

Holiday Preview

Fiserv Small Business Index[®]

Retail Spotlight

Small Business Retail Had a Strong October, Positioned Well for a Successful Holiday Season

National Overview

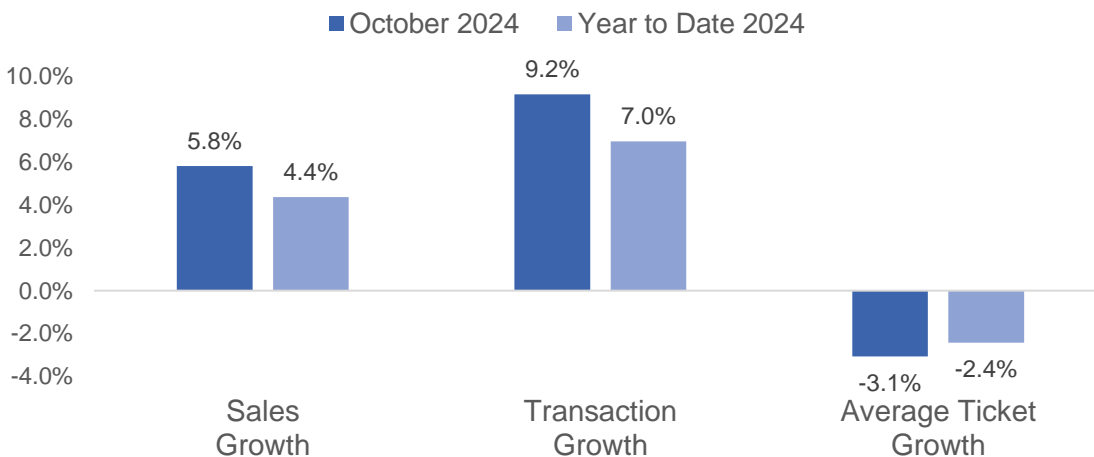
The holiday season is here! Over the past several years retailers have started their holiday-themed sales campaigns earlier, a trend largely influenced by the global pandemic. Supply chain concerns, new technologies, changing consumer expectations, and economic pressures have also driven this trend across both large enterprises and small businesses.

The year-over-year small business Retail index accelerated by +5.8% to reach 150 in October. Except for Gasoline Stations, every small business retail subsector saw its sales growth exceed September's numbers. All retail subsectors grew year-over-year.

This report focuses on small business retail sales activity during October and Year-to-Date 2024.

Topline Trends

Figure 1: Big Picture – National Growth Trends



Key Observations about Retail and the start of the holiday season

| What's Happening? | Why Does It Matter? | How Should We Interpret? |
|---|--|--|
| <p>Small business Retail is showing strong sales growth in October (+5.8%), which is also outpacing year-to-date sales growth (+4.4%).</p> | <p>October sales momentum is strong, especially in Furniture & Electronics (+7.8%) and General Merchandise (+11.4%), key areas for holiday sales.</p> | <p>This suggests supply chain stability to meet growing consumer demand in Q4.</p> |
| <p>Overall transaction growth across Retail for October (+9.2%) and year-to-date (+7.0%) are also strong, General Merchandise transactions are especially strong for both October and year-to-date (+17.5%, +11.3%, respectively)</p> | <p>Foot traffic (transactions) is crucial for holiday sales success, particularly in brick-and-mortar stores. Increased foot traffic boosts impulse purchases. And this small business retailers compete with "big box" adversaries.</p> | <p>Current foot traffic trends indicate continued consumer enthusiasm through the season.</p> |
| <p>Overall average tickets at Retail are lower than they were last October (-3.1%) and are steadily trending lower year-to-date. But individual category results vary, and some with meaningful implications.</p> | <p>Inflation remains a concern, and some retail categories have mixed results in this area. For example, Clothing saw average tickets increase +7.9% in October, a crescendo to a trend that the category has had year-to-date.</p> | <p>Still, average tickets are trending favorably. And higher average tickets in Furniture and Electronics are expected and favorable during the holidays. Recent interest rate cuts may encourage consumers to spend more on big-ticket items.</p> |
| <p>Economic indicators are strong:</p> <ul style="list-style-type: none"> - Unemployment is near record low - Consumer sentiment is rising - Personal savings rates are rising - Inflation has reach Fed target | <p>Positive key performance indicators encourage consumer spending. October results align with long-term trends, boosting confidence for both retailers and consumers as the holiday season begins.</p> | <p>Consumers have exceeded spending expectations all year, despite stubbornly high prices. These macro-economic signals should reassure retailers that consumer spending will remain strong this holiday season.</p> |

Figure 2: Retail Subsector Scorecard

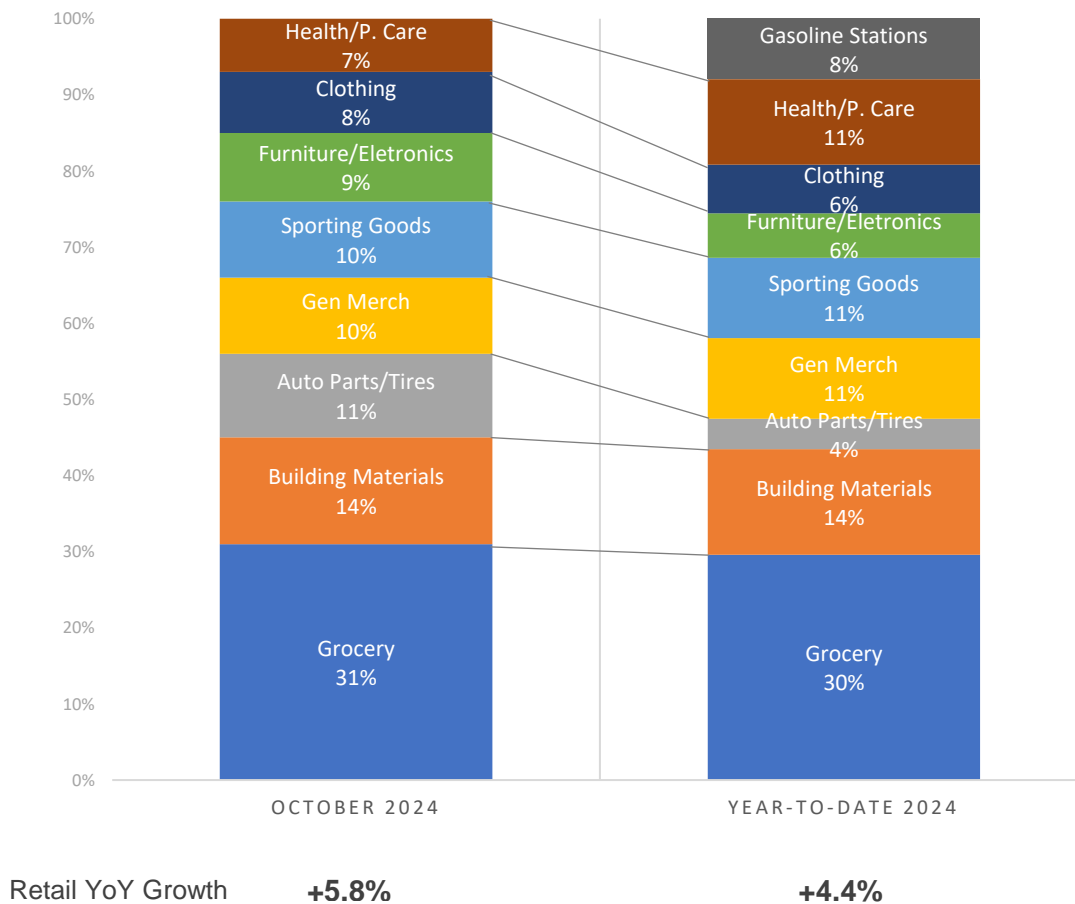
Retail grew at +5.8% for October YoY. Year-to-date Retail grew at a solid pace of +4.4%. Increased foot traffic (transactions) was the main driver of sales growth in both October and the year-to-date views.

| | October 2024 Growth | | | | Year-to-date 2024 Growth | | | |
|-------------------------|---------------------|--------------|----------------|-------------|--------------------------|--------------|----------------|-------------|
| | Sales | Transactions | Average Ticket | Sales Index | Sales | Transactions | Average Ticket | Sales Index |
| Retail | 5.8% | 9.2% | -3.1% | 150 | 4.4% | 7.0% | -2.4% | 146 |
| Building Materials | 8.6% | 8.8% | -0.2% | 176 | 5.9% | 7.3% | -1.3% | 169 |
| Clothing | 6.7% | -1.2% | 7.9% | 132 | 3.6% | 1.6% | 1.9% | 128 |
| Grocery | 8.4% | 10.7% | -2.0% | 160 | 5.8% | 7.9% | -2.0% | 155 |
| Furniture & Electronics | 7.8% | 5.0% | 2.7% | 142 | 3.5% | 3.3% | 0.1% | 137 |
| Gasoline Stations | -1.5% | 6.8% | -7.8% | 147 | 1.8% | 5.4% | -3.4% | 146 |
| Gen Merch | 11.4% | 17.5% | -5.2% | 166 | 8.7% | 11.3% | -2.4% | 161 |
| Heath/Personal Care | 6.8% | 7.1% | -0.3% | 133 | 8.7% | 3.1% | 5.4% | 130 |
| Auto Parts/Tires | 5.9% | 4.7% | 1.1% | 140 | 1.5% | 1.5% | 0.0% | 135 |
| Sporting Goods | 5.9% | 12.6% | -5.9% | 151 | 4.7% | 11.0% | -5.7% | 147 |

Which areas have been driving Retail growth?

Figure 3: Contribution to overall Retail sales growth, October 2024 and Year -to-date 2024

Retail grew by +5.8% YoY in October 2024. Year-to-date (through October), Retail grew by +4.4% compared to the same period in 2023. How did each of the 9 subsectors that make up Retail contribute to the growth in each period?

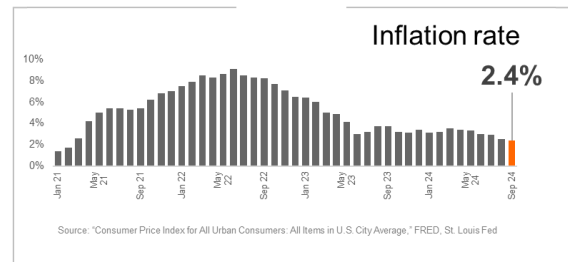
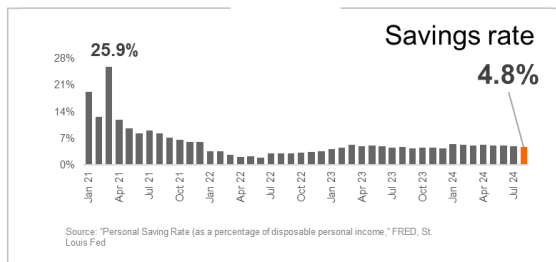
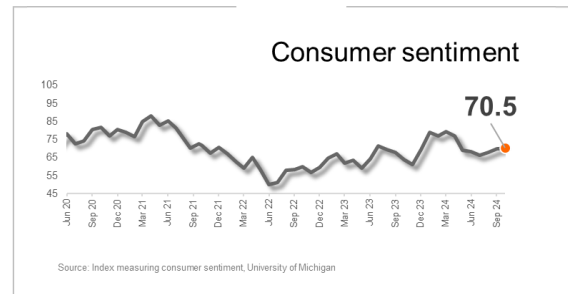
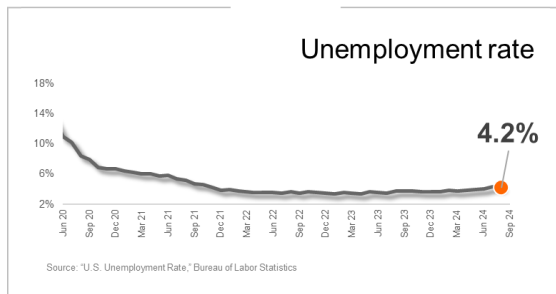


Small business Auto Parts/Tires contributed 11% to Retail's overall growth in October but only 4% of the growth year to date. And while Gasoline Stations contributed nothing to incremental Retail revenue in October, they accounted for 8% of all gains year-to-date. Similarly, Health and Personal Care retailers contributed 11% to Retail growth year-to-date, but only 7% in October.

Macro-Economic Indicators

Key indicators suggest consumers will be enthusiastic this **holiday season**

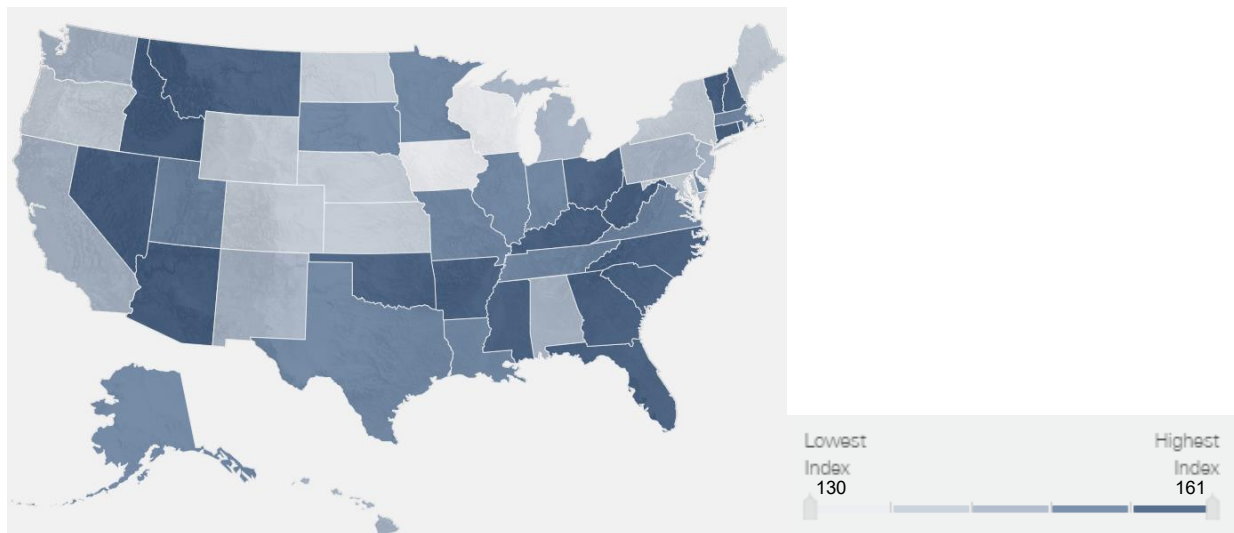
Figure 4: Key Performance Indicators of the US economy.



Consumers are entering the holiday season with favorable economic conditions. Unemployment remains low, indicating near full employment. Consumer sentiment is positive, with the University of Michigan and Conference Board indices showing increased confidence. Personal savings rates are rising to near pre-pandemic levels, signaling that consumers will likely be open to spend during the holidays. Additionally, the topline inflation rate has fallen to the Fed target rate, and this has encouraged two cuts to the prime rate, lowering borrowing costs by 0.75 points in total. This rate cut offers more options for consumers who may be open to larger ticket purchases. Figures from the JOLTS report and ADP (not illustrated here) also suggest a strong holiday season, with hirings and employment additions up.

Retail Performance at State Level – October 2024 and Year-to-Date 2024

Figure 5: Retail sales index by state, October 2024



US Overview:

The state-level view of October small business Retail performance is healthy. Strong indexes are observed nationwide, particularly in the Southeast and Southwest regions (the “sunbelt states”), many lower Midwest states, and a few states in the New England and Mountain Divisions.

In most states, October small business Retail sales growth is outpacing year-to-date sales growth, indicating engaged consumers. However, some states like California, Minnesota, Missouri, and Connecticut had October Retail sales growth that did not keep pace with their year-to-date momentum (shaded light grey). This does not necessarily mean trouble for small business retailers in these states, as there could be many reasons for short-term momentum to dip.

Four states - Kansas, Delaware, Hawaii, North Dakota – show softer sales growth and sales index results for October compared to their year-to-date pace. This might be a more significant signal of challenges for retail in these states for the holiday season.

Retail Performance at State Level – October 2024 and Year-to-Date 2024

Figure 6A: Retail sales growth YoY by state, October 2024 and Year-to-date 2024 (Top 25, ranked on Retail \$ sales)

| \$ rank | | Sales Growth | | Sales Index | |
|---------|---------------------|--------------|-------------|-------------|------------|
| | | OCT | YTD | OCT | YTD |
| | Total Retail | 5.8% | 4.4% | 150 | 146 |
| 1 | California | 4.0% | 5.3% | 146 | 143 |
| 2 | Florida | 6.5% | 4.1% | 159 | 154 |
| 3 | New York | 6.6% | 3.4% | 141 | 138 |
| 4 | Texas | 6.4% | 5.3% | 154 | 149 |
| 5 | Pennsylvania | 9.2% | 4.6% | 146 | 140 |
| 6 | North Carolina | 3.7% | 3.4% | 161 | 157 |
| 7 | Illinois | 5.9% | 4.3% | 150 | 147 |
| 8 | Michigan | 7.7% | 4.0% | 147 | 143 |
| 9 | Georgia | 9.5% | 4.2% | 159 | 150 |
| 10 | New Jersey | 5.6% | 3.3% | 148 | 144 |
| 11 | Ohio | 9.5% | 4.6% | 161 | 154 |
| 12 | Massachusetts | 8.5% | 6.0% | 149 | 144 |
| 13 | Virginia | 9.1% | 4.5% | 153 | 146 |
| 14 | Washington | 2.1% | 2.1% | 144 | 142 |
| 15 | Tennessee | 6.5% | 2.9% | 149 | 143 |
| 16 | Louisiana | 7.1% | 2.6% | 152 | 147 |
| 17 | Minnesota | 3.2% | 6.1% | 151 | 149 |
| 18 | Colorado | 2.1% | 1.9% | 139 | 136 |
| 19 | Missouri | 5.4% | 7.3% | 149 | 146 |
| 20 | Maryland | 10.8% | 5.2% | 142 | 136 |
| 21 | South Carolina | 8.0% | 2.4% | 161 | 156 |
| 22 | Wisconsin | 4.5% | 3.5% | 130 | 128 |
| 23 | Alabama | 1.2% | 2.7% | 145 | 144 |
| 24 | Indiana | 8.0% | 5.0% | 151 | 147 |
| 25 | Connecticut | 4.9% | 7.5% | 157 | 156 |

Retail Performance at State Level – October 2024 and Year-to-Date 2024

Figure 6B: Retail sales growth YoY by state, October 2024 and Year-to-date 2024 (26-50, ranked on Retail \$ sales)

| \$ rank | | Sales Growth | | Sales Index | |
|---------|---------------------|--------------|-------------|-------------|------------|
| | | OCT | YTD | OCT | YTD |
| | Total Retail | 5.8% | 4.4% | 150 | 146 |
| 26 | Oregon | 2.5% | 2.3% | 139 | 138 |
| 27 | Arizona | 4.8% | 2.8% | 156 | 149 |
| 28 | Kentucky | 9.3% | 7.5% | 161 | 156 |
| 29 | Utah | 7.3% | 5.1% | 152 | 140 |
| 30 | Oklahoma | 0.5% | 6.1% | 155 | 154 |
| 31 | Mississippi | 5.1% | 3.1% | 161 | 157 |
| 32 | Arkansas | 8.6% | 5.8% | 161 | 158 |
| 33 | Nevada | 3.5% | 6.3% | 161 | 157 |
| 34 | Iowa | 1.1% | -2.3% | 133 | 131 |
| 35 | New Hampshire | 7.6% | 8.3% | 161 | 158 |
| 36 | Idaho | 3.9% | 3.6% | 157 | 155 |
| 37 | Kansas | -5.4% | 2.1% | 139 | 141 |
| 38 | Maine | 6.4% | 5.6% | 141 | 135 |
| 39 | Nebraska | 1.2% | -0.1% | 139 | 137 |
| 40 | West Virginia | 13.6% | 7.0% | 161 | 158 |
| 41 | New Mexico | 3.7% | 3.3% | 143 | 139 |
| 42 | Montana | 6.6% | 5.0% | 161 | 156 |
| 43 | Rhode Island | 6.4% | 5.5% | 161 | 157 |
| 44 | Delaware | 1.5% | 12.7% | 150 | 155 |
| 45 | Hawaii | -8.3% | 4.7% | 145 | 151 |
| 46 | South Dakota | 13.8% | 7.4% | 150 | 141 |
| 47 | Vermont | 7.5% | 5.8% | 157 | 153 |
| 48 | North Dakota | -6.7% | -0.7% | 141 | 143 |
| 49 | Wyoming | -1.6% | 7.7% | 142 | 142 |
| 50 | Alaska | 8.2% | 7.6% | 149 | 145 |

Top Metro Markets for Retail – October 2024 and Year-to-Date 2024

Figure 7: Retail sales growth YoY by metro market, Oct. 2024 and Year-to-date 2024
(Top 20, ranked on Retail \$ sales)

The top US markets for small business Retail performed well in October and year-to-date. In October, Retail in 10 of the top 20 markets grew at a pace faster than the national Retail sales growth pace of +5.8%. . Still, however, some of the top metro markets' October sales growth did not keep pace with their year-to-date momentum (shaded light grey). This is not necessarily cause for alarm, the October sales index in these markets typically outperforms the market year-to-date index.

| \$ rank | | Sales Growth | | Sales Index | |
|---------|---------------------|--------------|-------------|-------------|------------|
| | | OCT | YTD | OCT | YTD |
| | Total Retail | 5.8% | 4.4% | 150 | 146 |
| 1 | New York | 6.3% | 2.8% | 144 | 140 |
| 2 | Los Angeles | 3.3% | 5.1% | 145 | 142 |
| 3 | Chicago | 4.4% | 3.6% | 156 | 152 |
| 4 | Dallas | 7.0% | 7.7% | 161 | 156 |
| 5 | Philadelphia | 8.6% | 6.6% | 157 | 153 |
| 6 | Atlanta | 8.4% | 4.7% | 156 | 147 |
| 7 | San Francisco | 7.0% | 7.4% | 134 | 131 |
| 8 | Minneapolis | 5.2% | 7.5% | 155 | 153 |
| 9 | Seattle | 2.4% | 0.6% | 145 | 141 |
| 10 | San Diego | 1.9% | 4.2% | 149 | 149 |
| 11 | Phoenix | 8.7% | 3.7% | 161 | 150 |
| 12 | Denver | 2.3% | 2.9% | 133 | 131 |
| 13 | Nashville | 5.0% | 3.3% | 155 | 150 |
| 14 | Portland | 2.6% | 1.9% | 134 | 135 |
| 15 | Baltimore | 8.8% | 2.1% | 136 | 130 |
| 16 | Pittsburgh | 8.7% | 8.9% | 143 | 142 |
| 17 | New Orleans | 7.3% | 2.8% | 155 | 151 |
| 18 | Kansas City | -0.4% | 4.1% | 131 | 131 |
| 19 | Sacramento | 10.5% | 13.4% | 156 | 155 |
| 20 | Cleveland | 10.9% | 6.2% | 161 | 154 |

Still To Come This Holiday Season

Small business retail is on pace to have a strong holiday season. Of course, holiday sales include a lot more than small business, and consumer will spend on a lot more beyond retail.

Our upcoming reports on Holiday Spending will widen the lens to understand more about the entire consumer spending arena. Holiday Reporting from Fiserv will also cover:

- large national businesses (same store views)
- discretionary and non-discretionary spending areas
- goods and services
- brick-and-mortar and ecommerce
- credit / debit / ebt
- payment methods (Tap, Dip, Swipe, etc.)

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