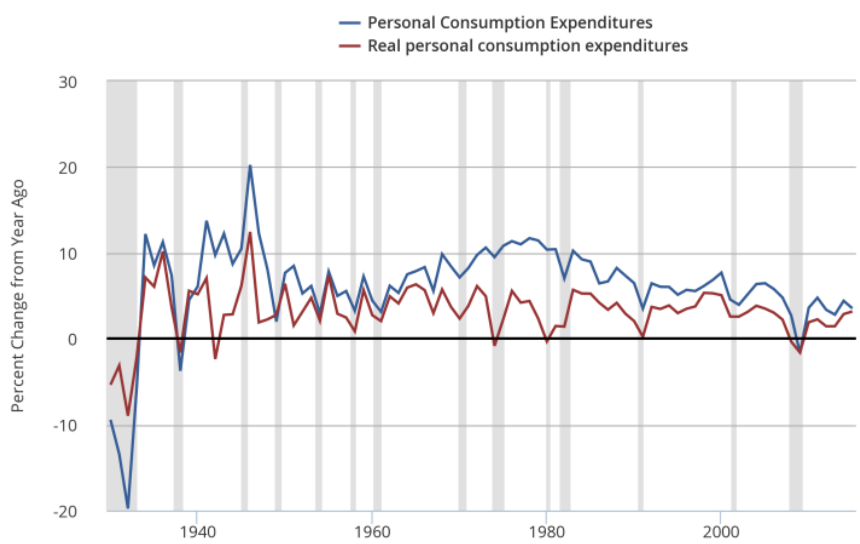
Do Presidential Election Years Impact Footwear Spending?

As the presidential election cycle nears its four-year crescendo, many are quick to blame voters' perceived angst for everything from softer home sales and prices to underperforming equity markets to weak consumer spending. Indeed, a number of industry executives are echoing this association, blaming disappointing sales figures on voters' anxiety over who will be the next occupant of the White House. While at first blush this association sounds reasonable, we at FDRA tested this conjecture against historical data. We determined that *on average* and *over the long term* consumer demand for footwear and apparel actually fared *better* during presidential election years and *underperformed in the year following* a presidential election. Applied to the present, these findings suggest issues other than election anxiety may be crimping footwear sales for certain retailers, while darker days for the sector may lie ahead next year.

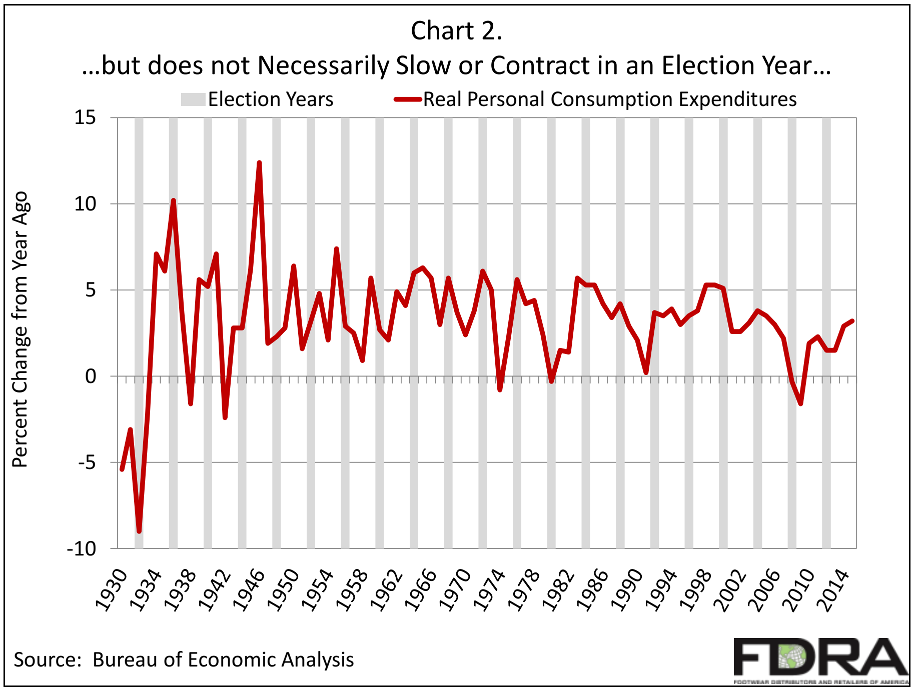
First things first, our analysis of the big picture shows overall consumer demand naturally underperforms during recessions but indicates little correlation with presidential election years. Accounting for over two-thirds of economic activity, personal spending tends to downshift during recessions denoted by the gray bars over the last eight decades as shown on the graph below.

Chart 1.
Overall Consumer Spending Naturally Slows or Contracts in a Recession…

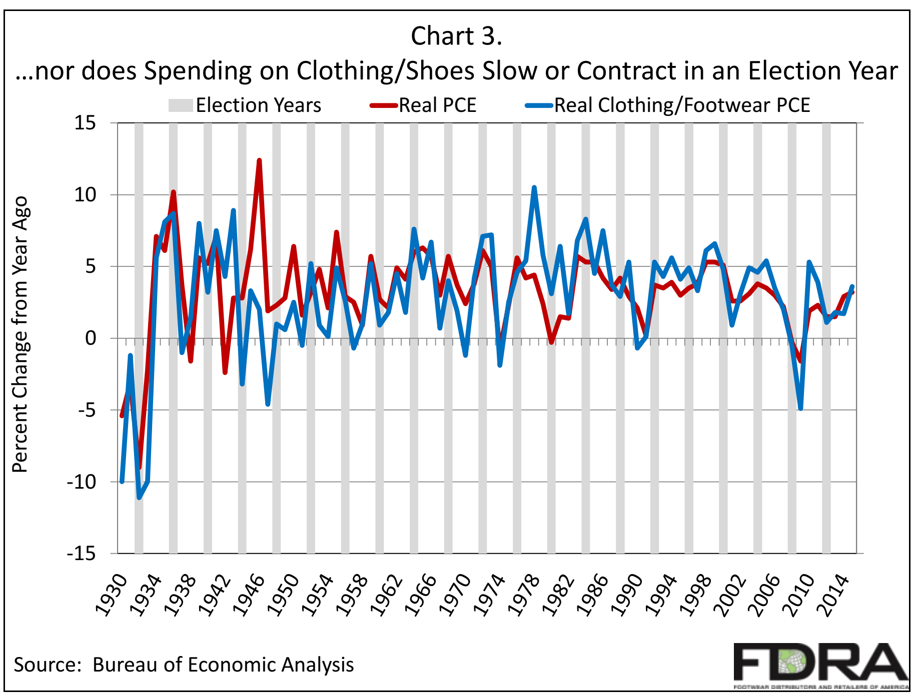


Source: Bureau of Economic Analysis

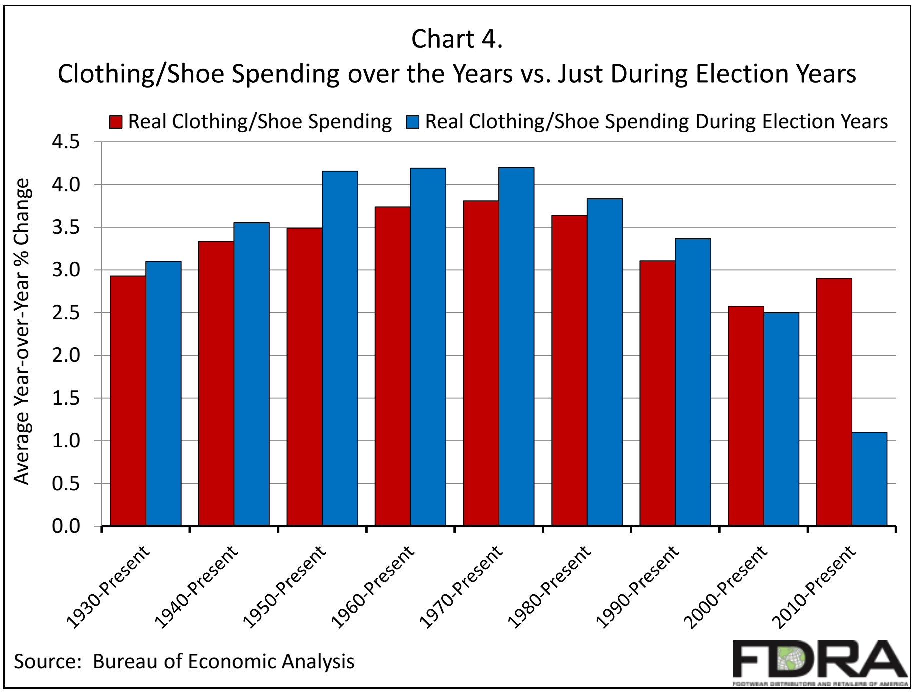
At the same time, expansions and contractions in personal spending show little apparent relationship with presidential elections witnessed every four years. Indeed, over this 86-year period annual personal spending contracted in only three election years--1932, 1980, and 2008--three years that also saw sharp recessions impact the country.



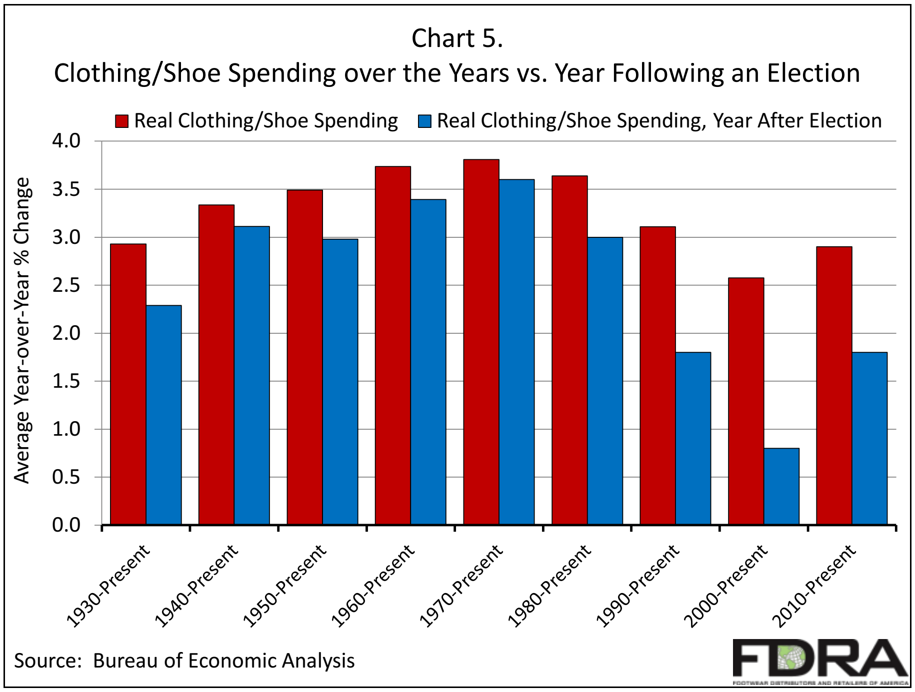
This lack of a clear and strong correlation between sub-par spending and election years also is evident when looking at footwear and clothing personal consumption expenditures (PCE) in particular. The graph below demonstrates that while annual spending in this sub-sector contracted fourteen times in the last 86 years, clothing and footwear spending shrank during only four of 21 election years, two of which were during recessions.



A deeper look into the data confirms that presidential election years have little direct impact on consumer demand, particularly for footwear and apparel. The following graph shows average annual growth rates in consumer spending on clothing & footwear, segregated over different time horizons. For example, the left-most red bar shows that since 1930 clothing and footwear spending has grown an average 2.9% per year. Similarly, the next red bar shows that since 1940 this metric grew slightly faster, up an average 3.3% per year. At the same time, average annual spending on footwear and apparel *during election years* (blue bars) over these different periods typically grew at faster rates, regardless how far back one looks in time. These data show that in fact *consumer spending on clothing and footwear tends to fare slightly better during election years than on the whole*, contrary to conventional wisdom. What's more, this finding is not unique to footwear and apparel demand, but instead is true across overall consumer spending.



Taking the analysis one step further, while election years are not necessarily bad for consumer spending, *the years after presidential elections tend to see spending underperform*. Similar to the previous graph, the following chart illustrates average annual growth rates in consumer spending on clothing and footwear, segregated over different time horizons. In fact, the red bars on the graph below are identical to the red bars on the graph above. The difference between the two graphs is the blue bars below show average annual growth rates in consumer spending on clothing & footwear in the years immediately *following* a presidential election--1933, 1937, etc. Again, the trend is clear that average annual growth in spending on clothing and shoes during the years immediately *after* a presidential election tends to fall short of average annual growth in spending during any typical year, regardless of the time horizon.



To be clear, these findings do not necessarily imply that consumer demand for apparel and footwear will be relatively robust during this election year, only to soften in 2017. That having been said, after four straight years of gradually decelerating annual sales gains, our earlier analysis shows the retail shoe store sector is likely to see moderately faster sales growth in 2016, supporting this view. Today's findings suggest issues other than voters' election anxiety may be crimping footwear sales for certain retailers, and that darker days for the sector may lie ahead next year.

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