VISA

October 2025

Visa Business and Economic Insights

2025 Holiday Spending Outlook

Key Points:

- Inflation expected to push sales higher
- Slower job gains are not translating into slower spending
- Consumers expected to spend 10 percent more on gifts this season

This holiday season's price tag tells the real story

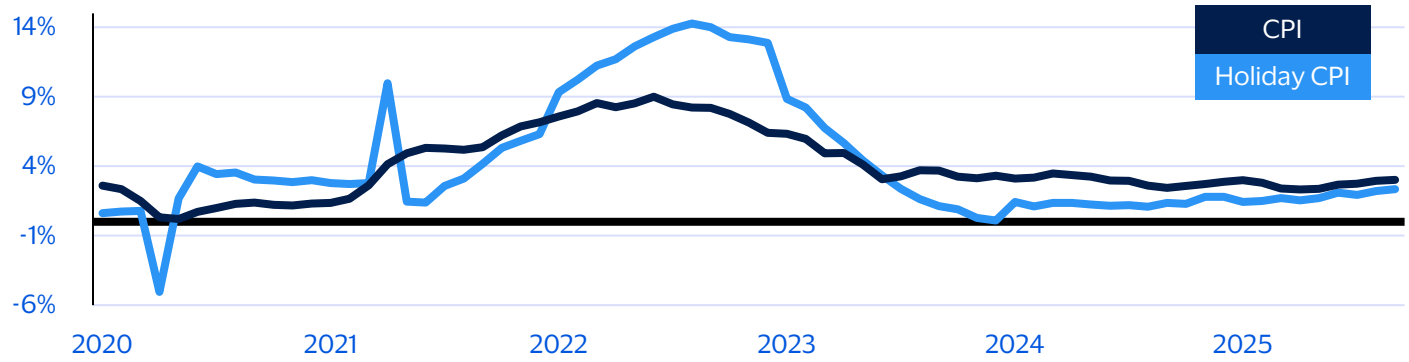
As the holiday season nears, it caps off a year marked by extreme economic uncertainty, slowing job growth, elevated inflation, resilient income growth, and even a government shutdown. Through it all, consumer spending has remained a steady force, and we expect that resilience to continue. But with higher prices playing a larger role in driving nominal growth, the *real* story this season may be how far consumers can make each dollar stretch.

After peaking at 9 percent growth on a year-over-year (YoY) basis in 2022, inflation—as measured by the Consumer Price Index (CPI)—has gradually moderated.[1] In the first half of this year, the CPI increased 2.6 percent YoY, bottoming out at 2.3 percent in April. However, persistent pressures from shelter and food costs, tariff impacts, and rising inflation expectations reignited upward momentum, pushing CPI growth to 3 percent in September.

This broader trend is also captured in our newly developed holiday CPI—a tailored index that mirrors the typical basket of goods sold during the season—which shows that inflation for holiday sales is quickly catching up to the pace of the overall CPI (Fig. 1). In particular, inflation for recreational goods, which makes up about 30 percent of the holiday sales CPI basket, surged 3.1 percent YoY in September.

We are also paying close attention to real disposable income growth, which has downshifted in the past 12 months.[2] But this downshift is more attributable to elevated inflation than a collapse in income growth. Consumers still have runway to spend, and despite pessimistic consumer confidence readings, they continue to do so, albeit more modestly. **We see holiday sales* rising 4.6 percent YoY this season, or 4.5 percent if the month of October is included.** But given pricing pressures, inflation will likely make a larger contribution to holiday sales growth this year.

Fig. 1: Inflation for holiday sales vs. overall inflation as measured by the Consumer Price Index (CPI)
(Seasonally adjusted, YoY percent change)



Sources: 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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The stockings (and spending) are hung with care

One of the more confounding aspects of the current economy is how well consumer spending has held up despite the trifecta of weaker job growth, elevated inflation and extreme economic uncertainty.

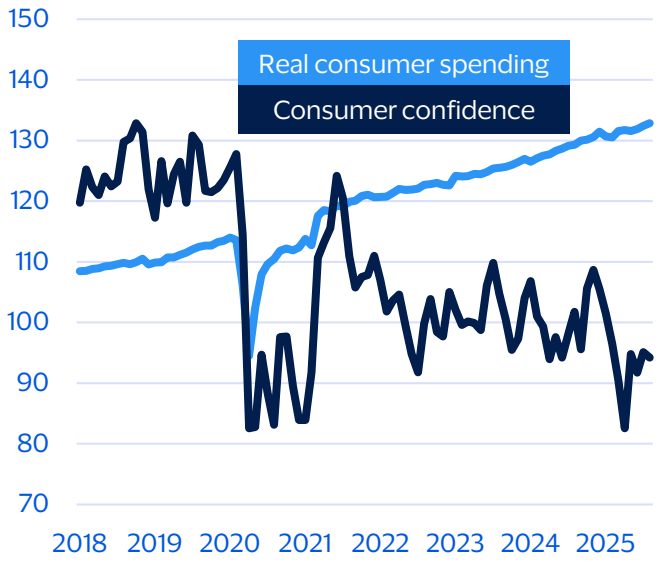
These headwinds have weighed heavily on soft data from consumer sentiment surveys, but they have not yet derailed backward-looking, quantifiable measures of economic activity (i.e., "hard" data). For example, in the years preceding the pandemic, there was a modest link between changes in consumer confidence and changes in spending, but that mold has broken down in recent years (Fig. 2). In April, consumer confidence fell to its lowest level since the throes of the pandemic in 2020, but real consumer spending increased 3.1 percent YoY—the same average pace of growth over the previous 12 months. This is not to say that consumers aren't feeling the pinch from higher prices and ongoing uncertainty. Real spending growth has since moderated to 2.7 percent YoY as of August, the latest data available. But this divergence suggests that while confidence is low, actual consumer spending remains relatively resilient.

The downshift in real consumer spending growth is expected to continue into the holidays, but we believe consumers can maintain spending at a steady, albeit slower, pace. One reason is that income growth continues to hold up even as the job market weakens. There are fewer job openings, but mass layoffs have not materialized—thanks in part to sustained consumer resilience and ongoing labor shortages. Figure 3 illustrates the contrast between stable nominal income growth and the more pronounced and persistent slowdown in real disposable income growth—that is, income adjusted for inflation and taxes, which reflects consumers' true purchasing power. Although nominal income is partially propped up by inflation, the sharper decline in real disposable income growth indicates that consumers may have less to spend this holiday season than they did last year. While holiday sales may appear solid, elevated prices will obscure weaker underlying real purchasing power.

"The downshift in real consumer spending growth is expected to continue into the holidays, but we think consumers can maintain spending at a steady, albeit slower pace. One reason is that income growth continues to hold up."

Fig. 2: The mood is grinchy, but spending is sleighing on

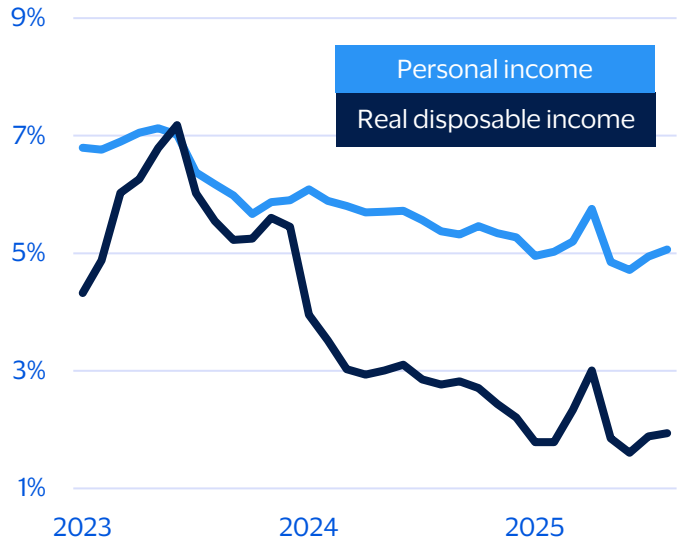
Real consumer spending vs. consumer confidence (Index, Jan 2015 = 100)



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

Fig. 3: Nominal income is bright, but real (inflation-adjusted) income growth is light

Nominal personal income vs. real disposable income (SA, YoY percent change)



Sources: Visa Business and Economic Insights, U.S. Department of Commerce and the Conference Board

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Yule be surprised to hear

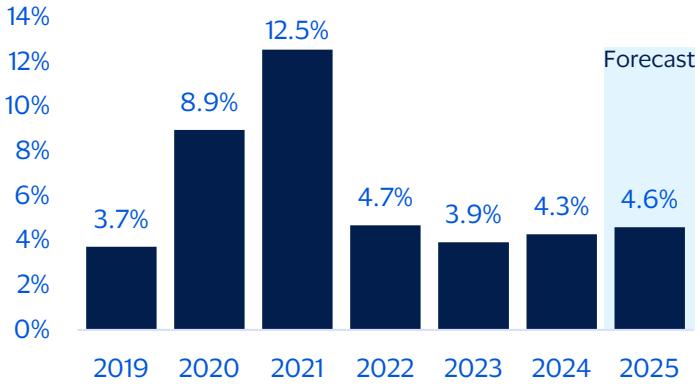
Sales are expected to hold up this year

With inflation on holiday-related items higher this year than last season, we expect nominally reported holiday sales to rise 4.6 percent YoY this year, up from a 4.3 percent pace last year (Fig. 4). Aside from higher-priced holiday goods pushing our forecast higher, the additional shopping day this season will help provide a slight tailwind to sales. For retailers, though, it may not feel like a holly jolly shopping season. After accounting for inflation on holiday items, real spending—a good proxy for foot traffic—is expected to rise just 2.2 percent this year, down from the 2.5 percent real spending that occurred last season. The holiday shopping season continues to become more spread out across the fourth quarter and as such we also estimate holiday sales including the month of October. Under this broader definition, we expect holiday sales to rise 4.5 percent YoY, down from 4.8 percent in 2024.

Our forecast this season is consistent with findings from our latest quarterly consumer survey results, which show consumers expect to spend more this holiday season compared to last year. **Per the latest Visa Business and Economic Insights quarterly consumer survey fielded in October 2025, consumers said they plan to spend an average of $736 on holiday gifts (Fig. 5), marking a roughly 10 percent rise from the $669 reported in 2024.**[3] This uptick reflects a resilient willingness to spend, even as economic uncertainty and inflation persist.

Fig. 4: Holiday sales forecast

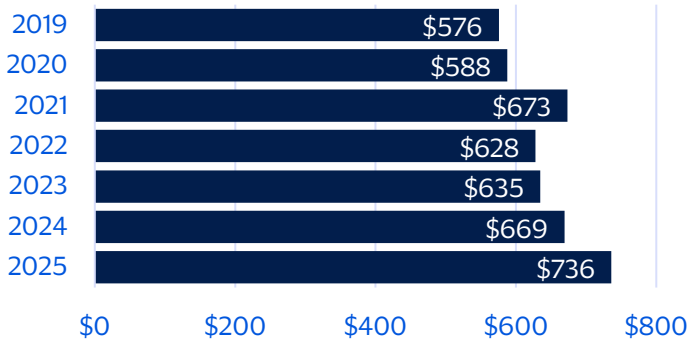
(NSA, retail sales less autos, gas and restaurant sales in November and December)



Source: Visa Business and Economic Insights (VBEI) and U.S. Department of Commerce

Fig. 5: Average amount consumers plan to spend on gifts this holiday season

(Dollars)



Source: Visa Business and Economic Insights (VBEI) and VBEI Quarterly Consumer Survey, October 2025

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> For retailers, it may not feel like a holly jolly shopping season. After accounting for inflation on holiday items, real spending—a good proxy for foot traffic—is expected to rise 2.2 percent this year.

Lots of happy grandchildren this holiday season

Holiday spending increases may be led by baby boomers

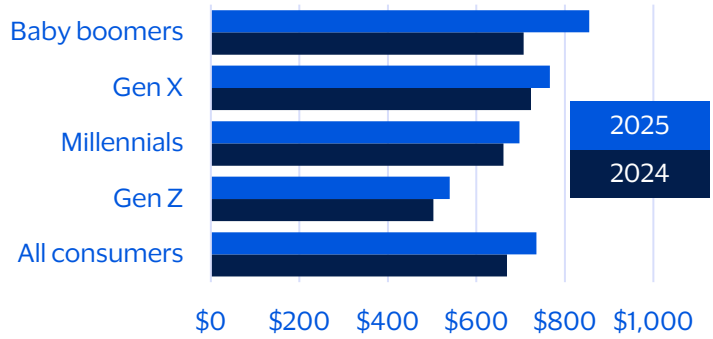
While overall holiday spending is set to climb again this year, demographic differences, particularly generational, are quite prominent. Baby boomers are taking the mantle from Gen X, who led holiday spending intentions last year (Fig. 6). While Gen Z, millennial, and Gen X consumers expect to spend between 5 to 7 percent more on the holidays, baby boomers indicate a 21 percent increase to $855.03 on average.[4] The increase in average spending suggests that, despite softer consumer confidence and slower income growth, holiday shopping remains a priority for many households.

Among the 17 percent of consumers who do say they will spend more this holiday season, just over one-third indicate more people to buy for this year (Fig. 7) as the impetus, with one-quarter citing increased confidence in the economy. Those who plan to spend less—nearly 20 percent of the consumer population—cite a lack of extra income or *lower* confidence in the economy as a reason for pulling back.

As in 2024, the online channel, particularly via mobile device, is the channel of choice for many consumers, with over 45 percent of consumers saying they plan to use their mobile devices for most or all of their holiday shopping.

Fig. 6: Boomers look to spend this holiday season

Estimated amount of holiday spending by generation



Source: Visa Business and Economic Insights quarterly consumer surveys, October 2024 and October 2025.

Fig. 7: More people to buy for, more holiday spending

Top reasons for spending more this holiday season

Source: Visa Business and Economic Insights Quarterly Consumer Survey, October 2025.

> Baby boomers are planning to increase their holiday spending by 21 percent this year, largely because they have more people to buy for and are acutely aware of rising prices. Their willingness to spend reflects both a sense of obligation to loved ones and an understanding that holiday goods cost more than last season.

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Footnotes

1. Visa Business and Economic Insights and U.S. Department of Labor
2. Visa Business and Economic Insights and U.S. Department of Commerce
3. Visa Business and Economic Insights Quarterly Consumer Survey, October 2025
4. Visa Business and Economic Insights Quarterly Consumer Survey, October 2025

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Accessibility notes

Fig. 1: A line chart compares monthly data for two inflation measures: the holiday CPI, which reflects inflation on goods typically purchased during the holiday season, and the standard Consumer Price Index (CPI), which measures general inflation, from January 2022 through September 2025. Starting at 0.62 percent, the holiday CPI fell to a low of -5.05 percent in April 2020 before peaking at 14.2 percent in August 2022, before dropping steadily to the most recent value of 3.0 percent in September. The overall CPI began at 2.6 percent, peaked at 9.00 percent in June 2022 and declined to 3.0 percent by September 2025.

Fig. 2: A line chart compares real consumer spending and consumer confidence from 2018 to 2025, indexed to January 2015 as 100. In 2018, both indices were near 100. Consumer confidence peaked at around 130 in 2019 and dropped to approximately 90 in 2020. Real consumer spending remained relatively stable, increasing from 100 in 2018 to about 140 in 2025. Consumer confidence fluctuated more significantly, ending near 100 in 2025.

Fig. 3: A line chart compares year-over-year growth in nominal personal income and real disposable income from January 2023 through August 2025. Nominal personal income started at 6.79 percent in early 2023 and declined gradually to 5.07 percent by August 2025. Real disposable income growth began at 4.32 percent, peaked at 7.2 percent in June 2023, and dropped more sharply to 1.94 percent over the same period.

Fig. 4: A bar chart shows the year-over-year percentage change in holiday retail sales from 2019 to 2025, excluding sales at automotive dealers, gas stations, and restaurants. In 2019, holiday sales grew by 3.7 percent. In 2020, growth surged to 8.9 percent, followed by a peak of 12.5 percent in 2021. Growth slowed to 4.7 percent in 2022, 3.9 percent in 2023, and 4.3 percent in 2024. The forecast for 2025 is a 4.6 percent increase.

Fig. 5: A bar chart shows the average dollar amount consumers planned to spend on holiday gifts each year from 2019 to 2025. In 2019, the average was $576. It rose to $588 in 2020, peaked at $673 in 2021, then declined to $628 in 2022. Spending increased slightly to $635 in 2023 and $669 in 2024. The forecast for 2025 is $736, indicating a roughly 10 percent increase from the previous year.

Fig. 6: A grouped bar chart compares estimated holiday spending by generation for 2024 and 2025. In 2024, Baby Boomers spent approximately $705, Gen X around $720, Millennials about $660, Gen Z roughly $500, and the average for all consumers was $670. In 2025, baby boomers are expected to spend $855, Gen X around $765, Millennials approximately $700, Gen Z about $540, and the average for all consumers is $736.

Fig. 7: A bar chart listing the top reasons consumers plan to spend more this holiday season, based on a survey conducted in October 2025. The most common reason, cited by 35 percent of respondents, is having more people to buy for. An equal share of respondents—around 25 percent—indicated that increased confidence in the economy and the intention to purchase a special, expensive gift were motivating their higher spending. Around 23 percent said they had intentionally saved more money for holiday spending.

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