



LEO J. SHAPIRO & ASSOCIATES LLC.

HOPE FOR TOMORROW GROWS

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Belief that things are getting better for America and for the U.S. economy surges this month, in the face of declining income and weakening of households' financial situation.

OUTLOOK FOR THE NATION

In recent months, more than eight in ten Americans have felt that things are getting worse for the nation. Now, gloom about the nation is lifting, declining to 69% in September after reaching 82% in July. There is an even bigger lift in the economic outlook. For the first time since February 2005, more Americans say that the U.S. economic picture is improving (49%) than declining (32%).

	2008						Change
	Apr	May	Jun	Jul	Aug	Sep	Aug/Sep
NATION...Things getting:							
Better	9%	10%	12%	8%	16%	19%	+3
Worse	81	82	80	82	73	69	-4
U.S. ECONOMIC PICTURE...Getting:							
Better	32%	30%	32%	24%	34%	49%	+15
Worse	57	58	54	62	48	32	-16

PERSONAL OUTLOOK

Households' outlook for their own financial situation also improves. More households are expecting their income to rise next year - 41%, up four points from last month, and fewer see their overall financial situation worsening - 16%, down ten points from July and five points from last month. The percentage who expect it to be easier to get by next year rises eight points to 34%, the best level in nearly a year.

	2008						Change
	Apr	May	Jun	Jul	Aug	Sep	Aug/Sep
IN COMING YEAR EXPECT...							
Income to increase	35%	33%	34%	31%	37%	41%	+4
Overall financial situation to worsen	18	21	23	26	21	16	-5
It to be easier to get by	28	24	27	21	26	34	+8

OFFICE OF PRESIDENT

Confidence in the office of President is turning a corner, as nearly half of Americans (49%) come to believe that the President can make a difference in solving the nation's problems, a rise of twelve points from 37% in August. Until this month, upward of 50% of Americans this year have felt that the nation's problems were beyond the capacity of the President to solve. Last month, this percentage was 57%. In the wake of renewed confidence, President Bush's approval rating rises to 31%, up three points from August, the highest rating in nearly a year.

PRESENT-DAY REALITIES

Hopefulness for the future reflects consumers' determination to cope with grim present-day realities. Although income growth has slowed to the lowest level in more than four years and households see their overall financial situation growing weaker, Americans are determined to manage adversity by tightening their belts. The percentages who say they have enough income to live comfortably and who feel they could manage if the chief earner were out of work edge lower but continue the stability seen so far this year.

	2008									<i>Change Aug/Sep</i>
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	
YEAR-TO-YEAR INCOME										
Increased	50%	44%	47%	41%	43%	41%	44%	40%	38%	-2
Decreased	20	27	24	27	28	26	24	29	31	+2
OVERALL FINANCIAL SITUATION YEAR TO YEAR IS...										
Better	38%	35%	36%	30%	27%	32%	30%	31%	29%	-2
Worse	35	38	37	41	49	45	42	47	46	-1
COPING										
Enough income to live comfortably	58%	55%	56%	54%	51%	56%	55%	59%	56%	-3
Could get along if chief earner were out of work	57	48	52	47	48	55	53	55	54	-1

INFLATION

Fear of accelerating inflation continues to diminish; the percent of households reporting higher prices during the past 30 days drops six points to 71%. Expectation of accelerating price increases over the coming months also continues to decline, dropping seven more points after last month's decline of 20 points.

	2008									<i>Change Aug/Sep</i>
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	
Think prices have increased in past month	68%	66%	77%	81%	88%	88%	88%	77%	71%	-6
Price rises will accelerate in the next few months.	37	33	45	49	55	56	54	34	27	-7

JOB SECURITY

Fear of a job or earnings loss eases to 45% from last month's recent peak of 50%. However, reports of actual job or earning losses by households this year rise six points to 33%.

	2008									<i>Change</i>
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<i>Aug/Sep</i>
HOUSEHOLDS REPORTING:										
Chance of layoff or loss of earnings in coming months	43%	44%	43%	45%	44%	46%	41%	50%	45%	-5
Lost job or earnings in past year	28	28	26	28	34	30	26	27	33	+6

SAVING

Households reporting savings after meeting all expenditures remain at 41%, the second lowest level of the year. Expectations of improving savings during the next 12 months improve seven points to 41%.

SPENDING

Households are managing the economic pressures they face by controlling spending. Plans for Christmas spending are more pessimistic than in any September in over a decade. Meanwhile, consumers are relaxing restraints on day-to-day spending and major purchases.

Consumables

The Index of Consumables, which measures day-to-day spending, comes off its more than ten-year low, rising five points to 76 this month. Households ease restraints on food spending and on driving, but tighten medical spending.

Major Purchases

Plans for major purchases and active shopping for them continue to make modest gains. Respectively, the Index of Major Purchases rises four points to 104, and the Index of Active Shopping rises four points to 107. Purchase plans and active shopping improve for new cars, homes, and major appliances. There is also a rise in purchase plans, but not in active shopping, for furniture and personal computers. The major exception is a plunge in plans for air travel. Year to year, both plans for air travel and shopping for reservations have each diminished six points.

Plans for home purchases and active shopping for homes have risen for the past two months and now stand at the highest level of the year. The likelihood that actual purchases of homes will accelerate increases, as consumers who see home prices dropping decline from 38% to 31% this month. This is the lowest percentage since last November.

Christmas

Expected cutbacks on Christmas spending are the highest for any September in more than two decades; 56% expect to spend less than last year and just 15% more. A year ago in September, just 42% expected to spend less and 19% more. These percentages continue the dour forecasts seen in August.

	2005		2006		2007		2008		Sep. Year-to-Year Change
	<u>Aug</u>	<u>Sep</u>	<u>Aug</u>	<u>Sep</u>	<u>Aug</u>	<u>Sep</u>	<u>Aug</u>	<u>Sep</u>	
THIS YEAR EXPECT TO SPEND FOR CHRISTMAS:									
More	22%	16%	18%	20%	18%	19%	16%	15%	-4
Less	41	52	43	42	44	42	53	56	+14
The Same	37	32	39	38	38	39	31	29	-10

COMMENT

Hope for the future has been ignited as the race for President moves forward following the Democratic and Republican conventions. Diminishing fear of inflation goes a long way, as well, toward raising hopes for consumers' own financial situations and for the economy. Perhaps most important of all, Americans are learning to live with less, and some feel comfortable doing so. It remains to be seen if renewed hope can withstand a continuing slowing of income or growing inflation.

Learning to live with less is achieved by controlling spending. Most consumers feel there is enough maneuverability in their spending to avoid real distress. The shoppers that retailers now face are looking for allies to support their budget management. As consumers are prepared to change what they buy and where they buy it, retailer performance will depend on ability to dance in synch with consumers.

For now, we see a bit of easing on spending restraints that can benefit retailers during the Fall. But this easing is coming at the expense of severe cutbacks planned for Christmas. If consumers follow their present intentions, this stands to be one of the toughest Christmas seasons in memory.

Data are from interviews conducted in September. During the year, 5,400 consumers are interviewed at the rate of 450 per month.

SHOPPING FOR DAY-TO-DAY AND MAJOR PURCHASES

	2007	2008	2008	Change	
	<u>Sept</u>	<u>Aug</u>	<u>Sep</u>	<u>Month-</u>	<u>Year-</u>
<u>SPENDING FREELY FOR:</u>				<u>To-Month</u>	<u>To-Year</u>
<i>(Not cutting back on)</i>					
Maintaining Standard of Living	56%	42%	48%	6	-8
Clothing	44	39	40	1	-4
Food	55	35	42	7	-13
Driving (Gasoline)	39	18	28	10	-11
Medical Care	74	80	73	-7	-1
<u>PLANNING PURCHASE IN 12 MONTHS</u>					
<u>AND ACTIVELY SHOPPING FOR:</u>					
NEW CARS...					
Planning	10	10	12	2	2
Shopping	6	5	6	1	--
USED CARS...					
Planning	22	20	20	--	-2
Shopping	9	10	10	--	1
HOUSE...					
Planning	9	14	16	2	7
Shopping	6	10	11	1	5
FURNITURE...					
Planning	20	19	23	4	3
Shopping	10	8	12	4	2
MAJOR APPLIANCE...					
Planning	15	12	15	3	--
Shopping	7	5	6	1	-1
CARPETING...					
Planning	10	9	8	-1	-2
Shopping	2	2	2	--	--
TELEVISION...					
Planning	15	20	19	-1	4
Shopping	7	8	9	1	2
PERSONAL COMPUTERS...					
Planning	15	17	18	1	3
Shopping	6	9	9	--	3
AIR TRAVEL...					
Planning	36	36	28	-8	-8
Shopping	21	19	15	-4	-6
MOTEL/HOTEL...					
Planning	48	45	48	3	--
Shopping	25	20	21	1	-4