



SHOPPING-BAG PEOPLE

By LISA MARSH



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Shoppers have sworn off saying "I'll take it."

Concerns about unemployment, potential war in Iraq and general economic uncertainty have consumers holding on to their dollars instead of spending on items across the board from automobiles to shoes.

"Consumers have cut back in categories from automobiles to spending at Wal-Mart," said Mike Niemira, chief economist at Bank of Tokyo Mitsubishi.

"October sales were pretty sluggish, and it's across all types of retail department stores as well as discounters.

BIG-TIME JITTERS:
Consumer confidence plunged in October amid worries about layoffs and possible war with Iraq.
- Robert Miller

"We have seen weakness in the automobile area, and that has a big impact on the consumer spending numbers."

The Conference Board said its consumer confidence index fell for a fifth straight month in October to 79.4, its lowest level since 1993. Its report sent the markets into negative territory for most of the day.

The Conference Board's present situation index, a measure of consumers' attitudes about the economy and their finances right now, plunged to 77.5 in October from 88.5 in September. And expectations for the near future are not much better.

Its expectations index, a gauge of consumers' six-month outlook, fell to 80.7 from 97.2 a month ago.

While these numbers aren't good, Niemira said they could be lagging what's happening economically.

"Confidence can be weak even a year after the end of a recession," he said. "Perception doesn't always match reality."

Still, he added, "There's a lot of pessimism in retail. Sales are simply not occurring in this sluggish environment."

Gary Thayer, chief economist at A.G. Edwards & Sons, agreed.

Sales at clothing stores are very weak, he noted. "People may not feel the need to replace clothes,"

he said. "Styles are distressed-looking clothes, and you can wear old clothes."

As always, there are relative bright sectors in the economy.

Building materials and garden supplies are performing well, Thayer said, adding that home furnishings were good at the start of the year.

The leisure sector is also performing well.

"People are looking for something to do," he said, citing good sales for items like sporting goods, hobby materials, books and music. "You'd think this is one area people would cut back on," he added.

The one common denominator is low price.

"Look at where people are shopping," Thayer said. "Department stores sales are down and warehouse club sales are up.

"It's the combination of people wanting to shop but wanting to get a bargain," he said, adding that homes are being bought at low interest rates and cars at zero percent financing. The numbers cast a pall over the outlook for the holiday season.

Chain stores sales slid 1.9 percent in the week ended Oct. 26 after a 0.6 percent rise the previous week, the Bank of Tokyo-Mitsubishi and UBS Warburg said in a report.

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