FEB 10
Zak Stambor

Several signals suggest consumer spending is picking up

Article

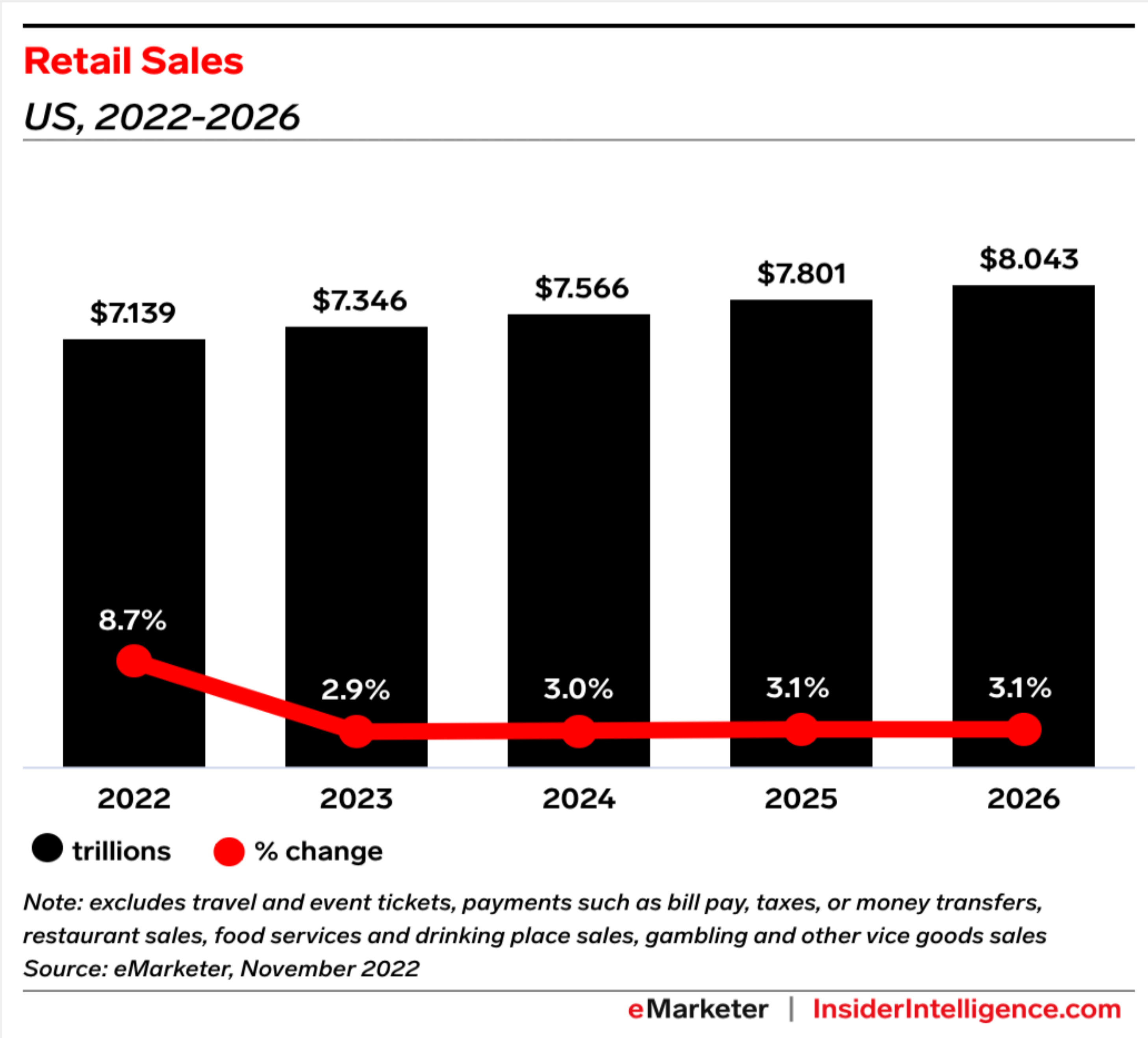
The signals: Several indicators suggest that **consumer spending is picking up after a sluggish end to 2022**.

- **US retail sales excluding automotive rose 8.8% year-over-year (YoY) in January**, with retail ecommerce sales growing 8.4% YoY, per Mastercard SpendingPulse, which is based on aggregate sales activity in the Mastercard payments network, along with survey-based estimates for other payment methods such as cash and check.

- **That report dovetailed with a report that Bank of America credit and debit card spending per household increased 5.1% YoY in January**, compared with a 2.2% YoY rise in December. That report estimates consumer spending based on proprietary Bank of America data.
- **Analysts expect retail sales to be up 1.5% MoM in January**, which would be a notable turnaround after tumbling 1.1% MoM in December, per a Reuters survey of economists.

A deeper look: Strong jobs numbers and lower inflation helped **US consumer sentiment reach a 13-month high this month**, per data from the University of Michigan.

- While that upward trajectory is undoubtedly a good sign, it's worth noting that the current consumer sentiment index is still well below the historical average.
- **There's growing sentiment that the US will avoid a recession**, with **Jack Kleinhenz**, chief economist at the National Retail Federation, recently writing that he expects the "economy to see slight growth in 2023."
- That's right in line with our forecast, which expects **2023 total retail sales to rise 2.9%**.



Reasons for pessimism: Although many signs are pointing in the right direction, we're not out of the woods yet.

- **Eighty-three percent of consumers say their concerns about the current economic climate are affecting their shopping habits**, with 47% saying they plan to spend less overall in the next three months, per Shopkick.

- **Several major apparel and accessory brands—including Levi Strauss and VF Corp.—noted that weak wholesale sales have hurt their bottom lines** as department stores and other retailers have had to resort to steep discounts to resolve their glut of inventory, per The Wall Street Journal.
- **Forty-eight percent of CFOs surveyed by BDO expect to take on more debt this year**, despite high interest rates and the potential impact on profitability. Some of that debt is likely aimed at improving their customer experience as retailers invest in projects such as store renovations and technology system upgrades.

The big takeaway: Retailers have experienced whiplash over the last few years as they went from enduring supply chain bottlenecks to too much inventory to a sudden slowdown in retail sales. If anything, they've learned to expect the unexpected and to build contingency plans. That type of exercise is always important, but it is all the more critical as we shift into a period of slower retail growth.

*This article originally appeared in Insider Intelligence's **Retail & Ecommerce Briefing**—a daily recap of top stories reshaping the retail industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

- *Are you a client? Click here to subscribe.*
- *Want to learn more about how you can benefit from our expert analysis? Click here.*