

Analysts expect shoppers, particularly those in the low income to middle income bracket, to pull back in the weeks ahead as they digest rising gas prices and a payroll tax increase. NAM Y. HUH/AP

Retailers report strong January sales

But rising gas prices and payroll tax increase may cause spending to slow

By Anne D'Innocenzio
Associated Press

NEW YORK — Americans shopped the winter clearance racks in January, resulting in strong sales during the month for retailers.

But spending is expected to slow as the deals dry up heading into the spring, and Americans digest rising gas prices and a 2 percent payroll tax increase that started in January.

Overall, 20 retailers reported Thursday that revenue at stores opened at least a year — an indicator of a store's health — rose an average of 5.1 percent, according to the International Council of Shopping Centers. That's above the trade group's 3 percent estimate and the 4.5 percent increase posted in December. It also marks the highest reading since last August when the figure was up 6 percent.

Retailers are coming off a ho-hum holiday season in which they had to do a lot of discounting to get shoppers to buy. And January, which marks the end of retailers' fourth quarter, typically is the time when stores have clearance sales on winter merchandise to make room for spring items.

But once the clearance goods disappeared last month, so did shoppers. Analysts say the absence of big discounts — coupled with gas prices that have risen for the past 20 days and the higher payroll tax — caused sales to taper off in the last week or so of the month. Such pressures also hurt consumer confidence last month, which fell to the lowest reading in 14 months, according to the Conference Board.

ABOUT THE NUMBERS

Only a small group of stores that represent about 13 percent of the $2.4 trillion U.S. retail industry report monthly revenue. But the data offers a snapshot of consumer spending, which has been heavily influenced by big discounts during the economic downturn.