



## U.S. Retail Sales Decline for a Record Sixth Month (Update2)

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By Bob Willis

Jan. 14 (Bloomberg) -- Sales at U.S. retailers fell more than twice as much as forecast in December as job losses and the choking-off of credit led Americans to cut back on everything from eating out to car purchases.

The 2.7 percent decrease, the sixth consecutive drop, extended the longest string of declines in records going back to 1992, the Commerce Department said today in Washington. Purchases excluding automobiles slumped 3.1 percent.

Today's figures indicate that the hit to spending in the recession is even deeper than estimated, and spurred a slide in stock-index futures. The loss of 2.6 million jobs and declining home and stock values are squeezing households, hurting retailers from **Wal-Mart Stores Inc.** to **Tiffany & Co.**, which today said its holiday sales fell 21 percent and cut its earnings forecast.

"Consumers are facing negative real income, mounting job losses and limited access to credit that hammered their willingness and ability to spend," said **Lindsey Piegza**, an economic analyst at FTN Financial in New York, which had forecast a drop of 3.5 percent. "It was a very dismal holiday season for the consumer that does not bode well as we roll over into 2009."

Stock-index futures extended their declines and Treasuries climbed after today's report. Yields on benchmark 10-year notes fell to 2.22 percent at 8:40 a.m. in New York, from 2.29 percent late yesterday. Futures on the Standard & Poor's 500 Stock Index slid 1.8 percent to 852.80.

### Economists' Forecasts

Retail sales were projected to fall 1.2 percent after an originally reported 1.8 percent drop the prior month, according to the median estimate of 78 economists in a Bloomberg News survey. Forecasts ranged from declines of 3.5 percent to 0.3 percent.

Today's report will serve as a reminder to lawmakers of the urgency to enact President-elect **Barack Obama's** stimulus proposals to combat the recession.

Obama, who takes office Jan. 20, is proposing a two-year recovery plan that includes about \$300 billion in tax cuts for individuals and businesses and infrastructure spending aimed at creating or saving 4 million jobs.

"It's not too late to change course -- but only if we take immediate and dramatic action," Obama said in his weekly radio address on Jan 10.

### Annual Decline

Sales fell 0.1 percent for all of 2008 compared with the prior year, the first decrease in the Commerce Department's records. Comparable data only go back to 1992 because government economists reformulated their retail-sales figures earlier this decade, and didn't revise historical records beyond that year.

November's decline was revised to 2.1 percent from a previously estimated fall of 1.8 percent.

Today's report showed declines in 11 of the 13 major categories tracked by the government, led by a 16 percent plunge at **gasoline** service stations that partly reflected the slump in fuel costs. The drop at grocery stores was the biggest since April 2002 and the decrease at restaurants was the largest since the terrorist attacks in September 2001.

Only health and beauty stores and a miscellaneous category saw increases last month.

Purchases of expensive goods are falling as banks restrict access to credit. Auto sales fell 36 percent in December from the same month last year, capping the industry's worst year since 1992.

#### Holiday Sales

Same-store sales dropped 2.2 percent in the last two months of 2008, making it the worst holiday shopping season in almost four decades of record keeping, the International Council of Shopping Centers said last week.

The first half of this year will also be "extraordinarily challenging," Wal-Mart Chief Executive Officer H. **Lee Scott** told a retailers' convention this week in New York City. "Some people are giving up eating out; some people are giving up movies; some people are giving up other things like shopping," Scott said. "Those are fundamental changes that will continue."

Americans are scrimping as unemployment last month rose to 7.2 percent, the highest level in almost 16 years. Job losses are likely to continue for most of this year, economists said.

The plunge at filling station in part reflected a 43 cent- per-gallon drop in the average cost of gasoline last month. Excluding gas, retail sales fell 1.4 percent.

The U.S. economy shrank at a 0.5 percent annual pace from July through September as Americans reduced purchases at a 3.8 percent annual rate, the first decline in consumer spending since 1991 and the biggest in 28 years, the government said last month.

The economic slump probably worsened in the fourth quarter as declines in business investment and construction intensified and consumers continued to pull back.

Excluding autos, gasoline and building materials, the retail group the government uses to calculate gross domestic product figures for consumer spending, sales dropped 1.4 percent, after a 0.1 percent increase in the prior month. The government uses data from other sources to calculate the contribution from the three categories excluded.

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