US retail sales fall for third consecutive month

By Gabriel Black
14 March 2015

United States retail sales fell for a third straight month in February, heading in the opposite direction of economists' predictions. Consumers spent 0.6 percent less on retail goods in February compared to January according to the advance report released Thursday by the US Commerce Department.

The US retail sales growth *rate* has been on a downward trajectory since January 2014. Except for a slight uptick with holiday season spending, the retail growth rate has declined or been absolutely negative for every month except one. In the past three months sales have declined absolutely, with a 0.9 percent decline in December, 0.8 percent in January, and 0.6 percent in February.

This downward trend in spending reflects the actual conditions facing millions of working people: unemployment, employment in undesired low-paying service jobs, declining or stagnating wages, cuts to hours, and a general decline in living standards. These latest figures, suggestive of recessionary trends, further underscore that there is no real economic recovery under way. Insofar as jobs are being created they are overwhelmingly low-paid, oftentimes in the service sector. Traditionally high-paying jobs have undergone massive wage cuts. For instance, vehicle manufacturing workers lost 21 percent of their income between 2003 and 2013.

Recessionary signs are emerging not only in the United States, but worldwide. The Organization for Economic Co-operation and Development released a report last month that stated, "[A] return to the pre-crisis growth path remains elusive for the majority of the OECD countries. In most advanced economies, potential growth has been revised down and, in some cases, there are growing concerns that persistently weak demand is pulling down potential growth further, resulting in a protracted period of stagnation."

The only actual recovery that has occurred since the 2008 financial crisis is on Wall Street. The assets of the super-rich have soared as the stock market has been inflated by an endless supply of virtually free cash from the Federal Reserve.

The perverse relationship between the actual economy and the stock market was highlighted on Thursday when the news of a third month of decline in retail sales caused the biggest gain in five weeks on Wall Street. Speculators pushed the Dow up a total of 260 points, betting that the Federal Reserve would sustain the flow of cheap cash that undergirds the current stock market bubble.

Sales did not fall in just one sector of the economy in February but did so broadly. Auto purchases declined by 2.5 percent, the worst decline in over a year, sales at restaurants and bars also had their worst month in over a year, declining by 0.6 percent. Retail sales fell at department stores and Walmart-type retailers by 1.2 percent. Home improvement stores saw a 2.3 percent decrease and electronics stores 1.2 percent. Over the past year retail sales have risen cumulatively by 1.7 percent; during times of economic growth this rate is closer to five or six percent.

Economists had predicted that retail sales would have actually increased by 0.3 percent. The *New York Times* wrote, "Solid employment growth and falling gas prices should give consumers more money to spend on other items."

The *Times* overlooks the fact that while the official jobless rate has declined, primarily due to workers leaving the workforce, February was the 11th straight month in a row that the labor force participation rate—a more accurate measure of unemployment—remained below 63 percent. February's rate was the lowest since

1978. Meanwhile wages stagnated in February for non-supervisory and production workers, reflecting a larger trend of low-wage growth and wage stagnation.

The news of a sustained downturn in sales comes amidst other expressions of economic stagnation. Also on Thursday, Intel, the computer chip manufacturer, slashed its first quarter revenue estimate by almost a billion dollars. The company cited “increasingly challenging” economic conditions as the major reason behind the reduced estimate.

US Steel announced that it would lay off 412 workers at a plant in Minnesota that is going to be idled this past week. This is on top of a layoff of 1,800 workers at a plant in Alabama announced in February. The castings and machine parts producer Chassix Holdings also filed for bankruptcy Thursday. The company has about 3,500 workers, whose jobs and retirements could be put in jeopardy.

Additionally, two tech companies, Cypress and Spansion, are planning to merge and have announced a cut of 1,600 jobs between the two of them as a part of the deal. Target also announced job cuts via email this week. The company will cut about 3,100 positions, 1,700 of which are currently occupied by employees.