Cautious Optimism for the 2003 Christmas Season

Retailers operating stores in Florida are cautiously optimistic about the coming Christmas season. 46% of the retailers interviewed for the Florida Retail Index forecast the coming Christmas season to be better than last year’s, while only 12% feel it will be worse than last year (CHRRT 1). This forecast for the Christmas season is about the same as the surveyed retailers report in the 3rd Quarter Retail Index survey.

Reasons for Optimism for the 2003 Christmas Season:

The major reasons retailers give for a better Christmas season this compared to last year are:

- Improved consumer confidence due to slightly better economic conditions
- Pent up demand being exercised now that the economy is viewed as improving
- Better preparations by the retailers for the Christmas season – such as more inventory, better trained sales associates, and new merchandise

Retailers frequently mention that due to the tough economic climate, they are working harder and becoming better, more effective store operators.

Caution on Inventory and Hiring

While about half of the retailers feel this Christmas season will be better than last, they are not making investments in more inventory or hiring more employees. 25% of the retailers are planning on increasing inventories for this Christmas season. 20% plan on having less inventory for sale, with the remaining 55% having the same level of inventory this Christmas as last Christmas (CHRRT 2). 75% plan to have the same number of employees this Christmas as last, 15% will have fewer employees, and 10% plan to hire more employees (CHRRT 3).
Florida Retail Index Continues Rise

The Florida Retail Index for the 4th Quarter of 2003 is 55.8, a 4.4 point increase over the Outlook Index for the 3rd Quarter 2003 (CHRRT 4). This is the second straight quarter the Index has risen. It is now at its highest level in 2003.

More than 50% of the retailers surveyed forecast their sales in the 4th Quarter 2003 will be greater than their sales in the 4th Quarter 2002. The median increase in 4th Quarter sales over a year ago is 5%. Retailers continue to report increases in operating costs. Over 70% of the retailers surveyed indicated their operating costs will be higher during the 4th Quarter 2003 than they were a year ago.

The Florida Retail Index is based on a survey of 176 Florida retailers, and ranges from 0 to 100 to indicate the percent of retailers feeling that their retail environment will be better in the coming quarter compared to the same quarter last year.

Consumers Cautious on Big Ticket Items

Consumer confidence among Floridians declined slightly by two points, to 93 in November. The source of the drop was almost entirely due to an eight point decline in the component measuring whether it is a good time to buy big ticket items, such as appliances, furniture and cars. This component now stands at 106, the same level it was for the months of June, July and August. Expectations about economic conditions in the U.S. rose one point for the short term and three points for the long term. The Florida Consumer Attitude Survey is conducted monthly by the UF Survey Research Center of the Bureau of Economic and Business Research at the University of Florida.

While the confidence index projecting big ticket item spending dropped, retailers remain optimistic about Christmas spending on consumer electronics, such as portable CD and DVD players, LCD and plasma TVs, digital cameras and PCS phones.

What’s 2004 look like?

Over 70% of the retailers feel that business conditions will improve over the next six months. 33% indicate that they plan to hire more employees during the coming year and 18% plan to open new stores.

Retail’s Impact on the Economy

About three-quarters of the gross domestic product of Florida is consumer spending. Approximately 913,000 Floridians work for merchandise retailers such as department and discount stores, supermarkets, drug stores, and automobile dealers. An additional 1,120,000 work for services retailers such as hotels, restaurants, amusement parks, personal services and laundries, and home and auto repair and maintenance services. More than one in four Floridians employed in nonagricultural jobs are working for firms involved in retailing merchandise and services.

Use of the Internet

The Internet is becoming an increasingly important sales tool for retailers, even for small retailers. 61% of the retailers surveyed that have only one or two stores have a Web site for their stores, and 22% sell merchandise on the site. Of these small retailers selling merchandise over the Internet, the median percent of sales their total sales made over the Internet is 4%.