


ASSOCIATED PRESS

**A shopper is seen through a window on display at a Lowe's store in Atlanta. Americans cut their spending at retail businesses for a third straight month, as a weak job market made consumers more cautious. Retail sales fell 0.5 percent in June from May, the Commerce Department said Monday.**

# US economy appears weaker, retail sales slump

**BY ANNE D'INNOCENZIO AND MARTIN CRUTSINGER**
ASSOCIATED PRESS

WASHINGTON — The outlook for the U.S. economy appeared dimmer Monday after a report that Americans spent less at retail businesses for a third straight month in June.

The report led some economists to downgrade their estimates for economic growth in the April-June quarter. Many now think the economy grew even less than in the first quarter of the year, when it expanded at a sluggish 1.9 percent annual rate.

Spending in June fell in nearly every major category — from autos, furniture and appliances to building, garden supplies and department stores. Overall, retail sales slid 0.5 percent from May to June, the Commerce Department said.

Retail sales hadn't fallen for three straight months since the fall of 2008, at the height of the financial crisis.

The weak U.S. spending figures were released on the same day that the International Monetary Fund slightly lowered its outlook for global growth over the next two years.

Stocks fell after the Commerce report was issued. The Dow Jones industrial average sank 74 points in early trading. Broader indexes also declined. Later in the day, stocks regained some of their losses.

"However hard you look, there's just no good news in this report," said Paul Ashworth, chief U.S. economist at Capital Economics.

Weakening retail spending could make the Federal Reserve more likely to act further to try to encourage more borrowing and spending by lowering long-term interest rates. The Fed's policy committee will meet at the end of this month.

Most economists don't expect new Fed action after that meeting. But some said Monday's Commerce report, coming after three straight months of tepid hiring, makes some Fed action more likely by year's end.

Fed Chairman Ben Bernanke will testify to Congress about the economy on Tuesday and Wednesday.

Despite the lackluster spending in April through June, retail sales were still 4.7 percent higher in the second quarter than in the same period in 2011. And the figures don't include spending on services, which makes up about two-thirds of consumer purchases. Services range from doctor's visits and plane tickets to rent payments and utility bills.

Spending figures for services aren't yet available for June. But consumers have spent more on services each month this year.

Still, Ashworth said economic growth likely slowed to an annual rate of just 1.5 percent in the second quarter. That's isn't enough to lower high unemployment. The U.S. unemployment rate is 8.2 percent.