

Economic turbulence, political uncertainty to dampen holiday sales, says report

October 5 2011, By Marc Ransford

A troubled economy and political infighting will darken the upcoming holiday retail season as consumer spending will barely rise over 2010 levels, says a new report from Ball State University.

The 2011 [Holiday Retail Sales Forecast](#) anticipates that overall retail sales will increase by 0.8 percent over last year. Sales during the last few months of the year have rebounded since the depths of the Great Recession of 2007-09 but still are not close to the prerecession heights.

"A general angst over the future of the economy will doubtless hobble retailers this season," said report author Michael Hicks, director of Ball State's Center for Business and Economic Research (CBER), the research division of the Miller College of Business. "In a way, the fear of big economic turbulence in Europe, because of Greece, combines with the political uncertainty here in the U.S. to dampen the spending spirits at holidays."

When comparing sales for the upcoming retail [holiday season](#) with those from last year, Hicks' analysis forecasts increases in several categories, including clothing, up 4.2 percent; consumer electronics, 3.3 percent; department stores, 2.3 percent; furniture, 2 percent; restaurant, bar and pub sales, 1.9 percent; and items at club stores, 0.8 percent.

Sectors seeing declines will be used good sales, down 14.1 percent; autos, 7.4 percent, and jewelry, 1.2 percent.

Hicks said several other factors are contributing to the poor environment for retailers, including low consumer confidence, declining personal income, steadily growing household savings rates and high gasoline prices.

"One year ago, optimism about a stronger recovery was growing," he said. "As this holiday season approaches, few analysts predict a robust recovery across the country. These factors dampen holiday buying and suggest retailers will struggle significantly over the holiday season.

"Further exacerbating the challenges to business will likely be a rush to discount over the holiday season, which stretches 30 days from Black Friday through Christmas Eve. Much of the increased [sales](#) is likely to result from deep discounting, especially among big box stores."

Provided by Ball State University

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