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Rocky Mountain Poll

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FIFTH OF ARIZONA CONSUMERS PLAN TO BUY MAJOR DURABLES – A LEVEL ABOUT HALF OF EARLIER STUDIES

Phoenix, Arizona. February 10, 2010. Arizona consumer confidence in the economy dipped in January from pessimistic to more pessimistic and with it consumer purchasing appears anemic as well. Only a fifth of consumers report they will be making purchases in one or more of five major durable goods categories, a level approximately half the level last recorded in the 1989-90 period.

The Consumer Confidence Index has long been a general measure of possible upward and downward shifts in consumer purchasing of major durable goods and in this survey we pursued the matter more deeply by seeing whether correlations could be found between their planned buying in five major categories of consumer durable goods and it is their views toward the current economy or their view of the economy in the coming six months that correlate most clearly to buying plans, or if the two worked together in some way. It appears that the core driver of consumer buying is consumer views of the economy in the coming six months ... not their view of current conditions.

Three elements in the Consumer Confidence Index may be predictive of when consumer buying plans may hit the skids: (1) belief that jobs are hard to get in today's market, (2) the proportion who think the job market will continue to worsen in the months to come, and (3) expectations that their personal family income in the coming six months will shrink. Most simply stated, even if a consumer thinks things are bad today, if they simultaneously anticipate the future will brighten, buying plans remain more robust. But if consumers think both today and the future look grim, planned buying plummets.

So the trick for prognosticators trying to catch the signal of when consumers are ready to start buying again is not just what consumers say about today, but the level of their pessimism about jobs and family income in the coming six months. Although we will need to track these data fora longer period of time, it appears that when the proportion who believe the job market is poor rises above 50 percent and the proportion who believe it will remain poor rises into the 25 to 30 percentile range, this signals sustained restraint in consumer buying. And if the proportion anticipating lower family income rises out of it's usual 4 to 5 percent range and especially when it rises above ten percent, planned buying will be a dry will. The first signs that consumers may be ready to open their wallets will probably be when negative family income projections drop below eight percent and negative job availability projections drop below 25 percent.

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We do not have directly comparative measures of consumer buying in 1989-90 period for all of the items we tested in 2010 but several categories offer insight. For example, during 1989-90, 30.3 percent of Arizona families were planning purchases of major kitchen appliances but today that figure has been cut nearly in half to 16.1 percent. Further, today only 5.5 percent classify their planned buying as "definite."

In another category, new car or truck buying, the comparative data at first appears more robust with 14.0 percent now saying they plan a purchase in the first six months of the year compared to about nine percent ion the 1989-1990 period and which was almost a gold standard for many years. On the other hand, those definitely planning such a purchase today is only 5.5 percent. The higher 14 percent reading for today may reflect pent up demand as family cars age and cost more to maintain.

Three other categories of planned buying included new furniture for the home, major home remodeling or repair and the purchase of new home entertainment equipment or computer related equipment where the total purchase value exceeds $500. In these three categories, it appears that the home entertainment and computer category will be the most robust with 22 percent of households planning purchases, including nine percent in the "definitely will buy" category. Major home remodeling or repair registers at 17.3 percent but only 6.4 percent in the "definitely will buy" category. Finally, new home furnishings registers 18 percent planning a purchase but only 5.5 percent definitely planning to do so.

Although the short term numbers on consumer confidence and consumer planned buying are not particularly encouraging, the bright side of this picture is that there appears to be a lot of pent up demand. In every category the proportion with "definite plans to purchase" is under 40 percent of total demand. This implies that when attitudes toward the future jobs market and family income improve, there will be a bursting of the dam in which retailers with inventory are likely to do very well.

These data also suggest that purchase categories such as home furnishings, computers and home entertainment and automotive purchasing are deeply sensitive to expectations about the health of the job market and family income. In contrast, home repair and kitchen appliance decisions may be more driven by necessity than attitudes toward the economy.

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EDITOR'S NOTE: **This Rocky Mountain Poll - Arizona (2010-I-06), is based on 800 interviews with adult heads of household statewide conducted between January 7 and 22, 2010. Where necessary, figures for age, sex, race and political party were weighted to bring them into line with their actual proportion in the population. In a sample of this size, one can say with a 95 percent certainty that the results have a statistical precision of plus or minus 3.5 percent of what they would have been had the entire population been surveyed. The Rocky Mountain Poll is conducted by the Behavior Research Center of Arizona and is an independent and non-partisan research program sponsored by the Center.**

This statement conforms to the principles of disclosure of the National Council on Public Polls.

ENCLOSED: Statistical tables.

STATISTICAL DATA

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During the first six months of 2010, will you definitely, probably or probably not be making purchases of any of the following items?

	DEFINITELY	MAYBE	TOTAL
Major kitchen appliances of any kind	5.1%	11.0%	16.1%
A new automobile or truck	5.5	8.3	13.8
New household furniture	5.5	12.6	18.1
New electronic entertainment or computer equipment over 500 dollars	8.8	13.5	22.3
Major remodeling or repairing of any part of your house	6.4	10.9	17.3

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PLANNED BUYING AMONG THOSE WHO BELIEVE THEIR FAMILY INCOME IN COMING SIX MONTHS WILL:

% definitely planning to purchase:	INCREASE	NO CHANGE	DECREASE
Home entertainment or computers	16%	8%	5%
Household furniture	12	4	3
Major home remodel/repair	9	6	5
New auto/truck	9	5	2
Major kitchen appliance	6	5	4

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BELIEVE JOB MARKET IN COMING SIX MONTHS WILL:

% definitely planning to purchase:	IMPROVE	NO CHANGE	GET WORSE
Home entertainment or computers	12%	5%	8%
Household furniture	12	4	3
Major home remodel/repair	10	5	6
New auto/truck	5	8	3
Major kitchen appliance	7	5	4

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	2010	2009		2008		2007		2006		
	Jan	Sept	Jan	May	Jan	July	Jan	Sept	Jul	May
Consumer Confidence Index										
Statewide	50.2	60.2	44.2	73.4	79.8	101.9	106.3	105.3	102.7	102.4
Maricopa	52.2	58.0	44.1	82.6	88.7	106.6	111.5	109.2	109.3	108.0
Pima	48.6	66.9	48.7	61.1	65.0	96.2	102.7	104.0	101.0	92.0
Rural	46.7	60.7	39.9	58.2	68.8	91.2	91.5	96.4	86.5	94.1
Index Detail (Statewide):										
Present Situation Index	20.0	19.9	22.1	69.7	86.5	108.5	111.5	109.7	109.8	114.0
Expectation Index (Next 6 Months)	70.3	87.1	58.9	76.0	75.3	97.4	102.6	102.4	98.0	94.6

Appraisal of Present Situation:

Percent Holding Attitude

	2010 Jan	2009 Sept	2009 Jan	2008 May	2008 Jan	2007 July	2007 Jan	2006 Sept	2006 Jul	2006 May
Business Conditions:										
Good	20%	14%	16%	31%	34%	38%	50%	49%	50%	51%
Normal	30	35	31	41	45	46	38	38	37	35
Bad	46	48	47	25	17	11	7	9	9	9
Not sure	4	3	6	3	4	5	5	4	4	5
Employment:										
Jobs plentiful	2%	5%	6%	23%	30%	41%	42%	44%	46%	49%
Not so many	24	32	26	36	32	34	25	22	21	21
Jobs hard to get	68	57	60	30	24	14	18	19	20	16
Not sure	6	6	8	11	14	11	15	15	13	14

Expectations For Six Month Hence:

Percent Holding Attitude

	2010 Jan	2009 Sept	2009 Jan	2008 May	2008 Jan	2007 July	2007 Jan	2006 Sept	2006 Jul	2006 May
Business Conditions:										
Better	28%	44%	24%	28%	23%	25%	27%	33%	32%	29%
Same	48	34	37	44	45	59	59	52	48	49
Worse	20	17	29	24	24	11	7	9	13	14
Not sure	4	5	10	4	8	5	7	6	7	8
Employment:										
More jobs	23%	33%	21%	25%	25%	25%	28%	33%	32%	31%
Same	41	38	30	38	39	55	49	43	43	44
Fewer jobs	28	24	40	30	27	13	13	15	17	15
Not sure	8	5	9	7	9	7	10	9	8	10
Family Income:										
Higher	20%	24%	18%	24%	22%	25%	29%	27%	32%	26%
Same	65	62	67	66	68	67	61	65	61	66
Lower	14	12	14	8	7	4	5	5	5	6
Not sure	1	2	1	2	3	4	5	3	2	2

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% "DEFINITELY" PLANNING A PURCHASE

	NEW HOME FURNITURE	ENTERTAINMENT OR COMPUTER EQUIPMENT	NEW AUTO/ TRUCK	MAJOR HOME REMODEL OR REPAIR	KITCHEN APPLIANCE
6 MONTHS FROM NOW					
Job Availability will:					
Improve	12	12	5	10	7
Not improve	4	8	6	5	5
Your Family Income					
Improve	12	16	9	9	6
Not improve	4	7	5	6	5
Business Condition					
Improve	8	11	8	10	6
Not improve	5	8	5	5	5
CURRENT CONDITION					
Business Condition:					
Good	9	12	3	6	9
Less than good	4	8	6	6	4
Job Availability is:					
Good	20	12	8	9	9
Less than good	5	9	5	6	5

Table reads: Among those who think their family income will improve by mid-year 12 percent plan to purchase new home furnishings – a figure that drops to only four percent among those not expecting improvement in their family income.

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