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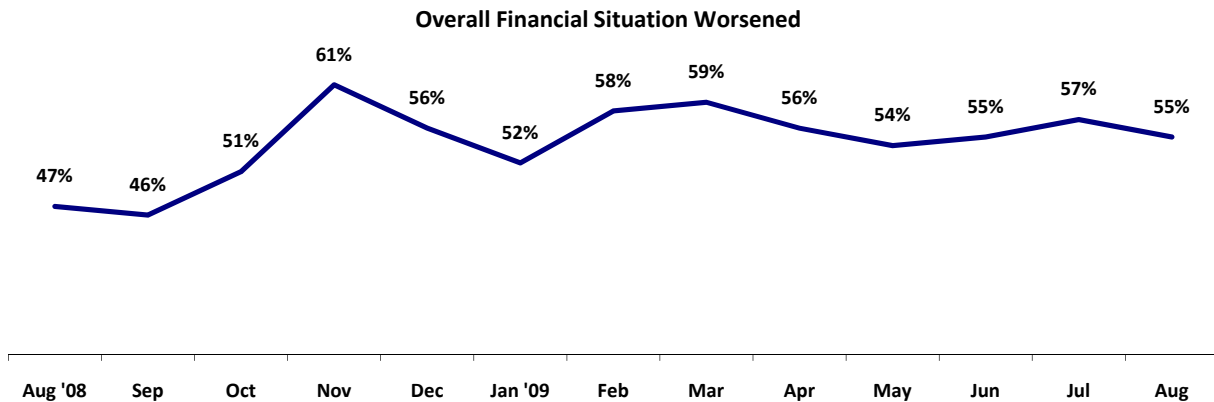
## TO SPEND OR NOT TO SPEND?

August 11, 2009

Uncertainty about prices, employment, and other economic issues make it difficult for consumers to decide whether to buy now or hold off.

### FINANCIAL SITUATION

Over half of Americans (55%) feel their financial situation is worse now than a year ago. This measure has been quite consistent over the last few months.



### JOB SECURITY

Americans who have been hit in the past year by a loss of work or earnings dip to 44%, three points lower than last month, but comparable to April through June. The threat of layoff or loss of wages continues to hang over six in ten U.S. households (59%), as has been the case since January.

	2008-09												Change <i>Jul/Aug</i>	
	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>		<u>Aug</u>
HOUSEHOLDS REPORTING:														
Chance of layoff or loss of earnings in coming months	50%	45%	54%	46%	56%	59%	62%	61%	59%	61%	62%	61%	<b>59%</b>	-2
Had layoff or loss of earnings in past year	27	33	33	32	41	38	43	42	45	44	45	47	<b>44</b>	-3
Regained job or earnings in past year	27	27	25	24	26	22	19	16	18	17	20	19	<b>18</b>	-1

## INCOME

Four in ten households (40%) report that their income has fallen over the past year. While this is four points less than last month, it is substantially more than in 2008. Households with a gain in income over the past year erode further and reach a new low (23%).

YEAR-TO-YEAR INCOME	2008-09												Change Jul/Aug	
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul		Aug
Increased	40%	38%	34%	39%	35%	33%	30%	27%	27%	27%	26%	24%	<b>23%</b>	-1
Same	31	31	31	30	33	33	30	33	29	32	31	32	<b>37</b>	+5
Decreased	29	31	35	31	32	34	40	40	44	41	43	44	<b>40</b>	-4

## SAVINGS AND CREDIT

Consumers able to save a portion of their income during the past month edge downward another point to 32% after declining three points last month.

For the fourth consecutive month, there is a virtual balance between consumers whose credit card balances rose (21%) and those whose balances declined (19%). Most consumers (60%) say their balances are “nearly the same” as last month. Consumers expecting to reduce their credit card debt in the coming month decrease three percentage points for the second consecutive month (from 33% in June to 27% in August).

## SPENDING

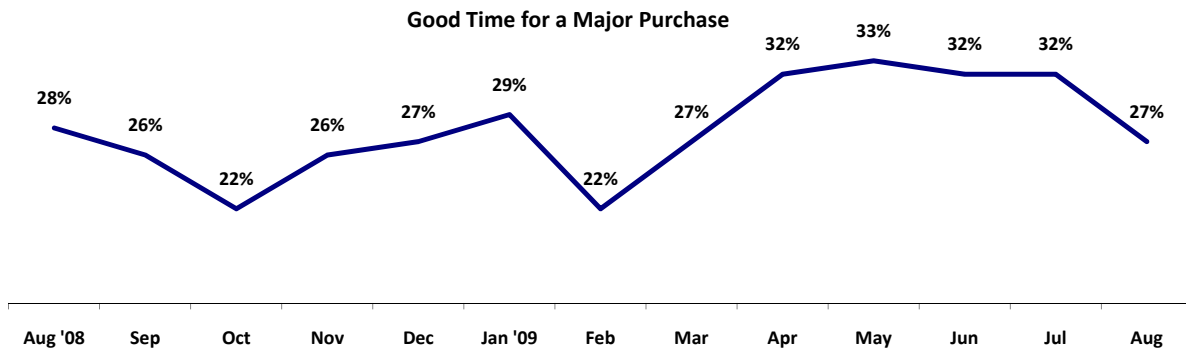
### Consumables

Consumers spend more freely for day-to-day needs this month than last month, but continue to spend less than a year ago, especially for **clothing** and **medical care**. Consumer spending for **gasoline** bucks this trend, being much freer this year than last.

*Comment:* Willingness to spend for medical care increased sharply from July to August both this year and last year, suggesting a seasonal trend, although the national debate on health insurance likely is an influence this year.

### Major Purchases

The pendulum is starting to swing back from **used car** to **new car** shopping, which may have been kick started by the national “Cash for Clunkers” program. A rise in active shopping for **computers** this month coincides with back-to-school shopping. Although shopping for **air travel** is down sharply from last year, consumers are still in the market for **lodging**, suggesting they are traveling but less often by air. Shopping for **televisions** is down substantially from last year.



## PRICES

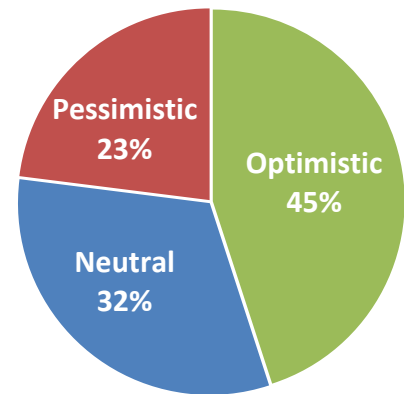
Consumers who feel prices have gone down in the past month drop five points to 20%, the lowest figure since October 2008. Simultaneously, consumer perception that now is a good time to make a major purchase falls five points (see chart above). Looking ahead, the expectation that new cars will cost more six months from now rises to 36% from 31% in July and 27% in June.

## HOUSING MARKET

Homeowners remain much more likely to report that the value of their home declined over the past three months (39%) than increased (14%), with 47% reporting stable home values. However, looking ahead, more consumers now expect housing prices to rise over the next six months (34%) than decline (22%) - a shift from the last three months, when "rise" and "decline" were even. If consumer perceptions are correct, housing prices may have bottomed out. However, the proportion of consumers shopping for a house remains much lower than last year.

## HOPE

Consumers who are optimistic about their household finances improving in the coming year outnumber pessimistic ones by a ratio of two-to-one (45% vs. 23%). The current ratio is more optimistic than June-July, but less optimistic than April-May.



## THE NATION

Consumers are evenly divided between those who feel the economy is improving (42%) and those who feel it is worsening (42%). Nearly half of consumers (49%) expect the current economic crisis to last another three years or longer, matching the high reached last month.

Americans pleased with the job President Obama is doing slip to 49% from 52% in July and a high of 62% in June.

## COMMENT

Consumers increasingly see the "buyer's market" coming to an end. Now they face a dilemma. Should they buy now before prices go up or hold onto their money in case the economy takes a turn for the worse?

Expect consumers to be extremely sensitive over the next few weeks to news indicating the direction in which the economy is heading. Retailers and advertisers need to be especially nimble to respond to any rays of hope that could spur spending, even on a week-to-week basis. A small nudge may be all it takes to tip uncertain consumers, who are "on the fence," toward buying now.

Since February 2009, U.S. consumers are surveyed at a rate of 1000 per month, of which nearly half are interviewed by telephone and the rest online. Previously, consumers were interviewed by telephone only, at a rate of 450 per month.

**SHOPPING FOR DAY-TO-DAY AND MAJOR PURCHASES**

	2008	2009	2009	Change	
	<u>Aug</u>	<u>July</u>	<u>Aug</u>	<u>Month-</u>	<u>Year-</u>
				<u>To-Month</u>	<u>To-Year</u>
<b><u>SPENDING FREELY FOR:</u></b>					
<i>(Not cutting back on)</i>					
Maintaining Standard of Living	42%	37%	<b>40%</b>	<b>+3</b>	-2
Clothing	39	28	<b>30</b>	<b>+2</b>	-9
Food	35	32	<b>32</b>	<b>0</b>	-3
Driving (Gasoline)	18	34	<b>35</b>	<b>+1</b>	+17
Medical Care	80	58	<b>66</b>	<b>+8</b>	-14
<b><u>PLANNING PURCHASE IN 12 MONTHS</u></b>					
<b><u>AND ACTIVELY SHOPPING FOR:</u></b>					
<b>NEW CARS...</b>					
Planning	10	8	<b>10</b>	<b>+2</b>	0
Shopping	5	5	<b>6</b>	<b>+1</b>	+1
<b>USED CARS...</b>					
Planning	20	19	<b>19</b>	<b>0</b>	-1
Shopping	10	8	<b>8</b>	<b>0</b>	-2
<b>HOUSE...</b>					
Planning	14	8	<b>9</b>	<b>+1</b>	-5
Shopping	10	6	<b>5</b>	<b>-1</b>	-5
<b>FURNITURE...</b>					
Planning	19	20	<b>20</b>	<b>0</b>	+1
Shopping	8	9	<b>10</b>	<b>+1</b>	+2
<b>MAJOR APPLIANCE...</b>					
Planning	12	14	<b>11</b>	<b>-3</b>	-1
Shopping	5	7	<b>6</b>	<b>-1</b>	+1
<b>CARPETING...</b>					
Planning	9	8	<b>7</b>	<b>-1</b>	-2
Shopping	2	3	<b>2</b>	<b>-1</b>	0
<b>TELEVISION...</b>					
Planning	20	16	<b>17</b>	<b>+1</b>	-3
Shopping	8	7	<b>6</b>	<b>-1</b>	-2
<b>PERSONAL COMPUTERS...</b>					
Planning	17	15	<b>15</b>	<b>0</b>	-2
Shopping	9	7	<b>9</b>	<b>+2</b>	0
<b>AIR TRAVEL...</b>					
Planning	36	27	<b>28</b>	<b>+1</b>	-8
Shopping	19	14	<b>15</b>	<b>+1</b>	-4
<b>MOTEL/HOTEL...</b>					
Planning	45	43	<b>45</b>	<b>+2</b>	0
Shopping	20	19	<b>20</b>	<b>+1</b>	0