Retail Outlook Holds Steady at Higher Level

After rising for three consecutive quarters, the Florida Retail Index for the 2nd Quarter 2004 remained at about the same level as the 1st Quarter 2004, reflecting continued optimism among the state’s retailers. At 57.8, the Index remains nearly 11 points higher than a year ago at this time, with larger retailers expecting to fare significantly better than smaller retailers.

The survey of retailers operating stores in Florida found that 48% of those interviewed forecast sales during the 2nd Quarter of 2004 to be better than last year’s 2nd quarter, and 70% indicated they expected business to get better over the next six months. However, expectations of rising costs continue to be a drag on the Index. 65% of the Florida retailers interviewed indicated that they expected operating costs to be higher during the second quarter this year compared to last year.

Sales Forecast at 5 Percent Increase

The Florida Retail Index for the 2nd Quarter of 2004 is 57.8. The median forecasted sales increase in 2nd Quarter sales compared to a year ago is 5%.

The 2nd Quarter Florida Retail Index is based on a survey of 156 Florida retailers between April 1 and April 15, 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.

Rising Costs Continue to Dampen Expectations

The components of the Index between the 1st and 2nd Quarters remain about the same. A limited number of retailers continue to invest in their businesses during the 2nd Quarter by buying more inventory (28%), increasing advertising (17%), and/or hiring employees (19%) — almost identical to the 1st Quarter forecasts. Retailers’ expectations of rising costs continue. 65% of the retailers forecasted rising costs for the 2nd Quarter compared to 57% for the 1st Quarter.

Outlook Better for Larger Retailers

There are significant differences in the outlook of larger chain retailers and small retailers, and between retailers located in geographical regions. The Index for retail chains with more than 10 stores in Florida is 66.7, while the Index
The Outlook Better (continued)

for retailers with 10 or fewer stores is only 57.0.

The differences are due to larger retailers being more optimistic about sales, consumer spending, and the business climate, and planning to make significantly greater expenditures on inventory, new employees, and advertising. However, the larger retailers are forecasting even greater increases in operating costs compared to the smaller retailers.

Consumer Confidence, Sales Tax Collections Remain High

Consumer confidence among Floridians remained unchanged in April at 94, and there are clear signs that the economy is improving, according to the latest survey released by the UF Survey Research Center of the Bureau of Economic and Business Research at the University of Florida. The largest jump was a 4-point increase in the component measuring whether it is a good time to buy big ticket items, such as appliances, furniture and cars.

In addition, sales of consumer non-durables in Florida appear to be continuing to outperform expectations. The Florida Department of Revenue reported in April that sales tax collections for consumer non-durables in February, the latest month for which figures are available, showed a 16.9 increase over the previous year, performing better than expected.

Orlando Retailers Expect Better Sales

In terms of geographical differences, the Index for Orlando retailers continues to be 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 Orlando, and expectations of higher operating costs in Miami/Ft.Lauderdale.

Tourists and Snowbirds

35% of the Florida retailers surveyed indicated that tourists and snowbirds accounted for significant sales in their stores. 50% of the retailers with significant tourist/snowbird sales indicated that their business from tourists/snowbirds is better this year than last, while only 12% indicate it is worse.

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.