Deals may last through holidays



MARK LENNIHAN / The Associated Press

Shoppers leave Abercrombie & Fitch's Manhattan store. The retailer posted a 2 percent gain, well below analysts' predictions.

Big price cuts fuel modest retail gains

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NEW YORK — Americans took a pause in shopping in October, leaving retailers with their weakest peformance since April as unsually warm weather depressed their appetite for cold weather items.

Stores were forced to discount more on coats and hats to get shoppers to spend. And even as the weather cools, discounts will be necessary to keep pulling shoppers in, analysts said.

The International Council of Shopping Centers index measuring revenue at stores open at least a year showed a 1.6 percent increase, the weakest since April's 0.8 percent increase. It rose 2.6 percent in Septembert.

Bright spots among retailers reporting revenue figures Thursday were Costco Wholesale Corp. and Limited Brands Inc., both of which reported bigger increases than Wall Street analysts expected. Macy's Inc. also had a decent performance, outshining J.C. Penney Co. and Kohl's Corp., both of which suffered sales declines.

"It was a promotionally driven month," said Jharonne Martis, director of consumer research at Thomson Reuters. "Warm weather hurt sales of fall merchandise. We expect discounting is going to be necessary to drive holiday sales."

Shoppers are expected to remain tight-fisted with unemployment stuck near 10 percent. That's why many more stores than last year are pushing discounts on holiday gifts earlier, even before Halloween.

Americans are also being bombarded with holiday ads on TV. Best Buy Co., for example, started its holiday TV ad campaign Monday; last year, it began Nov. 11.

A report Thursday from the Labor Department underscored the job market's weakness. It showed the number of people seeking jobless benefits jumped sharply last week, after two weeks of declines.

Against this background, warehouse clubs and discounters are holding up better than stores in middle price ranges. Costco said Thursday that its revenue at stores open at least a year climbed 6 percent in October. Target posted a 1.7 percent gain in October.

Many teen retailers posted disappointing results. The 2 percent gain for Abercrombie & Fitch Co. was well below the 5.6 percent estimate from Wall Street. American Eagle Outfitters Inc. had a 2 percent decline.