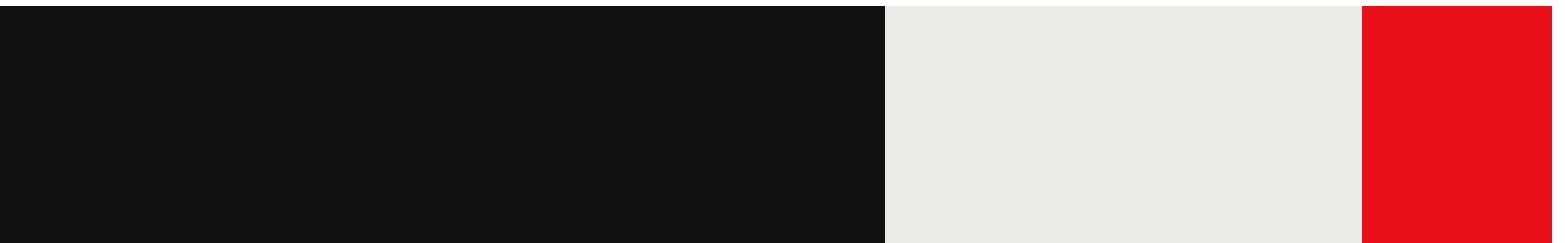


# Retail sales will be 18% higher this year than we thought they'd be prepandemic. Here's why.

Article



**The lay of the land:** The US retail industry's sales are well ahead of where we thought they would be in prepandemic 2020.

- In February 2020, our forecast expected US retail sales to reach \$6.31 trillion by 2024.
- Shifting spending patterns in the early years of the pandemic fundamentally changed expectations. US retail sales surpassed that total in 2021 thanks to a 17.1% surge in spending when consumers who were stuck at home splurged on everything from furniture and TVs to patio heaters.
- Our [February 2024 forecast](#) expects US retail sales to reach \$7.45 trillion this year thanks to the continued resilience of the US consumer.

**What's driving that growth:** Even though there is no shortage of headlines about the bad vibes around the US economy, the reality is that the COVID-19-fueled recession of 2020 was followed by a strong recovery, and the economy remains, by and large, in good shape.

- **There's a sharp disconnect between consumer behavior, their perceptions of the broader US economy, and their personal financial situations.** While 72% of US adults say they're doing OK financially, only 22% say the broader economy is good or excellent, [per](#) the US Federal Reserve's [Economic Well-Being of U.S. Households in 2023](#) report.
- **Most consumers are doing well.** US household wealth hit a record-high of more than \$160 trillion in the first three months of 2024, per another Fed report. The gains stem in part from a strong stock market run and the tight housing market driving up home prices.
- **Paychecks are rising.** Wage gains have been outpacing inflation for nearly a year as the still-tight labor market has driven [employers to boost wages and benefits](#).
- **Even lower-income consumers have more money.** Americans in lower-paying industries have seen some of the strongest pay raises in recent years.

Of course, rising prices within the inflationary environment over the past few years also contributed to the retail sales gains. That said, even as costs have risen, consumers haven't lost their appetite to spend.

**Looking ahead:** There's no sign that consumer spending will slow anytime soon even as elevated interest rates have had a pronounced impact on consumer willingness and ability to buy a new house (which has a trickle-down effect on other [housing-related items](#)), a new car, and other big-ticket items.

- Total retail sales, excluding automobiles and gasoline, were up 3.03% unadjusted year over year (YoY) in May, per the CNBC/NRF Retail Monitor.

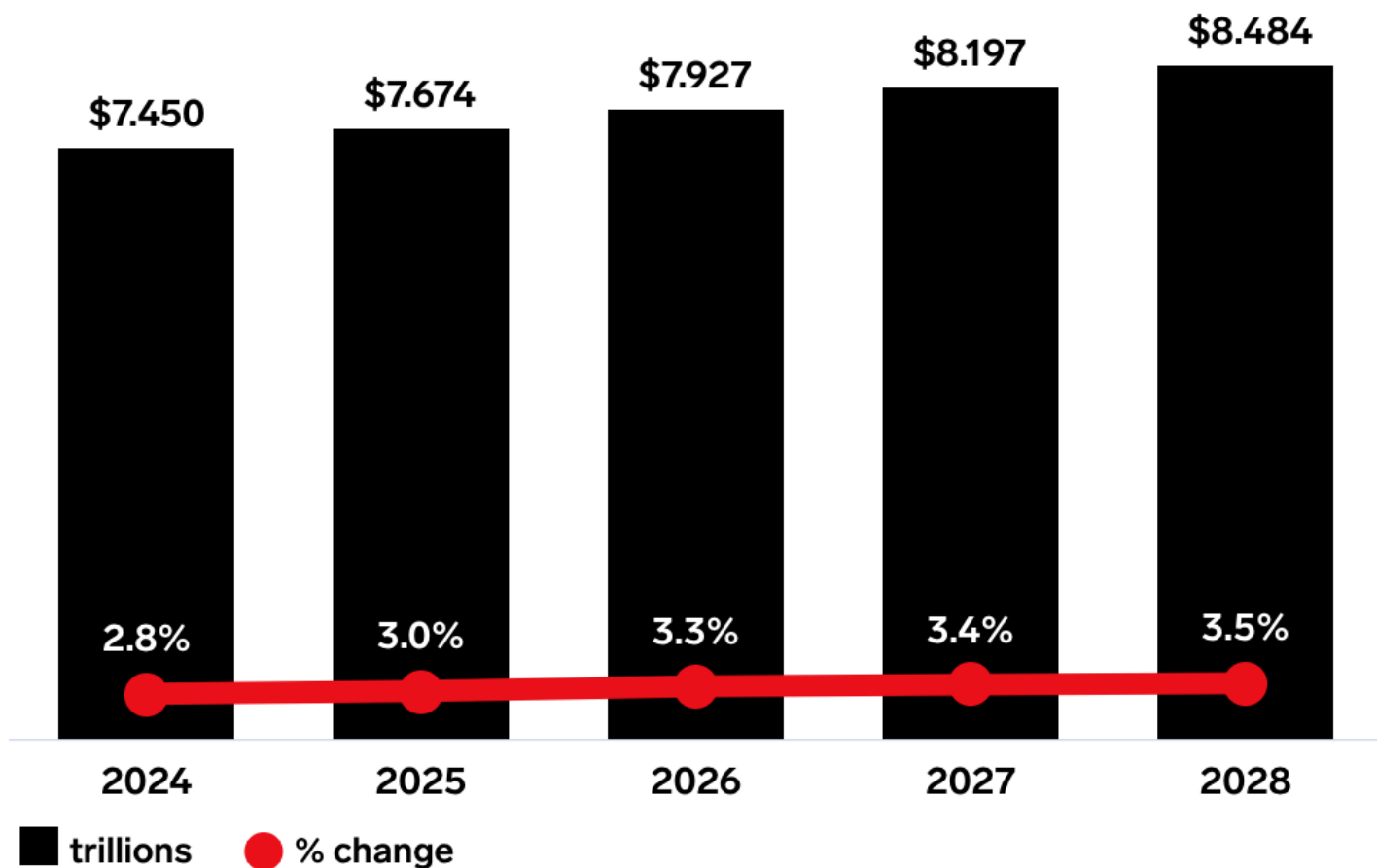
- Over the first five months of the year, total sales are up 2.13% YoY and core sales rose 2.48% YoY.

In fact, US consumers are growing more optimistic about their current and future financial situations, the stock market, and slowing inflation, per the Federal Reserve Bank of New York's May Survey of Consumer Expectations.

- We expect retail sales to increase 2.8% YoY this year and to continue their slight up-and-to-the-right trajectory through 2028.

## Retail Sales

US, 2024-2028



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: EMARKETER Forecast, February 2024