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Retail sales close out year on lackluster note

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NEW YORK>> Shoppers unexpectedly paused their spending in December from November, closing out the holiday shopping season and the year on a lackluster tone.

The report, issued by the Commerce Department on Tuesday, surprised economists who were looking for growth despite mounting concerns about slowing job growth, uncertainty about President Donald Trump's tariffs and other economic headwinds. And it raised questions about shoppers' ability to spend after they have remained resilient for months despite souring consumer confidence, economists said. *Note*

Retail sales were flat in December from November, when business was up 0.6%, according to the Commerce Department. Economists were expecting a 0.4% increase for December.

The report was delayed because of the 43-day government shutdown.

Sales in October fell 0.1%, rose 0.1% in September, but jumped 0.6% in July and August and 1% in June, according to the Commerce Department.

The retail sales figures, which are not adjusted for inflation, showed that many types of businesses posted declines including furniture and home furnishings stores and electronics and appliance retailers. Among the few bright spots: building materials and garden stores, which posted a solid sales increase. Gas stations and food and beverage stores saw small sales gains.

The snapshot offers only a partial look at consumer spending and doesn't include many services, including travel and hotel lodges. But the lone services category — restaurants — registered a dip of 0.1%. The data comes as U.S. consumer confidence has been souring for months. In fact, confidence declined sharply in January, hitting the lowest level since 2014 as Americans grow increasingly concerned about their financial prospects.

"Consumer spending has finally caught up with consumer sentiment, and not in a good way," Chris Zaccarelli, chief investment officer for Northlight Asset Management in Charlotte, North Carolina, wrote in a report published Tuesday. *Note*

He noted that consumer confidence numbers have been disappointing for months, and shoppers have been complaining about the cost of everything — and yet they kept spending. *Note*

But he added, "This month's data show that consumers are no longer relentlessly increasing their level of spending." Thomas Ryan, North America economist at Capital Economics, also noted the report was worrisome, but given expected stimulus from the bigger tax refund checks, he thinks that consumption at the end of the first quarter of this year "may turn out to be a lot stronger than it currently looks at the start."

Economists will be closely monitoring a slew of economic reports on jobs and prices due out later this week.

But the economy is in a confusing place.

Growth is robust: Gross domestic product — the nation's output of goods and services — advanced from July through September at the fastest pace in two years. But the job market is lackluster: Employers have added just 28,000 jobs a month since December.

In the 2021-2023 hiring boom that followed COVID-19 lockdowns, by contrast, they were creating 400,000 jobs a month.

When the agency releases hiring and unemployment numbers for January on Wednesday, they are expected to show that businesses, government agencies and nonprofits added about 80,000 jobs last month — modest but up from 50,000 in December.

Analysts will also be studying consumer price report, to be released Friday. In December, consumer prices matched the 0.3% increase in November. If inflation cools in the coming months, it could increase the likelihood the Federal Reserve will reduce its key interest rate later this year, economists say.

Against this backdrop, some chains like Walmart, whose everyday low prices have pulled in shoppers from rivals, are thriving but others struggle.

A growing number of retailers are closing stores as companies reorganize under bankruptcy protection or pare down their operations to focus on profitable operations.

On Monday, the operator of roughly 180 Eddie Bauer stores across the U.S. and Canada filed for Chapter 11 bankruptcy protection, blaming declining sales and a litany of other industry headwinds.

Last month, the parent company of Saks Fifth Avenue said it was seeking bankruptcy protection, buffeted by rising competition and the massive debt it took on to buy its rival in the luxury sector, Neiman Marcus, just over a year ago. A few days later, the parent company said it was closing most of its Saks Off 5th stores.

Amazon said earlier this month that it was closing almost all of its Amazon Go and Amazon Fresh locations within days as it narrows its focus on food delivery and its grocery chain, Whole Foods Market.