BUSINESS

Consumers get shopping fever

Optimism sends people back to stores after hibernating from skimping

By Jayne O'Donnell
USA TODAY

Cheryl Stewart got laid off a year ago, so she and her husband slowed their spending. Recently, she started buying clothes and redecorating her daughter's room, and is preparing to buy furniture.

She's on a budget, but the Baltimore mother of two says though she is still not working, she's simply tired of "denying myself for so long."

Jane Scott cut back last fall on pricey haircuts, dinners out with her husband and clothes shopping. But Scott's employer has attracted new clients, and she feels more secure in her job.

So the Jacksonville, Ill., customer service representative has been spending on "things that were more wants than needs" and has a new warm-weather wardrobe to show for it.

Paige Worthy, a writer in Chicago, confesses to having "spring spending fever."

She says she is "supporting" several home furnishing stores, including Crate & Barrel and West Elm, and finding the deals at J. Crew, Gap and Banana Republic too good to pass up.

Worthy, who "actually never stopped shopping," finds she's spending even more now.

A government panel of economists can't agree on when — or even whether — the recession has ended. And seven in 10 consumers in a BIGresearch poll this month say they think the country is still in a recession. But economic optimism is showing up in shopping carts and in many consumer polls.

So many people have stepped up shopping that last month's retail sales compared with March 2009 showed the biggest increase in more than 10 years. Many purchases still tend toward the practical, but Walmart's sales increases are less notable than they were a year ago, luxury retail sales are way up, and furniture stores seem to be making a comeback.

There are many reasons optimism remains cautious in most quarters, however.

March sales were being compared with one of the lowest points in retail history. The unemployment rate remains dismal at 9.7%. A snowy start to the year for much of the country, followed by warmer-than-usual weather, gave those who could finally shop a reason to buy even more.

Also, Easter fell almost a week earlier than last year, moving holiday-related sales that would have occurred in April into March.

Still, sales in every category of retail are "up, up, up," says Phil Rist of BIGresearch, a consumer intelligence firm. But he remains a bit guarded. "We're going in the correct direction, but it's going to take some time."

Back to shopping

Economists and retail experts say people are releasing their "pent-up demand."

"Thrift only lasts so long. You eventually have to replace stuff," says David Wyss, chief economist at Standard & Poor's. "People are making up for lost time."

After two months of decline, consulting firm Deloitte's Consumer Spending Index moved upward in March to a level that's almost 2½ times what it was in March 2009.

Deloitte, which uses the index to track consumer cash flow to help predict future spending, said the increase was because of the decline in initial unemployment claims — which peaked a year ago — and lower tax rates thanks to last year's federal government stimulus package.

In a survey of 8,200 consumers April 6-13, BIGresearch found almost a third described themselves as confident in the economy. That's up slightly from March and far ahead of April 2008 and 2009 but still lags considerably behind the period from April 2004 through 2007.

Most still say they are focused on savings, yet the 90-day outlook for sales of clothing, shoes and some home furnishings is also brighter than it has been in the past two years.

Retail consulting firm Kurt Salmon Associates says its research shows there is a new "I think I survived the recession" mentality among consumers. Many feel that if they weren't laid off, they likely won't be. Still, the firm is predicting lackluster April retail sales and believes retailers need to view March and April results together to get a more realistic view of where the economy really is right now.

People are beginning to feel better than they did six to nine months ago, says Kurt Salmon retail strategist Mark Anglin, but many don't think they'll be able to move from their homes for many years, often because they owe more than the home is worth. So they're starting to spend on clothes and make affordable investments in their homes.

"A lot of consumers recognize that they haven't spent money on the house in a number of years," says Anglin. "They're not making major purchases but are making smaller purchases that can improve their quality of life, like kitchen or decorative items."

Style consultant Sherrie Mathieson says her clients were simply nervous about shopping much of last year. But they're getting their courage back.

"As the stock market makes up for losses, people allow themselves to buy again," says Mathieson, who is based in New York City and Scottsdale, Ariz. "Interestingly, the approach is for better, higher-

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