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HEADLINE Retail Sales Rise, but So Do Jobless Claims
Economy: December reports indicate that the recovery still lacks punch.
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An aggressive sales drive by car dealers drove retail sales up 1.2% in December, the Commerce Department said Thursday. At the same time, a sharp rise in unemployment claims provided a reminder that more jobs are needed to fuel an economic recovery.

Analysts said it appeared that consumers were finally beginning to spend the country into better times. They said the spending rise reflected increased consumer confidence that began right after the November election.

* "Consumers are voting on the strength of the recovery with their pocketbooks," said Campbell Harvey, an economist at Duke University.

Last month's gain in retail sales followed three dreadful Christmas seasons when sales either fell or were flat. It was the best showing since a 1.5% gain in December, 1987.

A third government report on Thursday showed that producer prices, which measure inflationary pressures before they reach the consumer level, were up only 0.2% in December and just 1.6% for all of 1992, one of the best showings in the last two decades.

The Labor Department's unemployment report showed that the number of Americans filing first-time claims for unemployment benefits took a big jump at the end of the year, climbing 52,000 to 343,000.

Analysts discounted the increase, because jobless claims numbers are especially volatile during holidays. They noted that the four-week moving average for claims continued to decline, dropping to 331,250, the lowest level in more than three years.

"The figure is still comfortably below earlier high levels we saw in applications for jobless benefits," said Robert Dederick, chief economist for Northern Trust Co. in Chicago.

Even when initial claims filed under the emergency federal program are factored in, the new claims data reaches only about 365,000. A year ago, new jobless claims were 448,000.

Economists agree that the nation's job market must improve for the strength in retail sales to continue, particularly because many of December's purchases were financed by consumers going deeper into debt.

The incoming Clinton Administration has been debating whether to propose an economic stimulus to spur growth this year even at the expense of a higher budget deficit.

Sandra Shaber, an economist at the WEFA Group, an economic consulting firm in Bala-Cynwyd, Pa., said she believes that a stimulus package is still needed.

"We are still not getting the gains in jobs and incomes that we need. If that doesn't improve, then consumer spending will slow down," she said.

Since consumer spending accounts for two-thirds of total economic activity, it is considered crucial to a sustained recovery.

The increase in December retail sales followed a revised 0.5% drop in November and a 2.1% surge in October. Despite this seesaw pattern, economists say the trend since July has been up.

In December, auto sales led the advance, climbing 3.2%.

Much of the 1.6% increase in the producer price index was attributed to food costs, including a 67.4% surge in the price of fresh winter vegetables.

@Art CHART: Producer Price Index, AP / Los Angeles Times

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