

US retailers report May sales declines

Early May retail sales results show US shoppers remain cautious; many chains report declines

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NEW YORK (AP) -- U.S. retailers reported same-store sales fell in May below expectations, as pressures like rising unemployment continued to curtail consumer spending.

Luxury chains and department-store operators continued to be the weakest sectors, with discounters and teen apparel retailers such as The Buckle Inc. stronger. Cheap chic discounter Target reported a bigger drop than analysts expected, as apparel and home products continued to be weak sellers. Overall, necessities like food and health care products continued to be the strongest sellers.

Notably, Wal-Mart Stores Inc., the world's largest retailer did not report results this month, making conclusions about the broader economy more difficult, said Ken Perkins, president of retail consulting firm Retail Metrics LLC. He said Wal-Mart accounts for about 10 percent of retail sales.

The world's largest retailer also has been a standout in recent months. "Wal-Mart has been lifting everybody for the last year and half," Perkins said.

Elsewhere, "the trends we've seen through the first quarter are continuing," said Stifel Nicolaus analyst Richard Jaffe. "The consumer has voted with their pocketbook, they want better value and higher quality at better prices."

According to a preliminary tally a tally by Goldman Sachs and the International Council of Shopping Centers same-store sales fell 4.6 percent, worse than the 3 percent predicted.

Same-store sales, or sales at stores open at least a year, are a key indicator of retailer performance because they measure growth at existing stores rather than newly opened ones. Economists closely monitor consumer spending because it accounts for about 70 percent of U.S. economic activity.

ICSC Chief Economist Michael Niemira said while many sectors were weak, but some individual retailers reported improved results.

"I think that's important from the standpoint that you'll see change more generally coming from individual stories at this stage in the cycle," he said. "That's encouraging even though the number is by no means encouraging."

One particular success story for the month was Gap Inc.'s Old Navy, which reported a 3 percent same-store sales increase, compared with a 25 percent drop last year. The company has been working to turn around the struggling chain, which focuses on value. Still, Gap's overall same-store sales fell 6 percent, worse than expectations.

"There's general softness across the board, as consumers continue to face rising unemployment, falling home values and rising gas prices," said Ken Perkins, president of retail consulting firm Retail Metrics LLC. He expected same-store sales to fall 3.6 percent overall. "One good sign so far is that results aren't coming in drastically worse than expected, so maybe there is stabilization taking place here."

Target same-store sales fell 6.1 percent, a bigger drop than the 4.3 percent analysts expected. Non-discretionary items such as healthcare and baby products and food were the best sellers, while apparel and home products were weaker.

Warehouse club operator Costco Wholesale Corp. said same-store sales slipped 7 percent in May, mainly due to lower year-over-year gas prices. Its strongest categories included fresh food and other food products.

Meanwhile BJ's Wholesale Corp. said same-store sales fell 6.8 percent, also hurt by lower gas prices, while analysts predicted a 4.4 percent decline. Traffic was up 5 percent compared with a year ago, however. Food, TVs and computer equipment were the strongest sellers.

Clothing discounter TJX Cos. -- which said same-store sales rose 5 percent, above expectations -- also said traffic increased.

Department-store operator Macy's Inc. said same-store sales slipped 9.1 percent, slightly above the 9.3 percent drop Wall Street expected.

The teen sector continued to be among the best performing sectors, with low-price stores doing the best. The Buckle Inc. and Aeropostale Inc. both known for good deals on trendy fashions, reported double-digit increases.

However, Abercrombie & Fitch -- which has kept prices high despite competitors' markdowns -- said same-store sales fell 28 percent. Last month, Abercrombie finally bowed to pressure and said it has started to reduce prices.

Limited Brands, which operates Victoria's Secret and Bath & Body Works stores, said same-store sales fell 7 percent, matching analyst expectations.

Luxury retailers continued to struggle. Saks Inc.'s same-store sales fell 26.6 percent, while Nordstrom reported a 13.1 percent drop.

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