

June 2, 2009

Weekly Economic Wrap: Post-Memorial Day Spending Falls

Consumers' mood improves slightly but job market perceptions unchanged
by Dennis Jacobe, Chief Economist

PRINCETON, NJ -- During the week after Memorial Day, consumers' mood nearly reached its high for the year, with 38% of Americans saying the economy is "getting better" and only 45% rating current economic conditions "poor." Still, job creation is not improving, job losses continue unabated, and **consumer spending has fallen back to its weak pre-holiday levels**. Given today's anemic consumer spending and the yet-to-be-fully felt impact of General Motors' going bust, it is hard to see how real economic improvement could be driving the emotional surge on Wall Street or the continued improvement in optimism on Main Street.

Gallup Economic Indexes

Week of May 25-31, 2009

	Last week	Prior week	One month ago	Six months ago	One year ago
	May 25-31, 2009	May 18-24, 2009	Apr 27- May 3, 2009	Nov 24-30, 2008	May 26- Jun 1, 2008
Consumer Mood Index	-52	-58	-61	-106	-105
Monitor of Consumer Spending	\$57	\$73	\$56	\$92	\$131
Net New Hiring Index	-3	-3	-5	7	16
Standard of Living Index	56	55	54	26	47
Consumer Worry Index	34	34	34	36	34

Gallup Poll Daily tracking

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Gallup Consumer Mood Index

(Maximum possible value of 200; minimum possible value of -200)

Despite all the talk last week about the impending GM bankruptcy, Gallup's Consumer Mood Index improved slightly -- eliminating the prior week's slight deterioration, and returning to the -52 of the week ending May 17. Although the overall consumer mood is negative, it is only two points worse than its most optimistic weekly average of the year (-50). Further, it is much better than it was during the same week a year ago (-105). Right now, consumers' mood has consolidated at its best level since Gallup Poll Daily tracking began in early January 2008. It remains to be seen whether consumers will be as successful in shaking off the GM bankruptcy as Monday's stock market surge suggests Wall Street was in doing so.

Gallup Consumer Mood Index, Weekly Averages, January 2008 to Present

Net of current economic conditions + economic outlook measures



Gallup Poll Daily tracking

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The Consumer Mood Index is based on Americans' answers to two questions regarding current U.S. economic conditions and the economy's direction. Despite the sharp improvement in consumer optimism over the past few months, perceptions of current economic conditions remain much more negative than positive. Only 11% rate the economy "excellent" or "good" while 45% rate it "poor," providing a net current conditions score of -34 that is three points better than a month ago. Similarly, 56% of consumers perceive that the economy is getting worse, compared to only 38% who think it is getting better, for a net outlook score of -18, six points better than a month ago.

Gallup Overall Consumer Mood Index, Current Conditions, and Outlook, Past Eight Weeks

	Gallup Consumer Mood Index	Current Conditions: (% Excellent + % Good) – % Poor	Outlook: % Getting better – % Getting worse
2009 May 25-31	-52	-34	-18
2009 May 18-24	-58	-37	-21
2009 May 11-17	-52	-34	-18
2009 May 4-10	-50	-34	-16
2009 Apr 27-May 3	-61	-37	-24
2009 Apr 20-26	-69	-43	-26
2009 Apr 13-19	-57	-38	-19
2009 Apr 6-12	-75	-46	-29
Highest value since January 2008	-47	7	-16
Lowest value since January 2008	-129	-57	-80

Gallup Poll Daily tracking

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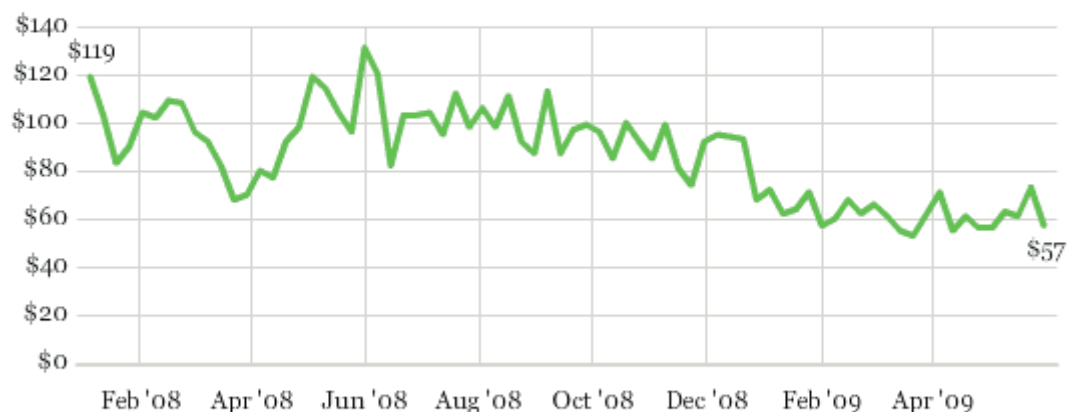
Gallup Monitor of Consumer Spending

(Unlimited maximum possible value; minimum possible value of \$0)

Americans reported spending an average of \$57 per day in stores, restaurants, gas stations, and online last week. This is down 22% from the \$73 of the week leading up to Memorial Day, but essentially the same as the \$56 of a month ago. Consumer spending last week was down 56% from the same week a year ago, when average daily spending (\$131) was at its highest level of 2008, as consumers spent their rebate checks from last year's fiscal stimulus plan. At this point, spending remains flat and continues to defy the usual assumptions associated with a sharp improvement in consumer confidence. (Gallup's spending data are based on Americans' self-reports of the total amount of money they spent the prior day on purchases other than a home, a motor vehicle, or their normal monthly bills.)

Gallup Monitor of Consumer Spending, Weekly Averages, January 2008 to Present

Next, we'd like you to think about your spending yesterday, not counting the purchase of a home, motor vehicle, or your normal household bills. How much money did you spend or charge yesterday on all other types of purchases you may have made, such as at a store, restaurant, gas station, online, or elsewhere?



Gallup Poll Daily tracking

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Gallup Net New Hiring Index

(Maximum possible value of 100; minimum possible value of -100)

Last week, job creation remained unchanged, as 23% of full- and part-time employees reported that their companies were hiring. Job losses also continued unabated as 26% reported job reductions in their companies. Gallup's Net New Hiring Index for the last week of May was thus -3 -- the same as the prior week and slightly better than the -5 of a month ago -- suggesting that the deterioration in the job market continues, if at a slightly more moderate rate. In this regard, Gallup's unemployment model implies that the government will report a May U.S. unemployment rate of 9.2% or higher on Friday -- a 25-year high.

Gallup Net New Hiring Index, Weekly Averages, January 2008 to Present

% Hiring minus % letting go, in percentage points



Gallup Poll Daily tracking

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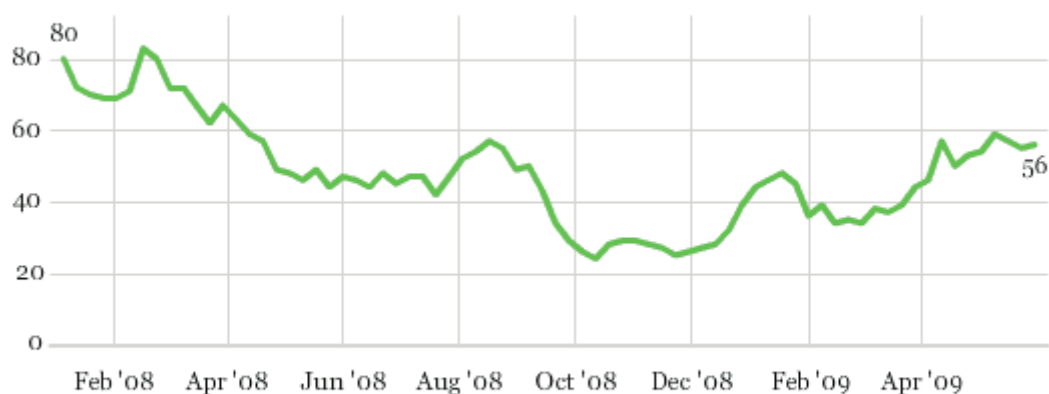
Gallup Standard of Living Index

(Maximum possible value of 200; minimum possible value of -200)

The Gallup Standard of Living Index was 56 during the past week -- essentially the same as the 55 of the prior week and the 57 of the week ending May 17. The Index is not much different from the 54 of a month ago but is up from the 47 of a year ago.

Gallup Standard of Living Index, Weekly Averages, January 2008 to Present

Combination of standard of living outlook + satisfaction with standard of living measures



Gallup Poll Daily tracking

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The Standard of Living Index is based on two questions -- one asking about respondents' satisfaction with their current standard of living and the other about the perceived direction of their standard of living. More consumers continue to say their standard of living is getting better (42%) than say it is getting worse (36%) and more say they are satisfied with their standard of living (75%) than say they are dissatisfied (25%).

*Gallup Overall Standard of Living Index, Current Conditions, and Outlook,
Past Eight Weeks*

	Gallup Standard of Living Index	Net satisfied with current standard of living	% Getting better – % Getting worse
2009 May 25-31	56	50	6
2009 May 18-24	55	48	7
2009 May 11-17	57	51	6
2009 May 4-10	59	50	9
2009 Apr 27-May 3	54	49	5
2009 Apr 20-26	53	48	5
2009 Apr 13-19	50	47	3
2009 Apr 6-12	57	51	6

Gallup Poll Daily tracking

GALLUP POLL

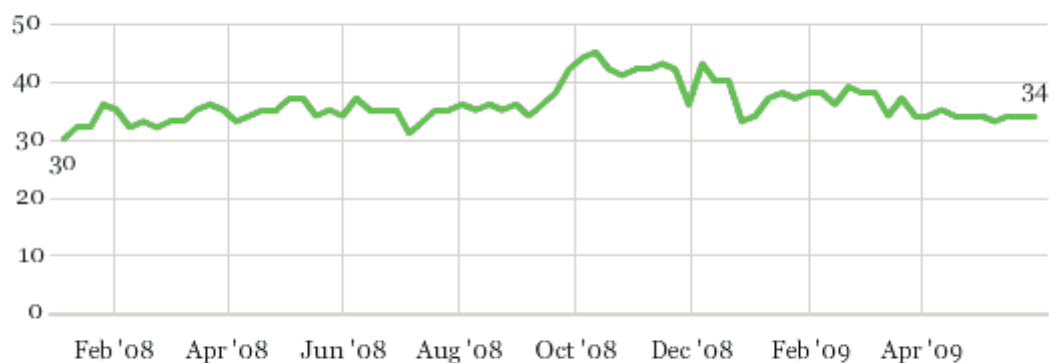
Gallup Consumer Worry Index

(Maximum possible value of 100; minimum possible value of 0)

The Gallup Consumer Worry Index was unchanged at 34 for the week ending May 31 -- identical to the readings of a month ago and a year ago.

Gallup Consumer Worry Index, Weekly Averages, January 2008 to Present

% Worried about money "yesterday"



Gallup Poll Daily tracking

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Commentary

Behavioral economics teaches that there are many points in time when economic assessments and decision-making are more emotional than rational. The stock market's surge to a seven-month high and consumers' mood nearly matching its 2009 high -- even as GM enters bankruptcy -- may be one of those times. Gallup's attitudinal

economic data suggest that the condition of the real economy simply doesn't justify the current surge in U.S. optimism or the global surge in commodity prices.

The Commerce Department reported Monday that the U.S. savings rate hit its highest level in 14 years in April and that consumer spending fell 0.1% after a revised drop of 0.3% the prior month. The surging savings rate is consistent with Gallup's Monitor of Consumer Spending that shows consumers **continuing to pull back on their spending in the month of May**. It is hard to see how the real U.S. economy can grow without a significant increase in consumer spending. Similarly, it is hard to see the return of global economic growth while U.S. consumer spending remains at anemic levels.

Over time, it may turn out that today's emotional exuberance and anticipation of a global economic recovery will bring U.S. consumers out of their spending funk. However, right now, the real-world impact of that anticipation may do just the opposite. Oil and gas prices are increasing rapidly once again. So are commodity prices. Even mortgage interest rates are going up. That is, many of the so-called "green shoots" of economic recovery -- including lower gas prices and low interest rates -- are disappearing.

More importantly, the job market is continuing to deteriorate, with weak job creation and high job losses. And, the fallout of the GM and Chrysler bankruptcies on jobs is yet to be fully realized. While consumers may be feeling better on an emotional level, they may have to feel more secure about their jobs, their incomes, and their ability to get credit before they want to begin spending once more.

Survey Methods

For Gallup Poll Daily tracking, Gallup interviews approximately 1,000 national adults, aged 18 and older, each day. Gallup's consumer series includes the **Gallup Consumer Mood Index** (evaluating public perceptions about the U.S. economy), the **Gallup Monitor of Consumer Spending** (a measure of how much money Americans are spending each day on mainly retail purchases), the **Gallup Net New Hiring Index** (a measure of employee perceptions of hiring conditions where they work), the **Gallup Standard of Living Index** (evaluating the public's perceptions about its own standard of living), and the **Gallup Consumer Worry Index** (a measure of the degree to which Americans are worried about their finances).

The Standard of Living Index is based on questions asked of all respondents; the Gallup Consumer Mood Index, the Gallup Monitor of Consumer Spending, and the Gallup Consumer Worry Index are based on random half-samples of approximately 500 national adults, aged 18 and older, each day. The Gallup Net New Hiring Index is based on a sample of approximately 250 current full- and part-time employees each day.

The sample sizes and associated margins of error for weekly results for the week of May 25-31 are:

Index	Sample sizes for May 25-31, 2009	Maximum margin of sampling error [^]
Consumer Mood Index	2,956	±2
Monitor of Consumer Spending	2,956	±2
Net New Hiring Index	1,565	±3
Standard of Living Index	6,086	±2
Consumer Worry Index	2,956	±2

[^] Based on 95% confidence interval; margins are in percentage points

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Interviews are conducted with respondents on land-line telephones (for respondents with a land-line telephone) and cellular phones (for respondents who are cell-phone only).

In addition to sampling error, question wording and practical difficulties in conducting surveys can introduce error or bias into the findings of public opinion polls.