National Retail Federation
2022 Holiday Sales Forecast Press Call Transcript
November 3, 2022
1:00 p.m. ET

Operator: Good day, everyone, and welcome to today's NRF 2022 holiday forecast press call. At this time, all participants are in a listen-only mode. Later, you will have the opportunity to ask questions during the question-and-answer session. You may register to ask a question at any time by pressing the star (*) and one (1) on your touchtone phone. Please note this call may be recorded and it is now my pleasure to turn the call over to Bill Thorne. Please, go ahead.

Bill Thorne: Thank you very much, Chris. Good afternoon to everybody on the East Coast. I want to thank you for joining us today. My name is Bill Thorne. I'm the Senior Vice President of Communications and Public Affairs. Today, we're going to talk about our NRF 2022 holiday forecast. We're going to hear from Matt Shay, who is our NRF President and CEO, as well as our Chief Economist, Jack Kleinhenz.

Now, to kick things off, let's just get into it and go to Matt Shay, and he's going to discuss our holiday forecast. Matt, what can you tell us about expectations for holiday sales growth this year?

Matt Shay: Well, Bill, thank you. Good afternoon, everyone, and thanks, as Bill said, to all of you for joining us. It's been another historic year in the retail and for consumers, and we know against the backdrop of the challenging economic environment and substantially elevated levels of inflation, rising interest rates, that's playing a role in the way in which consumers are behaving, and we know from what they're telling us and from the behavior that we're seeing that in the face of these challenges, in the face of the uncertainty that's taking place across the economy, consumers are behaving more thoughtfully, a bit cautiously, but yet they continue to spend on household priorities, and the fact that they continue to spend makes sense when you consider what's happening in the labor market, job growth, rising wages, and the analyses that we've done and others have done about how consumers are offsetting the difference between their monthly expenses and their earnings by tapping into savings and, in some cases, taking on additional credit and debt, and to provide a bit more perspective over the last two-and-a-half years, retail sales have grown every month on a year-over-year basis since May of 2020. So, since 60 days or 90 days after the onset of the pandemic and the very rapid decline that we saw for about 45 days, it has consistently been consumers driving the economy forward, and that's been true this year as well for the first nine months of 2022, retail sales were up 7.2% versus the same period a year ago, and that is also consistent with our forecast for the year, our annual forecast of growth between 6% and 8%, so right in that range.

We do know that consumers are looking for discounts, they're looking for deals, for value to stretch their dollars in the face of the higher energy prices, housing prices, so we know that they're looking for those opportunities and we think that that's going to continue in for the holiday season, they're going to be looking for bargains and values as the holiday season begins in earnest, and just to clarify and our economist, Jack Kleinhenz, will get into some of this, but our holiday forecast considers the period between November 1st and December 31st for purposes of sales, and it includes a number of factors that impact the consumer behavior and what's happening across our economy, and of course, as I've said, inflation and higher prices are at the very top of mind for consumers. Inflation remaining above 8% since March of this year. So, very steady, consistent impact that's having an effect on consumer behavior.

The other thing that I think we're really seeing is continued stratification among households based on income levels, and behavior and spending at higher levels continues to be robust, and for consumers and households at slightly lower levels even in the face of the challenges, it remains durable and resilient, which I think is quite impressive, but those lower income households, in particular, are feeling the pinch of rising costs on everyday essentials and those are the households that I think we're all paying close attention to as we move into the holiday season.

So, knowing that many households are going to supplement spending with savings and credit is going to provide a cushion, and knowing that households at higher income levels still are behaving in a very healthy way, our forecast for this year is that retail sales during the holiday season will grow between 6% and 8% above last year's record holiday season, and there are a number of reasons that we feel confident about this and some behaviors we know are characteristic of the way consumers are engaging in commerce consistently over the last decade.We know that consumers are out in the market earlier than ever and the holiday season is getting extended into the fall, and the retailers are finding ways in which to meet consumer expectations and deliver value, so the holiday season continues to get expanded, which provides consumers more time to shop, obviously, drives the increase of total shopping, and our research over the last several years has shown that consumers start browsing, start exploring that journey and, in fact, are purchasing well before November. In different years, that's played a different role, but I think the trend line has been consistently upward in terms of that earlier start and we're confident that in spite of the early start, we're going to continue to see a good healthy consumer engagement throughout the rest of this year in part because consumers are healthy and also because we know retailers have planned promotions and will be providing opportunities in the form of discounts and other promotions that will drive consumer engagement.

To just drill down on that a bit more, our survey work tells us that nearly 45% of holiday shoppers say it's better to get gifts and seasonal items before November. So, I think that's playing a role, and we know again that retailers across the industry have evolved and adapted to meet those earlier expectations for consumers and have that seasonal inventory in place as well as the staffing and the products to meet that demand.

This year's growth on top of last year's record holiday season − which was 13.5% from 2020, totaled $890 billion − I think signals the overall health of the consumer and the fact that consumers are still deeply engaged in the holiday season, and those sales for the holiday season have averaged almost 5%, 4.9% over the past 10 years, although I think we have to also recognize that in 2020, 2021 and this year, with higher than average holiday sales numbers, that's really pushed that average up, and that pandemic driven holiday spending has really influenced that average.

Our forecast includes both online and the non-store sales, and we expect that portion of the spend to increase between 10% and 12%. That would be a total between $262 billion and $267 billion driven by ecommerce purchases, and that is up from $238 billion last year, and of course, similar to past years, we know consumers are engaged in the holiday shopping and in retail ecommerce in a variety of ways, multi-channels, and this year, as is similar to the past several years, 56% of holiday shoppers plan to be doing some of their shopping online. As far as other categories, and Jack can elaborate on this, nearly half (48%) plan to shop at discount stores, 47% at department stores, and 45% at grocery stores and supermarkets.

We also asked consumers about their spending plans for what we would consider to be core holiday items, including gifts, of course, as well as decorations, food, and other holiday-related purchases, and this year, based on the consumer surveys we've done, consumers plan to spend $832 on these kinds of purchases, which is in line for the average of the past 10 years, and again we know that lower and middle income consumers are feeling the most pressure when it comes to inflation as they've had to use more of their monthly income to meet expenses associated with housing, rent, energy and food costs, and so they're focusing on those necessities, and some of that's going to impact their gift giving and how they cover their other expenses during the holiday season, and again to the point about stratification, we know that in contrast, higher income households are going to plan to spend significantly more, on average, on holiday gifts and seasonal items in addition to those other retail categories.

So, again we're forecasting the holiday sales will grow between 6% and 8% over last year's record, and that works out to $942 billion to $960 billion when compared last year to $890 billion in the total spend of 2021; and then just to meet that demand on the seasonal hiring, we expect retailers will hire between 450,000 and 600,000 seasonal workers, that compares with about 670,000 last year and that's another category in which some of that activity, some of that hiring may have been pulled earlier into the season to meet that evolving consumer demand.

So, I won't go into all of the details that go into the holiday forecast. Jack will do that in a minute and talk about the key assumptions that we use in our projections and the other sources of data in a variety of categories related to employment and income, GDP, those sorts of things that we use. Jack has a formula and a track record that's very consistently delivered a very reliable forecast in the range of where consumers are going, and we know that retailers are prepared to deliver great value this year, and we know consumers continue to be emotionally invested in the holidays and this is a time of year that people save for, plan for, and so we think we're in a good position to meet consumer demand and to navigate the challenges that both consumers and retailers are facing to deliver a very healthy holiday season.

So, Bill, why don't I stop there? I'll hand it back to you and let you and Jack talk a little more about how we came up with the forecast.

Bill Thorne: Thank you, Matt. Appreciate it. I am going to turn it over to Jack Kleinhenz, who is the NRF Chief Economist. He's going to give us a little bit more insight into the forecast and the overall economic expectations for the 2022 holiday season. Jack?

Jack Kleinhenz: Thanks, Bill. Thanks, Matt. Appreciate the opportunity to provide some perspective. Let me just talk about a few technical points to follow up with. Matt was just saying that we do consider the holiday season to be between November 1st and December 31st, and importantly, as we compute these figures, we exclude sales and employment related to auto dealers – motor vehicles, that is – sales; gasoline sales; and restaurant sales. There are a number of factors that I will go into shortly and our forecast may differ depending on the number of months included or categories of spending. There are a number of forecasts already out there, and we're looking at nominal non-seasonally year-over-year figures; and as Matt was saying, we do have an economic model and some judgment certainly has to be taken into consideration when you look at the major factors that are influencing consumer spending, and that includes income, wages, past retail sales, certainly, and consumer credit.

There are, as I've just said a minute ago, many factors, and I think that the overall overreaching issue here is that we feel generally very positive that the consumer fundamentals will continue to support economic activity, despite the record levels of inflation and rising interest rates, and even to the extent that there is a low level of confidence, consumers have been very steadfast in their spending, and we saw that last week when we got the third quarter GDP numbers that were released by the Bureau of Economic Analysis. GDP rose by 2.6%. That was more than expected, and it was the first increase after two consecutive quarter contractions, and this should override any concern at this time that the economy is in a recession, and we expect the economy to continue to grow through the remaining of 2022, but at a slower pace than what we saw in the third quarter.

Now, consumers are worried about inflation, it's on the top of their mind, but they still have the ability to spend, as Matt was mentioning. This has been supported by job growth, rising wages, and certainly tapping into savings. We'll get some more insight tomorrow with the employment situation, but I'd just mention today's initial claims data get a little bit to 217,000 and so claims are moving sideways, which kind of give us the indication that even though there's a sizable amount of economic uncertainty, the labor market still is moving forward in a pretty good way.

Now, as I've just alluded that labor market data we'll get tomorrow and it's the strength of the labor market that's really fueling the spending, even as we have inflation. Demand for labor remains strong. There is turnover, but yet workers are able in a very short period to find a new job. So, there's no real indication right now that we're seeing any layoffs picking up and we do expect job gains to tend to offset any significant pullback in spending. I do believe that the job market is pivotal and when you look at the fact that they have – consumers have – available credit and certainly job gains are generating more spending, those are all factors in the holiday forecast.

Now, we also received some very important data last week and that had to do with the Employment Cost Index. This is the main measure that the Fed looks at and I think is very important in terms of how wages and salaries are doing, and we saw that they were up on a 5% year-over-year basis, a little bit down slightly from the previous report, but the important part here is that, on average, households are keeping up with inflation to some degree at the 5% wage and salary level.

Now, Matt already mentioned that retailers were looking to fill seasonal jobs. It's been a tight job market. We still have 800,000 job openings in retail as of the end of September, and I think overall hiring is likely to reflect the seasonal workers, but also the fact that many retailers are looking to add permanent employees, and we can't forget that, in fact, retailers do compete with other industries, a range of industries, to get the best talent in the labor market. So, it will be an ongoing challenge, not only for retailers, but certainly other industries.

Again, I think we cannot forget about the amount of savings that has accumulated in the last year or two and, in fact, economists at the Federal Board of Governors estimated that the stock of excess savings is about $1.7 trillion by mid-2022. So, that stockpile, although it's dwindling, is still providing a significant amount of support to current household finances, and on top of that, when you start looking at the consumer in its totality, their finances are in such a way that they are not overly leveraged. Again, we're looking at aggregate numbers. It's very difficult to actually determine a more micro level at this point in this discussion, but it's a far cry from where we were back during the Great Recession. We know that consumers have added credit, but their balances as a share of disposable income remains at historical low. The debt service ratio, which is basically how much they have in terms of payments that they have to make on a regular basis, on a monthly basis, as a percentage of disposable income is still again at a very low rate compared to the history.

Now, Matt did mention about the early start that we have been seeing the last couple of years for different reasons. It's a trend that has occurred and my belief is that it probably pulled some sales forward, but you will see continued deals and promotions, and November and December are still the major months for shopping, and it probably will just expand the season and provide a little bit more time to shop. This year's shopping period is really not much different than last year. We have about seven full weekends and about 30 days or so of shopping during the November and December period.

Now, regarding inflation, everybody's talking about it. Yes, it's not a simple thing to talk about or measure, and we already noted that the CPI was above 8%. The Fed's preferred measure is the personal consumption price index, and I like that index because we're able to break out in more detail retail spending and prices for retail spending, and if you take out food, motor vehicles, and you take out gasoline, retail prices, for the most part, had been between 4% and 5%, not at the topline level that the CPI seems to be measuring.

Now, of course, weather is always an important factor any time of the year, and it is very important for holiday sales. We really don't know exactly how it will play into the aggregate numbers, because there are different weather patterns for parts of the United States. For example, in the Southwest, in the Gulf and Eastern Seaboard, it’s going to be a warmer winter weather, yet in the Northeast and parts of the northern part of the United States it will be wetter and perhaps snow. So, depending upon where you live will depend on how much sales might be related to the holiday, and speaking of holidays, certainly travel is expected to be up, and the TSA screenings are elevated, and it’s been growing consistently through 2022 – and I think it’s expected – my view is that will continue through the end of the year, and you might say, “Well, geez, that should take away retail sales and people will be spending more on gasoline and for travel airline tickets,” but at the same time, people are bringing food and presents, and they’re also – we expect them to be spending more on outfits and clothing-related as they travel.

Now, households have been facing higher energy prices. Push-up from inflation in the last couple of months have been very much critical to households in the area of energy, in particular. They’re paying a lot for gasoline, heating, and electricity, but data that just came out earlier this week, natural gas prices have fallen and there’s a 40% chance of reducing wallet busting heating bills, according to the EIA.

So, let me just conclude and I’ll just repeat for another time that the year-over-year holiday comparison is that we’ll grow between 6% and 8%. This compares to the 13.5% that we had in 2021 and the 9.3% in ’22. With that, I’m going to close and I’ll turn this back over to Bill.

Bill Thorne: Thank you, Jack. That’s very insightful. Chris, why don’t you go ahead and let people know how they can get into the queue to ask a question with Jack or Matt?

Operator: Certainly. At this time, if you would like to ask a question, please press star (*) and one (1) on your touchtone phone. You may withdraw yourself from the question queue at any time by pressing the star (*) and two (2). Once again for everyone, that is star (*) and one (1) to join the question queue. We will pause a moment to allow questions to join.

Bill Thorne: So, while we're doing that, Matt, let me just ask you a question, if I could. You had the benefit of Jack's forecast. You've had the benefit of the consumer research that we do on an ongoing basis here at the NRF, but you've also had the opportunity to talk to probably over a dozen global retail CEOs as well as some of our partners in retail. What do they say? How do they feel and particularly in the labor area? The holiday time is such a big time for hiring seasonal employees, but how do they feel about that?

Matt Shay: So, Bill, I'll come back to the labor specific, but I think – and Jack alluded to the 800,000 jobs that were short in retail and the JOLTS numbers that came out yesterday, that just came out this week that showed that the number went back up to 10.7 million of open jobs, so the ratio is now 1.9 to openings relative to people that are unemployed, and so the labor market is a real conundrum for employers and is one of the reasons consumers have behaved in such a resilient way is because wages are increasing and there's pressure on the market, and that keeps people spending, and that's one of the reasons, I think, that the CEOs with whom I've had conversations and just this week talked to in the last couple of days, CEOs of major general merchandise, wholesale, department stores, specialty, food, across a whole range as well as some partners and so the labor market is – it's a challenge. It's also in part the explanation for why consumers continue to – at least part of the explanation that, pluspent-up savings, on how our members and others are trying to solve the puzzle of getting the right number of workers in there. We saw at the beginning of the pandemic as some categories of our economy were shedding workers, because they weren't open, there were others that needed more and so we saw some really creative approaches to how companies worked together and almost to share workers, and I think that creativity has sustained throughout the last couple of years, and just a little more than a month ago in September, UPS announced a really creative program that's really, I would say, digital first, and you basically use a QR code and you can complete an application in 30 minutes, and 80% of the positions don't even require an interview, and you can get a job offer like literally by the end of the day. UPS is going to hire 100,000 workers this season and using the last couple of years as a guide, a third of those will be converted into full-time jobs and so I think that's an example of the kind of creativity that's being employed by other major employers as well in the retail industry, partner industries and adjacencies, and I think it speaks to the accelerated process when you really digitize the effort, but it really highlights the need, on one hand, that employers are facing with regard to not having enough workers to meet the demand, and on the other hand, explains in part why the labor market is so tight, why wages remain high, and why consumers behave in a resilient fashion. So, it's sort of in some ways flipsides of the same coin, but that example, in particular, is a fascinating one in terms of the problem-solving that they've applied to this.

Bill Thorne: All right. Chris, let's open it up.

Operator: Certainly, and our first question comes from Sarah Nassauer from Wall Street Journal. Please, go ahead.

Sarah Nassauer: Hi, everyone. I wanted to just clarify a little bit with the growth figures. So, what your prediction in terms of dollar sales growth is lower than the rate of inflation. Does that mean that you're also predicting that volume sales are going to fall as we have seen in many categories when you look at third party data over the last few months? Thanks.

Bill Thorne: Thank you. Jack, do you want to take that up?

Jack Kleinhenz: Sarah, I guess we have to think about which inflation index are we using. The CPI is at the 8% level. It is not the broadest and best measure of inflation. I reference the PCE index, which we tend to look at in more detail, because it does break out the various parts of retail sales by the same components that we measure sales, and if you take a look at that data, I would suggest to you that we are in most categories between 4% and 5% growth in prices, and to that extent, we're still seeing some volume growth and it depends upon which category, and certainly some categories are going to have more than less, depending upon where prices are, and we've seen some price declines, by the way, in some categories, just to mention, for example, electronic and appliance stores are down 9% on a year-over-year basis using the PCE for September of 2021 compared to 2022, and then if we look at furniture in general – furniture, home furnishings – that's only running about 2% on a year-over-year basis. Yes, other categories in retail are above either measure, whether you use the PCE or you use the CPI. For example, food and beverage is running at 11%, and that's a big category and that's a big nut for most households to crack out of their budget.

Bill Thorne: Matt, did you want to add anything to that?

Matt Shay: Well, I think Jack said it. There is real growth in there, Sarah, just category by category, but in the aggregate, there's real growth and, of course, I think Jack sort of alluded to the base effect of sort of the monster number we had last year of 14% for the year and 13.5% for the holiday season on top of 2020, which itself was the highest year on record for 20 years. Last year was like a tidal wave that swamped everything else we've ever seen and so in terms of the base effects, we're building on an enormous base and so there's positive growth, and even positive growth on the lower single digit side is still enormous relative to the way consumers have been out spending growing month over month since May of 2020, it's quite remarkable and I think it does go back to the household savings and the wealth effects for the higher income levels explain the behavior and if you look at what's going on in hotels and airlines and other adjacencies where there's enormous demand, there are some supply pressures there, of course, that are contributing, but the demand is there on the high end, and even as you move into other segments of the income level, other household incomes maybe in the lower or mid-levels, they're able to offset that with the savings and that's I think why we're seeing real growth even in the face of these challenges.

Sarah Nassauer: Thanks.

Bill Thorne: Thank you, and thanks for joining us today. Chris, who's up next?

Operator: Our next question comes from Olivia Rockeman from Bloomberg. Please, go ahead.

Olivia Rockeman: Hi, thanks for doing this. I'm wondering if you have data on some of the categories and what they might do? So, if you've got a parallel versus food versus home goods, and what you're seeing there.

Bill Thorne: Jack, do you take that into account when you come up with your forecast?

Jack Kleinhenz: I have to take into account sort of what's moving around and it's very hard to be pinpoint by category. There's a lot of substitution going on in terms of consumer behavior. That is they're finding they are looking for value and some months they may be looking for clothing, but in the next month it's perhaps a holiday gift in some sort. So, our modeling takes more on the aggregate and not necessarily on an item-by-item category.

Olivia Rockeman: Got it. Thank you.

Bill Thorne: Thank you. Chris, next?

Operator: Our next question comes from Nathaniel Meyersohn from CNN. Your line is open.

Nathaniel Meyersohn:
Hi, guys. Thanks for doing this. Can you look out to 2023 and are you guys expecting kind of a worse environment, more bankruptcies and store closures after a couple of strong years?

Bill Thorne: Hey, Jack. Why don't we go with you on this one?

Jack Kleinhenz: My estimation is that we're going to be in a slow growth economy. We aren't yet at a position where we can really call that there will be a sizable downgrade in the economy. My current forecast, which is published through the Blue Chip Economic Indicators and the Wall Street Journal, I have growth in GDP around a still 1%, very low, but we're growing, and I think a lot depends really it'll be pivotal on what happens with the Federal

Reserve in terms of how long they tighten and how high they tighten. So, to me, it's a little bit harder to see through the crystal ball through the end of 2023 at this time. I do think we'll see some higher unemployment as the tightening occurs, and that we'll have to see how that impacts consumer spending.

Bill Thorne: Hey, Matt. Did you want to add anything to that?

Matt Shay: Well, Jack, I think you're right on target, and Nathaniel, I would just add a couple of observations. One is that if you compare the last two-and-a-half years, for example, with what we saw coming out of the last recession that they're obviously night and day in terms of consumer behavior, and a decade ago, we saw literally hundreds of bankruptcies for several years in a variety of categories each year for two or three years. We haven't seen anything like that the last two years, because consumers have been so engaged in commerce. We also know that heading into, but certainly throughout the pandemic as consumer behavior evolved very dramatically, very rapidly into a much more blended digital and in-store world, because many retailers had to engage digitally, because initially that's all they could do, at least throughout periods of 2020, the role of the store has really changed and evolved and so I think you have retailers that are able to use stores much more creatively in terms of their inventory management and their fulfilment and the experience they deliver for their customers, and we know that while we saw a spike in online shopping, we know that consumers really do enjoy the in-store experience and that they are in some ways reverting back to some of that pre-pandemic behavior, but when they get to the store, the experience is not the pre-pandemic experience. It's a changed experience and consumers, I think, are learning to think about stores differently, whether it's the ordering online and picking up at the store, or ordering at the store and shipping to home, the way retailers are able to do inventory management in a much more sophisticated way, those things, I think, all have created a healthier environment for the retail industry, and you're seeing some generational change in terms of brands and stores since the last recession that make the industry healthier, and you also have the benefit of – I don't think we can minimize the impact of the 2017 tax reform law to lower the corporate tax rate for retailers and others paying at the highest rate of 35% to 21%. That provided an opportunity for businesses to invest the money that they didn't pay in taxes into enhancements in their digital experiences, into infrastructure and the long-term capex, into employees and team rightsizing, and we know retailers also have edited in the portfolio of stores over the last couple of years. We continue to see adjustment there. Notwithstanding, we're still opening far more stores this year than we're closing. So, new openings are outrunning closings, and stores are healthier, and retailers, I think, as an industry, healthier than a decade ago.

Nathaniel Meyersohn:

Well, thank you, guys.

Bill Thorne: Thanks. All right, Chris.

Operator: Our next question comes from Taylor Rogers from Financial Times. Your line is open.

Taylor Rogers: Hi, thanks for doing this and taking the question. My question is back to the hiring issue. Are you all expecting to see hiring become easier if the labor market does cool in 2023?

Matt Shay: Taylor, it's Matt Shay. So, the question is will hiring get easier if the labor market cools?

Taylor Rogers: Yes, are you expecting hiring to get any easier in 2023?

Matt Shay: Well, Jack can speak to what's happening in terms of moving parts. We know that as the Fed – the Federal Reserve's objective is to do demand destruction, right? At the end of the day, they want to cool the economy and I think the big challenge they have now is threading the needle on the labor side. The issue with hiring though is at a time when we're already – we've got two more vacancies to every one job, when it comes to cooling the labor sector, businesses can't fire people they never hired and so lots of businesses are looking for more people to add to the rolls of employment already and so I think that navigating that is going to be a challenge and I guess it's going to depend on what impact the Federal Reserve's decisions on interest rates and monetary policy have on the mainstream economy.

Jack Kleinhenz: Let me just add to that. You've got to remember, there are people coming into the workforce every month and there are people coming out of the workforce. It'll be a challenge. How much is hard to say, but we know that at the older end of the age spectrum, there's a high number – a large number of people that could be retiring next year. We're getting towards the end of the baby boomers and that'll be a factor. We do still expect to see net gains at least for the remainder of this year and we may see maybe some real flatlines in the early part of 2023 again, depending upon how market forces work with the Federal Reserve, but I think that there is a concern that I don't want to let people go too fast because I've had a challenge to hire. So, I think what they're considering and they have already begun, I think, to a certain extent is to just not fill existing spots as best as they can, just kind of waiting out the storm to see how things develop.

Taylor Rogers: Thank you.

Bill Thorne: Thank you. Chris?

Operator: Our next question comes from Bill Peters from MarketWatch. Please, go ahead.

Bill Peters: Yes, here. Thanks for taking the questions. I was wondering just how much of the quality period sales increase, the expected holiday period sales and increase is a function of higher prices from retailers overall even with some of the deals being offered right now?

Bill Thorne: Jack, do you want to take a first stab at that?

Jack Kleinhenz: Sure. We know that the prices had been on the rise and as I was trying to mention a few minutes ago, the PCE index, which is overall 6.2% for goods and services, I know when you break out some of the retail data, it's probably dependent upon which category between 4% and 5%, and in some cases, there are prices that are falling, and one category which is always an interesting one to think about or to discuss is online sales, which is really the most competitive marketplace, and prices seem to have resolved themselves somewhere around the 4% range for the non-store category on a year-over-year basis. So, I think the best way to answer that is that, certainly, a portion of our increase is going to come from higher prices, but not the strangling prices that are occurring in motor vehicles, gasoline, energy-related as we go forward this holiday season.

Bill Thorne: All right. Chris, next question?

Operator: Our next question comes from Sabrina Escobar from Barron's. Your line is open.

Sabrina Escobar: Hi, thanks for the questions. I have two kind of related questions. The first one is just to clarify the forecast isn't adjusted for inflation? So, I guess a lot of it is due to the higher prices, as mentioned before. Then the second question is it just seemed like we have a very confusing economic backdrop, right? So, GDP kind of picked up this quarter, but unemployment seems low, but on the other hand, you have high inflation and low consumer sentiment and so with these kind of diverging economic indicators and confusing backdrop, has it been more challenging to make this forecast with the same degree of certainty this year compared to previous years?

Jack Kleinhenz:

The answer is yes, and listen, welcome to the Federal Reserve Board's table of discussion. They're trying to manage these price levels and price increases not any different than we're trying to do is to best guess, best estimate what prices are going to do over the next three months. So, one thing that I can mention though is that there are some base effects that prices started to rise considerably November, December last year. So, to some extent, as we go forward, the year-over-year price increases is going to be smaller than what we might have been seeing even in the last few months, but remember what happens when people are faced with prices. They have to consider: Can I afford this or do I need to find something that's a close substitute? Like for example, if people are seeing the price of beef at $10.99, they're looking considerably at what the price of chicken might be, which could be $5.99 and so there's this movement that's happening, and that's why the PCE index for me is the better measure than the CPI, and so there's this substitution that's going on that it's very hard to measure on a regular basis, so we have to make some best estimates using some statistical measures. So, to answer your question and to sum it up, it's damn difficult.

Bill Thorne: Chris?

Operator: With that, I would like to turn it back to the speakers for any closing remarks.

Bill Thorne: Well, we just want to thank everybody for participating in today's call. We are very interested in making sure that you have the information that you need. So, if you have any questions about the forecast, you can contact our media shop at press@nrf.com or call 855-NRF-PRESS. You can also find more information on our website at nrf.com.

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