

Hibbs Brief

Hibbs Institute for Business & Economic Research

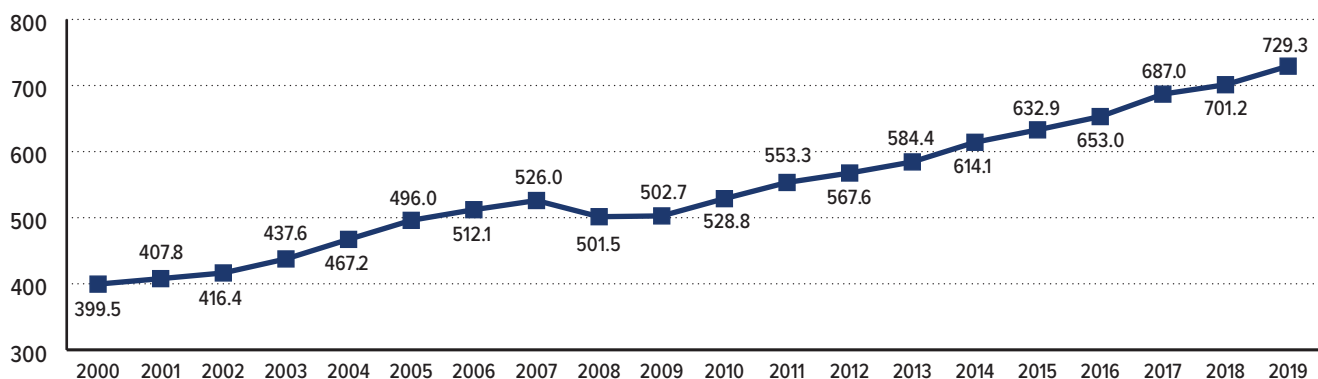
The Christmas Season (A Different Perspective)

Manuel Reyes, D.E.D.

Christmas is celebrated on the 25th of December in the United States. Although it is considered a religious festivity by Christians, Christmas is also celebrated by an increasing number of non-Christians every year, and it has become an essential part of the holiday season regardless of religious affiliation. During this time of the year, we get together with family, friends and colleagues to enjoy nice moments and socialize at various events. Most of us spend considerable amounts of money on these events because we like to dine at nice restaurants, redecorate our houses for large reunions and buy gifts for our loved ones. We do it because we like it and enjoy doing so, but at the same time, we are contributing to give a big push to the local economy with the money we spend during these days. Christmas typically represents a huge economic stimulus for the United States (as well as many other nations around the world) as sales increase dramatically in most of the retail categories.

The economic impact of Christmas has grown progressively throughout the United States during the past few years and is expected to continue growing in the near future. See **Table 1**. Holiday retail sales went from \$400 billion in 2000 to over \$700 billion in 2018; a \$300 billion increase, or 75% in 18 years.¹ The average amount spent in retail sales by Americans during the holiday season varies from \$500 to above \$1,000 per person depending on the location and polling organization. The National Retail Federation expects American consumers to spend \$1,048 on average during this year's holiday shopping.² By state, South Carolina, Texas and Utah are the ones that spend the most during the Christmas season (over \$1,000 on gifts alone). Interestingly, Texas families tend to spend substantial amounts to decorate their houses with lights of several colors.³

Table 1. Holiday Retail Sales in the U.S., 2000-2019
(in billions of dollars)



Note: 2019 is projected.
Source: Statista.

As a result of the holiday rush, thousands of workers are hired every year during the Christmas season. In 2018, 525 thousand additional employees were hired by retailers in the nation during the Christmas season.⁴ The Christmas season is considered a significant event and a key sales period for retailers and businesses. In Tyler, employment figures in the retail industry have been relatively stable during the past several years. Total employment in this category fluctuates around 14,000 jobs (with peaks in the fourth quarter every year).⁵

Assuming a positive change of \$147.1 million⁶ in the retail industry (additional sales) during the Christmas season this year (\$639⁷ x 230,221⁸), we have estimated the potential economic impact for the Tyler MSA. Additional sales in the retail industry would generate 1,016 more jobs (732 direct, 147 indirect, and 137 induced) in the season. The direct effect refers to the initial change in demand resulting from the change in sales. Indirect effects represent all changes in the industries related to and affected by a change in the retail industry (the effects related to suppliers). Finally, the induced effects measure the impact of household spending related to changes in labor income or compensation received by workers and business proprietors for both the directly and indirectly impacted regional industries. The sum of these three effects represents the total impact. Most likely, we will see retail employment figures to go down by the end of the holiday season. Although these effects are temporary, they represent a substantial push into the overall local economy, and it is worthwhile to have a broad idea of their magnitudes.

The **Hibbs Institute** wishes our readers a very nice and peaceful holiday season. Merry Christmas and Happy New Year.

¹ U.S. Christmas Season – Statistics & Facts. <https://www.statista.com/topics/991/us-christmas-season/>

² Holiday Shopping Outlook for 2019. <https://nrf.com/blog/holiday-shopping-outlook-2019>

³ States that Spend the Most on Christmas. <https://www.worldatlas.com/articles/states-that-spend-the-most-on-christmas.html>

⁴ U.S. Christmas Season – Statistics & Facts. <https://www.statista.com/topics/991/us-christmas-season/>

⁵ Data from JobsEQ by Chmura Economics.

⁶ In the Hibbs Institute, we rather underestimate than overestimate our numbers. Although the National Retail Federation estimates that Americans will spend \$1,048 on average this Christmas season, we used a more conservative number developed by a less renowned organization, WalletHub.

⁷ WalletHub calculated the holiday budget for the 570 largest cities in the United States with Tyler, TX ranked 328 with \$639 per person. Holiday Budgets by City. <https://wallethub.com/edu/holiday-budgets-by-city/16912/>

⁸ Most recent population estimates by the U.S. Census Bureau. <https://www.census.gov/quickfacts/fact/table/smithcountytexas,US/PST045218>

