Consumers focus on essentials



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Costco Wholesale Corp.'s revenue at stores open at least a year climbed 13 percent in May, surpassing Wall Street's expectations.

Pinched by gas, shoppers pull back

By Mae Anderson
THE ASSOCIATED PRESS

NEW YORK — Shoppers are showing signs of pulling back on spending on discretionary items like clothing and home goods as gasoline and groceries eat up more of their paychecks.

Those pressures led many retailers on Thursday to report only modest revenue increases in May, the latest sign of the economy hitting a soft patch.

Retailers that cater to wealthy shoppers and warehouse clubs like Costco that also sell gas reported the biggest gains.

Most of the spring, consumers seemed to shrug off rising prices. Now, gasoline at more than $1 per gallon more than last year and higher grocery bills are "finally taking a bite and affecting sales," said Ken Perkins, president of research firm Retail Metrics. "It definitely raises the caution flag going into the summer."

Revenue rose 5.4 percent overall at stores open at least a year among 27 retailers, according to the International Council of Shopping Centers. Excluding gasoline, the figure rose 3.7 percent.

That was within the 3 percent to 4 percent range expected, said Mike Niemira, ICSC chief economist and director of research.

"On the surface, the numbers look pretty good," Niemira said. "But it is being driven by a very narrow set of retailers."

The figures are based on revenue from stores open at least one year, a key indicator of a retailer's health because it excludes results from stores opened or closed during the year.

Niemira expects the June revenue figure to rise 3 percent to 4 percent, excluding fuel.

The May results follow disappointing economic reports on unemployment, housing and consumer confidence that investors worry indicate a softening of the economy. The Dow Jones industrial average skidded 280 points Wednesday, losing more than a quarter of the year's gains, on rising economic fears, and fell again Thursday.

Consumer spending is closely watched because it accounts for about 70 percent of U.S. economic activity and is critical for a strong economy.