

Vermont Retailers Struggle Through the Recession

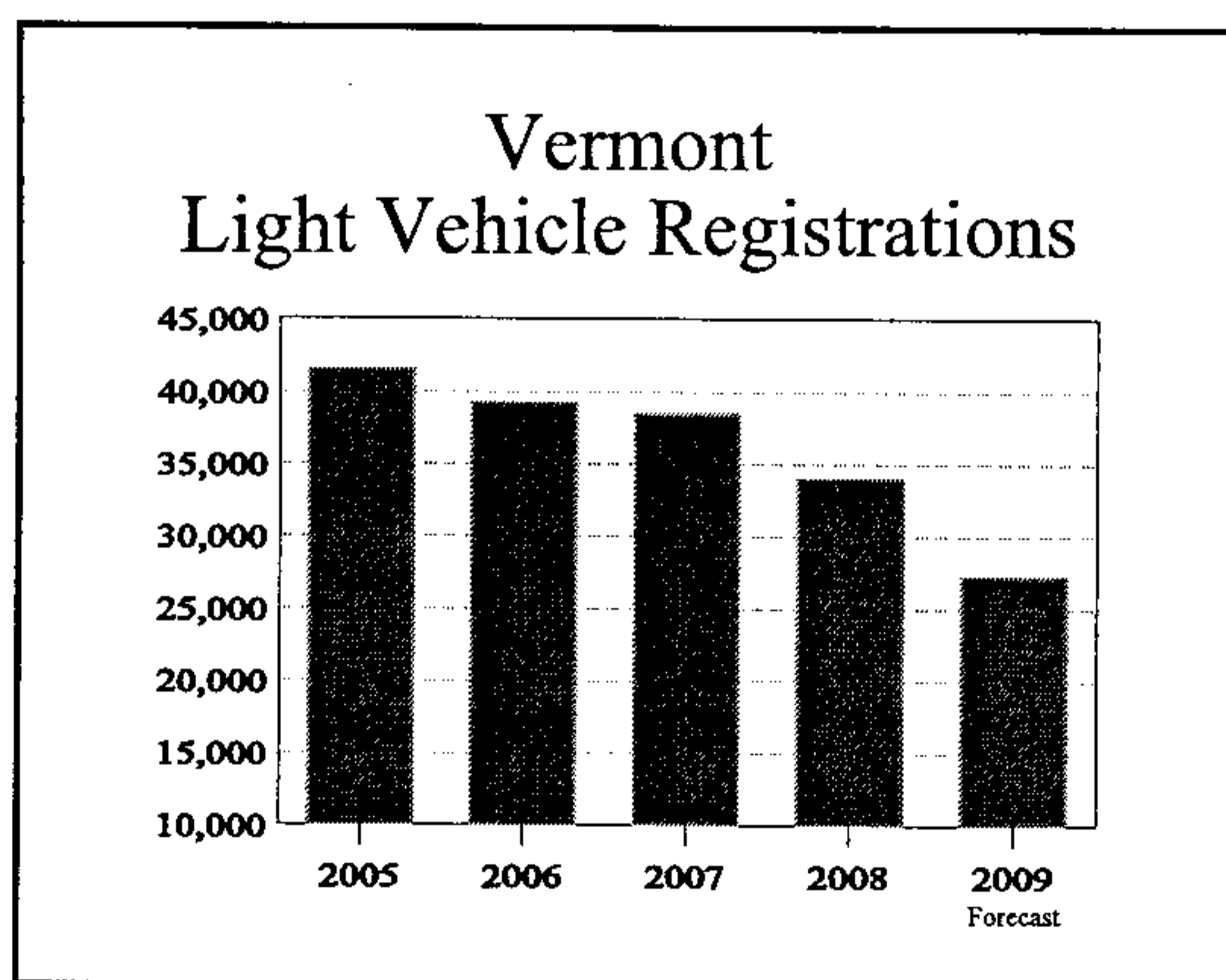
Consumers in Vermont have reined in their spending in a manner not seen in decades during this recession. The steady drumbeat of bad news starting last fall finally caused households to change their spending habits.

Vermont's retailers, restaurateurs, and inn keepers hope this is just a temporary phenomenon and that normal times will soon return. Right now, there is no evidence of that occurring.

Auto Sales in the Dumps

Maybe more than any other sector of the economy, automobile sales have taken a big hit during this recession. With all the new cars purchased in the last few years consumers were able to postpone the next new car purchase. And business demand for trucks and vehicles fell as companies pared back their labor force and spending.

The Vermont Automobile Dealers Association forecasts new light vehicle registrations in Vermont to fall to 27,344 in 2009, down 18% from 2008. Sales in 2009 will be off one-third from the level seen in 2005.



Through April of this year, car sales are off 19% and light truck sales are down 26%. Domestic brands (GM, Ford and Chrysler) are down 31%, Japanese brands are off 17%, and European brands are down just 7% (thanks to increased Volkswagen sales).

The State of Vermont Treasury is feeling the crunch of reduced car purchases. In the first four months of 2009, the Purchase and Use Tax has brought in only \$12.4 million in revenues, down from \$15.2 million one year earlier.

General Retail Sales

Retail sales across the board have been down in the U.S., with the rare exceptions of those of a few stores like Wal-Mart and Amazon.com. Costco, Target and other major retailers are all feeling the pinch of the recession.

In Vermont the only contemporaneous measure of retail sales comes from the State's collection of Sales and Use taxes. This targets only a narrow range of goods, excluding most clothing, food, and services. Nonetheless, it does indicate the mood, financial fortunes, and the general spending activities of Vermonters.

Through the first five months of 2009, taxable sales collections in Vermont equaled \$132.7 million, down just under \$10 million or 7% from 2008. A month by month analysis of these sales shows the size of the drop off in 2009 is lessening. But a decline in rate of decline does not mean an increase in spending. *VEN* would not put too much credence in a slowdown in the rate of decline just yet.

The Hospitality Industry Limp Along

Before every new tourism season the media reports that people in the state's recreational sector are optimistic about the upcoming season. Usually some business owner is quoted saying that advance reservations are up and things look bright. And finally someone states that since travel costs are so high, northerners will state closer to home, boosting Vermont's tourism businesses.

VEN applauds the marketing efforts of Vermont's tourism businesses. And *VEN* hopes that their optimism proves true. However, it takes more than optimism to generate real sales.

From an economic perspective, potential travelers to Vermont are hurting financially whether they are from the northeast, the greater U.S., or somewhere overseas. They are not buying cars, houses (see page 4), or luxury items. So we expect them to be taking fewer trips, short trips and dining out less often. That's what happened this winter.

In the first five months of 2009, Vermont's meals and rooms tax collections totaled \$46.5 million, down 5% from the same period in 2008. ■