The economic impact of the Christmas season

The famous phrase “Black Friday” is a polarizing term that is often associated with too-good-to-be-true deals on unnecessarily large televisions and viral internet videos of stampedes of eager shoppers. However, the term generally refers to the Friday after Thanksgiving when many businesses, especially retail stores, begin to sell mass amounts of inventory and become profitable after months of losses. (In accounting terminology, “black” means profitable as opposed to “red” when a business is in the negative). While we here at Cathedral Prep stay true to the meaning of this religious season, many economists and secularists alike claim that Christmas has become more a celebration of American capitalism than of the birth of Christ. But how big of an impact does the Christmas season really have on the United States economy?

Of the Americans who chose to spend their holiday weekend following Thanksgiving shopping, one thing is clear: they were ready to spend some money. The National Retail Federation (NRF) estimates that over the holiday weekend, the average shopper spent $251 on gifts. Last year, holiday retail sales reached over $655 billion, which only strengthened the general trend of growing annual holiday sales in the United States. While we remember and focus the miracle of Christ’s birth on the 25th each year, the consistent strength of the American economy is just one more of the many Christmas blessings.

Another often overlooked benefit of the holiday season is the impact it has on an import concept in economic models: consumer sentiment or outlook. Often times the actual strength of an economy is less important than how individual people feel the economy is doing. If the U.S. is in a deep recession but the American people feel all is well, it is likely that they will continue to spend money and inadvertently lift the economy out of that recession. Jingle bells and holiday cookies tend to give everyone a little extra cheer, and the economy benefits as a result. Richard Curtin, an economist from the University of Michigan, discusses the importance of consumer sentiment in a recent data release, and also discusses the real effects of a strong economy in the Christmas season saying, "…the most important changes in early December were higher income expectations…" It seems as though this holiday season is only helping to reinforce the bull market the American economy finds itself in now.

As the origin of the term Black Friday implies, the holiday season can be important to individual businesses and even make sure they turn a yearly profit. The short period between Thanksgiving and Christmas accounts for, on average, 30 percent of all sales for retailers according to NRF. In less than a month, many big stores, such as Best Buy and Target, as well as little stores bring in almost a third of all their annual revenue. Research also points out the shifting ways in which consumers choose to purchase their Christmas gifts, with more consumers choosing to exclusively purchase goods online than exclusively in brick and mortar stores in 2017. This Christmas season is only pushing what has long been foretold by experts that the internet and technology in general would dramatically shift the nature of the economy.

Whether one is Christian or not, it is hard to ignore the economic presence the Christmas season or more broadly, the holiday season, has on the American economy. As consumers begin to drastically increase their spending attempting to express their love for their family and friends, many businesses give thanks for another year of profitability. While we may be grateful for the salvation promised with the birth of Christ, we can also be thankful for a bit of economic prosperity.