

A shopper looks over the clothes at the Vermont Trading Co. in Montpelier, Vt. Retail sales fell in March from February by the most in nine months. TOBY TALBOT/AP

Retail sales fall in March

Consumers cut back their spending in most categories

By Christopher S. Rugaber
Associated Press

WASHINGTON — Sales at retailers fell in March from February, indicating that higher taxes and weak hiring might have made some consumers more cautious about spending.

Retail sales declined a seasonally adjusted 0.4 percent last month, the Commerce Department said Friday. That followed a 1 percent gain in February and a 0.1 percent decline in January. Both February and January figures were revised lower.

Consumers cut back across a wide range of categories last month. Sales at auto dealers dropped 0.6 percent. Gas station sales dropped 2.2 percent, partly reflecting lower prices. The retail figures aren't adjusted for price changes.

Excluding the volatile categories of autos, gas and building materials, core sales dropped 0.2 percent in March. That followed a gain of 0.3 percent in February. Department stores, electronics retailers and sporting goods outlets all reported lower sales.

The retail sales report is the government's first look at consumer spending, which drives about 70 percent of economic activity.

Many economists still expect economic growth accelerated to an annual rate of roughly 3 percent in the January-March quarter, despite the softer retail spending in March. But many expect weaker spending will slow growth in the April-June quarter.

Paul Dales, senior economist at Capital Economics, said the decline in retail sales suggests higher Social Security taxes and February's spike in gas prices forced consumers to pull back in March.

And when factoring in slower hiring and other weak data for the month, "the economy appears to have lost some momentum," Dales said. "But with gasoline prices now falling, we don't expect too sharp a slowdown."

There were a few positive signs in the retail spending report. Furniture stores reported a 0.9 percent sales increase, suggesting the housing recovery is still encouraging more spending. And sales at hardware and garden supply stores ticked up 0.1 percent, despite an unseasonably cold March.