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Apparel Prices Gain in 2006, First Annual Rise in 10 Years

By Evan Clark

Led by steeper tags on women's fashions, retail apparel prices advanced 0.9 percent last year, the first annual increase since 1997, according to the Labor Department's Consumer Price Index released Thursday.

In December, seasonally adjusted apparel prices rose 0.6 percent compared with the preceding month.

"The stabilization of overall apparel prices has to do with better inventory control, more appropriate product for the consumer and the growth of gift cards," said Nate Herman, director of international trade at the American Apparel & Footwear Association.

Gift cards, which can spur consumers to spend more liberally, have developed into a holiday powerhouse. Retailers are also passing along higher energy prices to their shoppers, when possible.

In addition, stores seem to have resisted the temptation to offer coupons and sales to drive traffic and revenue.

"In the first three quarters of the year, retailers modified their promotional behavior, putting less pressure on price points," said John Henderson, a former Kellwood Co. executive who is now working on mergers and acquisitions as a director at Net Worth Solutions Inc. "[Retailers] moved up their fashion, they inched up their price points and at the same time most stores did a terrific job of controlling their inventories."

Over the past five years, however, apparel prices have dropped 4.1 percent because of the impact of imports from low-cost countries and cut-throat competition for the consumer's fashion dollar.

Retail prices of women's apparel rose a seasonally adjusted 1.4 percent last month, compared with November, and increased 1.7 percent for all of 2006.

The suits and separates category had a 2.9 percent price boost for the month and a 2.3 percent rise in 2006. Outerwear prices slid 1.2 percent in December and were off 0.7 percent for the year.

Prices on all goods and services were up 0.5 percent during the month and 2.5 percent for 2006, the smallest annual increase since 2003.

Excluding food and energy, the so-called core prices rose 0.2 percent in December and were up 2.6 percent for the year.

"Inflation should continue to moderate in the months ahead," Peter Morici, professor at the University of Maryland's Robert H. Smith School of Business, wrote in a report. "Essentially, moderate economic growth, falling housing prices and lower energy prices should relieve pressures on both the broader consumer price index and core consumer prices."