

**ECON 2105 COURSE DEBATE: COVER PAGE**Group #: 7Semester: Fall 2012Group Topic: Hurricane Sandy: Blessing or Curse for the U.S. economy

Position Statement: Hurricane Sandy has been a curse for the U.S. economy due to the fact that the aggregate economy is expected to decrease in the short term because of the negative expectations and disposition of the economy after this natural disaster.

Members Names:	Chelsea Foster	Marc Casado	Harper Parks
	Andrew Kaplan	Tyler Bussey	

Grade you believe your group earned on this project: A

Justification of grade: {effort put forth is not justification} We have 6 graphs and many sources to back up our facts and arguments. We have a very long and well structured research summary full of content supporting our main defense points and feel prepared to argue most any of the Pro side comments. We took an assignment that was designed for 5 people and successfully accomplished it with 4.

Main Points of Defense (for position statement):

1. Closed Wall Street for 2 days
2. Shut down and damaged approximately 70% of the oil refineries on the East Coast
3. 4th quarter retail sales show downfall
4. Destruction of homes may lead to a decrease in labor supplied
5. Halted or shut down production of many companies
6. Fewer deposits because individuals have unforeseen damages, resulting in decreased Money Supplied

Division of Labor (member name/duties):

**Chelsea Foster:** Goods and Services graph and corresponding summary paragraph, research, PowerPoint design, Cover page, Production Function graph, showing slide show during presentation, present Introduction and personal graph

**Marc Casado:** Aggregate Market graph and corresponding summary paragraph, research, group coordinator, assembling the research summary, Production Function graph, PF paragraph, Rebuttal presentation and Aggregate Demand presentation

**Andrew Kaplan:** Money Market graph, Loanable Funds Market graph, corresponding summary paragraphs, research, draw graphs, showing slide show during presentation, Response presentation, presentation of Money Market graph and Loanable Funds graph

**Tyler Bussey:** Labor Market graph and corresponding summary paragraph, research, PowerPoint design, Production Function graph, present Conclusion and personal graph, present Production Function graph

These duties were divided up for completion, but we all worked together on the tasks in brainstorming ideas and presentation.

Portfolio Turn-in Checklist: (Put the items below in the order indicated using dividers in a 1 inch binder)

- ☒ This Cover Page
- ☒ Research Summary
- ☒ Graph Pages
- ☒ PowerPoint Presentation Slides
- ☒ Research Documents
- ☒ Group Evaluation Forms (these can be turned in individually however, a group grade is not assigned until I have one from each group member)

Marc Casado  
Andrew Kaplan  
Tyler Bussey  
Chelsea Foster  
Harper Parks  
December 5, 2012

## Research Summary: Hurricane Sandy Con

### **Introduction:**

Position Statement: Hurricane Sandy has been a curse for the United States economy due to the fact that the aggregate economy is expected to decrease in the short term because of the negative expectations and disposition of the economy after this natural disaster.

Because the United States' economy heavily relies on the fourth quarter of each year to give itself a final boost in gross domestic product, the timing of this super-storm, Hurricane Sandy, could not have proved itself any more destructive. Thus, there are several outcomes of the storm that truly hindered the economy. To convey, the storm shut down Wall Street for two days, it destroyed the wealth of many individuals, it damaged and shut down approximately 70% of the oil refineries located on the eastern coast, it caused a decrease in fourth quarter retail sales, it halted production of many companies, and it caused a mass evacuation and destruction of one of the most heavily populated locations in the world.

### **Aggregate Market: Graph 1**

Following the tragic storm, Hurricane Sandy, the nation's fourth quarter gross domestic product took a hit as consumers sought to only spend their disposable income on emergency supplies such as batteries, food, and blankets, in anticipation of the storm

and in its aftermath. Unfortunately, however, in effected areas before and after the storm, consumers put a hold on purchasing luxury items, in addition to, prolonging or halting holiday shopping. As a result, the aggregate demand for retail spending plummeted as effected patron's only had one thing on their minds, the cleanup of their destroyed towns, homes, and lives. Consequently, our nation's aggregate retail spending fell by 0.3% in October. Of this drop, certain markets such as for building materials and garden supplies fell 1.9%, as well as, the aggregate market for automobiles and auto parts, which also fell by 1.5%. Thus, because this storm caused consumers to expect a future decrease in income, profits, wealth and disposable income, we can see a leftward shift in the aggregate demand market, which therefore causes decrease in price levels and a decrease in real gross domestic product.

### **Supply and Demand: Graph 2**

The destruction of Hurricane Sandy across the northeast caused an overall decrease in the supply of almost every market within the affected areas. One of the main markets that greatly suffered when Sandy hit was the gasoline market. As the super-storm moved itself northward along the shoreline, it hit, damaged, and temporarily closed down approximately 70% of the oil refineries on the eastern coast. Due to these refineries having to halt their production of oil, there was a decrease in supply of oil until these refineries were able to reopen, repair any damages done by the storm, and resume production. Consequently, there was a temporary decrease in the supply of gasoline, resulting in an increase in oil prices. Due to this destruction, there was an overall shortage of open gas stations following the storm, and those that were open had cars lined up at them for miles.



**Labor Market: Graph 3**

In the wake of hurricane Sandy, the nation undertook 20 million dollars' worth of property damages and left many individuals homeless. Without any means of shelter, many relocated to safe homes or evacuated the city altogether to seek refuge. More than 300,000 housing units were destroyed or damaged, costing approximately \$9.6 billion to replace or repair, with \$3.1 billion of that in New York City alone. Due the vast destruction caused by Sandy, many people are now forced to seek new homesteads elsewhere which will decrease the overall population within the New York metropolitan area. In comparison, due to the effects and destruction that Hurricane Katrina had on Louisiana in 2005, the overall population count plummeted from 484,000 to approximately 360,400 people in a matter of days. With this, we can assume a similar pattern will occur in the northeastern region. With this drop in the population, much of the labor supply from households will not return to their places of business and the supply of labor will inevitably decrease. Consequently, this will shift the labor supply curve to the left and will cause a decrease in labor as well as a decrease in the Real Wage Rate.

**Loanable Funds Market: Graph 4**

Hurricane Sandy has indeed had an effect on the loanable funds market. The New York Stock Exchange was closed for two days, which according to the Huffington Post, is an unprecedented action that has not been taken since the terrorist attacks of September 11, 2001. Because closing the NYSE is so rare, it could be assumed that at least some fear was evoked regarding the investment market, which is usually not a good thing. As the storm was raging, the hardest hit areas, New York and New Jersey, saw a decrease in

short-term disposable income because numerous people were warned to stock up on emergency supplies that they would possibly need. If their disposable income was decreased, then according to the loanable funds market there was a decrease in savings, which would cause a leftward shift in the supply of loanable funds, thus increasing the real interest rate.

### **Money Market: Graph 5**

Hurricane Sandy also affected the money market. During this time of crisis, numerous people had no choice but to appropriate their funds to items related to the destruction. For example, if a business lost its roof and the owner needed to pay \$10,000 to replace it, that is \$10,000 that the owner can no longer use for any other economical reason except for damage costs. It can then be assumed that many citizens made withdrawals from their bank accounts to cover damages instead of making regular deposits. If people deposit less money in banks, then there is a short-term decrease in the supply of money. Also, adjusted for inflation, Hurricane Sandy is the 6<sup>th</sup> costliest storm in U.S. history, an estimated over \$50 billion dollars. If the U.S. government sells securities in order to provide monetary relief, then there will also be a decrease in the supply of money.

### **Production Function: Graph 6**

Following the overwhelming path of destruction that Hurricane Sandy created along the eastern coast of the United States, many producers, business owners, and laborers had to halt production and redirect their already obtained profits to rebuilding and reestablishing themselves following this natural disaster. Therefore, as a result of there being a decrease in demand for labor by firms, due to laborers evacuating towns

and/or losing their employment, and because of a sharp decrease in production which resulted from the overall damages that many businesses undertook from the storm, labor hours were forced to be cut, therefore causing a drop in real gross domestic product. This drop in real gross domestic product and quantity of labor hours, in addition to, the overall destruction, and/or temporary shutting down of, many businesses within the effected areas will cause the production function to shift downward. Consequently, the same amount of labor hours used to produce a certain output of products prior to the storm will temporarily be hindered due to an overall loss in revenues. This will in turn cause businesses to produce a much smaller yield until they are able to restore themselves to a fully operational state. This will in turn kill many fourth-quarter expected profits, revenues, and hurt many small businesses.

**Conclusion:**

Of the many points discussed within this debate, we have shown significant evidence concluding that the overall effects of the super storm, Hurricane Sandy, is an obvious curse on our short-term aggregate economy. To convey, not only did over sixty million individuals feel, and are still living through, the effects of this natural disaster, but this storm also had a noticeable, negative, and significant impact on just about every market within our nation's borders. Overall, the United States undertook over fifty billion dollars in damages, which include, commercial infrastructure, personal property, and lost business activities. Furthermore, this storm could not have arrived at a worse time. With the holiday season right around the corner, many individuals have had to sacrifice their spending budgets to compensate for their unforeseen losses. Consequently, because many businesses rely on the fourth quarter to pull in the last bit of their

obtainable profits of each fiscal year, it is evident that due to decreases in productivity, losses in expected profits, and decreases in labor demands for the now jobless patron's within our nation, it is no surprise that gross domestic product dropped by such a sudden and significant figure. In short, while examining these realities, its absurd to refer to this disaster as a blessing. To do so, would be an absolute insult those who lost their livelihoods, homes, jobs, and lives to no other than Mother Nature.

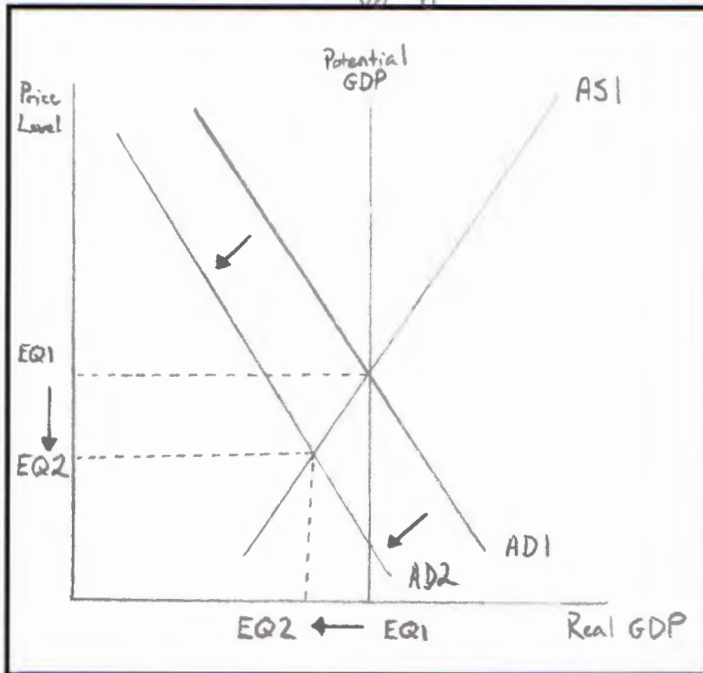


## GRAPH PAGE

Draw graph, title and label, show shift, provide reason for shift

Graph # 1 Aggregate Market

Group # 7

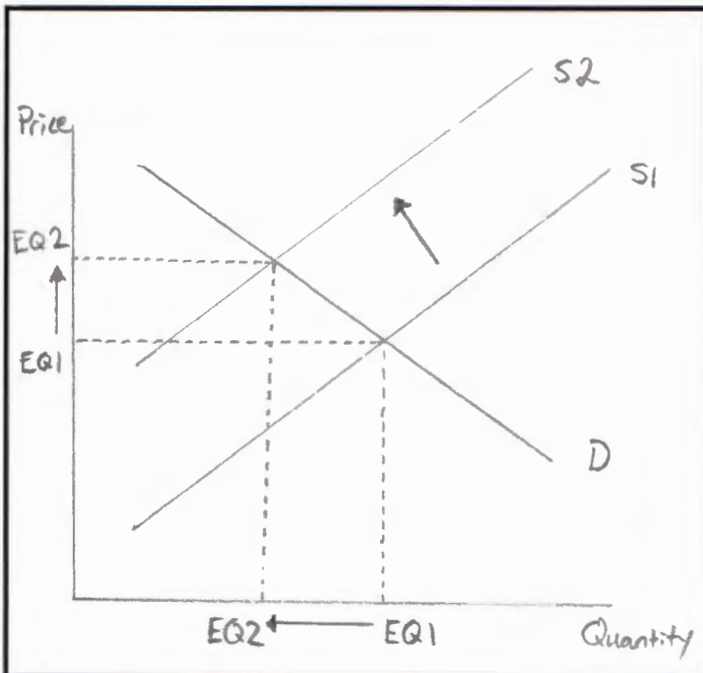


There is a decrease  
in aggregate demand  
due to expected future  
drop in consumer wealth,  
income, and profits.

In October (4<sup>th</sup> quarter)  
retail sales fall 0.3%

The aggregate demand  
curve is shifted to  
the left.

Graph # 2 Gasoline Market



The effect of Hurricane  
Sandy on the East Coast  
oil refineries caused  
a decrease in the  
supply of gasoline.  
Approximately 70% of the  
oil refineries were  
damaged.

The supply curve is shifted  
to the left.

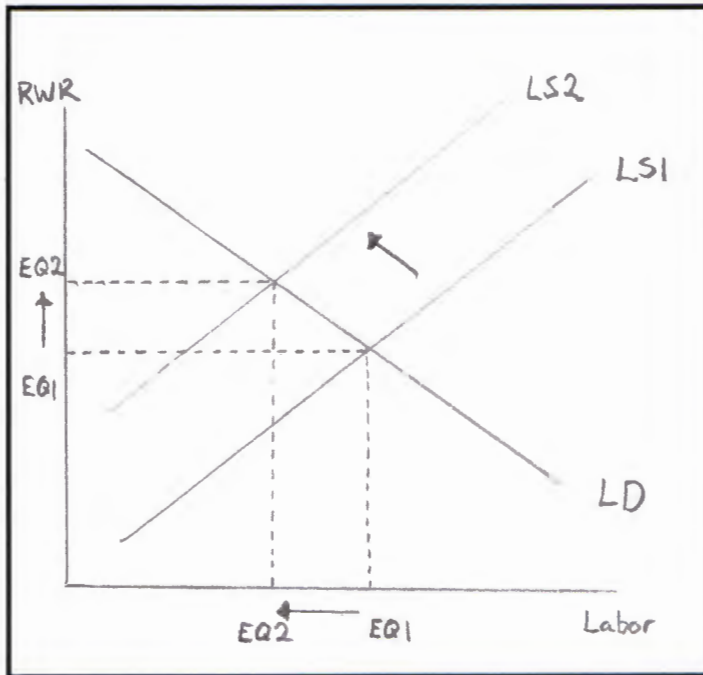
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## GRAPH PAGE

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Graph # 3 Labor Market

Group # 7

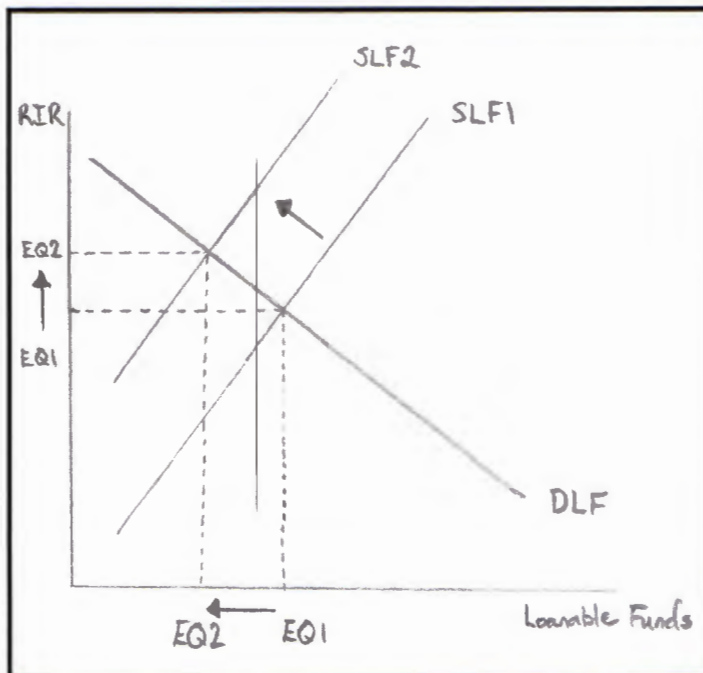


Hurricane Sandy caused approximately \$20 million in property damage forcing numerous people to leave the cities affected.

The drop in population will lead to a drop in labor supplied.

The labor supplied curve will shift leftward

Graph # 4 Loanable Funds Market



The effects of Hurricane Sandy caused the people to experience lower disposable incomes in the short term, which causes a decrease in savings in the short term.

This causes the supply of loanable funds to shift to the left.

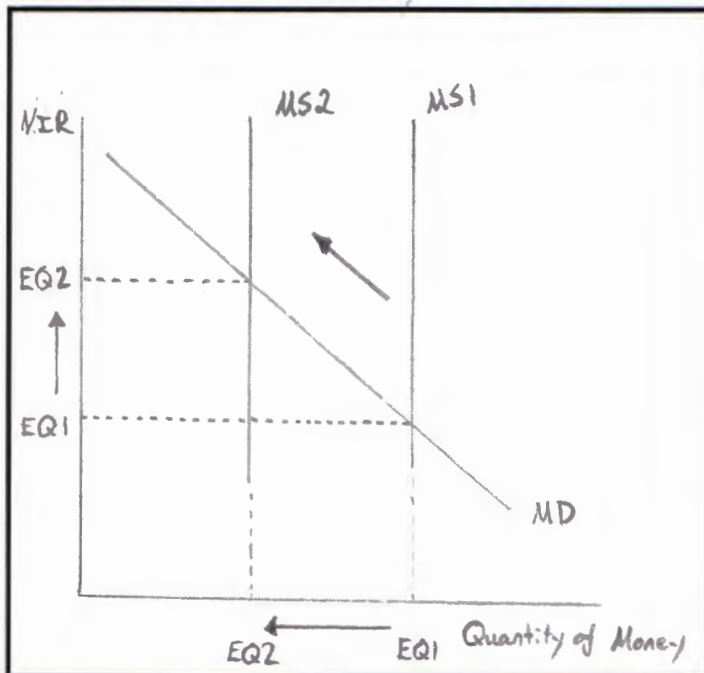
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## GRAPH PAGE

Draw graph, title and label, show shift, provide reason for shift

Graph # 5 Money Market

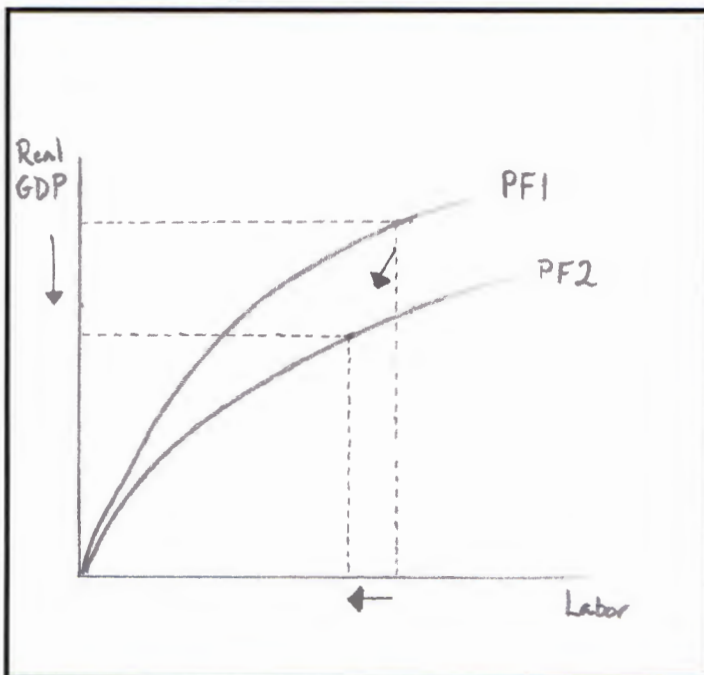
Group # 7



Hurricane Sandy caused abnormal withdrawals and fewer deposits. When people make fewer deposits in banks, there is a short term decrease in the money supplied.

The money supplied curve is shifted leftward

Graph # 6 Production Function



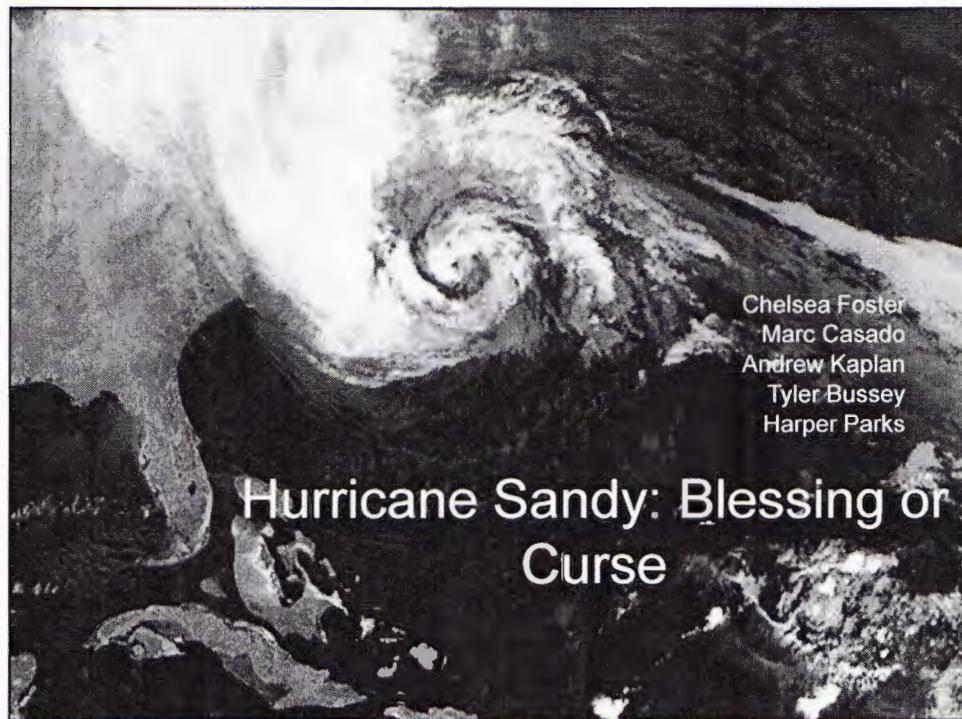
Numerous stores were forced to close or were destroyed, thereby reducing their production capabilities.

Real GDP dropped by approximately 0.6%

The production function is shifted downward

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## Position Statement

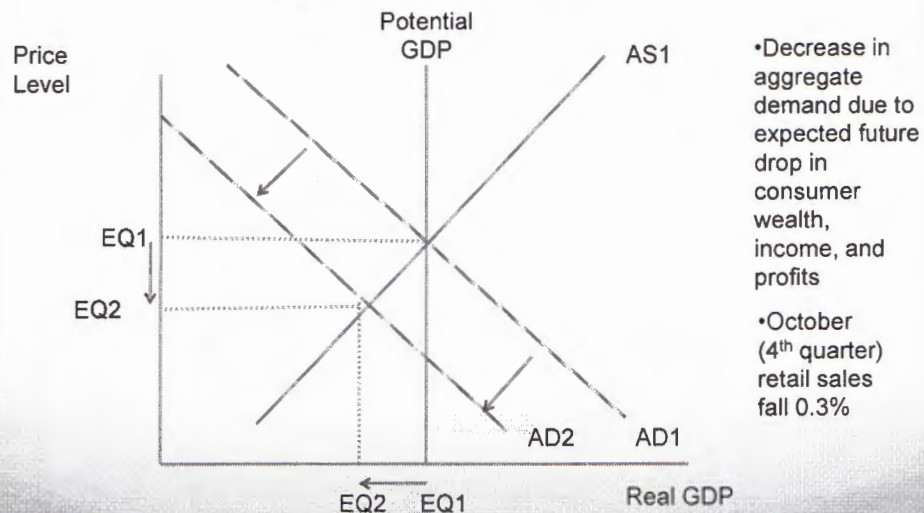
- Hurricane Sandy has been a curse for the United States economy due to the fact that the aggregate economy is expected to decrease in the short term because of the negative expectations and disposition of the economy after this natural disaster

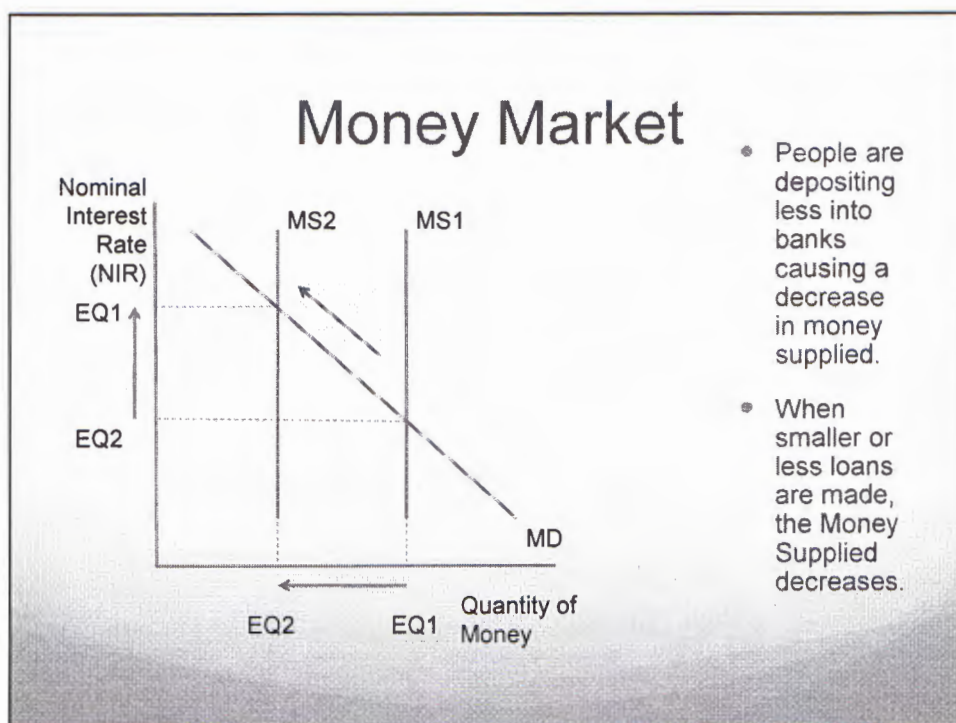
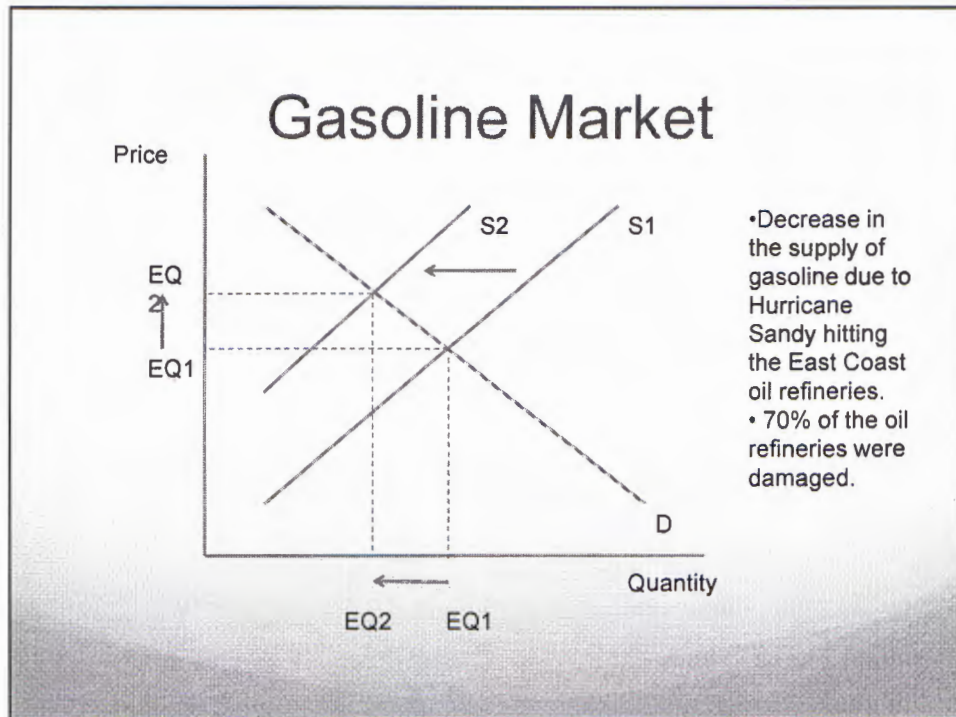


## Introduction Facts

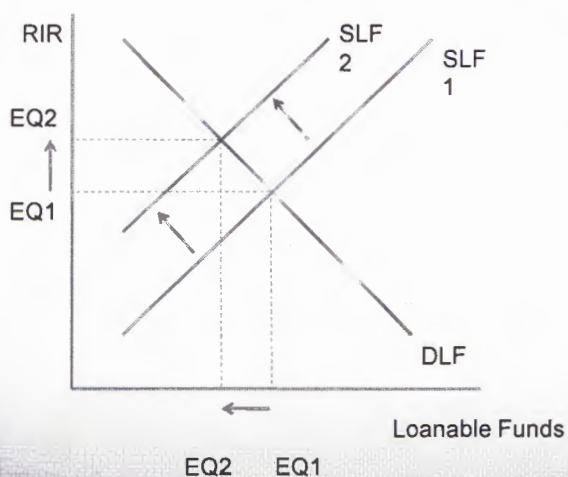
- Storm in size: 1,100 miles from end to end
- 60 million people were impacted by this storm
- Destroyed property and lost business activity approximated at \$50 billion
- Destroyed much marine life
- Over 14,000 airline flights canceled
- Left 8 million Americans without power
- Storm closed Wall Street for two days
- Hindered RGDP and halted productivity of many businesses
- Subways, airports, and tunnels were flooded and put out of commission

## Aggregate Market



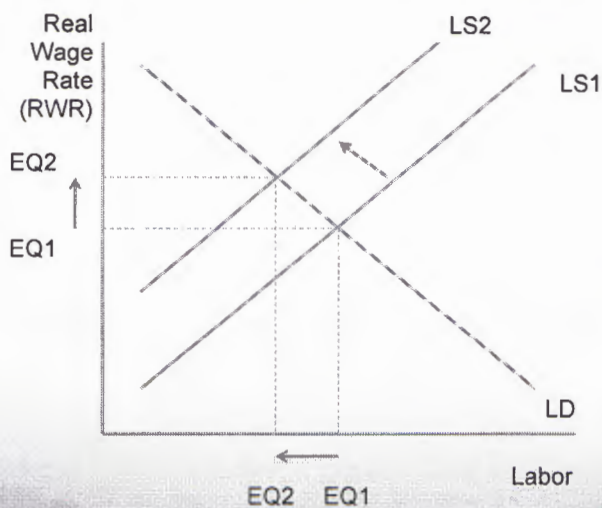


## Loanable Funds Market



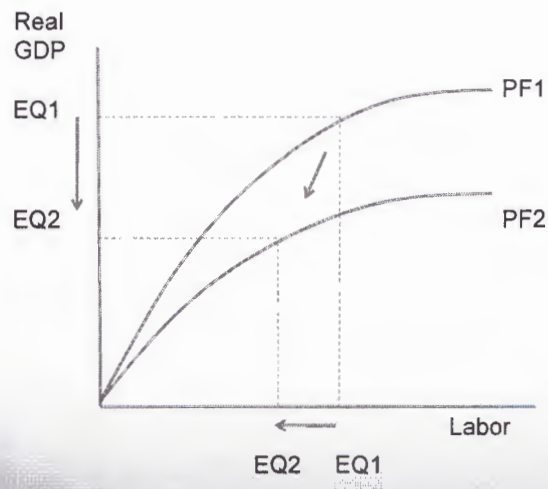
- The effects of Hurricane Sandy caused the people to experience lower disposable incomes in the short term, which causes a decrease in savings in the short term.
- A decrease in savings causes the supply of loanable funds to shift to the left, resulting in an increase in RIR.

## Labor Market



- Total property damage = about 20 million dollars.
- Many have no home and must leave the city
- The drop in population will lead to a drop in labor supplied
- Similar outcomes were seen during hurricane Katrina
- This also causes an increase in the real wage rate

## Production Function

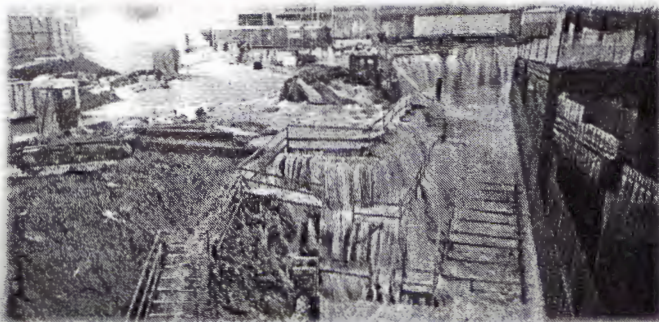


- Many stores and companies had to close or were destroyed, therefore reducing their production capabilities
- Real GDP has dropped by 0.6%



## Conclusion

Shocking pictures of the damage Hurricane Sandy has caused!





①

- Title:
  - Stunned by Sandy, Coney Island Cleans Up By: NY Observer, New York Observer, Mon, 5 Nov 2012
- Database:
  - Regional Business News
- Source
  - New York Observer, Mon, 5 Nov 2012
- URL:
  - <http://ehis.ebscohost.com/eds/detail?sid=f4935318-b0a2-43dd-9019-6147af3b9e55%40sessionmgr110&vid=4&hid=101&bdata=JnNpdGU9ZWRzLWxpdmUmc2NvcGU9c2l0ZQ%3d%3d#db=bwh&AN=nyo.05Nov2012134051>
- Article
  - Only a few days after **Sandy** terrorized the Eastern Coast and before droves of generous volunteers began their efforts to rebuild the seaboard, the damage done by the **hurricane** was visible against the landscapes of the region.
  - Coney Island, in particular, was littered with refuse from the Atlantic: the remnants of people's homes, lives and everything else that was ripped away from them.
  - The residents of the community painfully packed their drenched belongings on the sidewalks, mattresses, toys and memories, while the boardwalk with its shuttered storefronts was left largely abandoned.
  - On Friday, business owners and photographic tourists pounced on the historic beachfront to assess the damage.
  - Nathan's Famous workers swabbed the sidewalk and packed up dozens of bags of rotten food while intrepid shutterbugs mulled over the broken and beaten objects that lined the shore.
  - Families traversed the beach, stopping at children's cribs, upturned rowboats and even marooned Jet Skis, to take portraits and document their own experience with the storm.
  - The New York Observer captured this strange moment before the cleaning truly commenced and long after **Sandy** had passed to find Coney Island perfectly preserved in a moment of chaos and calm.
- Points from article
  - Negative effects on business productivity
    - Decrease in productivity decreases a demand for labor
  - A decrease in productivity yields a decrease in supply for goods and services
    - Goods and services market
  - Rebuttle
    - Destruction of personal property causes an increase in consumer expenditures to rebuy the materials that they have lost.. Ultimately this will increase overall GDP but not in the short term

②

- Title: Sandy: After the pain, there will be gain
- Authors:
  - Philips, Matthew
- Source:

- Bloomberg Businessweek; 11/5/2012, Issue 4303, p13-14, 2p, 4 Color Photographs, 1 Chart
- Document Type:
  - Article
- Subjects:
  - United States; **Hurricane Sandy**, 2012; Buildings -- Repair & reconstruction; **Hurricanes** -- Economic aspects; Construction industry -- Economic conditions; United States -- Economic conditions -- 2009-
- Abstract:
  - The article examines the positive economic benefits of the damage done to the U.S. East Coast by **Hurricane Sandy** in October 2012. Topics include how natural disasters are beneficial to local construction industries, why the scope of the storm will benefit the U.S. economically, and a chart documenting how large **hurricanes** in the U.S. have traditionally boosted the U.S. economy.
- Database:
  - Readers' Guide Full Text Mega (H.W. Wilson)
- URL:
  - <https://ehis.ebscohost.com/eds/detail?vid=2&hid=101&sid=f4935318-b0a2-43dd-9019-6147af3b9e55%40sessionmgr110&bdata=JnNpdGU9ZWRzLWxpdmUmc2NvcGU9c2l0ZQ%3d%3d#db=rgm&AN=83167333>
- Article:
  - In terms of sheer size (1,100 miles from end to end) and the number of people in its path (some 60 million). **Hurricane Sandy** was the biggest storm ever to hit the East Coast of the U.S. Estimates of its devastation range from \$30 billion in destroyed property and lost business activity to as much as \$50 billion. Whatever **Sandy's** ultimate price tag, it's a huge number. But as devastating as it was, **Sandy's** impact to the national economy will likely be negligible: The short-term loss to economic output should be made up by long-term spending to rebuild.
  - Whether it's recovering from a war or cleaning up after a natural disaster, periods of severe destruction are usually followed by sharp bursts of economic activity. Money pours in from government and insurers to repair infrastructure. Homes get rebuilt, debris cleared. As a result, the overall economic growth that follows a natural disaster can often outweigh the wealth it destroyed. Economists call this the broken window effect. "To an economist, breaking a window always boosts GDP," says Michael Englund, chief economist at Action Economics. Englund thinks that **Sandy** could end up boosting fourth-quarter gross domestic product by as much as two-tenths of a percentage point. "The backfill activity will probably be bigger," he says. "By the time the rebuild is over, I think we'll see this as a net positive [for GDP]."
  - There's also the question of job creation. While a worker probably won't lose his job as a result of **Hurricane Sandy**, there's a chance he might gain one afterwards, particularly if he's in the construction industry. "We definitely see stronger job gains in response to natural disasters, particularly when economies are coming out of recession," says Gus Faucher, senior economist at PNC Financial, who has researched the economic effects of natural disasters. He cites two examples: After **Hurricane Andrew** hit the southeast



coast of Florida in August 1992, job growth in Miami went from just under 1 percent a year to more than 5 percent by mid-1993, as more than 1,700 construction jobs were added. In the year after a 6.7 magnitude earthquake hit Northridge, Calif., outside Los Angeles, in January 1994, 16,000 construction jobs were added.

- Points from article:
  - There will be a short term bust on the economy
  - Money pours in from the government
    - Causes inflation
    - Causes an increase in deficit
    - Decrease in real interest rate
    - Increase in supply
    - Bad for long term
      - Causes inflation
  - An overall decrease in wealth will occur
    - Increase savings
      - Increase the supply of loanable funds
        - Increase RIR
        - Increase Qty of LF
  - Pessimism decreases investment
    - Shifts DLF leftward
  - Rebuttal:
    - Natural disasters yield a burst of economic activity
    - Broken window effect
      - Damages increase consumer spending
    - Could boost economy 2/10 of a percentage point in the fourth quarter
  -
- Title:
  - Sandy's Economic Toll. By: Newman, Rick, U.S. News Digital Weekly, 11/2/2012, Vol. 4, Issue 44
- Database:
  - Academic Search Complete
- URL
  - <http://ehis.ebscohost.com/eds/detail?sid=f4935318-b0a2-43dd-9019-6147af3b9e55%40sessionmgr110&vid=3&hid=1&bdata=JnNpdGU9ZWRzLWxpdmUmc2NvcGU9c2l0ZQ%3d%3d#db=a9h&AN=83175190>
- Article
  - Some estimates peg the **hurricane's** damages at up to \$50 billion
  - Early estimates of the damage caused by **Hurricane Sandy** ranged from \$15 billion to \$20 billion, putting it on the same scale as **Hurricane Irene**, which hit the eastern seaboard in 2011.
  - But economists now say the damage caused by **Sandy** could easily be twice those initial estimates, with forecasting firm IHS Global Insight estimating the final tally could range from \$30 billion to \$50 billion. Among other things, **Sandy** has wrecked billions of dollars worth of property and infrastructure, disrupted many businesses on the East Coast for at least two days, and forced the idling of about 70 percent of the oil refineries on the East Coast.

- IHS estimates that the costs associated with **Sandy** could total somewhere between 1 percent and 1.7 percent of gross regional product for the dozen or so states affected, which would translate to about 0.3 percent of national gross domestic product. That might not sound like much, but it comes at a time when the overall economy is growing at a scant 2 percent, a growth rate that could slow even further as Washington grapples with the "fiscal cliff" approaching at the end of the year.
- The huge rebuilding effort that will follow **Sandy** will be a boon for the still-struggling construction industry, but the press often mischaracterizes the buzz of activity following a natural disaster to be a net gain for the economy. "The alleged benefit of natural disasters is a recurring error in the media," says economist Donald Boudreaux of George Mason University, author of *Hypocrites and Half-Wits*. "It can be good for some people, like those in the building trades, but when people have to rebuild a roof that was perfectly fine yesterday and is now destroyed, that's money people don't spend on other things."
- Insurance will cover some of the damage from **Sandy**, but that's not the free fix many people assume it to be, since outsized insurance claims can lead to higher premiums in the future. Some business activity merely gets delayed during a weather event, but when people stay home instead of shopping or eating at restaurants, that's a permanent loss to the economy. "The effect on growth for the fourth quarter will not be catastrophic," IHS said in a research note, "but might still be noticeable, especially in an economy with little momentum anyway."
- While large, the economic toll from **Sandy** still won't match **Hurricane Katrina**, which devastated the southeast coast in 2005. That storm caused \$120 billion in damage, which was nearly a full percentage point of GDP. Some of the damage still hasn't been repaired.
- A neighborhood in Queens, N.Y., destroyed by fire after **Hurricane Sandy** hit the city
- Points from article
  - Rebuttal
    - Destruction of infrastructure can and will yield an increase of jobs in industries such as construction
      - Only in the short term
    - Donald Boudreaux of George Mason University, author of *Hypocrites and Half-Wits*. "It can be good for some people, like those in the building trades, but when people have to rebuild a roof that was perfectly fine yesterday and is now destroyed, that's money people don't spend on other things."
      - Decrease in demand for other goods and services markets
      - Have to pay 15,000 for a new roof --- only going into one industry (construction). 15,000 can go a long way and can be put into many different markets. So when destruction causes consumers to shovel thousands into one market, it ultimately decreases the possible profits for others and will hinder other markets
    - Hurricane Katrina damages have yet to be repaid
      - Long term costs on economy



- Now we have two large areas that our government needs to put money into to rebuild

Decrease in labor supplied:

Sources: <http://business.time.com/2012/10/31/hurricane-sandy-estimated-to-cost-60-billion/>

Oil refineries: <http://business.time.com/2012/10/31/hurricane-sandy-estimated-to-cost-60-billion/>

Housing loss: <http://intuitivefred888.blogspot.com/2012/11/hurricane-sandy-destroys-300000-homes.html>

Katrina before and after: [http://www.huffingtonpost.com/2012/08/27/new-orleans-since-katrina\\_n\\_1834696.html](http://www.huffingtonpost.com/2012/08/27/new-orleans-since-katrina_n_1834696.html)

Overview:

- Total property damage from Sandy has reached about 20 million dollars.
- Many are left with a form of shelter and are forced to relocate out of the city.
- The drop in population will lead to a drop in labor supplied
- Similar outcomes were seen during hurricane Katrina in New Orleans as the vast majority of the population evacuated the city

Paragraph:

In the wake of hurricane Sandy, the nation undertook 20 million dollars' worth of property damages and left many individuals homeless. Without any means of shelter, many relocated to safe homes or evacuated the city altogether to seek refuge. More than 300,000 housing units were destroyed or damaged, costing approximately \$9.6 billion to replace or repair, with \$3.1 billion of that in New York City alone. Due the vast destruction caused by Sandy, many people are now forced to seek new homesteads elsewhere which will decrease the overall population within the New York metropolitan area. In comparison, due to the effects and destruction that Hurricane Katrina had on Louisiana in 2005, the overall population count plummeted from 484,000 to approximately 360,400 people in a matter of days. With this, we can assume a similar pattern will occur in the northeastern region. With this drop in the population, much of the labor supply from households will not return to their places of business and

the supply of labor will inevitably decrease. Consequently, this will shift the labor supply curve to the left and will cause a decrease in labor as well as a decrease in the Real Wage Rate.

Article: **Hurricane Sandy's Effect On October Retail Sales - November 14, 2012**

Author: Harvey S. Katz

Date Published: November 14, 2012

URL:

[http://www.valueline.com/Markets/Commentaries/Hurricane Sandy s Effect On October Retail Sales - November 14, 2012.aspx](http://www.valueline.com/Markets/Commentaries/Hurricane_Sandy_s_Effect_On_October_Retail_Sales_-_November_14,_2012.aspx)

Hurricane Sandy, the tragic storm that struck the East Coast with savage fury just over two weeks ago, also took a toll on retail activity for the month of October. The resultant drop in such spending will clearly have an impact on the nation's fourth-quarter **gross domestic product**.

Specifically, retail spending, which surged by an upwardly revised 1.3% in September, fell by 0.3% in October. Expectations had been for a lesser drop of 0.2% in the latest month. If we back out the auto component from the aggregate mix, to get the so-called core rate of retailing activity, we find that such sales were unchanged for the month.

The Commerce Department, in issuing the data, noted that the storm had both a positive and a negative effect on the data. For example, some stores noted a decline in such activity because the storm damage caused them to either close temporarily or permanently. Some establishments also reported fewer customers as many storm victims and potential shoppers had other things on their minds, notably the cleanup and the paucity of gasoline in many areas.

A few retailers, though, saw sales get a boost, as shoppers stocked up on emergency items in anticipation of the storm and in its aftermath.

As to individual components, the October result noted that sales of building materials and garden supplies plunged by 1.9%. Sales also fell by 1.5% at auto and parts dealers. However, spending rose nicely at gasoline stations and at food and beverage stores.

Meantime, some suggest that retail activity in November will get a boost, as the cleanup from the storm proceeds. However, with the jobless rate in many locales likely to go up in the hurricane's wake and with many homeless taking a hit to their net worth unless fully insured, the positive impact on spending may initially be hard to quantify. Overall, we sense that GDP will be adversely affected in the current quarter, as the storm could force growth down from a heretofore expected 2.0% rate to one closer to 1.3%. We think some offset will be seen in the first and possibly the second quarters of 2013, as the nation undergoes storm-related rebuilding.

On the whole, however, this was a disappointing report and one that could well presage a less-than-stellar holiday shopping season up ahead.



1:[http://www.huffingtonpost.com/2012/10/28/hurricane-sandy-nyse\\_n\\_2035922.html](http://www.huffingtonpost.com/2012/10/28/hurricane-sandy-nyse_n_2035922.html)

2:<http://www.washingtonpost.com/blogs/wonkblog/wp/2012/11/05/is-sandy-the-second-most-destructive-u-s-hurricane-ever-or-not-even-top-10/>

3. [www.nj.com](http://www.nj.com)

4. [www.usnews.com](http://www.usnews.com)

5. Title: Sandy's Welcome Side effect: Big Banks Suspend Fees

Author: Touryalai, Halah

URL: [www.forbes.com](http://www.forbes.com)