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## UNEASINESS ABOUT JOBS RATTLES CONSUMERS BUT DOES NOT SLOW SPENDING

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Continued concern about job security raises consumers' worry about their financial situation but does not slow day-to-day spending or plans for major purchases.

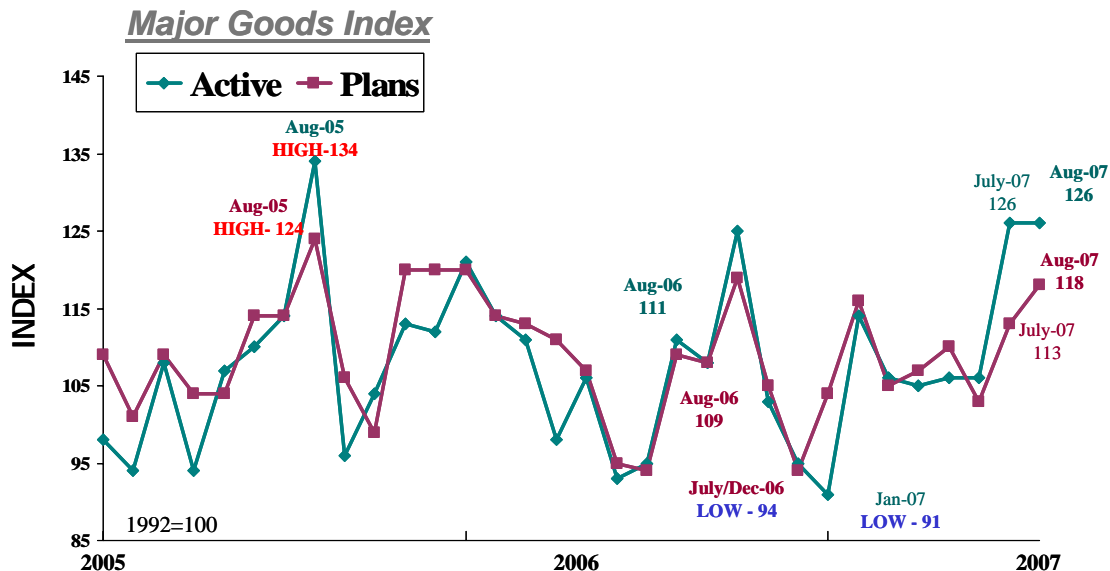
### SPENDING

#### *Consumables*

The Index of Consumable Spending edges higher as consumers spend more freely for food and maintain spending for apparel, and medical expenses. Although prices for gas have dropped, restraints on driving do not ease.

#### *Major Purchases*

Households planning major purchases and actively shopping for them are at the highest level of the year. Although plans to purchase housing and active shopping for homes decline, more consumers plan to purchase new and used cars, major appliances, televisions, and travel. As well, more are actively shopping for cars and for travel. Following signs of a possible recovery last month, the decline in home purchase plans is associated with an increase this month in consumers who believe that prices of homes will be lower within six months. In addition to weakened demand for housing, there is also a substantial drop in households planning to purchase a personal computer and in active shopping for one.



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

	2006 <u>August</u>	2007 <u>July</u>	2007 <u>August</u>	Change	
				<u>Month- To-Month</u>	<u>Year- To-Year</u>
<b><u>SPENDING FREELY FOR:</u></b>					
<i>(Not cutting back on)</i>					
Maintaining Standard of Living	52%	60%	<b>64</b>	<b>+4</b>	+12
Clothing	48	48	<b>48</b>	<b>NONE</b>	NONE
Food	52	51	<b>55</b>	<b>+4</b>	+3
Driving (Gasoline)	33	39	<b>40</b>	<b>+1</b>	+7
Medical Care	79	74	<b>77</b>	<b>+3</b>	-2
<b><u>PLANNING PURCHASE IN 12 MONTHS AND ACTIVELY SHOPPING FOR:</u></b>					
<b>NEW CARS...</b>					
Planning	15	11	<b>14</b>	<b>+3</b>	-1
Shopping	8	6	<b>7</b>	<b>+1</b>	-1
<b>USED CARS...</b>					
Planning	19	16	<b>22</b>	<b>+6</b>	+3
Shopping	9	8	<b>11</b>	<b>+3</b>	+2
<b>HOUSE...</b>					
Planning	16	16	<b>12</b>	<b>-4</b>	-4
Shopping	9	11	<b>10</b>	<b>-1</b>	+1
<b>FURNITURE...</b>					
Planning	23	27	<b>27</b>	<b>NONE</b>	+4
Shopping	11	15	<b>12</b>	<b>-3</b>	+1
<b>MAJOR APPLIANCE...</b>					
Planning	14	16	<b>19</b>	<b>+3</b>	+5
Shopping	9	9	<b>8</b>	<b>-1</b>	-1
<b>CARPETING...</b>					
Planning	10	13	<b>11</b>	<b>-2</b>	+1
Shopping	2	5	<b>4</b>	<b>-1</b>	+2
<b>TELEVISION...</b>					
Planning	16	12	<b>14</b>	<b>+2</b>	-2
Shopping	7	7	<b>6</b>	<b>-1</b>	-1
<b>PERSONAL COMPUTERS...</b>					
Planning	17	22	<b>16</b>	<b>-6</b>	-1
Shopping	10	13	<b>11</b>	<b>-2</b>	+1
<b>AIR TRAVEL...</b>					
Planning	35	37	<b>41</b>	<b>+4</b>	+6
Shopping	19	19	<b>24</b>	<b>+5</b>	+5
<b>MOTEL/HOTEL...</b>					
Planning	53	56	<b>60</b>	<b>+4</b>	+7
Shopping	22	25	<b>27</b>	<b>+2</b>	+5

## JOB SECURITY

Concern about loss of income from a job layoff or cut in working hours or commissions continues at a high level for the fourth consecutive month. Although job anxiety is high, fewer households (25%, compared to 26% last month) report that someone has been laid off within the past year.

	2007								Change
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Jul/Aug
HOUSEHOLDS REPORTING:									
Chance of layoff or loss of earnings in coming months	40%	33%	38%	34%	39%	40%	40%	<b>39%</b>	-1

## INCOME

Year-to-year income improves, but households who think their income will improve next year edge lower. Despite improved income, consumers' view of their overall financial situation declines, with just 40% seeing improvement year-to-year, a six-point drop from last month. As well, fewer expect their overall financial situation to improve in the coming year.

	2007								Change
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Jul/Aug
INCOME YEAR-TO-YEAR...									
Increased	49%	51%	52%	50%	48%	42%	47%	<b>50%</b>	+3
Decreased	17	20	15	16	20	19	24	<b>19</b>	-5
OVERALL FINANCIAL SITUATION YEAR-TO-YEAR...									
Better	42	45	42	40	38	42	46	<b>40</b>	-6
IN A YEAR FROM NOW EXPECT...									
To increase income	46	42	45	41	39	39	45	<b>44</b>	-1
Overall financial to be better	64	64	59	59	54	52	59	<b>55</b>	-4

## PRICES

Fewer consumers report price increases during the past 30 days. From a peak of 81% in June, reports of price increases declined to 69% in July and now stand at 67%.

	2006/2007								Change
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Jul/Aug
Prices increased last month	56%	55%	64%	74%	78%	81%	69%	<b>67%</b>	-2

## SAVINGS

Households reporting money left over as savings after meeting all expenses rise eight points to 54%, the highest level in nearly three years. Expectations of increasing savings next year rise two points to 47%.

## THE NATION

Outlook for the nation and the economy worsens. The percent who see things getting better for the nation drops to 16%, the second-lowest level in a year, while those who see things getting worse remain at 69%. The outlook for the economy also dims, as 57% feel that the U.S. economic picture is worsening, up two points from last month.

## THE PRESIDENT

Approval of President Bush's job performance declines three points to 29%, near the lowest approval rating since he took office. Confidence in the office of President also drops, as 52% of Americans now feel that, no matter who is President, the problems of the nation will not be solved, a four-point increase over last month.

## STOCK MARKET

After peaking last month at more than three buyers for every seller in the event of a 10% drop in the Dow, the buyer/seller ratio drops to 1.6 buyers for each seller. About half of American households own stock directly or through mutual and retirement funds.

	2006/2007												
	<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>July</u>	<u>Aug</u>
Ratio of buyers to sellers if Dow dropped 10%	1.7	1.2	1.3	1.8	1.7	1.0	1.1	1.9	1.5	1.0	1.8	3.1	<b>1.6</b>

## COMMENT

One of the remarkable characteristics of consumers is that they usually see their short-term financial situation independently from the problems of the nation. This month, we see a growing concern about their own well-being as consumers increasingly worry about the nation and economy. Anxiety about their jobs and earning power is igniting this pessimism even as income improves. The bright spot in this picture is that consumers are not in a retreat from spending. Day-to-day spending remains steady, while plans for major purchases improve, with the exception of homes and computers. The month-to-month decline in purchase plans for homes reflects expectation that home prices will decline further.

So far this year, when consumers became rattled, it was because they feared that inflation was being triggered by the rising price of gasoline. When they realized that their fears were unfounded, consumers relaxed and loosened up on purchasing. Fear has now shifted to work and income. Consumers feel their earning power is in jeopardy. As consumers continue to shop, the back-to-school season should be robust. But, the Christmas season appears vulnerable if job layoffs trigger more insecurity and if inflation accelerates. Retailers can do their part, and appear to be doing so, by holding prices or lowering them.

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