The Florida Retail Index for 2Q 2003 is 47.1, more than five points below the index of 52.3 for 1Q 2003. The primary factors leading to the drop in the index were concerns about the economy, the stock market, and the Iraq war on consumer spending and concerns about increasing operating costs. In response to these concerns, retailers operating in Florida are not planning any increases in advertising, hiring employees, or increasing inventory levels. The only regional difference are a lower index number for retailers operating in South Florida compared to retailers operating in the Orlando, Jacksonville, and Tampa/St. Petersburg markets. The survey results are based on responses by a sample of 244 retailers about their Florida store operations.

The expectations for the coming second quarter have declined compared to the first quarter; however, retailers feel there will be a turn around in the next six months. Over 50% of the retailers responded that business conditions would be better than they are now and only 10% felt they would be worse.

**IMPACT OF THE IRAQ WAR**

Most retailers felt that the Iraq War has had a negative affect on their business, although in many cases the retailers are not sure whether the sales slowdown is due to the war or the economy in general or the stock market. While retailers report a decline in sales across all merchandise categories, the categories receiving the greatest slowdown in sales are high ticket items such as jewelry and consumer durables (appliances, consumer electronics, furniture, etc.), and more expensive apparel - suits and dresses.

Some retailers located near military bases experienced an increase in retail sales due to the influx of reserves. Although this experience is mixed, depending on whether or not the personnel was reassigned to the Middle East.

Due to its high cost, gasoline sales have also declined. Some retailers speculate that the high gasoline prices might have also led to a decline in shopping trips. During the active fighting days of the war, trips to stores declined in general resulting in a decrease in food sales also.

The high price of gasoline, in addition to reducing gas sales and potentially reducing shopping trips, also increases shipping costs. Thus, retailers are experiencing an increase in the cost of getting merchandise and sending merchandise to customers. In some cases, they have to pay an extra gas charge. Finally, retailers are concerned that the Iraq War and potential terrorist activity will lead to an increase in insurance costs.

The optimistic outlook over the next six months, discussed above, is based on a view that the short length of the Iraq War will result in a decline in gasoline prices and a release of the pent up demand caused by delays in purchases due to consumer uncertainties about the War.

While the economy and the Iraq War are having a negative affect on retailers, the weak economy has also led to less employee turnover and a stable retail workforce.

**TOURIST/SNOWBIRD BUSINESS**

Retailers reported that the number of snowbirds and tourists in their locale during the 2003 first quarter was significantly less than in the first quarter of the previous year. Consequently, their sales to snowbirds and tourists were less.
Slightly less than 70% of the retailers surveyed indicated that tourists and snowbirds account for either "a lot" or "a modest amount" of their business. About 40% of the retailers in this group indicated that their sales to tourists and snowbirds were less than their sales during the first quarter of last year, and only 10% indicated they were higher. A few retailers attributed the higher sales to tourists they experienced due to more cruise lines stopping at Florida ports rather than international ports.

**Regional Differences**

The outlook for retailers operating stores in the Orlando, Tampa/St. Petersburg, and Jacksonville areas were about the same, while retailers in the Miami/Ft. Lauderdale area had lower expectations. Retailers operating in South Florida were less optimistic about consumer spending and the business outlook over the next six months than retailers in the other major Florida markets. Consequently, South Florida retailers are planning on making less investments in their businesses than retailers in other markets.

**Other Concerns**

When asked an open-ended question about negative experiences they had during 2003 first quarter, retailers complained about the weather and many continued to voice concerns about rising costs. Some of their cost concerns were increased cost of workers' compensation and health, difficulty in getting insurance, dealing with lawyers representing customers who were "injured" in their stores, credit card fraud, bad checks, and customers declaring bankruptcy and forfeiting on debts.

**Florida Retail Index for 2nd Quarter 2003**

The Florida Retail Index, based on a quarterly survey of retailers operating in Florida, 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 in Florida stores - the business climate; consumer shopping; investments in advertising, inventory and 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. The same questions are asked on each quarterly survey so that the Index offers insights into trends about the nature of the retail environment.