2016 Holiday Spending
A Post-Presidentia Election View

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NABE Webinar
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Michael P. Niemira—who is the founder, principal and chief economist of The Retail Economist—is a seasoned professional in the art of consumer economics and creator of various regional and macro statistical research products, including the New York purchasing managers’ survey, the weekly chain store sales index and various leading cyclical economic indicators.

Niemira has extensive financial market research experiences working at Merrill Lynch, Chemical Bank (now part of JPMorgan Chase), PaineWebber (now part of UBS), and the Bank of Tokyo-Mitsubishi. He also was the chief economist and director of research for the International Council of Shopping Centers, Inc.

He has published various professional articles and several books, including *Forecasting Financial and Economic Cycles* (John Wiley & Sons).
Highlights

- Holiday Trends – Historical Reminder
- Role of Gift Cards on Holiday Sales
- Black-Friday Sales Impact Blurring
- Online Sales Growth
- Pricing and Inventory Trends
- TRE’s 2016 Holiday Outlook
A Look at U.S. Holiday Spending Trends
Diminishing Importance of Holiday Spending over November and December

GAFO-Store Holiday Sales as a Shares of Annual Sales

November-December % of Annual

GAFO includes the following kinds of retail businesses:
1. General merchandise stores (NAICS 452),
2. Clothing and clothing accessories stores (NAICS 448),
3. Furniture and home furnishings stores (NAICS 442),
4. Electronics and appliance stores (NAICS 443),
5. Sporting goods, hobby, book, and music stores (NAICS 451),
6. Office supplies, stationery, and gift stores (NAICS 4532).

In-store Holiday Sales Continue Downward Trend as Share of Annual Spending
Looking at the Extended Holiday Season: Holiday Spending Has Diminished in Importance

Extended Holiday-Season Sales (November-January)

Source: U.S. Census Bureau; The Retail Economist.

GAFO Store Sales for the November-January (Fiscal Fourth Quarter)
Even Adding in the Online Sales: Holiday Spending Less Important

U.S. Holiday-Spending Trends

November and December Shares of Annual GAFO-Store Sales Plus Electronic Shopping & Mailorder Sales

Sources: U.S. Bureau of the Census; The Retail Economist, LLC.
Even an “All In” View of Holiday Spending Shows Similar Trend: Holiday Spending Has Diminished in Importance

Expanded Holiday-Sales Season: November-January

GAFO Plus Online Sales

Even an “All In” View of Holiday Spending Shows Similar Trend: Holiday Spending Has Diminished in Importance

Expanded Holiday-Sales Season: November-January

GAFO Plus Online Sales
Gift Cards Still the “Demand Shifter”
2016 Expectation is for a Steady Share with 2015 Pattern of Holiday Gifts in Form of a Gift Card

Gift-Card Share of Total Consumer Holiday-Gift Expenditures

New Record High!

Sources: Goldman Sachs and The Retail Economist, LLC.
Lean Inventories, Strong Dollar
Caution on Inventories

Retail Inventory Growth

Source: U.S. Census Bureau

% Change from Prior Year (Seas. Adj.)


Retail Inventory Growth

Source: U.S. Census Bureau

Caution on Inventories

The Retail Economist, LLC
Retailers Show Restraint in Imports

Toy and Apparel & Footwear Imports

% Change from Prior Year

-20%  -10%  0%  10%  20%  30%  40%  50%

03 04 05 06 07 08 09 10 11 12 13 14 15 16 17

Toys, Games & Sport Equipment; Parts & Accessories
Apparel and Footwear
Stronger Dollar Helping to Drive Prices Lower

GAFO-Store Prices

Percentage Change from Prior Year
### U.S. 2016 “Traditional” Holiday Spending Forecast = +2.3% Y/Y GAFO Sales

#### U.S. Holiday-Season Spending
November-December Periods, Not Seasonally Adjusted

<table>
<thead>
<tr>
<th>Category</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAFO Store Sales (Billions of Dollars)</td>
<td>$248</td>
<td>$252</td>
<td>$255</td>
<td>$263</td>
<td>$265</td>
<td>$271</td>
</tr>
<tr>
<td>% Change</td>
<td>3.5</td>
<td>2.0</td>
<td>1.1</td>
<td>3.1</td>
<td>0.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Shopping-Center Sales (Billions of Dollars)</td>
<td>$446</td>
<td>$454</td>
<td>$465</td>
<td>$485</td>
<td>$495</td>
<td>$513</td>
</tr>
<tr>
<td>% Change</td>
<td>3.7</td>
<td>1.9</td>
<td>2.2</td>
<td>4.3</td>
<td>2.2</td>
<td>3.6</td>
</tr>
<tr>
<td>NRF-Concept of Industry Sales (Bill. of Dolla)</td>
<td>$553</td>
<td>$568</td>
<td>$585</td>
<td>$613</td>
<td>$633</td>
<td>$664</td>
</tr>
<tr>
<td>% Change</td>
<td>4.6</td>
<td>2.6</td>
<td>3.0</td>
<td>4.8</td>
<td>3.2</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Sources: U.S. Department of Commerce; The Retail Economist, LLC.
**U.S. 2016 “Extended” Holiday Spending Forecast = +2.3% Y/Y GAFO Sales**

"Expanded" U.S. Holiday-Season Spending

Billions of Dollars, November-January Periods, Not Seasonally Adjusted, Unless Otherwise Noted

<table>
<thead>
<tr>
<th>Category</th>
<th>2011</th>
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<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAFO Store Sales</td>
<td>330.9</td>
<td>338.8</td>
<td>341.5</td>
<td>353.4</td>
<td>354.6</td>
<td>349.4</td>
</tr>
<tr>
<td>% Change</td>
<td>3.5</td>
<td>2.4</td>
<td>0.8</td>
<td>3.5</td>
<td>0.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Shopping Center-Inclined Sales</td>
<td>$620</td>
<td>$635</td>
<td>$649</td>
<td>$678</td>
<td>$690</td>
<td>$716</td>
</tr>
<tr>
<td>% Change</td>
<td>3.8</td>
<td>2.5</td>
<td>2.2</td>
<td>4.5</td>
<td>1.7</td>
<td>3.7</td>
</tr>
<tr>
<td>NRF-Industry Sales</td>
<td>$772</td>
<td>$797</td>
<td>$820</td>
<td>$859</td>
<td>$882</td>
<td>$925</td>
</tr>
<tr>
<td>% Change</td>
<td>4.6</td>
<td>3.3</td>
<td>2.9</td>
<td>4.8</td>
<td>2.6</td>
<td>4.9</td>
</tr>
</tbody>
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Sources: U.S. Department of Commerce; The Retail Economist, LLC.
Key Takeaways

• Holiday merchandise sales have shrunk as a share of annual retail sales, but have leveled off recently. This is true no matter how you slice the story—with or without online sales—and with or without the “extended season” to capture gift-card redemptions after Christmas.
• Gift-card share of holiday spending has risen to about a quarter of total holiday spending.
• About a third of those gift cards are for restaurants.
• “Black Friday” sales are blurring—first with the weekend, then with the week of Thanksgiving or weeks ahead of Thanksgiving—and now even on Thanksgiving Day.
• Online sales will continue to grow as a share of the sales channel even this year.
• Inventories and pricing should be better this year to yield a more profitable retail season.
Thank You