2026 Holiday Spending Outlook

Key Points:

- Solid wage growth and market gains will support holiday spending
- Many consumers will prioritize physical gifts over travel
- High travel costs are pricing out all but affluent households

Home for the holidays: spending stays closer to home

Cooling job growth, rising inflation, and extreme uncertainty—the list of economic pressures this holiday season feels the same as last year's. We think the result will also look the same: consumer spending will remain resilient. But what does consumer resilience actually mean?

When we talk about consumer resilience, we are not describing households gritting their teeth and spending through adversity. We are describing consumers who still have financial capacity to spend. That spending capacity largely comes from after-tax (disposable) income growth. While fewer jobs are being created in this low-hire, low-fire labor market, income growth continues to hold up. As a result, real disposable income growth should remain supportive of consumer spending heading into the holiday season (Fig. 1). While renewed inflation pressures will erode some purchasing power, those pressures are concentrated in specific categories, creating a more nuanced picture for holiday spending. This distinction is captured in our Holiday CPI, a tailored index designed to reflect the typical holiday shopping basket.

While higher energy prices are pushing up travel and transportation costs and lifting September headline CPI to 3.7 percent, holiday sales inflation remains softer at 2.2 percent. That difference reflects milder price growth in food at home and recreational goods, which account for roughly three-quarters of the Holiday CPI basket. As a result, inflation pressures are rising the hardest outside the core holiday spending categories, which should support spending on holiday related items this season.

Strong market gains will also provide consumers with more confidence and capacity to spend, although this will be felt most among affluent households. **Taken together, these factors are expected to support holiday sales growth of 4.5 percent YoY this season, or 4.6 percent if the month of October is included.** But while holiday-specific inflation is running below headline CPI, it remains elevated, meaning much of that growth will still reflect higher prices rather than stronger underlying demand, with inflation risks tilted higher.

Fig. 1: Inflation is eroding consumer purchasing power

Real disposable income growth (SA, YoY percent change)

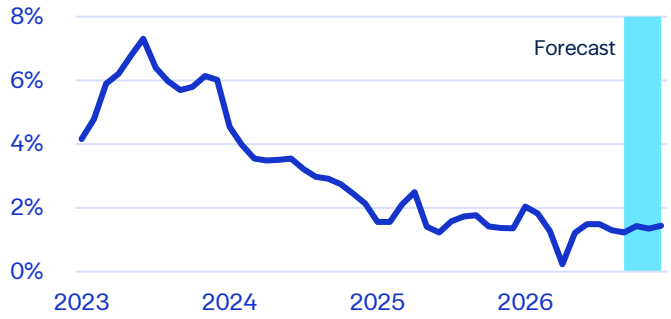
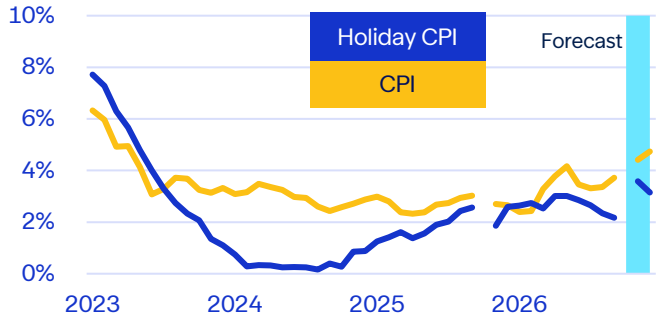


Fig. 2: Holiday sales inflation is set to lag headline CPI

Headline CPI vs. holiday sales (SA, YoY percent change)



Sources: Visa Business and Economic Insights (VBEI) 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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Travel is on the wish list, but physical gifts made the budget

Inflation is not only reshaping how far holiday dollars will stretch but also where those dollars are likely to be spent.

Our definition of holiday sales excludes travel, but when we asked consumers what they were most excited about gifting or receiving this year, travel and other experiences were the clear winner. More than half of respondents put travel and live events at the top of their wish lists (Fig. 2). This is not surprising; consumers have consistently prioritized spending on experiences to create memories and emotional connection. But higher travel costs this holiday season may temporarily buck that longer-term shift, pushing spending back toward traditional physical holiday gifts. We asked those same consumers where their money is going to be prioritized and just 15 percent said they're prioritizing experiences compared to 27 percent on physical gifts.

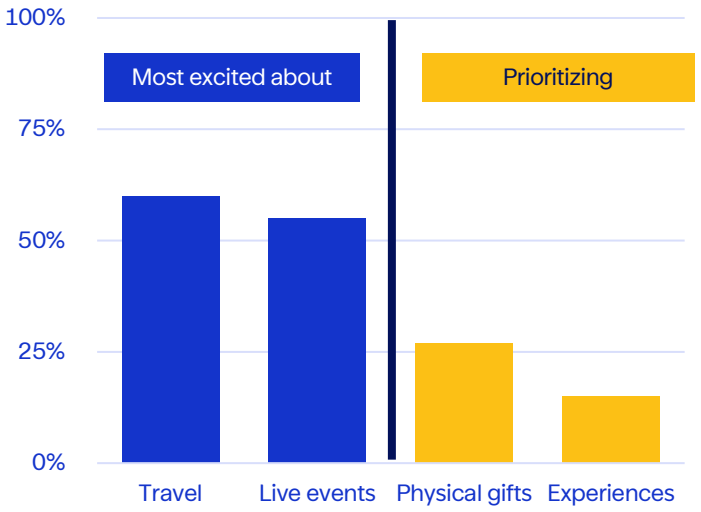
The gap between aspiration and allocation isn't spread evenly. Using anonymized Visa credit card transactions, we looked at September airfare bookings and spending by income for trips departing between November 1 and January 15 of next year. Only households with an income above $200,000 expanded travel on both fronts, booking 29 percent more trips and spending 38 percent more compared to the same month last year (Fig. 3). Nearly every other income group pulled back sharply, suggesting that high costs are increasingly limiting holiday travel to only affluent households.

The holiday travel split tracks the inflation outlook, with price pressures running hotter in travel, transportation and other sectors directly exposed to energy costs than in physical goods. This leaves lower- and middle-income households with less room to maneuver. Our October consumer survey shows that roughly one-third of consumers with an income below $100,000 plan to switch to lower cost brands or stores for holiday gifts this season compared to last year.[1] Trading down is easier on a sweater, but far more difficult on a plane ticket. The prioritization of physical gifts is a bullish signal for holiday sales. With fewer consumers planning to travel this holiday season, more spending may be directed toward gift-related purchases in stores and online.

> "Consumers have consistently prioritized spending on experiences to create memories and emotional connection. But higher travel costs this holiday season may temporarily buck that longer-term shift."

Fig. 2: Travel and other experiences top holiday wish lists, but physical gifts are taking priority

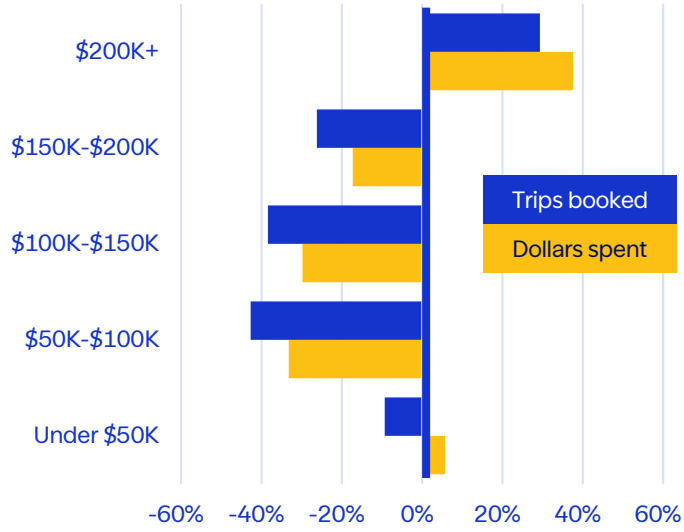
Most desired gifts vs. holiday spending priorities
(Percent, share responding)



Sources: VBEI and Visa Spending Shift 2026

Fig. 3: Holiday travel's two-tier takeoff

September airfare bookings and spending* by income group
(YoY percent change)



Sources: VBEI and VisaNet
*Includes flights booked in September and departing between November 1 and January 15, 2027

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Keeping the registers ringing this holiday season

Sales are expected to accelerate

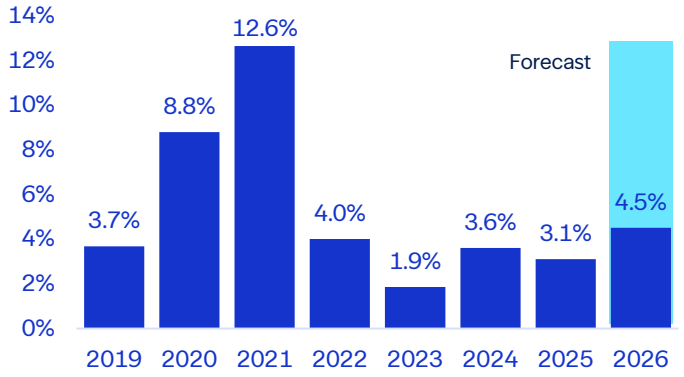
Our forecast of 4.5 percent YoY holiday sales growth (Fig. 4) would mark the strongest holiday sales reading since 2021. However, much of that growth is expected to reflect higher prices rather than an increase in purchasing activity. Inflation this year will have two key effects on holiday spending. First, the higher cost of holiday travel may shift some demand from travel related spending to physical gifts. Additionally, higher inflation will *inflate* holiday spending. We expect consumer prices for holiday related goods will climb 3.4 percent this season YoY. There is also one more shopping day this season compared to last year, which will provide a slight tailwind to sales. But there may be fewer shoppers dashing through the stores for retailers. After accounting for inflation on holiday items, real spending—a good proxy for foot traffic—is expected to rise just 1.1 percent this year, down from the 1.3 percent 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 4.6 percent YoY, up from 3.1 percent in 2025.[2]

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 2026, consumers said they plan to spend an average of $777 on holiday gifts (Fig. 5), marking a roughly 5.6 percent rise from the $736 reported in 2025.[3]** This uptick reflects a resilient willingness to spend, even as economic uncertainty and inflation persist.

Fig. 4: Holiday sales

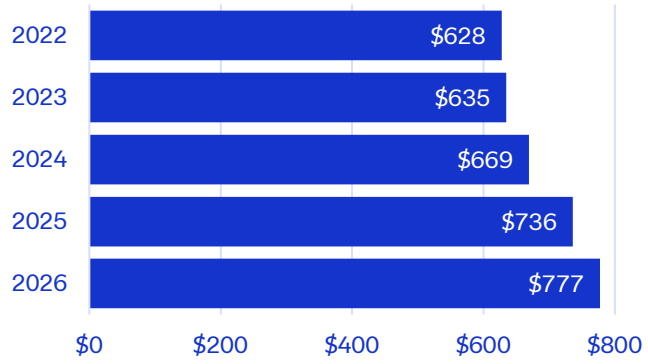
(NSA, retail sales less autos, gas and restaurant sales in November and December)



Sources: VBEI and U.S. Department of Commerce

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

(Dollars)



Sources: VBEI and VBEI Quarterly Consumer Survey, October 2026



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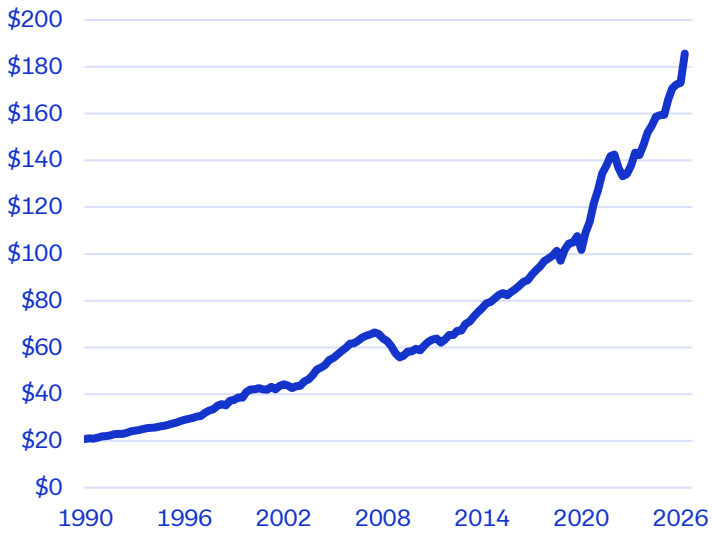
Making a list and checking it twice

Risks to the outlook

While holiday spending is expected to post another solid year, the outlook has become increasingly uncertain. From tariffs to elevated energy inflation, consumer spending has remained resilient. While current trends point to another healthy holiday season, several factors could easily change the trajectory.

Household wealth continues to play an important role in supporting consumer spending. Household net worth has reached historic highs over the last few quarters (Fig. 6). This has supported consumer spending—particularly among affluent households—through the wealth effect, whereby households tend to spend more as the value of their assets rise. If the current bull market continues to broaden, it could provide an additional boost to holiday sales. Further upside to the outlook could emerge if there is a meaningful decline in energy prices, which would provide relief to real (inflation-adjusted) incomes. Given the volatility in energy prices over recent months, there is a chance that energy inflation could retreat as we head into the holiday season. Lower inflation would help ease pressure on household finances and support discretionary spending heading into the holidays. Holiday spending could exceed expectations if equity gains continue and real (inflation-adjusted) income growth accelerates.

Fig. 6: Household wealth remains near record highs
Household net worth (NSA, trillions)



Sources: VBEI and Federal Reserve Board

However, several factors could lead consumers to become more cautious. For example, while the wealth effect can boost holiday spending, it can also become a source of risk to the outlook. As consumer spending has become increasingly supported by gains in household wealth, a meaningful stock market correction could weaken the wealth effect and temper spending. In addition, if inflation accelerates beyond our current forecast, higher prices could begin to weigh more heavily on household budgets. Approximately 84 percent of consumers report taking steps to manage higher everyday costs over the past year, with many seeking discounts and even cutting back on discretionary purchases.[4] This suggests consumers remain highly price sensitive and increasingly selective in how they allocate their spending. While consumers have adapted to higher prices by adjusting their spending patterns, a reacceleration in inflation and weaker financial markets could reinforce value-seeking behavior and increase caution around purchases this holiday season. As a result, sales growth may further mask the disconnect with underlying demand.

The outlook for this holiday season remains strong, with 4.5 percent YoY growth representing a healthy pace of spending. However, elevated uncertainty leaves a wide range of potential outcomes. Lower inflation and rising household wealth could support stronger than expected holiday spending, while a resurgence in inflation and a pullback in financial markets could leave consumers more cautious, resulting in fewer gifts under the tree as households become more selective in how they allocate their budgets.



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Footnotes

1. Visa Business and Economic Insights Quarterly Consumer Survey, October 2026
2. Visa Business and Economic Insights and U.S. Department of Commerce
3. Visa Business and Economic Insights Quarterly Consumer Survey, October 2026
4. Visa Business and Economics Insights and Visa Spending Shift 2026

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