

A couple descend an escalator while shopping last month at an H&M store in Atlanta. U.S. consumers increased their spending in December. DAVID GOLDMAN/AP

Nation's retail sales up 0.5% in December

Still, 2012 saw slow spending by consumers

By Martin Crutsinger
Associated Press

WASHINGTON — U.S. consumers increased their spending at retail businesses in December, buying more autos, furniture and clothing.

The Commerce Department said Tuesday that retail sales rose 0.5 percent in December from November, slightly better than November's 0.4 percent increase and the best showing since September.

A 1.6 percent jump in sales of autos and auto parts led all categories. Car companies closed out their best sales year since 2007.

Total retail spending was even stronger when factoring out a drop in gas prices. Excluding a 1.6 percent decline in gas station sales, retail spending increased 0.8 percent.

The December increase suggests consumers were not too worried about tense negotiations to resolve the fiscal cliff of tax increases and spending cuts that were to take effect at the start of the year. Congress and the White House ultimately reached a deal on Jan. 1 that prevented income taxes from rising for most households.

Still, retail sales are likely to weaken in the first half of 2013 because lawmakers and President Barack Obama allowed a two-year reduction in Social Security payroll taxes to lapse.

A person earning $50,000 a year will see take-home pay shrink by roughly $1,000 in 2013. That's likely to slow consumer spending.

ECONOMIC NEWS

In other news about the economy on Tuesday:

» **WHOLESALE PRICES:** They fell for the third month in a row last month, pushed down by falling food and gas costs. The drop is the latest evidence inflation is tame. The producer price index dropped 0.2 percent in December. That follows a decline of 0.8 percent in November.

» **BUSINESS INVENTORIES:** Companies increased their stockpiles a steady pace in November from October, responding to a solid increase in sales. The Commerce Department said that business inventories grew 0.3 percent in November, matching the October gain.