

Live Now: Jim Cramer and Ken Fisher

Big Week for Retail

The numbers so far have been good, but this week is 'make or break' for retailers' holiday season.

BY WAYNE BURRITT

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With less than a week to go before Christmas, it's time to see how the retail sector is stacking up and whether or not there's enough juice to fuel a dynamite holiday shopping season. The question is, if you're already in retail, do you stay, and if you want to get in, is now the time? The answer to the former is yes; to the latter, no.

Let's start with the most recent historical numbers, and then I'll get to why this is the biggest week for retailers so far this season.

Retail sales surprised everyone in November, blasting ahead a solid 1% compared with October. The surge higher was broad and robust, led by a stunning 4.6% increase in sales at electronics and appliance stores. Even "core" retail sales -- which strip out volatile auto and gas sales -- jumped 0.9%. To top things off, October's results -- which were initially reported as falling 0.2% -- were revised upward to a fall of just 0.1%, a positive sign.

Compared with a year ago, November's retail sales results were even brighter. Sales for the sector were up 5.6%, the biggest year-over-year jump since August. Without

auto and gas sales, core retail sales grew a solid 6.4%. Like the month-over-month comparisons, the increases were broad and robust, led by a 10.1% increase in nonstore retailers, a 7.9% jump in restaurant sales and a 8.6% gain in electronics and appliance sales. Clothing and apparel stores booked a respectable 6.7% increase compared with a year ago.

These results are good, no doubt about it. But they're not blowing me away to the degree that I can say without a doubt that this holiday shopping season is already "in the bag." The jury is still out on that one, and this week will be a big key.

Make or Break

The key to a stellar holiday shopping season, obviously, will be whether or not shoppers get out and buy. Driven by deep discounts on Black Friday, the holiday shopping season got off to a bang. But as is typical during the first two weeks of December, sales dropped off. The problem -- according to MasterCard's SpendingPlus retail-sales data service -- is that this year's post-Thanksgiving doldrums have been deeper than usual.

That's put the pressure on this week to ramp up sales and profits, turning it into the "make or break" week for the entire holiday shopping season. First I'll tell you why this week may be good for retailers. Then I'll tell you what needs to happen to make sure it is.

- According to ShopperTrak, average weekly sales in December were up a respectable 3.5% compared with year-ago periods. That's a solid start and -- coupled with November's numbers -- sets the stage for good results in December.
- Last Wednesday, online retailers set a single-day sales record when consumers fired up their laptops and PCs and doled out a staggering \$667 million. Even more spectacular is that Wednesday's results are nothing new: From Nov. 1 to Dec. 15, online retail spending reached \$19.5 billion, up a whopping 25% from the year-ago period's \$15.7 billion. No matter how you slice it, those are outstanding results.
- Moderating fuel prices and the prospect of year-end bonus checks are putting more money into consumers' pockets. Many consumers won't shy away from

spending bonus checks even before they're in hand, provided they're sure the funds will eventually show up.

All told, my thinking is we're going to see holiday sales for the Thanksgiving-to- New Year's period come in between 4.5% and 6% higher than a year ago. But a percentage point swing either way could be the difference between a stellar season (anything above 6%) and a stinky one (anything below 3%). Here's what needs to happen:

1. The days leading up to Christmas are typically big days for jewelry and apparel sales. If buyers show up and spend -- especially on higher-margin items such as jewelry -- the stage is set for good holiday shopping results.
2. This past weekend, a stunning 60% of consumers were out shopping, according to America's Research Group. That's a lot of buyers, and this tells me there's loads of buying momentum out there. That momentum needs to continue and spill over into this weekend. The 25% of shoppers that ARG says still have shopping to do need to get out there and get it done. If they don't, you can say bye-bye to stellar numbers this season.
3. So far, the word is many retailers aren't slashing and burning to pump up sales. Sure, there are aggressive promotions out there, but top-line numbers -- on both a weekly and monthly basis -- are holding up. That tells me that these promotions were planned in advance and aren't the result of panic. If retailers panic this week and change course quickly -- which I don't think is likely to happen on a wholesale basis -- there's little doubt margins will get crushed and profits will suffer.

For investors who are long retail, the numbers so far certainly haven't given you any reason to get out, and the fundamentals have essentially remained the same, furthering the case to stay in. However, for those who have yet to get into the sector, it is best to wait until the final holiday numbers come in before committing any new money.

Bottom line: The retail sector is holding up nicely so far this holiday season. But we need the shoppers to show up and spend this week to make it a holiday shopping season to remember.

Wayne Burritt is president and director of equity research for Burritt Research, which operates BurrittResearch.com. Under no circumstances does the information in this column represent a recommendation to buy or sell stocks. Burritt appreciates your feedback; [click here](#) to send him an email.

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