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Retail sales jump 1.2%, fueling hope for the holidays

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Shoppers proved last month that they were more willing to open their wallets, according to government data released Monday, giving retailers hope that the surge in spending will translate into a happy holiday season.

The Commerce Department reported that [October sales for the retail industry](#) jumped 1.2 percent from the previous month, the biggest gain since March. The increase was driven by a 5 percent spike in auto sales, which analysts said was particularly encouraging because it showed consumers were ready to tackle big-ticket purchases. In addition, September's sales gain was revised upward from a 0.6 percent increase to 0.7 percent.

"This has been a devastating recession, and for a long time Americans postponed spending. There's a little bit of catch-up coming up now," said **Bernard Baumohl**, chief economist for the Economic Outlook Group, a consulting firm.

Still, consumers remained choosy about where they spent their dollars. Home furnishings stores and electronics retailers each suffered a 0.7 percent drop in sales. Department store sales also declined 0.7 percent, while health-care stores dipped 0.1 percent.

Instead, shoppers returned to restaurants and bars, sending sales up 0.3 percent. Online retailers, which have held up better than their bricks-and-mortar counterparts, registered a 0.8 percent jump. Shoppers also bought more clothing, a 0.7 percent boost.

Excluding autos, retail sales rose a respectable 0.4 percent, despite the mixed performance across sectors.

"Regardless of what households are spending the money on, they're spending a bit of money," said Paul Dales, U.S. economist for Capital Economics. "That's certainly encouraging."

Retailers are hoping that the momentum will fuel the all-important holiday season. Many stores have begun touting blockbuster deals in a bid to snag shoppers early.

Macy's released some of its Black Friday promotions Monday, including a \$39.99 digital photo frame and \$19.99 silver pendants. It also said it would provide free shipping on online orders of more than \$99 - putting it in direct competition with free shipping offers from Amazon and Wal-Mart.

According to a survey by the National Retail Federation, an industry trade group, nearly 11 percent of consumers have finished at least half of their holiday shopping, up from just more than 9 percent last year. The group predicted shoppers' average spending would inch up to \$688.87 this season, a 1 percent increase over last year.

The NRF's annual holiday survey found that more shoppers are expected to buy gifts for family and friends - and even themselves. The number of consumers who said they planned to indulge themselves rose eight percentage points to 57 percent this year.

The forecasts, coupled with the new October data, paint a picture of consumers treading carefully on their way back to the mall. Economists say that spending is unlikely to rebound without a corresponding improvement in the job market.

Though the unemployment rate remains stuck at nearly 10 percent, data released from the Bureau of Labor Statistics on Monday showed hope. Mass layoffs have declined in size and frequency. And private-sector employment rose 0.3 percent during the third quarter, compared with a year ago, the first increase since 2008.

Still, the recovery remains tepid, and that keeps consumers on edge.

"The economy is just bouncing along, rather than soaring or sinking," Dales said.