Retail Index at All-Time High

Buoyed by a solid holiday shopping season and expectations of greater consumer spending, the Florida Retail Index for the 1st Quarter 2005 increased by 5.1 points to 61.5 — its highest level since the Florida Retail Federation and the University of Florida began publishing the quarterly industry outlook two years ago.

The increase is largely due to expectations of strong consumer spending, retailer optimism about the economic environment, and expectations of increased hiring among retailers.

Sixty percent of the retailers surveyed expect to have greater sales during the 1st Quarter compared to a year ago; 67 percent indicate they expect the business climate to be better; and 17 percent expect to hire more employees.

However, 64 percent of the retailers expect their operating costs to be higher than they were during the 1st Quarter last year.

Higher Minimum Wage Will Increase Prices

Beginning in 2005, Florida’s minimum wage is to rise $1, to $6.15 per hour, with future increases indexed to inflation. Nearly half — 46 percent — of the retailers surveyed indicated that the increase in the minimum wage will have some effect on their operating costs.

The most common changes that retailers plan to undertake are raising prices (31 percent), followed by hiring fewer workers (20 percent), and shifting some full-time employees to part-time positions (18 percent).

Consumer Confidence Up; Holiday Sales Post Solid Growth; Employment Strong

Consumer confidence in Florida stood at 92 in January, a rise of five points over December, according to the University of Florida Survey Research Center, which conducts the monthly survey. The gain was attributed to increased optimism on personal finances, short-term business conditions and intentions to purchase big-ticket items.

According to the National Retail Federation, holiday season sales in November and
CONSUMER CONFIDENCE (CONTINUED)

December 2004 were up 5.7 percent over 2003 in the GAFS category, which includes general merchandise, clothing and accessories, home furnishings, electronics, appliances, sporting goods, books and music.

According to the Florida Agency for Workforce Innovation, Florida continues to lead the nation in job growth, and unemployment remained below the national average in December. Florida’s seasonally adjusted unemployment rate for December was 4.5 percent, down from 4.9 percent a year ago. Florida’s December unemployment rate was almost one percentage point lower than the national rate of 5.4 percent.

Florida Retail Index Jumps 5.1 points

Following a drop in the Index during the 4th Quarter 2004, the Florida Retail Index for the 1st Quarter of 2005 jumped to 61.5, its highest level since the survey began in 2003.

The 1st Quarter 2005 Florida Retail Index is based on a survey of 150 retailers with Florida stores taken between January 5 and January 29, 2005. The Index 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.

Larger Retailers Hope 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 70.9, compared to 58.4 for small retailers. A major difference between small and large retailers is that larger retailers predicted a much more positive sales outlook for the quarter, and expected decreases in their operating costs.

While retailers are more optimistic about the retail environment and the Florida economy than they were a year ago, they do have concerns. Forty-two percent indicated that they are “very concerned” about the effect of the federal deficit on the Florida economy, 40 percent are “very concerned” about the U.S. health care policy, 27 percent are “very concerned” about trade policy, and 24 percent are “very concerned” about job growth.

Palm Beach Index Gains

In terms of geographical differences, the Index for Orlando and Jacksonville retailers declined, while the Index for Palm Beach increased.

The increase in the Index for Palm Beach is primarily due to greater sales expectations and more optimistic views of the business environment. However plans for making investments in inventory or hiring employees are not that much greater than the previous quarter.

Statewide, retailers expect the sales from snowbirds and tourists to be about the same as they were a year ago. Fifty-nine percent of the retailers surveyed indicated that business from snowbirds is important to them, and 47 percent indicated that business from tourists is important.

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 — about 75 percent of Florida’s budget dollars come from retail-related activities.