Holiday Sales Growth Will Be Weakest in Years, Bain Predicts

Growth in US retail sales for the upcoming holiday season will be the slowest since 2018, a new report from Bain & Company forecasts.

Unadjusted sales will climb 3% year on year for the November-to-December shopping period, reaching nearly $915 billion, Bain predicted Monday. Adjusting for inflation, revenue for the two months will rise 1% — well below the 10-year average, and the lowest adjusted sales growth since the financial crisis, the consultancy noted. Some 90% of that increase will come from e-commerce rather than in-store purchases.

US retail sales have increased 4% year on year for 2023 so far, Bain said. The growth came primarily from e-commerce, along with a few popular in-store categories, including health and personal care, general merchandise, and food and beverage. Other in-store purchases have decelerated, with some categories seeing a decline in total sales.

“As the holiday season approaches, retailers will continue to face economic challenges stifling holiday sales this November and December, with shoppers allocating more to costly nondiscretionary spending,” Bain explained.

As a result of inflation, Bain expects consumers to shop earlier for the holidays this year, looking to benefit from October sales. However, several factors could spur purchases, including a rise in wages, disposable income and stocks relative to last year, the company noted.

“Retailers are facing new challenges this year and are overcoming headwinds from higher interest rates amid increasing debt,” said Aaron Cheris, head of Bain & Company’s Americas retail practice. “That being said, several tailwinds may boost holiday retail growth, with prices remaining elevated as compared to last year, even as inflation slows.”

Main image: A shopping mall during the holidays. (Shutterstock)