

US consumer sentiment, retail sales rise as inflation ebbs

Article

Consumers are holding up: The Commerce Department data underscores the resilience of the US consumer, even as shoppers are more careful—or, in the words of **Walmart CFO John David Rainey**, more “choiceful, discerning, [and] value-seeking” with their expenditures.

- On a year-over-year (YoY) basis, retail and food service sales were up 2.1% in August, falling slightly short of last month's 2.5% annual inflation rate.
- **Core retail sales**—which exclude autos, gas, building materials, and food services—**grew 0.3% MoM and were up 5.7% YoY in the last three months**, marking the fastest pace of growth since August 2023.

In fact, consumer sentiment in September reached its highest level since May, which **Joanne Hsu**, director of the University of Michigan's consumer sentiment survey, credited to “more favorable prices as perceived by consumers” for durable goods.

- However, that increase in sentiment is unevenly distributed, per Deloitte's financial well-being index.
- It found that higher-income consumers were much more likely to have reported an improvement in their financial situations than lower- and middle-income respondents.

That bifurcation explains the diverging fortunes of Walmart—which is winning over wealthier consumers looking for deals on groceries as well as general merchandise—and discounters like **Dollar General** and **Dollar Tree**, both of which recently lowered their full-year forecasts as their core lower-income customers pull back sharply on discretionary purchases.

Implications for the holiday season: Some of that caution is set to carry over into the holiday season, as consumers try to find a balance between covering everyday expenses and shopping for gifts.

- **Nearly 60% of US and UK consumers plan to cut back on everyday purchases to prioritize their gift budgets**, while cost, value, and budget ranked as their top holiday shopping concern, per a survey by Coveo.
- A separate survey by Bankrate found that **1 in 3 holiday shoppers plan to spend less this year**, with a similar proportion (34%) saying that inflation will change the way they shop.
- **The desire to save money is also driving holiday creep**, as consumers look to lock down deals and spread out their purchases over a longer period of time. Nearly half—48%—plan to start holiday shopping before Halloween, per Bankrate.

Looking ahead: The strong retail sales data backs up our bullish holiday forecast, which expects sales to rise 4.8% YoY in the last two months of the year—with particular strength in

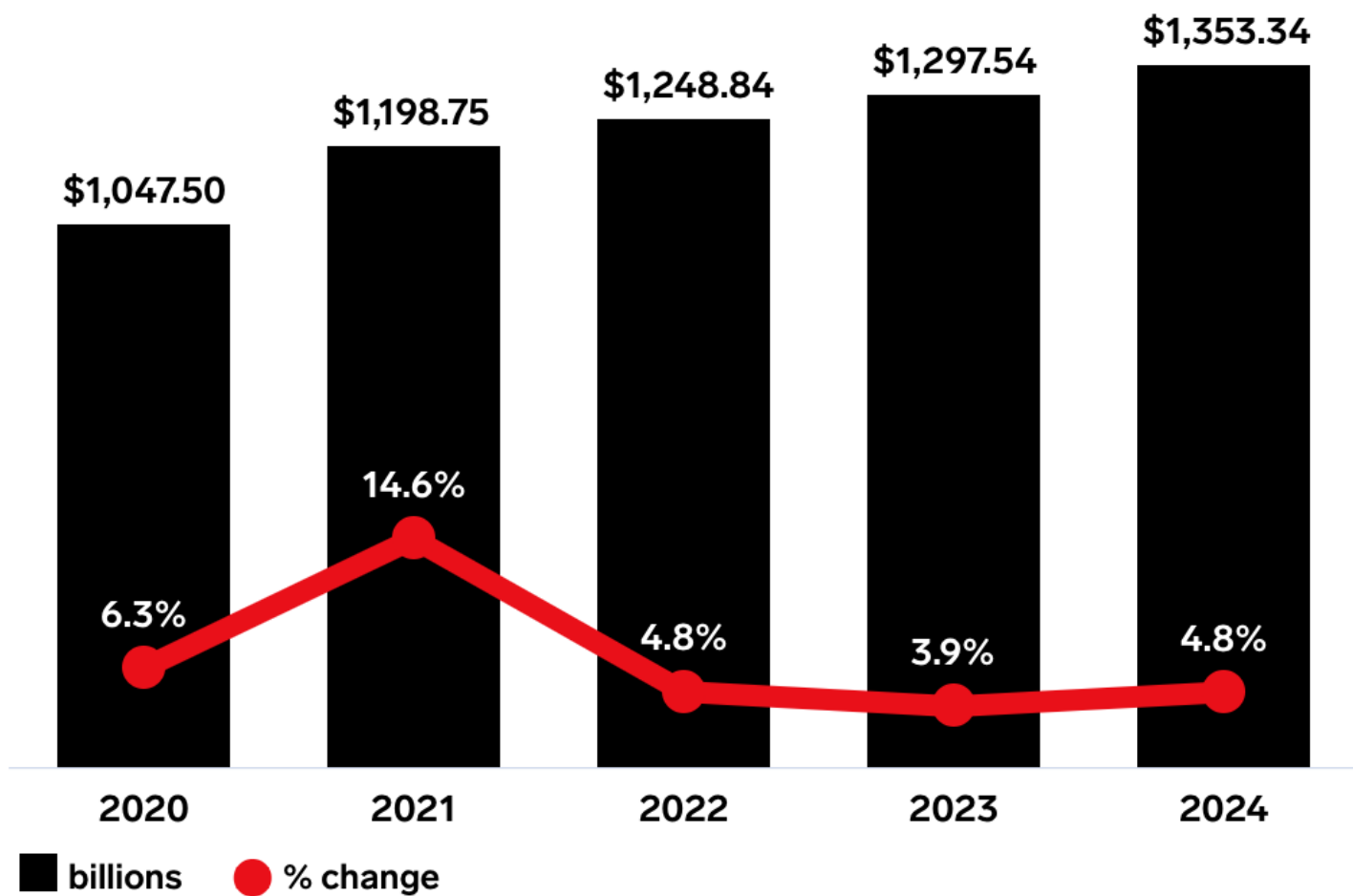
[ecommerce](#), which we forecast will grow 9.5% YoY in the same period.

However, it should be noted that there is a degree of uncertainty surrounding consumer spending in the later part of the year given the [presidential election's potential to disrupt sales](#) —which will make October a crucial month for retailers looking to capture shoppers' dollars.

Go further: Check out our [US Holiday Shopping 2024](#) report.

Holiday Retail Sales

US, 2020-2024



Note: sales are for Nov and Dec of each year; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling and other vice goods sales

Source: EMARKETER Forecast, July 2024