



FTI Consulting Projects a 3.5% Increase in Holiday Sales

December 3, 2003

Holiday Sales Above 5.0 % are Overly Optimistic, According to FTI Consulting's Retail Forecast Model

New York, NY - December 3, 2003

New York, NY – December 3, 2003 – FTI Consulting, the premier provider of corporate finance/restructuring, forensic accounting, economic consulting, and trial services, today released its 2003 Retail Report forecasting a 3.5% increase in 2003 holiday sales compared to a 2.0 % actual increase in 2002. FTI Consulting's regression model defines holiday sales as November and December sales for the GAFO categories. The increase consists of a 2.0% increase in real sales (i.e. inflation-adjusted) plus a 1.5% increment for assumed price increases.

According to Kevin Regan, Senior Managing Director at FTI Consulting and author of the retail report, holiday sales projections above 5.0% are overly optimistic. "None of the consumer-focused variables that drive our forecast model has shown sufficient improvement over the 2002 holiday season to justify any strong optimism," said Mr. Regan.

"In addition, promotional activities are more prevalent than many retailers would care to admit," Mr. Regan continued. "Cautionary comments from Wal-Mart and Target regarding the season's prospects have been largely drowned out by a chorus of upbeat forecasts from retail analysts and industry associations."

Despite Improving Confidence Readings, Consumers Remain Cautious Despite the apparent resurgence of consumer confidence, particularly after November's strong readings, consumers remain surprisingly guarded about economic prospects, according to Mr. Regan.

"The University of Michigan's Index of Consumer Sentiment is only fractionally higher than in May 2003 despite a deluge of better economic data since July and an impressive stock market rally," said Mr. Regan. "The expectations component of the index remains below levels of May 2003 and mid-2002 despite a consensus among economists that the U.S. economy is poised for at least 4.0% growth in 2004. Likewise, the expectations component of the Conference Board's Consumer

Confidence Index remains well below levels of mid-2002 despite its recent surge. In my opinion, consumers are more upbeat about current conditions, but are still wary about an imminent recovery. 'I'll believe it when I see it' seems to be the consumer mindset right now," he said. Cheap Imports of Consumer Goods Will Prevail Over Protectionism Mr. Regan also asserts that cheap imports of consumer goods will continue to prevail over protectionist pleas. "Whether its apparel, home textiles, steel, or furniture, U.S. shoppers' inexorable demand for value and affordability will ensure that cheaper consumer goods imported from the Far East continue to break records," Mr. Regan said. "Despite the distress of these industries, the allure of lower prices for imported goods and pressure from our trading partners will prevail over cries to protect U.S. industry."

Supermarkets' Showdown with Union Continues

The strike/lock-outs at some 860 Southern California supermarkets is now entering its eighth week and is threatening to spread to other regions. "The confrontation could be costing the three chains collectively about \$30 million in lost sales each week," estimates Mr. Regan. "The stakes grow larger for each side as the dispute drags on," he said.

The three affected supermarket chains claim that non-union replacement workers are allowing operations to continue with minimal disruptions, while the United Food and Commercial Workers Union urge consumers to shop elsewhere and cast this showdown as a watershed event for the future of all organized labor. Mr. Regan predicts that with the two sides barely talking, shoppers' loyalties may end up playing a key role in the ultimate resolution of this ongoing stand-off.

About FTI Consulting

FTI is the premier provider of corporate finance/restructuring, forensic accounting, economic consulting, and trial services. Strategically located in 24 of the major US cities and London, we employ over 1,000 professionals consisting of numerous PHDs, MBAs, CPAs, CIRAs and CFEs who are committed to delivering the highest level of service to our clients. These clients include the world's largest corporations, financial institutions and law firms in matters involving financial and operational improvement and major litigation.