Florida retailers are entering into the 4th Quarter of 2004 with a more positive outlook than a year ago, despite concerns about the lingering effects of the hurricanes that struck in August and September. The 4th Quarter Florida Retail Index stood at 56.4, up from 55.8 in the same quarter of 2003.

The Florida Retail Index for the 4th Quarter 2004 shows about 82 percent of the retailers surveyed expect Christmas 2004 sales to be about the same or better than last year. Only about 18 percent said sales would be lower than last year.

The primary reasons for forecast sales increases are consumers replacing items lost or damaged in the hurricanes, and better management of retail stores – such as selection of better merchandise and stocking more inventory.

The retailers who expect sales to be the same or less than last year attributed their less optimistic views to the stagnant economy, less consumer disposable income due to paying deductibles for hurricane damage and high gasoline costs.

**Hurricanes have negative and some positive effects**

Most of the retailers surveyed indicated that their sales during the last quarter were affected by the hurricanes. However, not all of the effects were negative.

Forty-eight percent of the retailers surveyed said that their sales were negatively affected by the hurricanes, while 38 percent said that the hurricanes increased their sales over the normal level.

Retailers who suffered significant damage and lost electricity for an extended time period lost sales. Of the retailers who lost sales due to the hurricane, 30 percent were back to normal operations within a week, 12 percent within 2 to 3 weeks, 30 percent in a month, and 28 percent said that it would be at least a month before normal operations.

On the other hand, retailers that were unaffected or suffered only minor damages and electricity outages experienced an increase in sales as people restocked their refrigerators and freezers and bought replacement home furnishings.

**Florida Retail Index still pacing ahead of 2003**

Following an increase last quarter, the Florida Retail Index for the 4th Quarter of 2004 dropped to 56.4, still ahead of the 4th Quarter 2003 level of 55.8.

The 4th Quarter 2004 Florida Retail Index is based on a survey of 150 Florida retailers between October 4 and October 29, 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.

Most of the components of the Index between the 3rd and 4th Quarters declined. Retailers anticipate buying less inventory, hiring fewer people, and doing less advertising relative to the 3rd Quarter, while operating costs continue to be a major concern.

Seventy-one percent of the retailers surveyed expect to have the same or less inventory during the 4th Quarter compared to a year ago; 86 percent indicate they will have the same or fewer employees; and 75 percent indicate they will do the same amount or less advertising. However, 63 percent of the retailers expect their operating costs to be higher than they were during the 4th Quarter last year.

Orlando area more optimistic on sales

In terms of geographical differences, the Index for Orlando retailers increased, while the Index for Jacksonville, Miami/Ft. Lauderdale, and Tampa/St. Petersburg decreased. The increase in the Index for Orlando was primarily due to greater sales expectations; however, expectations for investing in growth – more inventory, employees, and advertising – were about the same as last quarter.

Other economic indicators are flat

Consumer confidence in Florida held steady at 93 in October, two points lower than a year ago. The University of Florida Survey Research Center, which conducts the consumer confidence survey, attributed the stagnation to the long-term consequences of high oil prices and weak job growth.

According to the state Agency for Workforce Innovation (AWI), Florida lost 9,500 jobs between August and September 2004, a decline mainly attributed to the hurricanes. Overall, however, Florida still registered year-over-year growth of 125, 500 jobs in September, AWI said.

Larger retailers continue to be more optimistic

Larger retailers – those with 10 or more stores – continue to be more optimistic about the future than small retailers. In general, 3rd Quarter 2004 sales did not meet the expectations of smaller retailers, in part due to the inclement weather and high gasoline prices. Overall, this appeared to dampen their expectations for the 4th Quarter sales.

The Retail Index for large retailers is 70.3, compared with 52.3 for small retailers. The major differences between small and large retailers is that the larger companies had a much more positive experience last quarter, they have greater plans for increasing employees, and they have a more positive feeling about the business climate in general.

Christmas Decorations

Every year shoppers think that retailers are decorating their stores for Christmas earlier and earlier. However, 90 percent of the retailer surveyed said they are or will start decorating their stores for Christmas the same time this year as last year. The remaining 10 percent are equally divided between decorating earlier and decorating later than last year. Eleven percent of the retailers start decorating on or before November 1, 19 percent in the middle of November, 13 percent just before Thanksgiving, 36 percent just after Thanksgiving, and 22 percent in December.

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 $18 billion in sales and retail-related taxes for Florida’s government – more than 75 percent 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.