Dismal holiday sales belie talk of US "recovery"

Barry Grey
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US retail sales over the holiday shopping period grew at the slowest pace since the depths of the 2008 recession, according to a report released Tuesday by MasterCard Inc.'s SpendingPulse unit.

SpendingPulse tracks all retail sales in the form of credit card payments, cash and checks, excluding only restaurants and sales of autos, groceries and gasoline. It reported that over the eight-week period from October 28 through December 24, retail sales rose only 0.7 percent from the year before.

Amid a frenzied campaign in the media to spur consumer spending and various ploys by retailers, including beginning "Black Friday" super sales on Thanksgiving Day instead of the early morning hours of the following day, most retail analysts had predicted holiday sales would rise 3 to 4 percent. The general presentation was that a steadily improving economy would encourage consumers to spend more freely this season than in the past. But according to the MasterCard unit, sales grew by less than half the 2 percent rise in 2011.

Another firm that tracks retail sales, Customer Growth Partners, said 2012 looked to be the worst holiday shopping season since 2009. The firm's president, Craig Johnson, said sales rose roughly 2.8 percent as compared to a 5.8 percent spurt in 2011. Customer Growth Partners bases its estimates on government data, information from retailers, and other sources.

The sales slump occurred despite the benefit of an extra weekend this year between Thanksgiving and Christmas. The estimates confirm earlier reports of low holiday sales. At the beginning of December, the major retail chains Macy's, Nordstrom, Target and Kohl's all reported significant sales declines for November.

The International Council of Shopping Centers and Goldman Sachs Weekly Chain Store Sales Index showed declines for the first two weeks of December.

The poor holiday results will have serious economic repercussions. Many retailers count on holiday sales for between 25 and 40 percent of their yearly revenue. Low holiday sales will mean smaller orders for new goods in the coming months, impacting manufacturing.

Analysts sought to attribute the disappointing sales largely to the impact of super storm Sandy, which hit in late October, on the Mid-Atlantic and Northeast regions of the country, as well as concern over the potential fallout from the so-called "fiscal cliff." However, the tepid pace of sales was not limited to one region and extended over most of the holiday period.

Sales declined by 3.9 percent in the mid-Atlantic region and 1.4 percent in the Northeast compared with last year. They rose a mere 0.9 percent in the north central part of the country. The West and South saw increases of between 2 percent and 3 percent, still weaker than analysts' projections.

Online sales were also slow. They grew by only 8.4 percent, according to SpendingPulse, compared to the 15 to 17 percent rate of growth over the prior 18-month period.

Another indication of the weakness of the US economy was provided by the Conference Board, which released its December report on consumer confidence on Thursday. Its index fell 6 percentage points from a month earlier, hitting 65.1, the lowest level since August. That report followed by just days another gauge, the Thomson Reuters/University of Michigan consumer sentiment index, which also fell sharply.

The poor holiday sales are, in fact, an expression of the absence of a genuine economic recovery and the existence of an acute and deepening social crisis for which the political system and both corporate-controlled parties have no answers. Christmas sales are down fundamentally because tens of millions of Americans are struggling with record rates of long-term unemployment, falling wages, and rising poverty, hunger and homelessness. At the same time, the policies of the Obama administration and Congress are enabling corporations and banks to record profits and major holders of stocks and bonds to increase their personal fortunes.

The Federal Reserve Board earlier this month expanded its program of, in effect, printing tens of billions of dollars each month by purchasing mortgage-backed securities and Treasury notes. The Fed also said it would keep its benchmark federal funds interest rate at near-zero for at least another two years, pledging not to raise rates until the official unemployment rate fell below 6.5 percent.

This policy of pumping hundreds of billions of dollars into the financial system is not, however, driven by a determination to end high unemployment. The Fed, with the full support of the Obama administration, is deliberately working to benefit the banks and the financial elite by providing virtually free credit, without any restrictions on how the cash windfall is used.

Far from the banks passing on the cheap funds to small businesses and consumers, or making productive investments that lead to significant job creation, they are either hoarding the money or using it to seek super-profits from the same types of speculative bets that led to the financial crash of 2008.

To the extent that there is any economic growth, it is bound up with a modest and fragile recovery in the housing market. That, in turn, is almost entirely the result of the Fed's campaign to buy up toxic mortgage bonds on the banks' balance sheets and drive down mortgage loan interest rates. This week, the government reported rises in the sale of both existing and newly built homes.

However, the rate of new housing construction remains much lower than the rates that prevailed before 2007 and far below what would be expected in an economic recovery. A major reason is the role of the big banks.

As the *Wall Street Journal* reported in a front-page article on Wednesday, the banks are deliberately blocking home mortgage rates from falling to the 2.8 percent rate that corresponds to the prevailing yields on mortgage-backed securities. By keeping the rates they charge on home loans higher than they should be, the banks are increasing the spread between what they pay for borrowing and what they get for lending.

As a result, commercial banks reported a record $9.4 billion in income from mortgage banking in the third quarter of this year—an astronomical increase over previous years.

Thus, with the complicity of the Fed and the Obama administration, the banks are deliberately undermining the growth of housing construction and sales, and the overall growth of the real economy and employment, in order to boost their bottom lines.