

Credit binge produces best Christmas sales in 5 years

The Associated Press

WASHINGTON — Retail sales jumped 1.2 percent in December as a credit-buying binge gave businesses their best Christmas in five years, the government said Thursday.

Analysts said it appeared that at long last consumers were finally beginning to spend the country into better times. They said the spending rise reflected increases in consumer confidence that began to be felt right after the November election.

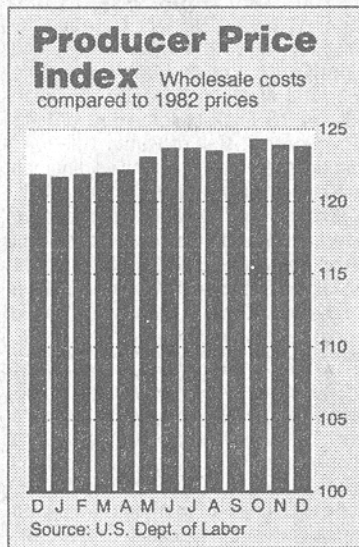
"Consumers are voting on the strength of the recovery with their pocketbooks," Campbell Harvey, an economist at Duke University, said.

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 percent gain in December 1987.

Another report Thursday showed that producer prices, which measure inflationary pressures before they reach the consumer level, were up only 0.2 percent in December and just 1.6 percent for the whole year, one of the best showings of the past two decades.

A third government 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 News & Observer

the four-week moving average for claims continued to decline, dropping to 331,250, the lowest level in more than three years.

Economists agreed 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.

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

The increase in December retail sales followed a revised 0.5

percent drop in November and a 2.1 percent surge in October. Despite this seesaw pattern, economists said the trend since July has been up.

In December, auto sales led the advance, climbing 3.2 percent. Sales at hardware stores also showed a 3.2 percent gain. Although department store sales actually edged down 0.6 percent compared with November on a seasonally adjusted basis, they were a sharp 10.3 percent higher than in December 1991, analysts noted.

Many analysts said a better-than-expected performance for consumer spending in the final three months of this year was leading them to boost their forecasts of overall growth for the period to around 3.5 percent, which would be the best showing of the Bush presidency.

"George Bush can leave office saying the Bush recovery is solidly in place even if nobody is listening to him," said Robert Dederick, an economist at the Northern Trust Co. in Chicago.

Some economists worry that the economy will slip back in the first three months of this year as consumers pause to pay their Christmas debts. However, Michael Evans, head of a Washington forecasting firm, said he thought growth could climb to 4 percent in the current quarter as businesses boost production to replace inventories depleted by the strong Christmas sales.

"We are going to see increases in production to rebuild inventories and that means more people will be hired," he said.