2024 Forecast of Ohio Holiday Retail Spending

Prepared for Ohio Council of Retail Merchants

November 2024

Final Report

ECONOMICS CENTER
RESEARCH AND CONSULTING

Table of Contents

List of Tables

List of Figures

Executive Summary

- The Economics Center forecasts a 1.1 percent increase in Ohio relevant retail spending for the 2024 holiday season compared to the 2023 season, with total sales of $30.4 billion.

- Full-year relevant retail sales in Ohio have exhibited sustained growth over recent years. However, relevant retail sales have experienced smaller year-over-year gains since the first half of 2022.

- Online shopping continues to be a growing component of retail sales, although growth is stabilizing since the COVID-19 pandemic. Growth in nonstore retail sales, which includes online and mobile shopping, has exceeded overall retail sales growth in Ohio since 2013.

- Ohio's labor market indicators have improved since 2020, corresponding with the COVID-19 pandemic recovery. Employment in Ohio during 2023 was 6.8 percent higher than pre-pandemic levels in 2020. Additionally, wages and salaries in Ohio have increased by approximately 20.0 percent between 2020 and 2023.

- Consumer confidence has partially recovered from the COVID-19 pandemic but remains below the peak experienced in February 2020. Furthermore, consumer confidence remains 20 points below the post-pandemic peak experienced in June 2021. During 2024, consumer confidence experienced month-over-month declines between February and April as well as in June and September.

- Inflation in the Midwest has been increasing at higher rates since 2020. Inflation in the Midwest increased by 5.7 percent between September 2020 and September 2021 and increased by 8.1 percent between September 2021 and September 2022. However, inflation in the Midwest slowed to 2.5 percent between September 2023 and September 2024. To curb rising inflation, the Federal Reserve has raised interest rates 11 times since March 2022, but has cut interest rates twice since September 2024.

- The Economics Center projects that the State's three largest metro areas will again account for more than half (55.6%) of estimated relevant retail sales this holiday season.

- Economics Center forecasts indicate that all nine metro areas analyzed in Ohio will experience an increase in holiday relevant retail sales in 2024 compared to 2023.

Introduction

Retailers highly anticipate the holiday season, which retail businesses historically have relied on to generate sufficient sales to realize profits for the year.[1] Historically, "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.

National holiday retail sales forecasts for the 2024 holiday spending season are relatively consistent among sources. The National Retail Federation forecasts an increase in sales of between 2.5 and 3.5 percent, Deloitte forecasts an increase in sales of between 2.3 percent and 3.3 percent, Bain & Company forecasts an increase in sales of 3.0 percent, and the Mastercard Economics Institute forecasts an increase in sales of 3.2 percent.[4] However, PwC forecasts an increase in sales of 7.0 percent in 2024 compared to 2023.[5] National estimates for the 2024 holiday spending season represent continued growth from 2023, though holiday sales are expected to be muted compared to the 2023 holiday season, which experienced an increase in sales of 3.9 percent (National Retail Federation) to 4.3 percent (Deloitte).[6]

The average shopping duration for the 2024 holiday season is 5.7 weeks, however, the shopping period between Thanksgiving and Christmas will be five days shorter than last year.[7] According to Deloitte, approximately 38.0 percent of consumers plan to shop during October promotional events and approximately 68.0 percent of consumers plan to shop during Thanksgiving week.[8] Online shopping will be driven by early promotional events, Black Friday, and Cyber Monday, with shifts to in-store shopping occurring after Cyber Monday.[9]

Following trends in recent years, consumers will continue to focus on online shopping as a way to find the best deals, with 78.0 percent of consumers planning to participate in promotional events in October and November.[10] The National Retail Federation is expecting online and non-store sales in 2024 to grow by 8.0 percent to 9.0 percent compared to 2023, while Deloitte is forecasting a 7.0 percent to 9.0 percent increase in e-commerce sales.[11]

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[1] (Reiter, 2011)
[2] (Bonebright & Ramhold, 2016)
[3] (IWB, 2015)
[4] (National Retail Federation 2024); (Deloitte 2024b); (Bain & Company 2024); (Mastercard Economics Institute 2024)
[5] (PwC 2024)
[6] (National Retail Federation 2024); (Deloitte 2024b)
[7] (Deloitte 2024a)
[8] (Deloitte 2024a)
[9] (PwC 2024)
[10] (Deloitte 2024a)
[11] (National Retail Federation 2024); (Deloitte 2024b)

Approximately 70.0 percent of consumers expect higher prices this holiday season compared to last year, with 85.0 percent of consumers considering cutbacks on discretionary spending over the next six months.[12] Deloitte found that consumers will spend an average of $1,778 during the 2024 holiday season, comprised of $536 for gifts, $507 for non-gifts, and $735 for experiences.[13] PwC found that consumers will spend an average of $1,638 for gifts, travel, and entertainment during the 2024 holiday season.[14] This represents a 7.0 percent to 8.0 percent increase compared to the 2023 holiday season.[15]

In recent years, consumers have shifted portions of their purchasing preferences from goods to experiences. The spending on experiences averaged $632 during the 2023 holiday season, which exceeded pre-pandemic levels that averaged $596 in 2019.[16] Experiential spending is anticipated to increase by 16.3 percent to $735 during the 2024 holiday season.[17] Additionally, approximately 65.0 percent of consumers intend to purchase gift cards for others this holiday season.[18] Overall, consumers plan to purchase an average of nine gifts/gift cards in 2024 compared to eight in 2023.[19]

"We expect that healthy growth in disposable personal income (DPI), combined with a steady labor market, will support a solid holiday sales season. Meanwhile, inflation is both a headwind and tailwind to holiday sales. While declining inflation aids consumers' purchasing power, it also is expected to negatively impact the nominal rise in the dollar value of sales. In addition, rising credit card debt and the possibility that many consumers have exhausted their pandemic-era savings will likely weigh on sales growth this season compared to the previous one," said Akrur Barua, an economist with Deloitte.[20]

According to Jack Kleinhenz, the Chief Economist for the National Retail Federation, "We remain optimistic about the pace of economic activity and growth projected in the second half of the year. Household finances are in good shape and an impetus for strong spending heading into the holiday season, though households will spend more cautiously."[21]

Holiday spending in 2024 is characterized by earlier shopping through promotional events in October and November, a shorter shopping period between Thanksgiving and Christmas, and a continued increase in e-commerce sales. Economic indicators have rebounded from the lows experienced during the COVID-19 pandemic, with the exception of consumer confidence. Forecasted growth for the 2024 holiday season is muted compared to national forecasts, with economic indicators such as employment and wages growing at a slower pace in Ohio compared to nationally.

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 11 regional transit authorities. Total revenues collected and rates levied by each of Ohio's 88 counties from

[12] (Deloitte 2024a); (PwC 2024)
[13] (Deloitte 2024a)
[14] (PwC 2024)
[15] (PwC 2024); (Deloitte 2024a)
[16] (Deloitte 2024b)
[17] (Deloitte 2024b)
[18] (PwC 2024)
[19] (Deloitte 2024b)
[20] (Deloitte 2024b)
[21] (National Retail Federation 2024)

July 2005 through May 2024 were used to develop estimates of county-level and statewide retail sales. 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 semiannual (twice per year) sales and use tax revenues by industry from the Ohio Department of Taxation 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, Food Services, and Arts, Entertainment and Recreation. 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	No
Motor Vehicle and Parts Dealers	No
Gasoline Stations	No
Food Services	No

Source: Ohio Department of Taxation.

Relevant retail sectors' share of sales and use tax revenues exhibited year-over-year declines in 2014 and 2015, rebounded between 2016 and 2018, and has decreased year-over-year since 2021, as shown in Figure 1.[22] Beginning in June 2015, the collection and remittance of sales tax by Amazon and other online-only retailers on their Ohio sales contributed to the increase in relevant retail sectors' share of sales and use tax revenues. 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.[23] Corresponding with the COVID-19 pandemic, relevant retail sectors' share of sales and use tax revenues increased to 54.2 percent during 2020. This represents a 4.0 percentage point increase from 2019. However, relevant retail sectors' share of sales and use tax revenues has consistently decreased since the second half of 2021.

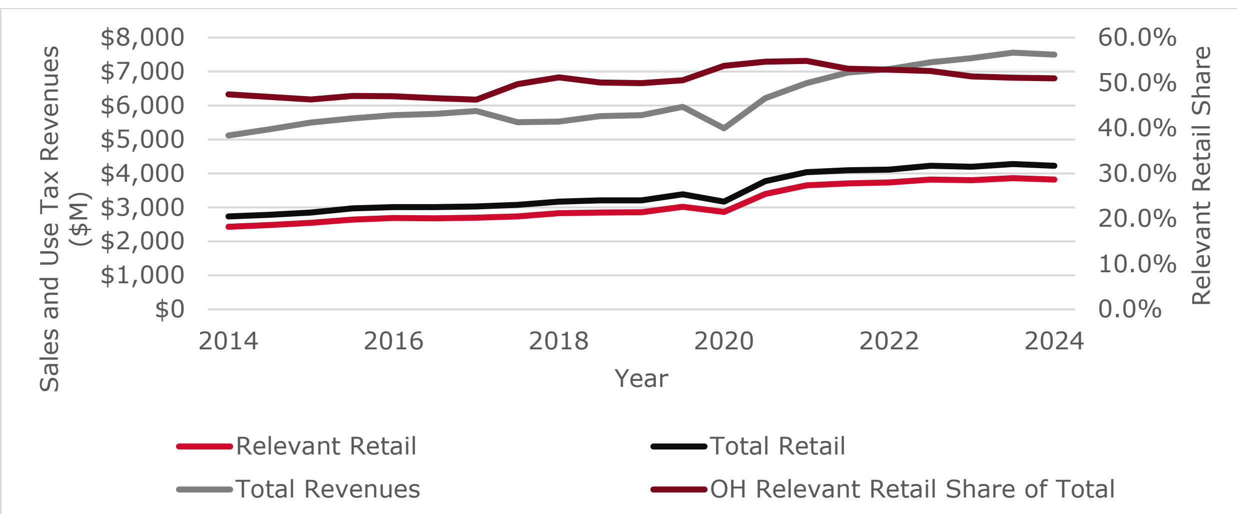
[22] Prior to 2015, nonstore retailers were not included among relevant retail sectors for forecasting state retail sales. Inclusion is consistent with current national forecasts including the National Retail Federation.
[23] (Miller, 2018)

Figure 1 also displays the total sales and use tax revenue collected in Ohio, as well as the portions accounted for by taxes from total retail and relevant retail sales. Total revenues increased steadily between 2014 and 2016, followed by year-over-year declines in 2017 and 2018 coinciding with H.B. 49. The COVID-19 pandemic impacted total sales and use tax revenues during 2020. However, total revenues have exhibited year-over-year increases since the second half of 2020 although moderating through the first half of 2024.

Total and relevant retail tax revenues have exhibited consistent year-over-year increases since 2014. Total retail tax revenues increased 63.0 percent between 2013 and 2023, whereas relevant retail tax revenues increased 64.6 percent. Although total retail and relevant retail tax revenues have grown at a slower pace since 2020 compared to total tax revenues. Total sales and use tax revenues increased 29.5 percent between 2020 and 2023. In comparison, total retail and relevant retail sales increased 22.0 percent and 22.4 percent between 2020 and 2023, respectively.

Total retail sales growth in Ohio experienced a 0.6 percent decline during the first half of 2023 compared with the second half of 2022. Over this same period, relevant retail sales also decreased by 0.6 percent. Between the first and second half of 2023, total retail sales and relevant retail sales experienced growth of 1.9 percent and 1.6 percent, respectively. This was followed by a decline of 1.1 percent in total retail sales and a decline of 1.0 percent in relevant retail sales between the second half of 2023 and the first half of 2024. These findings suggest that although relevant retail sales growth in Ohio in recent years has been spread across the year, larger gains were experienced during the second half of the year.

Figure 1: Semiannual Ohio Sales and Use Tax Revenues and Retail Shares in Millions, January to June 2013-January to June 2024



Source: Ohio Department of Taxation.

In addition to sales and use tax revenues obtained from the Ohio Department of Taxation, 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 a 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	May 2024
Ohio total and county wages and salaries	U.S. Bureau of Labor Statistics	March 2024
Ohio total nonfarm employment	U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis	September 2024
Ohio county employment	U.S. Bureau of Labor Statistics	March 2024
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 2024
U.S. retail trade	U.S. Census Bureau	August 2024
Consumer Confidence Index	The Conference Board	October 2024
Midwest Consumer Price Index	U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis	September 2024
National Bureau of Economic Research (NBER) recession indicator	Federal Reserve Bank of St. Louis, retrieved from FRED, Federal Reserve Bank of St. Louis	September 2024

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

For the regional models, regional earnings and employment were included in lieu of statewide earnings and 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 illustrates the regions used in the analysis.

Figure 2: Ohio Metropolitan Statistical Areas

Source: Economics Center.

Forecast Results

Statewide Forecast

The Economics Center projects a 1.1 percent increase in holiday relevant retail spending in 2024 compared to 2023.

The Economics Center estimates holiday relevant retail revenues of $30.4 billion statewide in 2024 during the November to January holiday season. This compares to nearly $30.1 billion in holiday relevant retail revenues during the 2023 holiday season. The forecasted growth rate of 1.1 percent in holiday relevant retail sales in Ohio is lower than national forecasts, which range from 2.3 percent to 7.0 percent.[24]

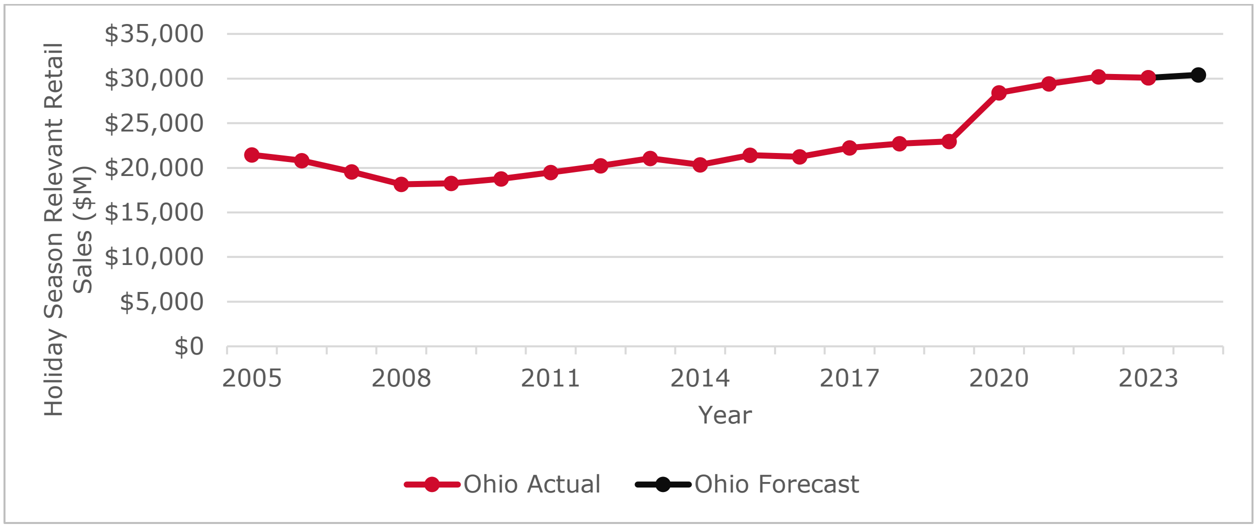
Holiday spending in Ohio during the 2023 holiday season declined by 0.4 percent compared to the 3.9 percent to 4.3 percent growth experienced nationally.[25] As illustrated in Figure 3, nominal holiday relevant retail sales in Ohio rebounded to pre-recession levels in 2017. Relevant retail sales growth in

[24] (Deloitte 2024b); (National Retail Federation 2024); (Mastercard Economics Institute 2024); (Bain & Company 2024); (PwC 2024)

[25] (National Retail Federation 2024); (Deloitte 2024b)

Ohio was 23.6 percent during the 2020 holiday season, 3.6 percent during the 2021 holiday season, and 2.7 percent during the 2022 holiday season.

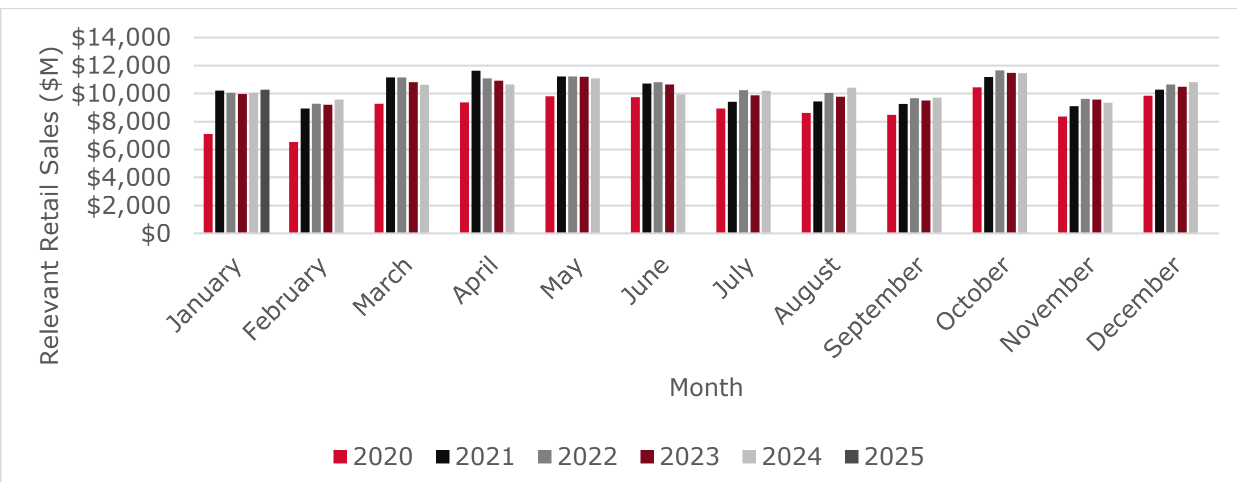
Figure 3: Ohio Historical and Forecasted Holiday Relevant Retail Sales in Millions, 2005–2024



Source: Economics Center analysis.

Figure 4 displays estimated monthly relevant retail sales for Ohio from January 2020 through May 2024 and forecasted estimates for June 2024 through January 2025. Seasonal spikes in relevant retail sales are seen in October and, to a lesser degree, December. Spikes in relevant retail sales were also seen in January during 2021 and 2024.

Figure 4: Ohio Relevant Retail Sales by Month in Millions, January 2020–January 2025



Source: Economics Center analysis.

Regional Forecast

The Economics Center forecasts that holiday relevant retail sales will increase in all nine metro regions analyzed in 2024 compared to 2023, although the magnitudes and growth rates vary considerably, as shown in Table 3. Mansfield is expected to experience the largest increase in relevant retail sales (7.3%) from the previous year followed by Columbus (5.3%) and Youngstown (4.3%). The State's largest metro areas – Columbus, Cleveland, and Cincinnati – again are expected to account for more than half (55.6%) of estimated holiday relevant retail sales.

Table 3: Ohio Regional 2024 Holiday Relevant Retail Sales Forecast in Millions

Metro Area	2023 Sales	2024 Forecast	Growth Rate (2023-24)	Share of State 2024
Akron	$1,810	$1,835	1.4%	6.0%
Cincinnati	$4,903	$4,931	0.6%	16.2%
Cleveland	$5,355	$5,377	0.4%	17.7%
Columbus	$6,259	$6,588	5.3%	21.7%
Dayton	$2,018	$2,053	1.7%	6.7%
Lima	$264	$271	2.7%	0.9%
Mansfield	$274	$294	7.3%	1.0%
Toledo	$1,525	$1,528	0.2%	5.0%
Youngstown	$981	$1,023	4.3%	3.4%

Source: Economics Center analysis.

Economic Conditions

Overall, economic indicators continue to reflect improvement since the start of the COVID-19 pandemic and the brief economic recession in 2020. Employment, wages, and consumer confidence have all increased since 2020. Despite some recovery, consumer confidence remains below pre-pandemic levels. Household wealth continues to be strong and is bolstered by increasing home prices despite rising income-to-debt ratios. The Federal Reserve has increased interest rates 11 times since March 2022, including four interest rate hikes in 2023, to curb rising inflation.[26] Amid easing inflation rates, the Federal Reserve cut interest rates twice in 2024 with a 0.5 percentage point cut in September and a 0.25 percentage point cut in November.[27] The federal funds rate now has a target range of 4.5 percent to 4.75 percent.[28]

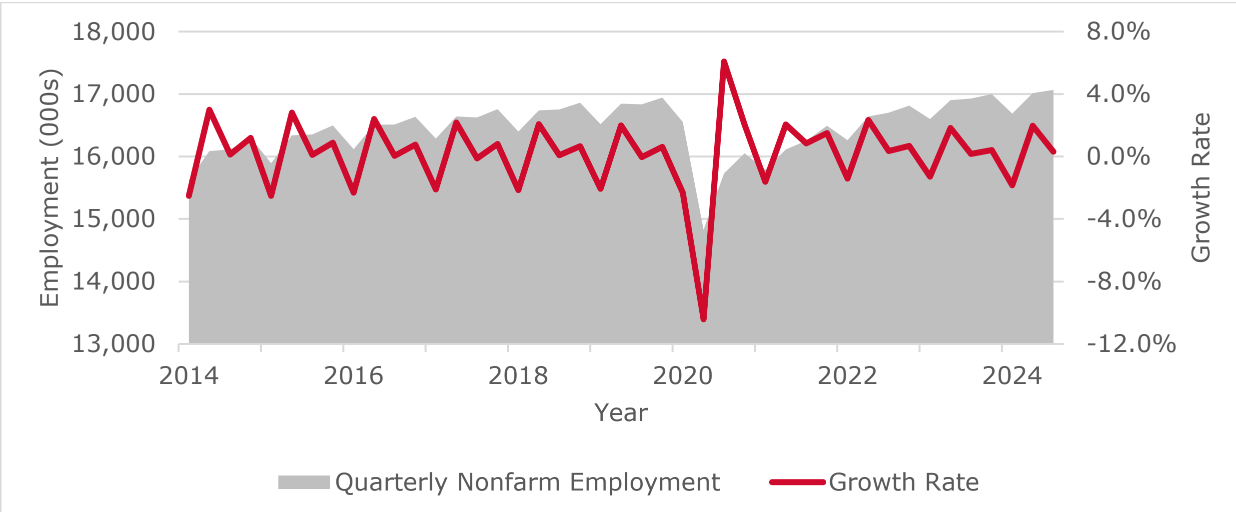
Employment and Wages

Prior to 2020, Ohio experienced sustained overall employment growth since 2014 with slowed growth beginning in 2017. Employment growth between 2018 and 2019 was slower in Ohio than nationally as employment growth in Ohio was 0.6 percent compared with national employment growth of 1.3 percent. The COVID-19 pandemic affected employment both nationally and in Ohio. Between 2019 and 2020, Ohio employment decreased by 5.9 percent compared to an employment decrease of 5.8 percent nationally. Between 2020 and 2021, Ohio employment grew by 2.4 percent compared to national employment growth of 2.9 percent, indicating a slower employment rebound in Ohio. Furthermore, Ohio

[26] (Cox 2023)
[27] (Cox 2024)
[28] (Cox 2024)

employment grew by 2.7 percent between 2021 and 2022 and 1.5 percent between 2022 and 2023. In comparison, employment nationally grew by 4.3 percent between 2021 and 2022 and 2.3 percent between 2022 and 2023. 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.

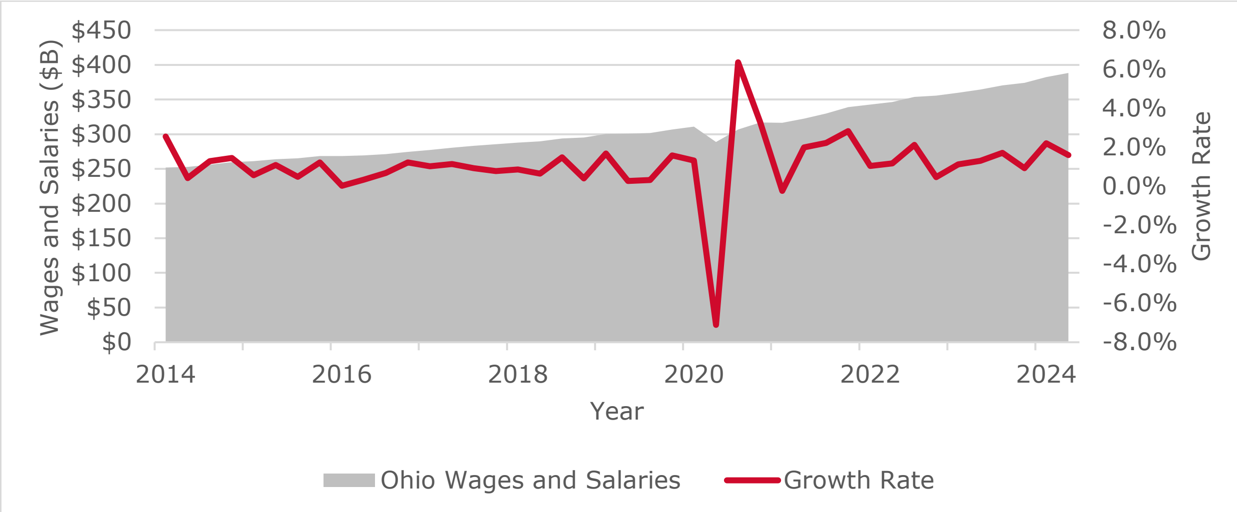
Figure 3: Quarterly Ohio Total Nonfarm Employment in Thousands, Q1 2014–Q3 2024



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

Figure 6 illustrates quarterly wages and salaries in Ohio from Q1 2014 through Q2 2024. Total Ohio wages and salaries have exhibited positive annual growth since 2014, however, wages and salaries in Ohio experienced a sharp decline in Q2 2020 as a result of the COVID-19 pandemic. Between Q1 2020 and Q2 2020, wages and salaries in Ohio declined by 7.1 percent compared to a national decrease of 6.5 percent. Wages and salaries in Ohio increased by 6.9 percent between 2020 and 2021, increased by 7.0 percent between 2021 and 2022, and increased by 5.0 percent between 2022 and 2023. In comparison, wages and salaries nationally increased by 9.0 percent between 2020 and 2021, increased by 7.8 percent between 2021 and 2022, and increased by 5.4 percent between 2022 and 2023. This indicates that wages and salaries have grown at a slower pace in Ohio compared to nationally.

Figure 4: Quarterly Ohio Total Wages and Salaries[29] in Billions, Q1 2014–Q2 2024



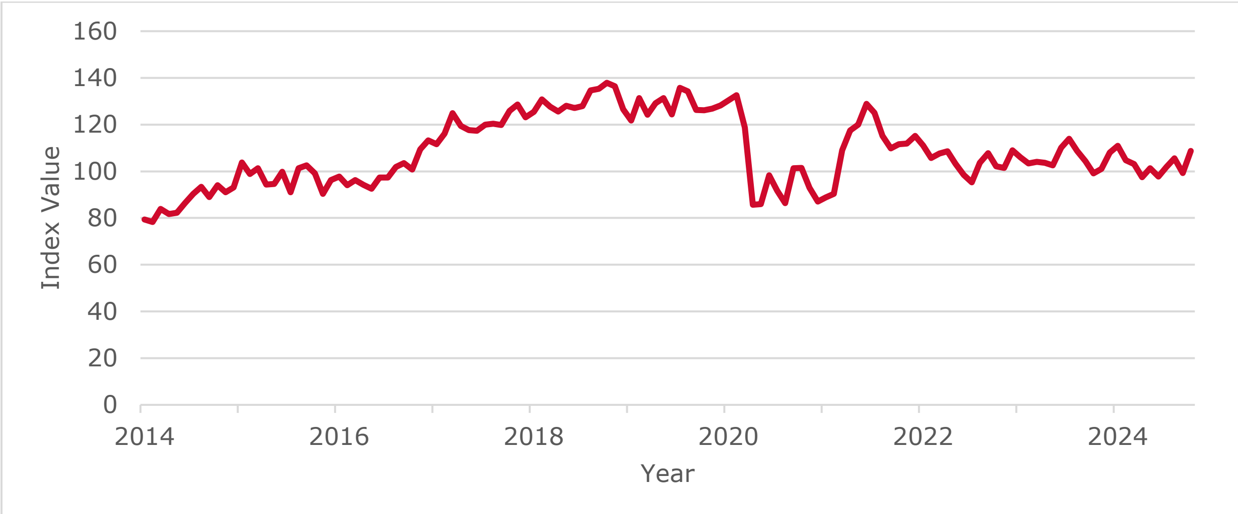
Source: Federal Reserve Bank of St. Louis and U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis.

Consumer Confidence

As measured by the Conference Board's Consumer Confidence Index and displayed in Figure 7, consumer confidence experienced overall growth between 2013 and the start of 2020. Consumer confidence reached its peak in October 2018 and dropped dramatically in 2020 as a result of the COVID-19 pandemic. During 2020, consumer confidence reached its peak in February, followed by a 47-point drop to the lowest point in April. This represents a 35.4 percent decrease in consumer confidence between February and April of 2020. Consumer confidence also experienced a 14-point decrease between October and December 2020. Following the onset of the COVID-19 pandemic, consumer confidence reached a peak in June 2021 followed by a low in July 2022. Between July 2022 and October 2024, consumer confidence increased by 14.1 percent despite some month-over-month declines. Since the start of 2024, consumer confidence experienced month-over-month declines between February and April as well as in June and September. Specifically, consumer confidence decreased by 6.1 percent between August and September but rebounded by 9.6 percent between September and October.

[29] Seasonally adjusted.

Figure 5: Consumer Confidence Index, January 2014–October 2024

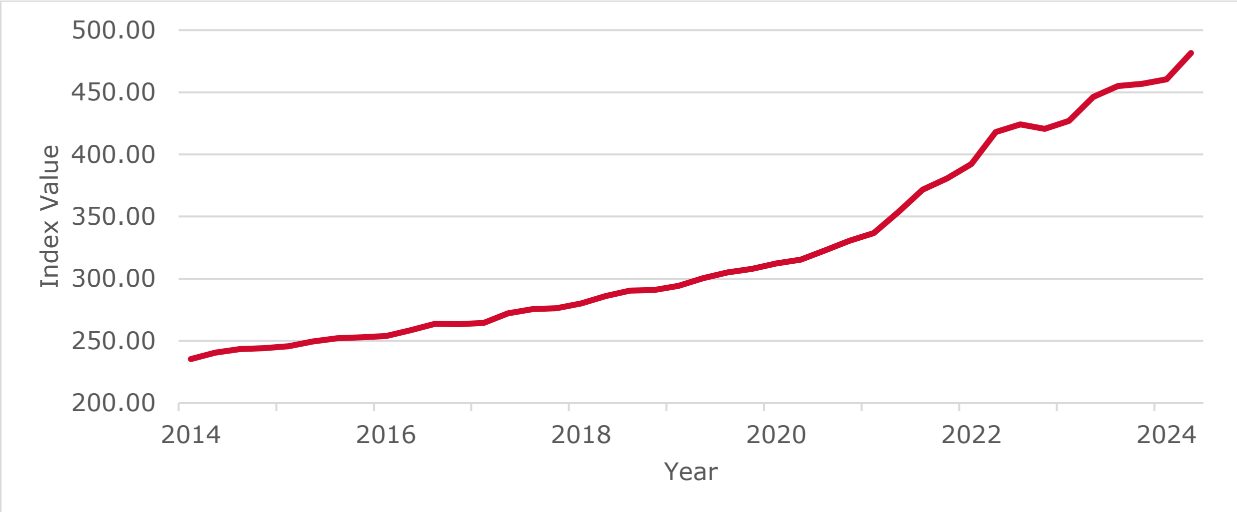


Source: The Conference Board.

Household Wealth

Houses in an appreciating real estate market tend to be a source of household wealth. Growth in the house price index in Ohio, as shown in Figure 8, has steadily increased since 2014 and began experiencing accelerated growth in January 2017. Between 2017 and 2020, growth in the house price index in Ohio averaged approximately 5.1 percent. However, the house price index for Ohio experienced dramatic growth between 2020 and 2022. Specifically, the house price index for Ohio increased 12.2 percent between Q2 2020 and Q2 2021 and increased by 18.2 percent between Q2 2021 and Q2 2022. The house price index for Ohio has increased at a slower rate since 2022. Specifically, the house price index increased 6.8 percent between Q2 2022 and Q2 2023 and increased by 7.9 percent between Q2 2023 and Q2 2024. The growth in the house price index for Ohio has outpaced total wages in Ohio in recent years. This suggests that households in Ohio are spending an increasing share of their disposable income on mortgage payments.

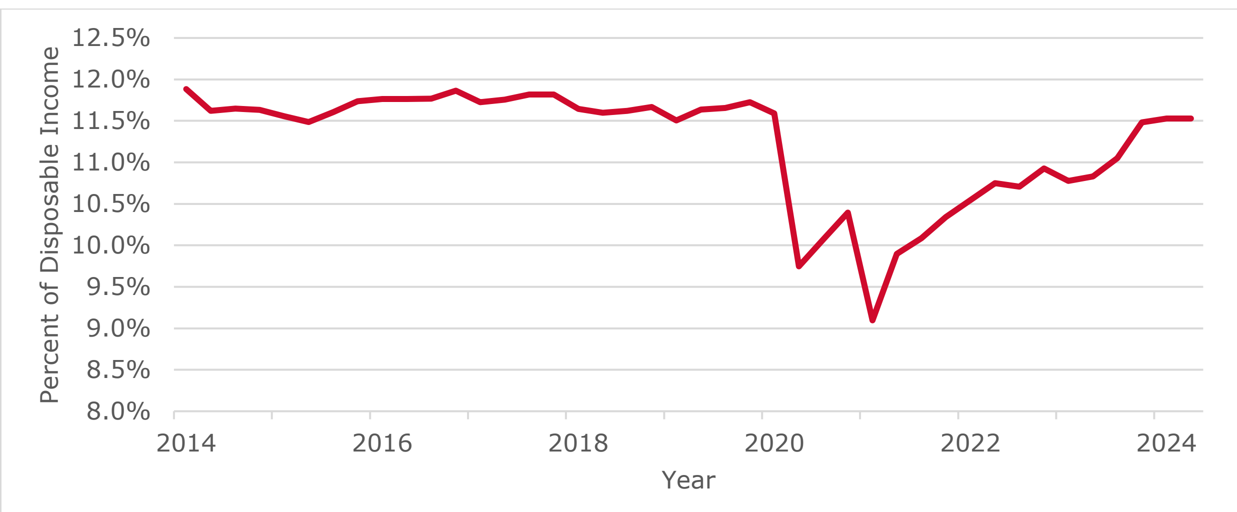
Figure 6: Ohio House Price Index, All Transactions, Q1 2014–Q2 2024



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

As shown in Figure 9, household debt payments as a share of disposable income remain lower than a ten-year high of 11.9 percent in Q1 2014. Household debt payments as a share of disposable income dropped from 11.6 percent in Q1 2020 to 9.7 percent in Q2 2020. This represents a 1.8 percentage point decline. However, household debt payments as a share of disposable income have been increasing since Q2 2021. During Q2 2024, household debt payments as a share of disposable income were 11.5 percent. This represents a level that is 0.1 percentage points lower than pre-pandemic levels.

Figure 7: Household Debt Payments' Share of Disposable Personal Income[30], Q1 2014–Q2 2024



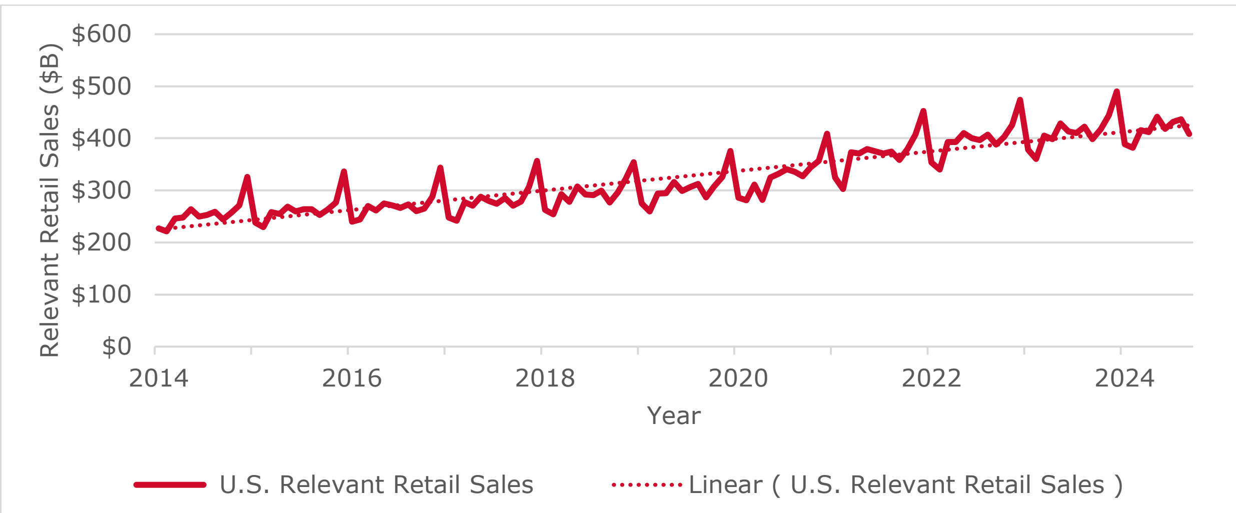
Source: Board of Governors of the U.S. Federal Reserve, retrieved from FRED, Federal Reserve Bank of St. Louis.

[30] Seasonally adjusted.

Retail Trade and E-Commerce

National relevant retail trade volumes increased steadily between 2014 and 2019, as shown in Figure 10. Full-year national relevant retail sales exceeded $3.6 trillion in 2019 after reaching more than $3.5 trillion in 2018. National relevant retail sales increased to $3.9 trillion in 2020 amid the COVID-19 pandemic and continued to increase to $4.5 trillion in 2021, $4.8 trillion in 2022, and nearly $5.0 trillion in 2023. Additionally, national relevant retail sales during the first nine months of 2024 totaled $3.7 trillion compared to $3.6 trillion during the first nine months of 2023. This represents a 3.3 percent increase in national relevant retail sales between the first nine months of 2023 and the first nine months of 2024. Unsurprisingly, relevant retail sales exhibit distinct seasonality, with the highest volumes each year in December and, to a lesser degree, November.

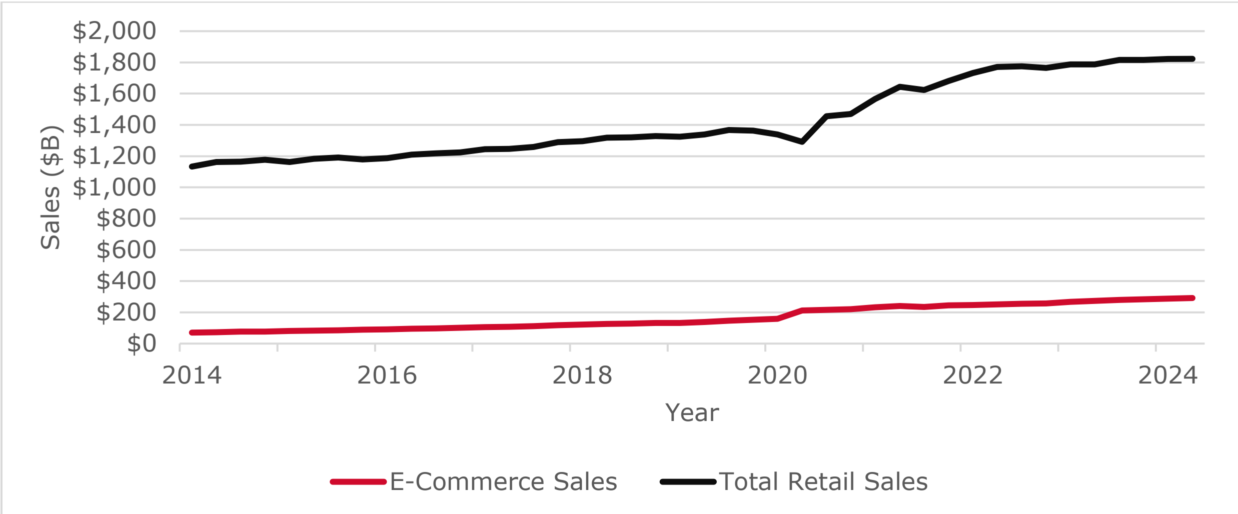
Figure 8: Monthly U.S. Relevant Retail Sales in Billions, January 2014–September 2024



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 6.2 percent of total retail sales in Q1 2014, e-commerce accounted for 16.0 percent of all U.S. retail sales in Q2 2024. The COVID-19 pandemic shifted spending patterns among consumers, resulting in e-commerce sales accounting for 16.4 percent of total retail sales during Q2 2020. This represents a 4.5 percentage point increase from Q1 2020. As shown in Figure 11, quarterly e-commerce sales exceeded $291.6 billion in Q2 2024, after averaging approximately $201.8 billion in 2020, $237.6 billion in 2021, $253.1 billion in 2022, and $275.7 billion in 2023.

Figure 9: Quarterly U.S. E-Commerce and Total Retail Sales[31] in Billions, Q1 2014–Q2 2024

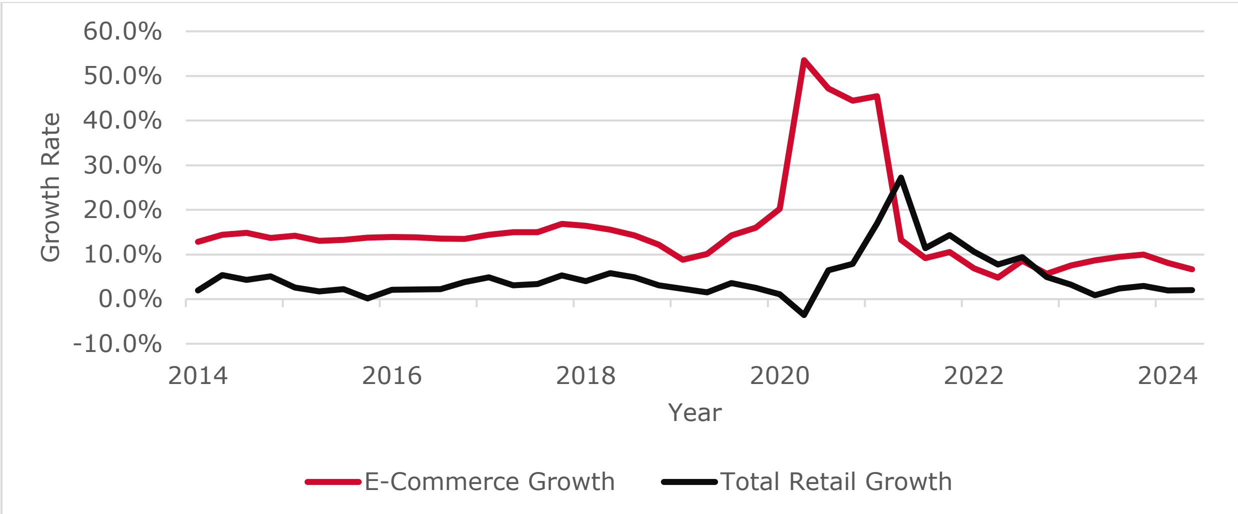


Source: U.S. Census Bureau, retrieved from FRED, Federal Reserve Bank of St. Louis.

As illustrated in Figure 12, year-over-year growth in e-commerce sales greatly exceeded that of total retail sales between 2014 and 2020. During 2019, the year-over-year growth in e-commerce sales was 12.3 percent compared to an average year-over-year growth in all retail sales of 2.5 percent. The COVID-19 pandemic shifted spending patterns among consumers, which is reflected in the dramatic increase in year-over-year growth illustrated throughout 2020. E-commerce sales increased by 41.7 percent in 2020 compared to 2019, while total retail sales increased by 3.0 percent. The dramatic drop in year-over-year growth in e-commerce sales during 2021 reflects the increase in e-commerce sales in 2020 and the return to normal levels of e-commerce sales in 2021. E-commerce sales and total retail sales increased by 17.8 percent and 17.2 percent in 2021, respectively. Total retail sales experienced year-over-year growth in 2022 of 8.1 percent, which exceed the year-over-year growth in e-commerce sales of 6.5 percent. However, the year-over-year growth in e-commerce sales was 8.9 percent in 2023 compared to year-over-year growth of 2.3 percent for all retail sales. This indicates that the growth in e-commerce sales is stabilizing post-pandemic.

[31] Seasonally adjusted.

Figure 10: Quarterly Year-over-Year Growth in U.S. E-Commerce and Total Retail Sales[32], Q1 2014–Q2 2024

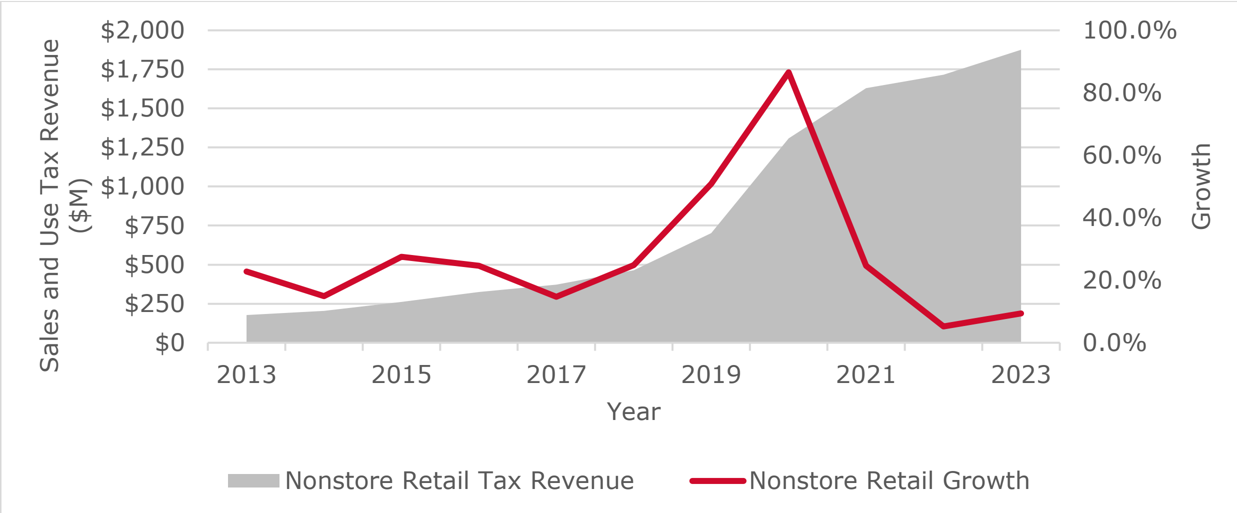


Source: U.S. Census Bureau, retrieved from FRED, Federal Reserve Bank of St. Louis.

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 2013 and have exhibited a consistently high growth since 2019. Annual growth averaged 21.6 percent between 2013 and 2018, but annual growth in 2019 was 50.9 percent. The nominal growth in 2019 of $236.5 million is the largest annual revenue jump between 2013 and 2019. The COVID-19 pandemic accelerated this growth with nominal growth of $607.1 million between 2019 and 2020. This represents an 86.6 percent increase in tax revenues. Tax revenue grew by 24.6 percent between 2020 and 2021, which reflects a return to pre-pandemic growth rates. The nominal growth in 2021 was $321.8 million. However, the growth in tax revenues has slowed to 5.2 percent between 2021 and 2022 and 9.3 percent between 2022 and 2023. This reflects nominal growth of $85.1 million and $160.2 million, respectively. 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.[33] This has boosted retail sales tax revenues overall and tax revenues from nonstore purchases in particular.

[32] Seasonally adjusted.
[33] (Williams, 2015)

Figure 11: Annual Ohio Sales Tax Revenues from Nonstore Retailers in Millions, 2013–2023



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.

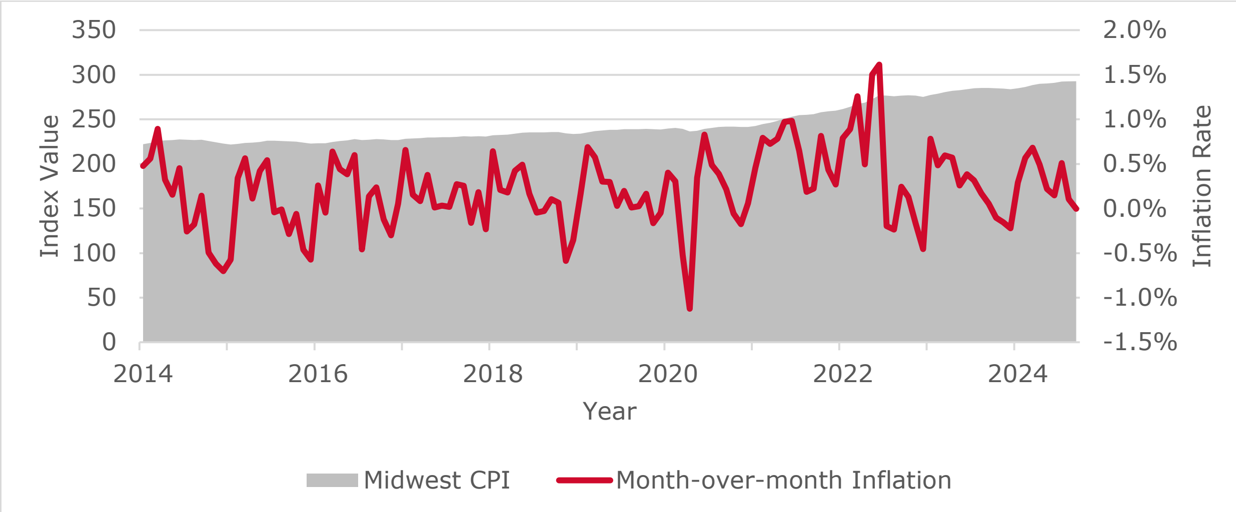
Digital and mobile technology means that consumers are generally more informed and empowered to research their purchases before they arrive at the store. The increased speed of shopping also creates challenges for retailers in terms of optimizing inventory.[34]

Inflation

Inflationary growth, as measured by the Midwest Consumer Price Index, has been positive since 2015 but modest through 2020, at less than 2.0 percent annually, however, there has been a significant increase in inflationary growth beginning in 2020. Inflationary growth was 5.7 percent between September 2020 and September 2021 and 8.1 percent between September 2021 and September 2022. Inflationary growth has slowed recently to 3.2 percent between September 2022 and September 2023 and further slowed to 2.5 percent between September 2023 and September 2024. As exhibited in Figure 14, several months over this time period have been marked by negative month-to-month changes in the inflation rate, however, the month-to-month change in the inflation rate was positive between December 2020 and June 2022. Additionally, the month-to-month change in the inflation rate was positive between January and September of 2023 as well as January and August of 2024. Higher inflationary growth erodes the purchasing power of the consumer.

[34] (Deloitte, 2016); (Deloitte, 2018)

Figure 12: Midwest Consumer Price Index, January 2014–September 2024



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

Summary

The Economics Center forecasts an increase in statewide holiday relevant retail sales of 1.1 percent for the 2024 holiday season. Total statewide holiday sales are expected to reach $30.4 billion, up from nearly $30.1 billion in 2023. Compared to 2023, more holiday spending is expected to occur in all nine metro regions analyzed in Ohio. Mansfield, Columbus, and Youngstown are forecasted to experience the largest increase in relevant retail sales in 2024. The three largest areas – Columbus, Cleveland, and Cincinnati – will again account for more than half of sales. Following trends in recent years, consumers continue to focus more on online shopping.

Key indicators influencing the Economics Center's forecast of statewide sales during the 2024 holiday season continue to reflect rebounds amid the COVID-19 economic recovery. Employment and wages in Ohio have exceeded pre-pandemic levels, but consumer confidence remains below levels experienced prior to the COVID-19 pandemic. Inflation has moderated after sharp increases in 2021 and 2022 with the Federal Reserve cutting interest rates twice in 2024. Debt-to-income ratios have been marginally increasing over the past year, while home prices have continued to increase at a steady rate. 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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