The Florida Retail Index for 1st Quarter 2003 is 52.3. The index, which will be calculated each quarter, ranges from 100 to 0, with 100 indicating that all retailers have a positive outlook on the retail environment and 0 indicating that all retailers have a negative outlook. The index is based on responses to eight questions in the survey assessing expectations of retail sales; the business climate; consumer shopping; investments in advertising, inventory, employee hirings; and operating costs. Responses from national/regional retailers are weighted more heavily than the responses from local retailers to account for their higher level of retail sales in Florida. These same questions will be asked on subsequent quarterly surveys so that the Index will offer insights into trends about the nature of the retail environment.

A survey of 174 retailers with stores in Florida finds that retailers expect sales during the first quarter of 2003 to be about at the same as they were in the first quarter of 2002. The sales expectations for the Florida stores operated by national retailers are higher than the expectations of the smaller retailers that just operate in Florida. The Florida Retail Index for 1 Q 2003 is 52.3.

A major concern for Florida retailers is increasing operating costs. Over 50% of the retailers surveyed indicate that their operating costs are higher than they were during the same quarter a year ago. The most critical areas of increasing costs are associated with insurance, workman’s compensation, and labor.

Finally the Christmas season sales met or exceeded expectations for a majority of Florida retailers. However, a significant group of Florida retailers surveyed indicated their sales were below the expectations they had at the beginning of the fourth quarter.

The local retailers surveyed expect sales during this quarter to be about the same as they were in the 1st quarter 2002. About 35% anticipate sales being greater than they were during the first quarter of 2002, while 39% expect sales to be less than the 1st quarter of 2001. However, the median increase in sales expected sales over 1st quarter 2003 is 4%. On the other hand, national/regional are more optimistic about the sales increases in their Florida stores. (Chart 1)
The index for the Jacksonville area is higher than the other areas due to a more positive assessment of the business climate and higher expectations about consumer spending this quarter. These factors were responsible for the lower index for the Miami/Ft. Lauderdale area that had a lower than average evaluation of the business climate and expected spending. The indices for the major metro areas are higher than the overal index due to the lower index numbers for retailers operating outside the major metro areas. (Chart 2)

Increasing Operating Costs are a Major Concern

While retailers do not expect to see an increase in retail sales and thus their investments in inventory, advertising, and employees are not expected to increase during 1st quarter 2003, retailers are experiencing significant increases in their operating costs. Over 50% of the national/regional and local retailers anticipate that their operating costs will be higher in 1st quarter 2003 than 1st quarter 2002. Only 10% expect costs to be lower. (Chart 3)

When asked about their major challenges in the coming quarter, retailers focused on increasing operating costs. They specifically mentioned the higher costs they have for insurance, workman’s compensation coverage, and premise liability. In addition, retailers are concerned about labor costs and difficulty of hiring employees at the wage levels to which they are accustom to paying. Some retailers expressed concerns about the Living Wage initiatives being considered in some counties.

Other concerns expressed by Florida retailers were the general economic conditions, specifically the impact of these conditions on employment, tourism, and return of the sow birds.

Christmas 2002 Met Expectations

In general, the Christmas season met the expectations of a majority of Florida retailers. Sixty percent of the retailers surveyed indicated that their Florida sales were equal to or greater than the sales they had in the fourth quarter of 2001. In addition, 56% indicates their 2002 Christmas season sales were equal to or greater than their expectations at the beginning of the 4th quarter 2002. The larger national/regional retailers reported having said their Christmas season in Florida was greater than expectation, while only 25% of the local retailers reported sales greater than expectations. The Christmas season was stronger than average for the retailers in the Jacksonville area and weaker than average for the retailers in the Miami area. (Chart 4)

The retailers reported that the traffic in the store was down but the major problem was that the size of the purchases made by customers was lower. Customers bought less expensive merchandise. On the other hand, a number of retailers were surprised that their sales were as good, and in some cases very good, even though there was so much negative press about Christmas retail sales. Some of the retailers reported that the West Coast dock strike affected their sales because they were not able to get merchandise they had ordered.

Summary

Retailers operating in Florida expect sales during the 1st quarter of 2003 to be about the same as they were in the 1st quarter of the previous year. The major concern confronting retailers operating in Florida during the coming year is controlling costs, specifically the cost of labor and insurance. The Christmas season in Florida met the expectations of a majority of Florida retailers.

The Florida Retail Index for the 1st quarter 2003 is 53.4. We will be reporting this index number for each quarter in subsequent Outlooks to provide a sense of the trends in the Florida retailer’s expectations.