

US retail sales fell in November as consumers shifted spending from goods to services

Article

The news: US retail sales fell 0.6% month-over-month (MoM) in November, the biggest drop in 2022, per the Commerce Department, as consumers continued to ease up on discretionary

spending.

- The drop is considerably more than the 0.2% expected by economists, according to Bloomberg, and a significant slump after [sales rose 1.3% MoM](#) in October.

Zooming in: Higher prices for essentials like groceries and gas continued to drag down demand for nonessential goods.

- Sales for discretionary categories including furniture and home furnishings, apparel, building materials, garden equipment, and supplies all fell in November, although some of that decline could be attributed to increased promotional activity throughout the month.
- Food and beverage sales increased 0.8% MoM as grocery inflation remained in the double digits.

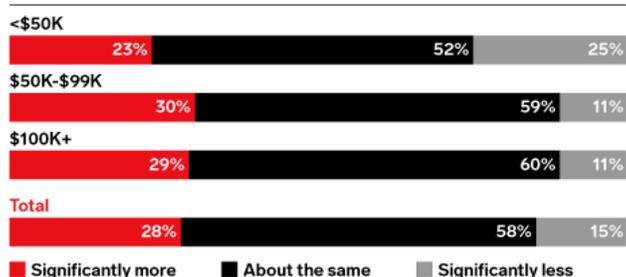
The figures are largely in line with the trends major retailers like [Costco and Walmart](#) have noticed. Costco customers are growing more value-conscious, leading to lower sales for jewelry and expensive appliances, while Walmart shoppers are waiting for big sales events to purchase pricey items and buying less clothing and home goods.

Zooming out: The Commerce Department's retail figures offer a compelling but incomplete picture of consumer spending. They don't show how much people are spending on services like travel, for instance, which saw a resurgence this year as most COVID-19 restrictions worldwide were lifted.

- The one services-related tidbit in the retail sales report indicated that consumers are continuing to shift their spending to services over physical goods. Sales at restaurants and bars in November grew 0.9% MoM and 14.1% year-over-year (YoY), more than any other category.
- Credit and debit card data from Bank of America found that [spending on services](#) grew faster than retail spending in November, a sign that consumers' priorities have shifted even during the year's biggest shopping season.
- Spending on airlines rose 16.2% YoY in November, [per](#) Mastercard SpendingPulse, while consumers spent 41.6% more YoY on lodging.

Change* in US Adults' 2022 Travel Budgets, by Income

% of respondents



Note: numbers may not add up to 100% due to rounding; compared to 2019

Source: Deloitte, "Getting Back to Getaways," May 24, 2022

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The big takeaway: While the latest retail sales numbers indicate some softness in consumer demand, other signs show shoppers are still eager and able to spend.

- A record number of US consumers, 196.7 million, shopped the [Cyber Five sales](#) this year. And over 158 million consumers are expected to shop on Super Saturday, 10 million more than last year, [per](#) the National Retail Federation and Prosper Insights & Analytics.
- While credit card debt is rising, median household savings and checking balances are still considerably higher than they were in 2019 for all income cohorts, [per](#) Bank of America.

With that said, steady interest rate increases and slowing but persistently high inflation could lead consumers to spend more cautiously in 2023.

*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.*

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