

2019 HOLIDAY SHOPPING TRENDS

LATEST ECONOMIC & U.S. HOLIDAY CONSUMER
SPENDING OUTLOOK



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Morning Consult Economic Intelligence and external economic data indicates holiday shopping will be stronger than expected.

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A new survey shows what, where, and how Americans plan to shop this year.



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HOLIDAY CONSUMER SPENDING FORECAST

New and revised data all indicate that holiday shopping will be stronger than expected.





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Holiday U.S. Consumer Spending Outlook

Recent Economics Data Is More Upbeat Compared to Late Summer Estimates

Late summer estimates predicted a modest increase in holiday spending compared to last year. But more recent data overwhelmingly supports an upward revision to holiday spending forecasts. Consumers are fundamentally stronger than they were in September of this year, and those fundamental improvements have translated into increased consumer confidence.

The new and revised data all indicate that holiday shopping will be stronger than expected. The NRF's consensus estimate of 3.8-4.2% is likely to underestimate holiday shopping this year. Higher estimates in the range of 4.5-5% better reflect the updated data.

What's Changed Since Early Forecasts:

- Labor market remains resilient
- Effects of tariffs on consumers were overblown
- Corporate earnings beat expectations
- Consumer optimism rebounded

What's Remained Consistent with Early Forecasts:

- Weak sales in 2018 set a low bar for growth
- Compressed 2019 holiday shopping season
- Slow wage gains, but slower inflation

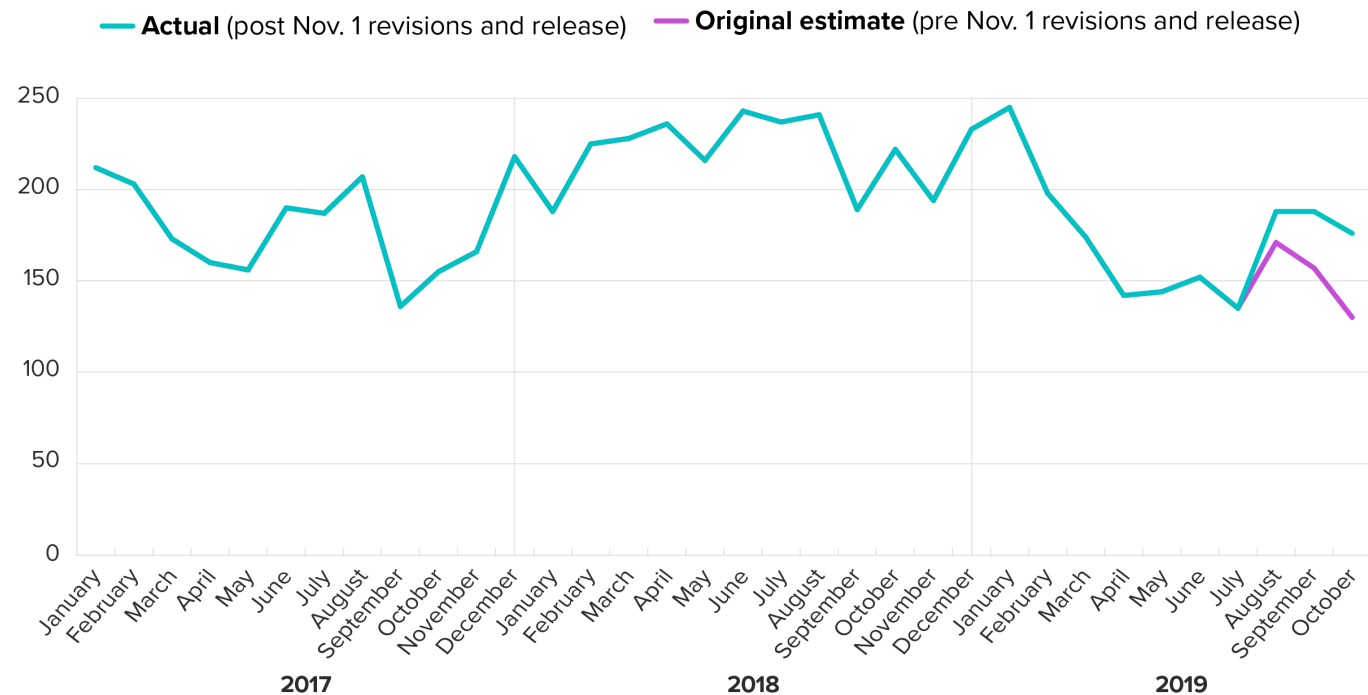


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Labor market looks stronger after 11/01/19 jobs report

Labor markets look more resilient after the October jobs report than the late-summer slowdown would have suggested. That report affirmed a historically low unemployment rate and robust job gains. It also included upward revisions to the jobs numbers from August and September. Furthermore, the upside looks brighter in light of the GM-UAW agreement and Census hiring to resume in 2020.

Average monthly change in jobs
3-month moving average



Source: U.S. BLS



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Effects of Tariffs on Consumers Were Overblown

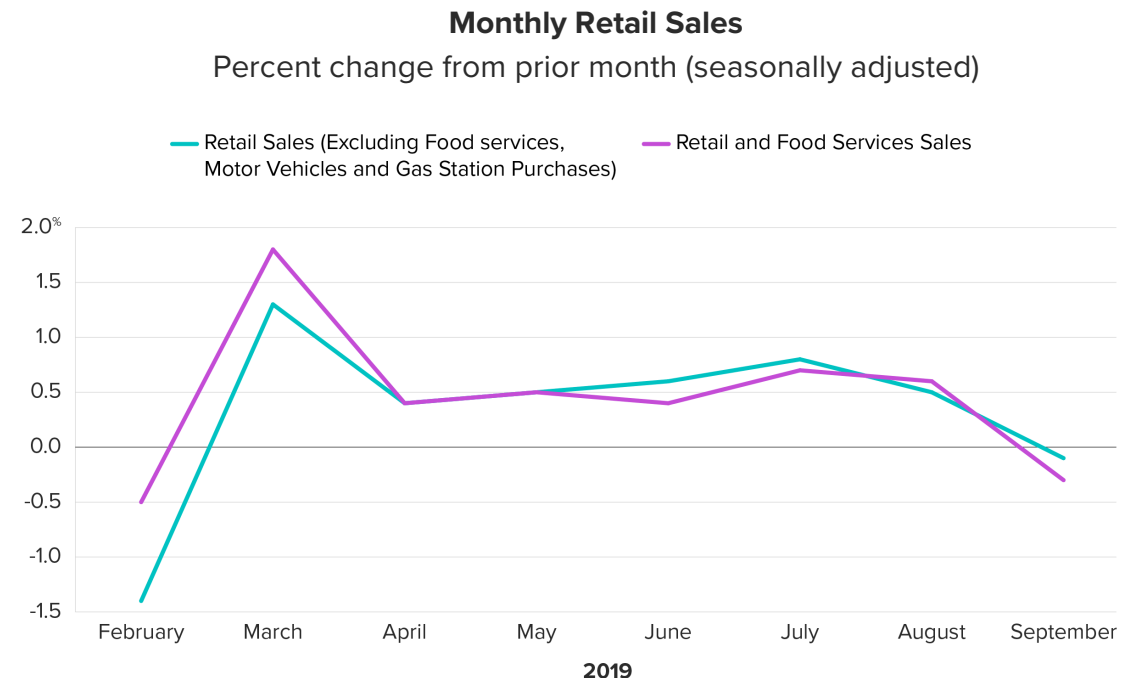
PRICES

Retailers and economists warned that consumers would have to pay higher prices this holiday season due to tariffs on Chinese consumer goods. This concern has not and will not materialize during the holiday season for three reasons:

- First, many businesses increased inventories in order to front run tariffs. Anecdotal evidence indicated businesses' intent to increase inventories as early as June. However, it wasn't until mid-October that the Census Bureau confirmed that the ratio of inventory-to-sales remained elevated through the end of August.
- Second, larger retailers like Target used their market power to force suppliers to absorb the costs of tariffs. Smaller retailers have had to cut their margins in order to remain cost competitive.
- Third, Commerce Secretary Ross indicated in early November that it looks increasingly likely that the U.S. and China will reach an agreement to de-escalate the trade war, and more recent reports suggest a willingness to roll-back existing tariffs.

SPENDING PATTERNS

There is no evidence of consumers pulling forward holiday shopping into September to front-run tariffs, which would have hurt November and December sales. In fact, the mid-October release of September retail sales showed weak September spending. Given the fundamental strength in consumers' incomes, wealth and balance sheets, the weak September figures support a bounce-back in November and December.



Source: U.S. Census Bureau

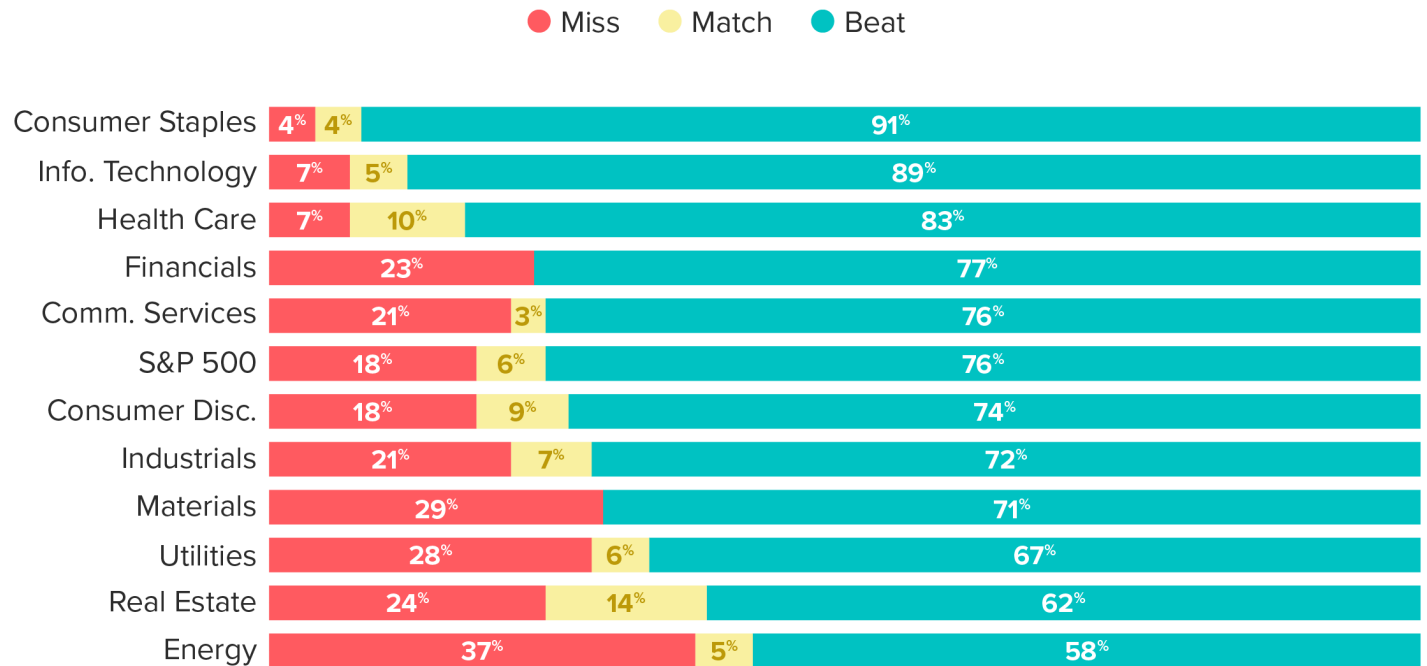


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Corporate earnings beat expectations

As of October 31, 75% of companies that reported third quarter earnings beat their earnings expectations. Stocks have continued to surge on more recent news of a U.S.-China trade deal. Higher stock prices create a wealth effect, which allows consumers to spend more.

Third quarter earnings performance vs. expectations for S&P 500 sectors



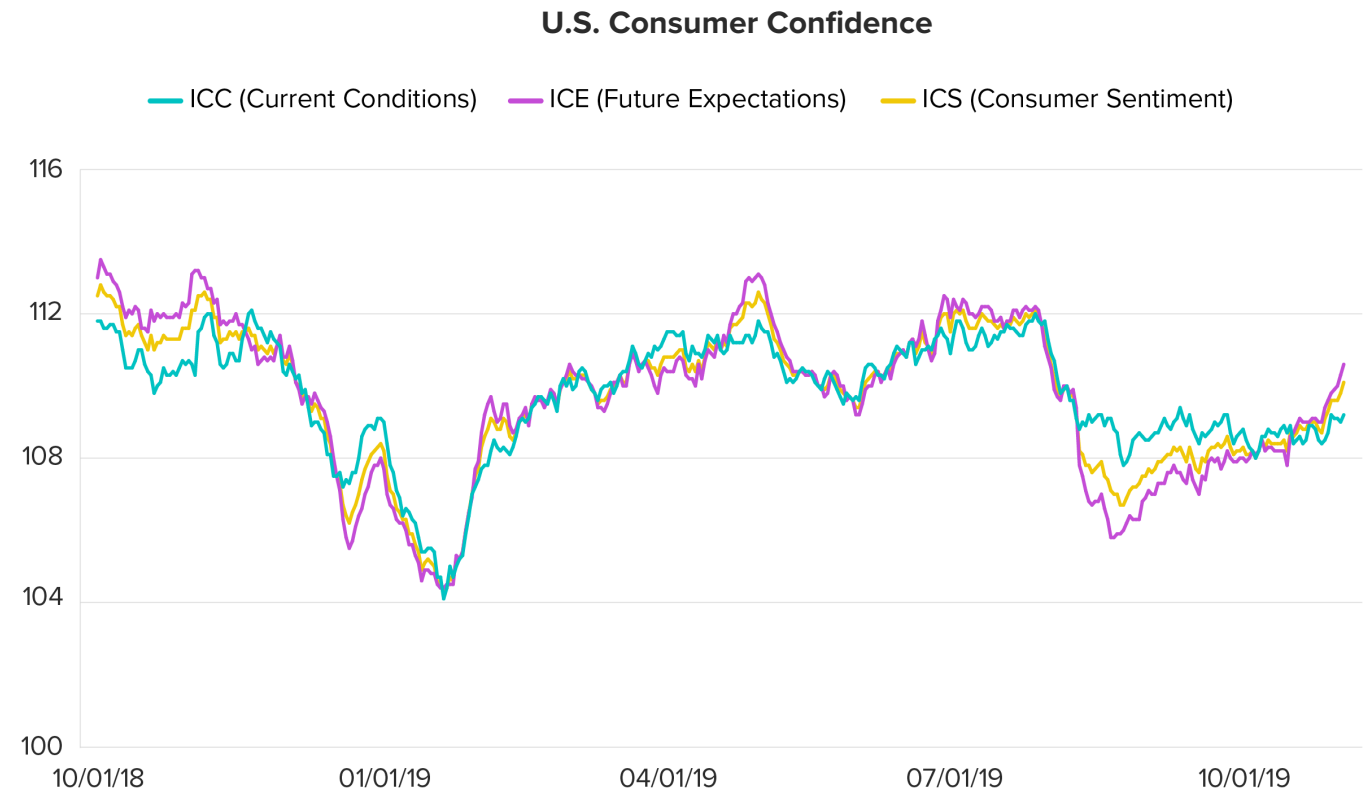
Source: FactSet



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Consumer confidence trending positive since mid-summer

Consumers are more optimistic heading into the holiday shopping season than they were in September, and consumer confidence continues its upward trajectory since bottoming out in mid-August. While confidence is not as high now as it was this time last year, it is significantly higher than it was in August and mid-September when many of the forecasts were formed.



Source: Morning Consult



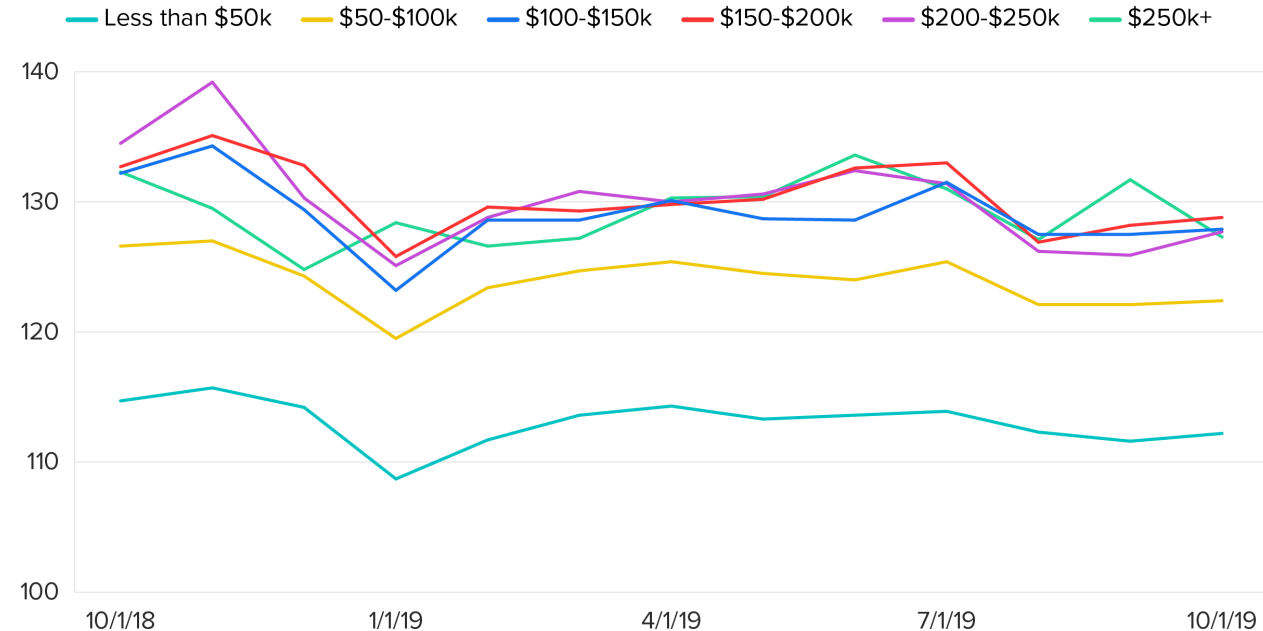
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Consumers ready to make major household purchases

Consumers also increasingly believe that now is a good time to purchase a major household appliance, such as furniture, a television, or a refrigerator. Here again, consumers are not as eager to make a large household purchase as they were this time last year, but consumers' views have gradually improved since August. The rebound in consumers' outlook is particularly important for those making \$150K or more per year since they account for a disproportionately high share of large household purchases.

"About the big things people buy for their homes--such as furniture, a refrigerator, stove, television, and things like that. Generally speaking, do you think now is a good or bad time for people to buy major household items?"

Diffusion Index



Source: Morning Consult



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Trends that remain unaffected since early forecasts

Weak sales in 2018 set a low bar for growth: 2018 retail sales came in well below forecasts due to the government shutdown, the first wave of tariff fears and the associated fall in stock prices. Last year's disappointing holiday shopping figures make it more likely that this year will beat the five-year trend of 3.7% yearly growth.

Compressed 2019 holiday shopping season: The traditional Thanksgiving to Christmas holiday season is compressed. This year there are only 26 days between Thanksgiving and Christmas, which is as short as possible. Historically, most holiday shopping has occurred during this time window. All else equal, this feature of the calendar should hurt total holiday retail figures this year.

Slow wage gains, but slower inflation: Wage gains have been relatively flat in 2019, but energy prices are down so that consumers should have more money to spend this year.



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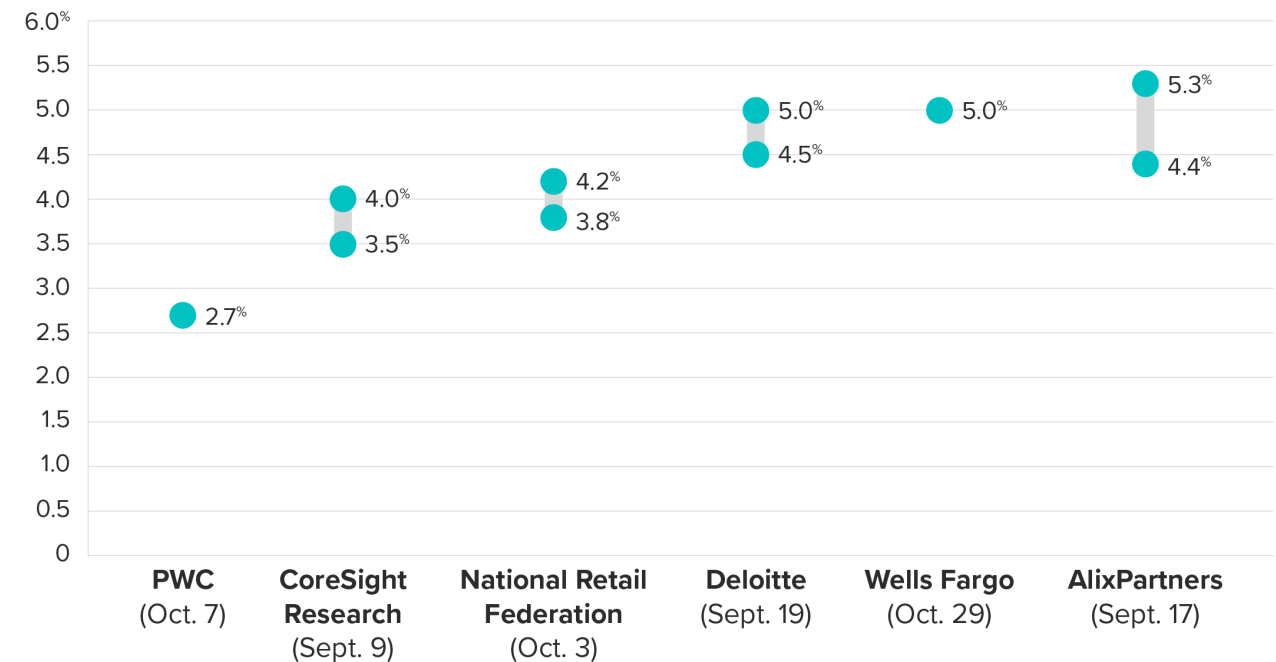
Holiday shopping forecasts require upward revision

In light of the recent data releases, the range of existing holiday shopping forecasts underestimate 2019 holiday shopping.

The updated data shifts up the entire range of forecasts. Forecasts that were previously above consensus look more reasonable in hindsight.

Holiday retail shopping forecasts

Percentage change from 2018



Source: PWC, CoreSight Research, National Retail Federation, Deloitte, Wells Fargo and AlixPartners

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HOLIDAY SHOPPING TRENDS & PREFERENCES

How and what consumers are shopping for this holiday season





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Key Points

- 1 **70% of Americans plan on spending at least \$100** during Black Friday weekend this year – the same level as last year.
- 2 **52% say they are likely shop during Cyber Monday** and 45% say they will shop on Black Friday.
- 3 **77% of Millennials are likely to go to shopping centers** to find gifts – In general, young Americans just as likely older Americans to shop in stores.
- 4 **73% of Americans are likely to buy clothing as a gift this year** – the biggest share of any gift category. Headphones are the top electronic gift.
- 5 **77% plan on shopping at Walmart** and 74% at Amazon - the top retail destinations. Amazon has a sizable edge among high-income earners.

Methodology

This poll was conducted from October 24-27, 2018, among a national sample of 2,200 adults. The data were weighted to approximate a target sample of Adults based on age, race/ethnicity, gender, educational attainment, and region. Results from the full survey have a margin of error of plus or minus 2 percentage points.

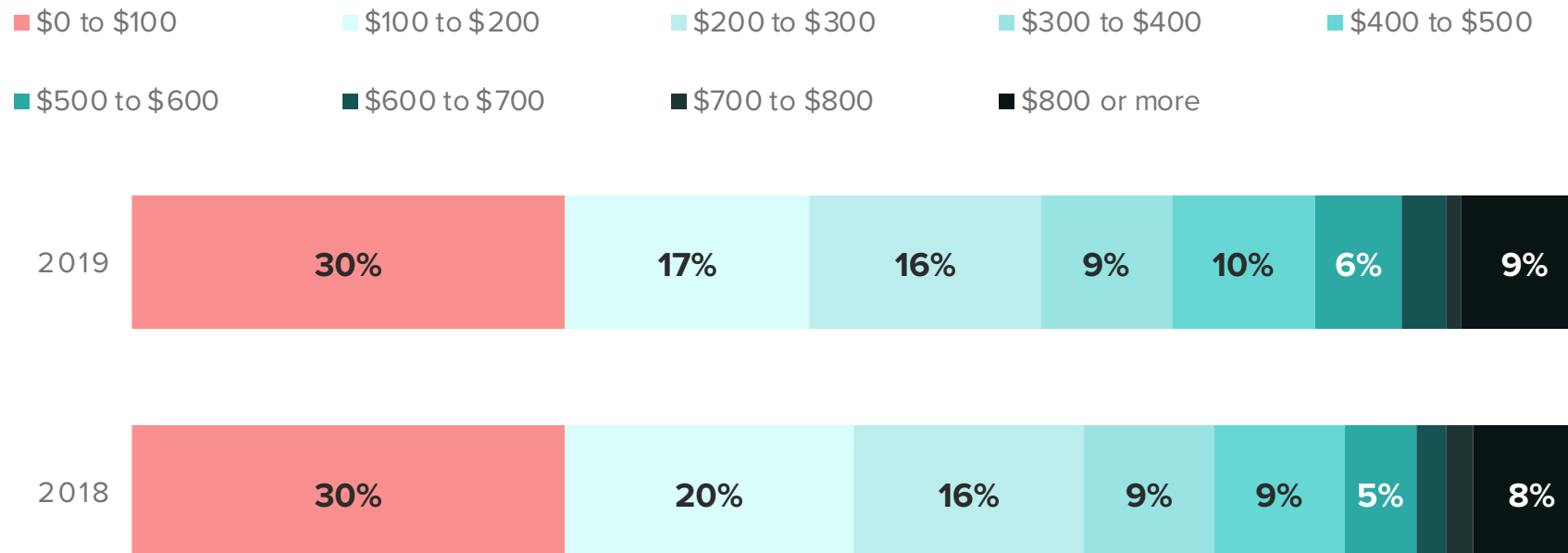


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Shopping behavior

70% of Americans plan on spending at least \$100 during Black Friday weekend this year – the same as last year.

How much do you plan on spending total on shopping the weekend after Thanksgiving, for Black Friday and other sales?



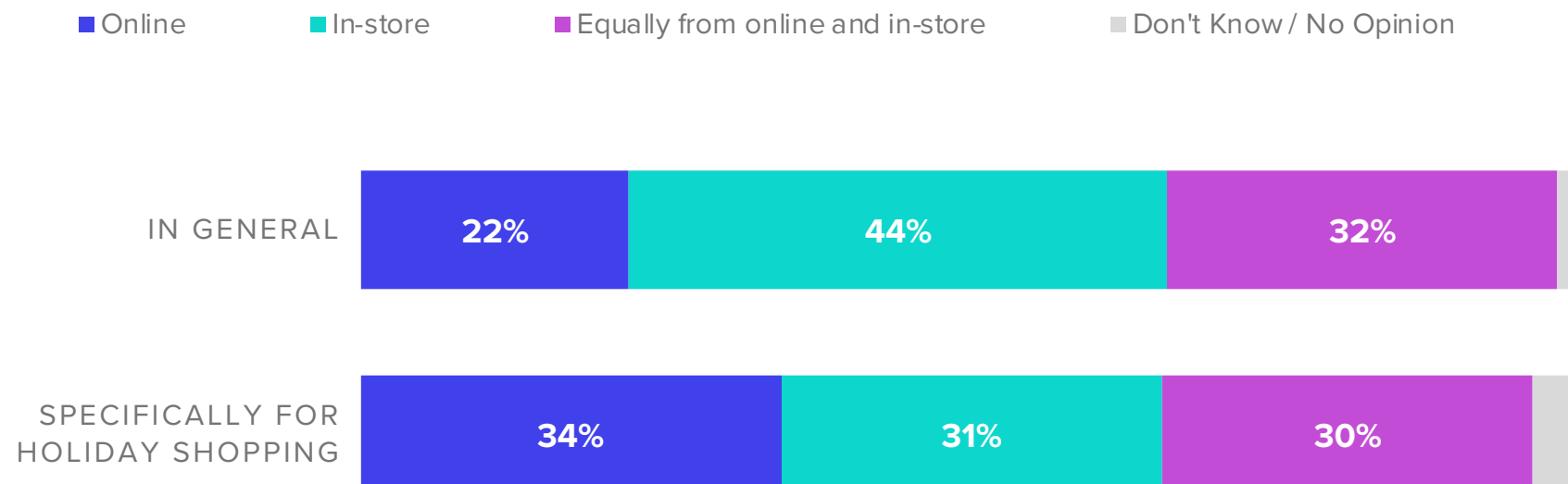


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Shopping behavior

Americans more likely to shop online during the holidays

Do you tend to shop more:



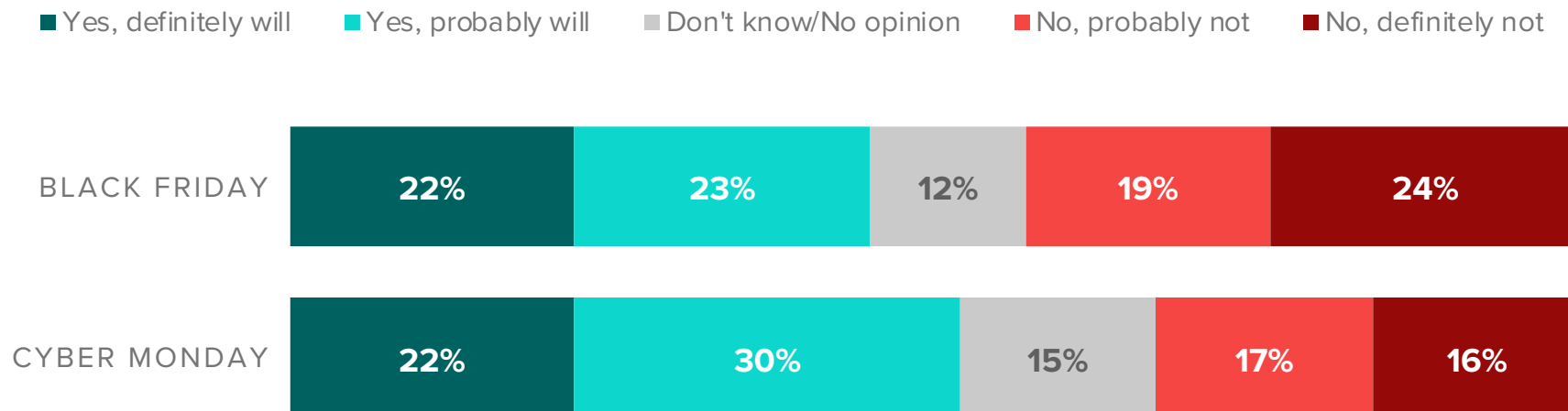


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Shopping behavior

And Cyber Monday is a bigger draw than Black Friday

Which of the following do you plan on shopping during?





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Shopping behavior

Young Americans just as likely older Americans to go to shopping centers to find gifts

When purchasing gifts for others, do you do each of the following?



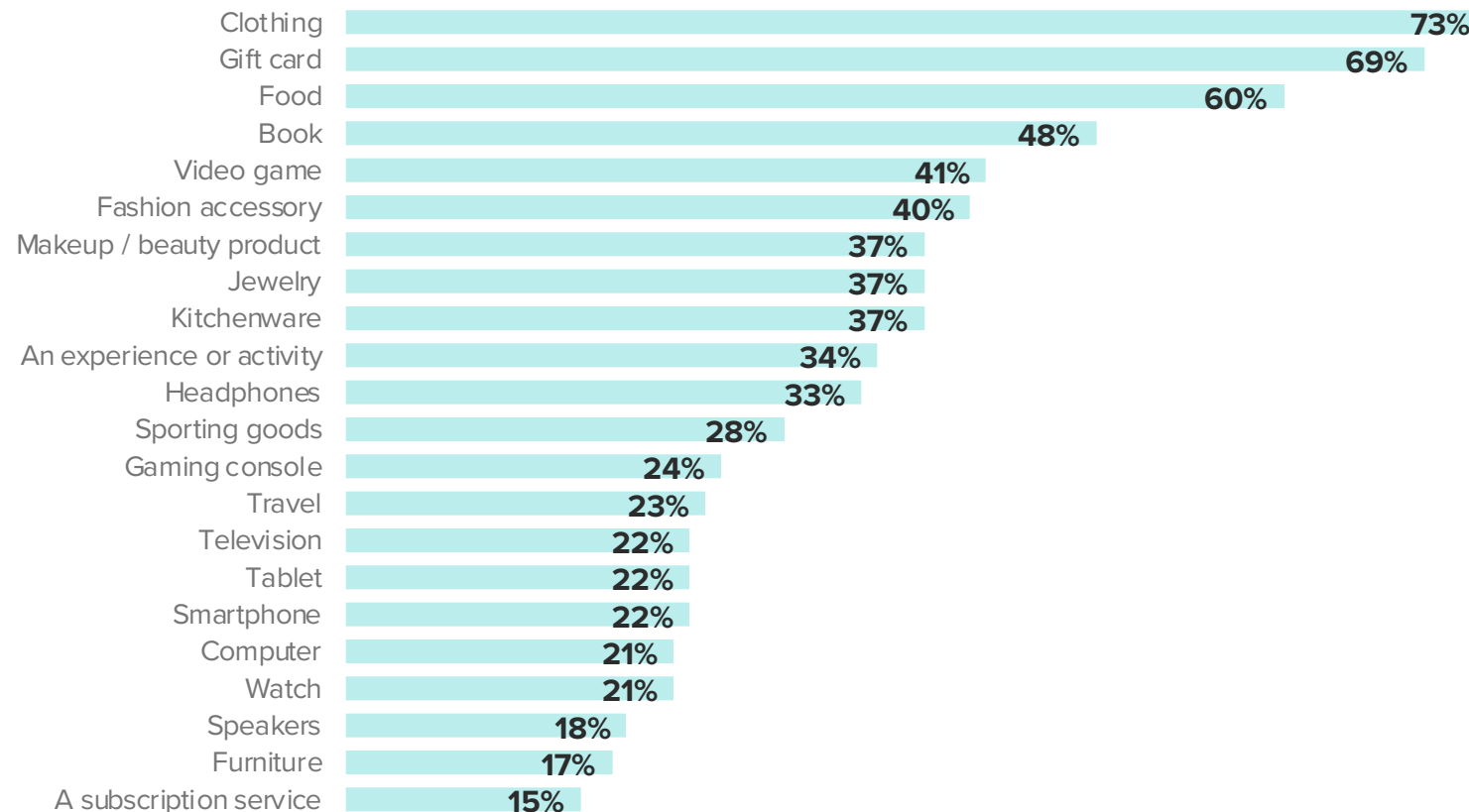


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Anticipated purchases

Clothing and gift cards are the most common gifts.
Headphones are the top electronic gift.

The share who are likely to purchase each of the following as a gift this year:



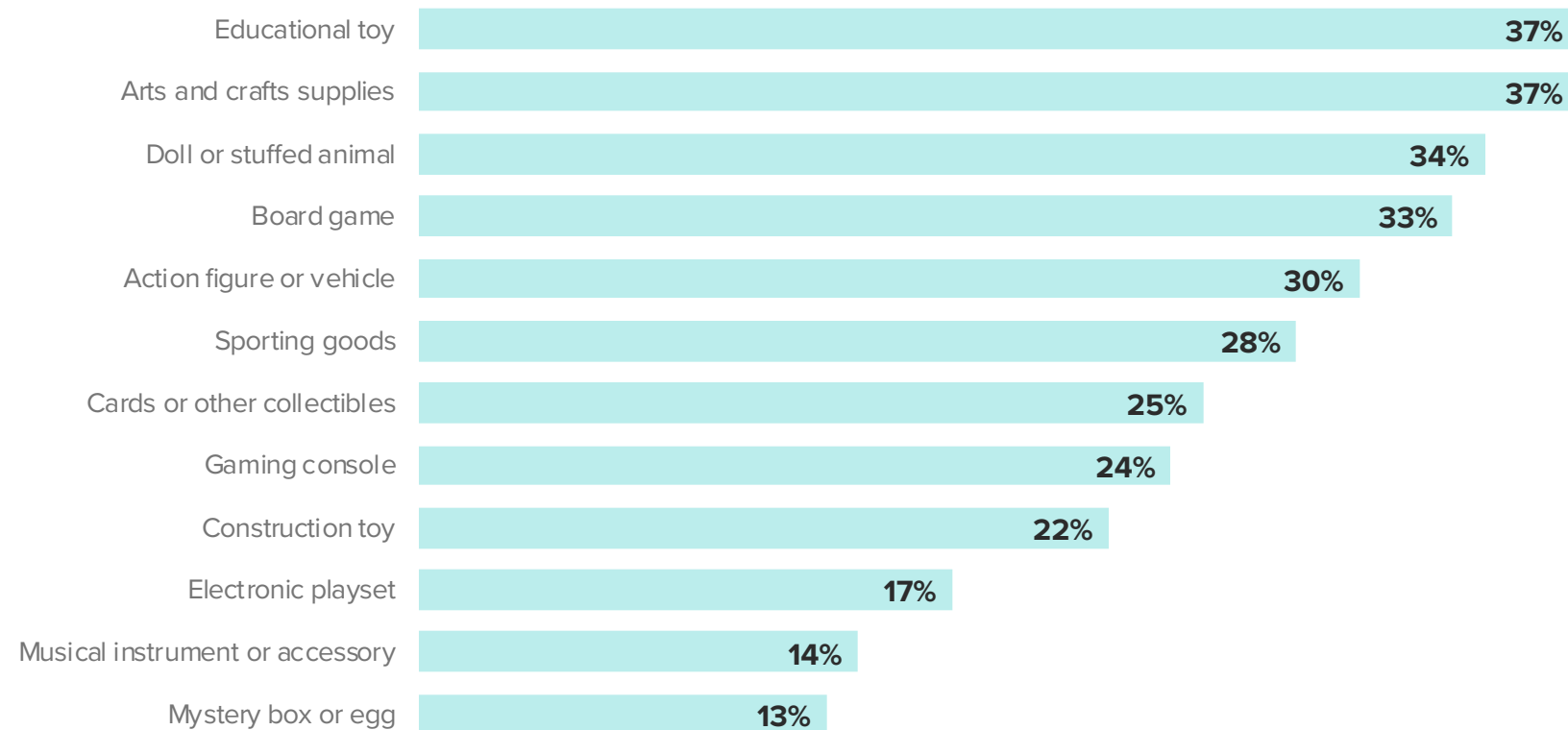


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Anticipated purchases

Educational toys are the top children's gifts

The share who are likely to purchase each of the following as a gift this year:



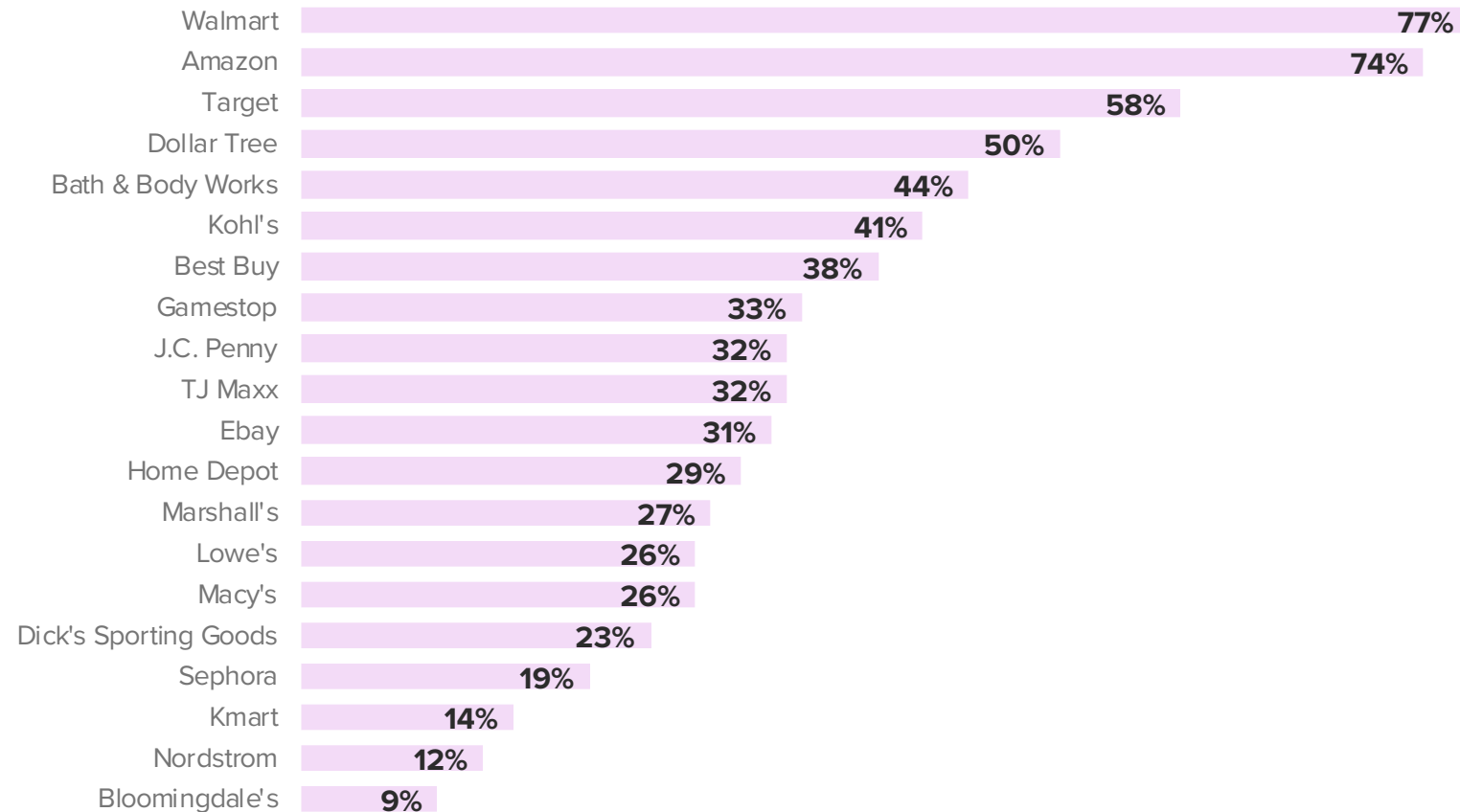


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Shopping destinations

Walmart and Amazon are the top destinations for holiday shopping

The share who are likely to purchase goods from each of the following this holiday season



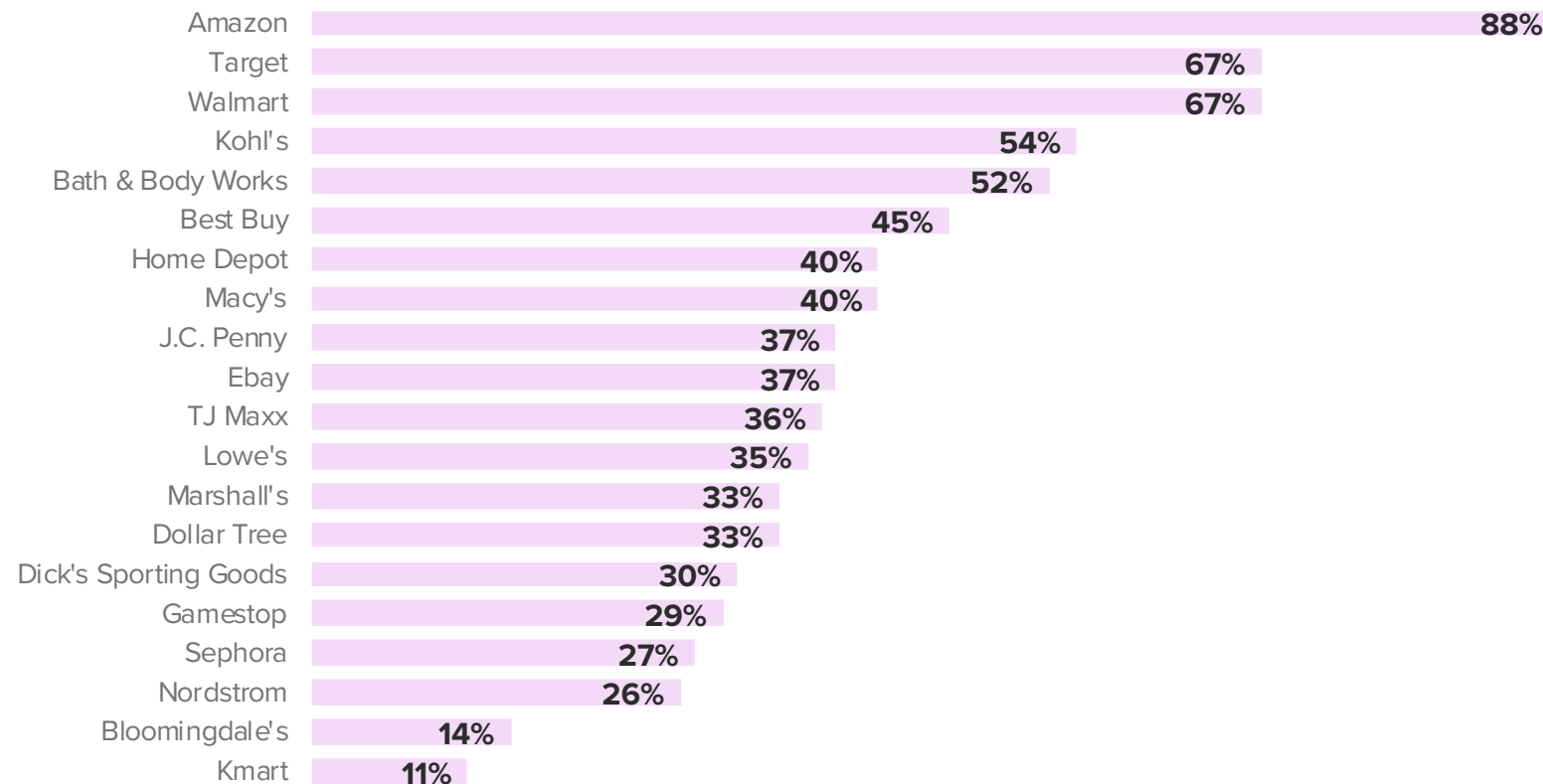


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Shopping destinations

Amazon has a notable edge among high-income earners

The share of Americans with at least \$100k in income who are likely to purchase goods from each of the following this holiday season



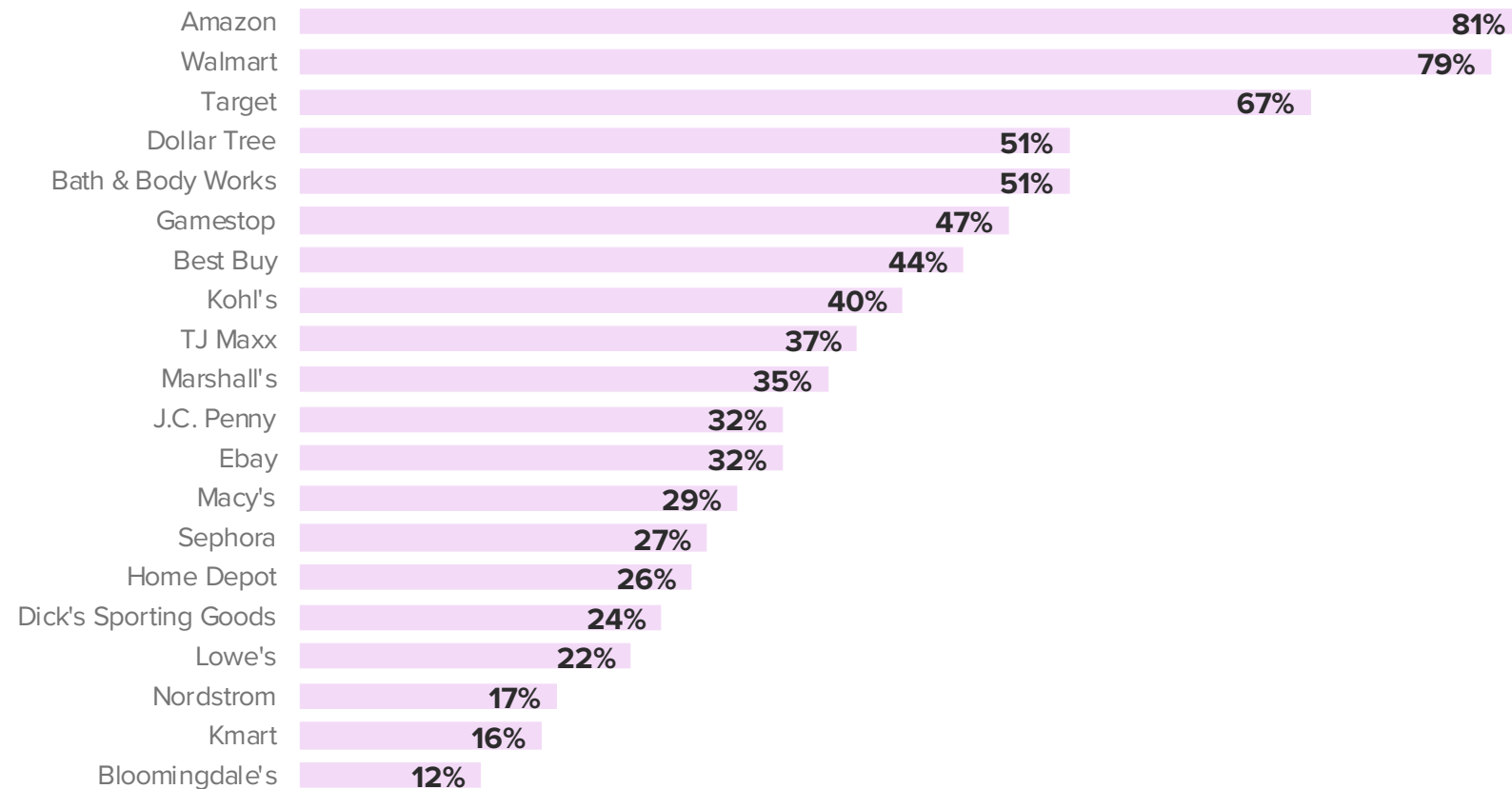


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Shopping destinations

8 in 10 Millennials plan on shopping at Amazon

The share of Millennials who are likely to purchase goods from each of the following this holiday season



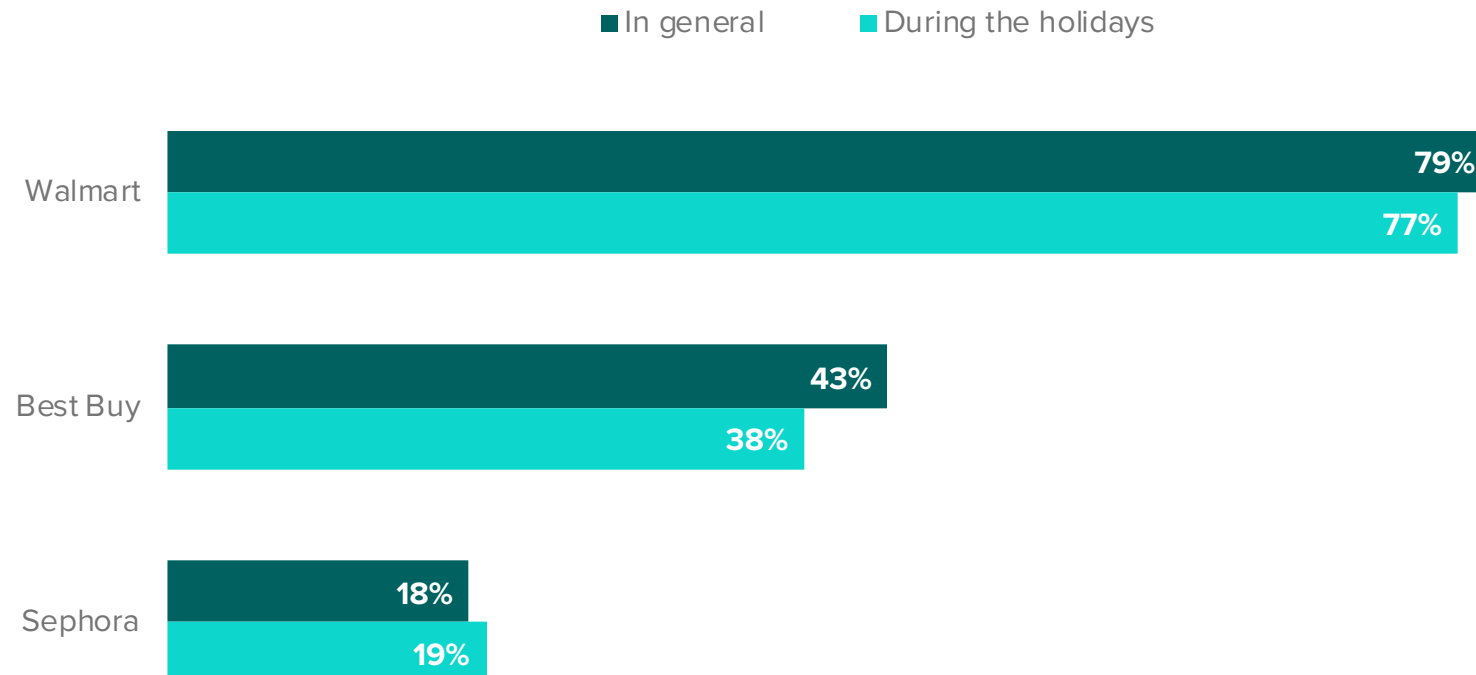


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Shopping destinations

In general, people shop for the holidays at the same places they shop normally

The share who say they are likely to purchase gifts from each of the following





MORNING CONSULT

INTELLIGENT DATA, INTELLIGENT DECISIONS

