Year-end data shows deeper slump in US

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31 December 2008

Data released Tuesday on US consumer confidence, home prices and holiday retail sales all point to an acceleration and deepening of what is broadly acknowledged to be the worst recession since the Great Depression of the 1930s.

The Conference Board, a private research group, released its monthly report on consumer confidence, showing that confidence in the US economy fell to an all-time low in December. The index of consumer confidence dropped to 38.0, compared to a 44.7 reading in November.

The December number was the lowest reading since records began in 1967. It was far worse than the 45.8 forecast by economists surveyed by Dow Jones. Economists had expected that the sharp fall in gasoline prices would boost consumers' spirits, but this relative break for consumers was overwhelmed by soaring layoffs and falling household wealth resulting from the ongoing collapse of house prices and downward pressure on wages, benefits and savings.

The present situation index, a separate gauge of consumers' assessment of current economic conditions, plummeted to 29.4 in December from 42.3 the previous month. Consumer expectations of economic conditions over the next six months also fell, to 43.8 in December from 46.2 in November.

The further erosion of the index "reflects the rapid and steep deterioration of economic conditions that occurred in the fourth quarter of 2008," said Lynn Franco, director of the Conference Board Consumer Research Center. "The overall economic outlook remains quite dismal for the first half of 2009," the Conference Board's consumer survey said in a statement.

The report indicated that the most important factor in depressing consumer sentiment is soaring unemployment. In regard to the labor market, 42 percent said that jobs are "hard to get," compared with 37.1 percent in November. The share of those who considered jobs "plentiful" fell to 6.2 percent from 8.7 percent, while those expecting business conditions to worsen over the next six months increased to 32.8 percent from 28.3 percent.

Also on Tuesday, the Standard & Poor's/Case-Shiller housing index for October was released, showing a record 18 percent decline in home prices compared to the same period last year. The report revealed that the fall in home prices is accelerating and hitting virtually all parts of the country.

The composite home price index for 20 major metropolitan areas fell 2.2 percent from September. The price drops, both on a year-over-year and month-to-month basis, were worse than forecast by economists.

Standard & Poor's said a separate composite index of 10 metropolitan areas dropped 2.1 percent in October from September, for a 19.1 percent year-over-year decline, also a record. That marked the 10-city index's 13th straight monthly report of a record decline.

The 20-city S&P/Case-Shiller index has posted losses for 27 months in a row.

"The bear market continues. Home prices are back to their March 2004 levels," said David M. Blitzer, chairman of S&P's index committee. He added that both composite indexes and 14 of the 20 metropolitan areas are reporting new record home price drops.

As of October, the 10-city index is down 25 percent from its mid-2006 peak and the 20-city is down 23 percent, Blitzer said.

The Case-Shiller data came a week after the government reported that sales of previously occupied homes plunged, dropping 8.6 percent in November, and the median price fell 13 percent, the largest drop since the government survey began in 1968. New home sales fell 2.9 percent in November, their fourth drop in a row.

The International Council of Shopping Centers (ICSC) reported Tuesday that the just-completed holiday sales season was the worst in four decades. "The 2008 recession, widespread discounting and adverse pre-holiday weather all coalesced to produce the weakest holiday season since at least 1970," said Michael P. Niemira, ICSC's chief economist and director of research.

The ICSC/Goldman Sachs Retail Chain Store Sales Index fell 1.5 percent in the week ending December 27 from the prior week and was down 1.8 percent for the year. The ICSC said it expects December comparable store sales to decline by at least 1 percent, with some sectors recording double-digit declines. It expects November and December sales to be down 1.5 percent to 2 percent, which would be the first decline since the ICSC began tracking holiday sales in 1969.

It is widely predicted that the dismal holiday period will be rapidly followed by a wave of retail store closings, layoffs and bankruptcies. Retail stores already cut more than 90,000 jobs in November, and several major companies, including Circuit City and Linens N' Things, declared bankruptcy or started liquidation.

Bloomberg News reported Tuesday: "US retailers face a wave of store closings, bankruptcies and takeovers starting next month as holiday sales are shaping up to be the worst in 40 years." It quoted Burt Flickinger, managing director of the retail industry consulting firm Strategic Resource Group, as saying, "You'll see department stores, specialty stores, discount stores, grocery stores, drugstores, major chains either multi-regionally or nationally go out."

The ICSC is forecasting that retailers will close 73,000 stores in the first half of 2009, following the closure of 148,000 stores in the course of 2008.