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Center for Retailing Excellence

UPDATE: U.S. RETAIL ECONOMIC INDICATORS HIGHLIGHTS



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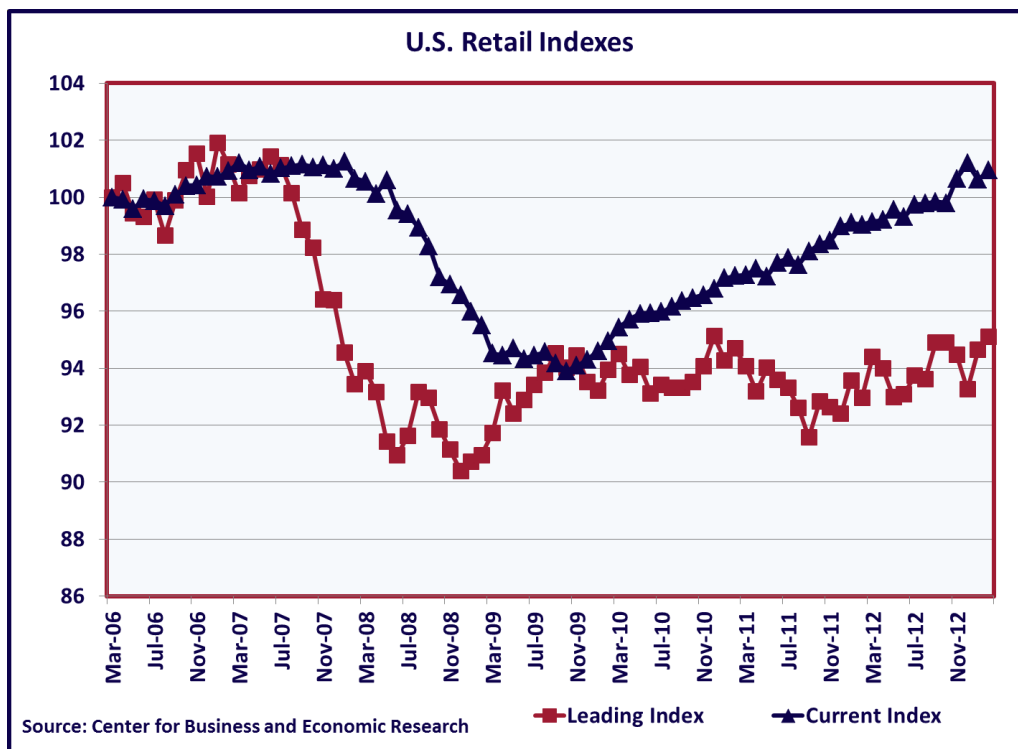
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Key Points

- The U.S. Retail Coincident Index was at a post-recession high in May 2013, after slight increases in February, March and April 2013.
- The U.S. Retail Leading Index was near a post-recession high in May 2013, and also posted a positive monthly change in February and March, indicating that retail activity is likely to improve modestly in the third quarter of 2013.
- The retail trade industry experienced increases in business activity, new orders, employment, and imports, while inventories increased from August to September 2013.
- Seasonally-adjusted for-hire truck tonnage increased in September after also increasing in August. Conversely, the not seasonally-adjusted for-hire truck tonnage index, which represents the change in tonnage actually hauled by the fleets, fell in September by 2.5 percent.
- In the third quarter of 2013, retail occupancy rates for neighborhood and community shopping centers were down slightly, with a vacancy rate of 10.5 percent. Vacancy rates for large regional malls declined to 8.2 percent. Construction levels remained low.

Retail Economic Indicators

The **U.S. Retail Leading Index**¹ increased at a 16.2 percent seasonally adjusted annual rate (SAAR) to 96.6² in May 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 consumer expectations, an decrease in the 10-Year Treasury bond price, and increase in the S&P 500 Retail Index, an increase in average weekly hours worked, an increase in the Non-Manufacturing Index—New Orders, a decline in layoffs, and a decrease in the personal savings rate. Meanwhile, the Leading Index was impacted negatively by an increase in the inventory/sales ratio and an increase in crude oil futures prices. Continued increases and reduced volatility in the Retail Leading Index indicates the likelihood of continuing modest improvements in retail activity in the third and fourth quarters of 2013.



¹ 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.

² 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 100.2 in May 2013 after increasing since February. The increase was at a 6.4 percent SAAR. The Consumer Current Conditions Index, retail employment, the Freight Transportation Services Index, retail sales, and real disposable income all increased, affecting the Retail Coincident Index positively. On the other hand, gasoline prices increased slightly in May, negatively contributing to the index.

According to the **survey of retail industry executives by the Institute for Supply Management**, the retail trade industry experienced slower growth in September 2013. The retail companies experienced increases in business activity, new orders, employment, new export orders, and imports, while supplier deliveries were unchanged compared to August. However, executives reported that inventories were too high, that prices for purchased materials and services and backlogs of orders increased. Survey respondents said that “the majority of the respondents’ comments continue to be positive; however, there is an increase in the degree of uncertainty regarding the future business climate and the direction of the economy.”

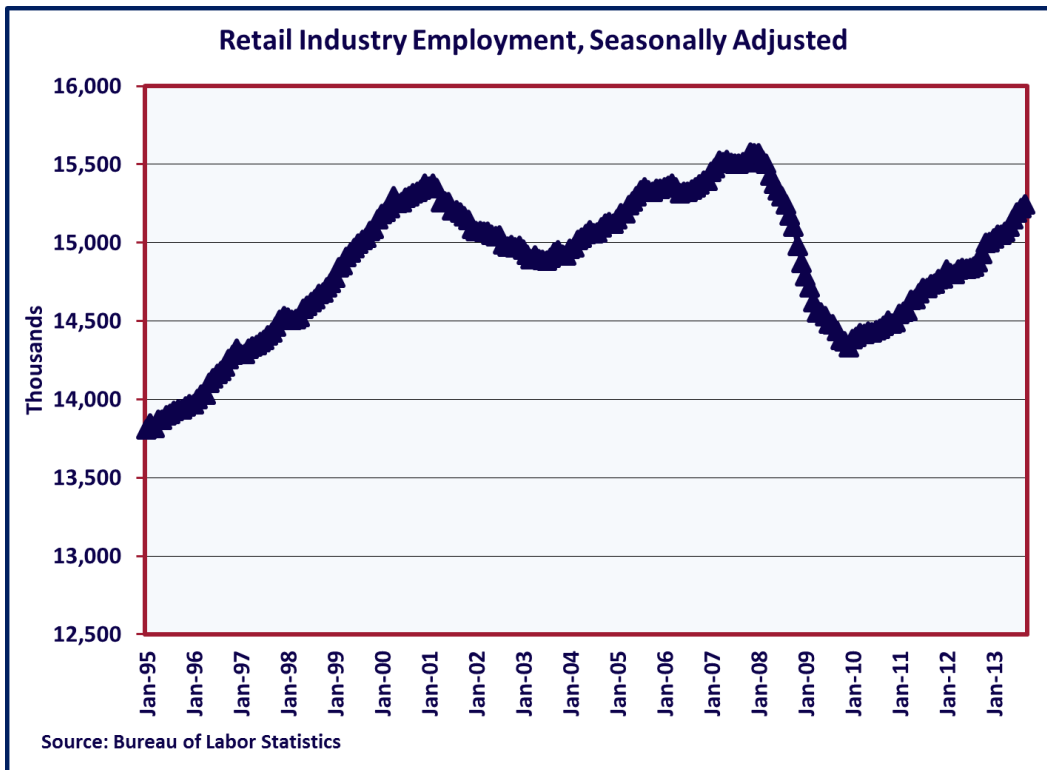
Source: September 2013 Non-Manufacturing ISM *Report on Business*® from the Institute for Supply Management

Retail Trade Industry Survey	
Business Activity	Growing
New Orders	Growing
Employment	Growing
Supplier Deliveries	Unchanged
Inventories	Growing
Prices	Increasing
Backlog of Orders	Growing
New Export Orders	Growing
Imports	Growing
Inventory Sentiment	Too High

The retail trade industry subsector accounted for 11.2 percent of total U.S. **employment** in September 2013, according to the Bureau of Labor Statistics (BLS). It remained the fourth largest employment sector after government (15.9 percent), educational and health services (15.1 percent), and the professional and business services sector (13.7 percent).

Employment in the U.S. retail trade industry increased by 2.5 percent from September 2012 to September 2013, according to preliminary BLS data. On average, total non-farm employment grew 1.7 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 late 2013 with its current level being similar to the employment situation in mid-2008. Total non-farm employment has also regained levels last seen in 2008.



The occupancy rate at U.S. neighborhood and community shopping centers was down slightly in the third quarter of 2013 with vacancies at 10.5 percent, according to a report released by Reis, Inc. **The average vacancy rate at U.S. regional malls** declined from a cycle peak of 9.4 percent in the third quarter of 2012 to 8.2 percent in the third quarter of 2013.

The advanced seasonally-adjusted **For-Hire Truck Tonnage Index** from the American Trucking Association gained 1.4 percent to 128.7 in September 2013, after also increasing 1.4 percent in August. The September 2013 index was up 8.4 percent over the September 2012 level, which is the largest year-over-year gain since December 2011. 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, decreased 2.5 percent from the previous month.