

# Federal Reserve Bank of Atlanta

December 22, 2009

**Moderator:** *Welcome to Southeastern Economic Perspectives, an occasional podcast from the Federal Reserve Bank of Atlanta. The following comments discuss holiday sales in the District. Laurel Graefe, a senior analyst, and Courtney Nosal, an analyst, both of whom specialize in the Sixth District, will provide insight into consumer spending this holiday season. Thank you for joining me, Laurel and Courtney.*

**Laurel Graefe:** Thanks for having us.

**Courtney Nosal:** Thanks, Jean.

**Moderator:** *We're now nearing the end of the holiday shopping season. Are there any signs that consumers are starting to come back for the holidays?*

**Nosal:** Well, after a tough year of high unemployment, high savings rates, low consumer confidence, and overall uncertainty about the future, it should come as no surprise that holiday sales thus far have been less than stellar. Most reports indicate that holiday sales are at comparable levels to that of last year. According to the National Retail Federation, Black Friday sales were marginally stronger this year compared to the holiday season in 2008, totaling \$41.26 billion on Black Friday, versus \$41 billion last year.

**Graefe:** Right. One trend we're seeing this year is more foot traffic in stores, though that isn't necessarily going to translate into greater sales. Our monthly Districtwide retail survey showed that November had the highest percentage of respondents reporting high traffic levels since July of 2007. And the National Retail Federation reported approximately 195 million people went shopping between Thanksgiving and the Sunday after Thanksgiving compared to 172 million last year. But over the same period, average spending per person dropped to \$343 from \$372 last year.

**Nosal:** So, in other words, we're hearing that American consumers are out about in large numbers, but they are hunting for discounts and spending with extreme caution. Gift card sales took huge hits this year, as people prefer to get more value for their dollar by purchasing discounted merchandise. An interesting anecdote from a District contact was that credit card sales are down significantly from last year, but debit card purchases are up as much as credit card sales are down. So people don't want to spend beyond their means.

**Moderator:** *Does this come as a surprise to retailers, or was there already an expectation that holiday sales would be tepid this year?*

**Graefe:** Well, in 2008, holiday sales were rather dismal. Currently, holiday sales are relatively flat compared to last year, but what makes 2009 different from 2008 is retailers were not as optimistic this time around, and as a result, they were better prepared for disappointing sales.

**Nosal:** For example, in our monthly Districtwide retail survey, 100 percent of participants were satisfied with their inventory levels in November. They have been allowing inventories to deplete throughout the past months and adequately predicted how much inventory was needed during the holiday sales season.

Retailers were armed with promotions both in stores and online. Reports from ComScore say Black Friday Web-based purchases reached \$595 million, up 11 percent from last year. Cyber Monday Web-based purchases reached \$887 million, up 5 percent from last year. Between November 1 and December 11 online sales have reached over \$199 million, a 3 percent increase from the same period last year.

**Moderator:** *So, what can we expect for the rest of the holiday season?*

**Graefe:** Well, December 19, the Saturday before Christmas, is another upcoming big shopping day. In past years there have been very high sales on the Saturday before Christmas. The National Retail Federation expects total holiday sales to drop 1 percent in 2009 from a year ago, versus a 3.4 percent decline in 2008.

**Nosal:** So, to sum up 2009 holiday sales up to now in a few quick points, it would be:

Holiday sales are relatively flat compared to last year's levels;

Online shopping and Cyber Monday, in particular, were huge hits this year;

People were out and about hunting for bargains, and the bargains were there to be found;

Consumers spent very cautiously—there was higher traffic, but lower average spending; and

Retailers did not experience anything too unexpected.

**Moderator:** *Thanks, Laurel and Courtney.*

**Graefe:** Thanks, Jean.

**Nosal:** Thank you.

**Moderator:** *Again, we've been listening to Atlanta Fed research team members Laurel Graefe and Courtney Nosal provide insight into retail sales. This concludes our Southeastern Economic Perspectives podcast. Thanks for listening and please return for more podcasts. If you have*

comments, please send us e-mail at [podcast@frbatlanta.org](mailto:podcast@frbatlanta.org).