

# Retailers report weak June sales

## Retailers report June sales dampened by job worries and rainy weather

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NEW YORK (AP) -- Escalating job worries and rainy weather dampened shoppers' appetite for buying summer staples like shorts and dresses, resulting in sharper-than-expected sales declines for many merchants in June and increasing concerns about the back-to-school shopping season.

As retailers reported their monthly figures Thursday, the weakness cut across all sectors but hit mall-based clothing stores particularly hard.

Even low-priced Costco Wholesale Corp. saw a same-store sales decline compared with June last year, when stimulus rebate checks helped business. Wal-Mart Stores Inc. no longer reports same-store sales each month. Among the few bright spots was TJX Cos., which sells name-brand clothes and home furnishings at discounts.

Same-store sales -- sales at stores open at least a year -- are considered a key indicator of a retailer's health.

"Consumers are under severe pressure on the job front, so discretionary spending is just not happening," said Ken Perkins, president of retail consulting firm Retail Metrics LLC.

"This is not setting up well for the back-to-school season."

Many areas from the West Coast to the Northeast received two or three times their normal June precipitation last month, according to National Oceanic and Atmospheric Administration's National Climatic Data Center.

But financial worries are clearly discouraging shoppers too. The latest federal jobs report, which showed wages shrinking and higher job losses than expected in June, is increasing concerns about consumers' ability to spend in the months ahead.

Merchants are relying more now on shoppers' paychecks to fuel purchases because consumers' two other key sources of funding -- credit cards and home equity loans -- have shrunk. But, seeing their earnings dwindle, shoppers are continuing to seek 70 percent discounts.

Job worries caused consumer confidence, as measured by the nonprofit Conference Board, to drop in June, reversing a three-month upward trend fueled by a stock market rally that also is fizzling.

Among the biggest disappointments in Thursday's same-store sales reports were teen stalwart Abercrombie & Fitch Co., The Children's Place Inc. and Limited Brands Inc., which owns Victoria's Secret.

Wal-Mart, the world's largest retailer, has benefited from the recession as shoppers scour for deals and focus on necessities. The Bentonville, Ark.-based company stopped releasing monthly data after its report for April.

But discounter Target Corp., which has been stumbling because of its reliance on nonessentials like trendy jeans and towels, reported a 6.2 percent decline in same-store sales for June. Analysts surveyed by Thomson Reuters expected a 5.6 percent drop at the Minneapolis-based retailer.

But Target expects to meet or exceed analyst expectations for second-quarter profit due in part to spending cuts.

Costco said Thursday that its June same-store sales dropped 6 percent, meeting Wall Street's expectations. The Issaquah, Wash.-based company said in a recorded message that some of its strongest categories included food products, such as deli items, frozen food and candy. It experienced weakness in nonfood, discretionary categories.

TJX, which operates such stores as T.J. Maxx and HomeGoods, reported a 4 percent gain in same-store sales, exceeding analysts' average forecast of a 0.6 percent decline. Based on better-than-expected sales, TJX raised its second-quarter earnings outlook.

Among department stores, J.C. Penney Co. posted an 8.2 percent drop in same-store sales but beat Wall Street's estimate of a 9.3 percent decline. The chain also narrowed its loss estimate for the second quarter.

Privately held luxury department store Neiman Marcus Group Inc. posted a 20.8 percent drop in same-store sales. Its rival, Saks Inc.,

reported a 4.4 percent decline, beating Wall Street's expectations for a steeper drop after getting a boost from a designer sale event. Analysts had predicted a drop of 11.8 percent.

Limited Brands struggled with a 12 percent drop in same-store sales last month; analysts expected a 7.9 percent decline. Gap Inc. posted a 10 percent decline in same-store sales, while analysts expected an 8.6 percent drop.

Many teen and children's stores had a challenging month, raising concerns about how much parents will spend on back-to-school merchandise. Abercrombie & Fitch Co.'s same-store sales fell 32 percent, even more than the 26.6 percent decrease Wall Street projected. Wet Seal Inc.'s fell 11.1 percent, while analysts expected a 9.1 percent decline. And The Children's Place reported a 12 percent decline, passing the 8.7 percent analysts projected.

Even retailer The Buckle Inc., which has had 22 months of consecutive double-digit same-store sales gains, according to Perkins, saw its gains slow last month. The accessories and footwear store reported a 9.6 percent rise, compared with the 12 percent increase Wall Street projected.

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