



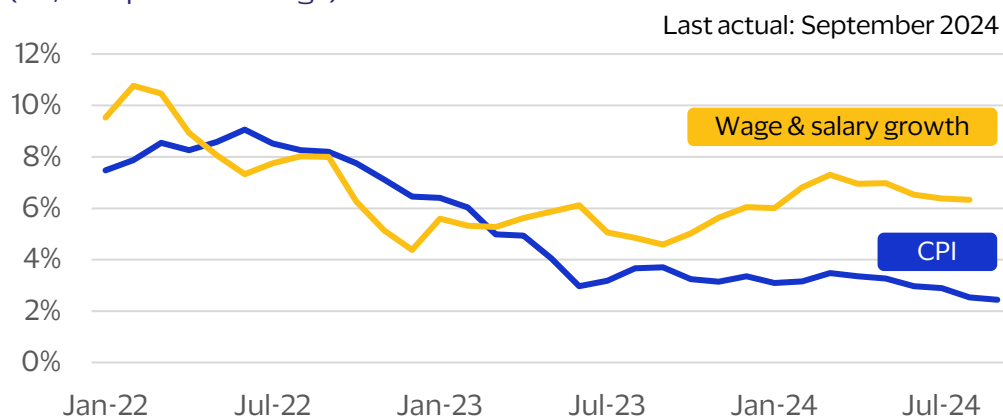
# U.S. Economic Insights: Holiday Spending Outlook

## It's beginning to look a lot like...a normal holiday season

With the holiday shopping season just around the corner, we've noticed several encouraging trends on the consumer side of the economy. For starters, job growth continues to hold up despite still-elevated interest rates. Perhaps more importantly, wage growth continues to outstrip inflation, lifting the real (inflation-adjusted) purchasing power of consumers (Fig. 1). Both the incoming retail sales data through September and our latest Spending Momentum Index (SMI) readings continue to underscore the resilience of consumer spending—albeit at a more modest pace.<sup>1</sup> The news is not all positive, however, as confidence measures continue to reflect consumers' ongoing concerns about future economic growth.<sup>2</sup> These concerns, combined with seasonal and demographic factors, shape our view of holiday spending this year.

When assessing holiday sales each season, we pay particular attention to real disposable income growth. This real income growth was revised higher, suggesting that consumers are on a more solid footing than first thought.<sup>3</sup> With new retail sales and income data in-hand, we have upwardly revised our holiday spending forecast this season from our earlier estimate. We now see **holiday sales\* rising 4.0 percent YoY this season, or 3.9 percent if the month of October is included.** Our forecast is roughly on par with last holiday season's sales growth, but if realized would still be slightly above the average 3.6 percent growth we saw during the last expansion (2010-2019).

**Fig. 1: Wage and salary growth vs. inflation as measured by the Consumer Price Index (CPI)**  
(SA, YoY percent change)



Source: Visa Business and Economic Insights and U.S. Department of Labor.

\*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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### Key Points:

 Holiday sales are likely to be above average again this year

 Average holiday gift spend likely to increase

 Who will drive holiday spending this year?





# 'Tis the season for changing holiday spending patterns

There's a surge in spending every December as consumers flock to stores—and increasingly to the internet—to purchase gifts and celebrate the holidays with friends and family. To account for this holiday spending surge, the U.S. Census applies a seasonal adjustment to retail sales data based on what the agency expects the sales bump to be each year (Fig. 2). One trend this seasonal adjustment process reveals is that the December sales surge has dwindled to a fraction of its former size.

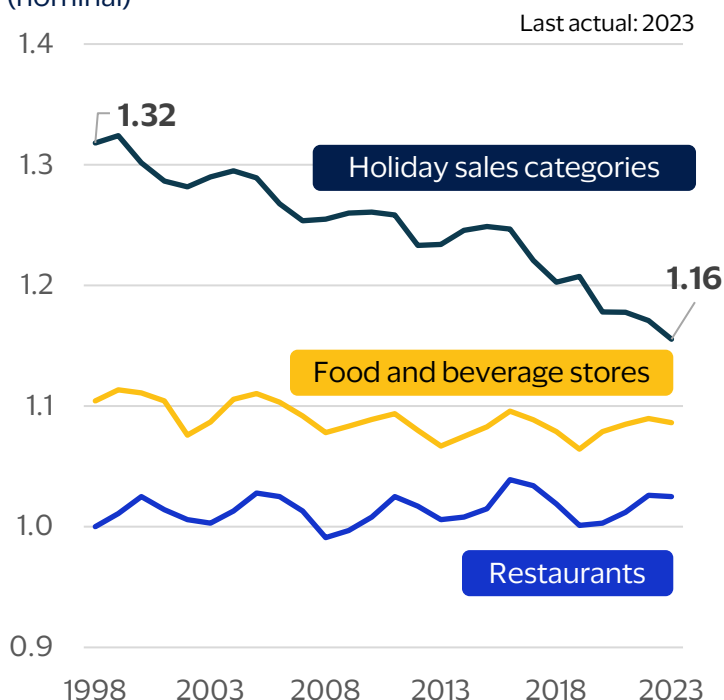
In 1998, the December adjustment factor was 1.32, which means the Census expected the holidays to contribute 32 percent to growth that month—growth below that would register as a decline in the seasonally adjusted data. In 2023 it was 1.16—half of what it was in 1998. The sharp downward trend of these seasonal adjustments implies that the surge in consumer spending that takes place every December has diminished over the years. However, it has not declined evenly across spending categories.

Grocery stores and restaurants are still garnering the same December sales bump they have for decades (Figure 2)—consumers still enjoy dining out and preparing holiday meals. Why is the spending bump at grocery stores and restaurants holding steady while the holiday sales bump declines?

There are a myriad of reasons, but part of the answer lies in our definition of holiday sales and underlying demographics. Our retail sales categories can be viewed as a proxy for presents, since they exclude sales from automotive dealers, gas stations and restaurants. If consumers are buying fewer presents it could be because there are fewer kids for Santa to visit. Children made up more than one-third of the U.S. population in 1970 but accounted for just over one-fifth in 2023 (Fig. 3). Similarly, the number of American families with children peaked in 2007 at 37 million but has since fallen to 33 million as of 2023.

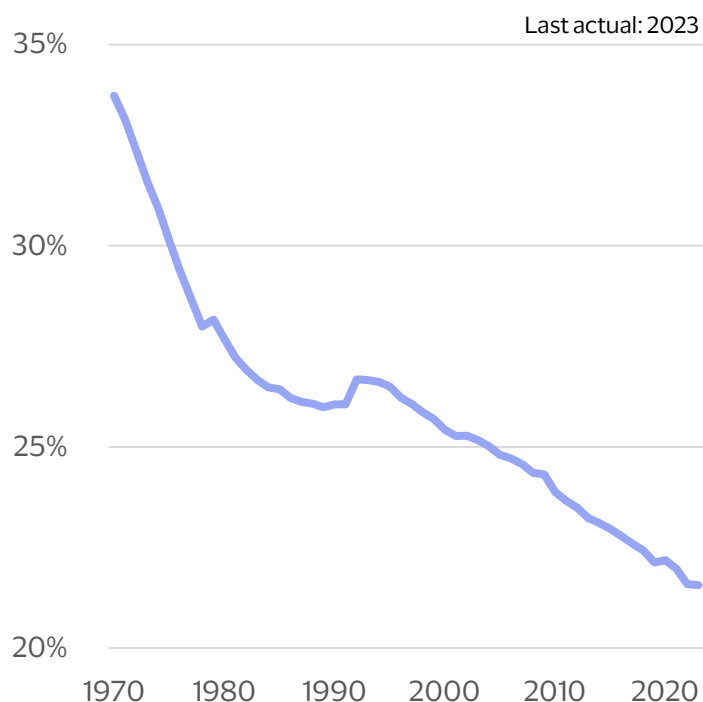
**Fig. 2: The December holiday sales bump isn't what it used to be**

U.S. Census retail sales adjustment for December (nominal)



**Fig. 3: Santa's target audience has shrunk**

Share of U.S. population under 18 years old (percent)



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

# Early indicators suggest consumers are mixed about spending this holiday season

The combination of moderating consumer spending growth, a prolonged shopping season and demographic headwinds points toward a 4.0 percent YoY increase in holiday sales this season (Fig. 4), roughly similar to last year's. 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 expect holiday sales to rise 3.9 percent YoY, down from 3.8 percent in 2023.

Further reinforcing our forecast for this year are our latest quarterly consumer survey results. Although consumers indicate that they will spend more this holiday season compared to 2023, there are some nuances that paint a more fragile picture. The differences primarily exist in the perceptions between expected overall dollar spend—often quite difficult for consumers to truly estimate—and the general feeling surrounding those total outlays, which can lead them to spend more or less than in the previous year.

Per the latest VBEI quarterly survey fielded in October 2024, consumers said they plan to spend an average of \$638 on holiday gifts (Fig. 5), slightly higher than their October 2023 estimates of \$635. Most consumers (57.4 percent) indicated that they will spend roughly the same amount as in 2023, with a decline in the share of consumers indicating that they will spend less (19.4 percent, down from 23.4 percent in 2023), as well as among those who plan to spend more (13.7 percent, compared to 17.4 percent in 2023).<sup>4</sup> The dollar figures look solid but are subject to changing sentiment as the holiday season progresses.

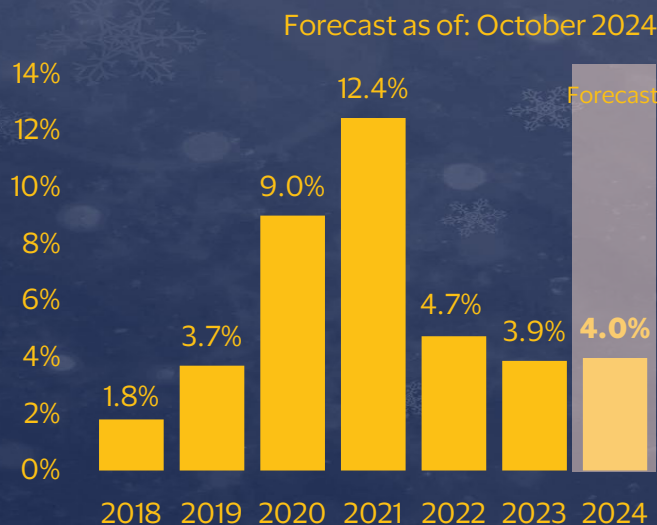
## Inflation still a factor supporting sales this season

Last year, inflation pressures helped lift nominally reported sales. This year, as inflation subsides, we expect more real (inflation-adjusted) consumer spending growth. Inflation (as measured by the CPI) is expected to average 2.6 percent YoY for the months of November and December. After accounting for inflation, real holiday spending is set to rise 1.4 percent YoY, up from 0.8 percent last season.

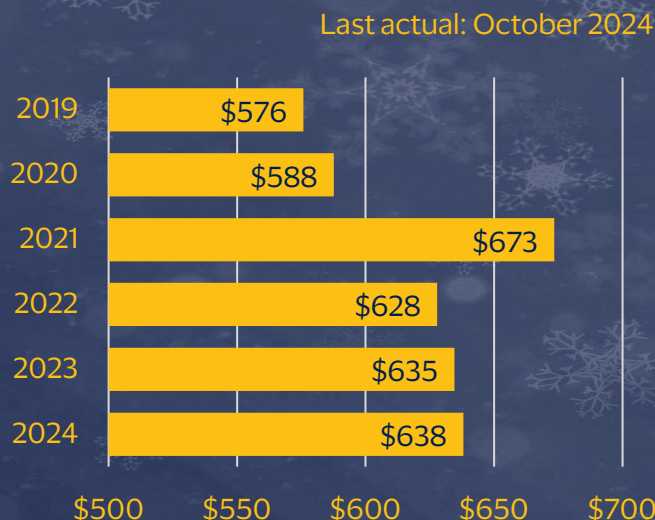
The implication of the outlook is that foot traffic (real spending) should be slightly stronger this season, but a moderation in price growth will likely keep holiday sales revenues (nominal spending) in-line with last year's spending growth.



**Fig. 4: Holiday retail spending (NSA\*, adjusted retail sales excluding autos, gas and restaurants)**  
(YoY percent change)



**Fig. 5: Average amount consumers plan to spend on gifts this holiday season**  
(Dollars)



\* NSA = Non-seasonally adjusted.

Sources: Visa Business and Economic Insights (VBEI), U.S. Department of Commerce and VBEI Quarterly Consumer Survey, October 2024

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The fragility exists among those planning to spend more, specifically middle-aged and older consumers. Roughly 15 percent of 35- to 54-year-olds plan to spend more, down from nearly 22 percent in 2023. Their intended overall spend, however, tops the list at over \$750 on average across the age group, up from \$690 in 2023 (Fig. 6). These mixed messages paint a solid picture in October that could falter in November and December. Consumers over 55 also expect to increase spending, with an average outlay of over \$700 compared to \$613 in 2023. Consistent with 2023, 5.8 percent expect to spend more this year, while a slightly fewer 21.4 percent expect to spend less.

Consumers gave several reasons for spending less, with “not as much extra income this year” a leading reason, cited by 56.4 percent of consumers who said they will spend less. This skews higher for older consumers (62.5 percent among those 55 and above). Interestingly, “higher gas prices”—a primary reason cited for spending less in 2023—declined in importance among consumers, with 24.5 percent citing it as a reason compared to over 34 percent in 2023. Roughly one-third of consumers continued to cite a lower level of confidence in the economy as a reason for spending less, equal to their 2023 selections. As with 2023, this skews older, with 42.1 percent of consumers 55+ who said they will spend less this year citing lack of confidence in the economy as a driver for lower holiday spending.

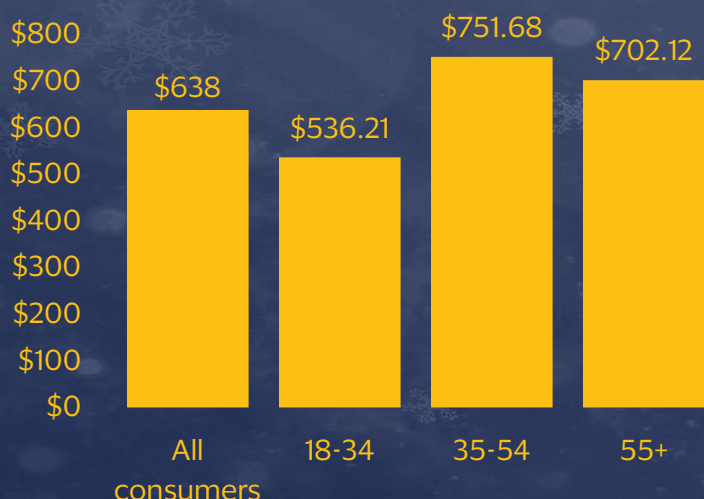
Among those planning to increase spending, “more people to buy for this year,” and “a special gift that is more expensive” top the list for most demographic groups, and skew younger, with a higher number of 18- to 34-year-olds citing these reasons. Twenty-seven percent of consumers who expected to spend more also said they planned ahead for the holidays and “intentionally saved more money to spend this year,” up from 23 percent in the 2023 survey.

Nearly half of consumers indicated that most or all of their holiday shopping will be via mobile device, similar to 2023. And more than half say that they will be shopping online for most of their holiday purchases, emphasizing the importance of goods purchases as well as the need for retailers to fully ensure the robust nature of both their online and mobile offerings (Fig. 7).



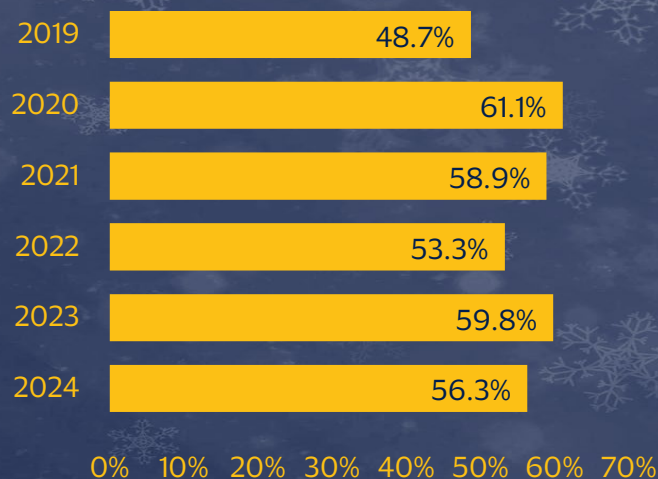
**Fig. 6: Average amount consumers plan to spend on gifts by age**

Last actual: October 2024



**Fig. 7: Share of consumers planning to do most or all of their holiday shopping online**

Last actual: October 2024



Sources: Visa Business and Economic Insights and VBEI Quarterly Consumer Survey, October 2024



## Footnotes

1. Visa Business and Economic Insights and U.S. Department of Commerce  
The Visa U.S. SMI measures the current month relative to the same month last year. Both national and regional readings of the index are based on year-over-year changes in consumer spending with Visa bankcards.
2. Visa Business and Economic Insights and Conference Board
3. Visa Business and Economic Insights and U.S. Department of Commerce
4. Visa Business and Economic Insights and Economic Insights Quarterly Consumer Survey, October 2024  
Average gift spending by income group from the October Economic Insights Quarterly Consumer Survey was weighted by the share of the consumer base by income level from the U.S. Department of Labor's 2023 Consumer Expenditure Survey to get the average gift spending for all income groups.



## Accessibility notes

**Figure 1:** Line chart showing year-over-year growth (seasonally adjusted) in wage and salary growth relative to inflation as measured by the Consumer Price Index (CPI) from Jan-2022 through Sep-2024. Growth in wage and salary ranged from 4.73 percent in Jan-22 to a high of 10.77 in Feb-22 down to 4.38 in Dec-22 and 6.33 percent in Sep-24. Growth in CPI ranged from 7.48 percent in Jan-22 to a high of 9.06 in Jun-22 down to 2.97 in Jun-23 and finishing at 2.44 percent in Sep-24.

**Figure 2:** Line chart showing the year-over-year U.S. Census retail sales adjustment for December (nominal) for holiday sales categories, food and beverage stores, and restaurants from 1998 to 2023. Adjustment factor in holiday sales categories starts at 1.32 in 1998 and drops to 1.16 in 2023. Adjustment factor in food and beverage stores starts at 1.10 in 1998 before ending at 1.09 in 2023. Adjustment factor in restaurants starts at 1.00 in 1988 before increasing to 1.03 by 2023.

**Figure 3:** Line chart showing percent share of the U.S. population under 18 years old from 1970 to 2023, ranging from 33.7 percent in 1970 to a low of 26.1 percent in 1991 before slightly increasing to 26.7 in 1993 and finishing at 21.6 percent in 2023.

**Figure 4:** Bar chart showing the year-over-year percent change in holiday retail spending (non-seasonally adjusted excluding autos, gas and restaurants) ranging from 1.8 percent in 2018 to 3.7 percent in 2019, 9.0 percent in 2020, 12.4 percent in 2021, 4.7 percent in 2022, 3.9 percent in 2023 and 4.0 percent expected in 2024.

**Figure 5:** Column chart showing the average dollar amount consumers plan to spend on holiday gifts, ranging from \$576 in 2019, \$588 in 2020, \$673 in 2021, \$628 in 2022, \$635 in 2023 and \$638 in 2024.

**Figure 6:** Bar chart showing the average dollar amount consumers plan to spend on gifts by age. The average planned gift spend for all consumers is \$638, ages 18-34 plan to spend an average of \$536.21, ages 35-54 plan to spend an average of \$751.68, and ages 55+ plan to spend an average of \$702.12.

**Figure 7:** Column chart showing the percent share of consumers planning to do most or all of their holiday shopping online, ranging from 48.7 percent in 2019, 61.1 percent in 2020, 58.9 percent in 2021, 53.3 percent in 2022, 59.8 percent in 2023 and 56.3 percent in 2024.



# Forward Looking Statements

This report may contain 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, statement 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. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in our filings with the SEC. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise.

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