



UNIVERSITY OF
ARKANSAS
SAM M. WALTON
COLLEGE OF BUSINESS

Center for Business and Economic Research
Center for Retailing Excellence

UPDATE: U.S. RETAIL ECONOMIC INDICATORS HIGHLIGHTS



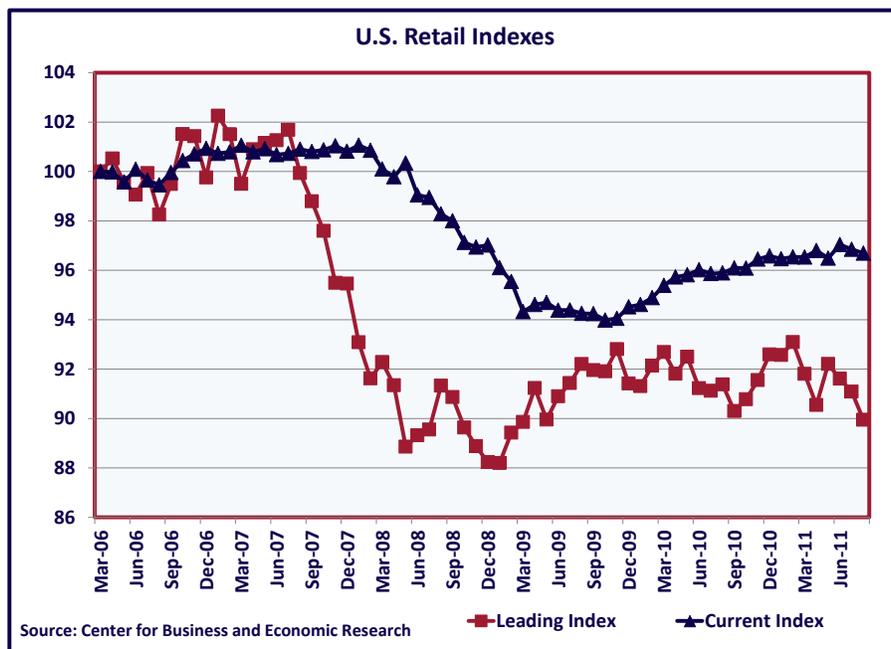
Center for Business and Economic Research
Willard J. Walker Hall Room 538
Sam M. Walton College of Business
University of Arkansas, Fayetteville
Telephone: 479.575.4151
<http://cber.uark.edu>
November 1, 2011

KEY POINTS

- The U.S. Retail Coincident Index showed small declines in July and August 2011, after reaching its highest post-recession level in June.
 - For five out of the last six months, the U.S. Retail Leading Index posted negative monthly changes, indicating that retail activity is likely to modestly deteriorate at the end of the fourth quarter of 2011 and beginning of the first quarter of 2012.
 - During September 2011, the retail trade industry experienced increases in new orders, while business activity, supplier deliveries, inventories, orders backlogs, new export orders, import level, and inventory sentiment stayed unchanged.
 - While many indicators were flat, retail executives reported declining industry employment and increases in prices for purchased materials and services from August to September. Also, the seasonally adjusted volume of for-hire truck tonnage declined slightly in August.
 - In the third quarter of 2011, retail vacancy rates for neighborhood and community shopping centers remained unchanged (at 11 percent), while vacancy rates for large regional malls rose (up to 9.4 percent), reaching the highest level since 2000. Meanwhile, asking rents remained unchanged for neighborhood shopping centers and asking rents for regional malls rose 0.1 percent during this quarter.
-

RETAIL ECONOMIC INDICATORS

The **U.S. Retail Leading Index**¹ declined at a 14.0 percent seasonally adjusted annual rate (SAAR) to 89.9² in August 2011 (the latest month for which all the data are available). The following variables negatively impacted the Leading Index, from the largest impacts to the smallest: declines in Consumer Expectations Index, 10-Year Treasury bonds rate, retail industry average weekly hours, and decline in S&P 500 Retail Index. Meanwhile, the Leading Index was impacted positively by the decline in the number of initial claims of mass layoffs in the retail industry, decreased crude oil futures prices, increases in the retail inventories to sales ratio and in Non-Manufacturing Index – New Orders, and decline in the personal savings rate. The decline in the Retail Leading Index indicates a likelihood of deterioration in retail activity this fall and winter.



The **U.S. Retail Coincident Index** decreased slightly in August 2011, down to 96.7, after slight decline in July and after its highest level since 2008 in June (97.0). The decline was at a 2.0 percent SAAR, compared with 0.3 percent increase in August of 2010. The

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.

consumer current conditions index, retail employment, and real disposable personal income declined, while gasoline prices increased in August, negatively contributing to the index. On the other hand, retail sales and the Freight Transportation Services Index increased, affecting the Retail Coincident Index positively.

According to the **survey of retail industry executives by the Institute for Supply Management**, the retail trade industry experienced some growth in September 2011. The retail companies experienced increases in new orders, while business activity, supplier deliveries, inventories, orders backlogs, new export orders, import level and inventory sentiment stayed the same compared to August. Meanwhile, executives reported declines in employment and increases in prices for purchased materials and services in September.

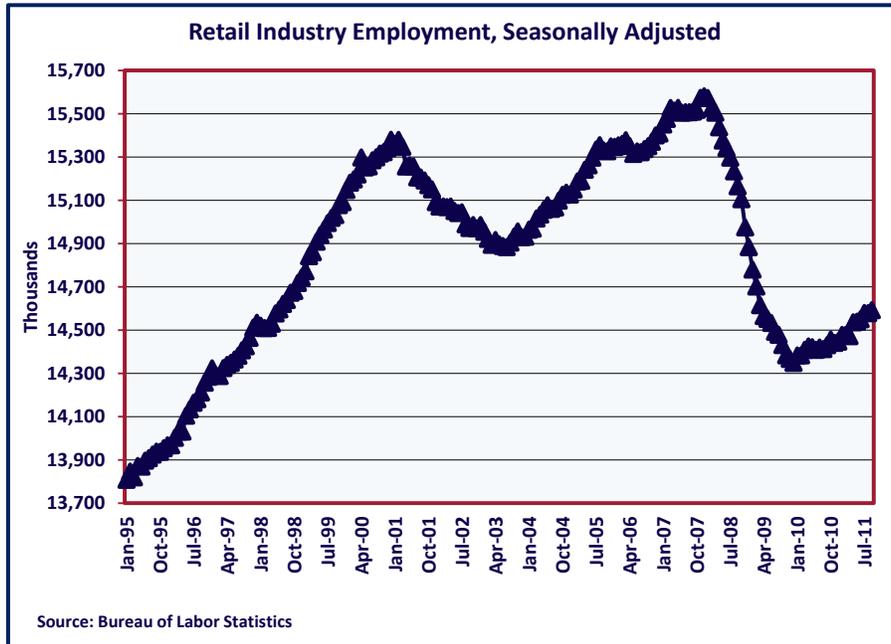
Retail Trade Industry Survey	
Business Activity	
New Orders	
Employment	
Supplier Deliveries	
Inventories	
Prices	
Backlog of Orders	
New Export Orders	
Imports	
Inventory Sentiment	

Source: September 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 September 2011, according to the Bureau of Labor Statistics (BLS). It remained the fourth largest employment sector after the government (16.5 percent), educational and health services (15.2 percent), and the professional and business services sector (13.2 percent).

Employment in the U.S. retail trade industry increased by 1.2 percent from September 2010 to September 2011, according to the preliminary BLS data. Most of the other

domestic industry sectors experienced similar employment growth. Only the information, government, and financial activities industry sector experienced declines in employment. While non-farm employment has regained 2004 levels, the current level of retail industry employment is still similar to the employment situation in 1998.



The vacancy rate at the U.S. neighborhood and community shopping centers remained unchanged from the prior quarter at 11 percent in the third quarter of 2011, according to the report released by Reis, Inc. On a year-to-year basis, the national vacancy rate increased 10 basis points. **The vacancy rate of large regional malls** rose from 9.3 percent in the previous quarter to 9.4 percent this quarter, the highest level since 2000. **Asking rents for neighborhood and community shopping centers** stayed flat during this quarter, but was down 20 basis points from the third quarter of 2010. Meanwhile, **asking rents for regional malls** rose 0.1 percent from the prior quarter; remaining close to 2006 levels (the data are not provided on such perks as months of free rent). As CBRE Econometric Advisors predicted in spring 2011, high availability will keep pressure on rents until 2012 and vacancy rates are expected to return to 2006 levels only in 2014.

The advance seasonally-adjusted **For-Hire Truck Tonnage Index** from the American Trucking Association declined 0.2 percent in August 2011, after falling a revised 0.8 percent in July. The not seasonally adjusted index, which represents the change in tonnage actually hauled by the fleets before any seasonal adjustment, increased 10.9 percent from the previous month. The number of trucks operated by the truckload industry is still down about 12 percent from the height in late 2006, yet tonnage levels are about the same as in late 2006.