

Despite 'Cash for Clunkers,' Retail Sales Decline in July

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Retail sales fell unexpectedly in July, the government reported on Thursday, chilling hopes that consumers are ready to lead the American economy out of [recession](#).

The Commerce Department reported that retail sales fell by a seasonally adjusted 0.1 percent from June, and were 8.3 percent lower than a year ago.

Economists, who had been expecting an increase of 0.7 percent, called the numbers a sobering reminder of the persistent weakness in consumer spending, which makes up 70 percent of the United States economy.

"We're really not through the woods yet," said Julia Coronado, senior United States economist at [BNP Paribas](#). "The consumer is still very conservative and really isn't getting out there and spending."

Consumers spent 2.4 percent more on motor vehicles and automotive parts last month compared with June as the government's popular "[cash for clunkers](#)" car-purchase program got under way, but any money that flowed into the pockets of car dealers seemed to come at the expense of other businesses.

Retail spending excluding sales of cars and car parts fell 0.6 percent.

People spent less on furniture, electronics, appliances, books and music, implying that American consumers are still wary of the weak job market and an uncertain economic recovery.

Consumer spending fell by an annual rate of 1.2 percent in the second quarter, dragging down the country's overall economic output.

Some 20 months into the recession, millions of consumers are still saving more money as they try to shore up their depleted finances and make up some of the wealth they have lost as their home values declined and their stock portfolios dwindled. Economists say high unemployment and stagnant wage growth are likely to keep consumers tethered in the months ahead, even as the broader economy begins to recover.

[Businesses also cut their inventories](#) in June by 1.1 percent, slightly more than the 0.9 percent decline that had been forecast. Sales by businesses, however, offered an encouraging sign, raising 0.9 percent after being flat in May.

http://www.nytimes.com/2009/08/14/business/14econ.html?_r=1&hp=&pagewanted=print