Consumer Spending Highlights – Clothing Stores

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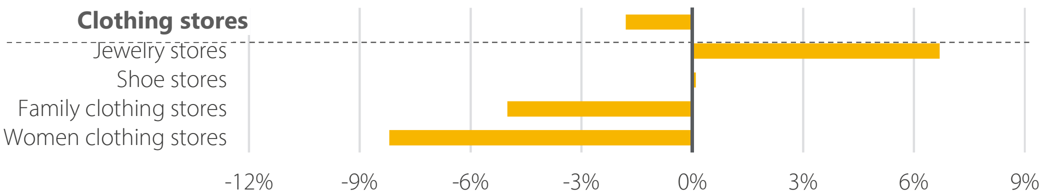
Clothing store sales growth declines overall, but jewelry is going strong

U.S. consumer spending at clothing stores has declined 0.5 percent over the past year (August 2016 to July 2017) relative to the previous 12-month period, according to the **Visa Retail Spending Monitor**, which reports spending on all forms of payment. More recently, however, the downward trend in clothing has worsened—with store sales declining 1.8 percent since the start of the year (January-July 2017, year-over-year). While most sub-categories mirrored this trend (see biggest sub-categories in chart below), jewelry posted 6.7 percent year-over-year (YoY) growth during the same period, and 3.2 percent growth in July alone.

Industry leaders reportedly expect record retail store closings this year, adding downward pressure to sales. Similarly, low inflation is hitting clothing stores hard. In the last year, inflation was up just 0.1 percent for clothing, compared to 1.9 percent for all items. This trend could be due partly to price competition from online-only retailers, which benefit from consumers' growing preference for purchasing clothes through the digital channel. According to a recent survey,* 28 percent of consumers said they would likely buy apparel on a mobile device, while shoe purchases (23 percent of consumers) and accessories (20 percent) were strong enticements to the mobile channel as well.

Clothing store sales continue to decline (YoY growth, clothing and the biggest sub-categories, January-July 2017, unadjusted)



Source: Visa Retail Spending Monitor (reports spending on all forms of payment)

Key Points:

Growth in spending at clothing stores overall is down, but shoes and jewelry are up

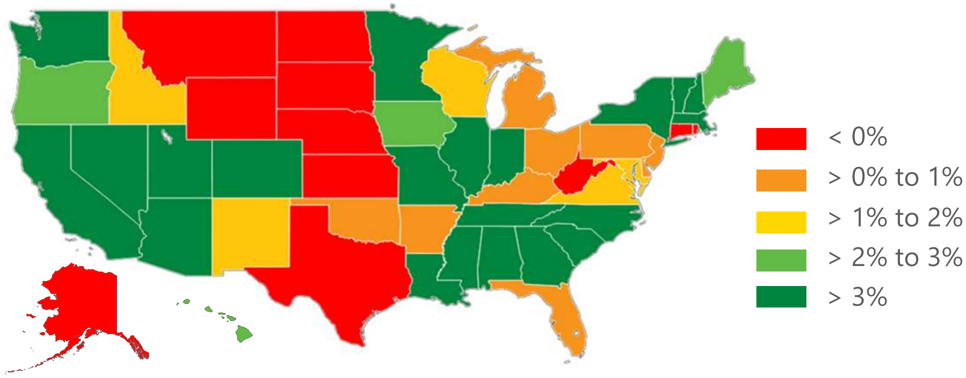
One third of consumers surveyed prefer to buy clothing products online

Millennial women helping to drive growth in jewelry?

Inflation drives jewelry spending growth—and demographics may help too

While inflation in the apparel spending sector has been low nationwide over the past year, it was especially strong in jewelry, which posted 4.4 percent inflation growth over the same period. High consumer confidence also contributed to growing jewelry sales: consumers have more cushion to spend on luxury goods. On a regional level, however, jewelry spending varies—and demographics may explain a part of it. Growth in jewelry sales is more than 5 percent in states such as California, Vermont, and New Hampshire, where the median age that women get married is 27—which is also the U.S. median age of a millennial woman currently. However, jewelry sales are declining in states such as Nebraska, West Virginia and Alaska. The median age that women get married in these states is 26, meaning millennial women there likely already married last year. Millennial women tying the knot does not fully explain the regional variation in jewelry spending, but is a curious twist to the trend as a possible contributing factor.

Jewelry sales vary significantly by state (YoY growth on all forms of payment, July 2017 unadjusted)



Source: Visa Retail Spending Monitor (reports spending on all forms of payment)

Sources/Disclaimer

Sources: Demographic statistics from U.S. Census Bureau, American Community Survey
Inflation statistics based on the Consumer Price Index, according to the U.S. Bureau of Labor Statistics
Analysis provided by Visa Business and Economic Insights
*Online survey of American consumers on behalf of Visa by Prosper Insights & Analytics, July 2017

Disclaimer: Monthly retail spending highlights are based on Visa's Retail Spending Monitor, which measures 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. 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 provided on an "as is" basis without any warranties of any kind, express or implied, including, without limitation, as to the accuracy of the data or the implied warranties of merchantability, fitness for a particular purpose, and/or non-infringement. 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. Each Retail Spending Monitor report is as of the publication date, and Visa has no obligation to update the data contained therein.

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