

 International Council of Shopping Centers



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## The Shape of the U.S. Consumer Recovery

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 International Council of Shopping Centers

## Highlights

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- The Recovery is Here—But What Does That Mean
  - Essential Spending Status—Still Driving Demand
  - The Drivers of Consumer Spending
  - Luxury Spending
  - Consumer Credit Use
  - 2009 Holiday Spending Forecast
  - Retail Sales Outlook
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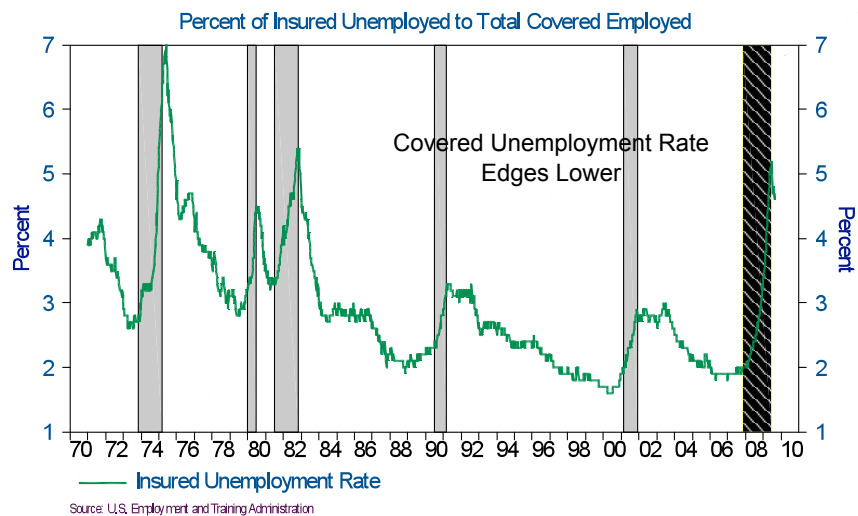


## The Recovery Has Arrived...

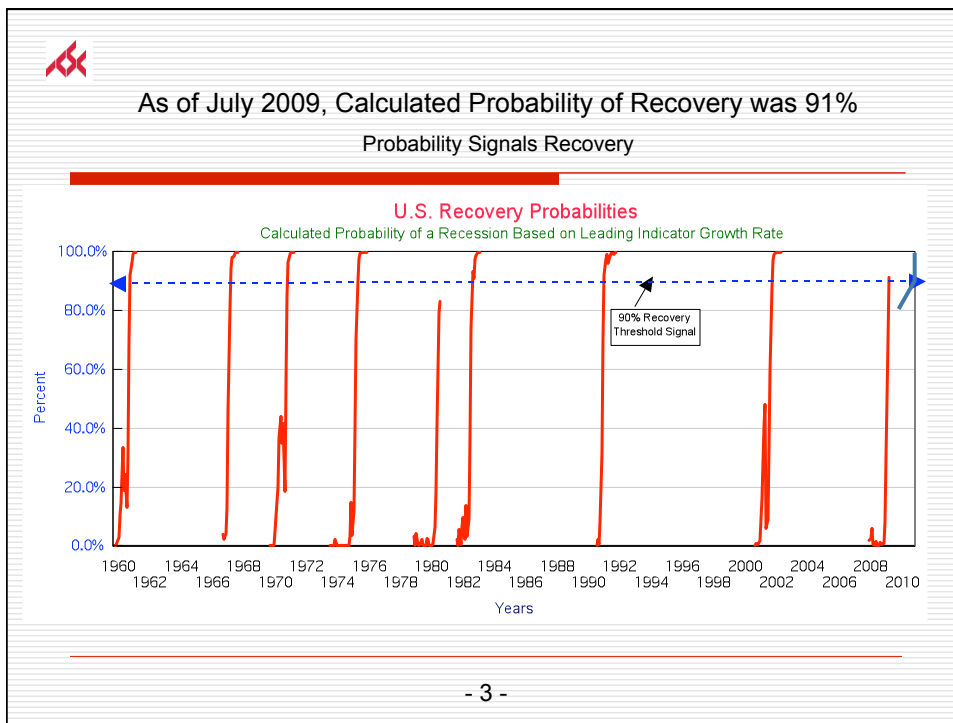
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## One Timely Indicator of Recession's End



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**Understanding and Using the Business Cycle Turning Point Signal**

Business Cycle Trough Dates	Turning Point Signal From Probability Model		
	Date	Months From Turning Point	Threshold Value
Feb. 1961	Feb. 1961	0	91.9%
Nov. 1970	Mar. 1971	+4	96.5%
Mar. 1975	Aug. 1975	+5	90.5%
Jul. 1980	Nov. 1980	+4	83.2% ←-Highest
Nov. 1982	Nov. 1982	+1	93.4%
Mar. 1991	May 1991	+2	92.1%
Nov. 2001	Feb. 2002	+3	97.3%
Average		+2.7 months	
Mode		+4 months	
Median		+3 months	

Source: National Bureau of Economic Research; ICSC Research.

If trough is: July 2009      If 90% crossing was: July 2009

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## Recap: The 2007-2009 Recession

- **Correction Played Out Slowly:** The recession catalyst was housing, but housing peaked in 2005. The impacts were only felt on retail sales, for example, in 2007—which is a very long lag.
- **Recession Threshold (in August 2008) Triggered Unusually Sharp Drop in Spending and Output:** The recession was amplified by the financial crisis (not unusual in history), but the business consumer reaction was quite abrupt.

**QUESTION:** Despite the popular belief that the recovery will be moderate, is there a “threshold trigger” for a sharper recovery? And what does that mean for consumer spending?



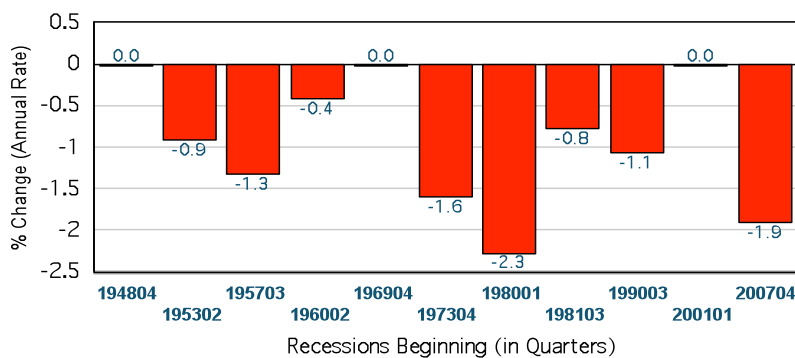
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### Recession Impact on Real Consumer Spending

#### Total Contraction Per U.S. Recession

Post-War II Experience, Real Consumer Spending with Latest Cycle To Date



#### Duration of Decline Longer, But Depth Consistent with Past Cycles

	194804	195302	195703	196002	196904	197304	198001	198103	199003	200101	200704
Cumulative	0.0	-0.9	-1.3	-0.4	0.0	-1.6	-2.3	-0.8	-1.1	0.0	-2.0
Periods	0	2	1	2	1	2	1	1	3	0	4

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Quarters of Decline During Recession





### Real Consumer Spending

Is there a difference in the recovery pattern for real consumer spending between severe downturns (1953, 1957, 1973, 1980, 1981) and mild recessions (1948, 1960, 1969, 1990, 2001)?

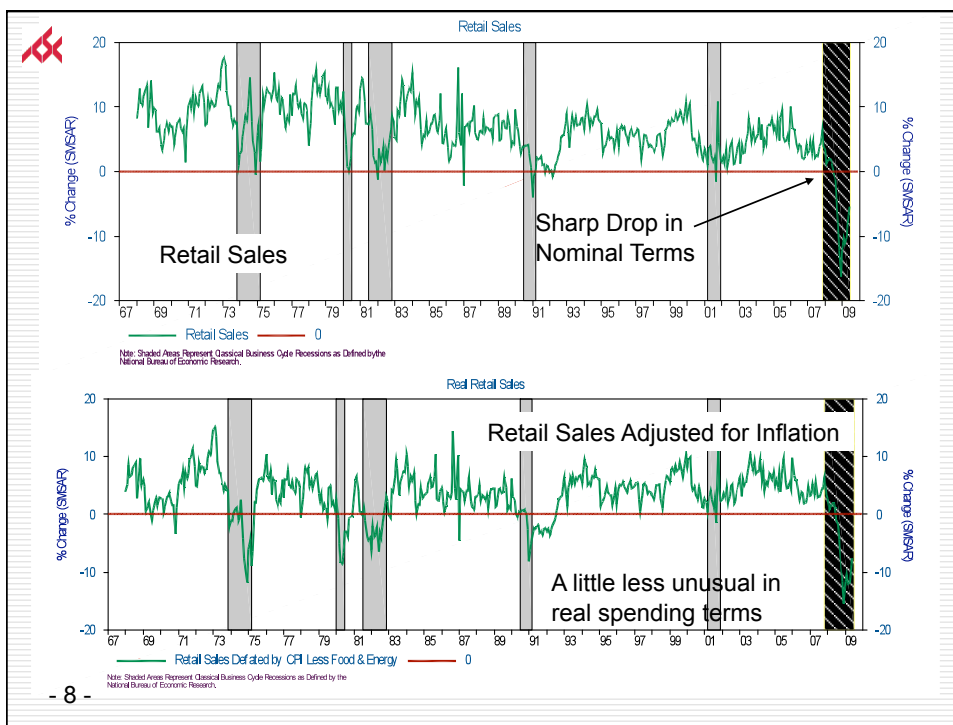
(Growth Index at Turning Point = 100)

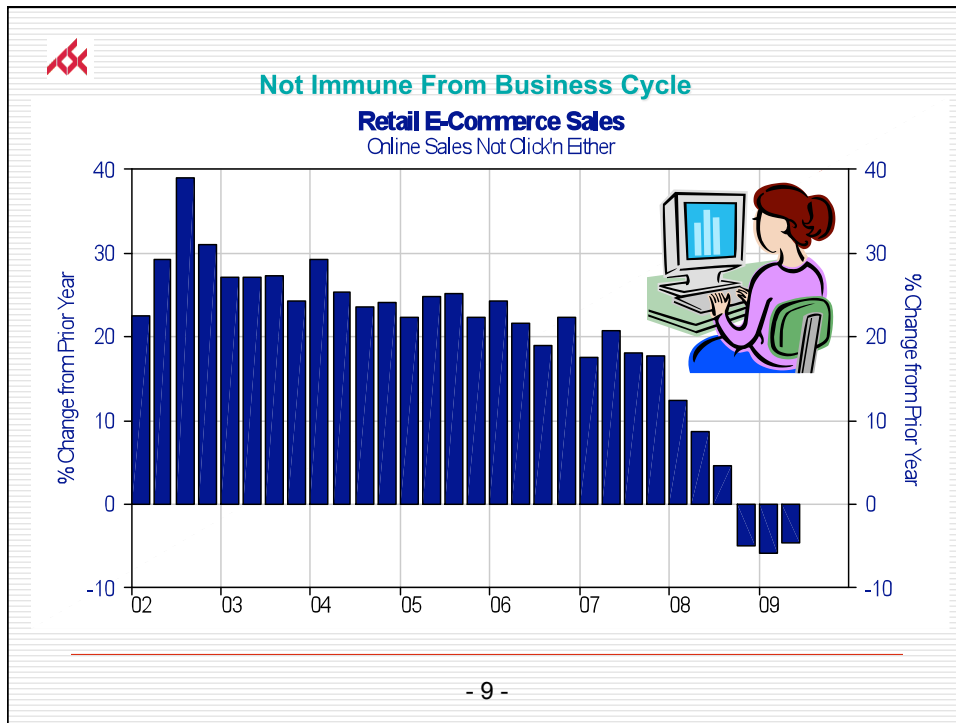
	Recovery After		
	Severe Cycles	Mild Cycles	
After Two Quarters:	102.9	102.0	+1.8 pp.
After Four Quarters:	105.9	104.1	+1.8 pp.
After Eight Quarters:	109.4	108.2	+0.6 pp.

As an Aggregate:

**Annualized impact about 2 pp. stronger following severe downturns, but in second year gap narrows.**

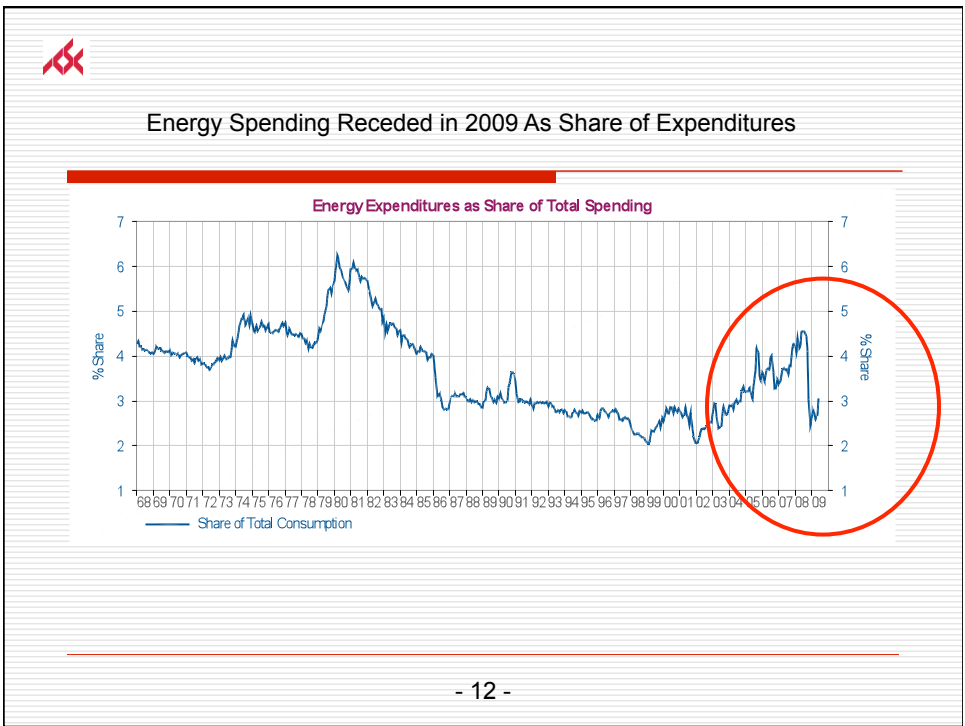
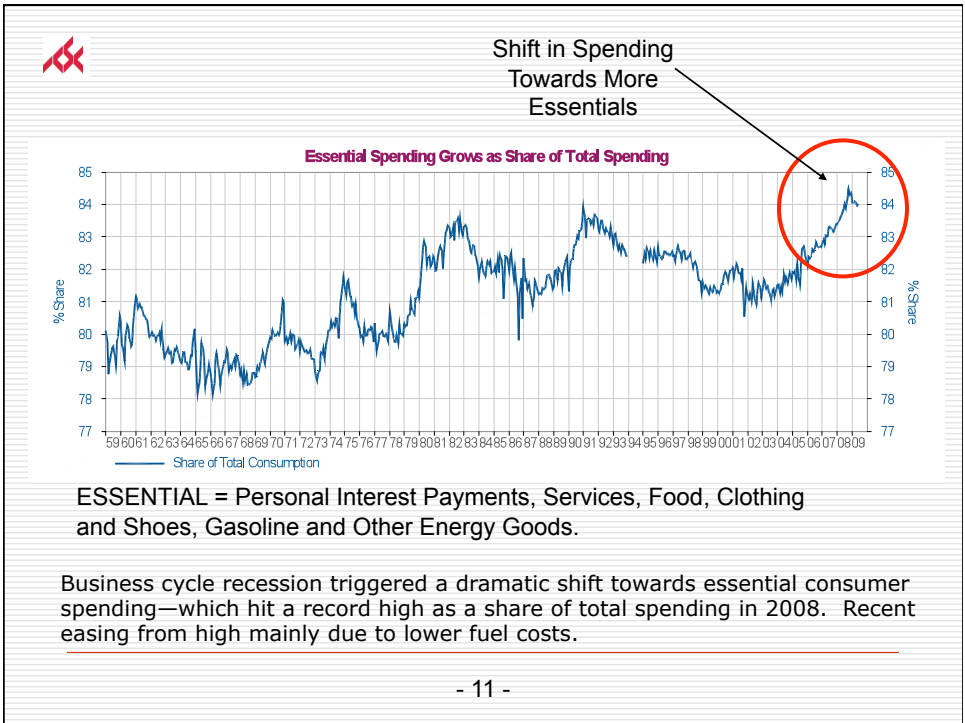
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# The Importance of Essential Spending

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## Exploring Drivers of Consumer Demand

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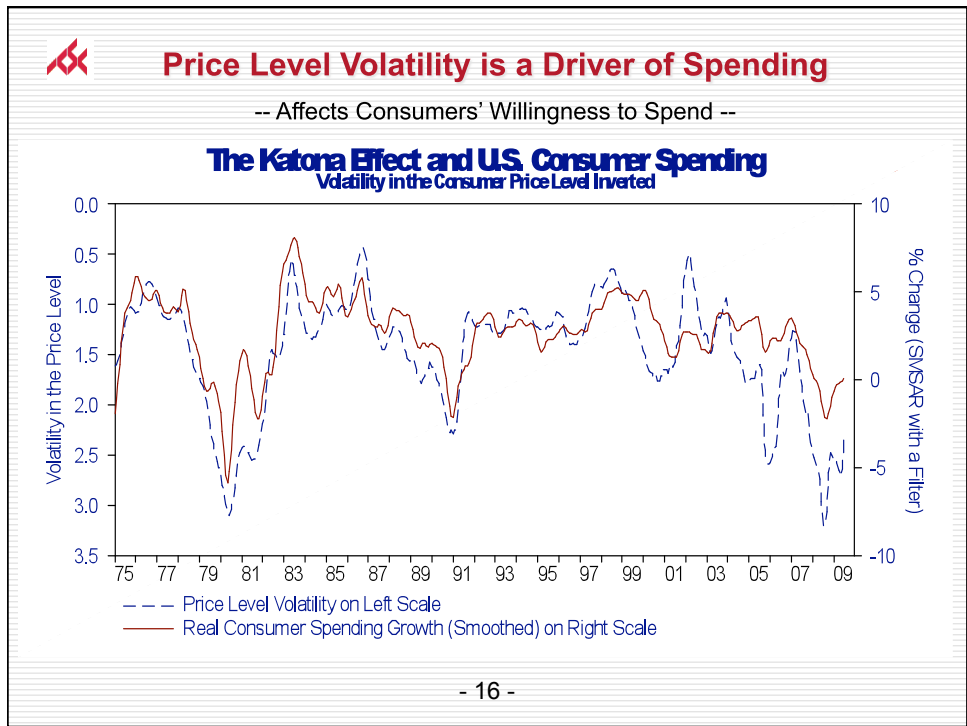
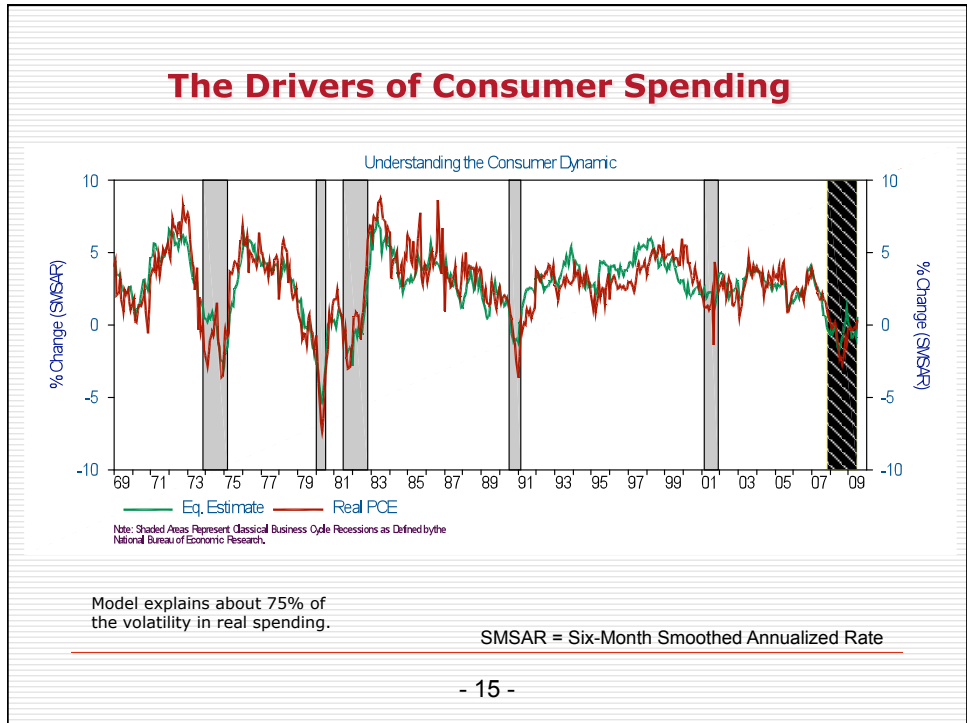
## Statistical Model of Real Consumer Spending Growth

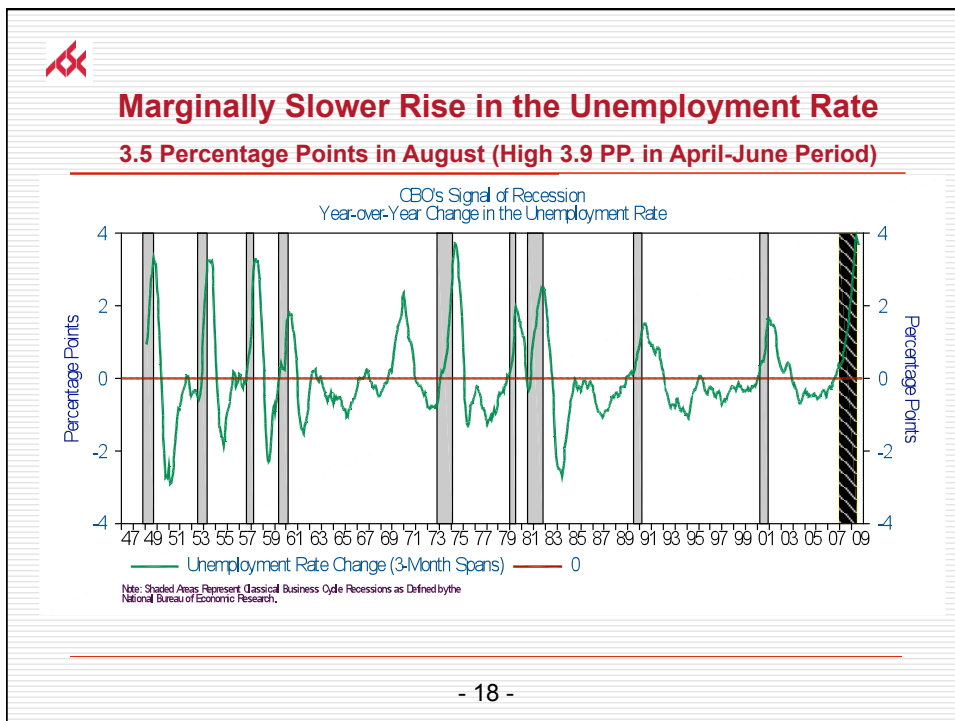
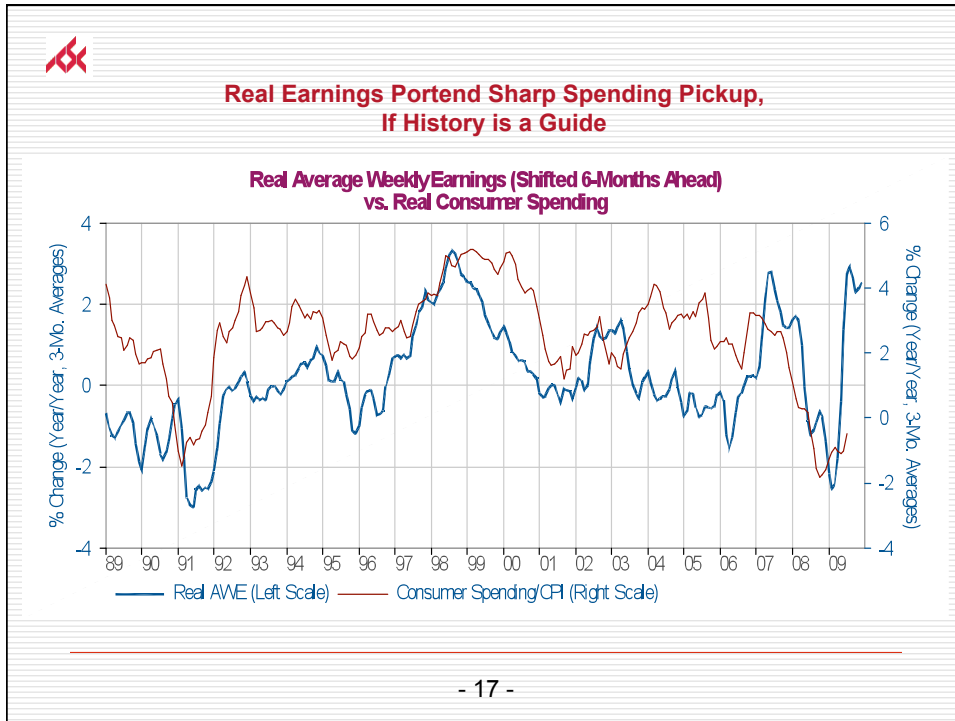
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- Katona Effect (12-month Standard Deviation in Price Level)
- Business Cycle Effect 1—Real Earnings (% Change)
- Business Cycle Effect 2—Change in the Unemployment Rate (Year/Year)
- Financial Wealth Effect—Change in Stock Prices
- The Diderot Effect—% Change in Home Demand

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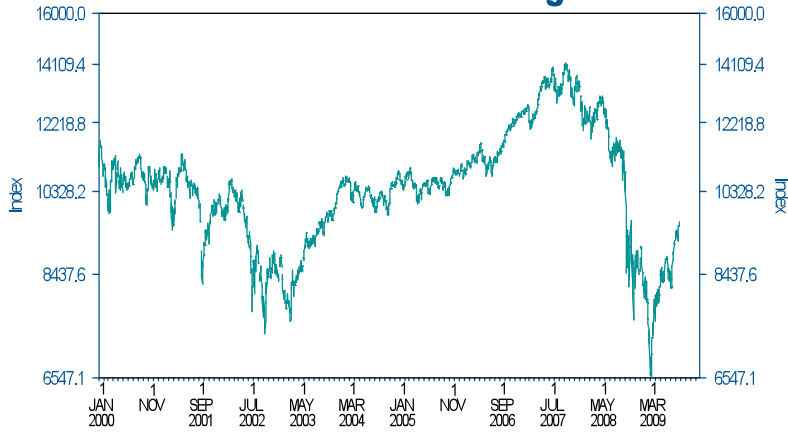




## Stock Prices Improve Moderately

Still Long Way to Fully Recover

### Dow Jones Industrial Average



As of September 9, 2009

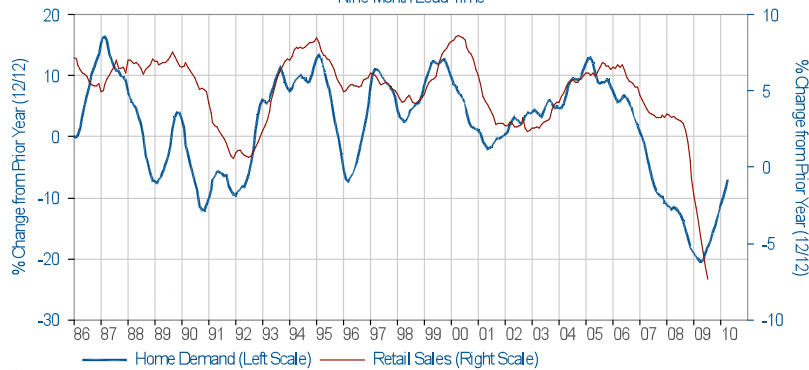
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## Housing's Influence on Consumer Spending

### Home Demand as a Trigger for the Diderot Effect

Nine-Month Lead Time



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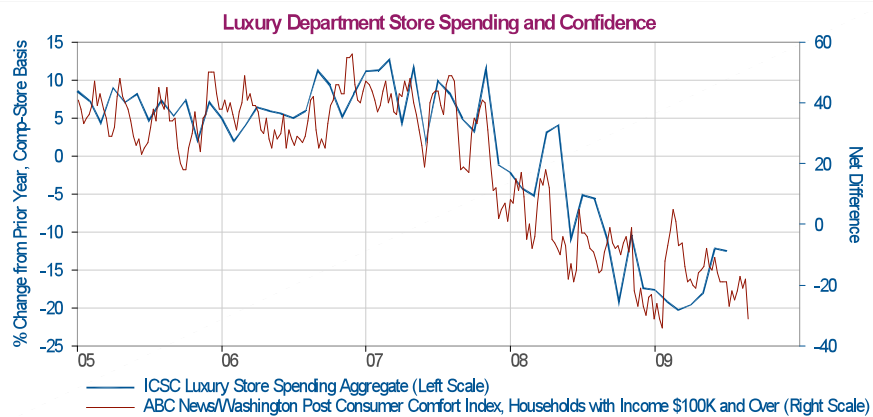


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## Luxury Spending

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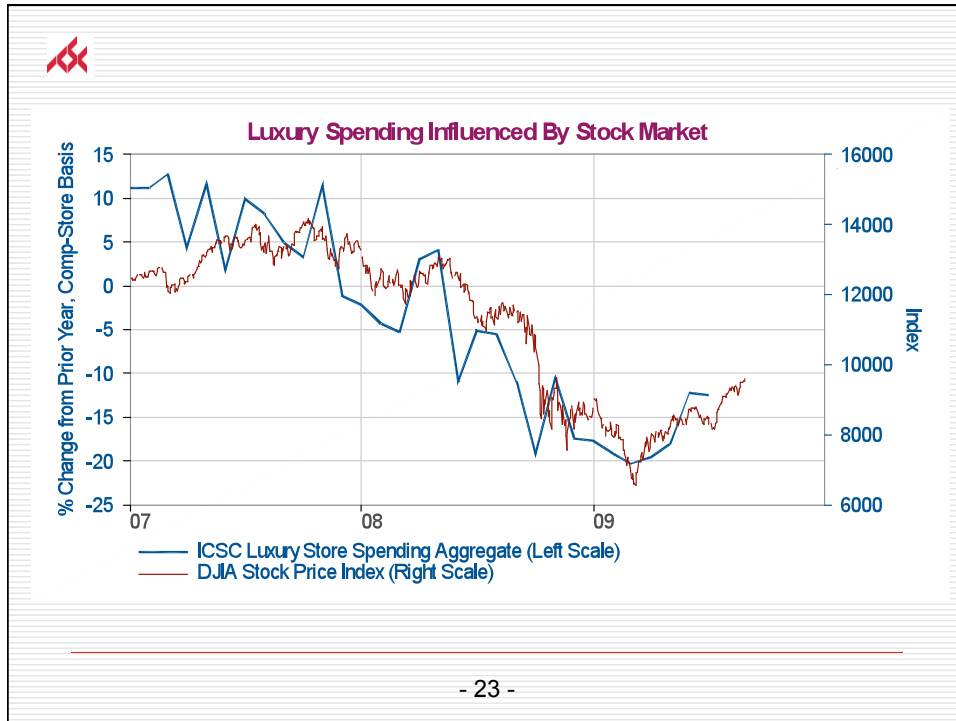
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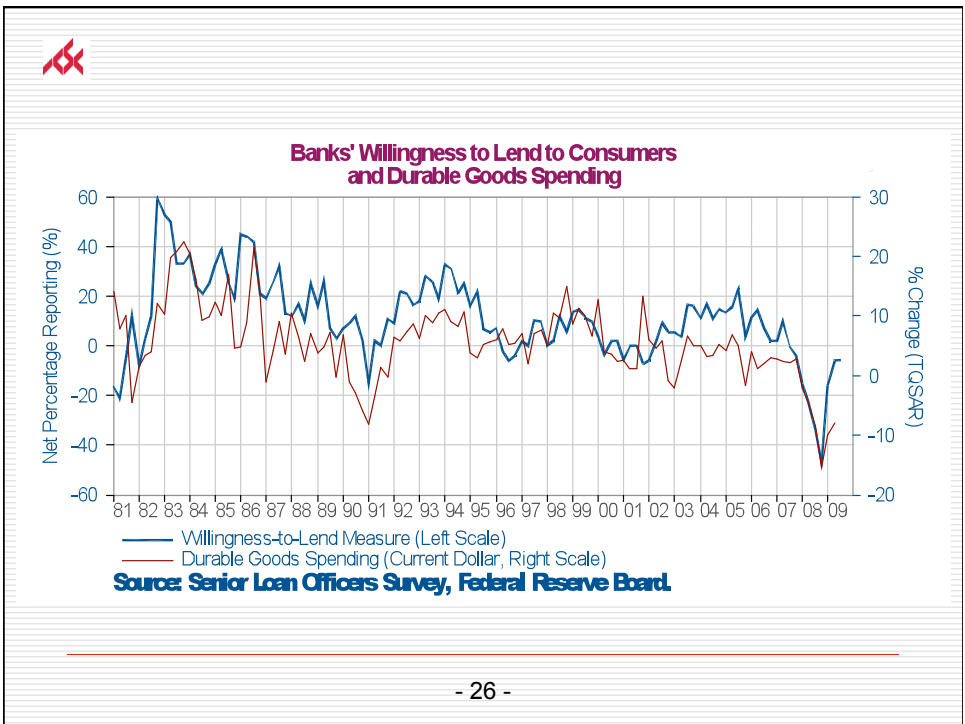
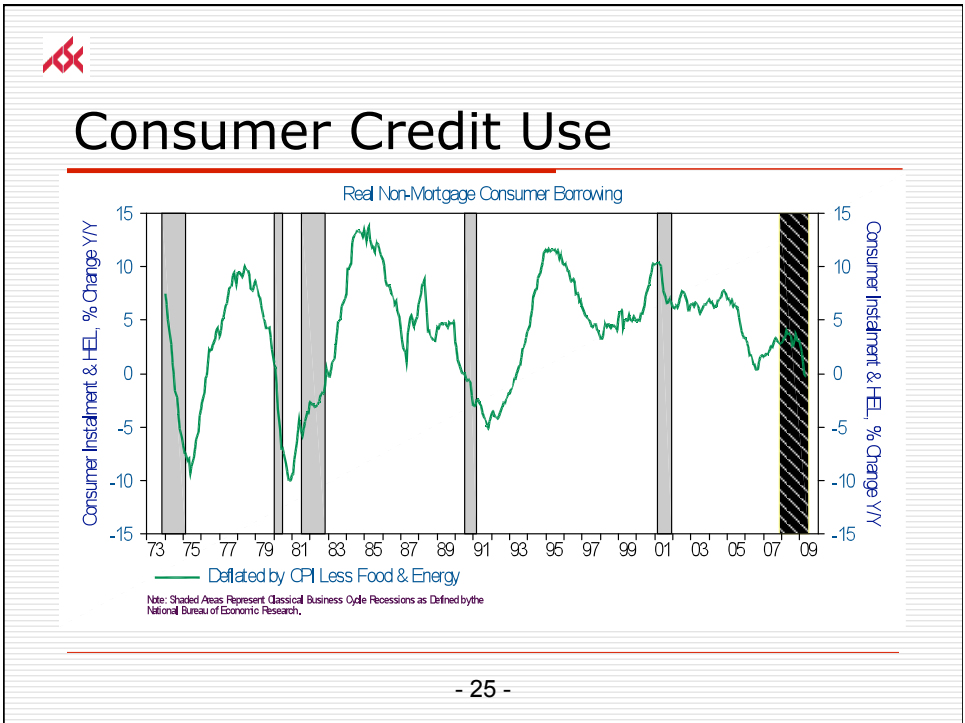


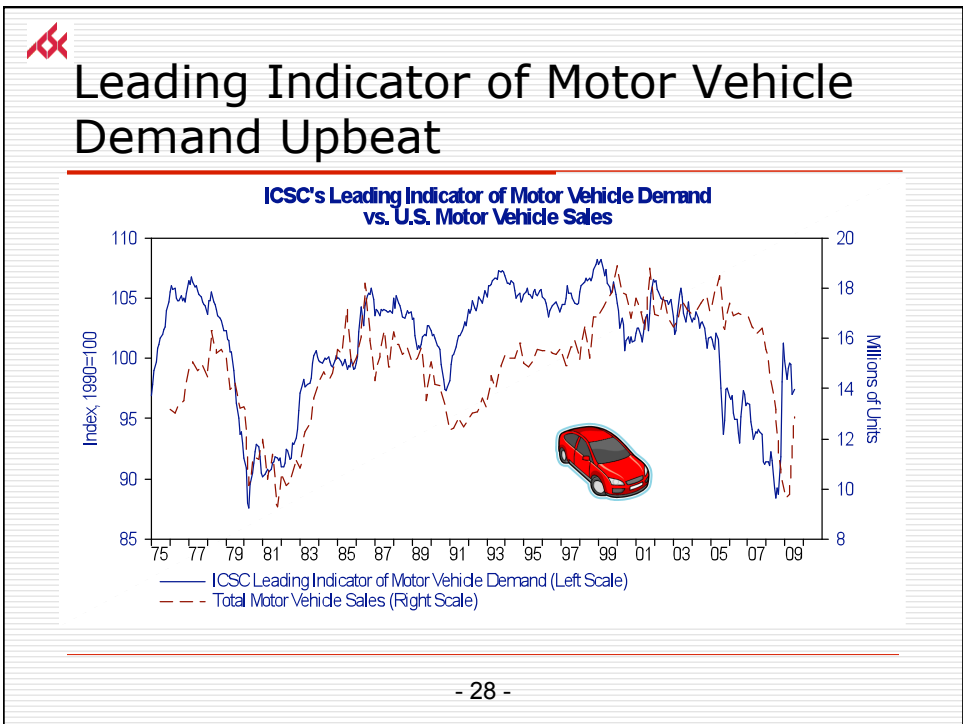
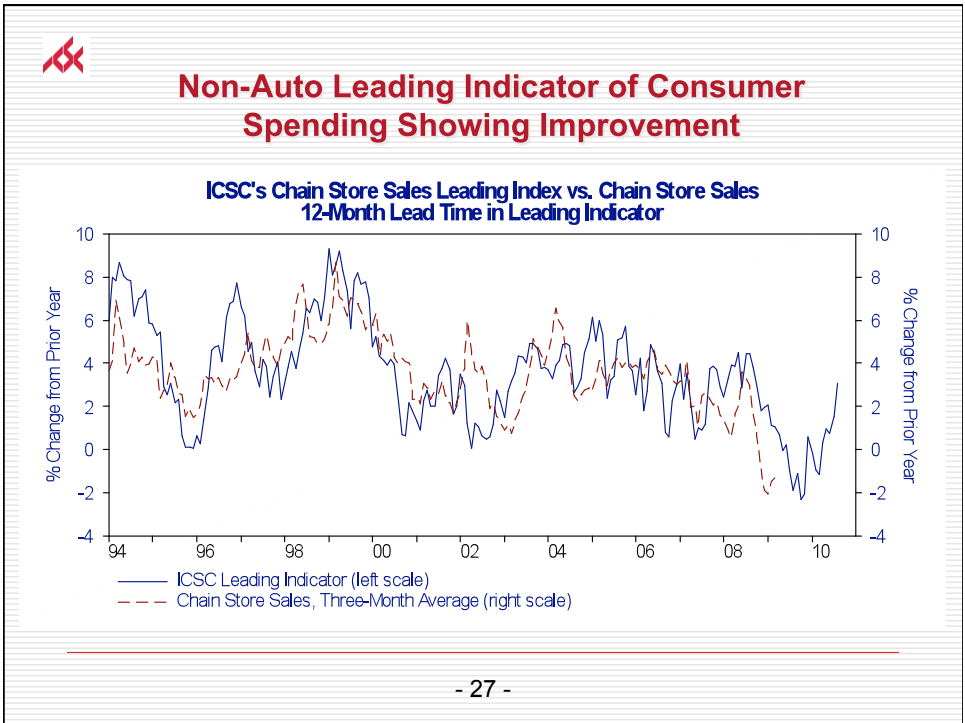
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ICSC Chain Store Sales Index Year/Year % Change in Sales During Jan-Oct Period Ahead of and During the Holiday Season



**2009 Holiday Forecast**

Year	Jan-Oct	Nov-Dec	Difference	Length of the Shopping Season (Days Between Thanksgiving and Christmas days)	Day of the Week for Christmas	Hanukkah (holiday starts night before)
1993	2.9	3.5	0.5	29	Saturday	12/9
1994	3.9	3.3	-0.6	30	Sunday	11/28
1995	2.1	2.0	-0.1	31	Monday	12/18
1996	2.8	2.5	-0.3	26	Wednesday	12/6
1997	4.2	3.9	-0.3	27	Thursday	12/24
1998	5.0	3.9	-1.0	28	Friday	12/14
1999	6.5	4.7	-1.8	29	Saturday	12/4
2000	4.2	2.3	-1.9	31	Monday	12/22
2001	1.4	0.5	-0.9	32	Tuesday	12/10
2002	2.2	-0.6	-2.8	26	Wednesday	11/30
2003	2.3	4.0	1.7	27	Thursday	12/20
2004	4.7	2.6	-2.1	29	Saturday	12/8
2005	4.0	3.8	-0.1	30	Sunday	12/26
2006	4.9	4.4	-0.5	31	Monday	12/16
2007	3.2	2.0	-1.2	32	Tuesday	12/5
2008	0.6	-6.2	-6.8	27	Thursday	12/22
2009	-4.2	1.0	<--Est.	28	Friday	12/12
Median, 1993-2008	3.6	2.9	-0.6	29		

U.S. Retail Sales Outlook												
(Billions of Dollars, Unless Otherwise Noted, Seasonally Adjusted)												
Category	Actual	Actual	Actual	Actual	Forecast	Annual						
	2007 H2	2008 H1	2008 H2	2009 H1	2009 H2	2004	2005	2006	2007	2008	Forecast 2009	Forecast 2010
Total Sales & Food Services	2238.1	2252.8	2151.8	2046.1	2111.8	3663.1	4078.2	4294.5	4435.8	4404.7	4156.9	4292.9
% Change from Prior Year	3.8	2.5	-3.9	-9.2	-1.9	6.1	6.4	5.3	3.3	-0.7	-5.6	3.3
Total Sales & Food Services Ex Motor Vehicle & Parts Dealers	1782.1	1838.7	1787.3	1707.3	1776.5	2970.7	3193.2	3394.6	3527.9	3616.0	3483.7	3616.3
% Change from Prior Year	4.6	4.7	0.3	-6.6	-0.6	7.1	7.5	6.3	3.9	2.5	-3.7	3.8
Total Retail Sales	2016.5	2033.0	1924.6	1815.5	1877.8	3482.1	3665.0	3876.3	3997.7	3662.5	3693.3	3815.3
% Change from Prior Year	3.7	2.4	-4.6	-10.5	-2.4	6.1	6.4	5.2	3.1	-1.1	-6.6	3.3
Motor Vehicle	456.0	424.2	364.5	337.8	335.3	832.4	865.0	869.9	907.9	788.7	673.2	676.5
% Change from Prior Year	0.7	-6.1	-20.1	-20.4	-8.0	2.5	2.6	1.7	0.9	-13.1	-14.6	0.5
Furniture & Home Furnishings	57.2	54.8	50.8	47.4	49.3	104.9	111.6	116.7	115.6	105.6	95.7	97.6
% Change from Prior Year	-1.9	-6.1	-11.1	-13.5	-5.0	7.6	6.5	4.5	-1.0	-8.6	-9.4	2.0
Electronics & Appliances	56.6	56.9	54.7	52.2	55.3	94.4	101.4	108.1	111.8	111.6	107.7	111.4
% Change from Prior Year	3.7	3.2	-3.5	-8.3	1.5	9.0	7.5	6.6	3.4	-0.2	-3.5	3.5
Building Materials, Garden & Supply	165.6	164.2	158.2	146.2	150.3	297.3	323.8	345.4	335.4	322.4	296.5	298.0
% Change from Prior Year	-1.4	-3.3	-4.5	-11.0	-5.0	12.3	10.0	5.7	-2.9	-3.9	-8.0	0.5
Food and Beverage	283.4	291.5	256.5	233.6	301.4	483.6	514.9	534.3	560.1	587.0	565.1	621.9
% Change from Prior Year	4.9	5.4	4.3	0.7	2.0	3.4	4.3	3.8	4.8	4.8	1.4	4.5
Health & Personal Care	119.3	121.6	123.5	125.7	129.7	193.4	208.7	224.4	236.4	245.1	255.4	268.2
% Change from Prior Year	4.4	3.8	3.6	3.4	5.0	3.1	5.7	7.0	5.3	3.7	4.2	5.0
Gasoline Service Stations	226.2	251.3	224.0	167.9	190.4	319.4	372.5	412.5	437.5	475.3	475.3	374.3
% Change from Prior Year	10.4	18.9	-9.9	-33.2	-15.0	16.5	16.6	10.7	6.1	8.7	-24.6	4.5
Clothing and Accessory Stores	111.0	111.4	106.3	104.7	107.4	189.2	200.6	213.1	221.7	217.7	212.1	218.5
% Change from Prior Year	2.7	0.7	-4.2	-6.0	1.0	6.0	6.0	6.2	4.0	-1.8	-2.6	3.0
Sporting Goods, Hobby, Book & Music	44.1	44.4	43.4	43.5	44.2	79.9	81.7	84.8	87.1	87.7	87.8	90.4
% Change from Prior Year	4.9	3.2	-1.8	-1.9	2.0	3.4	2.3	3.8	2.7	0.7	0.0	3.0
General Merchandise	291.0	288.4	298.3	297.2	305.8	466.5	525.3	552.5	577.4	596.7	602.9	627.0
% Change from Prior Year	4.4	4.2	2.5	-0.4	2.5	5.7	6.0	5.2	4.5	3.9	1.1	4.0
Miscellaneous Stores	59.3	59.2	58.2	56.6	59.4	104.9	108.4	114.4	117.6	117.4	116.0	118.3
% Change from Prior Year	3.6	1.7	-1.9	-4.5	2.0	1.7	3.3	5.5	2.8	-0.1	-1.3	2.0
Nonstore Retailers	146.8	150.1	147.2	142.6	150.1	222.4	247.0	270.1	289.3	297.3	292.7	313.2
% Change from Prior Year	7.5	5.3	0.3	-5.0	2.0	9.4	11.0	9.4	7.1	2.8	-1.5	7.0
Food Services	221.5	224.9	227.2	229.6	234.1	371.0	393.2	418.2	433.1	452.1	463.7	477.6
% Change from Prior Year	4.9	3.8	2.6	2.1	3.0	6.0	6.0	6.4	4.8	3.2	2.6	3.0
<b>Addendum:</b>												
Total Retail Sales Less Motor Vehicle and Gasoline	1556.0	1577.3	1563.3	1539.4	1586.1	2651.3	2820.7	2982.1	3090.5	3140.6	3125.4	3242.0
% Change from Prior Year	3.8	2.8	0.5	-2.4	1.5	6.1	6.4	5.7	3.6	1.6	-0.5	3.7
Total Less Gasoline	2011.9	2001.5	1927.8	1877.2	1921.4	3513.7	3705.7	3882.0	3998.4	3629.3	3798.6	3818.6
% Change from Prior Year	3.1	0.8	-4.2	-6.2	-0.3	5.2	5.5	4.8	3.0	-1.7	-3.3	3.2
Shopping Center-Inclined Sales	1150.4	1165.4	1152.5	1132.1	1164.6	1962.7	2112.6	2221.1	2283.7	2317.9	2296.7	2378.1
% Change from Prior Year	3.1	2.4	0.2	-2.9	1.1	5.9	6.0	5.1	3.0	1.3	-0.9	3.5
NRF-Concept of Industry Sales	1187.6	1202.4	1188.9	1167.2	1201.9	2057.9	2180.5	2293.8	2363.0	2381.2	2399.1	2451.3
% Change from Prior Year	3.1	2.3	0.1	-2.9	1.1	5.8	6.0	5.2	3.0	1.2	-0.9	3.5

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