TD Economics

U.S. Holiday Shopping Outlook: A Firmer Season, Unevenly Shared

Admir Kolaj, Economist | 416-944-6318

November 23, 2026

Highlights

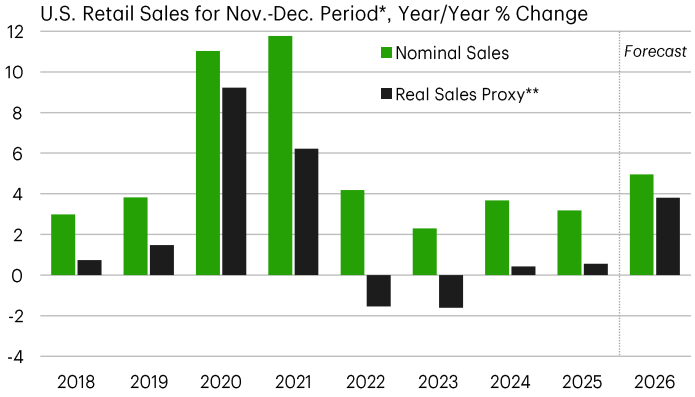
- U.S. holiday retail sales are forecast to rise by roughly 5% year-on-year in November and December. Using core goods CPI as a simple deflator produces a real sales proxy of a little under 4%, the strongest result since 2021 and the first meaningful increase in purchasing volumes in several years.
- Low unemployment and continued income gains, together with a recent pullback in gasoline prices, should support spending despite historically weak confidence and elevated borrowing costs. Survey evidence also points to a solid holiday season, even as more of the increase in broader holiday budgets is being directed toward experiences and dining rather than traditional gifts.
- Spending capacity remains unevenly distributed. Higher-income households retain considerably more room for discretionary purchases, while many financially stretched consumers remain focused on value, promotions and necessities. E-commerce should again outpace the rest of retail, pushing the online share of spending to new highs.

The holiday shopping season is underway, and U.S. consumers appear willing to spend despite mixed economic signals. Consumer sentiment remains near historic lows and borrowing costs are elevated, but low unemployment, lower prices at the pump, and continued income growth are supporting household demand. Spending has therefore continued to advance, underscoring a persistent gap between how consumers say they feel and how they behave at the cash register.

We expect that resilience to carry through year-end. U.S. holiday retail sales are forecast to rise around 5% in November and December compared with the same period last year. Consistent with the National Retail Federation definition, the tally excludes spending on categories typically not associated with holiday shopping, such as food services and drinking places, motor vehicle and parts dealers, and gasoline stations.[1]

Importantly, the relatively healthy showing is not just an inflation story. With core goods inflation forecast to run at a subdued pace of about 1% year-on-year at year-end, our nominal forecast produces a real sales proxy gain of a little under 4% (see appendix for de-

Chart 1: Real Holiday Sales Set to Improve Following Several Soft Years



*Excludes food services, autos and parts dealers, and gasoline stations.
**Calculated using core goods CPI as the deflator. Source: Census Bureau, TD Economics.

tails on this proxy). That would be the strongest result since 2021 and the first meaningful increase in purchasing volumes in several years (Chart 1). The aggregate figure tells only part of the story, however. Higher-income households retain considerably more room for discretionary purchases, while more financially stretched consumers remain focused on value, promotions and everyday necessities.

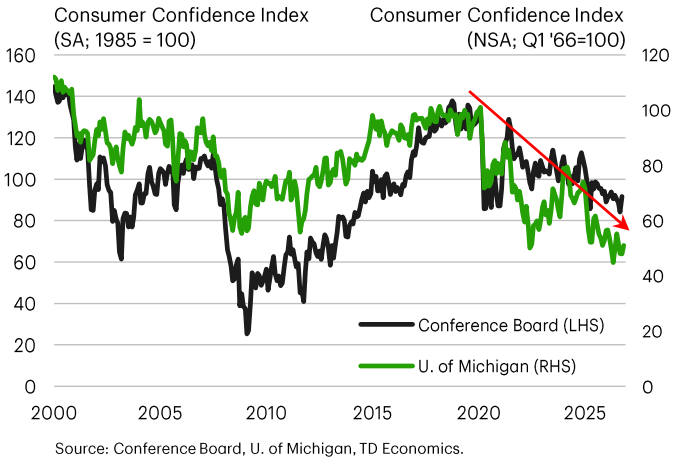
Consumers Feel Glum, but Keep Spending

If sentiment were the only guide, retailers would have plenty to worry about. The Conference Board measure of consumer confidence remains well below its pre-pandemic level, while the University of Michigan sentiment index is near a historical low in a series spanning more than seven decades (Chart 2). Yet the pullback in confidence has not translated into a comparable retreat in spending, with both nominal retail sales and the real retail sales proxy continuing to expand at a healthy clip (Chart 3).

A still-supportive labour market helps explain why spending has held up. Hiring has slowed, but limited layoffs and continued income growth are supporting demand. The economy has settled into a low-hire, low-fire environment, with the unemployment rate holding just above 4% over the past six months, a slight improvement from roughly 4.5% at the same time last year.

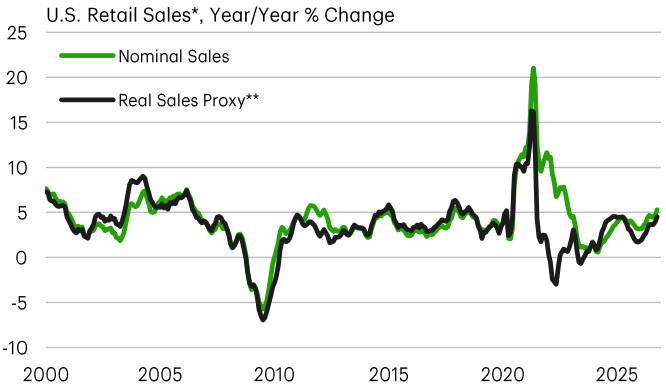
Consumers nevertheless face a difficult financial environment. Higher market interest rates are gradually feeding through to the rates households actually pay. Effective interest rates on both consumer and mortgage credit have continued to rise as existing debt matures, resets or is refinanced, with the increase particularly pronounced for consumer credit (see Chart 2 in this report). Higher borrowing costs, together with more expensive homes and vehicles, have pushed household debt-service costs back toward pre-pandemic levels.

Chart 2: U.S. Consumer Confidence Remains Subdued



Source: Conference Board, U. of Michigan, TD Economics.

Chart 3: Retail Spending Has Held Up Despite Weak Confidence



*Excludes food services, autos, and gasoline stations. 3-month moving average.
**Proxy is estimated using core goods CPI. Source: Census Bureau, TD Economics.

The good news is that, so far, higher rates have not produced a broad deterioration in household credit. While pressures are evident in credit cards and auto loans, where delinquencies remain elevated, the overall delinquency rate on consumer loans at commercial banks remains contained at 2.6% – slightly below its historical average and down from about 2.8% at the start of 2025.

One offset comes from lower gasoline prices. At the national level, the average price of regular gas has fallen by roughly 75 cents per gallon since mid-September, leaving a little more cash in consumers' pockets to spend elsewhere during the holiday season.

Against this backdrop, holiday spending appears relatively resilient. Holiday surveys suggest that consumers are reluctant to reduce seasonal spending substantially, but are becoming more deliberate about where and how they spend. A recent Deloitte survey, which measures planned household spending across retail goods, experiences and other holiday catego-

ries, shows that average household holiday spending is expected to rise 4% to $1,654, with nearly four in ten respondents classified as holiday value seekers who rely on promotions, rewards, private-label products and lower-cost alternatives. Half of surveyed shoppers planned to gift an experience, up 11 percentage points from 2024, with restaurant gift cards topping the list on this front. While most plan to pair this with a physical gift, some of this spending on experiences will clearly not be captured in measured retail sales.

Another survey from commercial real estate services firm JLL, which uses a broader budget that includes gifts, food and decorations, entertainment and dining out, tells a similar story. Total planned personal budgets rise nearly 10% to just over $1,240. But while gifts remain the largest spending category at close to $600, planned gift spending is up only about 3% from last year. Instead, most of the additional spending is directed toward food and decorations, along with entertainment and dining - with both categories up in the double digits.

Taken together, the surveys point to a solid holiday-spending season, although increased spending on experiences, dining and other holiday activities suggests a more limited windfall for retailers.

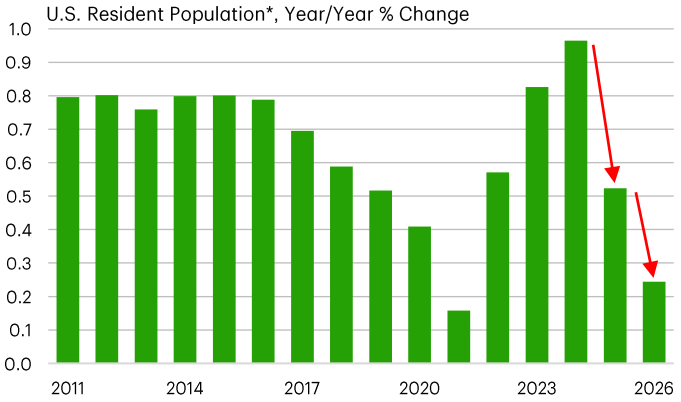
A Little Less Help from Population Growth

One quieter headwind is slower growth in the number of U.S. consumers. Population growth decelerated sharply in 2025 as immigration slowed and softened further through mid-2026 (Chart 4). Official resident-population estimates are measured as of July 1, but available evidence suggests growth remained weak through the latter part of the year.

Assuming population growth held near 0.2% year-on-year in the fourth quarter, the U.S. population would be roughly 900,000 lower than if it had continued expanding at its 2025 pace. That smaller consumer base modestly reduces the lift to aggregate holiday sales compared with last year.

The effect should not be overstated: employment, income growth and broader affordability pressures are more important drivers. Still, with less support from

Chart 4: Slower Population Growth Provides Less of a Tailwind



*Mid-year estimate (July 1 of each year). Source: Census Bureau, TD Economics.

an expanding consumer base, the onus falls slightly more on existing households to generate this year's increase in holiday spending.

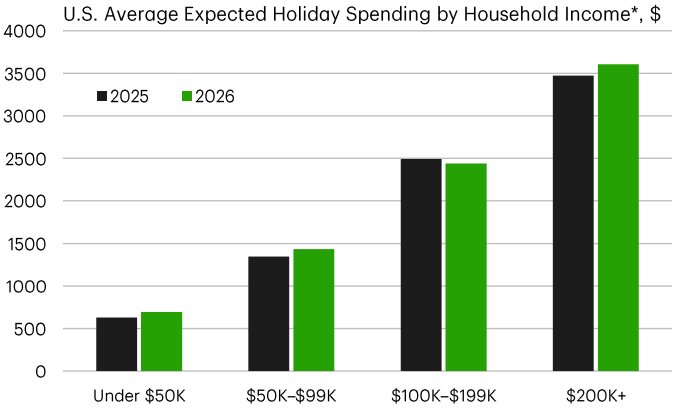
Not All Consumers Are Entering the Holidays on Equal Footing

Aggregate resilience masks a widening divide across households. Higher-income consumers have benefited more from equity gains and hold a larger share of financial wealth, providing a deeper cushion for discretionary spending. Lower-income households have fewer liquid assets and devote more of their budgets to necessities, leaving less room to absorb higher prices or financing costs.

In a recent TD Economics report, we noted that household wealth is up 12% from a year ago, largely because of higher equity valuations, while broader measures of financial wealth point to a widening gap between the bottom 60% of the income distribution and higher-income households. Debt strains have also intensified for some households: the share of households devoting at least 40% of disposable income to debt payments rose from 8.4% in 2022 to 11.1% last year, its highest level since 2010. This divide helps explain why aggregate spending can remain firm even as many households report financial strain.

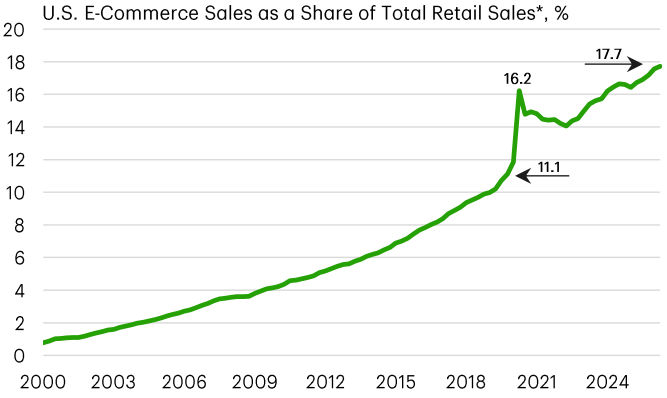
Holiday surveys reinforce this divide. Deloitte finds that households earning at least $200,000 plan to spend $3,607 this season, more than five times the $693

Chart 5: Holiday Spending Capacity Varies Widely by Income



*Includes retail goods, travel, events, and hosting at home.
Source: Deloitte, TD Economics.

Chart 6: E-Commerce Continues to Capture a Larger Share of Retail Spending



*Total retail sales excluding food services. Source: Census Bureau, TD Economics.

planned by households earning less than $50,000 (Chart 5). Although planned spending is expected to rise in most income groups, the large gap in total budgets leaves affluent households with considerably more room for discretionary purchases. The JLL survey also points to greater shopping engagement among affluent consumers: two-thirds of households earning more than $150,000 plan to visit an enclosed mall, compared with 55.3% of shoppers overall. Nearly half also expect to shop in-store on Thanksgiving, versus 14.7% of households earning less than $50,000. The holiday sales tally will also receive support from routine purchases. Adobe Digital Insights expects online sales of several everyday essentials to surge during Cyber Week as consumers take advantage of holiday discounts, including clothing basics, personal hygiene products and household cleaning items.[2] Holiday promotions should therefore help keep retail cash registers ringing, even as part of the increase will reflect stocking up on necessities rather than a broader increase in discretionary purchases.

Holiday Shopping Continues to Move Online

Where consumers spend their holiday dollars also continues to change. E-commerce accounted for less than 1% of retail sales around the turn of the millennium. Today, excluding food services, the share is approaching 18%. The pandemic produced a sharp level shift, but the longer-running trend never reversed: after a brief normalization through early 2022, the online share resumed climbing to new highs (Chart 6).

Recent data suggest that shift still has room to run. E-commerce sales materially outpaced the rest of retail in the first half of 2026, helping push the online share to new highs. Industry forecasts suggest that momentum will carry into the holiday season, with Adobe and Mastercard projecting online sales growth of approximately 7% and 11%, respectively.[3] Physical retail remains important, but online channels should capture a growing share of holiday spending.

The holiday-shopping window is also becoming less distinct as retailers launch promotions earlier, although online activity remains heavily concentrated around the traditional Thanksgiving through Cyber Monday period.

AI is also becoming a more important part of the online shopping journey. Adobe expects traffic to U.S. retail sites from AI-powered chat and browser services to more than double year-over-year during November and December, pointing to the technology's growing role in product discovery and comparison shopping. JLL similarly finds that six in ten shoppers plan to use AI during the holiday shopping process, with adoption ranging from roughly 40% among modest-income households to around 80% among higher-income households.

Bottom Line

The 2026 holiday season should deliver a solid increase in U.S. retail sales. Low unemployment, continued income growth, lower gasoline prices and substantial household wealth should support spending despite weak confidence and elevated borrowing costs. Our forecast calls for a roughly 5% year-on-year increase in November–December sales, with the real sales proxy rising by a little under 4%, its strongest showing since 2021.

The improvement will nevertheless be uneven. Affluent households retain considerably more capacity for discretionary purchases, while more financially stretched consumers remain focused on value, promotions and everyday necessities. Slower population growth provides slightly less support to the aggregate sales tally, while increased spending on experiences and dining means retailers will not capture the full rise in holiday budgets. Within retail, online channels should capture a growing share of sales, extending a decades-long shift in consumer spending.

Endnotes

1. National Retail Federation, "US Holiday Sales Growth to Speed Up as Shoppers Stay Resilient, NRF Forecasts," October 15, 2026. Defines holiday sales as November-December retail spending excluding automobile dealers, gasoline stations, and restaurants. https://nrf.com/research-insights/forecasts
2. Adobe Digital Insights, "U.S. 2026 Holiday Online Sales Forecast," September 28, 2026. Adobe forecasts that Cyber Week discounts will lift online sales of clothing basics, personal hygiene products and household cleaning items by 210%, 150% and 49%, respectively, compared with average September 2026 levels. https://news.adobe.com/news/2026/09/adobe-us-holiday-shopping-season-to-hit-record
3. Adobe Digital Insights forecasts U.S. online spending to rise 6.7% during November and December 2026, while Mastercard Economics Institute forecasts online sales growth of 11% from November 1 through December 24. The seasonal windows and underlying measures differ, but both forecasts point to continued strength in online spending.

Appendix

ESTIMATING THE "REAL" HOLIDAY SALES PROXY

Our real sales proxy adjusts nominal holiday sales using core goods CPI – currently running at about 1% y/y. This measure provides a closer match than headline or core CPI because the holiday sales tally largely captures merchandise purchases and excludes gasoline stations and food services. The proxy remains imperfect, however. Core goods CPI excludes food, even though grocery and beverage store sales remain part of the holiday sales tally. Differences between the composition of the CPI basket and the merchandise sold by retailers also mean that the estimate should be interpreted as a broad indication of growth in purchasing volumes, rather than a precise measure of real holiday retail sales.

Disclaimer

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.