Shoppers Set Holiday Records This Year, Exceeding Expectations

When President Trump learned from MasterCard that the American shopper set records over the holidays, he tweeted in capital letters: “2019 HOLIDAY RETAIL SALES WERE UP 3.4% FROM LAST YEAR, THE BIGGEST NUMBER IN U.S. HISTORY. CONGRATULATIONS AMERICA!”

That wasn’t the half of it. Shippers such as UPS and FedEx fell behind and the U.S. Postal Service had to come to their rescue. And still many packages weren’t delivered on time. FedEx thought they were ready for the onslaught — the holiday shopping season this year had six fewer days in it than last year and so shoppers put unexpected pressure on shippers as a result — expecting it would handle some 33 million packages on the Monday after Thanksgiving. Instead FedEx handled a mountain of nearly 38 million packages that day.

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And the momentum carried over right up until midnight Christmas Eve with the company issuing (with a decided sound of relief) a note that it delivered its last package in Seattle at 11:59 p.m. on Tuesday.

MasterCard forecast that holiday shopping would jump by 3.1 percent over last year. Instead, as the President celebrated, shopping increased by 3.4 percent. This exceeded forecasts by PricewaterhouseCoopers, the consulting firm, that holiday sales would rise just 2.7 percent.

Online sales also jumped by nearly 20 percent over last year, with shoppers spending more than $125 billion digitally from November 1 through last Thursday. Translation: Despite the jump in ecommerce, retailers — big box stores and department stores — still made up more than 80 percent of total sales. It’s too early for all the numbers to be available but one number clearly will stand out: U.S. shoppers, enjoying wages increases and record low unemployment, spent four times as much this year at the mall than they did online. The final numbers are likely to reveal that consumers spent a trillion dollars this holiday season.

One statistic missing from the commentary was this: Although U.S. retailers closed 9,300 stores last year, they opened more than 4,000 new ones.

Consumers didn’t spend on just clothing either. Sales of high-tech gadgets, electronics as well as appliances, were up nearly five percent compared to last year. And they’re not just spending at the mall, either. Thanks to lower interest rates they are buying homes as well, pushing permits and new housing starts to highs not seen in years.

Forecasters should have expected the results. In November consumer spending grew by 0.4 percent (the strongest gain since July) or nearly five percent on an annual basis. They should have remembered that job growth in November surprised nearly everyone with a report of 266,000 new jobs created that month (and upward revisions to previous months' reports).

The New American has been following the recovery from the Great Recession, noting along the way all the reasons why the U.S. consumer is setting spending records. It ultimately comes down to sentiment: confidence in the future. With layoffs low, wages high, the economy well into its 11th year of expansion (a record), and the Fed stepping aside with promises not to raise interest rates any time soon, consumers are not only spending freely, they are also saving prudently — 7.9 percent of their take-home wages, according to the St. Louis Fed. By comparison they were saving just 2.7 percent of their take-home wages in the summer of 2005, just before the onset of the Great Recession.

The stock market — considered a leading economic indicator — continues to notch nearly daily new highs in the popular averages. This bodes well as these indices are considered a forward look at economic performance six months out.

With trade talks closing in on the formal signing of Phase One with China, and rumors that the White House is considering another cut in income taxes, there remain few reasons why December's shopping spree isn't a fluke. The American consumer is doing what he does best: improving his standard of living by taking advantage of the amazing offerings that are only available in a free market, private capitalist system.

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