Florida’s Retail Outlook Continues Climb

The Florida Retail Index for the 1st Quarter 2004 rose for a third consecutive quarter, signaling continued optimism among retailers operating stores in Florida. The survey of Florida retailers revealed that more than 55% of those interviewed forecast sales during the 1st Quarter of 2004 to be better than last year’s 1st Quarter, while fewer than 15% feel it will be worse.

The optimistic forecast for spring comes after a better-than-expected winter for many merchants. According to the Florida Department of Revenue, sales tax collections in January were up by 12.9% over the previous year, beating estimates by 6.6%. In January, monthly collections surpassed $1.8 billion for the first time in Florida’s history. December sales tax collections were up 7.6% over the previous year, and November collections were up 10.7% over the previous year.

Caution on Inventory and Hiring

However, many retailers are still cautious about investing in more inventory, increasing advertising expenditures and hiring more employees. While the majority feel the 1st Quarter will be better than last year, only 27% are planning on increasing inventories for this quarter compared to last year; 17% plan to hire more employees; and 22% plan to increase their advertising budgets.

Retail Index Up 5.4 Points From a Year Ago

The Florida Retail Index for the 1st Quarter of 2004 is 57.7, a 1.9 point increase over the Index for the 3rd Quarter 2003 and a 5.4 point increase over the 1st Quarter a year ago. This is the third straight quarter the Index has risen. The median forecasted increase in 1st Quarter sales compared to a year ago is 5%.

The 1st Quarter Florida Retail Index is based on a survey of 154 Florida retailers between Jan. 12 and Jan. 30, 2004, 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.

Sales Forecast, Better Business Climate Drive Increase

The components of the Index leading to this increase are forecasted sales in the coming quarter, a sense that the business climate is improving, and that
SALES FORECAST (CONTINUED)

Consumer confidence among Floridians remained relatively high, at 97 points in February, according to preliminary numbers released by the UF Survey Research Center of the Bureau of Economic and Business Research at the University of Florida. The component measuring whether it is a good time to buy big ticket items, such as appliances, furniture and cars, jumped 7 points, from 109 to 116.

The limited number of retailers planning to invest in additional inventory, advertising, and/or employees dampens these positive forces. Over 57% of the retailers surveyed indicated their operating costs will be higher during the 1st Quarter 2004 than they were a year ago.

Jacksonville Area Tops Statewide Index

In terms of geographical differences, the Index for Jacksonville retailers is higher than average, while the Index for the Miami/Ft.Lauderdale area is lower than average. The factors driving these differences are much more optimistic forecasts for sales and consumer spending in Jacksonville and expectations of higher operating costs in Miami/Ft.Lauderdale.

Employment Is a Major Concern

When asked about the major factors that might negatively affect the business environment in Florida over the coming year, retailers cited several concerns. The top five mentioned were:
1. Economic factors
2. Terrorism
3. Elections
4. War in Iraq
5. Weather

The major economic threats cited were the lack of growth in jobs and the potential for more layoffs or no change in the level of unemployment. Retailers also expressed concern with the possible impact of state and federal budgets, the possibility that upward trends in the stock market will not continue, and the threat of interest rates and gasoline prices increasing.

Terrorism was also cited by retailers as a potential threat to the Florida economy — for example, the fear of another terrorist attack or an actual attack in Florida would dampen consumer spending.

The presidential elections are also of concern — with some retailers fearing that a Democratic administration will increase taxes while other retailers fearing that the reelection of George W. Bush will result in increased federal deficits.

The occupation of Iraq was the fourth most commonly cited threat that worried retailers. Retailers feel that the occupation of Iraq has the potential to be costly and divert federal money from domestic programs.

The fifth most common concern mentioned threat was the weather — either cold weather in Florida affecting tourism or a natural disaster, such as a hurricane.

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.

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