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## POST-ELECTION BREATHER

November 11, 2008

Stunned by the financial crisis, consumers moved massively to control the damage by curtailing spending. Now, in the immediate aftermath of the election, restraints are being loosened a bit. Spending for day-to-day goods, as well as major purchases, eases. Although most see no early end to recession, optimism about the nation and economy improves.

### SPENDING

#### *Consumables*

The Consumables Index, which measures how freely consumers are spending for day-to-day goods edges four points higher to 72 from last month's low. While households continue to rein in spending for food and clothing, they ease up on driving and also spend more freely for healthcare.

#### *Major Purchases*

Plans for major purchases and active shopping for them gain ground led by personal computers and air travel. As well, active shopping - visiting dealers and reading of ads - for new cars and purchase plans edge higher. There are also modest increases in purchase plans for major appliances, carpeting, and lodging reservations.

Plans to purchase a home hold steady at 12%, but active shopping for homes edges lower. Consumers continue to believe that home prices have not bottomed; 36% feel that in six months the price of homes will be still lower than now; just 25% higher.

#### *Christmas*

Consumers continue in their resolve to cut Christmas spending; 65% plan to spend less and just 10% more. While this is a marginal improvement from last month, it is the bleakest outlook for Christmas in more than two decades. In November last year, 52% were planning cutbacks, and 19% were planning to increase spending. The approach that households are taking to lowering Christmas spending is to give smaller gifts (74%); fewer are expecting to drop people from their gift list (18%).

	2006			2007			2008			<i>Nov. Year-to-Year Change</i>
	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	
THIS YEAR EXPECT TO SPEND FOR CHRISTMAS:										
More	20%	23%	<b>25%</b>	19%	19%	<b>19%</b>	15%	9%	<b>10%</b>	-9
Less	42	38	<b>42</b>	42	50	<b>52</b>	56	67	<b>65</b>	+13
The Same	38	39	<b>33</b>	39	31	<b>29</b>	29	24	<b>25</b>	-4

## FINANCIAL SITUATION OF THE AMERICAN HOUSEHOLD

Most households have suffered damage from the shrinking economy and declining value of homes. Taking account of their overall financial situation, 61% say they are worse off than a year ago. This is the highest percentage recorded in more than three decades and ten points higher than just last month. Households better off than a year ago decline nine points to 20%.

	2008									<i>Change Oct/Nov</i>
	<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>	
OVERALL FINANCIAL SITUATION YEAR TO YEAR IS...										
Better	36%	30%	27%	32%	30%	31%	29%	29%	<b>20%</b>	-9
Worse	37	41	49	45	42	47	46	51	<b>61</b>	+10

## INCOME

For many households, the loss of assets has not affected day-to-day income. Year to year, 39% report increased income, while 31% report a decline. This is an improvement over last month, when just 34% reported increased year-to-year income and 35% a decline. There is corresponding improvement in the struggle to get by, with somewhat fewer than last month - 61% compared to 64% - saying it is now harder to get by than a year ago.

	2008									<i>Change Oct/Nov</i>
	<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>	
YEAR-TO-YEAR INCOME										
Increased	47%	41%	43%	41%	44%	40%	38%	34%	<b>39%</b>	+5
Decreased	24	27	28	26	24	29	31	35	<b>31</b>	-4
YEAR TO YEAR IT IS...										
Easier to Get By	14	10	9	13	14	10	15	11	<b>13</b>	+2
Harder to Get By	60	60	67	64	68	63	64	64	<b>61</b>	-3

## JOB SECURITY

Job anxiety spiked to a new high in October, as 54% felt a possibility of losing their job or earnings in the months ahead. Now, with the election over, job anxiety eases to 46%. Reports of job layoffs or loss of earnings during the past year, and also reports of jobs regained, stand within one percentage point of last month.

	2008									<i>Change Oct/Nov</i>
	<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>	
HOUSEHOLDS REPORTING:										
Chance of layoff or loss of earnings in coming months	43%	45%	44%	46%	41%	50%	45%	54%	<b>46%</b>	-8
Regained job or earnings in past year	34	27	26	30	28	27	27	25	<b>24</b>	-1
Lost job or earnings in past year	26	28	34	30	26	27	33	33	<b>32</b>	-1

## PRICES

Declining inflation is helping to ease restraints on spending. Households that report price increases in the past thirty days drop to 49%, from 68% last month. As recently as July, this percentage stood at a peak of 88%.

	2008									<i>Change</i>
	<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>	<i>Oct/Nov</i>
Think prices have increased in past month	77%	81%	88%	88%	88%	77%	71%	68%	<b>49%</b>	-19

## OUTLOOK

With the election behind them, consumers expect their financial strains to ease. Fewer think it will be harder to get by a year from now - 40% compared to 47% last month - and 55% expect their overall financial situation to improve, up seven points from last month. This optimism is expressed even as 82% expect that recovery from the present economic crisis will take more than a year.

	2008									<i>Change</i>
	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<i>Oct/Nov</i>	
IN THE COMING YEAR EXPECT...										
It will be harder to get by	49	53	54	58	46	39	47	<b>40</b>	-7	
Overall financial situation to improve	52	52	50	41	54	56	48	<b>55</b>	+7	

## THE NATION

In October, households' outlook for the nation sunk to the lowest level recorded in more than three decades; 89% thought that things were getting worse for the nation. Now, with the election over, hope for the nation improves, as 66% - 23 percentage points fewer than last month - see things getting worse, and 18% see things better. In October, just 4% saw things getting better for the nation.

Despite a slow recovery that consumers see from present economic woes, 52% feel the economy is getting better and 40% worse. This is a reversal from last month, when just 38% saw economic improvement ahead, and 50% a worsening economy.

	2008									<i>Change</i>
	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<i>Oct/Nov</i>	
NATION...Things getting:										
Better	9%	10%	12%	8%	16%	19%	4%	<b>18%</b>	+4	
Worse	81	82	80	82	73	69	89	<b>66</b>	-23	
U.S. ECONOMIC PICTURE...Getting:										
Better	32%	30%	32%	24%	34%	49%	38%	<b>52%</b>	+14	
Worse	57	58	54	62	48	32	50	<b>40</b>	-10	

## SAVINGS

Slightly more households - 39% compared to 37% last month - report money left over as savings after meeting all expenses; and 24% - three points more than last month - said that they achieved their savings goals. While households continue to be under pressure to make ends meet, the savings improvement reflects the tight grip exercised on spending.

## THE PRESIDENT

Confidence in the office of president improves. Half of Americans (50%) now believe that the problems of the nation can be solved by Presidential leadership, five points more than last month. Skepticism about the power of the President to solve the nation's problems stands at 44%, compared to 51% last month. The approval rating of President Bush rises one point to 23% from its low of 22% last month.

## STOCK MARKET

After a retreat from the stock market last month, buyers now outnumber sellers in the event of a 10% drop in the Dow. The buyer to seller ratio this month rises to 1.41, from 0.67 last month. The proportion of US households that own stock directly or indirectly through mutual and retirement funds remains at just under half (49%).

## COMMENT

As the Presidential election approached, consumers' grip on spending tightened. With the election over, their tight hold on spending has eased. Moderating prices and, for most households, continuing income support slightly more relaxed spending. This relaxation does not extend to Christmas buying plans, which continue to stand at the lowest level in more than two decades.

While consumers see no quick end to hard economic times, they have become more hopeful about their own ability to cope in the year ahead and more hopeful also for the nation and progress towards economic recovery.

For retailers, this is the bleakest of times. Already stretched thin, it is unlikely that there will be rescue from the Christmas season. Quite simply, we are now seeing a downsizing of the retail system as consumers downsize spending and driving. With fewer players, surviving retailers may look back to the present time as an emergent landscape for prosperity. That opportunity will be shaped by how responsive retailers are to their customers' struggle in hard times. As never before in their careers, retailers need to find ways to relate proactively to the plight of their customers and to reward and appreciate each trip that is made to their stores.

Data are from interviews conducted in November. During the year, 5,400 consumers are interviewed at the rate of 450 per month.
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**SHOPPING FOR DAY-TO-DAY AND MAJOR PURCHASES**

	2007 <u>Nov</u>	2008 <u>Oct</u>	2008 <u>Nov</u>	Change	
				<u>Month- To-Month</u>	<u>Year- To-Year</u>
<b>SPENDING FREELY FOR:</b> <i>(Not cutting back on)</i>					
Maintaining Standard of Living	57%	43%	<b>40%</b>	<b>-3</b>	-17
Clothing	45	33	<b>33</b>	<b>--</b>	-12
Food	52	36	<b>35</b>	<b>-1</b>	-17
Driving (Gasoline)	39	23	<b>34</b>	<b>11</b>	-5
Medical Care	74	70	<b>72</b>	<b>2</b>	-2
<b>PLANNING PURCHASE IN 12 MONTHS AND ACTIVELY SHOPPING FOR:</b>					
NEW CARS...					
Planning	14	10	<b>11</b>	<b>1</b>	-3
Shopping	6	4	<b>7</b>	<b>3</b>	1
USED CARS...					
Planning	24	21	<b>17</b>	<b>-4</b>	-7
Shopping	10	9	<b>6</b>	<b>-3</b>	-4
HOUSE...					
Planning	14	12	<b>12</b>	<b>--</b>	-2
Shopping	8	8	<b>6</b>	<b>-2</b>	-2
FURNITURE...					
Planning	25	20	<b>19</b>	<b>-1</b>	-6
Shopping	9	9	<b>10</b>	<b>1</b>	1
MAJOR APPLIANCE...					
Planning	16	12	<b>13</b>	<b>1</b>	-3
Shopping	9	7	<b>7</b>	<b>--</b>	-2
CARPETING...					
Planning	8	7	<b>9</b>	<b>2</b>	1
Shopping	3	2	<b>3</b>	<b>1</b>	--
TELEVISION...					
Planning	17	18	<b>18</b>	<b>--</b>	1
Shopping	10	9	<b>9</b>	<b>--</b>	-1
PERSONAL COMPUTERS...					
Planning	24	12	<b>19</b>	<b>7</b>	-5
Shopping	13	6	<b>11</b>	<b>5</b>	-2
AIR TRAVEL...					
Planning	36	28	<b>39</b>	<b>11</b>	3
Shopping	20	12	<b>23</b>	<b>11</b>	3
MOTEL/HOTEL...					
Planning	48	45	<b>46</b>	<b>1</b>	-2
Shopping	20	21	<b>20</b>	<b>-1</b>	--