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January retail sales soar

State businesses see strongest start since 2002, but grim economy, job cuts may hurt 2006, group says.

Tenisha Mercer / The Detroit News

Bolstered by strong gift card sales, retailers in Michigan posted their strongest January sales in four years, but a sluggish economy and looming auto industry job cuts are tempering merchants' long-term outlook, according to a report released today by the Michigan Retailers Association.

The Lansing-based trade association found that 43 percent of retailers it surveyed reported increased sales in January compared to last year, 42 percent had declines and 15 percent had no change.

The results create a seasonally adjusted performance index of 54.3 percent -- the highest figure since April 2004 and the best January since 2002.

Retailers remain cautiously optimistic.

"It's good news for us," said Tom Scott, a spokesman for the Michigan Retailers Association, "but I think that a lot of retailers are not looking at January numbers and projecting that 2006 will be a gangbuster year. They see the economic realities in Michigan."

Farmington Hills retail analyst Kenneth Dalto agreed that strong January sales may not be enough to give retailers their long-awaited sales boost.

"One month is not something that denotes a substantial trend for the year," he said. "Retailers still have to be very careful. A month that looks good is probably because of deep discounts."

Retailers in Michigan have struggled with the state's lackluster economy and mounting job cuts.

Michigan recorded a 6.8 percent annual average unemployment rate last year, among the

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Among Michigan retailers:

43 percent reported increased sales in January.
51 percent project higher sales from February through April.

Sales growth averaged 2.8 percent in 2005, up from 2.5 percent in 2004.

Source: Michigan Retailers Association

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highest in the nation. Stores were saddled with sales declines over the holiday shopping season as customers cut back on gift items. And spending dropped an average of 1.9 percent, below the 5 percent the association had predicted in September and the 5.7 percent increase nationally.

But gift cards, which are counted as sales when they are redeemed, helped boost post-holiday sales, Scott said. Gift card sales in Michigan were not released, but they revived an otherwise slow retail month when many merchants are reducing prices and clearing out inventory, Scott said.

At MJ Diamonds at Fairlane Town Center in Dearborn, gift card sales in January and February propelled what had been a late holiday shopping season, said manager Tony Bahu.

"Gift cards sales have been great," Bahu said. "They really gave us momentum."

Fifty-one percent of retailers project higher sales from February through April, while 49 percent predict declines or flat sales. For the year, a majority of retailers project single-digit sales increases, while 19.9 percent forecast sales declines.

"For the most part, retailers are projecting small gains, but they are better than declines," Scott said. "There's still a lot of grim economic news out there with all the auto layoffs. They are looking at that and that's tempering their normal optimism."

Another bright spot: Michigan retailers' sales growth averaged 2.8 percent in 2005, up from 2.5 percent in 2004, according to the association's survey in December.

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