

Dow Jones
-41.11
9,707.44

S&P 500
-10.09
1,050.78

NASDAQ
-23.81
2,107.61

Friday, September 25, 2009

BUSINESS

A10

www.intelligenceronline.com

TheIntelligence

MONEY WRAP

Rite Aid posts smaller 2Q loss

Rite Aid Corp. on Thursday reported a smaller second-quarter loss than a year ago as it cut expenses, but the nation's third-largest drugstore operator lowered its expectations for the fiscal year due to the weak economy and high unemployment.

Rite Aid said economic conditions have hurt its sales of nonpharmacy items like food and cosmetics because customers looked harder for bargains and bought more items that were on sale. It said rivals spent more money on promotions — a move Rite Aid is countering with a new rewards program — and profit margins at pharmacies fell due to lower reimbursement rates.

The Camp Hill, Pa., company said it lost \$120.4 million, or 14 cents per share, after preferred dividends in the three months ended Aug. 29. That compares with a loss of \$227.4 million, or 27 cents per share, a year ago.

Analysts expected a larger loss of 16 cents a share for the latest quarter, according to Thomson Reuters.

Rates on 30-year loans remain steady

Rates for 30-year home loans were unchanged this week and remain close to record-low levels.

The average rate for a 30-year fixed mortgage was 5.04 percent, the same as a week earlier, mortgage company Freddie Mac said Thursday.

Rates, while above the record low of 4.78 percent hit in the spring, are still attractive for people looking to buy a home or refinance. Applications for home loans rose nearly 13 percent last week from a week earlier as refinancing applications surged, the Mortgage Bankers Association said Wednesday.

Toys R Us makes its bets on holiday toys

The nation's biggest toy-store chain is placing its holiday bets — and because the stakes are high, the prices are lower.

If Toys R Us' testing is any indication, a \$10 toy hamster might be a runaway hit.

Chief Merchandising Officer Karen Dodge said her staff of buyers spends the better part of the year mulling what will be the top toys for gift-giving. Some they test in small markets and gauge consumers' reaction.

"We get the read on that, extrapolate, and go from there," she said. This year, for example, they tested Zhu Zhu Hamsters — the interactive squeaking toy rodents — in Arizona. They sold out, Dodge said.

Toys R Us' holiday hot list of toys it plans to heavily promote and stock this year, released Thursday, features just a handful of toys over \$100.

GM to speed up payments to parts suppliers

General Motors Co. has decided to speed up payments to its parts suppliers to help ease their cash flow problems and ultimately improve relations with the companies, a spokesman said Thursday.

The move is important, industry analysts say, because GM has had strained relations with its suppliers since the 1990s when it continually demanded cost cuts. As a result, suppliers offered new technology first to other automakers that paid better and more frequently, putting GM behind.

GM pays suppliers once per month and an average of 47 days after goods are delivered, spokesman Dan Flores said. Under the new plan, GM will keep the 47-day average, but starting with Nov. 1 deliveries, payments will be made every Tuesday.

Go figure

\$35 million

Value of a U.S. Air Force contract awarded to **Environmental Tectonics Corp.'s Training Services Group**, to supply a high-performance training and research human centrifuge. The centrifuge, which will be used as a flight simulator, will be built in the company's Upper Southampton headquarters and delivered by August 2012.

Stocks dip on home sales news

BY SARA LEPRO AND TIM PARADIS

ASSOCIATED PRESS

NEW YORK — A surprise drop in home sales and another slide in oil prices pushed investors to sell stocks Thursday.

Stocks slid for a second day after the National Association of Realtors said existing home sales fell 2.7 percent in August compared with a 7.2 percent rise in July. Economists had been expecting a fifth straight increase. The median sales price fell to \$177,700, down 12.5

percent from the same month last year.

The report overshadowed news from the Labor Department that the number of newly laid off workers seeking unemployment benefits fell for a third week in a row. Initial claims for unemployment insurance fell by 21,000 last week to 530,000, slightly better than economists expected.

The four-week average of jobless claims, which smooths out fluctuations, dropped to 553,500. That's the lowest since late January, though still far above the 325,000 weekly claims typical in a healthy economy.

Economists closely watch initial claims, which are considered a gauge of layoffs and an indication of companies' willingness to hire new workers.

The four-week average has fallen by about 100,000 since reaching a peak for the current recession in early April. Economists say initial claims below 400,000 would be a signal that employers are adding to the net total of jobs.

The number of people continuing to claim benefits for more than a week dropped 123,000 to a seasonally adjusted 6.14 million.

Meanwhile, a stronger dollar pressed

commodity prices lower. That in turn hurt stocks of energy and materials companies.

The drop in stocks came a day after the Federal Reserve's more upbeat assessment of the economy failed to bring sustained gains to the market. Investors still believe the economy is healing, but concerns remain about how strong the recovery will be. There are also worries about what will happen once the government scales back its various economic stimulus efforts.

The Fed said on Wednesday it would See **STOCKS, Page A11**



Tim and Michele Brennecke have opened a new environmentally friendly business in Doylestown Township called Box It where they sell new and used boxes. The Brennecks hope Box It will eventually become a franchise.

Treasury: Recovery is just beginning

BY ANNE FLAHERTY

ASSOCIATED PRESS

WASHINGTON — The Obama administration on Thursday sent its clearest signal yet that it is prepared to extend its \$700 billion bailout for Wall Street for another year, even as lawmakers said they were frustrated that not enough was being done to help the average American.

"We still have work to do," said Herbert Allison Jr., the senior Treasury official in charge of the bailout fund.

While some economic indicators suggest the nation is beginning to heal from the worst crisis in decades, experts warn that the market is fragile. Hundreds more banks are expected to fail in the next few years, largely because of souring loans for commercial real estate.

In his testimony, Allison repeatedly deferred to Treasury Secretary Timothy Geithner on whether the administration would authorize an extension of the bailout program through next year as the law allows.

At the same time, Allison said further government intervention in the market may be necessary because of the decline in commercial real estate.

"In this context, it is prudent to maintain capacity to address new developments," Allison told the Senate Banking, Housing and Urban Affairs Committee. "By bolstering confidence, having such capacity may actually reduce the need to use it."

Congress approved the rescue plan, known as the Troubled Asset Relief Program, with bipartisan support in October 2008 at the request of then-President George W. Bush during the height of the financial crisis.

The Treasury Department has the option of extending the program to October 2010 so long as it provides a justification to Congress before the end of the year.

According to the administration's latest report, the Treasury has obligated \$443.8 billion from the fund to specific institutions. Banks have paid back the Treasury \$70.3 billion of the assistance they received, and they have paid nearly \$9.4 billion in dividends and interest payments.

TARP, as the program is commonly known, is credited in part with pulling back the financial sector from near collapse last year. But its infusions of money into huge banks, the giant insurer AIG and the auto industry have been unpopular with the public and in Congress, where lawmakers are under pressure to save jobs and stop foreclosures.

"We can get billions out. We can buy General Motors overnight, but we can't help a homeowner," said Sen. Mike Johanns, a Nebraska Republican.

Moreover, Treasury has regularly sparred with the watchdog agency assigned to oversee it, and officials concede that the department will not recover all of the money it has spent on the program.

"It is extremely unlikely that the taxpayer will see a full return on its TARP investment," Neil Barofsky, the program's special inspector general, told the Senate committee.

Barofsky also complained that Treasury's approach toward public accountability "remains a significant frustration." Barofsky has repeatedly asked Treasury to release more information about how banks are using their share of the TARP money.

Andrew Williams, a Treasury spokesman, said that the department has implemented the vast majority of Barofsky's recommendations for the program and is taking steps to increase transparency "to ensure taxpayer funds are used prudently and effectively."

Boxes are their business

A New Britain couple opened Box It, an environmentally friendly retail box and shipping store in Doylestown Township.

CONTACT US

Do you know anyone who's making a living as an entrepreneur of an interesting business or as an employee in an occupation he or she always had dreamed about? If so, e-mail cshoemaker@phillyburbs.com or call 215-345-3186.

On Wednesday, the Brennecks provided the answer to their dilemma by opening Box It, a retail box and shipping store in Doylestown Township that accepts used boxes from businesses and consumers.

"We wanted to come up with an environmentally friendly business that would help the community," Tim said.

The store, located in the former Pewter Cupboard on Easton Road, has what one would expect from a shipping store: boxes, bubble wrap and other supplies stacked almost to the ceiling.

But the Brennecks said what sets Box It apart is that everything in the store is environmentally sustainable, down to the countertops and light-green paint on the walls.

All new boxes are made from recycled material. The bubble wrap and packing

peanuts are biodegradable.

Businesses can trade in their old or unused boxes for credit toward new boxes. Consumers can sell or donate their used boxes, provided that the boxes are in pristine condition. Tape and labels are OK; the Brennecks actually prefer you leave the tape on, to preserve the integrity of the box.

The couple isn't new to the business world. They formerly owned Brennecke's in Doylestown, now Chambers 19 Bistro and Bar.

"We wanted to work for ourselves again," Michele Brennecke said.

Over the past nine months, Michele and Tim worked to find business customers willing to donate their used boxes to the new store. Participating business customers will get a "coveted plaque," which says they recycle their boxes with Box It.

Eventually, the Brennecks hope Box It will become a franchise.

"This is the wave of the future," Michele said. "The children are growing up in this direction. It's not a fad. It's something that's here to stay. It's sustainable products and sustainable business."

Crissa Shoemaker DeBree can be reached at 215-345-3186 or cshoemaker@phillyburbs.com.

Citi retail plan focuses on 6 markets

BY STEPHEN BERNARD

ASSOCIATED PRESS

NEW YORK — Citigroup Inc. appears to be shifting its strategy in its U.S. retail banking business, focusing on its strongest markets rather than trying to expand across the country.

Citi, one of the largest recipients of government aid, is concentrating its efforts on improving its operations and customer service in six major markets, a person familiar with the company's plans said Thursday. The person requested anonymity because details of the plan have not been made public.

The six markets include cities where the company already has a strong foothold: New York, Washington, Miami, Chicago, San Francisco and Los Angeles.

A report in The Wall Street Journal Thursday said Citi could "abandon or scale back" in areas where it has a smaller presence, such as Boston, Philadelphia and Texas. Citi is looking to sell its 120 branches in Texas, according to the Journal.

"No decisions have been made about markets and branch locations," the person said about whether Citi will leave or cut back in certain markets.

Citi, which wouldn't confirm what The Associated Press or the Journal reported, said it isn't backing away from retail bank-

ing. In a statement, Citi said: "Customers, not products, are driving Citi's strategy for North America consumer banking, and we understand we have a great deal to do to improve the overall customer experience. We're on a very significant journey to make it simpler, more rewarding, and highly transparent to bank with us."

A strategic shift would be aimed at boosting Citi's profitability. The bank's earnings have recovered this year after it lost \$18.72 billion in 2008. However, its earnings so far in 2009 have come mainly on asset sales and low interest rates that enable banks to make fatter profits from the money they lend. And, like other banks, it faces rising loan losses for the foreseeable future.