

St. Petersburg Times

Tampa Bay businesses react: The rate cut will help, but..

By Helen Huntley

Published January 23, 2008

Tampa Bay business leaders welcomed the Federal Reserve's surprise move Tuesday to cut a key interest rate by three-quarters of a percentage point. But they aren't expecting any overnight economic miracles as a result.

"Other than psychologically, it's pretty hard for this kind of change to impact the economy any sooner than six to nine months," said Tom James, chairman and chief executive of Raymond James Financial Inc. in St. Petersburg.

That's because it takes a while for lower rates to work their way through the economy as adjustable-rate loans reset, homeowners refinance and businesses and consumer take out new loans.

"We really need lower interest rates to help people trying to refinance," said Jeff Seaman, chairman and chief executive officer of Rooms To Go. "This has been the most challenging time for our industry in years. I've told my managers this economy is like swimming in a cold pool. It's bracing, but still doable."

Sales at the Seffner furniture retailer declined in the summer and early fall, but leveled off in November, Seaman said. He said the company cut back its inventory but has not reduced advertising and still plans to expand into the Houston market this winter with four stores.

"The cuts should calm the fear and panic in the financial market and provide relief to American consumers," said Tim Main, chief executive of Jabil Circuit. "The question is, is it too little, too late? The cuts, combined with a stimulus package that hopefully (President) Bush can get through Congress relatively quickly, would help."

He said he is not expecting a recession, but noted that in two previous recessions, the St. Petersburg electronics manufacturer "came through very well and experienced significant growth."

James said Raymond James Financial has been affected as companies have stopped issuing new securities and declining stock prices have reduced the value of assets under management. "I don't think the public has panicked and maybe not even been surprised by the market action given the economic scenario that exists. My guess is that we're not totally finished."

Her small business customers are suffering and so is she, said Rayanne Buchianico, whose Pinellas Park company, ABC Solutions, provides bookkeeping, accounting, tax and computer services.

"I haven't seen anything like this since the early '90s," she said. "Lowering interest rates is always a good thing. However, I wonder how many of these small businesses will benefit. Some smaller businesses that have had to invest so much capital just to stay afloat may already be maxed out."

She said some of her customers "with overhead, offices, payroll and staff are getting squeezed out by the little guy who can work out of his bedroom."

Other business are forging ahead with their growth plans.

Quadrant Software of Tampa still expects to grow 50 percent this year, chief executive and co-founder Gary Langton said. He said the rate cut was "absolutely" the right thing to do, predicting it will boost confidence among leaders of the world's largest companies, "who will move forward with investments instead of putting projects on hold."

Mega-merger markets may be in trouble, but John Hill Jr., senior managing director of Hyde Park Capital Partners in Tampa, predicts his firm's niche doing middle-market merger and acquisition deals will be fairly stable, with a few changes.

"There's still a ton of capital looking for deals, but the larger deals will be harder to put together," he said. "On the smaller end, where we operate, financing will still be available, but the terms are tightening and pricing is coming down a bit."

Economists who follow the Florida market still are not predicting a recession. "The weakness is here and we continue to get confirmation of it; it's a question of magnitude," said Stephen Morrell, economics professor at Barry University in Miami Shores. He puts the probability of a recession in Florida at about 40 percent.

"A three-quarter-point cut showed that the Fed's not going to stand idly by while Rome burns," said University of Central Florida economist Sean Snaith. "They're not probably not done cutting."

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Credit: Personal Finance Editor