Economic indicators, which are statistics used to measure the health and direction of the economy, come in three varieties, leading, coincident and lagging. Retail sales is often viewed as a coincident indicator, or as depicting the current strength of the economy. During the 2007-2009 recession, consumer confidence and reduced credit availability kept consumers from driving (i.e., shopping) the economy out of the ditch as they did in the 2001 recession. Furthermore, many retailers were forced to re-evaluate their balance sheets. With lower consumer spending, the rents retailers were paying no longer matched updated expectations of sales growth. Combine these aforementioned troubles with stagnant or declining income and the threat of increased competition with e-tailers, and it should be no surprise that retailers still do not feel they are yet out of the woods.

However, in terms of sales, retail started its recovery almost as soon as the recession ended in mid-2009. Currently, retail sales indicate the U.S. economy is continuing to regain its strength. Nationally, the growth in retail sales has picked up its pace since posting lack-luster holiday seasonal sales last year. In July 2013, retail sales grew by 7.2% over July 2012, up from a growth of 4.2% between June 2012 to June 2013.

Core retail sales, which excludes the typically more volatile motor vehicle sales, building materials and gasoline, grew in July at a seasonally adjusted monthly rate faster than had been experienced since November 2012. Though the housing market has recently started to recover, retail categories closely associated with housing, such as furniture, building materials, and other durable goods categories have lagged behind the remaining retail sectors. Categories that have posted the fastest monthly adjusted growth come primarily from non-durable goods, which include gasoline stations, clothing, food and beverage stores, and general merchandise.

However, August survey data may indicate a shift going forward. Mid-tier retailers, like Macy's, are reporting lackluster sales and have also reported that consumers are more likely to be "value-shopping." Wal-Mart, which markets itself based on low prices, has also seen sales slip at newer stores. The blame has been focused on the lack of income growth for middle-income families. The Bureau of Labor Statistics, U.S. Total Retail Sales July 2006-July 2013*

Spotlight: Retail Trends in the US and Georgia

U.S. Total Retail Sales
July 2006-July 2013*

U.S. real GDP grew by 1.7% in the second quarter of 2013, up considerably from the 1.1% growth experienced in the 1st quarter of 2013. The jobs report was relatively strong in July as the U.S. economy added about 162,000 jobs. The U.S. unemployment rate (SA) stood at 7.4% in July 2013. In comparison, 8.2% of the workforce was unemployed in July 2012. The most recent Case-Shiller Home Price Index shows continued improvement in the housing market with May 2013 U.S. home prices up 12.2% compared to May 2012. The increase in Atlanta MSA housing prices was even more dramatic, up 20.1% over the past year.

As for the West Georgia Region, unemployment rates in June 2013 are lower in five of the regions six counties compared to June 2012. Only Carroll County has seen its unemployment rate rise over the past year, up to 10.5% in June 2013 compared to 10.3% in June 2012. Four of the six counties have an unemployment rate at or below the state rate of 9.3% in June 2013. Only Carroll and Haralson counties have a higher than state average unemployment rate. Over the past year, Coweta County has seen the largest drop (-1.1%) in its unemployment rate, down to
The region’s initial unemployment insurance claims are finally moving back to within striking distance of its pre-recession levels. After a substantial up-tick earlier this year, primarily driven by higher-than-expected post-holiday layoffs of Carroll County residents, the region returned to its slow but steady downward trajectory. However, Carroll County remains a source of large spikes in new claims. While most of the rest of the West Georgia Region has seen steady year-over-year reductions in new claims, Carroll posted higher claims in May, June, and now July 2013 over the same months in the previous year. Clearly, though initial claim levels have subsided, new claims volatility shows no signs of settling down.

West Georgia firms that sense trouble appear to be much more proactive in adjusting their labor force levels now than they were before the recession.

Unemployment rates across the state and the West Georgia Region have risen over the past two months leading some to speculate that we are returning to a more difficult job market; however, the numbers may be somewhat misleading. Between June 2012 and 2013, while adding another 2,302 persons to the labor force, the region has seen 3,485 more of its residents find jobs. Overall, West Georgia’s unemployment rate dropped about half a percentage point over the year. Carroll County was the only one in the region to see its unemployment rate rise over the year (up .2 percentage points) because it added more new workers (+572) than were able to find employment (+406). Coweta experienced the largest improvement in its unemployment rate, shedding 1.1 percentage points over the past year, despite posting the region’s largest labor force increase (+644 workers).

Service-providing jobs reached a peak level in total employment for the region in 2007 at 88,707; however, as a share of total employment, the service sector peaked in 2012. The service-providing sector currently provides 61.8 percent of jobs in the West Georgia Region. As the graph indicates, service job levels dipped during the recession, but have been the first category of jobs to return to the region during the recovery. Although goods-production jobs have started to mount a recovery in individual counties in the region, for the region overall, job numbers are still down; however, recent new firm announcements and the start of West Georgia’s housing recovery have injected some optimism into the outlook for this sector. West Georgia’s government sector has held steady as a share of total employment over the recession and recovery (between 18-20%), despite having shrunk by about 2,000 jobs in the region. However, recent data indicate modest year-over-year gains in government jobs for the West Georgia Region.
The retail sectors for both the state and the West Georgia Region have started to recover jobs lost during the recent recession, though West Georgia got a bit of a late start. The state overall has seen retail employment growing since the end of 2009, whereas West Georgia’s retail jobs recovery started about a full year later, in late 2010. Nevertheless, West Georgia has been making up ground. Between 2011Q4 and 2012Q4, West Georgia saw retail employment increase by 1.2%, whereas the state’s retail employment grew at 0.5% for that period. Within the region, four counties (Polk, Carroll, Paulding and Coweta) experienced substantial retail employment growth, with Polk experiencing the largest gain in retail jobs at 5.4%. During the same period, Haralson experienced the largest retail employment decline, losing 11.3% of its retail workforce. Douglas essentially held steady. Even though retail jobs tend to be relatively low-paying in comparison with other sectors, the rebound in West Georgia’s retail employment has acted as a stabilizing force in the region.

The average sale price of single-family residences in the West Georgia Region continues its upward climb, posting higher average year-over-year sale prices in every month from August 2012 through July 2013. A contributing factor for higher sale prices has been the slow response on the supply side. In fact, the growth in the number of units for sale has only occasionally been positive in the past year. In July 2013, the West Georgia Region saw an additional 60 houses put on the market (a 7.2% increase), while average prices during July increased by 24.9% over the same month in the previous year. The largest average price increase in the past year occurred in December 2012, when the number of houses on the market dropped by 20.0% from the previous year (-138 houses). Although new permits are showing signs of a recovery, time is required to translate permits into houses. In the meantime, existing homes will continue to rise in value.

Although pre-recession levels of housing permits are likely years away, West Georgia’s permits through June 2013 are nearly double the number issued during the same period a year before. Furthermore, it marks a continued improvement from year-to-date permit activity measured in May, which was up 86.6% compared to the same period in 2012. The region continues to experience its highest level of new single-family residential permit activity since the housing market initially hit bottom in 2009. Every reporting county in the region, except Haralson, indicated more permits were issued this year over last (Polk data unavailable). Paulding County permits are currently at 210% of what it issued during the same period of 2012. In absolute terms, Coweta, at 273 new permits, continues to lead the region with the largest number of single-family permits issued of any of the West Georgia counties.
Retail Trends in the US and Georgia (continued from page 1)

tics reported that July real, seasonally adjusted earnings for all non-supervisory and production workers fell 0.4% between July 2012 and 2013. Macy’s higher-end sister retailer, Bloomingdale’s, however, posted strong sales for the same period.

Though housing-related retail has yet to experience its post-recession revival, some analysts suggest that home improvement stores, as part of the housing recovery, will see increased sales in the upcoming months. Ace Hardware recently announced same store sales were up by 5.3% in 2013Q2 and similar results are expected from other major home improvement retailers as earning reports become available this month. In fact, Lowe’s recently finished its new 1.4 million square foot distribution facility in Rome last year.

In addition to sales, retailers are major job-providers. The recession took a heavy toll on most industries, but in Georgia and West Georgia, retail has been the first major sector to exhibit a substantial recovery of jobs (see the chart on page 3). Unfortunately, retail jobs typically pay substantially less than those in other sectors. In Georgia the average retail job in 2012Q4 paid $518 (about half of the average weekly wage for all jobs in Georgia).

One area of particular concern for local retailers relates to e-commerce and the state and local sales taxes. Currently, retailers selling on-line, who do not have a physical presence in Georgia but ship to consumers in Georgia have avoided having to impose the sales tax on their customers. Several large e-tailers, like Walmart.com, have been forced to collect the sales taxes for its online sales because the presence of its brick-and-mortar stores in Georgia (and, in other states with similar sales taxes), while other online sellers, like Amazon.com, were able to avoid collecting the tax. However, because of a new Georgia law that re-defines what a “physical presence” in the state is, Amazon will start collecting Georgia sales tax for its online sales shipped to Georgia. This law change is expected to generate an additional $16 million in tax revenue. It will also help to level the playing field between local retailers and online retailers. Amazon is expected to start collecting Georgia sales tax beginning September 1, 2013. What remains to be seen is if other states with sales taxes will follow suit and enact similar legislation to capture un-collected revenue. In Georgia, the sales tax represents the second largest revenue source behind the state income tax. As the graph below indicates, e-commerce accounted for about 6.2% of sales in 2012Q4 (holiday sales) and e-tailers have gained retail market share at a rate of about 0.29 percentage points per year, a trend that currently shows no signs of slowing down.

Update (continued from page 1)

8.0% in June 2013. In another positive sign for the West Georgia economy, the number of initial claims for unemployment insurance has dropped in four of the regions six counties since July 2012. Carroll County saw the largest increase in claims (up 30.5%), while Haralson experienced the largest decline (down 31.4%). In Georgia, the number of unemployment claims dropped by 4.3% in July 2013 compared to July 2012.

The most recently available employment data show job gains in all six counties in the region. Total employment rose in the West Georgia region by almost 3% between 2011Q4 and 2012Q4. The large retail trade and government sectors saw only small gains in employment, up 1.6% and 1%, respectively between 2011Q4 and 2012Q4. On the other hand, the health care sector and accommodations/food services each saw employment gains in excess of 7% over this same one-year period. Manufacturing employment declined by 3.6% over this one-year period with Carroll County taking the biggest hit (down 10.2%). Recent data provide evidence of an up-tick in the housing market in the region with 600 single family units permitted in the first six months of 2013 compared to 302 units for the same period in 2012.

A number of recent announcements will have an impact on employment growth in the West Georgia Region. Most significant were the decision of Trident Seafoods to open a processing facility in Carrollton, the announcement that Gordon Food Service will be building a new distribution center in Douglasville, the plans for additional utility vehicle production at the Yamaha Motor manufacturing facility in Newnan and the expansion of the Jefferson Southern steel production plant in Rockmart (Polk County). Altogether, these four expansions are expected to add more than 500 jobs in the region over the next three years. Carroll County is also likely to see 20 new jobs as a result of a planned expansion at the Printpack Inc. packaging plant in Villa Rica. The new certified DEF diesel exhaust fluid packaging and distribution facility in Dallas (Paulding County) will also add about 20 jobs over the next couple of years. Tanner Health System is also constructing a new urgent care clinic in Bremen and planning for a new urgent care center in Carrollton. In another health care related announcement, Cancer Treatment Centers of America is already planning an expansion of their just completed hospital in Newnan. Construction has also begun on the new $40 million Polk Medical Center to be located between Cedartown and Rockmart while construction continues on the Wellstar Paulding Hospital in Hiram. Banking sector expansions include a new Wells Fargo bank at the Thomas Crossroads Kroger in Newnan. Positive retail sector developments include new store openings in the Arbor Place Mall in Douglasville, a new Goodwill store (and career center) in Coweta County, and a new independent bookstore in Hiram (Paulding County). Retail closings include Southern States farm supply in Carrollton, Checkers in Bremen, and the Three Dollar Café at the Arbor Place Mall. AirTran’s closing of its Carrollton call center at the end of July impacted about 120 employees.