Weekly Econotes

COONS ADVISORS

DECEMBER 12, 2008

Retail sales fell sharply again in November, pulled down by sales of motor vehicles and gasoline. Initial jobless claims spiked to a new high of 573 thousand in the latest week.

Retail sales decreased 1.8% to 7.4% below the year earlier level for the fifth monthly decline in a row. Sales of motor vehicles and gasoline fell 2.8% and 14.7%, respectively. In a dim ray of hope, sales increased 0.3%, excluding cars and gas. In inflation-adjusted terms, retail sales have never retreated more rapidly than in the past year in the forty-year plus record.

The recent fade in retail sales owes much but far from all to weak auto sales and the large retracement in gasoline prices. Sales of morot vehicles are off 25.2% from a year ago. And the 45% decrease in the price of gasoline from a year ago has pulled down the value of gasoline sales by 22.0% during the past year.

But even excluding cars and gas, retail sales are flat with the year earlier level – the worst year-over-year performance since comparable statistics were first calculated in 1992. Adjusted for inflation, retail sales excluding cars and gas were down 2.0% year-over-year.

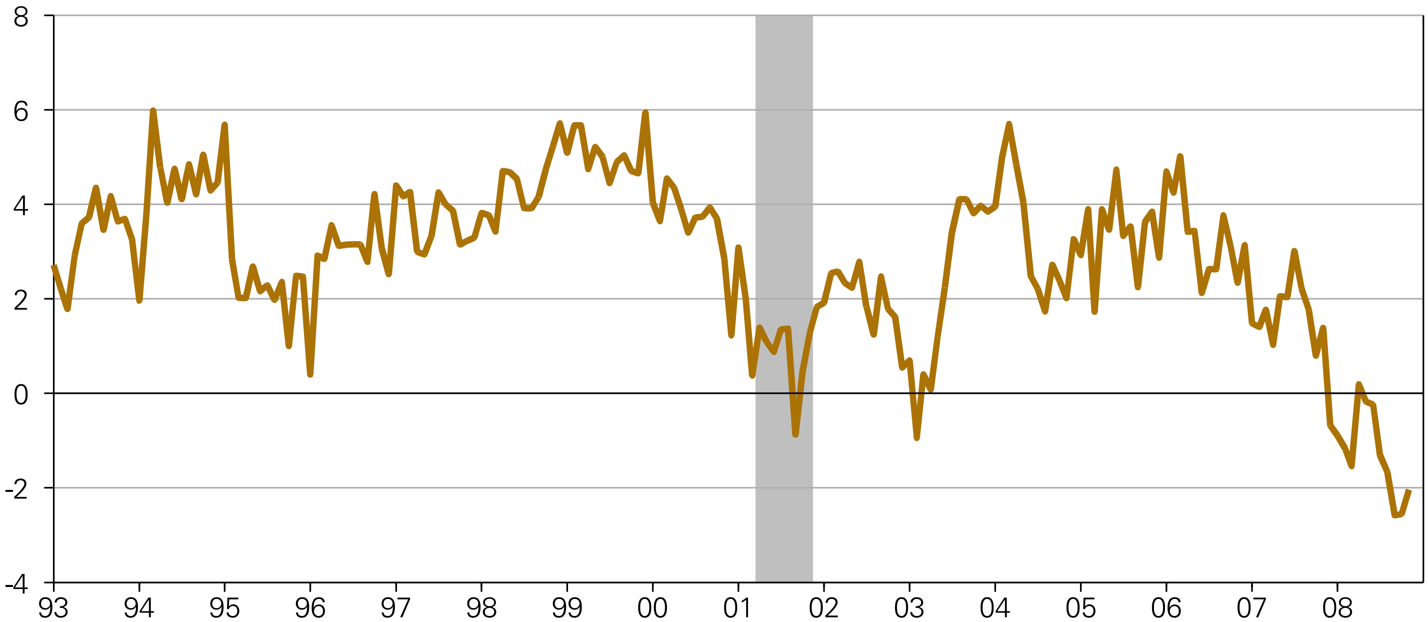
Retail sales fell sharply in November, and initial jobless claims spiked to a new high for the cycle. It is far too early to say with confidence, but we could be seeing about the worst of it for leading indicators.

Initial jobless claims spiked to 573 thousand during the week ending December 6, and continuing claims rose to a new cycle high of 4.4 million – levels last experienced at the trough of the 1981-82 recession in November 1982.

The recent deterioration in the most sensitive economic indicators could be the worst of it, to be followed through the coming winter by the aftereffects that will be evident in additional significant losses in employment, income and production. The leading indicators do not yet point to a rebound, so this is a very early and quite speculative call. But as the major monthly indicators deteriorate further in the months ahed, we might see the leading indicators signal a rebound that supports current forecasts the downturn will give way to growth by mid-year.

Jim Coons

Real Retail Sales, excluding cars and gas
12-Month % Change



Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted

U. S. Dollar Exchange Rate
FRB Major Currency Index, 1973 = 100

Price of Oil
West Texas Int, $/bbl

Price of Gold
London PM Fixing, $/oz

S&P 500 Stock Prices
Daily Close, Index 1941-43 = 10

Mortgage Loan Originations
MBA Purchase Index 3/16/90=100 SA