



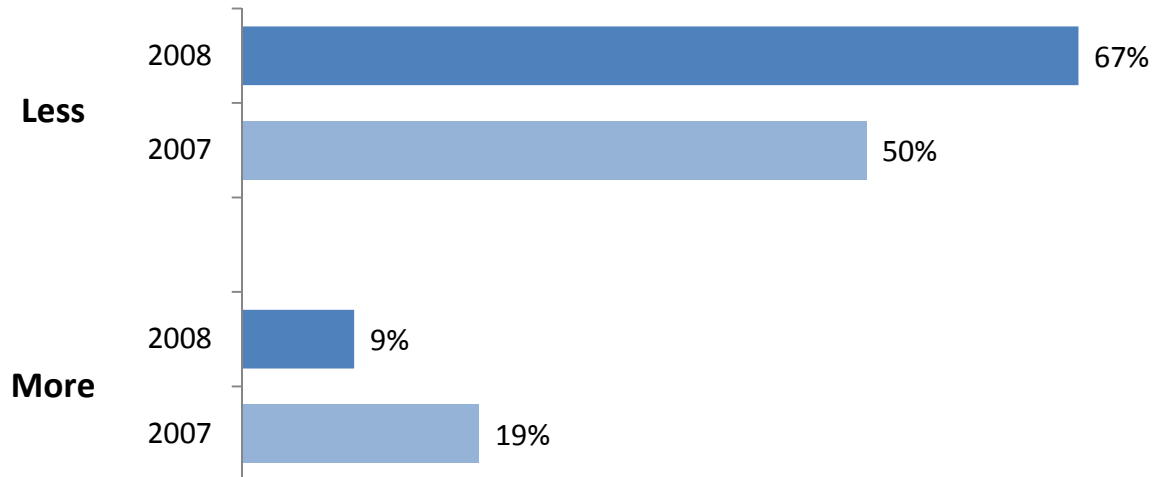
LEO J. SHAPIRO & ASSOCIATES LLC.

October 17, 2008

Christmas 2008: 69 Days

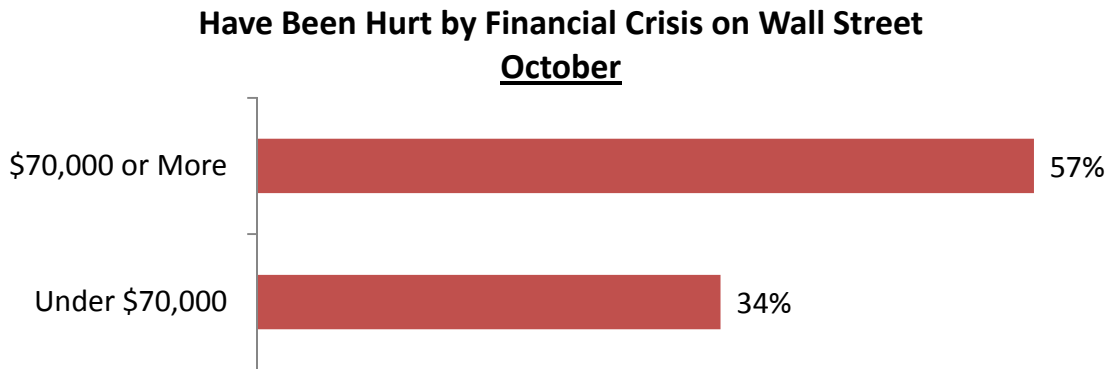
Current buying plans, if carried out by consumers, will make this one of the most difficult retail Christmas seasons in many years. Coming into early October, two-thirds of households (67%) expect to spend less for Christmas this year and just 9% more. This is the poorest outlook for the Holiday season in the month of October, about 69 days before Christmas, in more than two decades. It compares with just 50% expecting to cut back and 19% expecting to spend more for Christmas in October a year ago. Consumers are planning to buy smaller gifts this Christmas. Among those cutting back, 77% say they will not be shortening their gift list but will be giving smaller gifts. Few, just 16%, say they will shorten their gift list this year*.

Christmas Spending Expectations Compared to Last Year October



* Findings are based on a national survey conducted by Leo J. Shapiro & Associates of 450 U.S. households interviewed by phone between October 1-10. Leo J. Shapiro & Associates has been monitoring Christmas buying plans since 1975. It is noteworthy that the market collapse in October 1987 did not affect Christmas buying plans. The October 1987 survey completed before the market crashed found 34% expecting to spend less for Christmas; the November survey following the crash found 35% expecting to spend less. As well, expectations of spending more were hardly dented – 33% in October and 31% in November.

The prospect of affluent households propping up Holiday sales this year are dim. The financial crisis on Wall Street has, so far, hurt affluent households more than modest-income households. Among households with incomes of \$70,000 or more, 57% say that the financial crisis has hurt them, substantially more than the 34% among households with incomes below \$70,000. Almost no one sees a recovery from the crisis before the end of the year; 53% of consumers feel it will take two or more years before the present financial crisis ends, just 3% think will end within six months.



40% of all U.S. households as of October 1-10 report being hurt by financial crisis.

Americans are now downsizing spending as they face flat or slowing income growth and as they feel increasingly anxious about their jobs. As perhaps the largest discretionary spending of the year, Christmas is a ready target for conserving dollars. Most households expect to avoid the pain of cutting their gift lists by simply downsizing their gifts. With little prospect of support from affluent households, a rescue of the Holiday season is unlikely. For retailers already on the brink, stiff competition to capture share of a smaller sales pie may be a death knell. As always, there will be winners and losers during adversity, but the dire outlook as of now will make it difficult for anyone to prosper this Christmas.

*For more information on studies underlying this report,
contact George Rosenbaum at georger@ljs.com*