



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



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## KEY POINTS

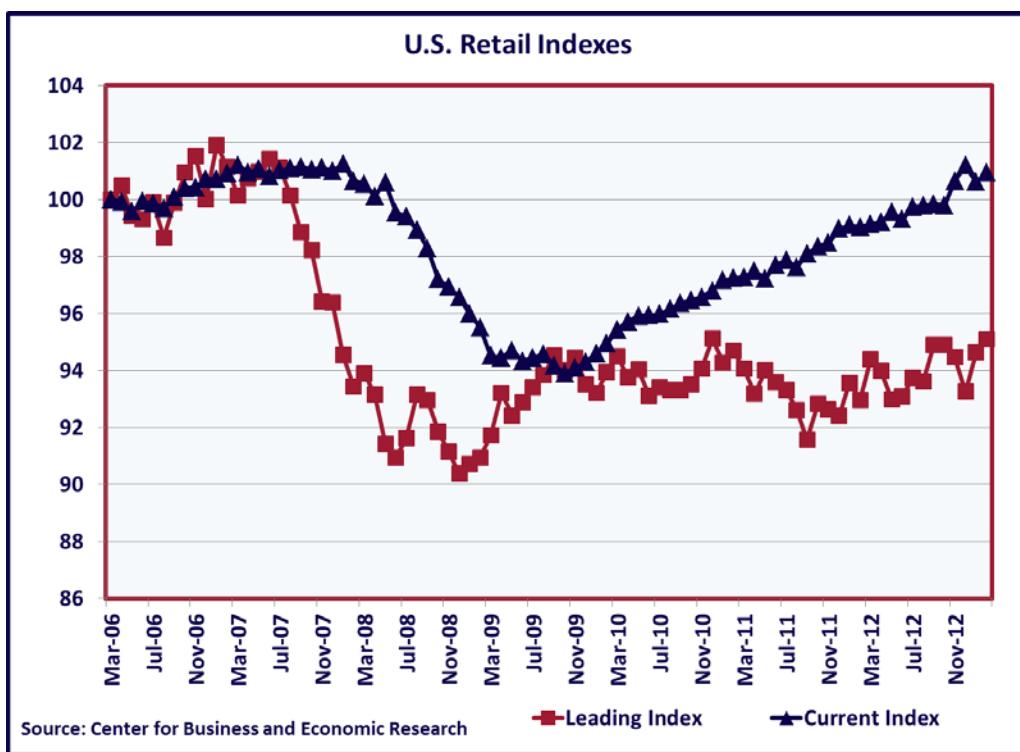
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- The U.S. Retail Coincident Index was near a post-recession high in February 2013, after declining in January and increasing in November and December 2012.
  - The U.S. Retail Leading Index was at a post-recession high in February 2013, and also posted a positive monthly change in January, indicating that retail activity is likely to improve modestly in the second quarter of 2013.
  - The retail trade industry experienced increases in business activity, new orders, employment, and imports, while inventories increased from February to March 2013.
  - Seasonally-adjusted for-hire truck tonnage increased in March after declining in February. Additionally, the not seasonally-adjusted for-hire truck tonnage index, which represents the change in tonnage actually hauled by the fleets, increased in March by 11.5 percent.
  - In the first quarter of 2013, retail occupancy rates for neighborhood and community shopping centers were at a three-year high, with a vacancy rate of 10.6 percent. Vacancy rates for large regional malls declined to 8.3 percent. Construction levels remained low.
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## RETAIL ECONOMIC INDICATORS

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The **U.S. Retail Leading Index<sup>1</sup>** increased at a 5.8 percent seasonally adjusted annual rate (SAAR) to 95.1<sup>2</sup> in February 2013 (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: an increase in average weekly hours worked, an increase in the Non-Manufacturing Index—New Orders, an increase in the inventory/sales ratio, an increase in the Consumer Expectations Index, and a decline in the 10-Year Treasury bond price. Meanwhile, the Leading Index was impacted negatively by an increase in the personal savings rate, an increase in layoffs, increased crude oil futures prices and a decrease in the S&P 500 Retail Index. Continued increases and reduced volatility in the Retail Leading Index indicates the likelihood of continuing modest improvements in retail activity in the second and third quarters of 2013.



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<sup>1</sup> The U.S. Retail Leading and Coincident Indexes were constructed by the Center for Business and Economic Research following 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.

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

The **U.S. Retail Coincident Index** increased to 100.9 in February 2013 after declining in January. The increase was at a 3.9 percent SAAR. Retail sales, the Freight Transportation Services Index, real disposable income, retail employment, and the Consumer Current Conditions Index all increased, affecting the Retail Coincident Index positively. On the other hand, gasoline prices increased slightly in February, negatively contributing to the index.

According to the **survey of retail industry executives by the Institute for Supply Management**, the retail trade industry experienced growth in March 2013. The retail companies experienced increases in business activity, new orders, employment, new export orders, and imports, while supplier deliveries slowed compared to February. However, executives reported that inventories were too high, that prices for purchased materials and services and backlogs of orders increased. Survey respondents said that "overall conditions continue to be unpredictable. Sales are inconsistent as customers reel to the news of the day, which creates havoc on the supply chain to respond."

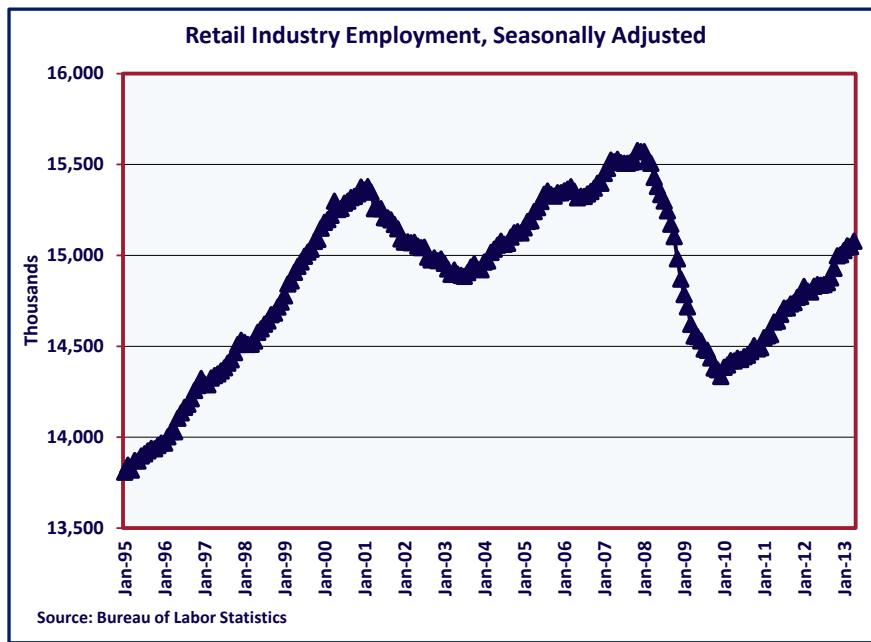
Retail Trade Industry Survey	
<b>Business Activity</b>	↑
<b>New Orders</b>	↑
<b>Employment</b>	↑
<b>Supplier Deliveries</b>	↓
<b>Inventories</b>	↑
<b>Prices</b>	↑
<b>Backlog of Orders</b>	↑
<b>New Export Orders</b>	↑
<b>Imports</b>	↑
<b>Inventory Sentiment</b>	↑

Source: March 2013 Non-Manufacturing ISM Report on Business® from the Institute for Supply Management

The retail trade industry subsector accounted for 11.1 percent of total U.S. **employment** in April 2013, according to the Bureau of Labor Statistics (BLS). It remained the fourth largest employment sector after government (15.6 percent), educational and health services (15.0 percent), and the professional and business services sector (13.6 percent).

**Employment in the U.S. retail trade industry** increased by 1.7 percent from April 2012 to April 2013, according to preliminary BLS data. On average, total non-farm employment grew 1.4 percent during that time period. Most of the other domestic industry sectors experienced larger employment growth. Only construction industry employment increased at a smaller rate, while the government industry sector

experienced a decline in employment. Retail industry employment has experienced slow growth from late 2009 to early 2013 with its current level being similar to the employment situation in mid-2004. In comparison, non-farm employment keeps increasing steadily and has regained early 2006 levels.



**The occupancy rate at U.S. neighborhood and community shopping centers** rose to a three-year high in the first quarter of 2013 with vacancies at 10.6 percent, according to a report released by Reis, Inc. **The average vacancy rate at U.S. regional malls** declined from 9.0 percent in the first quarter of 2012 to 8.3 percent in the first quarter of 2013. According to Reis, Inc., “It’s a slow but consistent recovery. There’s nothing being built, so as long as there’s any semblance of demand, it’s pushing vacancies down slightly and rents up slightly.”

The advanced seasonally-adjusted **For-Hire Truck Tonnage Index** from the American Trucking Association gained 0.9 percent to 123.5 in March 2013, after decreasing 0.7 percent in February. The March 2013 index was up 3.9 percent over the March 2012 level. The highest level on record was 124.3 in December 2011. The not seasonally adjusted index, which represents the change in tonnage actually hauled by the fleets before any seasonal adjustment, increased 11.5 percent from the previous month.