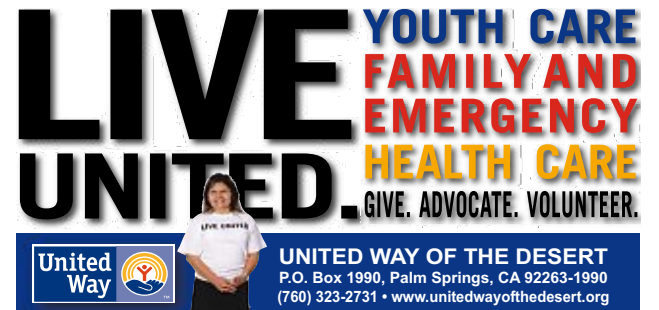


Business

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DOW 12,560.18

S&P 500 1,340.68

NASDAQ 2,815.00

AMEX 2,357.62

NYSE 8,407.48

Retail reports: Rich spend as others scrimp

Merchants witness pinch of high gas prices

The Associated Press

NEW YORK — High gas prices are driving a wider wedge between the wealthy and everybody else.

The rich are back to pre-recession splurging: Saks Fifth Avenue and Nordstrom customers are treating themselves to luxury items like \$5,000 Hermes handbags and \$700 Jimmy Choo shoes, and purchasing at full price.

At Target and Walmart, shoppers are concentrating on groceries and skipping little luxuries. BJ's Wholesale Corp. said Wednesday that customers are buying more hamburger and chicken and less steak and buying smaller packs to save money.

"The average shopper isn't in the

game, except for necessities," said Faith Hope Consolo, chairman of retail leasing and marketing at Prudential Douglas Elliman. At the same time, among the rich, "Luxury products are selling like bread."

J.C. Penney, Wal-Mart and home-improvement retailer Lowe's Cos. all said they're noticing their customers are consolidating shopping trips to save money on gas as the average price hovers at \$4 a gallon.

More than a half-dozen corporate earnings reports this week show that for the affluent, rising prices are merely a nuisance. For others, they can mean scrimping to put food on the table.

The wealthy were the first to start



THE ASSOCIATED PRESS
A customer exits a Nordstrom department store in Portland, Ore.

spending again after the recession. Middle-class spending started picking up late last year.

But the retail earnings results show that rising prices for gas and food, particularly meat, dairy and produce, have started to erode spending power.

It could get worse later this year, when clothing prices are expected to rise 10 percent to 15 percent. Meat prices are expected to rise 6 percent to 7 percent this year and dairy products as much as 5.5 percent, according to USDA estimates.

The bottom fifth of earners, with a median household income of \$9,846, spend 35.6 percent of their income on food and 9.4 percent of their income on gas, according to a report by Citi Investment Research.

The top fifth, whose median household income is \$157,631, spends only 6.8 percent on food and 1.9 percent on gas. So they feel it less.

"While the U.S. economy is showing some signs of improvement, we expect the recovery will continue to be slow and uneven, particularly for more moderate-income households," said Gregg Steinhafel, Target chairman, president and CEO said on a conference call with analysts Wednesday.

The divide is prompting stores to alter their strategies. Luxury store Saks Fifth Avenue had added more items in its lowest price range on everything from shirts to suits after the financial meltdown in late 2008. Now, it's back to the \$300-plus dress shirts.

"We are increasingly optimistic about the future," Saks CEO Stephen Sadove said in a call with analysts on Tuesday, after reporting a 9 percent increase in revenue for the first quarter.

Please see **RETAIL, A13**

VALLEY DEVELOPMENT

Rabobank gives CVEP \$250,000

Bank will get its name on economic agency's new headquarters

BY DEBRA GRUSZECKI

The Desert Sun

Rabobank on Wednesday announced it will provide the Coachella Valley Economic Partnership the public-private partnership's largest one-time investment.

"It underscores Rabobank's commitment to the region and its long-term economic vitality," Thomas Flavin, CVEP's chief executive officer, said of the \$250,000 investment.

The investment will fund and give Rabobank naming rights to the new regional business development center near Palm Springs International Airport.

Expected to have its soft opening this summer, the Rabobank Regional Business Development Center will be the main headquarters of CVEP. The 14,000-square-foot building is undergoing a retrofit by PENTA with construction oversight donated by the Agua Caliente Band of Cahuilla Indians.

The retrofit is projected to be \$375,000, CVEP officials said.

"We see this as an opportunity," said Keith Goff, regional president of Rabobank. The bank has been a member of CVEP since 1995. "We belong to the communities we're in. These are the things we do when we invest in our communities."

The timing is prime as well, Goff said.

After noting the economic blueprint and CVEP staff, Goff said, "This is a way to give Rabobank the chance to become attached to something that's important. To us, that's economic growth."

It's unique to have a facility like this, Flavin said.

It is tangible evidence the organization is working through its checklist to diversify the economy through several different industry clusters, he said, including green energy, logistics, film and entertainment, and health care and life sciences.



PHOTO COURTESY OF CV STRATEGIES

This image shows the design plan of the lobby for the new Rabobank Regional Business Center in Palm Springs.



PHOTO COURTESY OF CV STRATEGIES

Keith Goff (left), regional vice president of Rabobank, and Thomas Flavin, president and chief executive officer of the Coachella Valley Economic Partnership, announced Rabobank's \$250,000 investment Wednesday.

The business center also will serve as an "Innovation Hub" to incubate businesses or entrepreneurial ventures in clean technology and other industry clusters. The iHub will be a tool that can be used to position the Coachella Valley as a leader in the state, and the entire country, Flavin said.

It also will carve out space for support services for businesses and companies, from SCORE to the Small Business Administration.

"We want to make it a one-stop shop for all our job clusters that are already here, and those we want to attract here," Flavin said.

Valley business leaders Richard

Oliphant and Bill Powers, two of CVEP's original founders, viewed the donation as a springboard for growth.

Hal Gutterman, of F Cubed LLC, a DNA detection and molecular diagnostic venture with a presence in Notre Dame University's Innovation Park, said he is closely watching the process play out.

The biotechnology company, which has done research work for Homeland Security, is mulling a services-related business in the valley to test water and food and eventually develop DNA diagnostic applications in the health and medical field, Gutterman said.

Right now, it is in a very initial assessment phase because the valley lacks a strong technology base.

But the motivation is there, the valley homeowner said. It's more than a place to play golf, Gutterman said.

"I look at it as the fourth ring of Greater Los Angeles."

Debra Gruszecki covers tourism, CVEP and Indian gaming for The Desert Sun. She can be reached at Debra.Gruszecki@thedesertsun.com or (760) 778-4643.

Fed considers tighter credit as economy gets better

The Associated Press

WASHINGTON — The Federal Reserve said last month that the economy is gradually improving and began discussing how it would reverse policies adopted during the recession that pumped billions of dollars into the economy.

Some members said the Fed might need to start boosting interest rates this year to guard against inflation. Any effort to tighten credit would lead to higher rates on some mortgages, credit cards and other consumer loans.

Fed policymakers didn't commit to taking any action at the April 26-27 meeting, according to minutes released Wednesday. But they agreed that if the economy continued its steady growth, the Fed would need to pull back on its massive stimulus programs and take steps to prevent consumer prices from getting out of control.

The officials generally agreed that the first step should be for the central bank to stop reinvesting money earned off its holdings of mortgages and Treasury securities. That's consistent with comments made by Federal Reserve Chairman Ben Bernanke at a news conference after the April 27 meeting. But that would have only a limited impact on the rates Americans pay on loans.

A majority of participants said the best method for tightening credit would be to lift the federal funds rate, which is now at a record-low near zero. The federal funds rate is the interest banks pay each other on overnight loans. Most Fed officials said they preferred raising that rate before selling mortgage securities from the Fed's vast portfolio.

Some members thought the Fed would need to start signaling to investors that interest rates would need to rise. A few members believed the Fed might need to boost its key interest rate or start selling some of the assets in its portfolio this year.

The minutes don't identify what the individual Fed policymakers said.

Economist Chris Rupkey at Bank of Tokyo-Mitsubishi UJF said the Fed could start boosting interest rates near the end of this year.

Fed policymakers "are back to talking exit strategy," he said.

BUSINESS BRIEFS

albany, n.y.

Gasoline tax breaks discussed

How would you like a 33-cent drop in the price of a gallon of gas?

Whenever gas prices get near a rounder and more punishing number — \$2, \$3, \$4 a gallon — there is talk of temporarily easing state gas taxes or lifting them altogether for a time, even if it might cost a state desperately needed tax revenue.

Lawmakers in at least four states are bringing it up again now.

new brunswick, n.j.

Poll: Recent grads hurting

A new survey of college graduates from the last five years finds that the Great Recession has hit them hard, forcing them into low-paying jobs often unrelated to their educations and leaving half of them expecting less financial success than their parents.

Don't blame a spoiled generation, says Cliff Zukin, a Rutgers University political science

and public policy professor who was co-author of the study.

"Eighty-three percent of them worked when they were in college," he said. "They're making sacrifices to go through with this and they're coming out without a great job and with debt. That's not a great situation."

detroit

Chrysler near loan payoff

Chrysler is close to repaying its government bailouts.

The company has lined up investors to help it refinance \$7.5 billion in loans from the U.S. and Canadian governments, three people briefed on the matter said Wednesday. Under the deal, the company would take out \$2.5 billion in bank loans and sell \$3.5 billion worth of bonds to investors. Italy's Fiat, which has management control of Chrysler, would kick in \$1.3 billion more to raise its stake in the U.S. carmaker.

The deal moves Chrysler closer to separating itself from the government, which

was the only lender available to save the company when it nearly ran out of cash early in 2009.

new york

Citi CEO gets \$23.4M bonus

Citigroup Inc. says it is awarding CEO Vikram Pandit a multi-year bonus package that could be worth \$23.4 million if the bank meets a series of performance objectives.

Pandit received a \$1 salary and no bonus or stock awards in 2010.

detroit

GM to boost Volt production

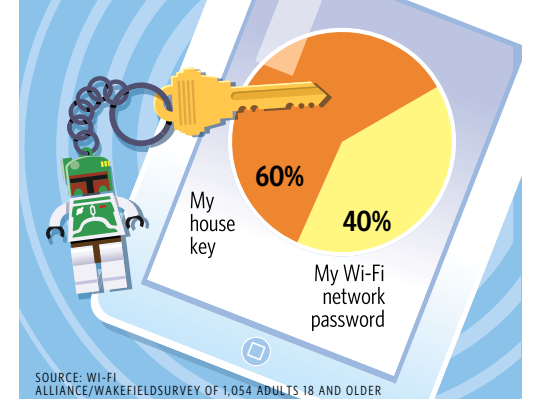
General Motors will reconfigure the plant that makes the Chevrolet Volt to expand production to up to 60,000 electric cars a year.

The Detroit-area factory, which will be shut next month, now can produce about 16,000 a year.

— THE ASSOCIATED PRESS

BUSINESS FACT

Which requires more trust to share?



SOURCE: WI-FI ALLIANCE/WAKEFIELD SURVEY OF 1,054 ADULTS 18 AND OLDER

GANNETT NEWS SERVICE

corrections

If you have a correction or clarification, please contact Senior Editor for Business James Meier at (760) 778-4623 or at james.meier@thedesertsun.com