

Financial

# Feeble Spending Weighs on June Sales

By Liza Casabona

**WASHINGTON** — Retail apparel sales showed more weakness in June as consumers kept a lid on discretionary spending and stores marked down prices.

Sales at department stores fell a seasonally adjusted 1.3 percent in June compared with May, and specialty store receipts were flat, the Commerce Department said Tuesday. Compared with a year earlier, department store sales fell 9.4 percent to \$15.44 billion and specialty store sales declined 6.2 percent to \$17.36 billion.

"There was extreme discounting going on in clothing, apparel and accessories [in June]," said Richard Yamarone, director of economic research at Argus Research Corp. "There was not an apparel or shoe store that did not have a sale sign in its window."

The outlook for retailers is unlikely to improve in the short term, Yamarone said. Second-quarter results will be released soon and retailers face a difficult comparison to the same period a year ago, when government stimulus checks inflated results for many stores.

In year-over-year comparisons, June represents the ninth straight month of declining sales, and consumers seem to be more willing to spend on necessary items like personal care than discretionary items like apparel and home furnishings, said Bob Duffy, leader of the retail industry practice for global advisory firm FTI Consulting.

On a positive note, he said, year-over-year comparisons should ease in the second half when they come up against dismal sales results from last year.

"My prediction for the balance of the summer is that, barring any catastrophe, we're going to gradually see some improvement," Duffy said.

However, problems like the potential fallout from the financial crisis at CIT Group Inc., which provides significant levels of funding to the apparel sector, could change the game, he said.

Economists agreed a recovery in retail sales levels is a crucial part of any larger economic rebound for the U.S. All retail and food service providers reported an increase in June sales of 0.6 percent compared with May. The increase was larger than expected, but was driven primarily by increased gas prices and sales of motor vehicle parts, economists said.

"Sales in most other channels were mostly lackluster," said Patrick Newport, U.S. economist for IHS Global Insight.

Compared with a year earlier, overall retail sales dropped 9 percent to \$342.1 billion. Retail sales "fell off a cliff" in the second half of 2008, and results have been flat since, Newport said.

The continued pressures of rising unemployment and job insecurity combined with losses in financial and real estate assets have discouraged spending on discretionary items, he said.

# Tariff Bill Would Aid Outerwear Companies

By Kristi Ellis

**WASHINGTON** — Columbia Sportswear, The North Face and Patagonia are a few of the recreational performance outerwear companies that stand to benefit from a tariff-dropping bill introduced in the House and Senate.

The U.S. Outdoor Act, introduced Friday by Reps. Earl Blumenauer (D., Ore.) and Greg Walden (R., Ore.) in the House and Sens. Ron Wyden (D., Ore.) and Mike Crapo (R., Idaho) in the Senate, would eliminate duties on about 80 styles of imported high-tech apparel designed for hiking, biking, skiing and other outdoor recreational activities.

If enacted, the bill would save outdoor apparel manufacturers close to \$600 million over 10 years, according to the Congressional Budget Office.

"This bill removes unnecessary tariffs on apparel not currently made in the U.S.," said Blumenauer. "In addition, the companies that benefit from these reduced tariffs will be required to contribute a portion of their savings toward research programs that are developing ways to keep America's apparel industry globally competitive and more environmentally sustainable."

Frank Hugelmeyer, president and chief executive officer of the Outdoor Industry Association, the outdoor apparel industry's lead trade and lobbying group, said the bill represents a "commitment" by lawmakers to the "6.5 million jobs in the active outdoor recreation industry, the economic viability of

the thousands of outdoor businesses across the country and the millions of Americans seeking healthy and active lifestyles through outdoor recreation."

The bill would also establish a Sustainable Textile and Apparel Research Fund that could generate an estimated \$110 million in grants over 10 years. The bill sets up a competitive grant process that is overseen by the five-member STAR board of directors, who will be appointed by President Obama, to help foster sustainable supply chains for the apparel and textile industry.

Only research firms, not manufacturers, would be eligible for the grants and they would have to demonstrate 10 years of proficiency in sustainable supply chain processes.

"The goal is to have the U.S. become the global leader in sustainable business practices related to apparel and textiles," said Alex Boian, director of trade policy for the OIA.

Proponents said they worked closely with U.S. textile and apparel manufacturers that could be potentially affected by the elimination of duties on imports and pointed to a 2007 U.S. International Trade Commission report that concluded there is no "commercially viable production of recreational performance outerwear in the U.S."

The bill was originally introduced last year and did not move. Its supporters claim it has been substantially modified this year, but its prospects are unclear as trade has taken a backseat while Congress considers major health care and energy reform legislation.

# PPI: U.S.-Made Apparel Prices Decrease

**WASHINGTON** — Wholesale prices for U.S.-manufactured apparel decreased 0.2 percent in June compared with May and rose 1.3 percent from a year earlier, the Labor Department said Tuesday.

Women's and girls' domestic apparel prices declined 0.1 percent in June, but increased 1.7 percent in 12-month comparisons, according to the Producer Price Index. Men's and boys' apparel fell 0.4 percent month-to-month, but increased 1.9 percent year-over-year.

Prices for all U.S.-made goods increased 1.8 percent in June, driven mostly by a surge in gas prices. The advance in prices followed a rise of 0.2 percent in May and a climb of 0.3 percent in April.

Distortions of the numbers from gas prices and restructuring in the auto sector aside, the increases reported were mild and many categories saw declines in prices, said Brian Bethune, chief U.S. financial econo-

mist at IHS Global Insight.

The PPI for apparel is not a true indicator of industry price fluctuations because of the relatively small number of manufacturers operating in the U.S. The Consumer Price Index, to be released today, is a more accurate measure because it indicates prices for all goods, including imports.

Domestic prices for women's and girls' knit shirts and blouses and dresses were flat in June compared with May, but increased 0.7 percent and 1.4 percent, respectively, versus the same period a year earlier. Woven shirts and blouses rose 0.1 percent from the prior month and 1.2 percent from June 2008. Prices for tailored jackets and vests were flat in month-to-month and year-to-year comparisons. Jeans and slacks decreased 0.7 percent in June, but increased 0.4 percent in 12-month comparisons.

Wholesale prices for men's and boys' knit shirts, work

clothing and suits were flat in June compared with May. In yearly comparisons, knit shirts increased 1.4 percent, work clothing gained 3.7 percent and suits were up 4.3 percent. Prices for woven shirts declined 1.4 percent in month-to-month comparisons and 1 percent year-over-year.

Apparel fabric, also known as textile mill goods, saw prices increase 0.2 percent in June and 0.6 percent compared with a year earlier. Textile product mill prices, which includes home furnishing and industrial fabrics, increased 0.4 percent month-to-month and 2.4 percent in 12-month comparisons.

Deeper in the pipeline, synthetic fiber prices rose 1.5 percent in June, but declined 3.7 percent year-over-year. Yarn prices increased 0.6 percent month-to-month, but fell 4.2 percent from a year earlier. Greige fabrics advanced 0.1 percent in June compared with May and rose 4.7 percent in 12-month comparisons. Finished fabric prices rose 0.1 percent in June and advanced 1.4 percent year-to-year.

— L.C.

## 10 BEST PERFORMERS

DAILY		COMPANIES	P/E	VOLUME	AMT	
HIGH	LOW				LAST	%CHANGE
0.41	0.36	Safilo * (SFL:MI)	-	1294877	0.41	+21.12
3.62	3.03	American Apparel (APP)	61.0	520926	3.60	+18.03
0.95	0.80	Joe's Jeans (JOEZ)	11.3	560293	0.93	+17.72
4.19	3.66	Charming Shoppes (CHRS)	-	1014268	4.11	+9.02
9.81	9.15	Stein Mart (SMRT)	-	421287	9.81	+7.21
3.22	2.86	Crocs (CROX)	-	1935030	3.11	+6.87
27.05	25.14	Tiffany & Co. (TIF)	17.7	5362609	27.00	+6.80
0.18	0.17	NexCen (NEXC)	-	65321	0.18	+5.88
2.93	2.75	New York & Co. (NWX)	-	595320	2.91	+5.82
347.25	323.00	Asos * (ASC:L)	24.9	872874	338.75	+5.69

## 10 WORST PERFORMERS

DAILY		COMPANIES	P/E	VOLUME	AMT	
HIGH	LOW				LAST	%CHANGE
2.25	1.85	Tandy Brands (TBAC)	-	9622	2.00	-9.50
3.50	3.50	Tefron (TFRFF)	-	172	3.50	-9.09
0.41	0.38	Charles & Colvard (CTHR)	-	7600	0.39	-5.00
22.25	21.13	Orchids Paper (TIS)	19.8	62784	21.16	-4.47
2.50	2.30	Bon-Ton (BONT)	-	214056	2.36	-4.07
4.52	4.19	Penn Real Estate (PEI)	-	355592	4.37	-2.02
14.74	13.76	PriceSmart (PSMT)	9.5	383721	14.43	-1.90
21.78	21.14	Under Armour (UA)	27.5	290459	21.45	-1.42
8.15	7.81	Zumiez (ZUMZ)	17.4	148665	8.07	-1.34
1.69	1.56	Casual Male (CMRG)	-	157642	1.63	-1.21

\* Editor's note: European stocks are quoted in the currency of their principal exchanges. Shares on the London Stock Exchange are quoted in pence, Richemont and The Swatch Group are quoted in Swiss francs and Hennes & Mauritz is quoted in Swedish kronor. All other European stocks are in euros.