

Shoppers Still Cautious In October

Manufacturing.net

NEW YORK (AP) -- Shoppers who continue to be weighed down by the weak economy slowed their spending in October, according to monthly revenue results reported by retailers on Thursday. That's a bad sign for merchants as they head into the winter holiday shopping season.

Eleven retailers missed expectations for revenue at stores open at least a year -- an indicator of a retailer's health -- while three merchants beat estimates, according to a preliminary tally by Thomson Reuters. Costco, Macy's, Saks and Target are among the companies that reported results that fell slightly below Wall Street analysts' expectations.

Americans, who are faced with high unemployment, a weak housing market and rising prices for household supplies and gas, are as spooked about the economy as they were during the recession. Indeed, a recent report showed consumer confidence fell to its lowest point since March 2009. But retailers are hoping that their lowered optimism won't seep into the holiday shopping season in November and December, a period when merchants can make up to 40 percent of their annual revenue.

"Consumers are regrouping and retrenching and saving their pennies for the holiday season," said Ken Perkins, president of Retail Metrics, a research firm.

Despite the challenging environment, revenue in November and December are expected to up from a year ago. The National Retail Federation, the nation's largest retail trade group, expects winter holiday sales to rise 2.8 percent to \$465.6 billion this year. That would be a smaller than 2010's 5.2 percent increase, but it's higher than the average over the last 10 years.

But stores likely will have to work hard to get people to spend this season. Many already are beginning to offer holiday discounts to draw shoppers in early. Some are offering layaway. And others have announced expanding hours for the Black Friday, the day after Thanksgiving and the official kickoff to the holiday shopping season.

Although the results in October weren't as promising as retailers had hoped, most retailers reported results that were only slightly off from Wall Street estimates. Costco Wholesale Corp.'s revenue at stores open at least a year climbed 9 percent in October, for instance. That was down slightly from the 9.2 percent increase analysts surveyed by Thomson Reuters had predicted. And Limited Brands said revenue at stores open at least a year rose 6 percent in October, roughly in line with analysts' estimates of 6.2 percent.

Other merchants reported much more disappointing results. Macy's Inc. posted a

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2.2 percent increase in revenue at stores opened at least a year, which was below the 3.6 percent increase that Wall Street analysts had expected. J.C. Penney reported that sales declined 2.6 percent in October, below the 1 percent increase that Wall Street expected.

Luxury retailers, which had benefited from brisk spending by their well-heeled shoppers, also showed weakness in October. Saks Inc. had a 1.8 percent increase, much lower than the 5.4 percent gain that analysts had expected. Nordstrom Inc. had a 5.4 percent increase, below the 6.4 percent gain that Wall Street expected.

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