Rising Financial Anxiety and U.S. Consumer Sentiment: Determinants of the First Phase of the Consumer-Led Recession

Robert D. Manning, PhD
Director
Center for Consumer Financial Services
E. Philip Saunders College of Business
Rochester Institute of Technology
Rochester, New York

November 15, 2007

Working Paper 2007.1 of the Center for Consumer Financial Services, E. Philip Saunders College of Business, Rochester Institute of Technology, Rochester, NY 14623.

TABLE OF CONTENTS

TABLES

Rising Financial Anxiety and U.S. Consumer Sentiment: Determinants of the First Phase of the Consumer Led Recession

OVERVIEW:
Falling Consumer Confidence

Consumer confidence in the U.S. economy as well as their household finances have continued to falter since mid-October following the earlier rebound in the U.S. stock market. From early October to early November of 2007, the RBC Cash Index showed consumer confidence fell sharply—from 80.6 to 64.0—reflecting growing concern over rising oil prices, tightening consumer credit, and escalating residential home foreclosures. Furthermore, the overall U.S. economy grew at a solid 3.9 percent rate in the July-September quarter of 2007 but many economic forecasters expect a much lower 1.5 percent growth rate in the current quarter, and even less in the first quarter of 2008. The key question is when will declining consumer confidence result in a contraction in household consumption. And, how much will households reduce/delay their consumption and for which specific consumer items.

Unlike typical business-cycle driven economic slowdowns, the current data suggest that consumer purchasing sentiment is less likely shaped by personal income constraints arising from higher levels of un- and underemployment. Rather, the self-reported delays and expected reduction in U.S. household consumption appears to reflect a perception of deteriorating personal and general economic conditions driven by a negative "wealth effect" following declining housing prices and the escalating cost of energy supplies. In addition, this has the indirect cognitive effect of making consumers feel relatively "poorer" as their higher debt levels are now harder to reduce due to the difficulty in selling or refinancing their homes to pay off higher interest loans.

Furthermore, American households' sense of financial well-being is now being influenced by the falling U.S. stock market as financial losses by major banks and investment houses begin to spill-over into personal investment and retirement portfolios. The concern is that a sharp contraction in US household consumption over the next six months will precipitate a recession by increasing unemployment levels which will reinforce negative consumer confidence and reduce effective purchasing demand as consumers are already encumbered with record levels of home mortgage and consumer debts. This study provides insights on future household spending decisions over the next six months with particular attention to the next two months of the holiday shopping season. In particular, the data examine purchasing decisions over the past six months, spending over the 2007 holiday season compared with 2006, and expected consumer purchases over the next six months.

METHODOLOGY

This study is based on a survey designed by Robert D. Manning, PhD, Director of the Center For Consumer Financial Services, Rochester Institute of Technology. The multi-faceted questionnaire examines the social and economic factors that shape U.S. household attitudes and current/future consumption behavior. A nationally representative sample of 500 households was selected with quota sampling constraints that limited respondents to ages of from 25 to 60 years old with combined household income of $30,000 to $120,000. The key research questions are: (1) purchasing plans for the 2007 winter holidays (dollar amount); (2) how anticipated 2007 holiday spending compares with expenditures during 2006 winter holidays; (3) major purchase decisions over last six months, (4) expected major purchases over the next six months, and (5) role of consumer debt in influencing these purchasing decisions.

SOCIO-DEMOGRAPHIC CHARACTERISTICS OF THE SAMPLE

The socio-demographic background of the respondents is 81.6% White, 6.0% African American, 6.6% Asian, 3.2% Latino, and 1% other; minority groups in general and Latinos followed by African Americans are underrepresented in the sample. In terms of age, as constrained by the quota sampling protocol, 25.0% of respondents are 25-34 years old, 25.0% of respondents are 35-44 years old, , 25.0% of respondents are 45-54 years old, and , 25.0% of respondents are over 55 to 62 years old. See Table 1. Due to the focus on relatively higher income households and internet usage, the education is skewed toward college educated households: 24.2% have some college education, 27.8% have a college degree, 6.2% have some graduate work, and 12.6% have a graduate or professional degree (MA, MBA, PhD, MD, JD). Only 1.0% of the sample reports less than a high school education and 11.0% report a high school degree, while 15.2% have attended technical/trade school or received a junior college degree.

The geographic distribution of the sample is 17.7% in the Northeastern states, 26.2% in the Midwest states, 34.4% in the Southern states, and 21.2% in the West. Overall, 65.0% of the respondents live in the suburbs followed by 25% in urban cities, and 10% in rural areas. See Table 2. Overall, 85.0% of the respondents are homeowners and 15% are renters. The typical household structure is dual-income with a majority including dependents: 10.8% are single, 35.8% are married or cohabitating without any dependents, 18.0% include three household members, 20.2% have four household members, 9.2% have five household members, and 6.0% have 6 or more household members. Finally, household income is defined as total (after-tax) monthly income of household wage earners. The median household monthly after-tax income is about $4,000. The distribution is: $2,500 - $2,999 (15.0%), $3,000 - $3,499 (11.8%), $3,500 – $3,999 (11.4%), $4,000 - $4,499 (14.2%), $4,500 – 5,499 (13.0%), $5,500 - $6,499 (10.6%), $6,500 – 8,999 (13.2%), and over $9,000 (10.8%). See Table 3.

KEY RESEARCH FINDINGS

Holiday Spending

- Overall, 2007 planned holiday spending is expected to be lower than 2006.

- These households are over FOUR times more likely to report plans to reduce spending (36.1%) than to increase winter holiday spending (8.2%).

- Largest anticipated decline in holiday purchases is by lower- and middle-income households (less than $4,000 after-tax monthly income). They are more than eight times likely to report lower (40.8%) than higher (4.7%) expected holiday spending.

- Highest increase in winter holiday spending is reported by high income households (over $6,500 after-tax monthly income) with 11.8% expecting to spend more than 2006. Even so, almost the same proportion as low income households expect to reduce their holiday spending (36.0%).

- Households reporting between $1,250 and $1,499 for holiday purchases are most likely to reduce their 2007 winter purchases (58.8% v. 36.2%).

- Homeowners are more likely to report reduced holiday spending (36.7% v. 33.3%) and less likely to report higher holiday spending (7.5% v. 12.0%).

- The highest net worth families are by far the most likely to anticipate higher winter holiday purchases (26.8% v. 4.9%). Interestingly, the lowest net worth households (under $75,000) are much more likely than high net worth families ($0.5-$1.0 million) to expect higher holiday spending.

- Surprisingly, the highest net worth families are not planning to spend significantly more than much less wealthy households. Their spending behavior appears to be consistent with upper middle income households.

- Northeastern and Southern households expect to spend at least $250 more on 2007 winter holiday shopping than families in the Midwest and West. Compared to previous years, over four times as many households expect to reduce than increase their spending. The largest decline is anticipated in the South (net decline of 30.2%) followed by Northeast and West (27.3%) and Midwest 26.0%).

- Nearly one-half (48.7%) of households with rising credit card debt report that they will reduce holiday spending. Furthermore, almost one-half (45.8%) of households that have reduced their credit card debt expect to reduce their winter holiday expenditures.

Holiday Spending

About one-fifth expect to spend up to $399 (18.6%), nearly one-third (29.1%) plan to spend $400-$799 while 31.6% expect to spend $800-$1,499, 13.8% plan to spend $1,500-$2,499, and 4.8% plan to spend $2,500 -$3,999; 2.2% do not plan any holiday spending. The median expected household winter holiday expenditures is below $1000. See Table 4. Overall, when asked to compare their expected holiday expenditures with past years, 8.3% responded more, 36.8% responded less, and 55.8% about the same at $p<.0001$. Those households planning to spend between $1,250 and $1,499 for holiday purchases report the highest anticipated decline in their 2007 winter purchases (58.8% v. 36.2%) at p<.05. See Table 5. Although the highest income households (over $6500 after-tax per month) report the largest expected increase in holiday spending, they also report about the sample average of those families that expect to reduce their holiday expenditures (36%). Interestingly, middle-income households ($4,000-$5,500) are the next most likely to increase winter holiday spending (p<.05) which differs from their reports of future spending in the spring. See Table 6.

In terms of household wealth, the highest net worth families are not planning to spend significantly more than much less wealthy households. Instead, their spending behavior appears to be consistent with upper middle income households as shown in Table 6. As expected, the lowest worth households expressed the greatest likelihood of reducing spending (19.4% v. 15.3%) and the highest worth households reported the least (0.6% v. 4.9%). Furthermore, the highest net wealth households (over $1.0 million) are much more likely to increase their spending (26.8% v. 4.9%). Interestingly, the low ($10,000 to $74,999) net worth households are far more likely to be planning an increase in their winter shopping (26.8% v. 19.6%) than other high net worth households of from $500,000 to $999,999 (2.4% v. 4.9%) at p<.05. See Table 7. Significantly, renters were somewhat more likely to report spending more this year than homeowners (12.0% versus 7.5%) whereas homeowners were slightly more likely to report reduced spending (36.7% versus 33.3%) at p<.05. See Table 8. This may reflect declining price pressures in the rental market and rising costs of homeownership (principal, taxes, insurance) as well as resetting home mortgages. Indeed, one-fourth of homeowners (25.2%) have nonconventional mortgages (adjustable rate, interest only, hybrid).

In terms of regional differences, households in the Northeast and Southern states expect more winter holiday spending (a little above the sample median of about $1,000) while the Midwestern and Western households expect to spend less than $800 (p<.1). Indeed, this relationship is strong across the different spending categories with Northeastern and Southern households overrepresented in the highest holiday expenditures (over $2,500) and the lowest (under $800). This is relatively consistent with reports of winter holiday spending levels compared to previous years. Hence, Northeastern and

Southern households expect to spend at least $250 more on 2007 winter holiday shopping than families in the Midwest and West. In comparison to previous years, over four times as many households expect to reduce rather than increase their spending compared to previous years. The largest anticipated decline is in the South (net decline of 30.2%) followed by Northeast and West (27.3%) and Midwest 26.0%) at p<.01. See Table 9.

Lastly, the data indicate that credit card debt is weighing heavily on consumers' purchasing decisions. Of the one-fourth (23.4%) of households that reported rising credit card balances over the past six months, 48.7% (compared to 36.2% of sample average) expect to reduce their holiday spending compared to 9.4% that expect to increase their purchases. Among the one-fifth (21.4%) that have reduced their credit card debt, 45.8% plan to spend less on holiday purchases. Hence, the data suggest that the limits of consumer debt-driven consumption have been reached by some very different groups: (1) those approaching their financial debt/payment limits and (2) those who have reached their psychological debt limits. Lastly, the highest income households are the most likely to anticipate higher winter holiday expenditures in 2007: nearly 12% of households with after-tax monthly income over $6,500. Even so, it is surprising that 36% of these highest income households expect to reduce their winter holiday spending.

Major Future Consumer Purchases

- Over one-third (37.2%) of all households have either postponed or decided not to make a major purchase over the last six months. This pattern is consistent across all geographic regions and urban/suburban localities as well as across all income groups.

- The lowest income households (less than $3,000 monthly income) are most likely to have postponed a major purchase over the last six months. The highest income households (Over $6,000 monthly income) were most likely not to have delayed a major purchase although 34.5% reported a postponed purchase.

- Even some wealthy families, with net assets over $1.0 million (7.6% of sample), report delaying a major purchase over the last six months (15.8%).

- Among households with rising credit card debt, postponing a purchase is more likely (28.1%) than those that made a major purchase (19.2%).

- About one-half (53.0%) of the households expect to purchase a major consumer product over the next six months. However, most (60.8%) are moderate cost items such as a camera, plasma TV, and computer. Only 5.3% plan to purchase a house or condo.

- There is a significant difference by region of the country. Households in the West are least likely (47.7%) whereas those in the Northeast are most likely (58.0%) to be planning a major consumer purchase over the next six months.

- Nearly one-half (45.1%) of households whose monthly income increased during the past six months do not expect to make a major purchase over the next six months. This compares with 23.8% of those households that are planning a major purchase.

- Homeowners are only moderately more likely (87.5%) than renters (82.1%) to plan a major consumer purchase over the next six months.

- Nearly two-thirds (61.8%) of the lowest income households, under $4,000 monthly income, are planning a major purchase over the next six months. Surprisingly, less than one-half (48.5%) of the highest income households (Over $9,000 monthly income) are planning a major consumer purchase.

- The lowest net-worth (under $150,000) households were most likely to have postponed a major purchase (43.7%) whereas the highest new worth households (over $1.0 million) were least likely (15.8%).

- Surprisingly, the least wealthy households (under $150,000 net assets) are more likely to be planning a major purchase (55.6%) than the wealthiest households (over $1.0 million net assets) over next six months (51.9%).

- Overall, 53.1% of the households report planning a major consumer purchase over the next six months. Only 5.2% expect to buy a home or condo, 24.4% a medium-cost purchase such as a car, boat, or furniture and 32.2% a lower-cost product such as a computer, stereo, or digital camera.

<u>Future Consumer Purchases</u>

The survey addresses the behavioral connection between rising economic insecurity and consumer purchasing decisions of American households. Overall, more than one-third (37.2%) of the households have postponed or decided not to make a major purchase over the next six months. Significantly, this is a generalized trend and consistent with the sharp decline in consumer home equity and mortgage refinancing loans since the late spring; 15 percent of the sample reported a home equity loan over the last six months. Indeed, the data indicate that there is only a modest difference in homeownership status (renters are least likely) or by states with high cost housing markets, albeit low-cost of living states in the South and Southwest report the highest rate of purchase postponement (46.9% versus 37.2%). This pattern is consistent across metropolitan locality as there is not a significant difference between rural, suburban, or urban areas. Although the lowest educated households report the highest rate of postponing purchases [high school or less(41.5%), some college (46.0%), and some graduate school (45.2%) compared with college graduates (25.9%) and those with graduate/professional degrees (30.1%) with $p<.01$], this pattern is not strongly related to income as only the lowest income groups (under $3,000 after-tax monthly income) report a higher rate of purchase delay (41.8% versus 37.2%) with $p<.1$. See Table 10.

Interestingly, married/couples are more likely to report delaying a major purchase than single households (38.1% versus 34.3%) even thought they have higher household income. This is confirmed by singles that are least likely to report postponing a major purchase (27.8% versus 37.2%) and families with only one dependent living at home (31.1%) whereas households with more than five members reported the highest proportion of purchase postponement 47.4% at $p<.1$. This reflects the rising cost of living of American families and can not be assumed to be primarily due to housing costs; only the highest cost home mortgage category is associated with a significantly higher proportion of households that postponed a major purchase (43.3 versus 37.2%). Not surprisingly, the least wealthy households (less than $150,000 net wealth)—comprising one-half of the sample (49.4%)—are the most likely to defer a major purchase (44.1% versus 37.2%). In comparison, the wealthiest families (over $1.0 million net wealth)—accounting for 7.6% of the sample—are least likely to delay a major purchase (15.8% versus 37.2%). These relationships are statistically significant at $p<.05$. See Table 11.

Overall, one of the strongest predictors of deferring or not making a major purchase over the last six months is rising credit card debt. Of the one-fourth (23.4%) of households with credit card debt that has increased over the last six months, 32.3% versus 23.4% report postponing a major purchase. Again, the one-fifth (21.4%) of households with declining credit card debt report a moderately higher rate of purchase deferment (25.8% versus 21.4%) that suggests that declining credit card balances are at least partially due to declining personal consumption. Furthermore, the majority that report stable credit card debt (55.2%) include 41.9% that have postponed a major purchase. These include households without outstanding credit card debt; overall 36.8% report outstanding credit card debt of under $500. This pattern is statistically significant at $p<.0001$.

The final issue concerns planning a major consumer expenditure over the next six months. A majority of households anticipate making a costly purchase during this period with a notable difference by region of the country. In particular, households in the Northeast are most likely (58.0%) followed by households in the South (56.4%), Midwest, (51.1%), and the West (47.7%) at $p<.05$. Overall, 53.1% of the households report planning a costly purchase albeit some reporting more than one: 5.2% expect to buy a home or condo, 14.8% a medium-cost purchase such as a car, boat, or furniture and 55.6% a relatively low-cost product such as a laptop computer, stereo, or digital camera. The expected purchases are as follows: High cost: house (4.6%) or condo (0.6%); Medium Cost: car (13.8%), motorcycle (0.6%), boat (0.6%); Low Cost: vacation (18.8%), computer (15.4%), Plasma TV (13.6%), and camera/camcorder (7.8%).

The following breakdown of planned consumer purchases over the next six months compares the lowest income households (under $4,000 monthly after-tax) with middle-income households (between $4,000 and $6,499 monthly after-tax) and the highest income households (over $6,499 monthly after-tax). See Table 12. Overall, the lower income households (38.2%) account for 28.8% of this future anticipated consumer spending, the middle income households 39.9%, and higher income households (23.8%) account for 32.3% of these expected purchases over the next six months. Among the lowest income households, electronics are the most likely purchases (camera/camcorder [41.0%] and plasma TV [32.4%]) followed by cars (26.5%), computers (26.0%), and a vacation (25.5%). Interestingly, the lower-income households are most likely to be planning to buy a house/condo (34.6% v. 28.8%). For middle-income families, auto purchases are the most likely (40.1%) followed by computers (39.9%) and vacations (38.3%). Significantly, these households are least likely to be considering a home purchase (34.6% v. 39.9%). See Table 13.

Among high income households, the pattern is different but more optimistic about their household finances. These upper middle-income families are most likely to be planning a vacation, buying a computer, and a car whereas they are least likely to be spending on a plasma TV or camera (probably because they already had acquired these products). Also, they are somewhat less likely to be considering a new home although more likely than the middle-income households. Hence, the highest income groups will continue to be responsible for disproportionate levels of consumption in the next six months but not of the magnitude that would be assumed from their greater purchasing power. Furthermore, lower-income groups are more likely to be planning to spend beyond their financial means to sustain the consumer products sector—especially electronics and housing. See Table 14 for planned future consumer purchases by household net wealth and Table 15 for differences in homeowner status.

CONCLUSION

Many households' holiday spending decisions are shaped by personal and social pressures to purchase gifts for family and friends. The expectation is that many households will temper their holiday expenditures but not necessarily reduce them sharply due to a variety of social factors and access to "easy" credit during the crucial retail season. As a result, the key issue over whether the U.S. will experience an economic slowdown that is propelled by reduced household consumption—especially discretionary purchases. This of particular concern since so many families supplemented their household income with home equity, mortgage refinancings, and increase in consumer debt (revolving and installment). There are already indications that households have begun postponing major purchases in anticipation of more difficult macro-economic conditions and increasing household debt burdens.

The signs of "belt-tightening" are clearly evidenced by the data. For example, when asked to compare household expenses over the past six months to the future six months, gasoline (40.0% v. 36.2%) and utilities (28.6% v. 29.4%) followed by food (18.8% v. 19.0%), medical (17.8% v. 14.8%), other major expenditures (14.4% v. 14.6%), and insurance (16.0% v. 13.4%) are expected to be the most likely increases in household expenses. Clearly, these households expect that the cost of living will continue to increase over the next six months. What is significant is that this increased financial pressure is leading to expected internal household financial adjustments with the expected contraction in consumption. This emerging trend is highlighted by two key indirect consumption measures: credit card spending and saving. For instance, credit card spending over the next six months is expected to drop significantly (11.0% increase v. 18.4% decrease) compared to the last six months (increased 19.0% v. decreased 9.6%). This is especially significant to the U.S. economy if credit cards will be used to pay for the rising cost of living expenses for currently consumed goods and services. This is consistent with a sharp increase in planned household saving—from 1.8% net increase in past six months (14.0% increase v. 12.2% decrease) to 18.4% net increase over next six months (24.8% increase v. 6.4% decrease). Such a trend suggests that the recent rise in consumer credit card debt will not produce the expected levels of macro-economic growth as revolving debt will include an increasing portion of the rising cost of living of highly indebted middle class Americans.

Lastly, the empirical signs of consumer financial distress suggest that this is the beginning rather than the end of a trend. For example, about one-fourth of homeowners have nonconventional loans and yet the proportion of households reporting increased mortgage costs in the next six months (7.0%) is less than those reporting rising housing costs over the previous six months (7.8%). Clearly, with over 2 million mortgages adjusting to higher interest rates by the end of 2008, this expense will significantly intensify household financial pressures—especially in markets where it is difficult to sell or refinance. Together with the less than expected level of holiday expenditures by the wealthiest households, the data suggests a generalized sentiment of consumer financial anxiety across all income and wealth groups at the end of 2007. This portends a moderate decline in winter holiday expenditures as the strained but persistent purchasing expectations of the lower income households are balanced by the more restrained purchasing plans of the highest income households. Clearly, the winter holiday shopping season will need a much more enthusiastic response from higher income households if it is to exceed the modest forecasts of many retailing analysts.

Table 1

Geographic Region of Household by Homeownership

Region	Homeownership		Total
	Yes	No	
Northeast	18.2%	14.7%	17.7%
	(77)	(11)	(88)
Midwest	27.0%	22.7%	26.4%
	(114)	(17)	(131)
South	35.8%	28.0%	34.6%
	(151)	(21)	(172)
West	19.0%	34.7%	21.3%
	(80)	(26)	(106)
Total	100.0%	100.0%	100.0%
	(442)	(75)	(497)

Table 2

Monthly (After-Tax) Household Income by Size of Household

Income			Household Size			Total
	1	2	3	4 to 5	More than 5	
$2,000 – $2,999	18.9% (10)	14.5% (26)	12.2% (11)	17.7% (26)	6.7% (2)	15.0% (75)
$3,000- $3,499	11.3% (6)	10.1% (18)	14.4% (13)	8.8% (13)	30% (9)	11.8% (59)
$3,500- $3,999	13.2% (7)	9.5% (17)	16.7% (15)	9.5% (14)	13.3% (4)	11.4% (57)
$4,000- $4,499	9.4% (5)	20.7% (37)	11.1% (10)	10.9% (16)	10.0% (3)	14.2% (71)
$4,500- $5,499	9.4% (5)	13.4% (24)	14.4% (13)	15.0% (22)	3.3% (1)	13.0% (65)
$5,500-$	11.3% (6)	9.5% (17)	14.4% (13)	10.2% (15)	6.7% (2)	10.6% (53)
$6,500- $8,999	7.5% (4)	12.3% (22)	10.0% (9)	18.4% (27)	13.3% (4)	13.2% (66)
>$9,000	18.9% (10)	10.1% (18)	6.7% (6)	9.5% (14)	9.4% (5)	10.6% (53)
Total	100.0% (53)	100.0% (179)	100.0% (90)	100.0% (147)	100.0% (30)	100.0% (499)

Table 3

Age of Household Head by Net Wealth of Household

Age				Wealth					Total
	Negative	<$10,000	$10,000-$74,999	$75,000-$149,999	$150,000-249,999	$250,000-$499,999	$500,000-$999,000	>$1M	
25-34	37.7% (28)	34.6% (18)	28.1% (7)	27.8% (15)	25.5% (27)	12.7% (9)	4.2% (1)		25.5% (125)
35-44	32.9% (24)	30.8% (16)	18.8% (18)	27.8% (15)	22.6% (24)	18.3% (13)	29.2% (7)	23.1% 3	24.4% (120)
45-54	17.3% (13)	21.2% (11)	25.0% (24)	24.1% (13)	28.3% (30)	31.0% (22)	29.2% (7)	23.1% 3	25.1% (123)
> 55	13.3% (10)	13.5% (7)	28.1% (27)	20.4% (11)	23.6% (25)	38.0% (27)	37.5% (9)	53.8% 7	25.1% (123)
Total	100.0% (75)	100.0% (52)	100.0% (96)	100.0% (54)	100.0% (106)	100.0% (71)	100.0% (24)	100.0% (13)	100.0% (491)

Table 4

Planned 2007 Holiday Household Spending Levels by Monthly Household Income

Spending					Income				Total
	$2,000 – $2,999	$3,000 - $3,499	$3,500-$3,999	$4,000-$4,499	$4,500-$5,499	$5,500-$6,499	$6,500-$8,999	>$9,000	
None	23.1% (3)	38.5% (5)	7.7% (1)	15.4% (2)	0.0% (0)	7.7% (1)	7.7% (1)	0.0% (0)	2.6% (13)
$1-$399	21.8% (19)	18.4% (16)	12.6% (11)	9.2% (8)	9.2% (8)	6.9% (6)	14.9% (13)	6.9% (6)	17.4% (87)
$400-$799	20.4% (19)	11.8% (11)	10.8% (10)	16.1% (15)	17.2% (16)	10.8% (10)	5.4% (5)	7.5% (7)	18.6% (93)
$800-$1,499	13.1% (23)	10.3% (18)	12.6% (22)	17.1% (30)	14.3% (25)	12.6% (22)	11.4% (20)	8.6% (15)	35.1% (175)
$1,500-$1,999	9.1% (3)	6.1% (2)	15.2% (5)	18.2% (6)	18.2% (6)	6.1% (2)	24.2% (8)	3.0% (1)	6.6% (33)
$2,000-$2,999	10.9% (5)	8.7% (4)	8.7% (4)	10.9% (5)	6.5% (3)	13.0% (6)	15.2% (7)	26.1% (12)	9.2% (46)
$3,000-$3,999	0.0% (0)	11.8% (2)	0.0% (0)	5.9% (1)	0.0% (0)	29.4% (5)	35.3% (6)	17.6% (3)	3.4% (17)
>$4,000	0.0% (0)	0.0% (0)	0.0% (0	0.0% (0)	25.0% (1)	0.0% (0)	0.0% (0)	75.0% (3)	0.8% (4)
D/K	9.7% (3)	3.2% (1)	12.9% (4)	12.9% (4)	19.4% (6)	3.2% (1)	19.4% (6)	19.4% (6)	6.2% (31)
Total	15.0% (75)	11.8% (59)	11.4% (57)	14.2% (71)	13.0% (65)	10.6% (53)	13.2% (66)	10.6% (53)	100.0% (499)

Table 5

Expected Change in 2007 Holiday Household Spending Levels by Monthly Household Income

Spending					Income				Total
	$2,000 – $2,999	$3,000 - $3,499	$3,500- $3,999	$4,000 - $4,499	$4,500- $5,499	$5,500- $6,499	$6,500- $8,999	>$9,000	
More	12.2% (5)	4.9% (2)	4.9% (2)	17.1% (7)	19.5 8	7.3% (3)	19.5% (8)	14.6% (6)	8.2% (41)
Less	16.1% (29)	11.1% (20)	16.1% (29)	9.4% (17)	12.8 23	9.4% (17)	13.3% (24)	11.7% (21)	36.1% (180)
Same	14.7% (41)	13.3% (37)	9.4% (26)	16.9% (47)	12.2 34	11.9% (33)	12.2% (34)	9.4% (26)	55.7% (278)
Total	15.0% (75)	11.8% (59)	11.4% (57)	14.2% (71)	13.0 65	10.6% (53)	13.2% (66)	13.2% (66)	100.0% (499)

Table 6

Planned 2007 Holiday Spending by Household Net Worth

Spending					Income				Total
	Negative	<$10,000	$10,000-$74,999	$75,000-$149,999	$150,000-249,999	$250,000-$499,999	$500,000-$999,000	>$1M	
None	50.0% (6)	8.3% (1)	16.7% (2)	8.3% (1)	8.3% (1)			8.3% (1)	2.4% (12)
$1-$399	29.5% (26)	11.4% (10)	15.9% (14)	12.5% (11)	18.2% (16)	10.2% (9)	2.3% (2)		17.9% (88)
$400-$799	14.6% (13)	14.6% (13)	24.7% (22)	10.1% (9)	18.0% (16)	12.4% (11)	4.5% (4)	1.1% (1)	18.1% (89)
$800-$1,499	8.0% (14)	9.2% (16)	21.8% (38)	11.5% (20)	25.3% (44)	16.1% (28)	5.7% (10)	2.3% (4)	35.4% (174)
$1,500-$1,999	9.1% (3)	9.1% (3)	24.2% (8)	15.2% (5)	18.2% (6)	12.1% (4)	3.0% (1)	9.1% (3)	6.7% (33)
$2,000-$2,999	10.9% (5)	6.5% (3)	21.7% (10)	8.7% (4)	21.7% (10)	15.2% (7)	10.9% (5)	4.3% (2)	9.4% (46)
$3,000-$3,999	5.9% (1)	5.9% (1)		5.9% (1)	29.4% (5)	35.3% (6)	5.9% (1)	11.8% (2)	3.5% (17)
>$4,000				33.3% (1)	33.3% (1)	33.3% (1)			0.6% (3)
D/K	24.1% (75)	24.1% (7)	6.9% (2)	6.9% (2)	24.1% (7)	17.2% (5)	3.4% (1)		5.9% (29)
Total	15.3% (75)	15.3% (75)	19.6 (96)	11.0% (96)	21.6% (106)	14.5% (106)	4.9% (24)	2.6% (13)	100.0% (491)

Table 7

Expected Change in 2007 Holiday Spending by Net Household Wealth

Spending				Wealth					Total
	Negative	<$10,000	$10,000-$74,999	$75,000-$149,999	$150,000-249,999	$250,000-$499,999	$500,000-$999,000	>$1M	
More	19.5% (8)	9.8% (4)	26.8% (11)	9.8% (4)	19.5% (8)	12.2% (5)	2.4% (1)	26.8% (11)	8.4% (41)
Less	19.4% (35)	10.6% (19)	20.6% (37)	13.9% (25)	21.7% (39)	9.4% (17)	3.9% (7)	0.6% (1)	36.7% (180)
Same	11.9% (32)	10.7% (29)	17.8% (48)	9.3% (25)	21.9% (59)	18.1% (49)	5.9% (16)	4.4% (12)	55.0% (270)
Total	15.3% (75)	10.6% (52)	19.6% (96)	11.0% (54)	21.6% (106)	14.5% (71)	4.9% (71)	4.9% (24)	100.0% (491)

Table 8

Expected Change in 2007 Holiday Spending by Homeownership

Spending	House		Total
	Own	Rent	
More	78%	22.0%	8.2%
	(32)	(9)	(41)
Less	86.2%	13.8%	36.2%
	(156)	(25)	(181)
Same	85.3%	54.7%	55.6%
	(237)	(41)	(278)
Total	85.0%	15.0%	100.0%
	(425)	(75)	(500)

Table 9

Expected Change in 2007 Holiday Spending by Region of Residence

HOLIDAY PURCHASES	NORTHEAST	MIDWEST	SOUTH	WEST	TOTALS
Spend More	6.8%	10.7%	9.3%	3.8%	8.0%
	15.0%	35.0%	40.0%	10.0%	100.0%
N=	(6)	(14)	(16)	(4)	(40)
Spend Less	16.8%	26.8%	38.0%	18.4%	36.0%
	34.1%	36.7%	39.5%	31.1%	100.0%
N=	(30)	(48)	(68)	(33)	(179)
Spend Same	19.1%	24.8%	31.7%	24.8%	56.0%
	59.1%	52.3%	51.1%	65.1%	100.0%
N=	(52)	(69)	(88)	(69)	(278)
TOTALS	17.7%	26.4%	34.6%	21.3%	100.0%
N=	(88)	(131)	(172)	(106)	(497)

Table 10

Postponed Major Purchases Over Last Six Months by Household Monthly Income

Income	Postponed Major Purchases		Total
	Yes	No	
$2,000–$2,999	16.2% (30)	14.3% (45)	15.0% (75)
$3,000-$3,499	14.1% (26)	10.5% (33)	11.8% (59)
$3,500-$3,999	11.9% (22)	11.1% (35)	11.4% (57)
$4,000-$4,499	13.5% (25)	14.6% (46)	14.2% (71)
$4,500-$5,499	13.5% (25)	12.7% (40)	13.0% (65)
$5,500-$6,499	8.6% (16)	11.8% (37)	10.6% (53)
$6,500-$8,999	11.9% (22)	14.0% (44)	13.2% (66)
>$9,000	10.3% (19)	10.8% (34)	10.6% (53)
Total	37.2% (186)	62.8% (314)	100.0% (499)

Table 11

Postponed Major Purchases Over Last Six Months by Net Household Wealth

Net Worth	Postponed Major Purchases		Total
	Yes	No	
$2,000–	17.4%	14.0%	15.3%
$2,999	(32)	(43)	(75)
$3,000-	12.3%	9.1%	10.6%
$3,499	(24)	(28)	(52)
$3,500-	20.1%	19.2%	19.6%
$3,999	(37)	(59)	(96)
$4,000-	13.0%	9.8%	11.0%
$4,499	(24)	(30)	(54)
$4,500-	20.1%	22.5%	21.6%
$5,499	(37)	(69)	(106)
$5,500-	12.5%	15.6%	14.5%
$6,499	(23)	(48)	(71)
$6,500-	3.3%	0.5%	1.4%
$8,999	(6)	(1)	(7)
>$9,000	5.9%	3.9%	6.1%
	(18)	(12)	(30)
Total	37.3%	62.7%	100.0%
	(183)	(308)	(491)

Table 12

Planning Major Purchases Over Next Six Months by Household Income

Income	Planning Major Purchases		Total
	Yes	No	
$2,000–$2,999	17.0% (45)	12.8% (30)	15.0% (75)
$3,000-$3,499	14.3% (38)	9.0% (21)	11.8% (59)
$3,500-$3,999	13.2% (35)	9.4% (22)	11.4% (57)
$4,000-$4,499	14.0% (37)	14.5% (34)	14.2% (71)
$4,500-$5,499	11.7% (31)	14.5% (34)	13.0% (65)
$5,500-$6,499	10.2% (27)	11.1% (26)	10.6% (53)
$6,500-$8,999	12.1% (32)	14.5% (34)	13.2% (66)
>$9,000	7.5% (20)	14.1% (33)	10.6% (53)
Total	53.1% (265)	46.9% (234)	100.0% (499)

Table 13

Planned Major Consumer Purchases Over Next Six Months
by Household (After-Tax Monthly) Income*

CONSUMER PRODUCT	% PURCHASED Household Income (Under $4,000) (38.2% of Sample)	% PURCHASED Household Income ($4,000-$6,499) (38.0% of Sample)	% PURCHASED Household Income (Over $6,499) (23.8% of Sample)
HIGH COST (5.2%)			
house/condos	34.6%	34.6%	30.8%
MEDIUM COST (15.0%)			
Car (13.8%) Motorcycle (0.6%) Boat (0.6%)	26.5%	40.1%	33.4%
LOW COST (15.0%)			
Vacation (18.8%)	25.5%	38.3%	36.2%
Plasma TV (13.6%)	32.4%	36.8%	30.8%
Computer (15.4%)	26.0%	39.9%%	35.1%
Camera/Camcorder (7.8%)	41.0%	34.4%	25.6%
TOTALS	28.8%	39.9%	32.3%

*Includes multiple expected purchases by individual households.

Table 14

Planning Major Purchases Over Next Six Months by Net Household Wealth

Net Worth	Planning Major Purchases		Total
	Yes	No	
Less than $10,000	18.3% (48)	11.8% (27)	15.3% (75)
Less than $75,000	10.7% (28)	10.5% (24)	10.6% (52)
Less than $150,000	18.3% (48)	21.0% (48)	19.6% (96)
Less than $250,000	8.4% (22)	14.0% (32)	11.0% (54)
Less than $500,000	22.9% (60)	20.1% (46)	21.6% (106)
Less than $1.0 million	13.0% (34)	16.2% (37)	14.5% (71)
Less than $1.5 million	5.0% (13)	4.8% (11)	4.9% (24)
Over $1.5 million	3.4% (9)	1.7% (4)	2.6% (13)
Total	53.4% (262)	46.6% (229)	100.0% (491)

Table 15

Planning Major Purchases Over Next Six Months by Homeownership Status

Homeownership Status	Planning Major Purchases		Total
	Yes	No	
Homeowner	87.5% (232)	12.5% (33)	53.0% (265)
Renter	82.1% (193)	17.9% (42)	47.0% (235)
Total	85.0% (425)	15.0% (75)	100.0% (500)