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MINI-REBOUND

Restraints on spending ease as consumers' financial situation improves.

October 11, 2007

SPENDING

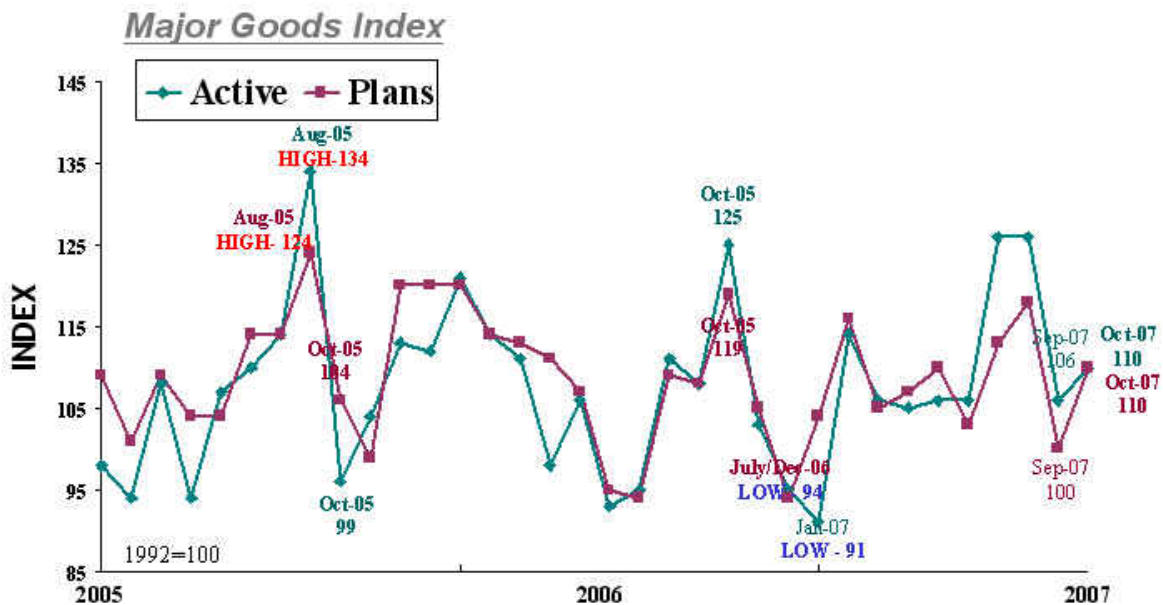
Consumables

Day-to-day spending for consumables remains unchanged month to month as households spend more freely for apparel but less freely on food and medical expenses. The Consumables Index stands at 88, one point above the low in June of this year.

Major Purchases

Plans for major purchases revive from this year's low last month, as more households plan to purchase new cars, computers, furniture, appliances, and televisions. Active shopping - which reflects visits to stores, dealers, and reading of ads - also resumes modestly, led by an increase in shopping for computers.

Home purchase plans rebound, gaining five points, while active shopping for homes is up three points. This brings consumer housing plans and shopping activity to levels in July and August. Consumers continue to see the price of homes dropping as 29%, the same as last month, feel that home prices will be lower in the coming six months, while two points fewer than last month (41%) see home prices rising.



JOB SECURITY

Consumers continue to feel anxious about their jobs, as 40% see the possibility of a job loss or income interruption in the months ahead. This is two points higher than last month and reflects a persistent level of concern seen since May. Job insecurity persists despite 36% of households this month reporting a job or income regained, a five-point increase from last month and the highest level in a year.

	2007										<i>Change Sep/Oct</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>		
HOUSEHOLDS REPORTING:											
Chance of layoff or loss of earnings in coming months	33%	38%	34%	39%	40%	40%	39%	38%	40%	+2	
Job or income regained in past year	35	30	28	29	34	27	28	31	36	+5	

INCOME

Households reporting year-to-year improvement in income rise six points to 49%. Consumers' view of their overall financial situation surges, as 45% say it has improved year to year, a nine-point increase over last month.

	2007										<i>Change Sep/Oct</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>		
INCOME YEAR-TO-YEAR...											
Increased	51%	52%	50%	48%	42%	47%	50%	43%	49%	+6	
OVERALL FINANCIAL SITUATION YEAR-TO-YEAR...											
Better	45	42	40	38	42	46	40	36	45	+9	

Their improved financial situation is making it easier for households to manage their budgets; 24%, seven points more than last month, say it is easier to get by now than a year ago.

PRICES

Consumers reporting higher prices during the past 30 days edge a point higher to 71% and continue to stand near the middle of the range this year: 55-81%. The almost steady decline in gasoline prices since January has not slowed consumers' perception of increasing prices.

SAVINGS

Households reporting money left as savings after meeting all expenses rise five points to 50%; the percent who expect to improve their savings next year also gains five points to 46%. Households that feel they could get along if the chief earner were out of work rise to 55%, the best level since April and five points higher than last month.

THE NATION

Almost unrelieved gloom in how things are going for the nation seen over the past four months eases from last month's low for the year, as 21% feel that things are getting better for the nation, up six points, while 68% feel that things are getting worse, three points fewer than last month. Simultaneously, 33% feel that the U.S. economic picture is improving, a six-point increase from last month, but 53% - one point more than last month - feel the economic picture is declining.

THE PRESIDENT

Approval of President Bush remains at 32%, the same as September and just above the lowest approval level (29%) since he took office.

STOCK MARKET

The ratio of buyers to sellers in the event of a 10% decline in the Dow stands at 1.8, slightly above last month. About half of U.S. households own stocks directly or indirectly through mutual and retirement funds.

	<u>2006/2007</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>July</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
Ratio of buyers to sellers if Dow dropped 10%	1.3	1.8	1.7	1.0	1.1	1.9	1.5	1.0	1.8	3.1	1.6	1.6	1.8

CHRISTMAS

Countering the loosening of the pocketbook for major purchases, expectations of Christmas buying decline from last month and are well below buying plans of October a year ago. The year-to-year decline in the percentage expecting to spend more for Christmas is four points to 19%, while those expecting to cut back on Christmas spending increase twelve points to 50% this year.

	<u>2007</u>			<u>2006</u>			<u>Change</u>
	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Oct '06/'07</u>
THIS YEAR EXPECT TO SPEND FOR CHRISTMAS:							
More	18%	19%	19%	18%	20%	23%	-4
Less	44	42	50	43	42	38	+12
The Same	38	39	31	39	38	39	-8

COMMENT

The good news is that the abrupt slide seen last month in how consumers view their financial situation and consequent restraints on spending have been arrested. It is too soon to take comfort that this is the beginning of an upward trajectory of consumers' contribution to the economy. While spending indexes have improved modestly, cautiousness remains and is reflected in restrained Christmas buying plans.

Retailers can take heart in that a continuing squeeze on consumer spending has been averted, but there is no reason for now to anticipate a free-spending Christmas. At this point, the most prudent retail posture is to hold a steady course, undiverted by exaggeration either of anticipated growth or decline in the forthcoming Christmas season.

SHOPPING FOR DAY-TO-DAY AND MAJOR PURCHASES

<u>SPENDING FREELY FOR:</u> <i>(Not cutting back on)</i>	2006 <u>Oct</u>	2007 <u>Sept</u>	2007 <u>Oct</u>	<u>Change</u>	
				<u>Month-To-Month</u>	<u>Year-To-Year</u>
Maintaining Standard of Living	64%	56%	57%	+1	-7
Clothing	58	44	51	+7	-7
Food	60	55	53	-2	-7
Driving (Gasoline)	48	39	39	--	-8
Medical Care	78	74	70	-4	-8

**PLANNING PURCHASE IN 12 MONTHS
AND ACTIVELY SHOPPING FOR:**

NEW CARS...					
Planning	15	10	12	+2	-3
Shopping	9	6	7	+1	-2
USED CARS...					
Planning	19	22	20	-2	+1
Shopping	9	9	7	-2	-2
HOUSE...					
Planning	17	9	14	+5	-3
Shopping	11	6	9	+3	-2
FURNITURE...					
Planning	26	20	23	+3	-3
Shopping	13	10	9	-1	-4
MAJOR APPLIANCE...					
Planning	17	15	19	+4	+2
Shopping	8	7	9	+2	+1
CARPETING...					
Planning	11	10	10	--	-1
Shopping	3	2	3	+1	--
TELEVISION...					
Planning	18	15	19	+4	+1
Shopping	9	7	7	--	-2
PERSONAL COMPUTERS...					
Planning	18	15	19	+4	+1
Shopping	10	6	11	+5	+1
AIR TRAVEL...					
Planning	42	36	34	-2	-8
Shopping	24	21	18	-3	-6
MOTEL/HOTEL...					
Planning	56	48	52	+4	-4
Shopping	22	25	21	-4	-1

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