

TO: Distribution
FROM: Michael Marx
DATE: February 27, 2009

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.

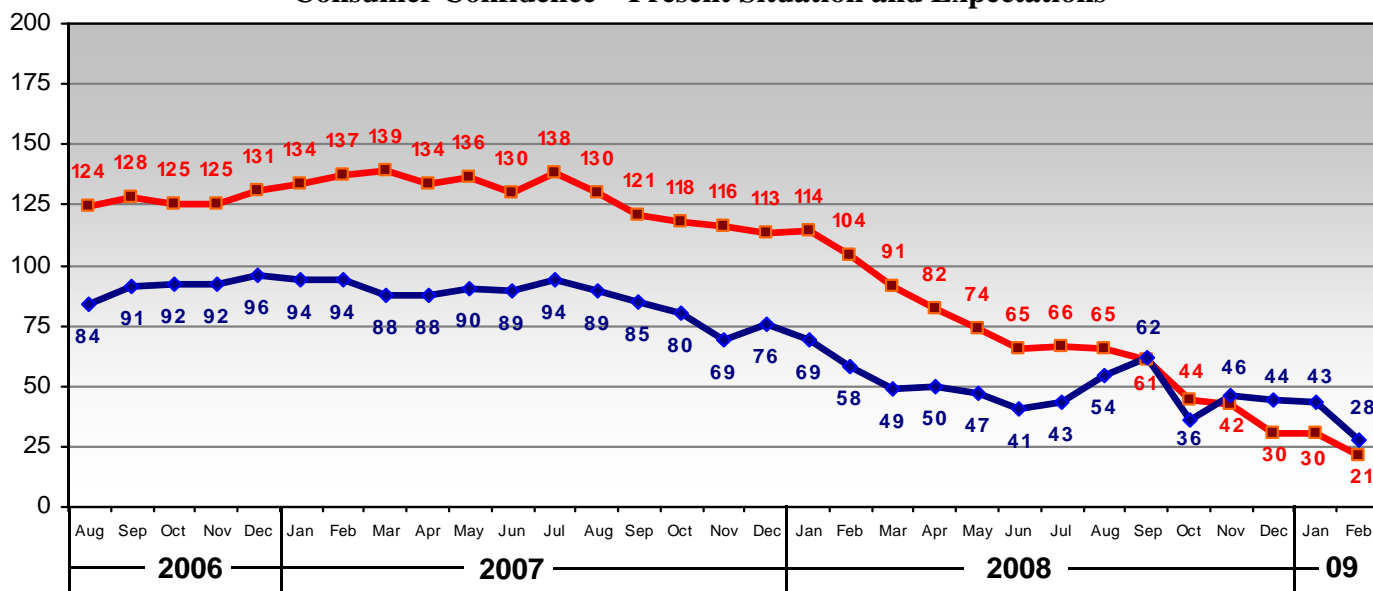
Summary

- Consumer confidence fell sharply to new all-time lows.
- Business conditions confidence also declined markedly to a record confidence gap.
- The confidence of small business owners continues to be tested in this economic environment, reaching new lows.

Findings

Consumer confidence reflected total capitulation in consumer mood in February. New all time lows (since the survey began in 1967) were reached in both present confidence and future expectations confidence. Any confidence “bump” that may have occurred through the installation of the new administration vanished in February. Present confidence fell nine points, and future expectations confidence fell 15 points.

Consumer Confidence—Present Situation and Expectations



Index—1985=100

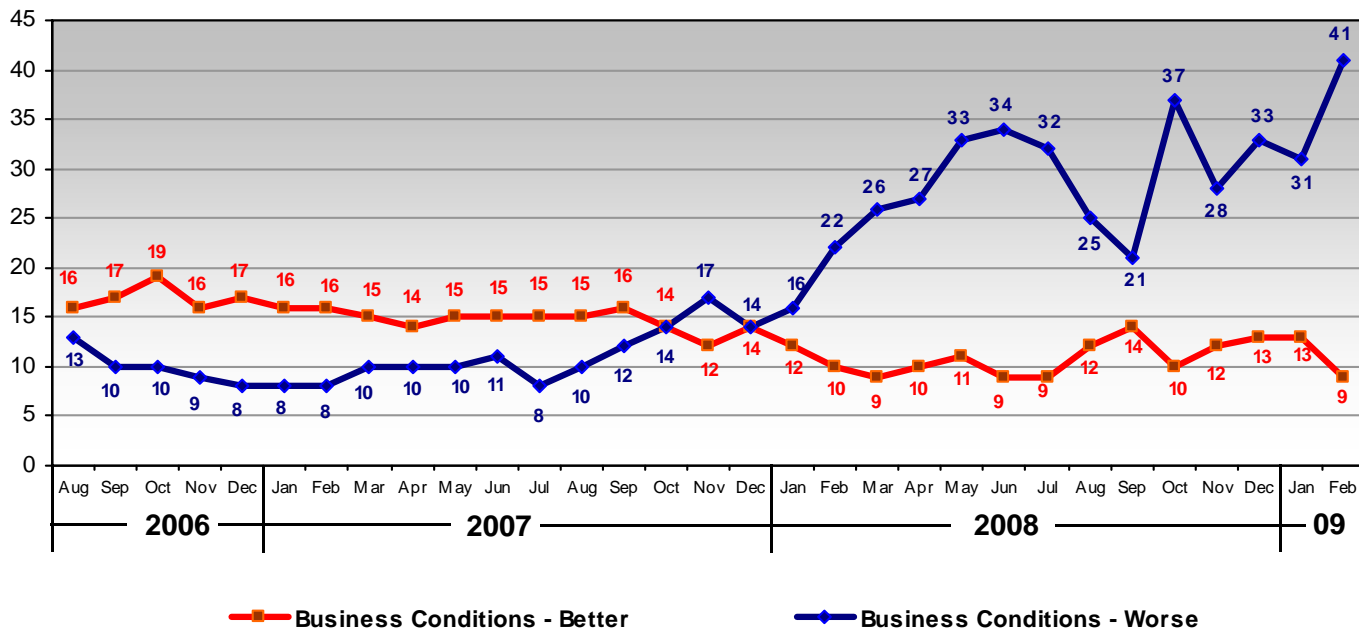
■ Present Situation

◆ Expectations

Source: Conference Board—Consumer Confidence Survey

The business conditions measure dropped sharply this month. Those who felt conditions would improve fell four points, and the percentage who felt conditions would worsen rose 10 points. This places the net position at -32, a historic low.

Business Conditions—Next Six Months



■ Business Conditions - Better

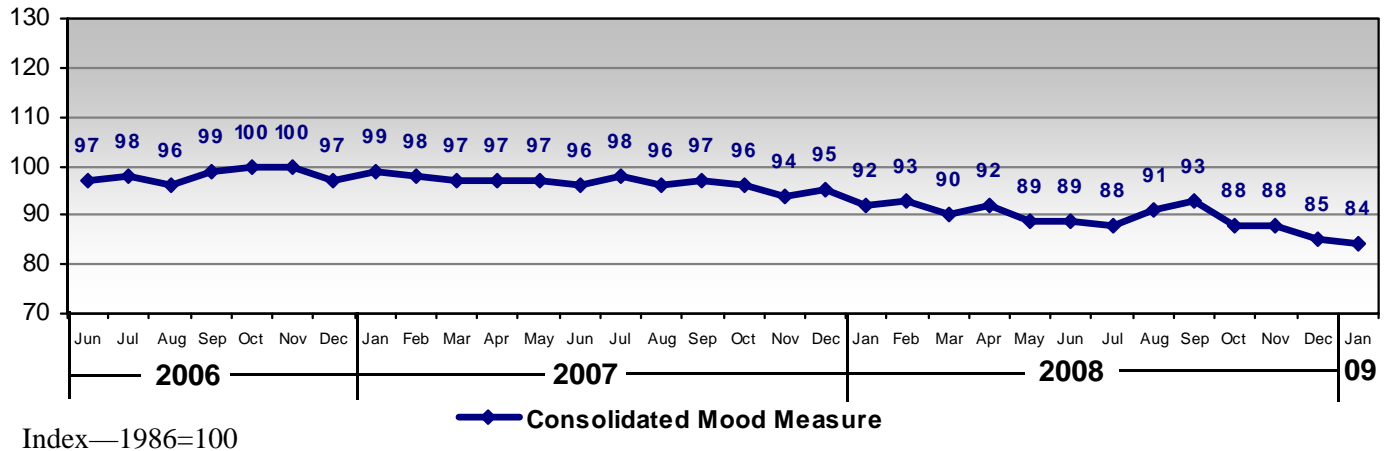
◆ Business Conditions - Worse

Source: Conference Board—Consumer Confidence Survey

Small business confidence data from the National Federation of Independent Business was last reported here in June. In this follow-up the confidence of small business owners, usually a comparatively optimistic segment of the US population, continues to decline.

As with consumers, small business confidence has declined sharply since mid-year 2008. The composite index shown below (an average of 10 measures) continues to set new all-time study lows. In the past month the drivers of the decline of the composite index centered on earnings pessimism and reluctance to increase inventories.

Small Business Owner Mood – Consolidated Measures Index



Index—1986=100

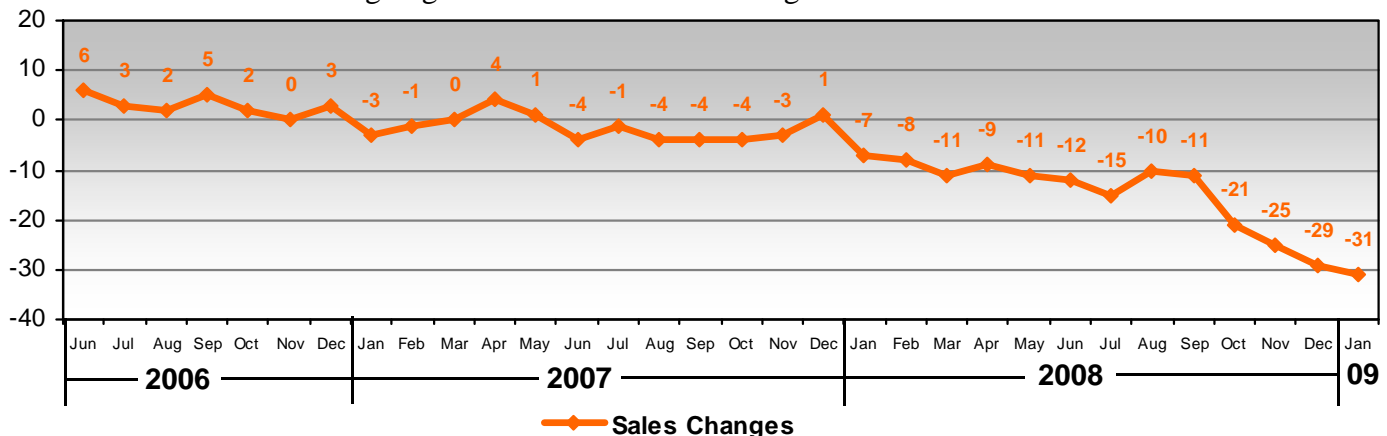
Source: NFIB Small Business Economic Trends—NFIB Research Foundation February 2009

(Consolidated index represents weighted average of responses to ten questions: Plans to increase employment; Plans to make capital outlays; Plans to increase inventories; Expect Economy to improve; Expect real sales higher; Level of current inventory; Current job openings; Expected credit conditions; Now a good time to expand; Expected earnings trends.)

This pessimism appears rational when looking at small business-reported information related to actual sales changes over the past three months. The percentage who say sales have declined exceeded the percentage who said they had increased by 31%, and, as the chart below indicates, this trend has worsened dramatically since the beginning of 2008.

Actual Sales Changes

Percent Claiming Higher Minus Percent Claiming Lower Over the Past Three Months



Source: NFIB Small Business Economic Trends—NFIB Research Foundation February 2009