US: Christmas marked by declining sales as unemployment climbs

IMF economist warns of “Great Depression”

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Early figures confirm an extremely bleak holiday shopping season in the US, as broad sections of the population have been hit hard by a deepening economic recession.

Total retail sales, excluding automobiles, fell 8 percent in December through Christmas Eve over the same period last year, according to MasterCard Inc.'s SpendingPulse. Sales for November fell 5.5 percent. If gasoline is excluded, the drop was a more modest 2 to 4 percent.

The holiday numbers come a few days after a Labor Department report showed that the number of US workers filing for first-time unemployment benefits increased 30,000 to 586,000 last week. The four-week moving average rose to 558,000. Both figures are the highest they have been since November 1982.

The sales declines are two to five times more severe than most analysts expected. It is the first time that holiday sales have fallen in the US in at least 40 years. SpendingPulse noted in its report that the 2008 shopping season was "one of the most challenging...we've faced in modern times."

The figures are based on sales from the company's credit card, with estimates for other forms of spending.

Declines were deep and broad-based, affecting all types of goods. Sales of expensive luxury goods, including jewelry, fell 34.5 percent. Apparel sales declined about 20 percent, and electronics goods fell by 26 percent. The decline in electronic sales was driven in part by a sharp fall in sales of more expensive products, as consumers cut back on large purchases and have had greater difficulty getting credit.

Even online sales declined 2 percent as compared to the 2007 holiday season, after soaring more than 20 percent last year.

Another research firm, ShopperTrak, reported Friday that visits to retail stores before Christmas fell 24 percent from last year. According to ShopperTrak's figures, overall sales declined 5.3 percent over last year.

These figures are sharply worse than ShopperTrak had predicted only a month ago. The firm expected visits to fall only 10 percent and sales to fall by 1.5 to 2 percent.

The *Wall Street Journal* quoted Mary Delk, a director in the retail practice at consulting Firm Deloitte LLP, as saying, "This will go down as one of the worst holiday sales seasons on record. Retailers went from ‘Ho-ho' to ‘Uh-oh' to ‘Oh-no.' "

Retailers introduced sharp discounts on many items in the weeks leading up to Christmas, with some sellers in panic mode, in an attempt to unload excess inventory. Sales are continuing into the post-Christmas period, but they will do little to improve figures for the month and the year as a whole.

Declining holiday sales are only the latest consequence of the deepening economic recession in the US. Hundreds of thousands of jobs have been eliminated in recent months, and wages continue to deteriorate. US consumers, already deeply in debt, are confronting difficulties getting credit as banks have ceased lending.

The end of the winter shopping season will likely mean a surge in layoffs. Retail stores already shed more than 90,000 jobs in November, and several major firms have declared bankruptcy or begun liquidation (including Circuit City, Linens ‘N Things, Steve & Barry's, and Mervyn's). This list of casualties will mount as the final results of 2008 come in.

A US Commerce Department report this week showed a 0.6 percent decline in spending in November. Incomes for the month fell by 0.2 percent. Sales of existing homes fell 8.6 percent in the same month, according to the National Association of Realtors.

American corporations have only begun to take measures in response to the economic crisis, shedding jobs, reducing hours, and cutting wages and benefits.

The top economist at the International Monetary Fund, Olivier Blanchard, warned earlier this week that continued declines in consumer spending would set off a global depression. "Consumer and business confidence indexes have never fallen so far since they began. The coming months will be very bad," he told the French newspaper *Le Monde*, as reported by Agence France-Presse.

"It is imperative to stifle this loss of confidence, to restart household consumption, if we want to prevent this recession developing into a Great Depression."

The US gross domestic product (GDP) fell 0.5 percent in the third quarter (July-September) from the same period a year ago. The fourth quarter decline will be much steeper—around 5 percent. Production in the other advanced capitalist countries, including in Europe, is also declining.

The news from Japan is even worse. Industrial output in the second largest economy in the world fell by 8.1 percent since October.

The *Financial Times* noted, "The fall was the most rapid fall in industrial output since the current index was introduced in the 1950s, and the Ministry of Economy, Trade and Industry said its survey showed manufacturers expected the decline to continue, with an 8.0 per cent contracted forecast for this month."

Some countries are already in the midst of economic conditions on the scale of the Great Depression. In Ukraine, industrial production fell by a massive 28.6 percent in November, following a nearly 20 percent decline the month before. In other words, nearly half of the country's industrial production has been eliminated in the space of two months.

As the world enters the New Year, the Great Crash of 2008 is turning into the global depression of 2009.