ECONOMICS CENTER
RESEARCH AND CONSULTING

2019 HOLIDAY FORECAST OF OHIO RETAIL SPENDING

Prepared for Focus on Ohio's Future

November 2019

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REPORT HIGHLIGHTS

- The Economics Center forecasts a **0.8 percent increase** in Ohio retail spending for the 2019 holiday season relative to the 2018 season, with total sales of $25.3 billion.

- Holiday retail spending in Ohio in 2019 is expected to be 6.8 percent higher than in 2016, when consumer confidence shot upward toward the end of the year, and 5.7 percent higher than in 2017.

- The Economics Center forecast is muted compared to national forecasts, reflecting slower economic growth in Ohio (1.3%) than the United States (2.1%) during Q2 2019.

- Full-year retail sales in Ohio have exhibited sustained and robust growth over recent years, but the growth has been distributed across the calendar year and not limited to the holiday season.

- Ohio's labor market indicators have shown no signs of weakening over the past year. Real wage and salary growth continues to be positive along with employment growth. However, overall U.S. consumer confidence has declined over the past year.

- Online shopping continues to be a growing component of retail sales, with mobile shopping playing a larger role. Growth in nonstore retail sales, which include online and mobile shopping, greatly exceeded overall retail sales growth in Ohio in 2018.

- The Economics Center projects that the State's three largest metro areas will again account for more than half of estimated retail sales this holiday season.

- Economics Center forecasts indicate that five of Ohio's metro areas will enjoy holiday retail sales growth in 2019 over 2018.

INTRODUCTION

Retailers highly anticipate the holiday spending season, which retail businesses historically have relied on to generate sufficient sales to realize profits for the year.[1] "Black Friday" and "Cyber Monday" are recognized as signaling the beginning of the holiday spending season.[2] The additional sales and activity anticipated by businesses leads to seasonal hiring, providing opportunities for temporary employment. The Economics Center constructs an annual forecast of holiday retail spending to assist Ohio retailers with preparing for the holiday season.

While holiday spending provides a boost to the economy in general, the size of that boost is largely determined by how confident consumers feel.[3] In times of uncertainty and volatility, consumers are generally more likely to spend less than in an economic environment characterized by robust opportunities and growth. Economic dynamics such as inflation, the amount of debt households carry, employment, and wages influence the level of holiday spending.

Deloitte, PricewaterhouseCoopers (PwC), and the National Retail Federation (NRF) have released national holiday retail forecasts with sales increasing by 2.7 percent to as much as 5.0 percent over the 2018 season.[4] Because holiday sales in 2018 were lower than anticipated due to factors such as the government shutdown and stock market decline, forecasts reflect stronger growth than the modest growth of 2.1 percent during 2018.[5]

All forecasts note changing tastes among consumers, which indicate a focus on convenience. The share of online or digital sales continues to grow, with Deloitte forecasting a 14.0 to 18.0 percent increase in 2019 compared to 2018.[6] More than half of consumers will do their shopping online, while utilizing convenient delivery options. Of online shoppers, 92.0 percent plan to utilize free shipping, 48.0 percent plan to buy online and ship to store, and 16.0 percent plan to use same-day delivery.[7] Deloitte concluded from its survey of shoppers that interaction and inspiration bring people into stores, while convenience and price draw them online.[8]

In addition to the ever-growing role of convenience in the holiday shopping industry, technology continues to impact the manner of purchasing (e.g. smart technology versus credit

[1] (Reiter, 2011)
[2] (Bonebright & Ramhold, 2016)
[3] (IWB, 2015)
[4] (Deloitte, 2019); (PwC, 2019); (National Retail Federation, 2019)
[5] (Deloitte, 2019); (National Retail Federation, 2019)
[6] (Deloitte, 2019)
[7] (National Retail Federation, 2019a)
[8] (Deloitte, 2018)

card). Younger consumers favor shoppable media, in-store smart pay through their smart phone or wearable device, and in-home voice assistants to purchase their holiday merchandise. PwC concluded from its survey of shoppers that 36.0 percent of Gen Z (aged 17-23) and 41.0 percent of Millennials (aged 24-37) will use in-store smart pay compared with 16.0 percent of other consumers. Compared with 13.0 percent of other consumers, 25.0 percent of Gen Z and 33.0 percent of Millennials will utilize an in-home voice assistant for their purchasing.[9]

In recent years, consumers have begun to shift their purchasing preferences from goods to experiences. Between 2014 and 2016, personal-consumption spending on experiences grew by 6.3 percent annually, on average.[10] This growth is more than 1.5 times higher than overall personal-consumption spending and nearly 4.0 times higher than spending on goods. This shift in consumer preference has also been observed during the holiday season. According to Deloitte's 2017 survey of consumers, 27.0 percent of consumers prefer purchasing experience gifts and 24.0 percent of consumers intend on celebrating the holidays through events rather than a traditional gift exchange.[11] To reflect this shift in holiday purchasing preference, the Economics Center has included experiential spending in the 2019 forecast.

Overall holiday spending is expected to be bolstered by low unemployment rates, job creation, higher wages, and continued, yet slower, growth in the overall U.S. economy.[12] These positive economic trends are expected to influence consumers' spending decisions. However, concerns over tariffs and the trade conflicts, political rhetoric, volatility in the stock market, global risk factors, and diminishing consumer confidence are likely to influence this year's holiday sales.[13] The U.S. Department of Commerce announced retail sales declined by 0.3 percent in September, the first decline in seven months, despite overall growth this year, signaling that consumers are beginning to be influenced by fears of a weakening economy.[14] Digital marketing and commerce research firm eMarketer also notes that the shortened time frame between Thanksgiving and Christmas is an additional challenge.[15]

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[9] (PwC, 2019)
[10] (Goldman, Marchessou, & Teichner, 2017)
[11] (Deloitte, 2017)
[12] (Deloitte, 2019); (National Retail Federation, 2019)
[13] (National Retail Federation, 2019); (Lipsman, 2019)
[14] (Bhattarai, 2019)
[15] (Lipsman, 2019)

HOLIDAY SPENDING FORECAST

Data and Methodology

To develop a forecast for Ohio retail spending during the holiday season, the Economics Center compiled monthly data from the Ohio Department Taxation on sales and use tax revenues and rates by county. The Ohio Department of Taxation administers permissive sales and use taxes for all 88 counties and eight regional transit authorities. Total revenues collected and rates levied by each of Ohio's 88 counties were used to develop estimates of county-level and statewide retail sales from July 2005 through June 2019. For purposes of this analysis, revenues attributable to holiday spending include collections from November, December, and January.

Sales and use tax revenues are generated from a variety of sources other than those included in holiday retail sales estimates. To isolate relevant retail activity, data on semi-annual sales and use tax revenues by industry were analyzed to estimate the relevant retail portion. For purposes of this forecast, relevant retail is defined to exclude Motor Vehicles and Parts Dealers; Gasoline Stations; and Accommodation and Food Services. Arts, Entertainment and Recreation were included as relevant retail this year to reflect changing preferences for experience gifts among consumers. Table 1 identifies the sectors that comprise relevant retail.

Table 1: Relevant Retail Sectors

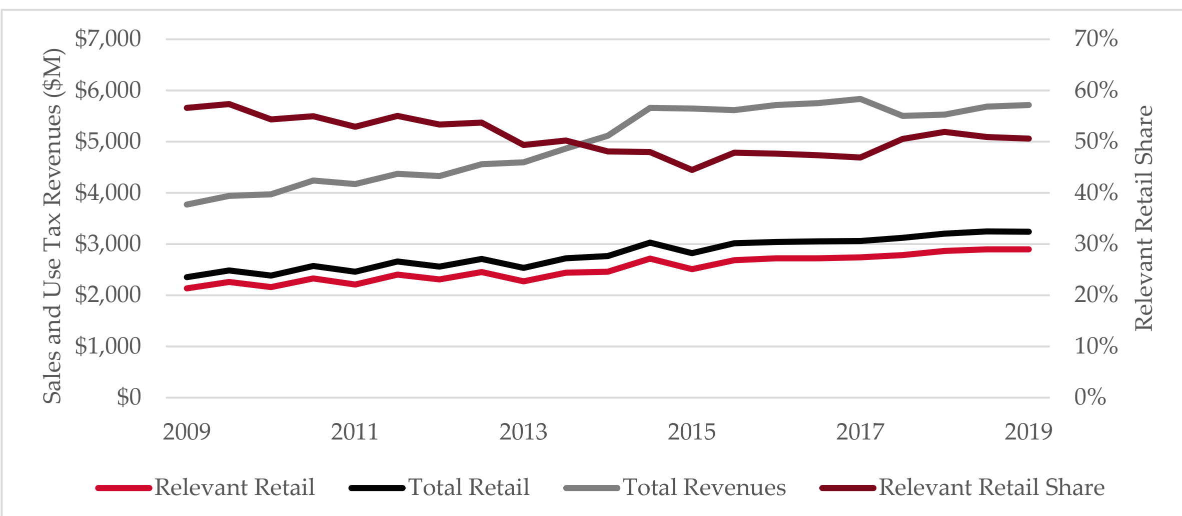
Retail Sector	Included in Relevant Retail
Furniture and Home Furnishings Stores	Yes
Electronic and Appliance Stores	Yes
Building Material and Garden Equipment & Supplies	Yes
Food and Beverage Stores	Yes
Health and Personal Care Stores	Yes
Clothing and Clothing Accessories Stores	Yes
Sporting Goods, Hobby, Book, and Music Stores	Yes
General Merchandise Stores	Yes
Miscellaneous Store Retailers	Yes
Nonstore Retailers	Yes
Arts, Entertainment, and Recreation	Yes
Accommodation and Food Services	No
Motor Vehicle and Parts Dealers	No
Gasoline Stations	No

Source: Ohio Department of Taxation

Relevant retail sectors' share of sales and use tax revenues exhibited year-over-year declines from 2009 until 2015 but has rebounded over the last few years.[16] This trend reversal has coincided with a surge in consumer confidence, improving employment and wage figures, and, beginning in June 2015, the collection and remittance of sales tax by Amazon and other online-only retailers on their Ohio sales. The passage of Ohio House Bill 49 (H.B. 49), which went into effect July 1, 2017, contributed to another jump in relevant retail sectors' percent contribution to sales and use tax revenues, as most sales tax revenues attributable to the Finance and Insurance sector were diverted from the General Revenue Fund (GRF) to a non-GRF fund.[17]

Figure 1 displays the total sales and use tax collected, as well as the portions accounted for by taxes from total retail and relevant retail sales, from January 2009 through June 2019. Total revenues rose steadily from their recent low point in 2009 until 2013, when they surged upward. Total and relevant retail revenues also have exhibited fairly consistent year-to-year increases since the Great Recession, albeit at a slower pace than total revenues. However, 2016 and 2018 experienced a pronounced uptick in the rate of total and relevant retail collections. The recent – and historically unprecedented – upswing in relevant retail sectors' share of total tax revenues is a reflection of both robust recent sales in relevant retail sectors and the drop in overall revenues resulting from the implementation of H.B. 49.

Figure 1: Sales and Use Tax Revenues and Retail Shares, 2009 – June 2019



Source: Ohio Department of Taxation.

[16] Prior to 2015 nonstore retailers were not included among relevant retail sectors for forecasting state retail sales. Inclusion is consistent with current national forecasts including the National Retail Federation.
[17] (Miller, 2018)

In addition to sales and use tax revenues, the Economics Center collected and analyzed data on employment and wages in Ohio, as well as national retail sales, household debt, inflation, and consumer confidence. The state and regional forecasting models also include variables indicating the occurrence of the recent recession and the implementation of the tax on goods purchased online. Table 2 lists the variables used in the development and estimation of the forecast, as well as sources and most recent observations.

Table 2: Data for Forecast

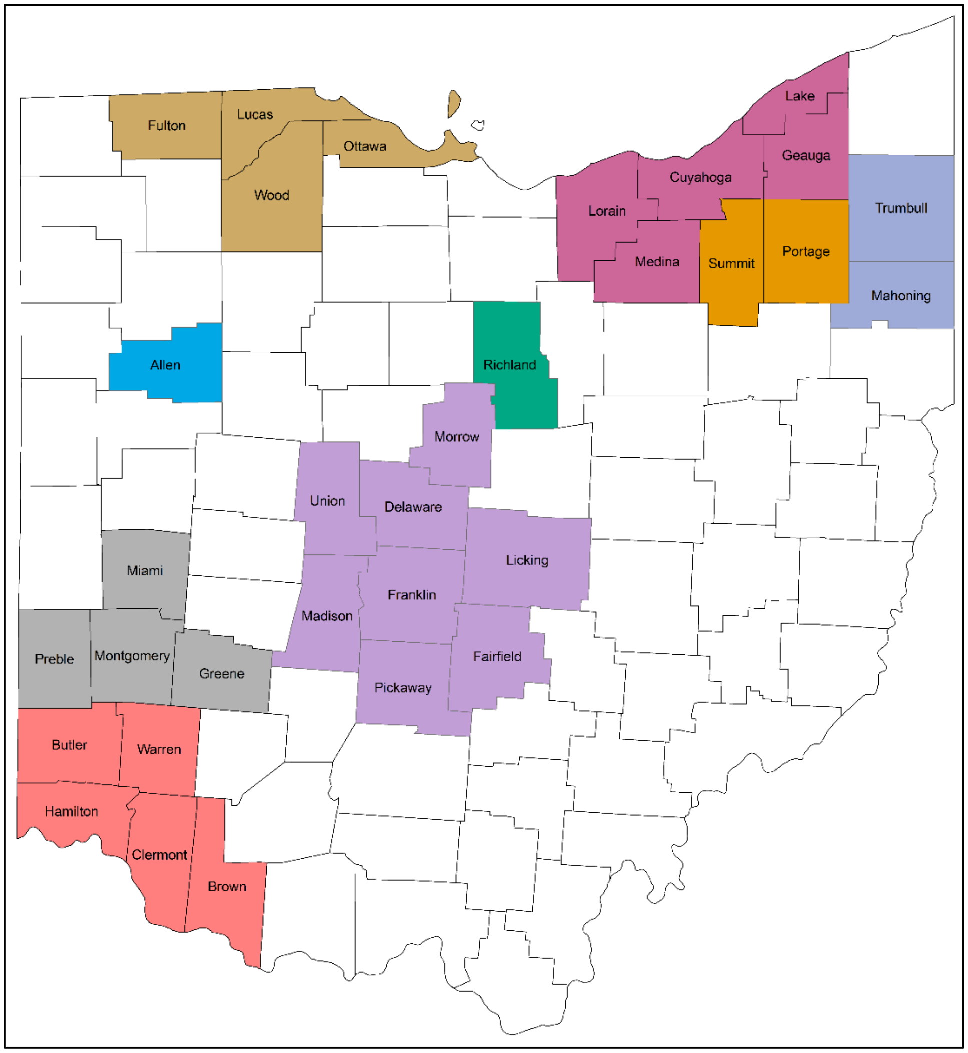
Measure	Source	Most Recent Observation
Ohio sales and use tax revenues and rates	Ohio Department of Taxation	June 2019
Ohio total wages and salaries	Federal Reserve Bank of St. Louis and U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis	June 2019
Ohio total nonfarm employment	U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis	September 2019
County employment estimates	U.S. Bureau of Labor Statistics	March 2019
Household debt service payments as percent of disposable income	Board of Governors of the Federal Reserve System, retrieved from FRED, Federal Reserve Bank of St. Louis	April 2019
U.S. retail trade	U.S. Census Bureau	August 2019
U.S. arts, entertainment, and recreation spending	U.S. Bureau of Economic Analysis	September 2019
Consumer Confidence Index	The Conference Board	October 2019
Midwest Consumer Price Index	U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis	September 2019
Recession indicator	National Bureau of Economic Research	September 2019

The Economics Center utilized a Vector Auto Regression (VAR) model to forecast Ohio retail sales for the upcoming period. The VAR model is a standard macroeconometric approach which takes into account the movements of all included variables over the time period considered, developing internal predictions for data that do not have observed values for the forecast period.[18] Thus, the model forecasts future values for Ohio retail sales as well as future values for employment, wages, consumer confidence, debt, and inflation.

For the regional models, regional employment was included in lieu of statewide employment. Regions comprise the counties contained within the geographic boundaries of the metropolitan statistical areas (MSAs) under analysis. For MSAs with multi-state areas, only the Ohio counties are included. Figure 2 below illustrates the regions used in the analysis.

[18] Details of the VAR models are available upon request.

Figure 2: Ohio Metropolitan Statistical Areas



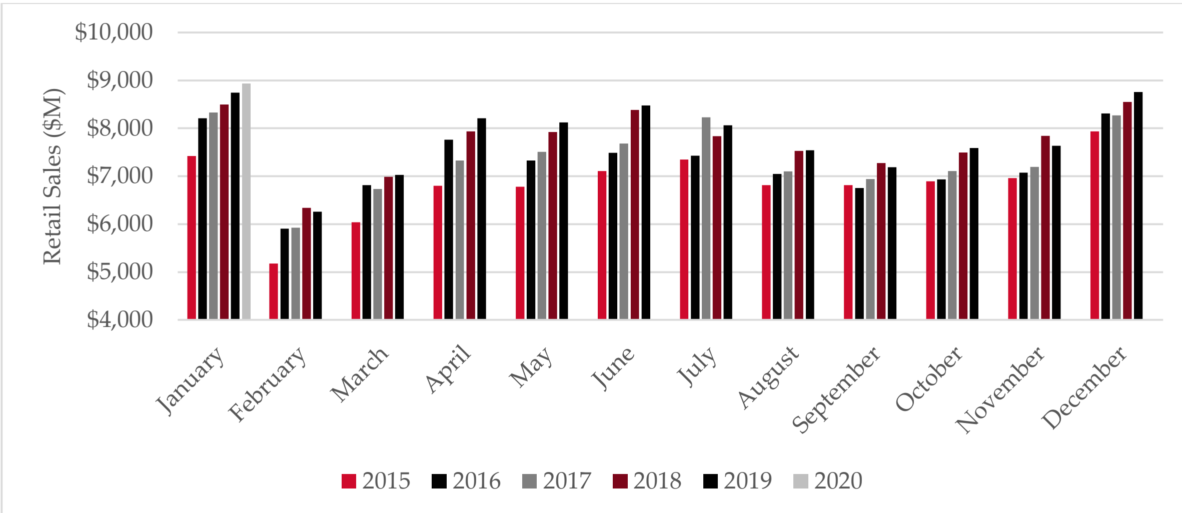
Source: Map developed by Economics Center using ArcGIS shapefiles.

Retail Spending and Forecast Results

Retail sales growth in Ohio, as estimated with sales and use tax revenue data, experienced minor declines (0.2%) during the first half of 2019 compared with the second half of 2018. Overall, relevant retail spending through the first six months of 2019 was 1.0 percent higher than the same period a year earlier and 5.7 percent higher than the first six months of 2017. Meanwhile, relevant retail spending over the 12 months ending June 2019 exceeded spending over the previous 12-month period by 2.5 percent. Relevant retail spending over the last six months of 2018 exceeded spending over the last six months of 2017 by 4.0 percent. These findings indicate that retail sales growth in Ohio in recent years has been spread across the year and has not been concentrated in the holiday season.

Figure 3 displays estimated monthly relevant retail sales for Ohio from January 2015 through June 2019, highlighted by strong positive growth each year from 2016 to 2018 as well as seasonal spikes in sales in December and, to a lesser degree, January. Figure 3 also includes forecasted relevant retail sales for July 2019 through January 2020, which are highlighted by a considerable increase in December relevant retail sales from 2018 to 2019.

Figure 3: Estimated Ohio Relevant Retail Sales by Month ($M), January 2015 – January 2020



Source: Economics Center analysis of data from the Ohio Department of Taxation

Statewide

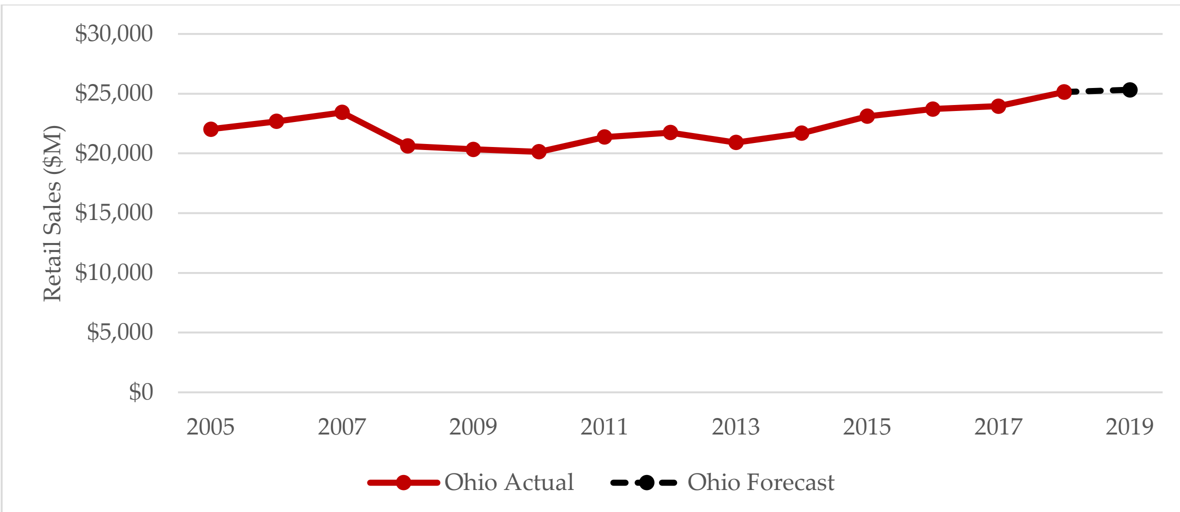
The Economics Center projects a 0.8 percent increase in holiday retail spending in 2019 compared to 2018.

The Economics Center estimates holiday retail revenues of $25.3 billion statewide for 2019 compared to $25.1 billion in 2018. This forecasted growth rate of 0.8 percent is less optimistic than national forecasts, which foresee increases ranging from 2.7 percent (PwC) to 4.5 to 5.0 (Deloitte) over 2018 sales.[19] eMarketer and the National Retail Federation estimate 3.8 percent and 3.8 to 4.2 percent increases, respectively, in retail sales.[20] Lower forecasted growth in Ohio is reflective of slower economic growth in Ohio than the United States during Q2 2019. Additionally, the moderation of holiday retail sales in Ohio during 2019 reflects a better holiday season in Ohio than nationally in 2018. From 2017 to 2018, holiday retail sales growth in Ohio was 4.9 percent, which outpaced the 2.1 percent growth experienced at the national level.

[19] (PwC, 2019); (Deloitte, 2019)
[20] (Lipsman, 2019); (National Retail Federation, 2019)

The national forecasts project that growth in retail sales will continue to be driven largely by online, particularly mobile, purchases, with Deloitte and eMarketer estimating online sales growth of 14.0 to 18.0 percent and 13.2 percent, respectively, from the 2018 holiday season to the 2019 holiday season.[21] More than half of consumers will do their shopping online, while utilizing convenient delivery options. Of online shoppers, 92.0 percent plan to utilize free shipping, 48.0 percent plan to buy online and ship to store, and 16.0 percent plan to use same-day delivery.[22] Deloitte concluded from its survey of shoppers that interaction and inspiration bring people into stores, while convenience and price draw them online.[23] As illustrated in Figure 4, nominal retail sales in Ohio rebounded to pre-recession levels in 2016 and are expected to exceed $25 billion for the second consecutive year during 2019.

Figure 4: Historical and Forecast Ohio Holiday Retail Sales ($M), 2005 – 2019



Source: Economics Center calculations.

Regional Breakdown

The Economics Center forecasts that holiday retail sales will increase in five of the nine metro regions in 2019 from 2018 levels, although the magnitudes and percentage increases vary considerably as shown in Table 3. Mansfield is expected to experience the largest percentage increase in retail sales (6.0%) from the previous year followed by Youngstown (2.7%) and Toledo (1.5%). The State's largest metro areas – Columbus, Cleveland, and Cincinnati – again are expected to account for more than half (53.9%) of estimated holiday retail sales. However,

[21] (Deloitte, 2019); (Lipsman, 2019)
[22] (National Retail Federation, 2019a)
[23] (Deloitte, 2018)

these metros are forecasted to experience declines in retail sales compared to 2018, ranging from a 1.3 percent decline for Cincinnati to a 0.1 percent decline for Cleveland.

Table 3: 2019 Regional Holiday Retail Sales Forecast

Metro Area	2018 Sales ($M)	2019 Forecast ($M)	Change from 2018	Share of State 2019
Akron	$1,556	$1,559	0.2%	6.2%
Cincinnati	$4,119	$4,067	-1.3%	16.1%
Cleveland	$4,501	$4,496	-0.1%	17.8%
Columbus	$5,148	$5,095	-1.0%	20.1%
Dayton	$1,693	$1,705	0.7%	6.7%
Lima	$240	$240	0.0%	0.9%
Mansfield	$201	$213	6.0%	0.8%
Toledo	$1,298	$1,317	1.5%	5.2%
Youngstown	$801	$823	2.7%	3.3%

Source: Economics Center calculations.

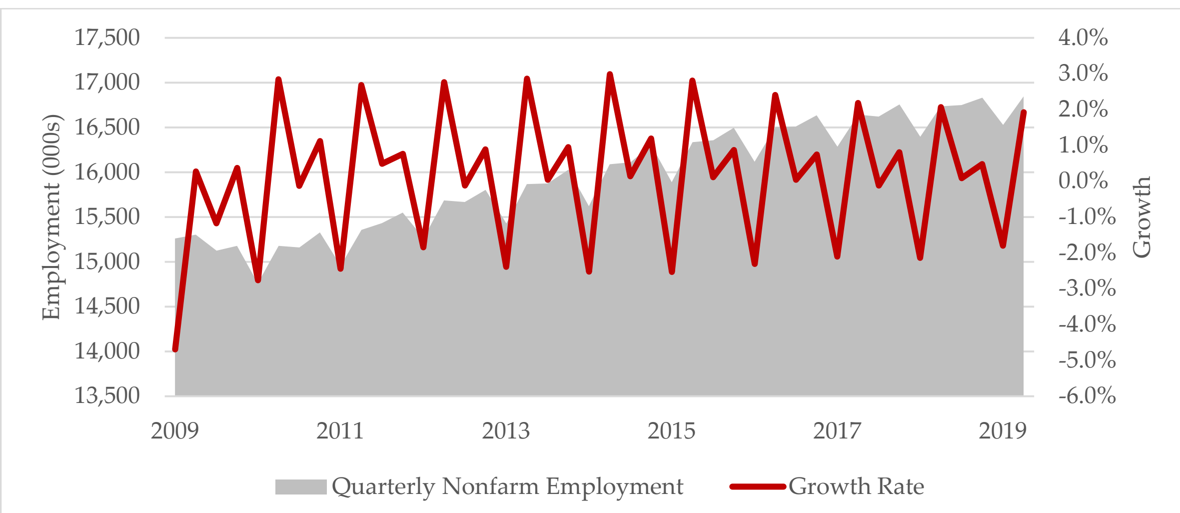
ECONOMIC CONDITIONS

Overall, economic indicators suggest stability across the consumer base. Employment and wage growth, household wealth, and slowly rising inflation all point toward growth in holiday spending in 2019 relative to the 2018 season. However, consumer confidence has declined over the past year and remains susceptible to uncertainty with the trade conflicts and volatility in the stock markets, among other factors.

Employment and Wages

Ohio has enjoyed sustained overall employment growth since 2009, with more than 1.0 million non-farm jobs added from Q1 2014 to Q2 2019. However, employment growth in Ohio over the past year has been slower than employment growth nationally. Over the last year, employment growth in Ohio was 0.6 percent compared with national employment growth of 1.5 percent. As exhibited in Figure 5, quarterly total nonfarm employment also exhibits clear seasonality, with annual peaks during Q4 reflecting increased labor demand during the holiday season. Rising employment helps bolster consumer confidence, which in turn tends to contribute to increases in retail spending.

Figure 5: Ohio Total Quarterly Nonfarm Employment, Q1 2009 – Q2 2019

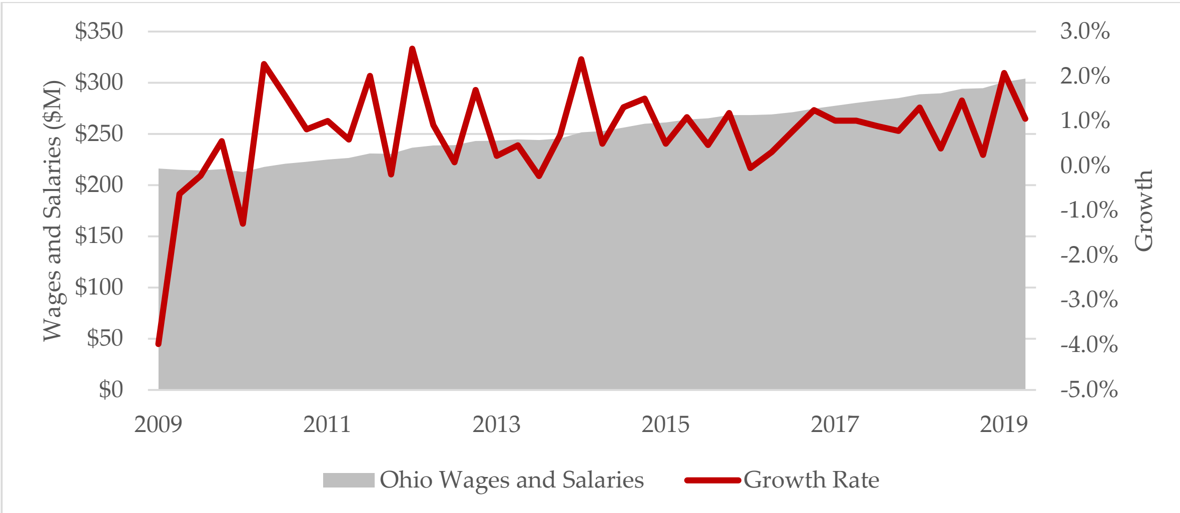


Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis.

Total Ohio wages and salaries also have exhibited positive annual growth since 2009. Figure 6 illustrates this growth from Q1 2009 through Q2 2019. Notably, Q3 2013 is the last time period in the sample in which wages and salaries declined from the previous quarter. However, growth in wages and salaries over the past year has been lower in Ohio (4.9%) than the United

States (5.4%). Positive wage and salary growth contributes to increased consumer confidence, even more so than employment growth.

Figure 6: Ohio Total Quarterly Wages and Salaries[24], Q1 2009 – Q2 2019



Source: Federal Reserve Bank of St. Louis and U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis.

Consumer Confidence

Mirroring recent national growth in employment and income, consumer confidence has increased dramatically since 2016 after leveling off during 2015 and the first half of 2016. As measured by the Conference Board's Consumer Confidence Index and displayed in Figure 7, consumer confidence has rebounded from low recessionary levels but has declined and leveled off since the end of 2018. Over the past year, the consumer confidence index has dropped 12 points, or approximately 8.7 percent. Although consumer confidence remains substantially higher than four years ago, uncertainty surrounding trade, interest rates, global risk factors, and political rhetoric could erode consumer confidence.[25] The impact of tariffs on spending this holiday season remains unclear. Tariffs have already been imposed on apparel, footwear, and televisions with additional tariffs imposed on December 15, 2019. Of consumers surveyed by the National Retail Federation, 79.0 percent expressed concern that tariffs will raise prices.[26]

[24] Seasonally adjusted.
[25] (National Retail Federation, 2019)
[26] (National Retail Federation, 2019)

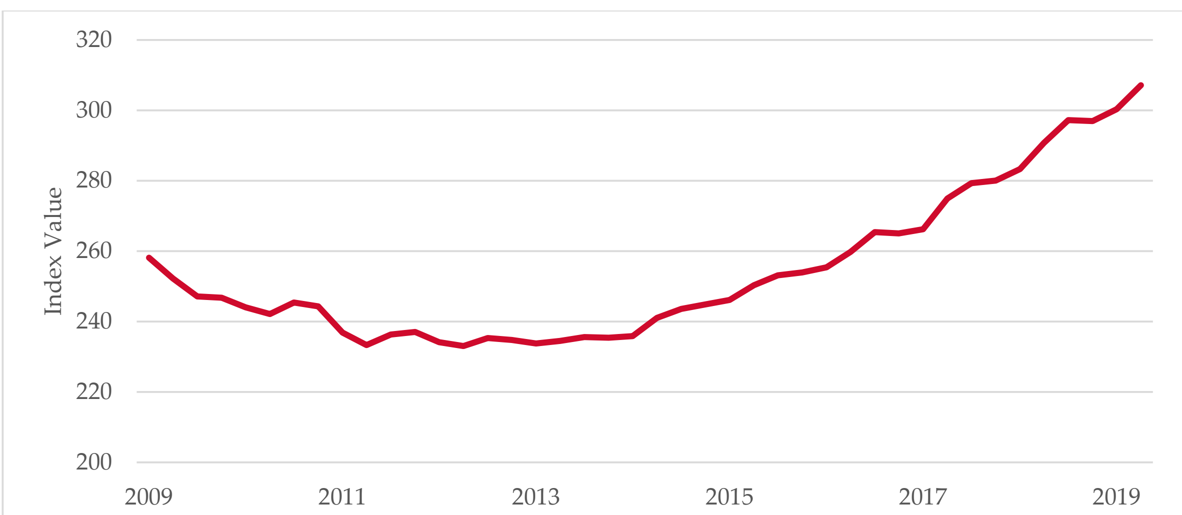
Figure 7: Consumer Confidence Index, January 2009 – October 2019

Source: The Conference Board.

Household Wealth

Houses in an appreciating real estate market tend to be a source of household wealth, and housing prices in Ohio continue to recover and improve following the recession. Growth in the house price index, as shown in Figure 8, has continued steadily since 2012 and has accelerated since January 2017 after leveling off over the second half of 2016.

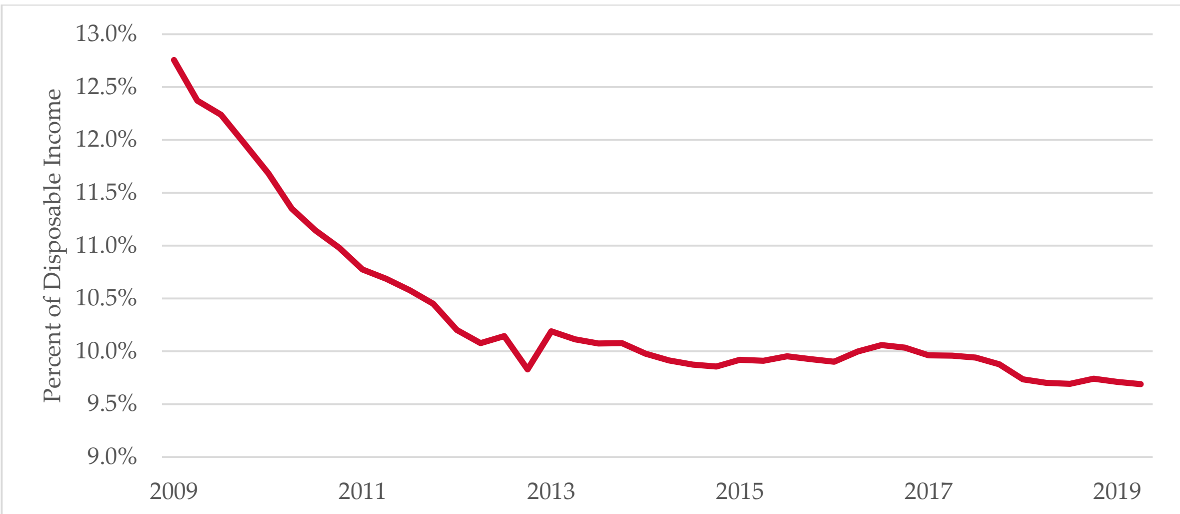
Figure 8: Ohio House Price Index, All Transactions, Q1 2009 – Q2 2019



Source: U.S. Federal Housing Agency, retrieved from FRED, Federal Reserve Bank of St. Louis.

As shown in Figure 9, recent household debt payments as a share of disposable income are lower than a peak in Q1 2013, and remain significantly lower than a ten-year high of nearly 13.0 percent in Q1 2009. Even as home prices have risen, sustained low debt levels in the presence of increasing home prices indicate improving balance sheets for households overall and distinguish the recent period of real estate appreciation from the pre-recession period. In general, rising household debt levels can be suggestive of greater consumer confidence but can also have a moderating effect on retail spending.

Figure 9: Household Debt Payments' Share of Disposable Personal Income[27], Q1 2009 – Q2 2019



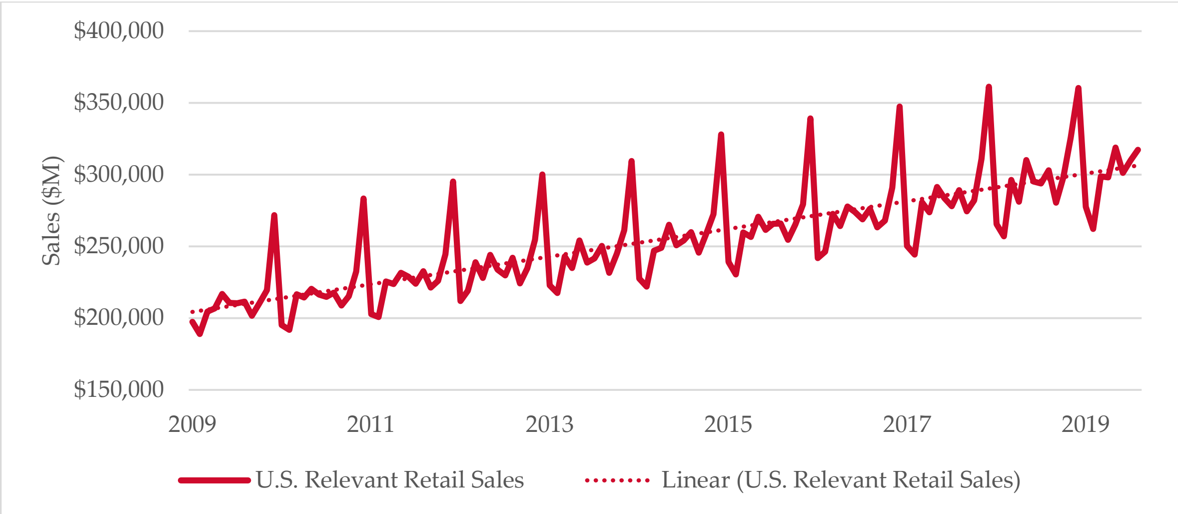
Source: Board of Governors of the U.S. Federal Reserve, retrieved from FRED, Federal Reserve Bank of St. Louis.

National Retail Trade and E-Commerce

Buoyed largely by growing e-commerce sales, national retail trade volumes have increased steadily since 2009. Full-year national relevant retail sales, depicted in Figure 10, exceeded $3.5 trillion in 2018, after reaching $3.4 trillion in 2017 and $3.3 trillion in 2016. Unsurprisingly, relevant retail sales exhibit distinct seasonality, with the highest volumes each year in December and, to a lesser degree, November.

[27] Seasonally adjusted.

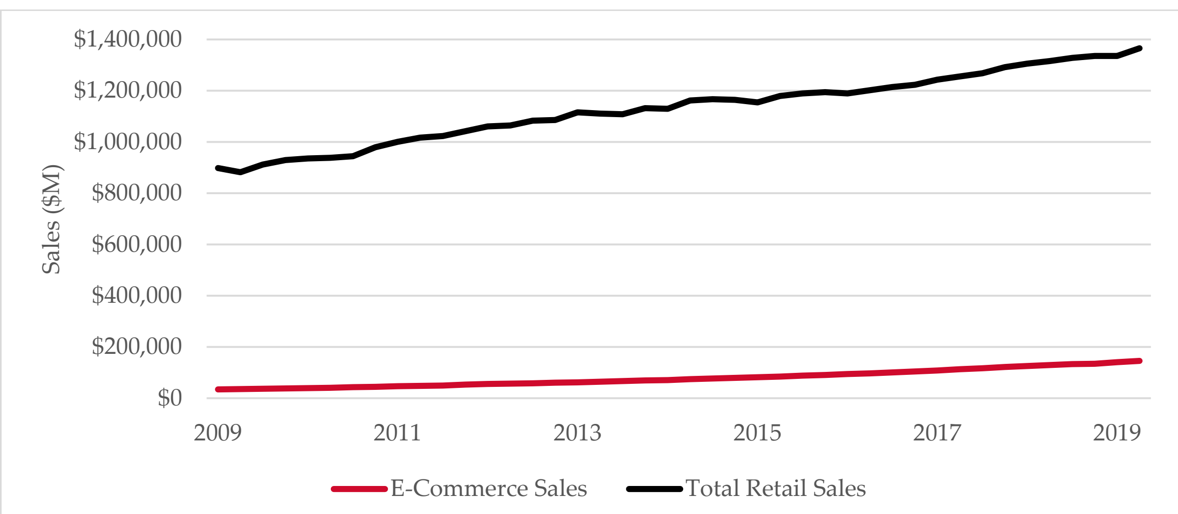
Figure 10: Monthly U.S. Relevant Retail Trade Activity, January 2009 – August 2019



Source: U.S. Census Bureau Retail Trade Survey.

Growth in e-commerce sales has been the primary driver of overall retail sales growth in recent years. After constituting 3.8 percent of total retail sales in 2009, e-commerce now accounts for 10.7 percent of all U.S. retail sales, excluding food services sales. As shown in Figure 11, quarterly e-commerce sales recently exceeded $146.2 billion in Q2 2019, after averaging approximately $36.2 billion in 2009.

Figure 11: U.S. E-Commerce and Total Retail Sales[28], Q1 2009 – Q2 2019

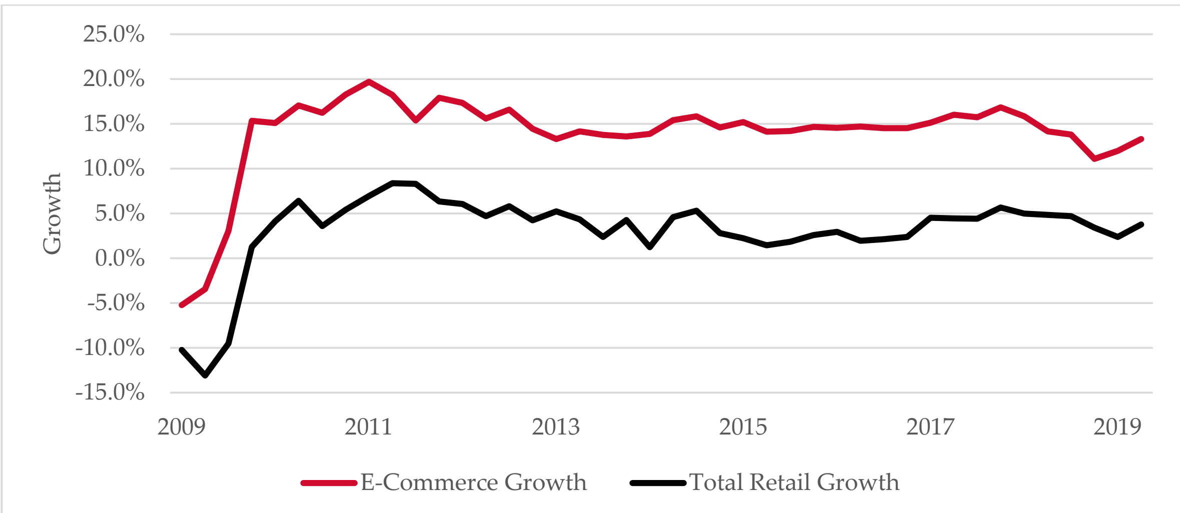


Source: U.S. Census Bureau, retrieved from FRED, Federal Reserve Bank of St. Louis.

[28] Seasonally adjusted.

As illustrated in Figure 12, year-over-year growth in e-commerce sales has greatly exceeded that of all retail sales since 2009 and has exhibited greater consistency than the retail sector as a whole. Since the beginning of 2014, year-over-year growth in e-commerce retail sales has ranged from 11.1 percent to 16.8 percent, compared to growth in all retail sales of 5.6 percent or less. Meanwhile, not only are e-commerce sales rapidly growing, but the rate at which e-commerce is gaining overall retail market share does not appear to be slowing down. However, the growth in both e-commerce sales and all retail sales weakened during 2018 compared with the growth observed during 2017.

Figure 12: Year-over-Year Growth in U.S. E-Commerce and Total Retail Sales, Q1 2009 – Q2 2019

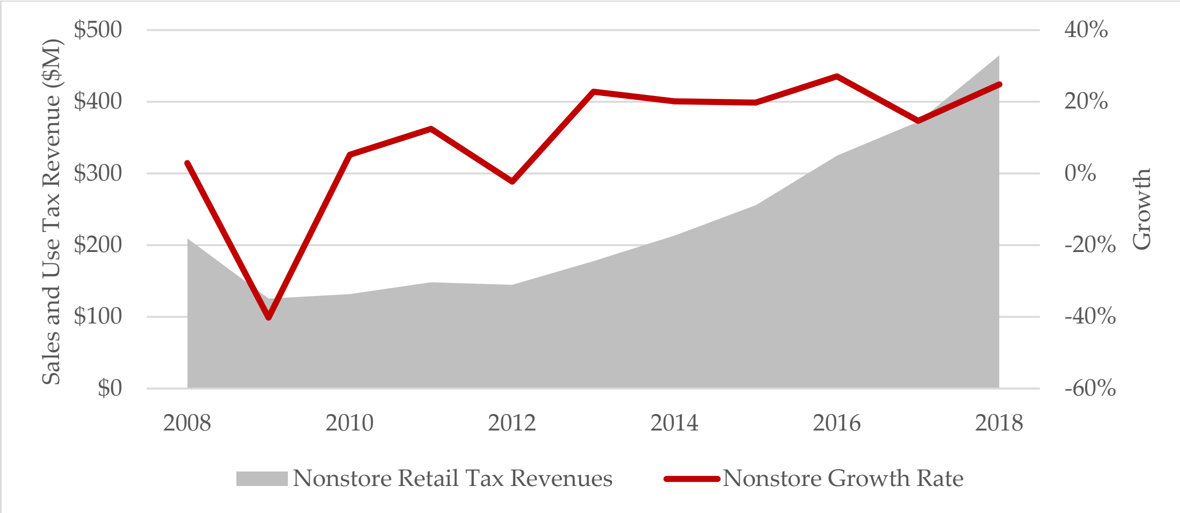


Source: U.S. Census Bureau, retrieved from FRED, Federal Reserve Bank of St. Louis.

Within Ohio, sales tax revenues derived from nonstore retailers provide a proxy for e-commerce activity. As depicted in Figure 13, revenues have trended upward overall since 2009 and have exhibited consistently high growth since 2013. Growth accelerated in 2016 from previous years, reaching 27.1 percent after hovering around 20.0 percent the previous three years. The growth rate fell to 14.7 percent in 2017, but increased to 24.8 percent in 2018. The nominal growth in 2018 of $92.5 million is the largest annual revenue jump between 2008 and 2018. Notably, beginning in June 2015, Amazon began collecting and remitting sales tax on its own sales in Ohio, and other online-only retailers have since followed suit.[29] This has boosted retail sales tax revenues overall and tax revenues from nonstore purchases in particular.

[29] (Williams, 2015)

Figure 13: Annual Ohio Sales Tax Revenues from Nonstore Retailers, 2008 – 2018



Source: Ohio Department of Taxation.

The rise in online and mobile shopping is forcing brick-and-mortar retailers to compete both in terms of mode of purchase and advertising channels. The ease of shopping provided by online and mobile platforms allows customers to discover new products and vendors more easily and bargain shop during the year in advance of the holiday season. Moreover, brand recognition is increasingly important to shoppers, prompting retailers to court potential customers through special deals and sales events and to appeal to their charitable and philanthropic preferences.

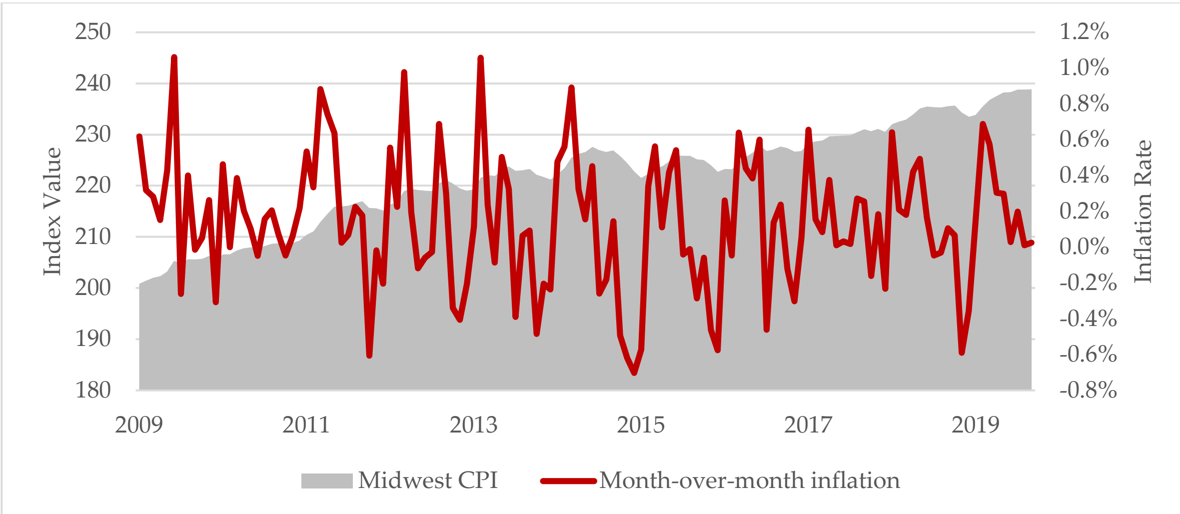
Digital and mobile technology means that consumers are generally more informed and empowered to research their purchases before they arrive at the store. The increased speed of shopping also creates challenges for retailers in terms of optimizing inventory.[30]

Inflation

Inflationary growth, as measured by the Midwest Consumer Price Index, has been positive since 2015 but modest, at less than 2.0 percent annually. As exhibited in Figure 14, several months over this time period have been marked by negative month-to-month changes in the inflation rate. Overall, inflation has remained fairly stable over the past several years, and low inflationary growth has helped to maintain the purchasing power of the consumer base. However, the Federal Reserve has cut interest rates three times in 2019, while noting that consumer spending remains strong but susceptible to uncertainty.[31] These interest rate cuts are likely to influence increases in inflationary growth.

[30] (Deloitte, 2016); (Deloitte, 2018)
[31] (Cox, 2019)

Figure 14: Midwest Consumer Price Index and Change from Previous Month, January 2009 – September 2019



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis.

SUMMARY

The Economics Center forecasts continued growth in statewide holiday retail sales for 2019, at 0.8 percent, which is lower than national forecasts. Total statewide holiday sales – which includes sales by nonstore retailers, such as Amazon, and entertainment and experience purchases – are expected to reach $25.3 billion, up from $25.1 billion in 2018. Positive growth is expected across five of the nine metro regions analyzed in Ohio, but growth is projected to vary considerably. Mansfield, Youngstown, and Toledo are forecasted to experience the greatest positive growth. The three largest areas – Columbus, Cleveland, and Cincinnati – will again account for more than half of sales, but each will experience decreased sales in 2019 relative to 2018. Shoppers are increasingly shifting toward online platforms and expect convenience, efficiency, and, in many cases, a compelling experience from their in-store purchases. Overall, online retailers again are expected to increase their share of the holiday retail market.

Key indicators influencing the Economics Center's forecast of continued growth in statewide sales during the 2019 holiday season include continued growth in both employment and wages. Similarly, household budgets benefit from a steadily strengthening housing market and improved income-to-debt ratios. Although consumer confidence remains above recent historical levels, it has declined over the past year. Retail sales data from the past two decades suggest that economic indicators and consumer confidence are the best predictors of holiday sales.

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