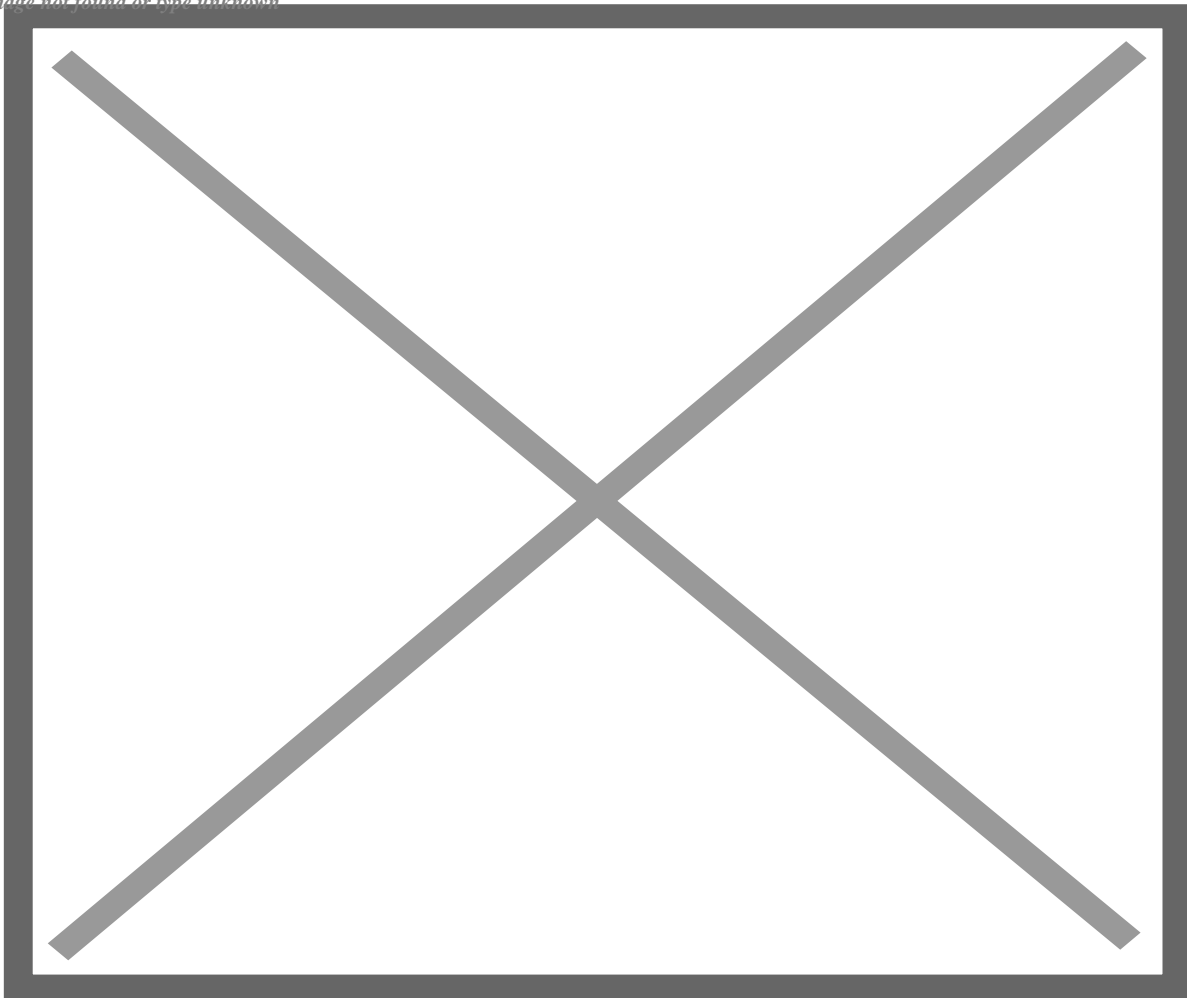


U.S. retail sales flat in September as inflation strikes

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New York, October 16 (RHC)-- The pace of sales at U.S. retailers was unchanged in September from August as rising prices for rent and food chipped away at the money available for other things. Retail sales were flat last month, down from a revised. 0.4 percent growth in August, the Commerce Department reported on Friday. Retail sales fell 0.4 percent in July.

Excluding sales of automobiles and fuels, retail sales rose 0.3 percent. Excluding gas sales, spending was up 0.1 percent. While the report showed the resilience of the American consumer, the figures are not adjusted for inflation, unlike many other government reports. In fact, sales at grocery stores rose 0.4

percent, helped by rising prices in food.

Evidence that the Federal Reserve's fight to cool the economy may be taking hold can also be seen, particularly with big-ticket items. Sales at auto dealers fell 0.4 percent last month, and shoppers continued to pull back on appliances, electronics and furniture, all categories that did well during the early part of the pandemic. Business at consumer electronics and appliance stores fell 0.8 percent.

Sales at clothing stores rose 0.5 percent, while business at department stores rose 1.3 percent. That indicates a solid back-to-school season but adjusted for inflation, spending was modest, analysts said. Business at restaurants rose 0.5 percent, while online sales ticked up at the same pace.

Neil Saunders, managing director of GlobalData Retail, said the report was "representative of an economy that is tightening and of a shopper that is becoming more discerning and cautious about what they buy."

Consumer spending accounts for nearly 70 percent of the US economic activity and Americans have remained mostly resilient even with inflation near four-decade highs. Yet surging prices for everything – from mortgages to rent – have upped the anxiety level. Overall spending has slowed and shifted increasingly towards necessities like food, while spending on electronics, furniture, new clothes and other non-necessities has faded.

"Even if people are employed and on paper look reasonably comfortable they are not feeling comfortable, and they are very concerned about what's to come next," said Joel Rampoldt, a managing director in the retail practice at AlixPartners.

Inflation in the United States accelerated in September, with the cost of housing and other necessities putting more pressure on households, eliminating pay gains and almost guaranteeing that the Federal Reserve will keep raising interest rates aggressively.

Consumer prices, excluding volatile food and energy costs, jumped 6.6 percent in September from a year ago — the fastest such pace in four decades. And on a month-to-month basis, core prices surged 0.6 percent for a second straight time, defying expectations for a slowdown and signalling that the Fed's multiple rate hikes have yet to ease inflation pressures. Core prices typically provide a better picture of underlying price trends.

Overall prices rose 8.2 percent in September compared with a year earlier, down slightly from August, the government said on Thursday in its monthly inflation report. It is a crucial period for retailers as they prepare for the holiday shopping season, which accounts on average for 20 percent of the industry's annual sales. Inflation is already changing shopper habits, causing them to trade down to cheaper stores like Walmart and dollar stores and within aisles, switching to cheaper brands.

Walmart and Target are among others that are pushing deals earlier while others are offering new financing for customers. Conn's HomePlus, a Texas furniture and mattress chain that caters to households at the lower end of the economic scale, launched a new layaway program that caters to 20-25 percent of the chain's applicants not eligible to qualify for other financings.

"[Shoppers'] ability to spend on discretionary is more limited than it was before," said CEO Chandra Holt. Sales of things like deluxe coffee-makers and other consumer electronics have faded, she said.

A slew of holiday forecasts from various research and consulting firms point to a sales slowdown from last year, but adjusted for inflation, retailers could actually see a decline. AlixPartners predicts holiday sales to be up anywhere from 4 percent to 7 percent from last year, which was up 16 percent, according to its calculations. The National Retail Federation, the nation's largest retail trade group, has not released its holiday forecast.

Janet Barnes, a 42-year-old College Park, Maryland resident, says she is trading down and going to cheaper stores for groceries as prices spike. Instead of Wegmans or Whole Foods, she now heads to the discount chain Lidl and said she saves about 40 percent in groceries. Thrift stores have replaced Nordstrom, she said. “We are creatures of habit,” said Barnes. “But it is not a bad deal to see what else is going on — and test something else.”

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