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## **Retailers hope February sales a sign of good things to come**

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Consumers braved snowstorms and a still struggling economic recovery to shop in February, sending retail sales higher than anticipated for the month and giving Upstate retailers hope for a profitable spring.

Retailers said they hope the February sales are a signal that consumers are ready to buy. Obviously, some are. But not all consumers believe now is the time to start spending.

"I guess it's good news that sales are up," said Anita Graves, a Greenville County mother of three. "But until I'm sure my job is safe and my husband's work picks up, we're putting off any unnecessary spending. Groceries and gas are bad enough, but you have to buy them.

"I want to buy a new stove, but my old one still works. So I'm keeping it for a while," she said.

Retail sales rose 0.3 percent in February, the Commerce Department said Friday, surpassing expectations that sales would decline by 0.2 percent. A 2 percent decline in auto sales, partially because of the recall problems at Toyota, held back overall sales. Excluding autos, sales rose 0.8 percent.

"February could be the direct result of cabin fever with consumers eager to get some fresh air and enjoy a day of shopping," said Rosalind Wells, chief economist for the National Retail Federation. "We expect sales increases to continue but high unemployment and other economic factors will restrain consumers' ability to splurge on discretionary items."

Tarra Godfrey, co-owner of Chelsea's Ladies Apparel and Accessories, with stores in Greer and Greenville, said she expects warmer weather to attract customers.

"It's amazing what warm weather will do," she said. "We held up pretty good last year, but I could definitely see a difference."

February sales "were really good," helped by the stores' clearance sales, she said.

In addition, the store adjusted its buying plan, adding apparel and accessories at lower price points, while continuing its normal buying of goods at moderate to higher prices, she said.

Chelsea's is joining other Greer merchants in launching a "Shop Local" campaign that she said she hopes will attract more traffic.

"We're the ones that support the local yearbooks. We're the ones everybody calls on. They need to support us, too," Godfrey said. "We're definitely hoping we will have some good weather and people will get pumped."

As the economy accelerates, consumers are feeling more comfortable opening their wallets and purses again, said Marianne Bickle, chair of the Department of Retailing at the University of South Carolina.

Research on consumers' retail shopping behavior that was conducted last month by BIGresearch shows they are buying clothing, electronics, items for the home and groceries, Bickle said.

"They want to buy things that are on sale," she said. "They are comparing price, but they do think things are getting a little bit better in terms of the economy."

She said consumers still are concerned about double-digit unemployment that has a grip on many parts of the country, including South Carolina. "They still think they know someone who is out of a job, or they're concerned about the job, but they are willing to actually spend a little bit," Bickle said.

"We are seeing sales up in South Carolina," Bickle said, "but obviously we still have a serious unemployment problem."

The retail improvement isn't just about the consumer, however, she said.

"Retailers are really getting smarter because of what happened," Bickle said.

She said the last two years ? 2008 and 2009 ? "were really horrible years for retailers," with large companies going bankrupt.

"Retailers are really becoming smart and going back to basics and saying, 'let's cut back our inventory, let's be smart about how much merchandise we carry, let's really look and say, OK, let's have something different than everybody else,' " Bickle said.

Additionally, retailers "are really understanding that they have to communicate to the consumer and you cannot stop marketing and advertising to the consumer," she said.

"You have to really tell your consumer what you have to make a competitive difference," Bickle said. "A lot of retailers are really learning that and saying, 'you know, we cannot be lazy.' "

Gains outside of autos were broadly spread in February, with sales increasing at department stores, furniture stores, appliance shops and hardware stores. Also, restaurant and bar sales increased by nearly 1 percent, the biggest gain in nearly two years.

The Commerce Department said in a separate report that business inventories were basically unchanged in January while total business sales rose 0.6 percent, the eighth straight monthly increase.

Economists hope the sales increases will drive businesses to begin restocking their depleted store shelves on a sustained basis. That restocking would boost production and provide increased support for an economic recovery.

Adam York, economist with Wells Fargo Securities, said, "We still expect gains of more than 2 percent for real personal consumption in the first quarter. Better-than-expected retail sales coupled with higher utility outlays from the cold weather should push spending figures higher."

A spokeswoman for the South Carolina Department of Revenue said retail operations won't report sales-tax receipts for February until later this month.

Consumer spending is carefully watched as it accounts for 70 percent of total economic activity. Economists have worried that the economic recovery they believe began last summer could falter if consumer spending begins to lag. The better-than-expected February gain could ease those concerns.

Big retailers are reporting improved results. Recently, for example, Lowe's Companies Inc., the home-improvement retailer, reported fourth-quarter net earnings of \$205 million for the period ended Jan. 29, a 26.5 percent increase from a year earlier. Diluted earnings per share increased 27.3 percent to 14 cents from 11 cents in the fourth quarter of 2008.

Sales for the quarter increased 1.8 percent to \$10.2 billion, up from \$10 billion in the fourth quarter of 2008.

"Our fourth quarter results, including sales and earnings that exceeded our guidance, suggest the worst of the economic cycle is likely behind us," Robert A. Niblock, Lowe's chairman and chief executive, said in a statement.

While the psychological impact of falling home prices and an uncertain employment picture continue to weigh on consumers, "improving comparable store sales trends, including improvement in many bigger-ticket, project categories, provides an encouraging sign that consumers are gaining the confidence to take on more discretionary projects," he said.