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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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Weekly Store Sales: So far, so good, but good enough?

Store sales, in the second of five retail-September weeks, continued on track with conservative forecasts. The ICSC/Goldman Sachs group, which had lagged last week, bounced back, while the Redbook group cooled down from a well-above-plan pace to a more-modestly above-plan rate.

The ICSC group, which seems to be more downscale-weighted than the Redbook sample evidenced no signs either of stress or exuberance--good news, since the clientele of those stores should be the most pressured by high gas prices and stagnant employment. And, the judgment of the ICSC economist is that the "next few weeks look promising."

Meanwhile, the Redbook group, which seems to be more upscale-weighted, was enthusiastic, seeing "an excellent Labor Day holiday," and an apparent resurgence of sales at the beginning of the following weekend, after a mid-week pause. Activity was good in all back-to-school categories.

This all points to a basically stable consumer growth trend, with higher-end consumers behaving in a conservatively "normal" way--not curtailing discretionary spending, but not boosting it either--while lower-end consumers are apparently running a bit shy of "normal" discretionary spending, but not drastically so.

That sort of behavior is adequate to sustain general economic growth at a modestly sub-potential rate--assuming nothing goes wrong. The Fed, obviously, cannot be happy with that over the long term, and the pattern will remain, at best, unchanged until employment picks up. A key issue dividing hawks and doves is whether yet more macro "stimulus," harder and harder to produce with the available tools, is likely to strengthen the demand for labor.