

A woman walks past a J. Crew retail store in Baltimore in April, when Americans increased their spending at retail businesses, buying more cars and clothes after cutting purchases sharply in March. PATRICK SEMANSKY/AP

US retail sales rise in April on cars, clothing

Lower gas prices gives consumers more disposable income, and they use it

By Martin Crutsinger
Associated Press

WASHINGTON — Americans increased their spending in April at retail businesses, buying more cars and clothes while paying less for gas.

Retail sales edged up 0.1 percent in April from March, the Commerce Department said Monday. That's an improvement from a 0.5 percent decline in March, which was the largest drop in nine months.

Gas prices drop stations' sales. The April gain was stronger when taking out the effect of lower gas prices, which reduced sales at gas stations 4.7 percent — the largest decline since December 2008. The retail sales report is not adjusted for price changes.

The national average price has risen slightly over the past week to $3.58 a gallon. But it is still 21 cents lower than the peak price reached on Feb. 27.

When excluding gas station sales, retail spending rose 0.7 percent. And core retail sales, which exclude gas, autos and building supplies, increased 0.5 percent. Economists pay close attention to core sales because they strip out the most volatile categories.

Autos, clothes up. Sales of autos rose 1 percent in April, rebounding from a 0.6 percent drop in March. Sales at clothing stores increased 1.2 percent and sales at general merchandise stores, a category that covers department stores, rose 1 percent. Sales were also strong at building materials and garden supply stores and electronics and appliance stores.

'Good start.' Consumers increased their spending in April, despite paying higher Social Security taxes that have reduced their paychecks this year. Their spending will likely add to economic growth in the April-June quarter. Consumer spending makes up roughly 70 percent of economic activity.

"This is a good start to the second quarter," said Jennifer Lee, senior economist at BMO Capital Markets. "The rest of the year is expected to rise further on stronger household finances."

GROWTH STANDS AT 2.5 PERCENT

The economy grew at a 2.5 percent annual rate from January through March, up from a 0.4 percent rate in the October-December quarter of 2012.

» The gain was largely because of the fastest growth in consumer spending in more than two years.