Retail sales take dive in December, but season

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Retail sales unexpectedly plunged in December, closing out the holiday sales season meekly.

The latest report raises questions about the strength of consumer spending, which has shown signs of accelerating recently. But several economists noted overall seasonal sales were still solid and tumbling gasoline prices should continue to bolster consumer spending.

Separately, the Federal Reserve said Wednesday the U.S. economy expanded in December, but gains were "modest" to "moderate," and the fall in oil prices began to take a toll in the Dallas area.



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Shoppers hit the stores in San Francisco this month.

Last month, retail sales declined 0.9%. Economists had expected a 0.1% increase. Much of the drop was because of falling gas prices. But even core sales, which exclude autos and gasoline, declined 0.3%, short of the 0.5% rise economists had expected. And November's 0.7% jump in retail sales was revised down to 0.4%.

In December, motor vehicle sales fell after rising sharply in previous months. Electronics, clothing, general merchandise, sporting goods and online sales slipped. Furniture, restaurant and health and personal care sales increased. Tepid wage growth continued to constrain consumer spending late last year, but low gas prices left shoppers a windfall of extra cash.

While Black Friday sales were disappointing and retailers reported a mixed turnout in December, overall the retail industry is calling the holiday shopping season a success. With retailers offering more discounts across the entire shopping period instead of just on key days like Black Friday and Cyber Monday, shoppers had more chances to spend. The National Retail Federation said holiday sales increased 4% in November and December vs. last year, making for the best holiday sales season since 2011.

still solid

"Most consumers got their holiday shopping needs out of the way in November, and therefore December was relatively weak," says economist Chris Christopher of IIS Global Insight. He revised down his estimate of consumer spending in the fourth quarter, from an annualized 4.1% increase to a still-solid 3.5% rise.

Separately, the Fed said in its Beige Book that auto sales and travel and tourism were sources of strength, and manufacturing expanded from mid-November through late December.