

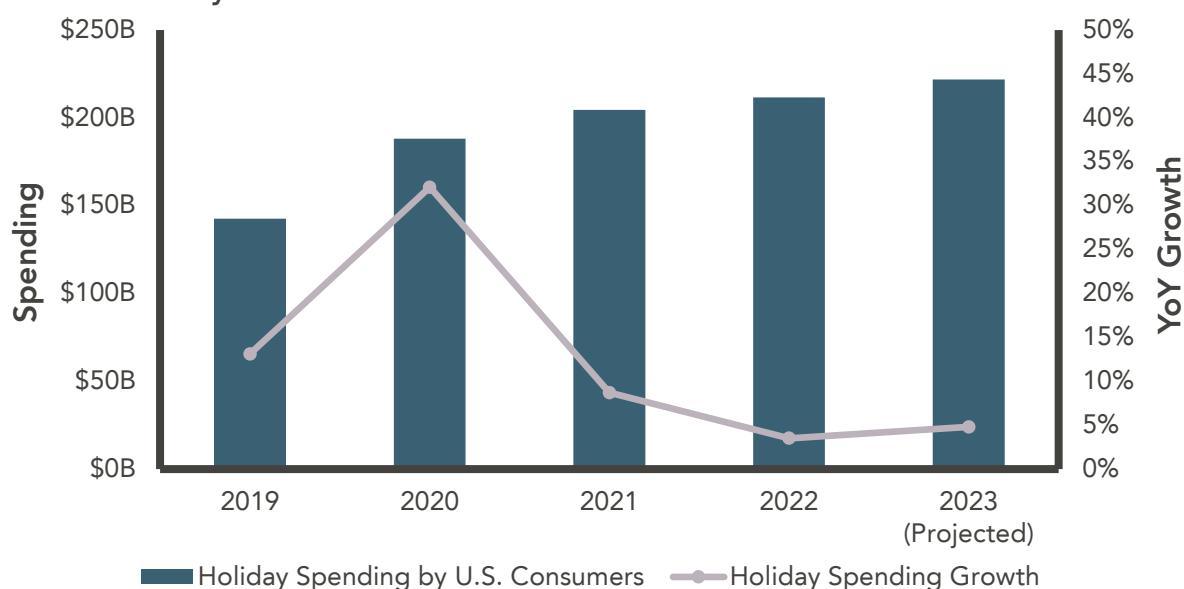
Chart of the Week

November 30, 2023

'Tis the Season to Spend!

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▾ Spending is on track to reach record levels this holiday season, despite mounting economic pressures faced by American consumers



Source: Adobe Analytics and CNN Business as of October 31, 2023

The holiday spending frenzy is well underway as some of the biggest shopping days of the year, including Black Friday and Cyber Monday, occurred in the last week. Consumer activity during the holidays can help investors gauge overall spending trends, which may serve as indicators of the health of the economy at large. To that point, the current macroeconomic environment is presenting challenges for the American consumer, including higher costs of living driven by elevated inflation, increased borrowing costs, and depleted savings. All of these factors tend to have negative impacts on the purchasing power of consumers. Despite these challenges, however, Americans still spent in record-breaking fashion during the most recent "Cyber Week" (Thanksgiving through Cyber Monday), with year-over-year spending growth up by roughly 7.5% and 9.6% on Black Friday and Cyber Monday, respectively. Adobe Analytics is projecting overall holiday spending levels in 2023 to increase by 4.8% relative to last year's figures, with total spending of around \$221.8 billion.

The implications of the trends detailed above are somewhat unclear. At first glance, this robust spending could be interpreted as continued strength of the American consumer, however an examination of other data points may suggest that both consumers and retailers are feeling the effects of economic pressures. For instance, according to shipping company DHL, consumer spending leading up to Black Friday in 2023 was lower than that of previous years, which suggests that Americans were deferring purchases until significant discounts were

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made available to them. And these discounts were indeed significant, as uncertain demand forced retailers to offer steeper price cuts than they had in previous years. Additionally, an increasing number of consumers are now financing their spending via “buy now, pay later” programs. This information, along with the fact that credit card balances are at historically high levels, suggests that consumers are accumulating significant debt in order to finance their purchases. This could prove especially problematic given the current environment in which many are already feeling the pressure to make debt servicing payments (outlined in a recent Chart of the Week, *Feeling the Squeeze*). With the holiday season now in full swing, Marquette will continue to monitor consumer spending trends closely as investors weigh the possibility of a U.S. recession and a slowdown in economic activity. ■

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