



LEO J. SHAPIRO & ASSOCIATES LLC.

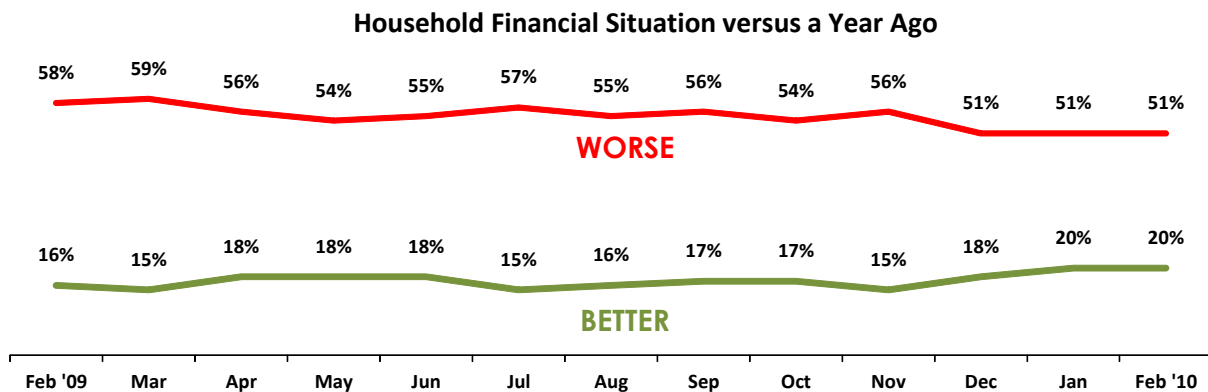
Consumers Take Recovery Into Their Own Hands

February 11, 2010

Consumers are - very cautiously - returning to making major purchases.

FINANCIAL SITUATION

Half of Americans (51%) say their financial situation worsened over the past year, compared to one-fifth (20%) who say it improved (29% say it is the same as last year). These figures are unchanged from last month.



JOB SECURITY

Volatility in the job market increases this month as more households say they experienced a layoff or loss of wages within the past year (48% to 53%) and more say they regained a job or wages (17% to 19%). Fear of a future layoff rises four points from last month (58% to 62%).

	2009-2010													Change Jan-Feb
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
HOUSEHOLDS REPORTING:														
Chance of layoff or loss of earnings in coming months	62%	61%	59%	61%	62%	61%	59%	61%	61%	58%	59%	58%	62%	+4
Had layoff or loss of earnings in past year	43	42	45	44	45	47	44	49	44	48	47	48	53	+5
Regained job or earnings in past year	19	16	18	17	20	19	18	17	17	17	17	17	19	+2

INCOME

No improvement is seen yet in the percent of households with higher income than a year ago (21%). Twice as many households (45%) have lower income than last year.

YEAR-TO-YEAR INCOME	2009-2010												Change <i>Jan-Feb</i>	
	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>		Feb
Increased	30%	27%	27%	27%	26%	24%	23%	24%	23%	20%	24%	22%	21%	-1
Same	30	33	29	32	31	32	37	31	37	35	33	34	34	0
Decreased	40	40	44	41	43	44	40	45	40	45	43	44	45	+1

FINANCIAL DECISIONS

Nearly one-fourth (24%) of credit card holders reduced their credit card debt this month, up six points from January and higher than any of the previous nine months. Most credit card holders kept their balances steady (55%), while 21% increased their credit card debt.

One-third of consumers (33%) saved some money during the past month, up one point from January.

Americans with investment in the stock market are on the upswing, reaching 46% this month after averaging 42% in 2009.

Over half of consumers (52%) expect interest rates to rise over the next six months, while fewer than one in ten (8%) expect lower interest rates. Nearly four in ten (37%) expect steady interest rates.

SPENDING

Consumables

An additional 4% of consumers are cutting back on **food, clothing**, and their **overall standard of living** this month compared to last month. Spending for **gasoline** and **medical expenses** remains at last month's level.

Major Purchases

Purchase planning and active shopping pick up for **furniture** and other major household goods, such as **appliances** and **televisions**.

Travel planning and active shopping also rise, especially for **lodging** - less so for **airlines**.

Active shopping for **autos**, both new and used, rises this month as consumers act on prior plans.

Housing

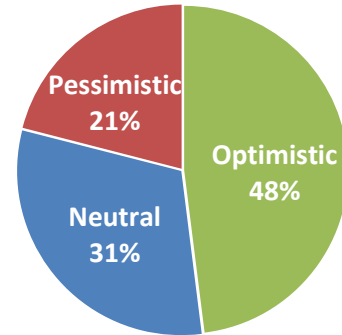
Home buying plans are down slightly from last month and last year. Consumers as a whole perceive home values as holding steady.

PRICES

Consumers remain unconcerned about inflation. Only half (50%) noticed prices rising during the past month, and only one-fourth (25%) expect higher inflation in the coming months.

HOPE

Over the past three months, Americans have been more hopeful about their household's finances. Currently, 48% are optimistic that their finances will improve in the coming year, more than twice as many as are pessimistic, expecting their finances to worsen (21%).



THE NATION

Slightly more consumers believe the economy is getting worse (45%) than believe it is getting better (41%), as has been the case since October 2009. During the same period, slightly more than half of Americans (52%) have been saying it will take at least three years for the economy to recover.

Americans pleased with the job President Obama is doing rise two points from last month (44% to 46%), but remain below 50% for a fifth consecutive month. More consumers doubt that any President could solve the nation's problems (55%), up from a low of 40% last March-April. More Americans feel disillusioned about politicians this month, as indicated by both an increase in Americans naming "government" as a major national problem and an increase in those describing themselves as "independent voters."

COMMENT

Although consumers are less confident this month that the government can "fix" the economy, nearly half remain confident that their household's financial situation will improve in the coming year. To make this happen, consumers are taking matters into their own hands by controlling day-to-day spending, paying down credit card debt, saving, and investing in the recovering stock market.

As they take greater control of their finances, more consumers feel comfortable with making a major purchase, such as a piece of furniture or an appliance for the home, or taking a long-postponed vacation.

Now is the time for marketers to show consumers how they can make financially responsible purchases to maintain their standard of living. An important element of this is putting the consumer in control. The "name your price" strategy, for example, allows consumers to buy as much as they can afford now, without requiring them to wait until they can afford the amount the manufacturer or retailer wants to sell.

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

	2009	2010	2010	Change	
	<u>Feb</u>	<u>Jan</u>	<u>Feb</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	34%	43%	39%	-4	+5
Clothing	26	31	27	-4	+1
Food	31	36	32	-4	+1
Driving (Gasoline)	34	39	40	+1	+6
Medical Care	63	62	62	0	-1
 <u>PLANNING PURCHASE IN 12 MONTHS</u>					
<u>AND ACTIVELY SHOPPING FOR:</u>					
NEW CAR...					
Planning	8	9	7	-2	-1
Shopping	4	4	5	+1	+1
USED CAR...					
Planning	16	19	19	0	+3
Shopping	7	7	9	+2	+2
HOUSE...					
Planning	9	8	7	-1	-2
Shopping	5	5	5	0	0
FURNITURE...					
Planning	17	20	23	+3	+6
Shopping	8	9	12	+3	+4
MAJOR APPLIANCE...					
Planning	12	15	15	0	+3
Shopping	6	7	8	+1	+2
CARPETING...					
Planning	8	10	10	0	+2
Shopping	2	3	3	0	+1
TELEVISION...					
Planning	18	18	19	+1	+1
Shopping	9	11	11	0	+2
PERSONAL COMPUTER...					
Planning	14	17	16	-1	+2
Shopping	7	10	9	-1	+2
AIR TRAVEL...					
Planning	27	29	29	0	+2
Shopping	13	13	15	+2	+2
MOTEL/HOTEL...					
Planning	37	44	45	+1	+8
Shopping	14	13	17	+4	+3