

TO: Distribution
FROM: Michael Marx
DATE: October 31, 2008

Background

This represents the latest monthly summary and analysis of the major indices of consumer confidence, both current and future.

Please feel free to share this information with your issuer and merchant clients.

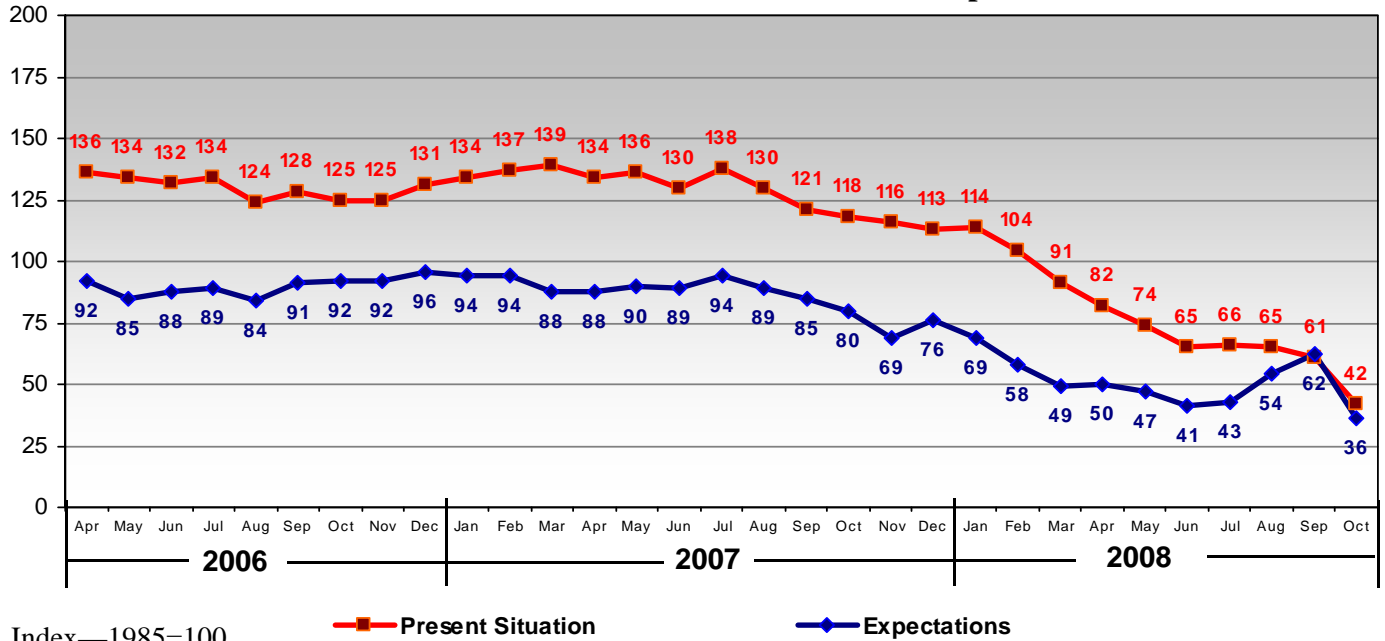
Summary

- Consumer confidence fell to all-time lows.
- Business conditions confidence also plummeted.
- The stress related to the current problems in the economy has resulted in pervasive stress in both financial and non-financial areas of people's lives.

Findings

Consumer confidence fell to all-time lows since this survey began in 1967. Both present situation confidence and future expectations suffered steep declines, 19 and 26 points respectively. In addition, October's drop was the third sharpest monthly decline in the survey's history. Future expectations confidence had risen for the previous three months, but October's decline wiped out these gains. In light of the events of October (surveying ended on the 21st), these results are not a surprise. The only grim question left is whether confidence can go any lower.

Consumer Confidence—Present Situation and Expectations

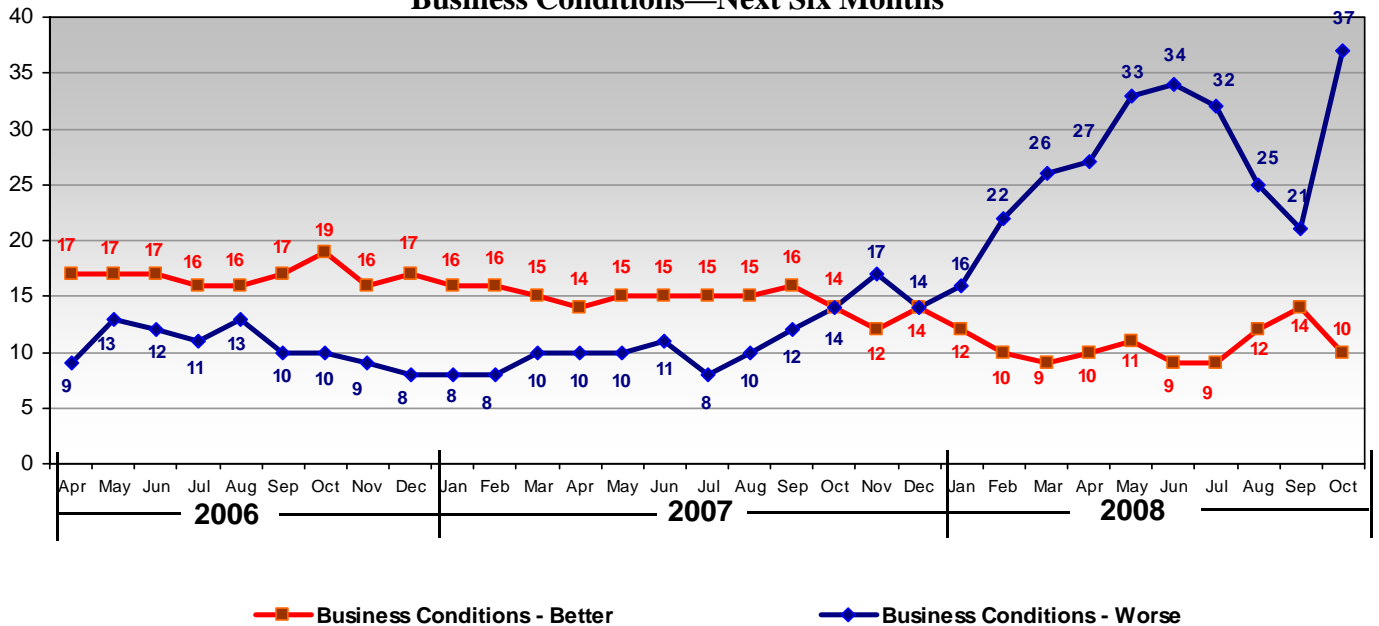


Index—1985=100

Source: Conference Board—Consumer Confidence Survey

The business conditions measure also plummeted this month erasing the gains of the previous three months. Those who felt conditions would improve fell four points, and the percentage who felt conditions would worsen rose an extraordinary 16 points. This places the net position at -27, the largest deficit since the economic slowdown began.

Business Conditions—Next Six Months

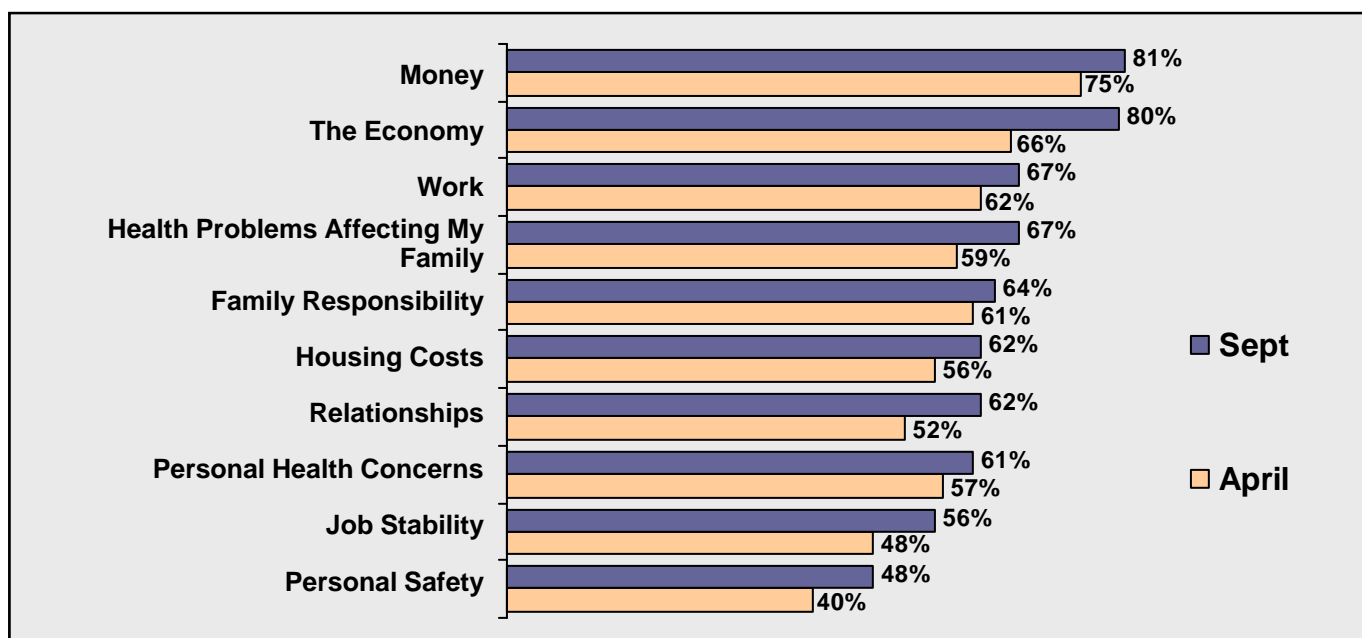


Source: Conference Board—Consumer Confidence Survey

It is generally accepted that the US is either close to or in a recessionary period at this time. The stresses that economic issues cause go well beyond issues related to personal financial well-being. In fact, economic stress appears to result in increasing stress on most all aspects of the lives of consumers—not just those related to finances.

In looking at the data below it is no surprise that stress has increased in financial-related areas of people’s lives including money in general, the economy, housing costs, and job stability. What is equally compelling is that the percentages feeling stress in areas not directly finance-related has increased as well—two-thirds or more claim stress concerning work, family health problems and family responsibilities; while more than half claim stress in relationships and personal health. Also, note that stress in all areas has increased between April and September.

Percent Indicating Stress



Source: “Stress in America” Harris Survey for American Psychological Association April/September 2008, reported October 2008

In addition, in all areas surveyed, a larger percentage of women indicated stress compared to men.

It is not surprising that today, financial services providers are not a “safe haven” for stress reduction in the current environment, but there are insights contained in the data that provide opportunities for financial institutions. Issuers have the opportunity to offer and position products and services to help relieve the overall stress in consumers’ lives.