



UNIVERSITY OF
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SAM M. WALTON
COLLEGE OF BUSINESS

Center for Business and Economic Research
Center for Retailing Excellence

U.S. RETAIL ECONOMIC INDICATORS HIGHLIGHTS



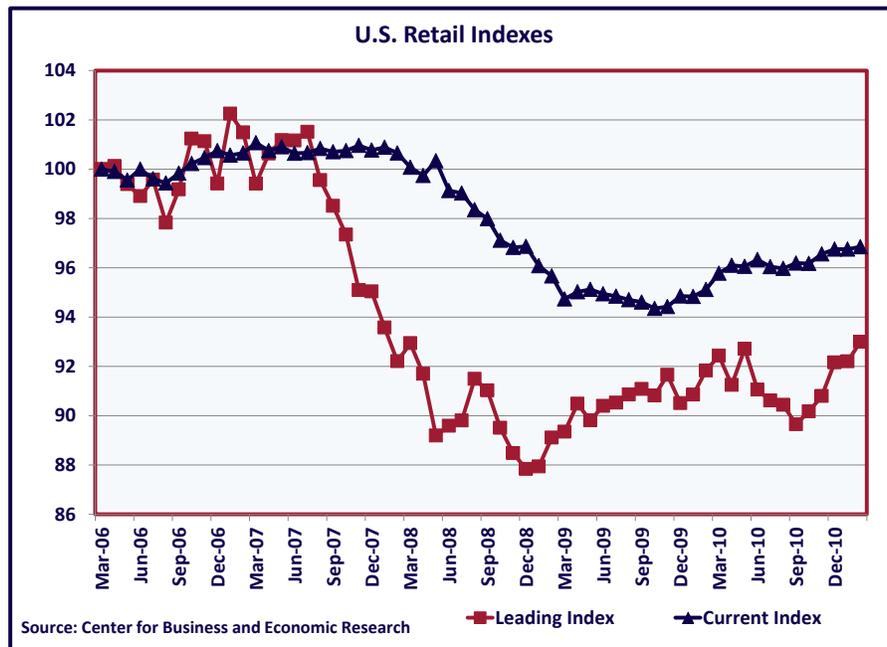
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KEY POINTS

- During March 2011, the retail trade industry experienced increases in employment, business activity, new orders, including new export orders, and inventories. Also, the volume of for-hire truck tonnage increased that month.
 - In contradiction to those positive signs, retail executives reported slower supplier deliveries, increases in prices for purchased materials and services as well as increases in orders backlogs. Additionally, retail managers believed that inventories were too low in March.
 - In the first quarter of 2011, retail vacancy rates of neighborhood and community shopping centers remained unchanged for the fourth quarter (10.9 percent), while vacancy rates of large regional malls rose (up to 9.1 percent), surpassing the previous high in the second quarter of 2010. Meanwhile, asking rents fell 0.1 percent during this quarter.
 - The U.S. Retail Leading index increased for February 2011, indicating a likelihood of improvement in retail activity during the coming spring and summer months.
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RETAIL ECONOMIC INDICATORS

The **U.S. Retail Leading Index**¹ increased at a 10.8 percent seasonally adjusted annual rate (SAAR) to 93.0² in February 2011 (the latest month for which all the data are available). The following variables positively impacted the Leading Index, from the largest impacts to the smallest: Consumer Expectations Index, decline in the number of initial claims of mass layoffs in the retail industry, 10-Year Treasury bonds rate, S&P 500 Retail Index, and decline in the personal savings rate. Meanwhile, the Leading Index was impacted negatively by the declines of the retail inventories to sales ratio, retail industry average weekly hours, and Non-Manufacturing Index – New Orders, and by increased crude oil futures prices. The increase in the Retail Leading Index indicates a likelihood of improvement in retail activity this spring and summer.



The **U.S. Retail Coincident Index** increased in February 2011, up to 96.9, after staying flat in January. The increase was at a 1.2 percent SAAR, compared with 2.4 percent in December of 2010. Consumer Current Conditions Index, retail sales, retail employment,

¹ The U.S. Retail Leading and Coincident Indexes were constructed by the Center for Business and Economic Research following the Conference Board methodology. The Leading Index consists of 9 data elements that help to forecast future retail activity. The Coincident Index consists of 6 data elements that help to evaluate the current state of the retail industry.

² The base month for both the Retail Leading and Coincident Indexes is March 2006, when the indexes were set to be 100.

and real disposable personal income increased in February, positively contributing to the index. On the other hand, the Freight Transportation Services Index declined and gasoline prices increased, affecting the Retail Coincident Index negatively.

According to the **survey of retail industry executives by the Institute for Supply Management**, March 2011 was a month with mostly good news. The retail companies experienced increases in business activity, new orders, employment, inventories, and new export orders, while import level stayed the same compared to February. Meanwhile, executives reported slower supplier deliveries, increases in prices for purchased materials and services as well as increases in orders backlogs. Additionally, retail managers believed that inventories were too low in March.

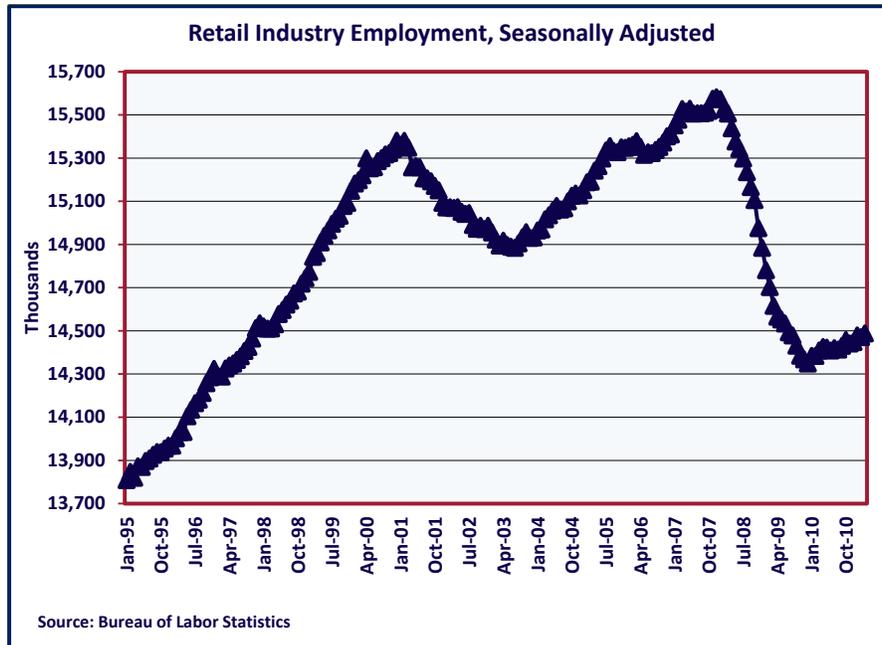
Retail Trade Industry Survey	
Business Activity	
New Orders	
Employment	
Supplier Deliveries	
Inventories	
Prices	
Backlog of Orders	
New Export Orders	
Imports	
Inventory Sentiment	

Source: March 2011 Non-Manufacturing ISM *Report on Business*® from the Institute for Supply Management

The retail trade industry subsector accounted for 11.0 percent of total U.S. **employment** in March 2011, according to the Bureau of Labor Statistics (BLS). It was the fourth largest employment sector after the government (17.4 percent), educational and health services (15.4 percent), and the professional and business services sector (13.0 percent).

Employment in the retail trade industry increased by 0.6 percent from March 2010 to March 2011, according to the BLS data. Most of the other industry sectors experienced larger employment growth. Only the government, information, construction, and

financial activities industry sector experienced declines in employment. While non-farm employment regained 2003 levels in 2010, the current level of retail industry employment is similar to the employment situation in 1998.



The vacancy rate at the U.S. neighborhood and community shopping centers remained unchanged for the fourth quarter, at 10.9 percent in the first quarter of 2011, according to the report released by Reis, Inc. The vacancy rate of large regional malls rose from 8.7 percent in the previous quarter to 9.1 percent this quarter, surpassing the previous high of 9.0 percent in the second quarter of 2010. Asking rents fell 0.1 percent during this quarter, nearly negating the 0.2 percent growth posted in the fourth quarter of 2010. As CBRE Econometric Advisors predicted for 2011, high availability will keep pressure on rents until 2012, when retail center owners should finally have enough momentum to increase rents.

The advance seasonally-adjusted **For-Hire Truck Tonnage Index** from the American Trucking Association rose 1.7 percent in March 2011, after falling a revised 2.7 percent in February. The not seasonally adjusted index, which represents the change in tonnage actually hauled by the fleets before any seasonal adjustment, increased 20.7 percent from the previous month. For the first quarter of 2011, seasonally adjusted tonnage rose 3.8 percent from the previous quarter and 6.1 percent from the first quarter of 2010.