

Back-to-school spending drives retail uptick

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By Ylan Q. Mui
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Back-to-school spending helped boost retail sales in August for the second straight month, according to government data released Tuesday, providing hope that consumers still have firepower despite the sputtering economic recovery.

The Commerce Department reported that sales rose 0.4 percent in August compared with the previous month, driven in part by big gains at clothing and sporting goods stores, common back-to-school shopping destinations. Clothing store sales jumped 1.2 percent in August after four months of declining performance, a boost some analysts attributed to aggressive promotions for state sales-tax holidays. Sporting goods sales rose 0.9 percent, while drugstore sales increased 0.6 percent.

The National Retail Federation, a trade group, predicted that back-to-school spending this year would reach an average of \$606.40 per family, compared with \$548.72 last year. Back-to-school is typically the second-biggest shopping period of the year and can be a bellwether of the all-important holiday season.

"The challenge for retailers is to convince consumers that the recession is over and to buy accordingly," said NRF chief economist Jack Kleinhenz.

Some economists pointed to the data as a sign that the engine of the national economy - consumer spending - is revving back up.

Consumer confidence rose modestly in August as shoppers' short-term outlooks improved, according to the Conference Board's monthly index. The rise in August retail sales beat analysts' expectations, and a key weekly measure of retail spending also showed a promising uptick this week. Bernard Baumohl, chief global economist for the Economic Outlook Group, said many households have repaired their finances by paying down debt and building savings. In other words, they have the means to spend if they have a reason to.

"We got fresh evidence that such a rebound is underway," Baumohl said of the sales data. "We expect to see consumers ramp up spending even more."

But not every sector of retail enjoyed gains last month. Sales at auto dealers, which have been volatile, dropped 0.7 percent in August. Other big-ticket purchases, such as electronics and furniture, also suffered, falling 1.1 percent and 0.5 percent respectively.

Brian Dunn, CEO of electronics chain Best Buy, said shoppers have become increasingly picky about what they are willing to purchase. Sales of higher-priced televisions have fallen off, but cellphone sales have skyrocketed, driving much of the 61 percent jump in second-quarter earnings that the company reported on Tuesday. Best Buy stock rose 6 percent on the news.

Some retail experts cautioned against putting too much weight on two months of sales gains. An analysis by the research firm ShopperTrak found that though back-to-school sales rose 3.7 percent - more than the company had forecast - store traffic was flat. ShopperTrak founder Bill Martin said retailers still have a lot of ground to regain: Back-to-school sales last year plunged 5 percent compared with the 2008 season, which occurred just before the financial crisis took hold.

"Retailers should be pleased with the steady performance in August for back-to-school, but we are comparing with a period last year that was still mired in the recession," Martin said. "Any strength at this point is relative."

Staff writer Ariana Cha contributed to this report.

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