



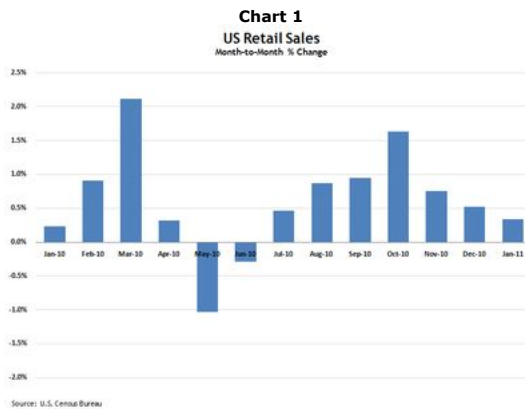
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03/02/2011

Southeast retail update: A bump in the road for retailers in January

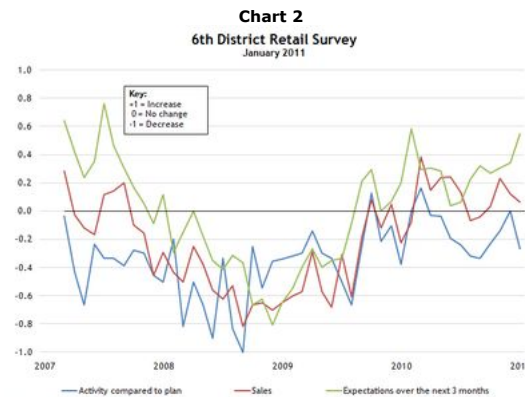
The Federal Reserve Bank of Atlanta's monthly poll of regional retailers indicated that retail activity in January was disappointing following a strong holiday season. Similarly, the national retail sales [report](#) released by the U.S. Census Bureau showed a less than expected increase in sales in January, following strong gains in previous months (see chart 1).



[\(enlarge\)](#).

District retailers reported that sales for January were mixed compared with a year earlier, but most respondents reported that sales were down slightly (see chart 2). Many survey respondents noted that the inclement weather in January was the leading cause of the soft sales. Despite the lackluster January sales, almost 70 percent of the survey respondents were positive about the outlook for the coming months.

Overall, consumer spending has not yet returned to precession levels. Among the factors restraining consumers from spending is continued deleveraging, as Atlanta Fed President Dennis Lockhart discussed in his recent [speech](#) to the Rotary Club of Atlanta. Consumers have been reducing their debt and saving more of their income in response to the loss of wealth during the economic downturn; for many, the fall in home prices had a great impact on household finances. According to the Atlanta Fed's most recent [survey of residential real estate brokers](#), short sales, real-estate-owned sales, and pending foreclosures are still placing downward pressure on home prices.



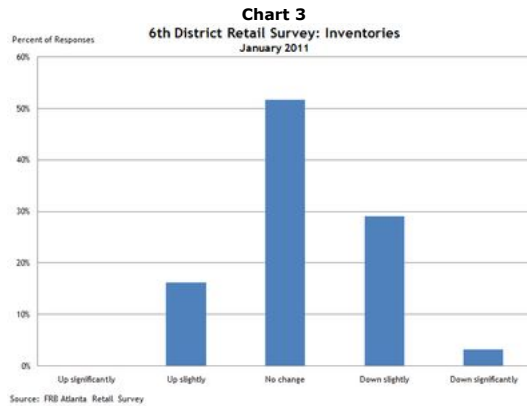
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The retail survey diffusion indexes are calculated as the percentage of total respondents reporting increases minus the percentage reporting declines. Positive values in the index indicate increased activity while negative values indicate decreased activity.

Earlier in the year, contacts throughout the region reported that they would continue their lean inventory management as they have throughout the recession. Some noted that they would conservatively replenish nonseasonal items after being depleted from strong holiday sales. Retailers were encouraged by the increase in holiday sales and consumer confidence but remain cautious in terms of inventory management.

In January, most retailers reported that their inventories were unchanged and almost 30 percent reported inventories were down slightly (see chart 3). This result is

also consistent with the aforementioned monthly national [data](#) from the U.S. Census Bureau, as growth of retail inventories have experienced pronounced slowing. The inventory to sales ratio for retail has decelerated since mid-2010, and is at 1.33 for December 2010 (see chart 4).



[\(enlarge\)](#)



[\(enlarge\)](#)

Note: January poll results are based on responses from 32 retailers and were collected February 7-16, 2011.

By Sandra Kollen, a senior analyst in the Atlanta Fed's research department

March 2, 2011 in [Retail, Southeast](#) | [Permalink](#)

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