

ETSU Bureau of Business and Economic Research

Tri-Cities Retail Sales Report

East Tennessee State University + Third Quarter 2016 + College of Business and Technology

THE TRI-CITIES

The retail picture remained mixed over the summer quarter. Dollar sales increased 9.9% in Bristol to \$329 million and 3.8% in Johnson City to \$546 million. In contrast, retail activity was down in Kingsport where sales dipped 6.0% to \$391 million. Adjusted for inflation, real sales were up 8.7% in Bristol and 2.6% in Johnson City, while falling 7.0% in Kingsport. In comparison, retail volume rose 1.9% in the metro area, 2.6% in Tennessee, and 1.4% in the nation.

<u>Period</u>	<u>BRISTOL TN-VA</u>		<u>JOHNSON CITY</u>		<u>KINGSPORT</u>	
	<u>Sales</u>	<u>Y-Y%Ch</u>	<u>Sales</u>	<u>Y-Y%Ch</u>	<u>Sales</u>	<u>Y-Y%Ch</u>
2007	1119.0	9.8	1855.4	6.2	1407.7	0.7
2008	1071.7	-4.2	1860.4	0.3	1441.9	2.4
2009	985.0	-8.1	1792.7	-3.6	1341.3	-7.0
2010	976.4	-0.9	1846.2	3.0	1366.0	1.8
2011	1019.6	4.4	1968.0	6.6	1435.6	5.1
2012	1094.3	7.3	2000.8	1.7	1467.7	2.2
2013	1008.0	-7.9	2006.3	0.3	1498.1	2.1
2014	1046.0	3.8	2058.3	2.6	1562.9	4.3
2015	1178.8	12.7	2150.0	4.5	1647.0	5.4
12:1	261.4	13.9	475.1	7.3	348.7	8.2
12:2	265.7	6.6	485.5	2.0	362.6	0.8
12:3	267.2	1.9	486.1	-1.2	355.3	-2.4
12:4	299.9	7.6	554.2	-0.6	401.1	2.9
13:1	244.4	-6.5	474.1	-0.2	347.1	-0.5
13:2	250.3	-5.8	495.2	2.0	369.1	1.8
13:3	252.2	-5.6	480.9	-1.1	380.5	7.1
13:4	261.1	-12.9	556.1	0.4	401.3	0.1
14:1	241.2	-1.3	469.7	-0.9	357.5	3.0
14:2	253.4	1.3	500.4	1.1	382.6	3.7
14:3	270.6	7.3	505.6	5.1	391.7	2.9
14:4	280.8	7.5	582.6	4.8	431.1	7.4
15:1	251.8	4.4	479.3	2.1	373.2	4.4
15:2	292.0	15.2	531.3	6.2	406.6	6.3
15:3	299.8	10.8	526.5	4.1	415.3	6.0
15:4	335.2	19.4	612.9	5.2	451.9	4.8
16:1	301.0	19.5	515.6	7.6	383.6	2.8
16:2	322.5	10.4	543.1	2.2	409.9	0.8
16:3	329.4	9.9	546.3	3.8	390.5	-6.0

THE METROPOLITAN AREAS

Overall, retail performance improved in the metro area during the July to September period. Dollar sales in the Tri-Cities Combined Statistical Area (CSA) rose 3.0% to \$2,004 million, and adjusted for inflation, real metro sales were up 1.9%. The retail gains were widely spread among the seven metro counties – dollar sales and sales volume increased in six counties (compared to gains in only three counties in the second quarter). The largest increase was in Sullivan, followed by Carter, Washington (VA), Washington (TN), Unicoi, and Hawkins. Scott County had a small increase in dollar sales, but real volume declined.

Period	TRI-CITIES CSA		KNOXVILLE MSA		CHATTANOOGA MSA	
	Sales	Y-Y%Ch	Sales	Y-Y%Ch	Sales	Y-Y%Ch
2007	6643.2	4.6	12265.8	3.8	7293.2	3.8
2008	6620.3	-0.4	11694.8	-4.7	7112.5	-2.5
2009	6305.3	-4.8	10975.2	-6.2	6655.5	-6.4
2010	6582.6	4.4	11609.0	5.8	7102.1	6.7
2011	6977.2	6.0	12938.5	11.5	7568.7	6.6
2012	7091.1	1.6	13236.6	2.3	7810.4	3.2
2013	7059.3	-0.4	13281.4	0.3	7785.9	-0.3
2014	7279.7	3.1	13762.1	3.6	8060.9	3.5
2015	7649.4	5.1	14701.8	6.8	8612.0	6.8
12:1	1721.5	9.2	3153.7	12.5	1862.0	8.5
12:2	1774.1	0.2	3327.9	3.8	1986.0	4.7
12:3	1751.5	-1.3	3272.0	-2.4	1928.2	-0.5
12:4	1844.0	-0.6	3483.0	-2.6	2034.2	0.9
13:1	1666.4	-3.2	3108.4	-1.4	1833.0	-1.6
13:2	1799.7	1.4	3359.6	1.0	1991.4	0.3
13:3	1747.1	-0.3	3301.3	0.9	1924.8	-0.2
13:4	1846.1	0.1	3512.1	0.8	2036.7	0.1
14:1	1675.8	0.6	3126.6	0.6	1835.6	0.1
14:2	1826.9	1.5	3445.8	2.6	2042.2	2.6
14:3	1835.0	5.0	3471.8	5.2	2015.8	4.7
14:4	1941.9	5.2	3717.9	5.9	2167.3	6.4
15:1	1719.7	2.6	3294.4	5.4	1944.4	5.9
15:2	1952.5	6.9	3697.6	7.3	2184.6	7.0
15:3	1945.0	6.0	3750.3	8.0	2197.9	9.0
15:4	2032.3	4.7	3958.4	6.5	2285.2	5.4
16:1	1812.2	5.4	3531.7	7.2	2102.8	8.2
16:2	1991.6	2.0	3819.2	3.3	2235.3	2.3
16:3	2003.7	3.0	3818.6	1.8	2167.6	-1.4

Retail growth was mixed in the three East Tennessee metro areas during the third quarter. Dollar sales rose 3.0% in the Tri-Cities and 1.8% in Knoxville, while dropping 1.4% in Chattanooga. Adjusted for inflation, sales volume increased 1.9% in the Tri-Cities and 0.7% in Knoxville, while falling 2.5% in Chattanooga. This is the first time in two years that East Tennessee has experienced mixed retail performance.

UNITED STATES AND TENNESSEE

Period	UNITED STATES		TENNESSEE	
	Sales	Y-Y%Ch	Sales	Y-Y%Ch
2007	4,439,733	3.4	85,997	3.7
2008	4,391,778	-1.1	85,558	-0.5
2009	4,064,965	-7.4	82,254	-3.9
2010	4,285,782	5.4	87,910	6.9
2011	4,597,569	7.3	96,750	10.1
2012	4,826,390	5.0	101,534	4.9
2013	5,001,242	3.6	105,170	3.6
2014	5,211,542	4.2	110,564	5.1
2015	5,330,044	2.3	117,816	6.6
12:1	1,141,856	7.7	24,115	11.0
12:2	1,212,679	4.4	25,689	5.8
12:3	1,199,528	3.9	25,033	2.2
12:4	1,272,327	4.1	26,697	1.8
13:1	1,171,113	2.6	24,489	1.6
13:2	1,260,067	3.9	26,695	3.9
13:3	1,253,506	4.5	26,058	4.1

13:4	1,316,556	3.5	27,928	4.6
14:1	1,196,520	2.2	25,373	3.6
14:2	1,323,389	5.0	27,557	3.2
14:3	1,314,789	4.9	27,735	6.4
14:4	1,376,844	4.6	29,899	7.1
15:1	1,228,297	2.7	26,173	3.2
15:2	1,349,061	1.9	29,722	7.9
15:3	1,344,967	2.3	29,810	7.5
15:4	1,407,719	2.2	32,111	7.4
16:1	1,274,575	3.8	28,553	9.1
16:2	1,384,267	2.6	31,077	4.6
16:3	1,378,817	2.5	30,919	3.7

At the national level, retail sales continued to increase at a moderate rate during the third quarter. Dollar sales in the United States rose 2.5% to \$1,379 billion. Adjusted for inflation, sales volume was higher by 1.4%. Dollar sales have now risen for twenty-eight consecutive quarters. Adjusted for inflation, retail volume has now increased for twenty-seven quarters in a row. (During the 2008 to 2009 Great Recession period, U.S. retail activity declined for seven quarters, after increasing for twenty consecutive quarters during the 2002 to 2007 business expansion.)

In Tennessee, dollar sales increased 3.7% to \$30.9 billion. Adjusted for inflation, sales volume in the state was 2.6% above 2015 levels. With the exception of the first quarter of 2013, the state has enjoyed higher levels of retail activity in twenty-five of the last twenty-six quarters. (During the Great Recession period, state sales volume declined for ten consecutive quarters.)

ANALYSIS

The retail situation was mixed during the third quarter. Retail growth slowed again in the nation and the state. Adjusted for inflation, retail sales were up only 1.4% in the United States and 2.6% in Tennessee, marking the lowest retail growth since early 2014. However, real growth is still real growth even at a slower pace.

In contrast, retail activity improved in the Tri-Cities metro area during the summer months. Real growth was 1.9% compared to 1.0% in the previous period. The uptick in sales volume encompassed six of the seven area counties and two of the three cities, with the very notable exception of Kingsport. The model city has now reported two consecutive quarters of lower sales, ending a retail expansion that began in 2012.

In East Tennessee, at 1.9% real growth, the Tri-Cities had the best retail performance among the three metro areas. Retail growth was less than one percent in Knoxville and declined in Chattanooga for the first time in three years.

The outlook for the future remains somewhat uncertain. The third quarter retail results suggest that the retail recovery may be losing momentum due to consumer fatigue. But retail growth continues at the national and state levels coupled with continuing employment expansion. The political and business situations remain volatile as the new Trump administration takes form.

Looking forward to the holiday selling season, it is apparent that positive and negative elements are at work. The consensus projections are for a modest increase over 2015 levels. Early national data from the “black Friday” weekend show limited gains for conventional stores while on-line sales were strong. There is a long-term trend away from “bricks” and into the “clicks” format. This will hurt local retail activity and the critical sales tax collections.

Technical Note. This report was prepared in December 2016. The “Retail Sales” figures used in this report are “Retail and Food Service Sales” which are the total sales in NAICS Sector 44, Sector 45, and Subsector 722. The national retail sales estimates are issued by the U.S. Census Bureau. The state, region, county, and city retail sales estimates are based on state sales tax collections and are benchmarked to the 2012 U.S. Census of Retail Trade, the 2007 U.S. Census of Retail Trade, and the 2002 U.S. Census of Retail Trade. The Consumer Price Index (CPI) from the U.S. Bureau of

Labor Statistics is used to adjust the dollar value of retail sales into "real" or volume terms where the effects of price inflation are removed. The sales data are not adjusted for seasonality so comparisons should be made on a year-to-year basis. The dollar figures in the retail sales tables are in millions of dollars.

More Information. This report was prepared by Dr. F. Steb Hipple, Professor of Economics (Ret), and Research Associate (Ret), BBER. Dr. Hipple will continue to prepare the retail sales reports on an interim basis. For more information, please contact Dr. Hipple c/o Department of Economics and Finance, Box 70686, East Tennessee State University, Johnson City, Tennessee 37614. Phone/Voicemail: 423-439-5304. Fax: 423-439-8583. E-Mail: Hipples@etsu.edu. Website: <http://faculty.etsu.edu/hipples>.