Despite some moderation over the past six months or so, the trend growth in inflation-adjusted, or real, disposable income continues to outpace real spending, mostly as a result of a persistent strengthening in personal income. Indeed, the recent trend in real spending growth has shown little deviation from the solid 2%-3% range it has followed for the past three years.

Although trends in household income and spending are generally favorable, retailers are reporting the usual anxiety over holiday spending prospects. Excluding autos, retail spending during November and December typically accounts for 20% or more of a retailer’s receipts for the year, making these months pivotal.

Among the factors affecting the current holiday sales outlook is a relatively high level of consumer debt, since a substantial share of holiday spending is financed by revolving debt, or credit cards. During November and December, credit card balances tend to balloon by about 4% of disposable income; consequently, a liquidity-constrained consumer could limit holiday sales prospects.

There are no current indications that households’ liquidity is impaired, however. While the delinquency rate on installment debt is rising (as it often does during periods of economic growth), the current rate—less than 2%—is extremely low by historical standards.