LEO J. SHAPIRO & ASSOCIATES LLC.

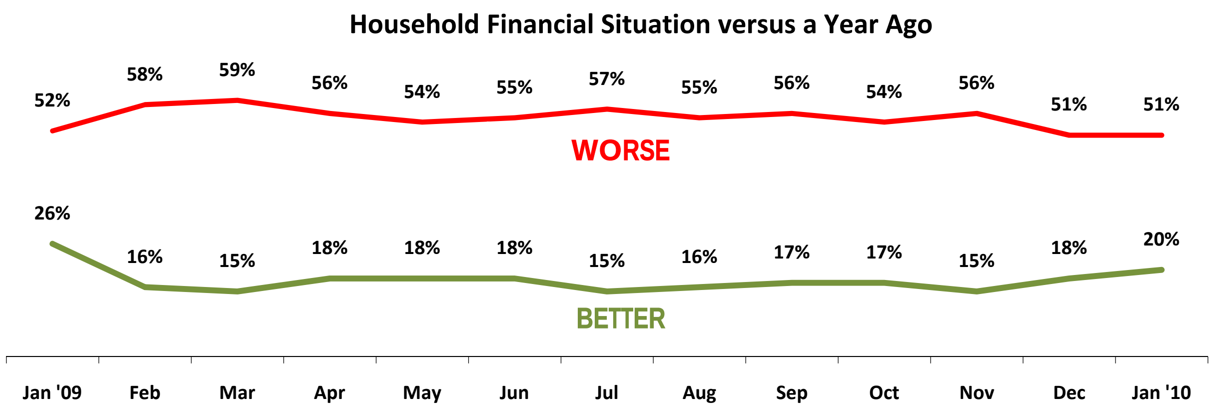
Consumers Regroup

January 12, 2010

Consumers come out of the holiday shopping season with finances relatively intact.

FINANCIAL SITUATION

More Americans have seen their financial situation worsen (51%) than improve (20%) during the past year. Although negative again this month, the balance of these figures is the least negative we have seen in the past 12 months.



JOB SECURITY

Consumers' perception of their job security has been virtually unchanged in recent months. Nearly six in ten consumers (58%) still feel vulnerable to a future layoff or loss of wages. Nearly half (48%) say their household experienced a layoff or loss of wages in the past year. Only one in six (17%) say a household member regained a job, hours or earnings during the past year.

	2009-2010													*Change*
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	*Dec-Jan*
HOUSEHOLDS REPORTING:														
Chance of layoff or loss of earnings in coming months	59%	62%	61%	59%	61%	62%	61%	59%	61%	61%	58%	59%	**58%**	*-1*
Had layoff or loss of earnings in past year	38	43	42	45	44	45	47	44	49	44	48	47	**48**	*+1*
Regained job or earnings in past year	22	19	16	18	17	20	19	18	17	17	17	17	**17**	*0*

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INCOME

Although one in five households (22%) say their income increased in the past year, twice as many (44%) say their income decreased. These measures have been relatively consistent during the past six months.

	2009-2010													*Change*
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Jan**	*Dec-Jan*
YEAR-TO-YEAR INCOME														
Increased	33%	30%	27%	27%	27%	26%	24%	23%	24%	23%	20%	24%	**22%**	*-2*
Same	33	30	33	29	32	31	32	37	31	37	35	33	**34**	*+1*
Decreased	34	40	40	44	41	43	44	40	45	40	45	43	**44**	*+1*

SAVINGS AND CREDIT

Consumers who saved a portion of their past-month income (32%) fall four points from last month but remain within their recent range.

For a second consecutive month, consumers whose credit card balances increased in the past month (23%) outnumbered those whose balances decreased (18%). With the Christmas shopping season over, more consumers are resolved to reduce their credit card debt in the coming month (34% up from 25% last month).

SPENDING

Consumables

The proportion of consumers cutting back on such items as **food**, **clothing**, **gasoline** and **medical expenses** in January is comparable to last month, but remains higher than a year ago, especially for **medical expenses**. The national debate on healthcare reform appears to have heightened consumers' awareness of their own health-related spending.

Major Purchases

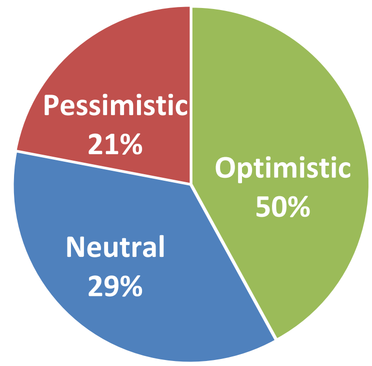
Active shopping for major household items and transportation has cooled since last month, especially for **hotel/motel lodging**. Looking forward, buying plans have picked up for both **used cars** and **new cars**.

PRICES

Consumer perception of inflation remains low with fewer than half (47%) seeing prices rise during the past month, 32% feeling prices have been steady, and 21% believing prices decreased.

HOPE

Optimism that the household's finances will improve in the coming year continues to grow, reaching 50%, up from 48% last month and 42% the month before. Consumers who expect their household finances to worsen decline to 21%.



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THE NATION

Consumers who believe the economy is currently worsening decline three points this month to 42%, but remain slightly above consumers who believe the economy is improving (41%). Half of consumers (52%) still believe it will take at least three years to end the current economic crisis.

The percent of Americans pleased with the job President Obama is doing, at 44%, is the same as last month and the lowest level since his inauguration.

COMMENT

With the holidays just ended, consumers are reviewing their bank and credit card balances and, in many households, sighing in relief. 44% say they spent less for Christmas than they expected, vs. 30% who spent as much as expected and 26% who spent more than expected. Planning ahead, most feel they can get their budgets back on track by watching day-to-day expenses and postponing some major purchases. A growing proportion are confident their finances will be better a year from now, despite low expectations for national economic recovery.

Although there may be a lull in shopping activity this month, consumers are planning future purchases. Manufacturers and retailers can spur and shape those plans by showcasing their products, especially those offering long-term value, such as energy-efficient appliances and autos. Companies not under pressure to drive immediate sales with aggressive promotion can use this time to cultivate higher-margin purchases that will take a bit longer to reap.

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.

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SHOPPING FOR DAY-TO-DAY AND MAJOR PURCHASES

	2009 Jan	2009 Dec	2010 Jan	Change Month-To-Month	Change Year-To-Year
SPENDING FREELY FOR: *(Not cutting back on)*					
Maintaining Standard of Living	49%	41%	**43%**	**+2**	-6
Clothing	33	30	**31**	**+1**	-2
Food	41	35	**36**	**+1**	-5
Driving (Gasoline)	42	41	**39**	**-2**	-3
Medical Care	73	64	**62**	**-2**	-11
PLANNING PURCHASE IN 12 MONTHS AND ACTIVELY SHOPPING FOR:					
NEW CAR…					
Planning	9	7	**9**	**+2**	0
Shopping	5	5	**4**	**-1**	-1
USED CAR…					
Planning.	16	17	**19**	**+2**	+3
Shopping	8	8	**7**	**-1**	-1
HOUSE…					
Planning	9	9	**8**	**-1**	-1
Shopping	4	6	**5**	**-1**	+1
FURNITURE…					
Planning	20	21	**20**	**-1**	0
Shopping	7	11	**9**	**-2**	+2
MAJOR APPLIANCE…					
Planning	11	17	**15**	**-2**	+4
Shopping	7	8	**7**	**-1**	0
CARPETING…					
Planning	9	9	**10**	**+1**	+1
Shopping	2	2	**3**	**+1**	+1
TELEVISION…					
Planning	18	18	**18**	**0**	0
Shopping	11	11	**11**	**0**	0
PERSONAL COMPUTER…					
Planning	18	17	**17**	**0**	-1
Shopping	10	9	**10**	**+1**	0
AIR TRAVEL…					
Planning	30	30	**29**	**-1**	-1
Shopping	17	14	**13**	**-1**	-4
MOTEL/HOTEL…					
Planning	50	43	**44**	**+1**	-6
Shopping	17	17	**13**	**-4**	-4

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