An Early Look at the Christmas Season: Promising

Florida Retail Index increased slightly for the 3rd quarter 2003 and retailers operating stores in Florida are optimistic about the coming Christmas season. Of the retailers interviewed, 44% forecast the coming Christmas season to be better than last year’s, while only 6% feel it will be worse than last year.

The Florida Retail Index for the 3rd Quarter of 2003 is 51.4, a four point increase over the Outlook Index for the 2nd Quarter 2003, but lower than the outlook for the 1st Quarter.

While over 50% of the retailers feel that business conditions will improve over the next six months, they are not optimistic about consumer spending during the next quarter and particularly concerned about rising operating costs. Only 16% of the retailers surveyed expect to see sales increase during the 3rd Quarter, while 41% forecast sales in the 3rd Quarter to be less than they were a year ago. The modal forecasted sales increase is only 1% over last year’s 3rd Quarter sales.

There are some modest regional differences in the Index. The index for retailers operating in Jacksonville is higher (57.9) than the average across the state while the index for Tampa/St.Pete retailers is lower (48.0). The index for retailers in the Miami/ Ft. Lauderdale and Orlando areas are about the same as the state average.

The Florida Retail Index, based on a survey of 196 Florida retailers, ranging from 0 to 100, indicates the percent of retailers feeling that their retail environment will be better than the environment in the coming quarter compared to the same quarter last year. Thus the 51.4 index for 3rd Quarter 2003 indicates that Florida retailers feel the 3rd Quarter this year will be about the same as the 3rd Quarter last year.

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When asked to look ahead, Florida retailers were optimistic about this Christmas compared to last.

However, retailers indicate there are great uncertainties about the economy—specifically the performance of the stock market and the level of unemployment. In addition, they are concerned about the number of snowbirds and tourists that will be coming to Florida this winter.

Back to School

Of the retailers surveyed, 27% of the retailers indicate that the Back to School season is an important sales period for them. In terms of the expected back to school sales, the majority of the retailers (68%) forecast sales will be about the same as last year. Of these retailers, 18% feel their sales will increase and 14% feel it will be less than last year.

In addition to the traditional merchandise—jeans, t-shirts, locks, bicycles, paper and pens, and computers, some hot selling merchandise are denim and cargo shorts, street wear and surf branded apparel, school uniforms consisting of polo shirts and khaki pants, and merchandise with athletic themes.

Increased Operating Costs

A major drag on the Index is the rising operating costs Florida retailers are experiencing. Of Florida retailers surveyed, 90% report that their operating costs will be equal to or higher than they were a year ago. Rising insurance costs are the major factor in the projected increase in operating costs. More than 50% of the retailers indicate that their insurance costs will increase considerably in the 3rd Quarter 2003 compared to the same quarter last year.

Sales Tax Holiday

For the last two years, the legislature has considered, but failed to pass, a sales tax holiday. Of the retailers surveyed, 61% are in favor of a sales tax holiday and 67% indicate that the holiday would increase their overall sales rather than simply shift sales from non-holiday days to the holiday days.

Growing Importance of the Internet in Retailing

When asked about the use of the Internet, even small Florida retailers are using the Internet to communicate with customers in their local markets and a surprising number are taking orders from customers over the Internet. Of the Florida retailers, 52% with only one or two stores have an Internet website and 23% sell merchandise from their websites. On the other hand, 90% of the retailers with 10 or more stores have web sites and 88% sell merchandise from their websites.

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