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

- The U.S. Retail Coincident Index reached its highest post-recession level in November 2011, after showing increases in September and October.

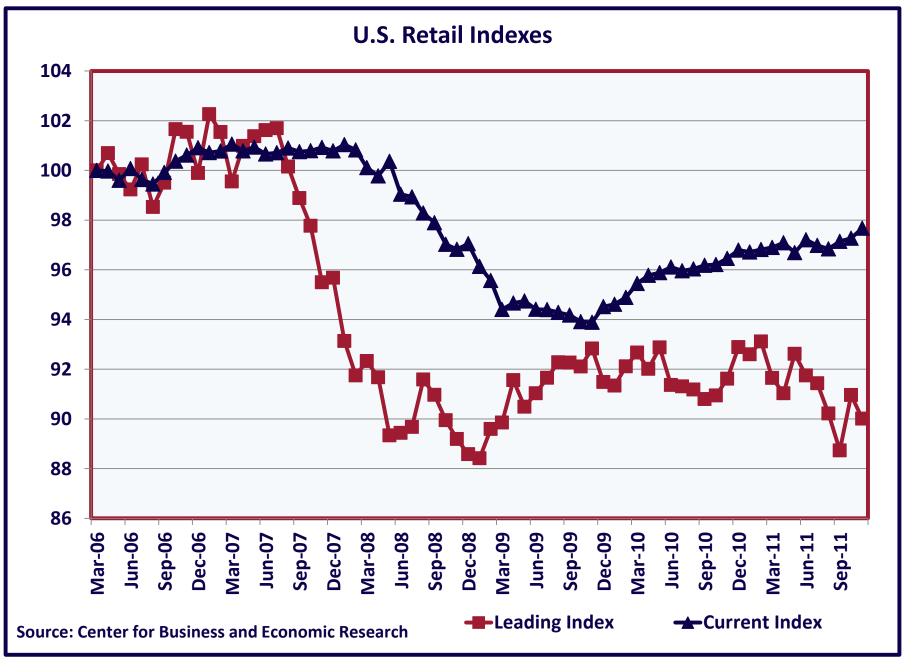
- The U.S. Retail Leading Index posted negative monthly changes for five out of the last six months, indicating that retail activity is likely to be volatile and to deteriorate modestly at the end of the first quarter and the beginning of the second quarter of 2012.

- From December 2011 to January 2012, the retail trade industry experienced increases in employment and new export orders, while business activity, new orders, and inventory sentiment stayed unchanged. Also, for-hire truck tonnage both seasonally and not seasonally adjusted indices rose in December.

- Meanwhile, during January 2012, retail executives reported declining supplier deliveries, inventories, and imports level and increases in purchasing prices and orders backlogs.

- In the fourth quarter of 2011, retail vacancy rates for neighborhood and community shopping centers remained unchanged (at 11.0 percent), while vacancy rates for large regional malls declined slightly (down to 9.2 percent from 9.4 percent, the highest level since 2000). Asking rents remained unchanged for regional malls, while construction levels remained low during this quarter.

The **U.S. Retail Leading Index**[1] declined at an 11.8 percent seasonally adjusted annual rate (SAAR) to 90.0[2] in November 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: decline in retail industry average weekly hours, increased crude oil futures prices, declines in the retail inventories to sales ratio, 10-Year Treasury bonds rate, and in S&P 500 Retail Index. Meanwhile, the Leading Index was impacted positively by the increase in the Consumer Expectations Index and in the Non-Manufacturing Index – New Orders, declines in the personal savings rate and in the number of initial claims of mass layoffs in the retail industry. The volatility of the Retail Leading Index indicates the likelihood of instability and a modest deterioration in retail activity in the spring and summer of 2012.



The **U.S. Retail Coincident Index** increased in November 2011 after rising in both September and October, up to 97.7, its highest level since 2008. The increase was at a 5.1 percent SAAR, compared with 3.1 percent increase in November of 2010. Retail employment, retail sales, consumer current conditions index, and Freight

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[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.

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

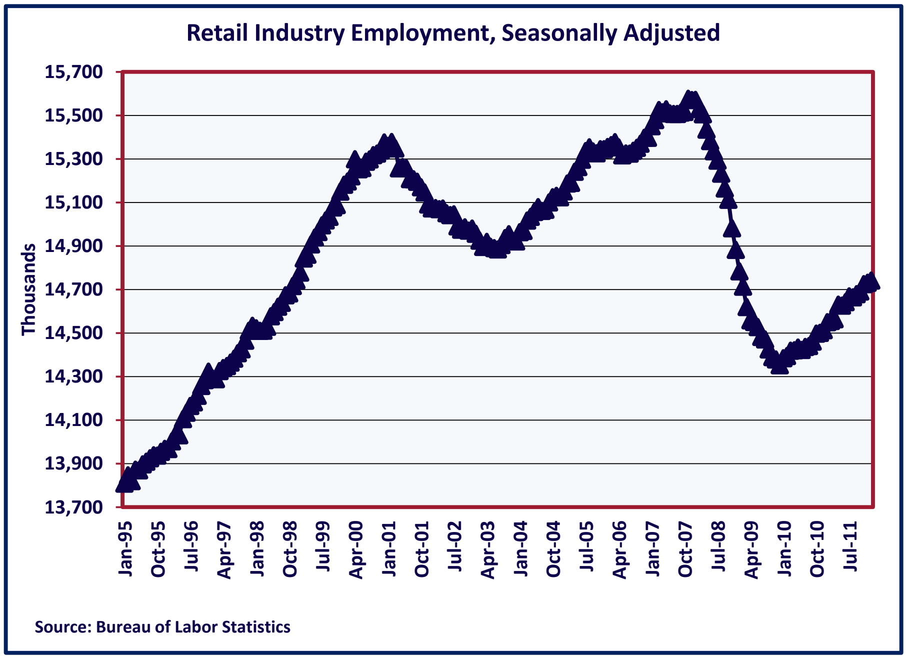
According to the **survey of retail industry executives by the Institute for Supply Management**, the retail trade industry experienced some growth in January 2012. The retail companies experienced increases in employment and new export orders, while business activity, new orders, and inventory sentiment stayed the same compared to December 2011. Meanwhile, executives reported slower supplier deliveries, declines in inventories and the use of imports and increases in prices for purchased materials and services and in orders backlogs in January.

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

Source: January 2012 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 January 2012, according to the Bureau of Labor Statistics (BLS). It remained the fourth largest employment sector after the government (16.6 percent), educational and health services (15.1 percent), and the professional and business services sector (13.1 percent).

Employment in the U.S. retail trade industry increased by 1.3 percent from January 2011 to January 2012, according to preliminary BLS data. (The non-farm employment on average grew 1.5 percent during that time period.) Most of the other domestic industry sectors experienced larger employment growth. Only the information and government industry sectors experienced declines in employment. Although retail industry employment has experienced stable growth since late 2009, its current level still remains similar to the employment situation in late 1998. In comparison, non-farm employment has regained late 2004 levels.



The vacancy rate at the U.S. neighborhood and community shopping centers remained unchanged for the past three quarters at 11.0 percent in the fourth quarter of 2011, according to the report released by Reis, Inc. This is the highest level seen since 1991. **U.S. regional malls posted an average vacancy rate** of 9.2 percent in the fourth quarter of 2011, a decline from the 11-year high of 9.4 percent in the third quarter last year. Meanwhile, **asking rents for regional malls** remained at the 2006 levels (data are not provided on such perks as months of free rent). New store construction in 2011 remained at very low levels with 4.9 million square feet delivered. The level was slightly higher than in 2010, when 4.5 million square feet of shopping-center space opened, the lowest construction level in 31 years. Meanwhile, a tendency of reconstructing or reviving existing malls by adding non-retail space in order to attract more customers has become stronger. The data service Reis Inc. cautioned that any recovery remains precarious and the outlook for this year is mixed, given the clouds hovering over the economy. While some retailers are expanding, such as Forever 21 Inc., Dick's Sporting Goods Inc. and Dollar General Corp., some high-profile stores such as Sears Holdings Corp. and Gap Inc. are planning closures.

The advance seasonally-adjusted **For-Hire Truck Tonnage Index** from the American Trucking Association jumped by 6.8 percent in December 2011, after rising 0.3 percent in November. The index rose 5.9 percent from the previous year, which was the largest annual increase since 1998. The not seasonally adjusted index, which represents the change in tonnage actually hauled by the fleets before any seasonal adjustment, increased 0.8 percent from the previous month.