

Consumer Confidence Notches Post-Recession High; Another Strong Holiday Season in Reach for Retailers

Developing Trends

Robust economy powered by strong labor market. The nation's job creation streak was extended to 95 months in August as employers added 201,000 workers to payrolls. This continuation of job growth has pushed the national unemployment rate down to 3.9 percent, which in turn has led to businesses offering more competitive compensation packages. With more money circulating through the economy, retail sales are projected to rise notably this year by 5.4 percent. This jump follows a previous five-year average of 3.8 percent.

Wage growth reaches highest mark in nearly one decade. Last month, average hourly earnings rose 2.9 percent on an annual basis, the largest jump since 2009. This increase supports the national median income rising 3.7 percent to \$62,400 by year end. As a result, consumer confidence should remain elevated through the remainder of 2018 and likely into 2019.

Soaring confidence elevates consumption. Strong consumer spending continued in August, boosting core retail sales 5.9 percent on an annual basis and surpassing the previous four-month average of 5.8 percent. A healthy job market and steadily rising wages remain key drivers of consumer confidence, pushing it to its highest level this cycle. With optimism climbing, consumers are making more discretionary purchases, benefiting electronics and appliances retailers as the sector recorded 4.1 percent annual growth. Prior to the past 12 months, this sector has witnessed sporadic growth, contributing to a negative 10-year average. Clothing retailers also posted strong gains last month, logging a 6.4 percent increase compared with the 10-year average of 2.1 percent. Off-price clothing retailers like Ross and TJ Maxx have headlined the sector's recent surge in sales.

Retailers expect another robust holiday season. With the holiday season around the corner, retailers are poised for continued growth. The convergence of several economic tailwinds have consumers spending more money on big-ticket items — a trend that should continue in the coming months. Consequently, many retailers are optimistic, raising their 2018 outlooks as they expect to record strong holiday sales for the second consecutive year. In-store and online sales are both projected to rise in the months ahead with convenience likely to play a key determinant of sales for each channel. With this in mind, many retailers are continuing to strengthen their omnichannel platforms as the holidays approach, attempting to widen their reach and improve convenience.

4.1% Appliances and Electronics Sales Growth Y-O-Y*

8.2% Consumer Confidence Index Growth Y-O-Y*

Recent Research Briefs

Housing

[9/2018](#)

>>

Retail

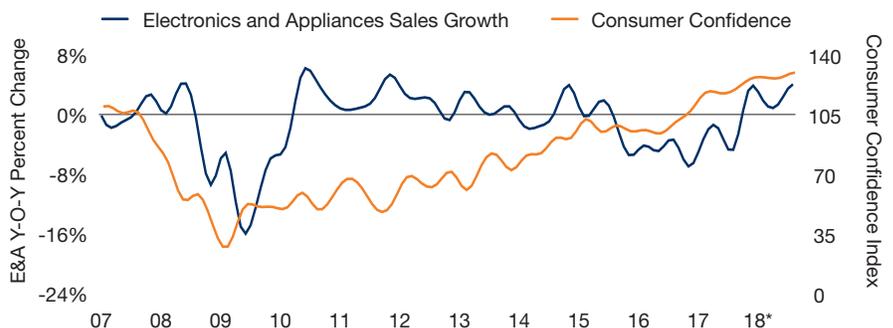
[8/2018](#)

>>



Follow Us on Twitter @ <https://twitter.com/MMResearch>

Confidence Drives Big-Ticket Purchases



* Through August

Core retail sales exclude auto and gasoline sales

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; Moody's Analytics