



Visa Insights

2016 U.S. holiday spending recap: Fastest growth in five years

In This Insight:

Economic impact on holiday spending

Growing importance of e-commerce

Spending growth by category

Millennial shopping trends

Timing of holiday purchases

U.S. regional highlights



Introduction

Holiday spending in 2016 was the strongest in five years. According to the Visa Retail Spending Monitor¹, retail sales less autos, gas and restaurants grew by 4.8 percent through the holiday season of November and December combined, compared to the same period in 2015. Most of the spending growth can be attributed to the robust online sales channel. In addition, consumers opted to shop earlier this holiday season, with remarkable growth in November. Although Black Friday was the sixth largest shopping day in total spending, it topped the list of the biggest *retail* shopping days of the holiday season.

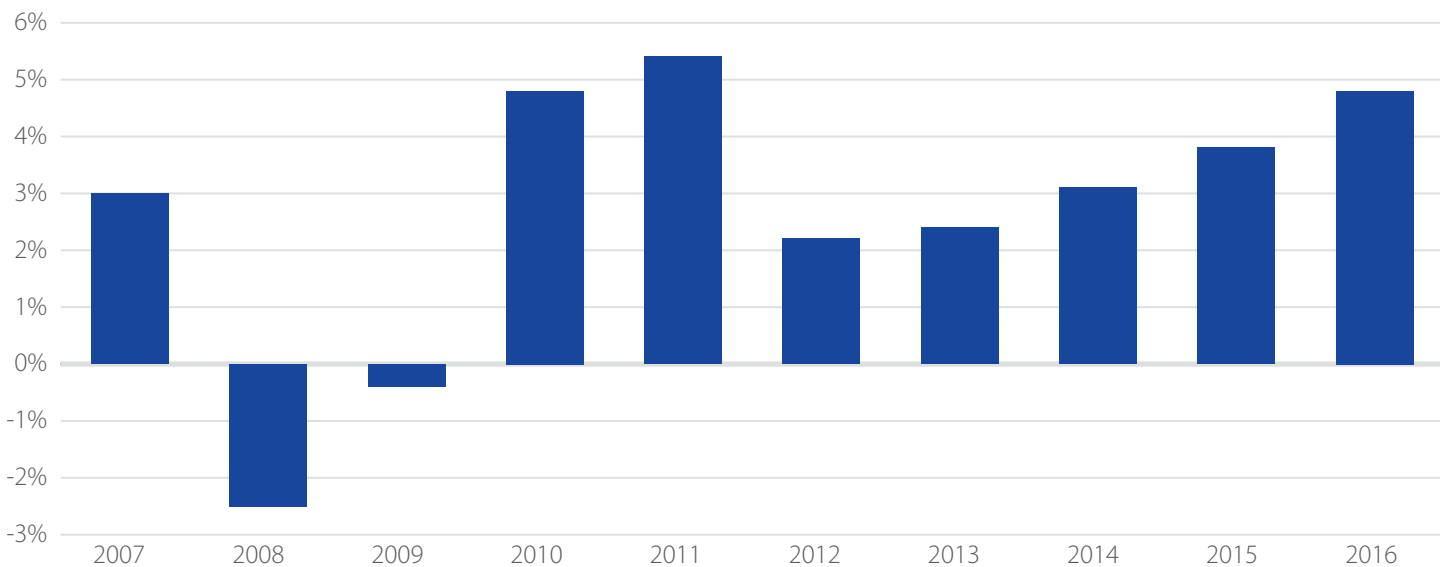
¹VisaNet data modeled to represent spending on all forms of payment

Overview of 2016 holiday spending growth

Holiday retail spending in 2016 showed an impressive acceleration compared to growth of 3.8 percent in 2015 and 3.1 percent in 2014, and was the strongest since 2011. November was especially strong in the two-month holiday period, while growth in December decelerated slightly. A possible reason for this is an earlier 2016 Thanksgiving (November 24th, compared to November 26th in 2015). Millennials, who represent a larger portion of holiday spending, were also reported to have completed more of their holiday shopping earlier in 2016 than in past years, which may have added to the disparity between the months.

Favorable economic conditions contributing to the robust holiday season spending growth include continued strong job growth numbers, coupled with accelerating wage growth. December's 2.9 percent year-over-year (YoY) was the fastest wage growth seen in nearly eight years. U.S. employment added more than 2.1 million jobs in 2016, bringing the unemployment rate to 4.7 percent and demonstrating the continued strength of labor market conditions. Consumer confidence is at its highest level since 2001, with the equity and housing markets also contributing to the strong holiday spending growth.

Holiday retail spending*
(Seasonally adjusted, YoY change)



* Retail spending less autos, gas and restaurants over the November-December period
Source: Visa Retail Spending Monitor, November and December 2007-2016

Spending growth accelerated across many merchant categories

Growth by spending category

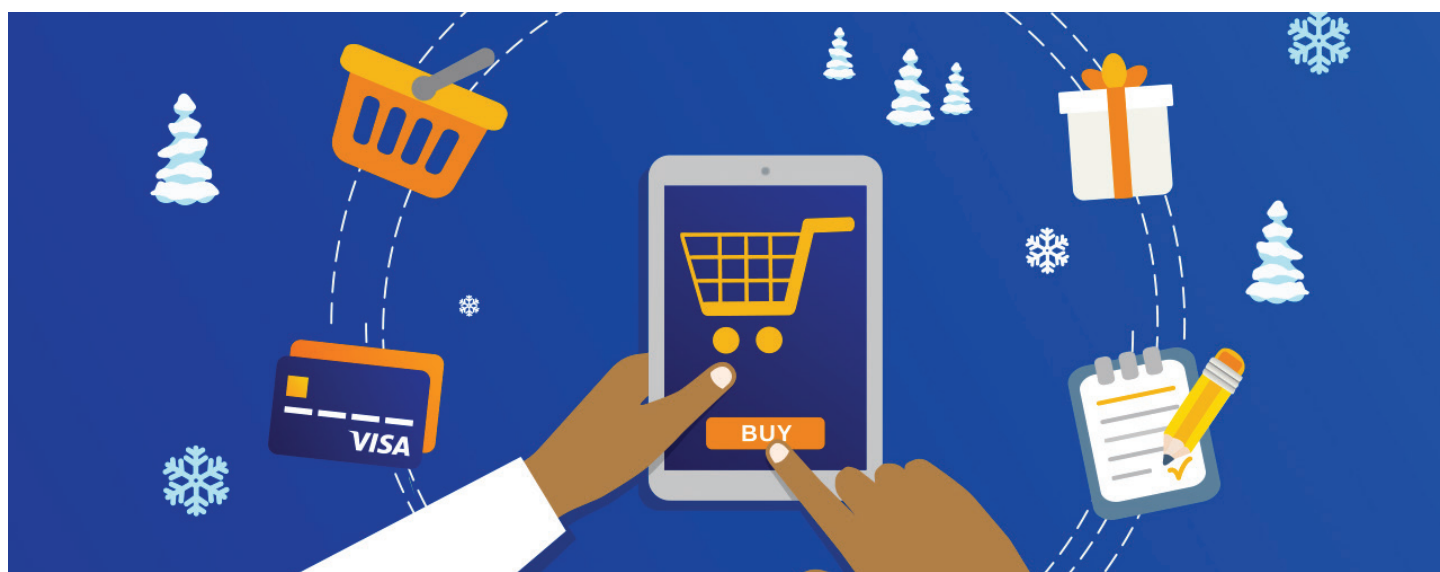
Holiday season spending growth varied across merchant categories. Many discretionary categories—particularly holiday spending categories—continued to show acceleration from 2015. Favorable trends in consumer spending may have helped growth in furniture, building hardware and garden spending, which accelerated to more than 9 percent. The recent increase

in gas prices did not appear to adversely affect holiday spending. However, falling import prices did. Several segments that depend on imported goods, including electronic and appliance stores, showed declines. With the U.S. dollar gaining strength, import prices have fallen, leading to lower prices for consumers and therefore weaker spending growth.

Holiday retail spending*
(Seasonally adjusted, YoY change, by category)

Spending categories	2014	2015	2016
Total Holiday Retail Spending*	3.1%	3.8%	4.8%
Furniture Stores	1.9%	3.9%	8.7%
Electronic/Appliance Stores	-3.5%	0.4%	-1.5%
Building/Hardware/Garden	4.6%	7.0%	9.1%
Grocery Stores	2.9%	3.3%	1.3%
Drug Stores	8.6%	2.4%	11.2%
Clothing Stores	3.1%	1.3%	1.4%
Sports,Hobby & Misc Retail	0.4%	8.6%	1.4%
Dept/Discount Stores	-2.9%	-1.8%	-0.9%
Warehouse/General Merchandise	4.8%	0.3%	1.8%

* Retail spending less autos, gas and restaurants over the November-December period
Source: Visa Retail Spending Monitor, November and December 2007-2016



Shoppers are buying earlier in the holiday season

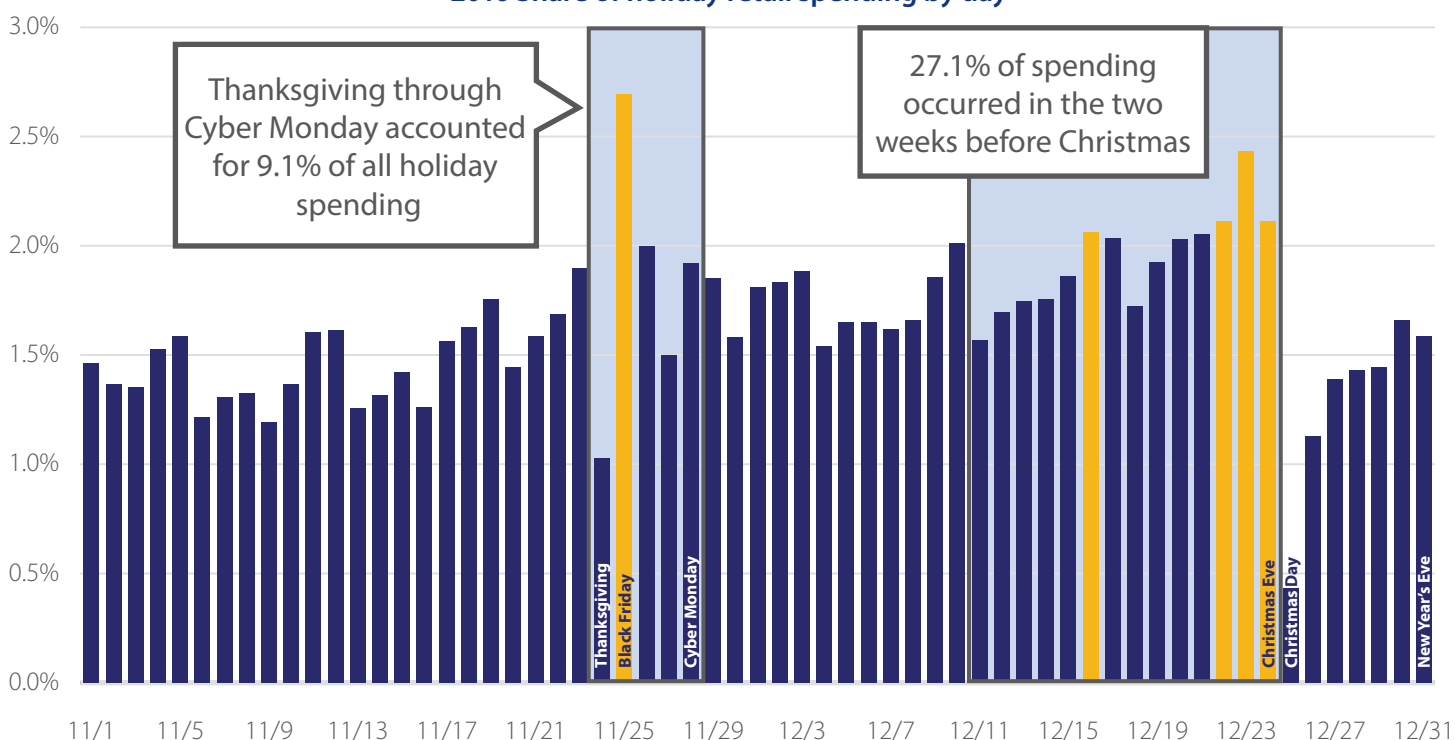
Timing of holiday purchases

Consumers are choosing to shop earlier in the holiday season compared to previous years. November captured 46 percent of holiday retail spending in 2016, up from 45 percent in 2015.

Additionally, fewer shoppers are waiting until the last minute to complete their shopping. The last two weeks before Christmas accounted for only 27 percent of sales in 2016, down from more than 28 percent in 2015.

Despite all of the attention paid to Thanksgiving weekend, only 9 percent of holiday retail spending occurred during the five-day Thanksgiving to Cyber Monday period, unchanged from 2015. The trends were similar to those in 2015, except Thanksgiving captured just 1 percent of spend (down from 1.1 percent) while Black Friday captured 2.7 percent of spend (up from 2.6 percent).

2016 Share of holiday retail spending by day



Note: Top 5 spending days shown in gold
Sources: VisaNet; Business and Economic Insights

Holiday retail peak spending days

A few dates consistently stand out as the biggest *holiday retail* shopping days of the holiday season. In 2015 and 2016, Black Friday ranked first, followed by the days immediately before Christmas. While Cyber Monday spending was not strong enough to put it in the top-10 list, it did move up to the 12th largest shopping day, up from 15th in 2015. Note that Black Friday ranked sixth in overall spending.

Sources: VisaNet; Visa Business and Economic Insights

Rank	2015	2016
1	Black Friday	Black Friday
2	Christmas Eve	December 23rd
3	December 23rd	December 22nd
4	Super Saturday	Christmas Eve
5	December 22nd	December 16th
12	N/A	Cyber Monday
15	Cyber Monday	N/A

Online shopping is shaping holiday spending trends

E-commerce is driving spending growth and gaining share

The remarkable online holiday growth this season is consistent with strong e-commerce growth in 2016. E-commerce spending grew 19 percent YoY, up from 14 percent growth in 2015, according to an analysis of VisaNet and adjusting for Visa-specific factors. E-commerce is becoming a larger share of holiday retail spending*, representing a 24 percent share in 2016, up from 21 percent in 2015. E-commerce is especially important in November, with 25 percent of spend occurring online, up from 22 percent in 2015. It is also very important to holiday retail on key days such as Cyber Monday, when e-commerce represents more than 40 percent of holiday retail spending.

E-commerce spending occurring earlier

E-commerce shopping is shifting earlier in the holiday season, consistent with the trend of overall spending occurring earlier. In 2016, 48 percent of e-commerce occurred in November, up from 46 percent in 2015.

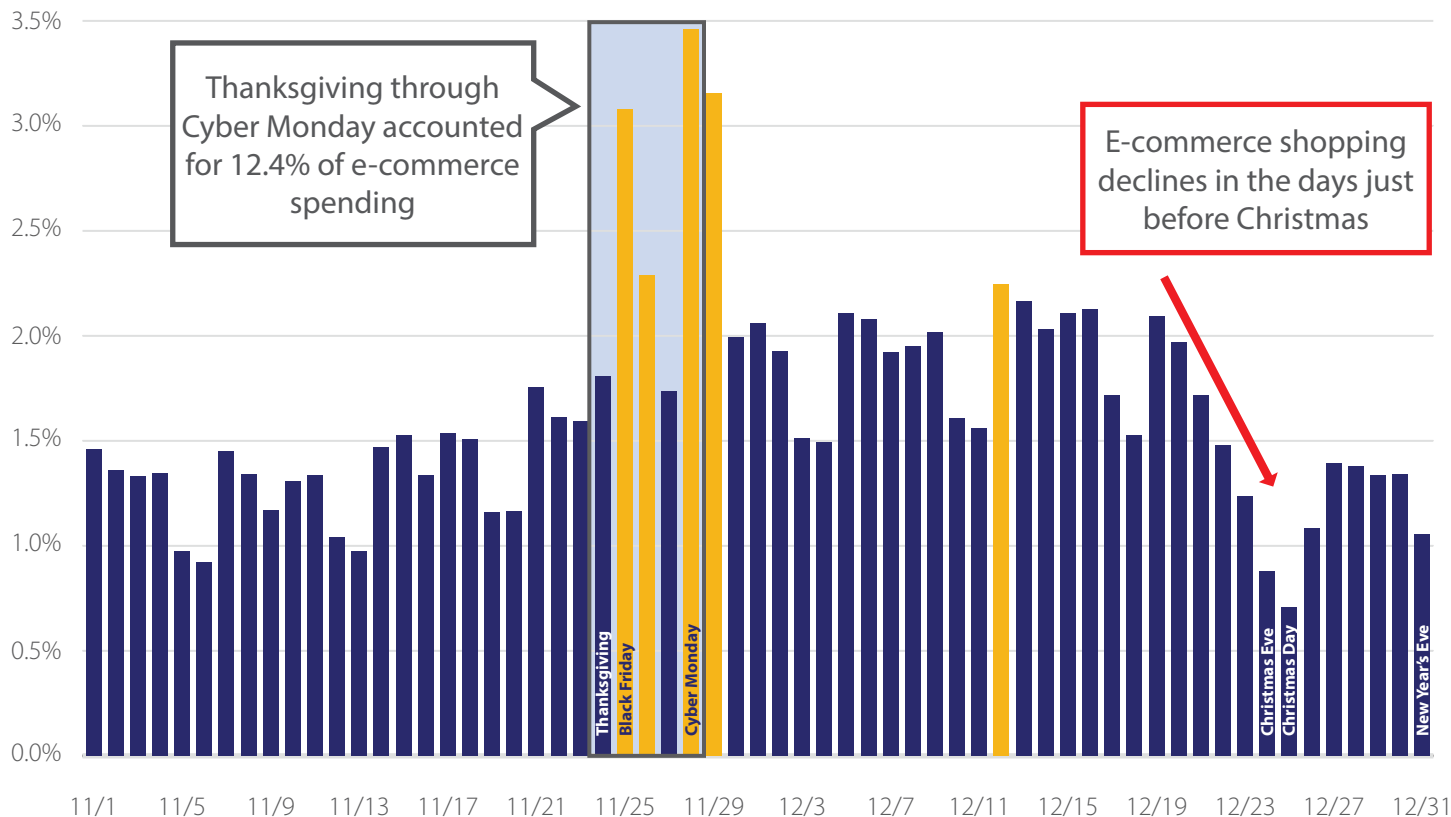
E-commerce is especially significant during the Thanksgiving to Cyber Monday period. Although this five day period captures just 9 percent of holiday retail spending, it represents 12 percent of e-commerce holiday retail. Cyber Monday is the biggest single day, with 3.5 percent of e-commerce holiday retail spending, followed by December 1st at 3.2 percent and Black Friday at 3.1 percent.

* Retail spending less autos, gas and restaurants over the November-December period

Last minute shoppers

In the days immediately preceding Christmas, e-commerce shopping showed a sharp decline. During this time, more consumers chose to shop in traditional brick-and-mortar stores to avoid concerns about last-minute shipping.

2016 Share of e-commerce holiday retail spending by day



Note: Top five spending days shown in gold

Sources: VisaNet; Visa Business and Economic Insights

Consumers under 35 are a driving factor in the shift toward digital commerce

Millennials helping to shape e-commerce trends

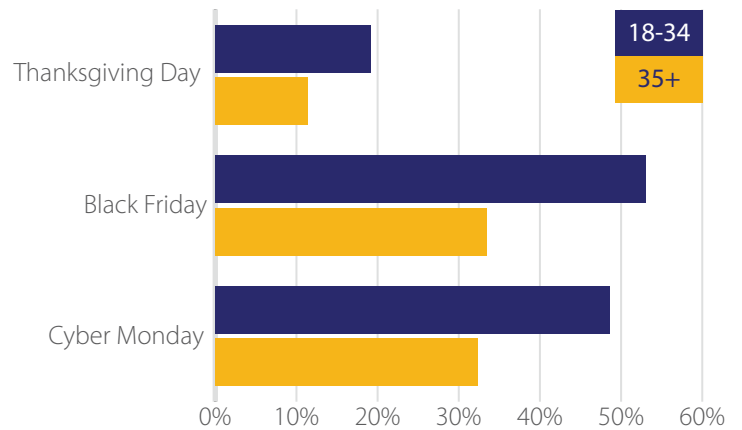
Millennials (currently aged 18-34) are becoming an increasingly important consumer group and are helping to shape holiday spending trends.

According to a Visa consumer survey,* 52 percent of millennials planned to do more than half or all of their holiday shopping online, compared to 45 percent of those 35 and older.

Not only are millennials more likely to shop online, they also begin their holiday shopping earlier. The Visa consumer survey found that 75 percent of millennials planned to shop on Thanksgiving Day, Black Friday or Cyber Monday, compared to just 50 percent of consumers over 35.

*Nationally representative survey of 4,660 consumers conducted in October 2016 on behalf of Visa by Prosper Insights & Analytics
Sources: Visa Business and Economic Insights; Prosper Insights and Analytics (October 2016)

Consumers planning to shop on major 2016 shopping days (Percent, by age)



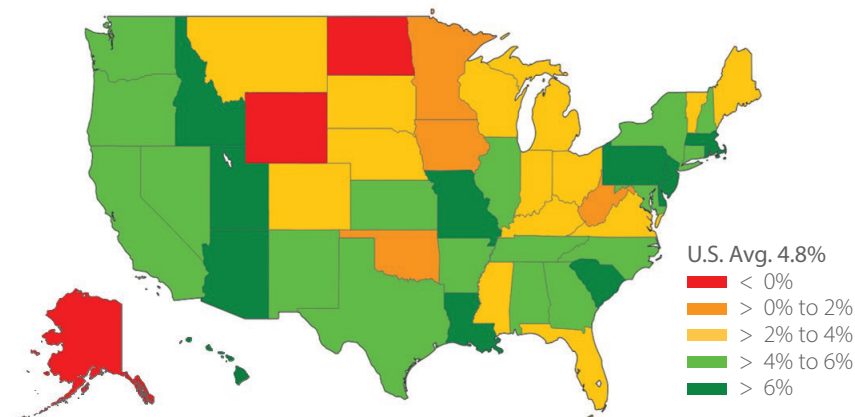
Regional spending varies due to economic factors

While retail sales less autos, gas and restaurants grew by 4.8 percent at a national level, this was not a consistent picture state-by-state. Economic factors played a role in either helping or hindering retail growth.

The 10 states with the fastest holiday spending growth—such as South Carolina, Hawaii, Utah, Idaho and Massachusetts—saw higher-than-average employment, income and population growth in 2016 compared to the rest of the country.

Among the 10 states with the slowest (or negative) spending growth, many are dependent on the energy industry, which has struggled because of low oil prices. North Dakota, Alaska, and Wyoming all saw weak-to-negative holiday spending growth due to poor employment and income gains. One exception is Louisiana, which despite being an energy state and seeing job losses, saw strong holiday spending growth.

Holiday retail spending* (Seasonally adjusted, YoY change, by state)



Source: Visa Retail Spending Monitor, November and December 2016.

* Retail sales on all forms of payment less autos gas and restaurants.

Notes and disclaimers

The Retail Spending Monitor provides a measure of the estimated historical performance of certain segments of the U.S. economy across payment types. Retail sales (sales by establishments engaged in retailing merchandise) in the context of Retail Spending Monitor is a set of industry segments defined by the U.S. Department of Commerce. The Retail Spending Monitor analyzes data in a manner consistent with this definition for industry segments that are not auto related. Industry segments included in "Holiday Retail Spending" are: furniture and home furniture stores, electronics and appliance stores, building material and garden equipment stores, food and beverage stores, health and personal care stores, clothing and clothing accessories stores, sporting goods, hobby, book and music stores, warehouse and general merchandise stores, department and discount stores, miscellaneous store retailers, and e-commerce retailers.

The Retail Spending Monitor is based on a sample of aggregated, depersonalized Visa transaction data analyzed utilizing a proprietary economic and statistical model and is not reflective of Visa operational and/or financial performance. The Retail Spending Monitor is intended for informational purposes only and should not be relied upon for marketing, legal, technical, tax, financial or other advice. Visa is not responsible for your use of the information contained herein, including errors of any kind, or any assumptions or conclusions you might draw from its use.

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