



# Fisher Funds

## Investor Education Centre

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### **Retail therapy cures the blues**

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Maybe I'm not the only person in the world who believes that shopping makes every day just a little bit brighter.

It seems that a lot of us are spending more, which is coinciding with (or is it leading to?) a global economic recovery.

The value of total retail sales in New Zealand lifted 0.8% in the three months to September, making it the sixth consecutive quarter of increased sales. There was no real pattern as sixteen of the 24 retail categories experienced increased sales during the quarter.

There is no doubt that retailers now have to work harder to attract customers – we Kiwis have always been a canny bunch, buying the majority of our goods at discounted prices. But the important thing is that we are gradually returning to the shops. Admittedly we are not buying too many big ticket items like cars and houses, but we are buying petrol and house furnishings.

Australians are still spending even though the stimulus package designed to get them shopping has now ended.

Even in the US where consumers are supposedly not spending anything because of job and housing concerns, there are real signs of life.

Macy's Inc., the second largest US department store chain, reported higher earnings for the September quarter, with sales increasing 6.6%. The store attributed the increased sales to their strategy of meeting local tastes, and also to being the exclusive seller of the Material Girl clothing line designed by Madonna and her daughter Lourdes, which shows that celebrity still sells.

Spending is increasing at the top end and the bottom end.

Starbucks, the world's biggest coffee chain, plans to double the rate at which it opens stores to an average of more than one a day. Admittedly, most of these stores will be in China, where Starbucks already has a 70% share of the coffee shop market with 800 stores, but the company is investing for growth, as it believes that people are starting to spend.

At the luxury end of the market, French luxury goods maker, Hermes, said last week that sales rose 31% in the September, having lifted 25% for the first nine months of this year.

Not everyone gets excited about retail spending.

Men probably less than women – it seems that just as women use twice as many words each day than men, we also spend rather more each year (though some of it is for the men, so the statistics are misleading!).

But economists do get excited about retail spending because it is one of the earliest indicators of an economic recovery.

As an investor in retail companies for many years, I have seen what happens to retail sales and profitability as economies head out of recession. And it can often take investors by surprise, because by the time we read about increased sales, the companies are already on a roll.

I think of it as a public service – shopping is one thing we can each do to get our economy humming again!

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