

District Department Stores Flex Their Muscles

Department store sales have recovered the ground they lost during the recent recession. Until March, the recovery in the District closely paralleled that in the nation. From March through August, however, sales showed a stronger and more persistent rise in the District than in the nation. Then, in September, declines occurred in both regions, but the first three weeks of October brought them up slightly. These movements in department store sales measure consumer spending at retail stores that employ 25 or more persons and carry all the merchandise lines shown in the bottom chart.

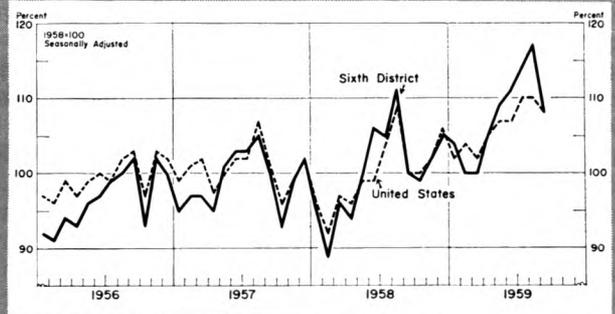
Within the District, a wide variation in the department store sales recovery has occurred this year. This variation is depicted in the tables presented at the back of each issue of the *Monthly Review*, where percentage changes and seasonally adjusted indexes of department store sales are given for major areas. Increases in some states have been more than twice as great as gains registered by other states. Sales in Florida, Mississippi, and Tennessee have advanced more during the first nine months of this year over that period last year than other District states or the nation. Performances among District cities have shown an even wider variation. In a few areas, sales have actually been running under last year's, whereas some cities have registered phenomenal gains.

Some of the largest increases in department store sales have been made in District cities where store facilities have been expanded or where new stores have been built. Such improvements can bring in entirely new business because a new building in a new location may attract people who were previously too far from the department store to patronize it regularly. Floor space additions can also increase sales by enabling the stores to carry lines and assortments of merchandise which consumers may want but which were previously not carried because of space limitations. Additional facilities, then, at least partially explain some of the phenomenal sales increases in a few District cities. Yet, sales at stores that have added new facilities account for no more than about one-fourth of the increase in total District department store sales between March and August of this year.

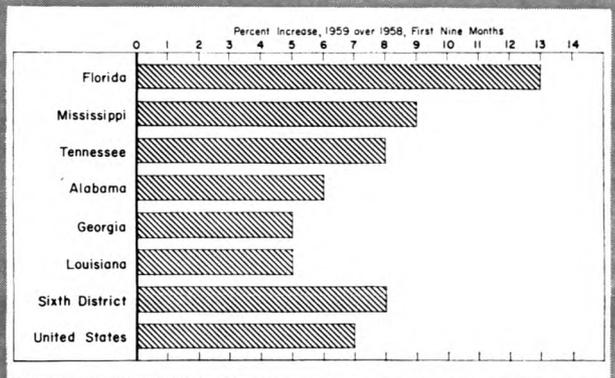
The stronger performance of department store sales in the District than nationally since March is partly attributable to heftier percentage increases in consumer income and spending here. When people earn more, they usually spend more, and when folks spend more, they generally do not forget to spend more at department stores. One measure of what people earn is manufacturing payrolls. From March through August seasonally adjusted payrolls increased more in the District than in the nation.

As might be expected, the larger percentage increase in District consumer earnings also gave rise to a greater consumer spending gain at retail stores in the District than nationally. Sales seasonally adjusted, of firms operating one to ten retail stores increased more from March through August in the Sixth District than they did in the United States. These sales data are supplied in unadjusted form to the Federal Reserve Banks by the Bureau of the

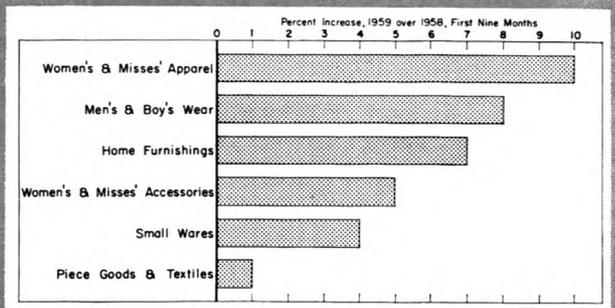
Department store sales were stronger in the District than in the nation from March through August . . . September brought a sharp decline, however, to both the District and the nation.



Within the District, the recovery in department store sales this year has varied widely,



And among departments, even more.



Census and provide an indication of trends in certain types of consumer spending, including spending for the types of merchandise sold in department stores.

Another frequently used measure of general spending is bank debits, that is, amounts spent by check. So far this year, the District states that have registered the largest gains in department store sales over the same period last year have also shown the greatest increases in bank debits. Likewise, sales have increased most in those cities which have enjoyed the largest gains in general spending, after allowance is made for new department store facilities.

WINFIELD HUTTON