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DECISION ECONOMICS, INC.
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New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

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Store Sales: Still two tracks

Store sales in the third of five retail-June weeks split between a slowing track at the apparently more low-end focused ICSC / Goldman Sachs group and a steady-to-firming track among the Redbook group.

ICSC, noting that consumers "continue to hold back" on discretionary purchases, despite the Father's Day holiday, sees fit to cut its full-month comparable stores forecast by a full percentage point, to +2% to +3% year on year. Some of the dollar-volume softening, which started last week, was attributed to increased discounting--which is not a good sign, but may or may not be a bad sign.

Redbook, meanwhile, saw sales firm back, after they had faded a bit last week, restoring the month-to-date track to a slightly above-target pace, though not quite so fast as in the first week of the month. Results across merchandise lines seemed generally to have met plans too, even in discretionary categories. Seasonal merchandise activity--in both soft lines and durables--was seen as healthy.

Assuming--as seems probable--that the ICSC lag reflects a heavier focus on chains catering to buyers more pressured by gasoline and food-price increases, the fact that gasoline prices, at least, are on a downswing will mean that activity in other merchandise should pick up over coming weeks.

Of course gasoline prices may not be the only negative confronting those households, and a failure of job-market momentum to rebuild would be a serious problem. But, for the moment, relative optimism is probably justified.

Meanwhile, the resilience of Redbook-type households should work as a stabilizing factor--staving off Fed panic about risks of a cascading consumer decline, but obviously not encouraging anything but stable policy.

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