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## Retail Sales Tumbled in December

By **JEFF BATER**

WASHINGTON -- U.S. retail sales fell a sixth consecutive time in December, making a deep, broad drop that indicated worried consumers were adding to savings instead of spending at the height of the holiday season.

Separately, U.S. import prices fell less than expected in December, with a sharp drop in the price of oil and industrial supplies accounting for much of the decline.

Retail sales tumbled by 2.7% last month from the previous month on a seasonally adjusted basis, the Commerce Department said Wednesday.

Sales in November decreased 2.1%, revised down from an originally estimated 1.8% decline. October was also revised lower, to a drop of 3.4% from a previously reported drop of 2.9%.

Economists expected a 1.2% decline in sales during December.

Consumer spending makes a big part of gross domestic product, which is the broad measure of the economy. People stuck with debt, eroded asset prices, and fears of layoffs have curbed what were once-robust levels of spending. Credit for buying things is harder to get these days, too.

Automobile and parts sales dropped by 0.7% in December. November sales decreased 0.3%.

Sales of all retailers except auto and parts dealers fell in December by 3.1%. Economists expected a 1.5% decrease. Ex-auto sales in November had gone 2.5% lower, revised from a previously reported 1.6% drop.

December gasoline station sales plunged 15.9% last month. Gas sales fell 18.3% in November. Tumbling prices are lowering the value of sales and contributing to the big drops. Stripping away sales at gas stations, demand at all other retailers decreased 1.4% in December.

Excluding auto sales and gas station sales, all other retailers saw sales fall 1.5% in

December.

Sales last month tumbled 1.8% at furniture retailers; 2.5% at clothing stores; 1.0% at electronic stores; 2.2% at eating and drinking places; 0.4% at sporting goods, hobby and book stores; 1.3% at general merchandise stores; 1.4% at food and beverage stores; 2.9% at building material and garden supplies dealers; and 1.9% at mail order and Internet retailers.

Sales rose 0.4% at health and personal care stores.

### *Import Prices Drop*

Import prices fell 4.2% on a monthly basis in December, the Labor Department said Wednesday, below Wall Street expectations for a 6% decline.

That followed a record 7.0% drop in November, revised from an earlier estimate of a 6.7% decline.

Import prices also posted their biggest quarterly decline ever in the fourth quarter, down 16.2%, suggesting that the easing trend in overall inflation remains firmly in place.

That should give the Federal Reserve more flexibility to address the economic recession and ongoing credit squeeze, having already cut interest rates to a range near zero. On Tuesday, Fed Chairman Ben Bernanke said policymakers "see little risk of inflation in the near term."

After surging higher earlier in the year on the back of rising oil and commodity prices, the annual rate finished the year well into negative territory. Import prices were down 9.3% compared with December 2007, the biggest drop since the index was first published in 1982.

Petroleum import prices slid 21.4% last month and were down 47.0% on the year. Those prices declined a record 56.2% in the fourth quarter, according to the Labor Department report.

Excluding petroleum, import prices were down 1.1% from November, but were 0.9% higher on the year.

The import prices report is the first of what is expected to a series of favorable inflation data for December. The producer price index, due for release Thursday, is expected to show a 2% drop in prices. Consumer prices due out Friday are expected to have declined 0.8%.

According to Wednesday's report, prices for non-petroleum industrial supplies and materials imports fell 5.1%, while automobile prices were down 0.2% and capital goods were 0.3% lower.

Meanwhile, food prices were up 2.3% on the month, and consumer products prices registered a 0.1% increase.

Prices of imported goods from the European Union fell 1.7% on a monthly basis, while those from Canada declined 3.2%. Prices of goods from China decreased 0.4%, while those from Japan were 0.2% higher.

U.S. export prices fell 2.3% in December, and were down 3.2% on the year. The fourth-quarter decline of 7.5% was also a record.

Prices of agricultural exports declined 6.5% on the month, while prices of non-agricultural exports were down 1.9%.

—Tom Barkley contributed to this article.

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