Sales Outlook Tempers Retailer Expectations

After increasing more than five points in 1st Quarter 2005, the Florida Retail Index for the 2nd Quarter 2005 dropped 4.7 points to 56.8, reflecting a more cautious outlook by large retailers. The forecasted median increase in sales over the same quarter last year is 3.5 percent, compared to a 7-percent growth forecast in the previous quarter.

An early Easter holiday this year boosted sales for many retailers in March, but may have shifted sales from April, when the spring holiday — and popular shopping weekend — traditionally falls.

The primary driver of the drop from the previous Quarter’s Index was a decline in expectations by large retailers, defined as those with more than ten stores. These larger retailers had lower expectations for 2nd Quarter sales, felt that consumer spending would be less, and were generally less optimistic about the overall business environment.

Fears of higher operating costs continued to drag on the expectations of both large and small retailers, with 64 percent predicting higher operating costs than a year ago. In addition, 59 percent of those surveyed indicating they were “very concerned” with increasing workers’ compensation costs over the entire year.

Florida Retail Index Falls 4.7 Points

The Florida Retail Index for the 2nd Quarter of 2004 stands at 56.4. The Index component for larger retailers has traditionally been higher than the component Index for smaller retailers. However, in the 2nd Quarter 2005, the index for larger retailers dropped from 70.9 to 59.2, while the small retailer component decreased only slightly from 58.4 to 57.0.

The 4th Quarter Florida Retail Index is based on a survey of 142 Florida retailers between April 4 and April 22, 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 terms of geographical differences, the Index for Orlando was significantly higher than other areas in the state, with Jacksonville continuing its steady decline from a historic high in 4th Quarter 2004.

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Strong Job Growth Continues, but Consumer Confidence Dips

Overall consumer confidence in Florida fell two points to 90 in April, according to the University of Florida Survey Research Center, which conducts the monthly survey. The drop was primarily attributed to a decline in short- and long-term expectations of national economic conditions.

According to the most recent figures from the Florida Agency for Workforce Innovation, Florida's unemployment rate in March was 4.4 percent, down slightly from 4.6 percent in February and down 0.4 percentage point from 4.8 percent in March 2004. Florida's nonagricultural employment expanded by 3.5 percent in March, adding 262,100 jobs over the year.

Concerns During the Rest of the Year

Over the last ten quarters, the majority of retailers surveyed consistently indicated that their operating costs are increasing. In this 2nd Quarter 2005, 64 percent responded that they expect their costs to be higher this quarter than 2nd Quarter 2004. When asked about specific concerns they had for the rest of the year, more than half were very concerned about increases in workers' compensation insurance, difficulty in hiring good people, and increases in gasoline prices.

Lawsuit Costs Concern Retailers

When asked several questions to gauge retailers' opinions on "tort reform" issues in Florida, retailers indicated that they were concerned with the cost of lawsuits and overwhelmingly believed that the state's legal system encourages abusive litigation.

Almost half of the retailers surveyed feel that malicious or frivolous lawsuits have increased their operating costs or limited potential growth, and more than three-quarter of those surveyed felt that the Florida legal system encourages these types of lawsuits.

One out of six small retailers reported being the target of a malicious or frivolous lawsuit, and about two-thirds reported settling out of court for fear of accruing further attorney fees.

The legal principle of joint and several liability provides that an individual or business can be compelled to pay all damages for a negligence claim even if they are found only partially responsible. Not surprisingly, more than 95 percent of retailers disagreed with this practice. In addition, under Florida law, retailers may be sued for negligence if a criminal causes injury on their property; more than 97 percent of retailers do not think they should be held liable for the criminal actions of others on their property.

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.

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