Shop 'til you drop

Shoppers' spending a bright note for economy

NEW YORK (AP) — Shoppers showed some spending muscle in July, once summer clearance sales and the hottest July in 50 years got them in the mood.

Solid sales reports from retailers Thursday took some of the sting out of weak June manufacturing data. And improving trends in unemployment benefit applications provide hope for slightly better job growth in coming months a day before the government reports on July employment.

U.S. retailers reported better-than-expected July revenue in stores open at least a year, an encouraging sign at the beginning of the back-to-school season, the second-biggest shopping season behind the holidays.

A preliminary compilation by the International Council of Shopping Centers of 20 retailers found revenue in stores open at least a year rose 4.6 percent in July, higher than the 3 percent to 3.5 percent the ICSC expected. Economists watch the numbers because consumer spending accounts for 70 percent of U.S. economic activity.

The figures are a key measure of retailers' health because they exclude newly opened and closed stores.

Analysts said it was a positive sign that Americans hit the mall, undaunted by the fact that there are few signs that the economy is improving.

"I think the U.S. consumer surprised a lot of people," said Chris Donnelly, global industry managing director for retail at Accenture. "When you look at income, the savings rate, and unemployment, there's still a lot of cause for pessimism, but the U.S. consumer is amazingly resilient and has spurts of spending."

The reeling European economy isn't helping. Stocks slumped Wednesday after The European Central Bank decided against taking new action to attack the continent's debt crisis. By late morning, the Dow Jones industrial average was down 107 points to 12,864.

And a pair of government reports Tuesday pointed to more weakness with U.S. manufacturing and only slight improvement in the slumping job market.

Companies placed fewer orders with U.S. factories in June than May. The Commerce Department said orders fell 0.5 percent, the third decline in four months. And orders that signal business investment plans dropped 1.7 percent, pulled down by less demand for computers and machinery.

The number of Americans seeking weekly unemployment benefits rose by 8,000 last week to a seasonally adjusted 365,000, the Labor Department said in a separate report. Seasonal distortions caused by fewer temporary layoffs in the auto industry this summer may have skewed the number higher, Labor officials said.

Still, economists said the trend in unemployment benefits has improved since rising this spring. The four-week average, a less volatile measure, fell for the sixth straight week to 365,500, the lowest since March 31. That could signal slightly better job growth in the coming months.



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A shopper fills her cart Thursday at a Target store in Chicago. Shoppers, worried about jobs and the overall economy, pulled back on spending in June, resulting in tepid sales for many retailers. Shoppers showed some spending muscle in July, once summer clearance sales and the hottest July in 50 years got them in the mood.