

NRF expects modest increase in 2013 retail sales

Written by Eric Tiansay

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Retail sales will increase 3.4% this year, slightly less than the preliminary 4.2% growth seen in 2012, according to the National Retail Federation (NRF).

The subdued sales forecast, which excludes automobiles, gas stations and restaurants, comes on the heels of a holiday season that went head-to-head with political wrangling over fiscal cliff concerns, shifting consumer spending plans downward. Holiday sales in 2012 grew 3%, NRF said.

Shop.org, NRF's digital division, expects online sales in 2013 to grow between 9% and 12%. Online sales in 2012 during November and December grew 11.1%.

"What we witnessed during the holiday season is an indication of what we are likely to see in 2013," said NRF President and CEO Matthew Shay. "Consumers read troubling economic headlines every day and look at their bottom lines at the end of the month, and they don't like what they see.

"The administration and Congress need to pursue and enact policies that lead to growth and economic expansion, or it could be another challenging year for retailers and consumers alike," he added. "Retailers will compensate for the drag on household spending this year by managing inventories and focusing on providing value for their shoppers through unique promotions in stores and online and exclusive product lines."

A number of factors contributed to NRF's 2013 economic forecast, including unemployment, income growth, housing, inflation and consumer confidence. As of December 2012, the national unemployment rate has held steady for two months at 7.9%, and consumers are constrained by modest growth in income, and recent legislation passed in January increased payroll taxes for millions of workers.

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NRF anticipates the Consumer Price Index—an inflation indicator—to increase 1.9% in 2013, below the 2.1% increase in 2012.

"While it's too early to know the full effect of higher payroll taxes, there's no question that many consumers will feel some kind of impact from the change in their paychecks," said NRF Chief Economist Jack Kleinhenz. "That said, consumers have in the past shown a resiliency in the face of uncertainty, and we expect those impacted to adjust to smaller budgets by trading down or simply cutting back on certain items. Overall we foresee some improvements in the second half of the year, should the outlook for job creation and income growth improve."