



Insigneo Weekly Dispatch

Black Friday, Black November, and the US Consumer

Exploring spending patterns observed over the Thanksgiving Holiday, and what they might reveal about the health of the consumer.

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Executive Summary:

- Consumer spending continues to grow beyond Black Friday.
- Online spending continues to be an important engine of growth.
- The consumer appears resilient, but it merits close monitoring.

Family, turkey, and Black Friday. These three ideas together are normally associated with the Thanksgiving Holiday. Having the family around the table for a warm turkey meal is a long-lived tradition; however, Black Friday is a more recent phenomenon. What is Black Friday and how did it originate anyways? We know Black Friday as the Friday after Thanksgiving, where shopping malls get crammed full of shoppers looking for great bargains. The origins of the term Black Friday is up for debate. However, most people believe that it received its name from the fact that it was after this Friday in November that most retailers turned the corner, from being unprofitable for most of the year, or “in the red”, to becoming profitable or “being in the black”. But is Black Friday becoming a less reliable indicator of consumer sentiment and spending trends? Truth be told, this year it seemed that Black Friday lost some luster and “Black November” stole the show.

TV commercials, emails, and online ads did not wait until Black Friday, as the deals started rolling in

since the beginning of November. Retailers even began marking down items at the beginning of the fourth quarter, as stores tried to get ahead of each other to lock in the sales and margins. The National Retail Federation expected close to 132 million people to go out and shop on Black Friday, with two thirds of these doing so in brick-and-mortar stores. 132 million is a lot of people...especially when we consider that the entire population of the United States is slightly over 346 million. Although malls were undoubtedly crowded, less people were out than initially expected. This was not due to bad weather or because people were not spending. People were spending, but most were doing so online.

Adobe Analytics estimates that online shopping increased by 20% in November alone, on a month over month basis, with Taylor Schreiner, director of Adobe Digital Insights stating that as of November 25th, "...US online spending has already racked up \$75 billion to date..." (Taylor Schreiner/ Ana Monteiro/ Bloomberg). The same company reported that online sales on Black Friday reached \$7.4 billion, constituting almost 70% of total sales that day. Not only is online spending increasing, but the share of mobile spending as a percentage of total sales is also increasing. In 2024, US consumers used their phones 15% more to do their holiday shopping than in 2022, and 7% more than in 2023. These might not sound like meaningful increases, however, the fact that consumers now use their phones to conduct more than half of their holiday shopping reveals an important trend that is likely to continue to grow in the future. Such a trend would not only benefit companies that manufacture the hardware for mobile devices, but also the ones

that create the software to operate the devices, handle online payments, and analyze the data, as well as the retailers that can effectively sell their products through this medium.

Although most purchases might not have happened at the actual stores, consumers certainly were not shy when it came to spending. According to Bloomberg, Adobe Analytics estimated that by 3pm on Thanksgiving Day, consumers had spent close to \$2.3 billion, or approximately \$3.5 million per minute, with total spending closing the day at \$6.1 billion. By the end of the next day, Black Friday, US consumers had spent an additional \$10.8B, 10% more than they did the same day last year. These numbers are astounding. However, Cyber Monday trumped all single-day statistics, as consumers spent \$13.3 billion on the day, 7% more than they did on the same day last year. All in, \$41 billion was spent from Thanksgiving Day through Cyber Monday. Black Friday sales constituted approximately 25% of that number, while Cyber Monday made up approximately one third. If we think about it, USD 41 billion is a large amount of money, more than the total 2023 GDP of El Salvador or Honduras, spent over five days. However, this number does not compare to the \$131.5 billion that Adobe estimates was spent by US consumers from November 1st through December 2nd. This number is larger than the total 2023 GDPs of Uruguay and Paraguay, combined. Said another way, the total 2023 GDP of oil-rich Kuwait was only slightly larger than what US consumers spent over the past month. Who said that the US consumer was weak?

This brings up an interesting point. Out of the \$131.5 billion spent by US consumers over the past month, Adobe Analytics estimates that approximately \$9.4 billion was spent using BNPL or Buy Now-Pay Later platforms. The company also estimates that this number could reach a total of \$18.5 billion by the end of the 2024 holiday season, representing an increase of close to 30% over the past two years. Companies like Affirm Holdings, Klarna, Square, PayPal, and even Apple make it easy for the consumer to be able to afford larger purchases by breaking down the payment into a series of installments, sometimes with limited or no credit check. On the surface, BNPL platforms increase consumer affordability. However, they can also help mask increased consumer debt, making the consumer appear stronger than it might be. In fact, cracks are already starting to appear for consumers spending using this platform. A recent poll conducted by Harris Poll for Bloomberg News showed that over 40% of consumers that use BNPL are already behind in making payments. At the same time, general credit card delinquency rates are at the highest levels since 2012. Potentially making matters worse, is the fact that some consumers may be starting to use BNPL to purchase not only larger discretionary goods, but also staple goods, such as everyday groceries, as stubborn inflation continues hitting their pocketbooks.

Thankfully wages are rising, and unemployment has not meaningfully increased, as exemplified by this morning's payroll and employment report. However, although firings have not increased, hirings remain elusive. This dichotomy is evident in the unemployment data, which shows a trend of lower

first-time unemployment claims, but rising continuous unemployment claims. In other words, less people are losing their jobs but those that have lost their jobs are having a slightly harder time finding new ones. At the same time, the all-important variable of inflation refuses to move lower. Granted, inflation has pulled back from exorbitant levels, but the fact is that it has not pulled back fast enough for many consumers, and prices remain higher than they were a few years ago.

As Black Friday and November spending trends show, the US consumer remains resilient. However, these same consumers also appear to be more selective on how they are spending their hard-earned dollars, waiting for bargains and researching for the best values, a dynamic that is made easier with online shopping. Online shopping trends, particularly mobile online shopping trends, are going to keep growing. In fact, online shopping is already turning Black Friday into Black November. However, online shopping can also lead to the possibility of consumers over-extending themselves beyond what they can afford, a dynamic that is not being helped by stubborn inflation. Although cracks could be starting to form at the consumer level, the floor does not appear to be falling from under this important engine of growth at this time. That being said, consumer resiliency remains the key and something that we continue to monitor closely.



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