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and frozen hiring.

Feb. 17, 2014

This year's streak of nasty weather is wreaking havoc on the economy, causing plunging worker productivity, soaring heating bills, canceled flights, damaged crops and frozen hiring.

But the bitter conditions, which last month left thousands stranded in Atlanta and this week is pounding the eastern part of the country with snow, have dealt a particularly severe blow to retailers.

The tempests couldn't have come at a worse time. In January, as businesses struggled through a weak post-holiday period in a month that already tends to be slow, industry sales slid by their largest margin in 18 months.

And "February does not offer much hope for relief," according to a report from Credit Suisse.

Maggie Taylor, an analyst with Moody's, said she's spent two days in each of the last three weeks stranded at her New Jersey home because of the weather. She's tried to run errands but has been stymied by closed stores. There's so much snow she can't even see her front stoop.

"The consumer is coming back slower than we expected with or without the storms," she said. "But this winter, the storms appear so extreme that we don't believe retailers are using them as an [unreasonable] excuse. People are staying home."

The Commerce Department said Thursday that retail sales slumped a seasonally adjusted 0.4% in January from December, missing Wall Street's expectations of flat results. Compared with the same month a year earlier, sales were up 2.6%, disappointing many analysts.

The government also revised down sales for the prior two months. December sales,

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the Harvard Book Store, Etsy merchants, West Elm and more.

Some sectors got a boost. Revenue at grocery stores and building supply stores rose as nervous Americans picked up generators, tools and other supplies ahead of storms.

Retailers often plan their inventory around expected weather cycles. Manageably cold weather means increased sales of cozy clothing, which tends to lift winter earnings. Spring generally brings an uptick in home improvement projects, which is why Home Depot said this week that it will hire 80,000 seasonal employees to manage demand.

But volatile temperatures may prevent the industry from getting “a clean read on retail demand for quite some time,” according to Credit Suisse.

The National Retail Federation said that “weather was a major factor” in a recent government report showing slowing retail employment gains in January.

“Extreme temperatures and severe ice and snow are making it increasingly difficult to assess if the retail sales slowdown is temporary or a telling sign of a longer-lasting weakness in the consumer-fueled economy,” said Jack Kleinhenz, chief economist of the NRF trade group. “No one can jump to any solid conclusion until we shovel out of the snow.”

During the first Saturday of the month, shoppers were out in force taking advantage of post-Christmas promotions, according to Euclid Analytics.

But by Jan. 5, the arctic blast soon dubbed the “polar vortex” had arrived. The next day was deemed the worst shopping day of the month, according to Euclid.

Within three days, the cold snap had caused a 10% drop in bricks-and-mortar retail sales nationally year over year and an 11% slide in transactions, according to Applied

Predictive Technologies, which used data from more than 50,000 stores and

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“If a supply chain has 28 stages that loops all over the world, there are more points of disruption,” said Jim Manzi, founder of APT. “Weather effects on something like Amazon are very different than something like Wal-Mart.”

Small businesses are particularly at risk from extreme weather, according to a July report from the Small Business Majority and the American Sustainable Business Council.

Superstorm Sandy negatively affected 60,000 to 100,000 small businesses when it blew through the Atlantic states in 2012 and directly resulted in 30% of those companies failing, according to the report.

A small business affected by intense climate conditions loses a median of \$3,000 a day, suffering from power outages, higher insurance costs, supply chain disruptions and other upheavals, according to the report.

But some analysts question whether bad weather can have a lasting effect on consumer spending, which makes up more than two-thirds of economic activity.

Lindsay Piegza, chief economist at Sterne Agee, wrote in a note to clients that sustaining positive long-term spending patterns relies on “underlying growth in jobs and income.”

Lately, however, employment growth has been disappointing and mostly centered in part-time or low-wage sectors, she wrote. And looking ahead, rising energy prices will cost the average consumer an extra \$500 to \$1,000 this winter.

“Of course arctic winter temperatures certainly played a role here, dissuading consumers from going out and shopping, but retail spending has been losing momentum since an outsized monthly gain in October, suggesting not all of the

weakness can be explained away because of unfavorable weather conditions,” Piegza

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Between now and tax time, my business and my buying slows down, and it’s getting worse every year,” Freeland said. “I’m more careful and I compare more than I used to.”

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