



(UBS)

Will holiday shopping drive higher sales?

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As the temperature drops and the days grow shorter, one thing is clear: holiday season is just around the corner. The shift to cooler weather signals more than just a change in your wardrobe; it marks the beginning of a festive period filled with celebrations, and of course, holiday shopping.

This year, holiday spending is expected to rise steadily. The [National Retail Federation](#), which defines the holiday season as Nov. 1 through Dec. 31 is forecasting an increase of 2.5-3.5% over last year, reaching a total of \$24 billion to \$34 billion more in retail sales this year, compared to last year's total of \$956 billion. This anticipated growth comes at a time when consumers are feeling more optimistic about the economy, with our [CIO](#) citing the strong job market and solid wage growth that is fueling consumer confidence in spending.

Beyond holiday shopping, [USA Today](#) cites a Deloitte survey which expects US consumers to spend more on experiences such as traveling and concerts this holiday season, with an expected growth of 16% year over year. Consumers are also forecasted to spend 9% more on non-gift items, including decorations and party apparel this year, emphasizing the importance of creating meaningful experiences and bringing people together this holiday season.

The increase in consumer spending could lead to stronger year-end corporate earnings, especially as recent third quarter earnings reports show encouraging results. Our recent [CIO report](#) cites that of three-quarters of the S&P 500 companies that have reported Q3 earnings so far, nearly 60% are beating sales estimates and more than 70% are beating earnings estimates. It also emphasizes that overall trends in consumer spending remain resilient. The report expects corporate profit growth to remain healthy going into the end of 2024 and 2025, driven by the Fed rate cuts and strong economic growth.

As we look ahead to this holiday season, the Q3 earnings reports coupled with consumer surveys show a good retail environment. Shoppers' growing optimism about the economy resulting in increased spending could lead to higher corporate earnings, making this end of year's holiday season not just festive, but also a strong finish for US businesses.

With this positive outlook for earnings, growth, and US equities, combined with further tailwinds from election results signaling lower taxes and relaxation of business regulations, the [CIO](#) expects the S&P 500 to reach 6,600 by the end of 2025, from 5,929 as of close on 6 November.

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For the full report with updated insights on latest Q3 earnings, read our report [here](#).

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