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Nov. 20, 2013

Nov. 20 — Retailers are going into the Thanksgiving, Black Friday and Christmas shopping season with a smaller degree of panic after government data showed better-than-expected sales in October.

Retail sales jumped 0.4% last month, according to the U.S. Census Bureau, handily exceeding the 0.1% increase anticipated by economists surveyed by Bloomberg. And the September performance, which caused deep concern when initially reported as a 0.1% decline, was revised up to reflect no change.

Total sales last month reached \$428.1 billion, a 3.9% boost from October 2012.

The government measure is the last major marker of industry health before the consumption frenzy set to take place next week on Thursday and Friday — the traditional kickoff to holiday shopping.

This year, however, the period between Thanksgiving and Christmas is one week shorter than it was last year, giving retailers less time to attract gift-buyers. And in a season that can account for up to 40% of a retailer's annual revenue, the time crunch — coupled with weak consumer confidence and the lingering effects of the government shutdown and the payroll tax increase — has the industry poring over the crystal ball.

Wednesday's government report showed promising news.

Vehicle sales soared 1.4% from September to October, rocketing up 11.9% year over year. And gasoline station sales slipped 0.6% from September, representing a

breather from high prices at the pump.

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announced earnings for the third quarter ended Nov. 2, investors were satisfied by evidence of gradual improvement.

The chain said Wednesday that sales slipped 5.1% to \$2.78 billion — analysts had expected \$2.79 billion. The company suffered a net loss of \$1.94 per share, or \$1.81 per share excluding special items. The forecast had been for a smaller loss of \$1.77 per share. Same-store sales for the quarter were down 4.8%.

But J.C. Penney said that same-store sales in October were up 0.9%. It also said online purchases generated \$266 million in revenue, a 24.5% year-over-year increase. In morning trading in New York, investors sent the stock up 77 cents, or nearly 9%, to \$9.48 a share.

Wednesday's government report even found that the building materials and home-supply sector, which slumped 1.9% month to month, was up 4.2% from 2012.

Lindsey Piegza, chief economist at Sterne Agee, wrote in a note to clients that Americans are feeling wealthier due to stock market gains, cheaper fuel and indications of an improving economy.

“Consumers appear to be willing to spend beyond what the tepid job creation and minimal income growth over the past several quarters would suggest,” she wrote. “Going forward, sustained job creation and bigger income checks are needed to maintain heightened spending patterns, but at least for the moment, short-term optimism may result in more than coal for retailers this holiday season.”

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