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Real Time Economics

Economic insight and analysis from The Wall Street Journal.

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Preview of 2010 Holiday Shopping Season

By Kelly Evans

No in-laws. No traveling. Fewer gifts. Actually, the 2010 holiday season doesn't sound so bad. But it's certainly not going to help the economy — or retailers — stage a strong turnaround.

Shoppers' frugality is expected to continue in 2010. That at least is the early message from a spate of recent consumer surveys. Certainly, attitudes don't always equal action. If the stock market takes off on another 12% rally, or if companies suddenly start hiring in droves, spending could easily defy these gloomy predictions. Barring those developments, however, here's a sampling of what's in store:

- 71% of middle-class families (defined as those with incomes of \$50,000 or more) plan to give less this holiday season, according to a new survey by Texas-based First Command Financial Services. Thirty-eight percent say they will spend less than \$500 total on gifts this year, up from 18% who said so last year.

- More than half say they will reduce overall spending on gifts by around \$300, and about 40% plan to cut back by more than \$400.

- If you don't get as many gifts this year, don't take it personally: 35% say they plan to give to fewer people.

- Lastly, 51% of those surveyed aren't traveling at all for the holidays this year, and another 28% are staying within 100 miles of home.

First Command also asked households specifically about Thanksgiving plans, with much of the same response. Thirty-nine percent said they have been cutting costs over the past three years by celebrating the holiday with immediate family only. One in eight families is spending less on food — and nearly half of those who plan to do so this year say they are doing so for the first time. A sliver — 1% — say they are even canceling Thanksgiving dinner altogether.

Another survey from market-research company NPD Group shows that discount retailers remain the most popular shopping destination for the holidays. Though the percentage is down from last year, discounters are still an option for more than half of respondents. Off-price retailers also made the top ten destinations this year, replacing catalog sales, which were on the list in 2008. Higher priced locations like electronics stores and specialty apparel retailers were less popular this year than last.

What's driving the frugality? A new quarterly survey from Citi finds that since June, the percentage of Americans uncomfortable with their level of debt has risen to 38% as of September from 33%. Those who are uncomfortable with their savings level — suggesting they'd like to spend less and save more — is up three points to 52%, the first time in over a year that the level is above 50.

In other words, consumers are hunkering down regardless of the looming holiday season. Just under half, 49%, plan to avoid shopping altogether or just shop for things "absolutely needed" over the next six months. Seventy percent are cutting back on entertainment and 66% have cut back on credit-card purchases. Thirty-six percent are eliminating or reducing mobile-phone costs and a similar percentage are doing so for cable and television bills. The bright side? An excuse to hang up on your chatty Aunt Sally.

