking statements include, but are not limited to, statements we make about Visa's business, economic outlooks, population expansion and analyses. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict.

For more information, please visit us at [Visa.com/EconomicInsights](https://www.visa.com/EconomicInsights) or [Visa.com/TravelInsights](https://www.visa.com/TravelInsights).

