

# More Ho-Hum Than Ho Ho Ho This Holiday Season

**After more than two years of mostly uninspired sales growth and mediocre operating results, 2015 was supposed to be the year it finally all came together for the U.S. retail sector.** This wasn't just wishful thinking: There was good reason to be optimistic going into the year. The 2014 holiday season surpassed modest expectations, and retail sales had some momentum as we entered 2015. Moreover, energy prices had plummeted, job creation was decidedly on the upswing and the housing market continued its recovery—all factors that should spur more robust consumer spending. (The financial windfall from lower energy prices alone should save consumers nearly \$100 billion in 2015, much of which assumedly would be spent.) But it hasn't turned out that way so far. Today's retail spending environment still lacks vigor. More frustration, as many of these broad economic trends have continued along their favorable trajectories as expected—but stronger consumer spending has not followed with the exception of autos.

Early reads on the 2015 holiday season are neither encouraging nor discouraging. Thanks to a late Labor Day this year, Wall Street analysts still are poring over back-to-school ("BTS") season sales data as of this writing, with the consensus so far saying that, the BTS season was "okay"—not terrible, not terrific. But comparisons with 2014 are not so straightforward, as a fair portion of BTS sales this year were reflected in September sales data (rather than August for BTS in 2014) due to the late Labor Day. Additionally, seasonal hiring plans for holiday 2015 announced by large chains to date, including Macy's, Kohl's and Toys R Us, are a mix of mostly inline or less than last season's hiring. So there aren't many meaningful takeaways from these data points.

Our forecast model projects a 3.9 percent increase in retail sales for the 2015 holiday season—slightly stronger than our 2014 forecast of 3.5 percent but weaker than last year's 5.2 percent gain. In the larger context of time this would be considered a below average season but not terribly so. Our forecast model variables are marginally more favorable than last year's figures:

- Consumer confidence remains fairly high (considering the frustration felt by many Americans with the pace of this recovery) but has backed off its post-recession peaks of midyear, when most confidence polls were at eight-year

highs. Surveys by nearly all credible pollsters of consumer confidence indicate that most Americans are increasingly hopeful on the economy and their financial prospects— not exuberant by any stretch but far from dour.

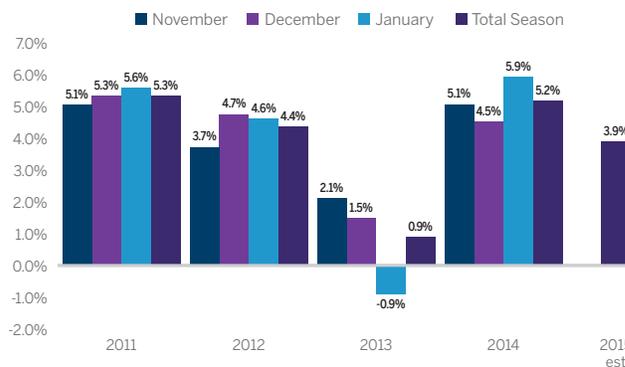
- Wage gains remain the weak link in this recovery (and in our forecast model)— again, having improved from puny post-recession levels but not nearly large enough to encourage robust spending. For all the energy and brainpower devoted to handicapping the holiday season, a fundamental truism continues to apply: Real income gains are the single most important determinant of our discretionary spending, and we still have a way to go on that front. But the direction of the trend is mildly encouraging.

Here's hoping that more Americans feel confident enough this holiday season to cast off some of their spending caution. But even if they do, you can be assured that retailers will have to battle like street fighters to get that business. Shoppers have gotten too smart to be snookered.

Our forecast model projects a **3.9%** increase in retail sales for the 2015 holiday season

Next month, we will have a broader view on our 2015 Holiday Forecast. We look forward to continuing this dialogue with you in our next Retail Outlook.

2015 Holiday Season Retail Sales



Source: U.S. Census Bureau

The views expressed herein are those of the author(s) and not necessarily the views of FTI Consulting, Inc., its management, its subsidiaries, its affiliates or its other professionals.

## About FTI Consulting

FTI Consulting is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring.