Retail Index Starts to Climb Again

After a pause last quarter, the Florida Retail Index for the 3rd Quarter 2004 is on the rise again, registering the fifth consecutive quarter of increasing expectations for state retailers. The survey of retailers operating stores in Florida found that 50 percent of those interviewed forecast sales during the 3rd Quarter of 2004 to be better than the same quarter last year, and 74 percent indicated they expected business to get better over the next six months. The median forecasted increase in 3rd Quarter sales compared to a year ago is 7 percent.

Back-to-School Sales Tax Holiday

The highest retail activity in the 3rd Quarter is traditionally the back-to-school shopping season, and about 20 percent of the retailers surveyed indicated it is important to their business. After a hiatus for two years, Florida’s popular back-to-school sales tax holiday will be running from July 24 through Aug. 1 this year. One in five retailers – 20 percent – said they are doing special promotions for the holiday, and 74 percent of those surveyed said they would like the Florida Legislature to enact a sales tax holiday every year.

The holiday, which runs from July 24 to Aug. 1, applies to purchases of clothing and related items with a sales price of $50 or less, books with a sales price of $50 or less, and school supplies with a sales price of $10 or less.

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The Florida Retail Index for the 3rd Quarter of 2004 is 60.1, the biggest increase in a year.

The 3rd Quarter Florida Retail Index is based on a survey of 153 Florida retailers between June 28 and July 14, 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.

In another sign that the state’s business outlook is improving, more retailers are planning to increase inventory, advertising and hiring in the 3rd Quarter of 2004. Thirty-six percent reported that they are adding inventory in the
coming quarter, up from 28 percent last quarter, 27 percent are increasing advertising expenditures, up from 17 percent last quarter, and 25 percent are hiring employees, up from 19 percent last quarter.

**Impact of Gasoline Prices**

Retailers expectations of rising costs continue — 69 percent of the retailers forecast rising costs for the 3rd quarter, compared with 65 percent last quarter. More than 60 percent of the retailers surveyed said that higher prices for gasoline are having a negative impact on their business by increasing operating costs. Many retailers are finding that their shipping costs on merchandise they buy are increasing. Retailers reported that the average estimated increase in operating costs from rising gasoline costs is 4 percent.

**Large Retailers Expecting to Fare Better**

Larger retailers — those with more than 10 stores — continue to be more optimistic about the future than small retailers. The index for large retailers is 68.8, compared with 57.3 for small retailers. A major difference between small and large retailers is their intention to hire employees. More than 60 percent of the large retailers indicate they will hire more people during the 3rd Quarter compared with the same quarter last year, but fewer than 20 percent of the small retailers intend to hire more people.

**Jacksonville is Still Hot**

In terms of geographical differences, the Index for Jacksonville retailers continues to be higher than average. The Index for the Miami/Ft.Lauderdale area saw the biggest increase, but continues to be lower than average for the four metropolitan areas. 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.

**Retail’s Impact on the Economy**

About three-quarters of the gross domestic product of Florida is consumer spending, and retailing is Florida’s second largest employment industry. Florida retailers provide more than $25 billion in wages annually and provide one out of every five jobs in the state. Florida retailers collect and remit over $19 billion in sales and retail-related taxes for Florida’s government — more than 75% of Florida’s budget dollars come from retail-related activities.

For more information, contact FRF President & CEO Rick McAllister at (850) 222-4082, or visit our Web site at www.frf.org.