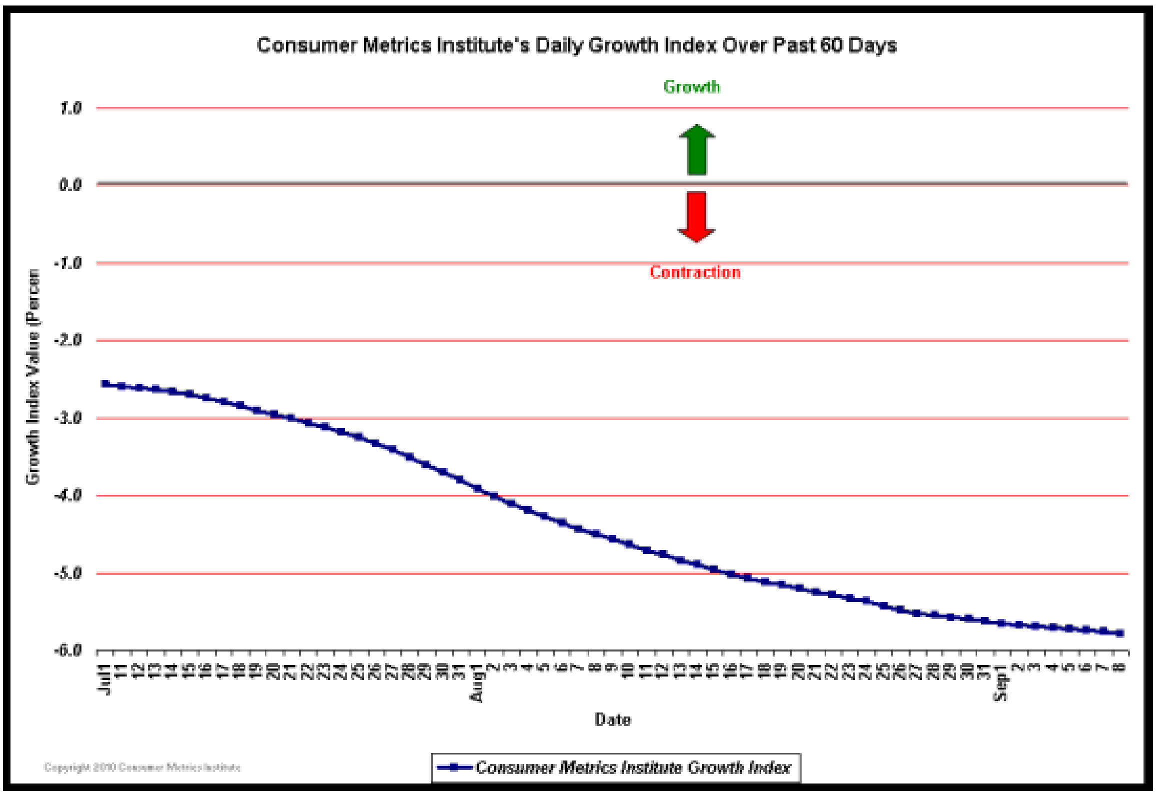
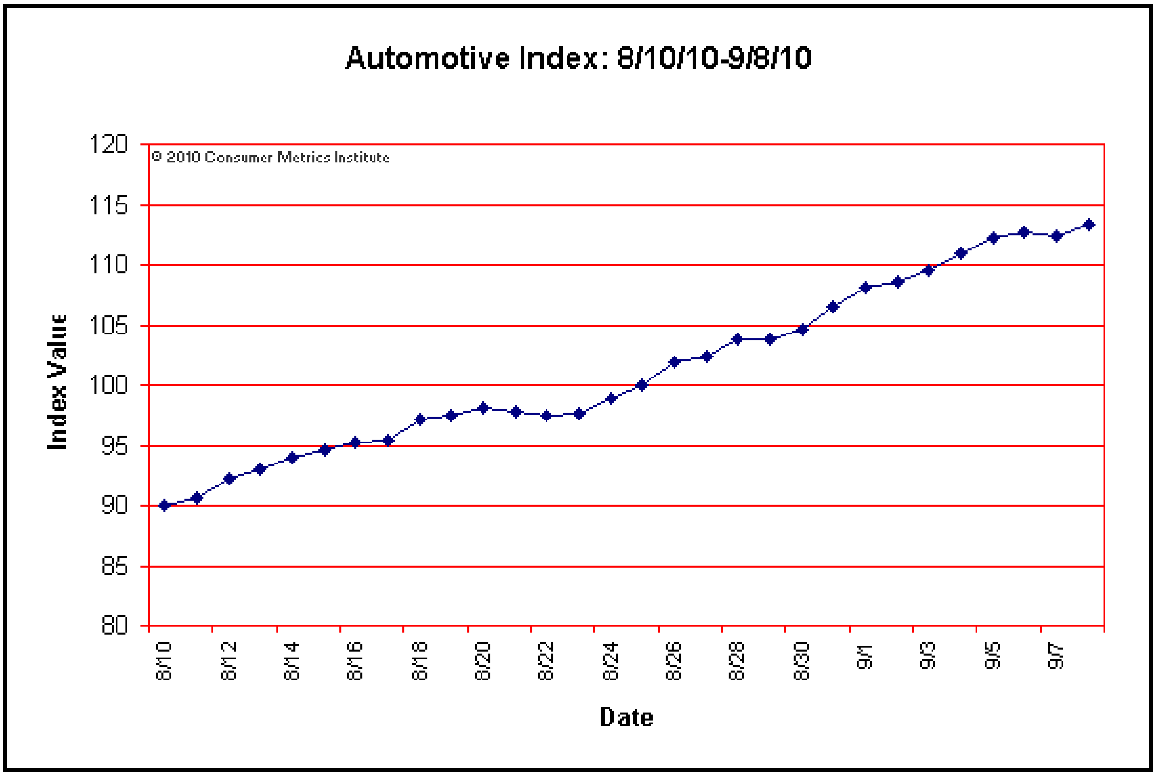
Consumer Metrics Institute Members News

September 2, 2010: Autos, Personal Finance, and Refinancing

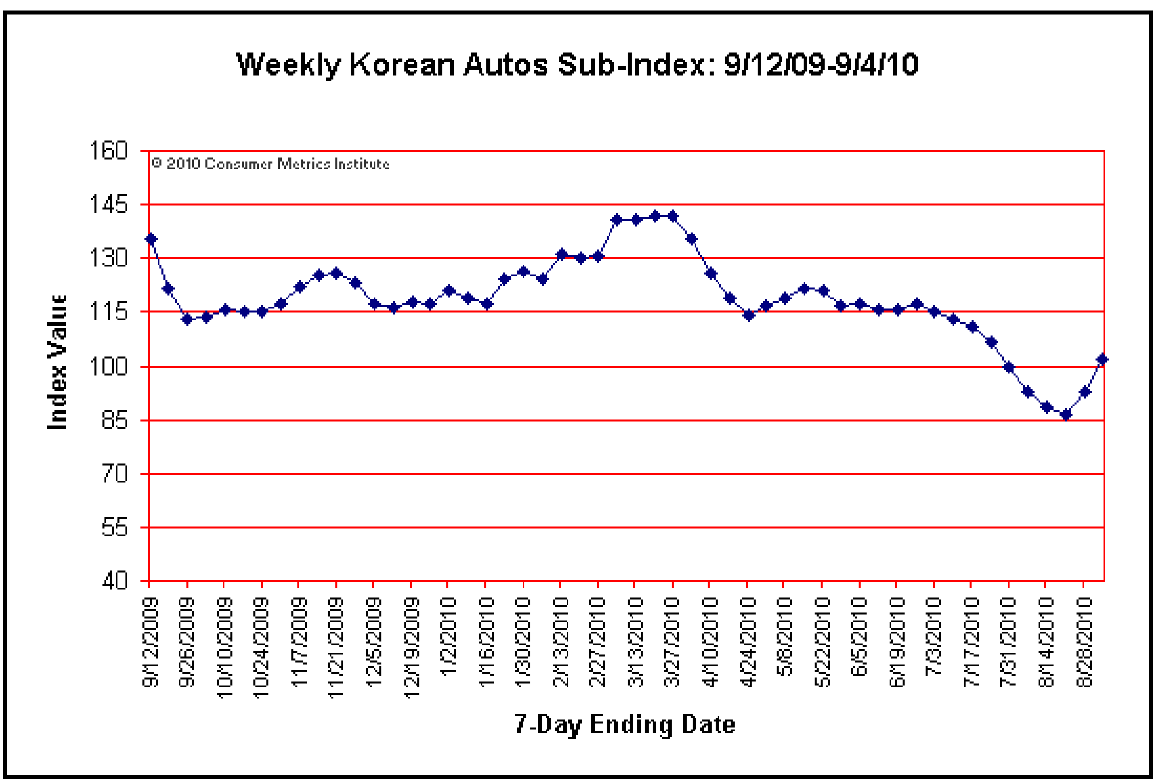
During the past 30 days our Weighted Composite Index has rebounded somewhat from a 9% year-over-year contraction to levels that are down "just" 7% year-over-year. When this moderation of the contraction rate is factored into the 91-day trailing average of our Daily Growth Index, the slope of the Daily Growth Index decline can be seen to be softening -- although the overall level of the index remains very weak:



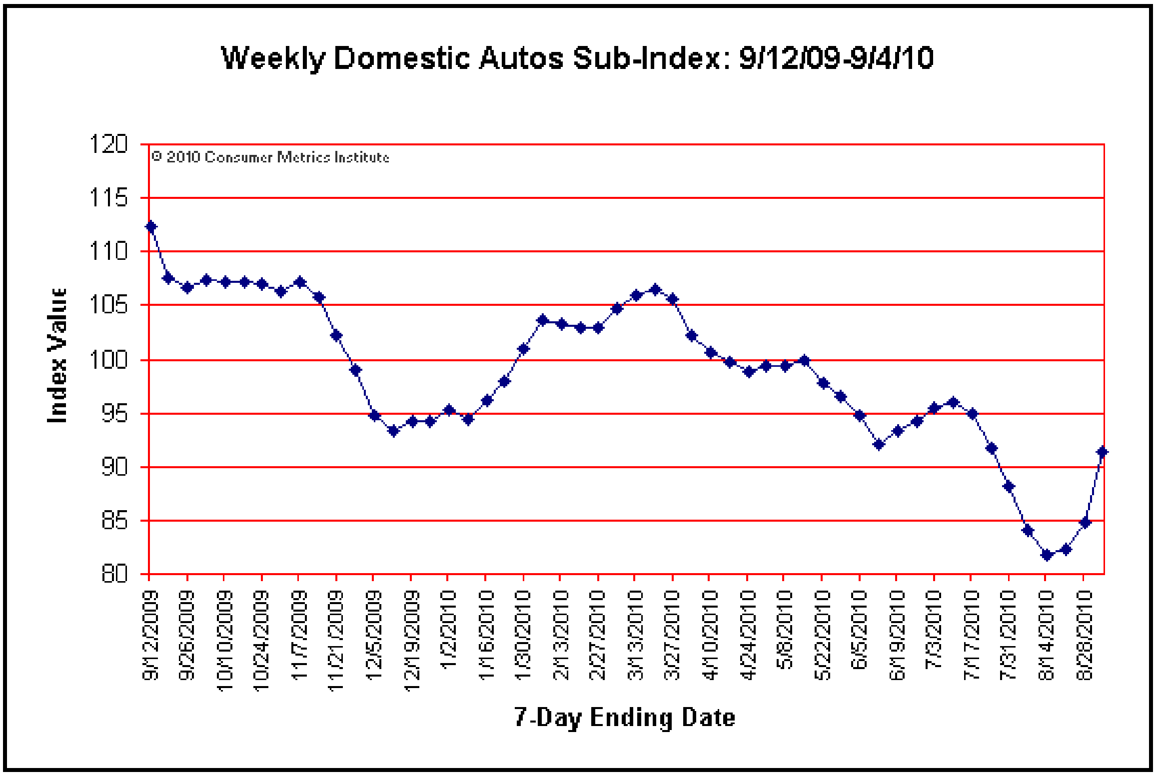
Although seven of our ten sector indexes show year-over-year growth, the sub-indexes are often sending a more mixed message. As an example, the Automotive Index has had significant volatility over the past 30 days:



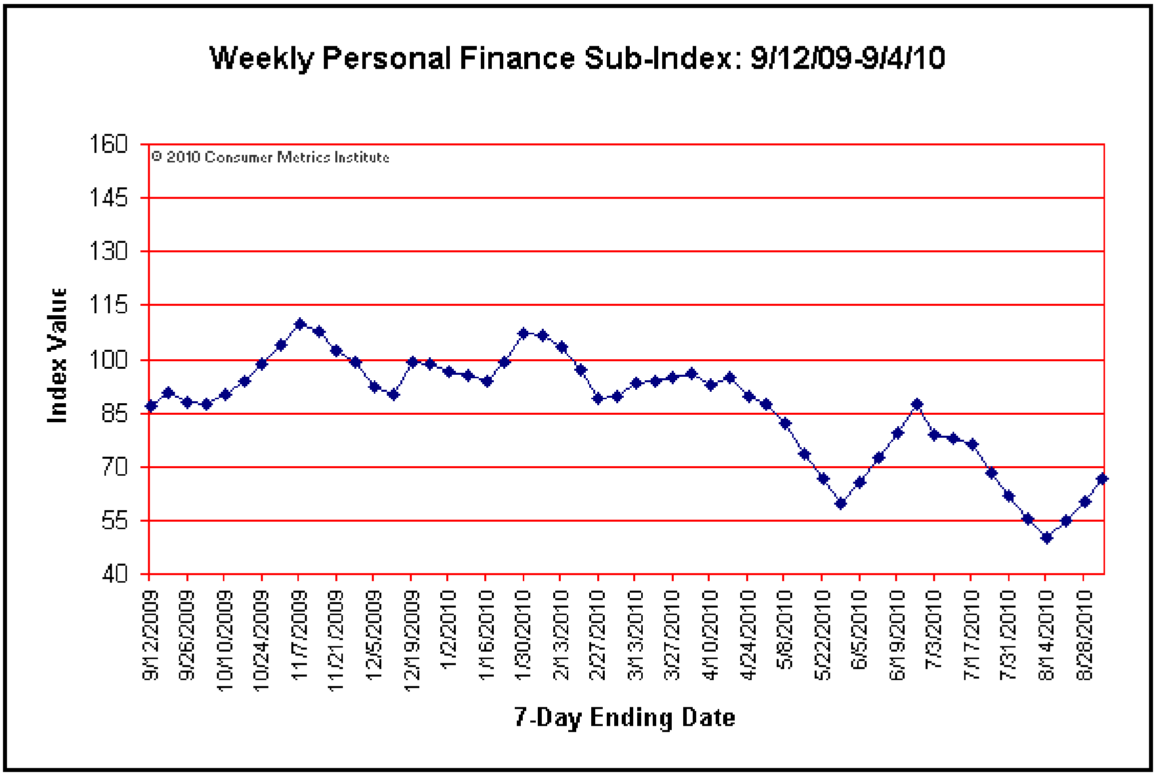
Yet the sub-indexes continue to show that most of the longer term strength in that sector is from the Korean manufacturers:



Additionally, the overall Automotive Index also responds to consumer demand for accessories, auto financing (both up recently) and used car transactions. The key for the U.S. automotive industry, however, remains domestic sales -- which continues to suffer in year-over-year comparisons against the "Cash for Clunkers" stimulated binge from last year:

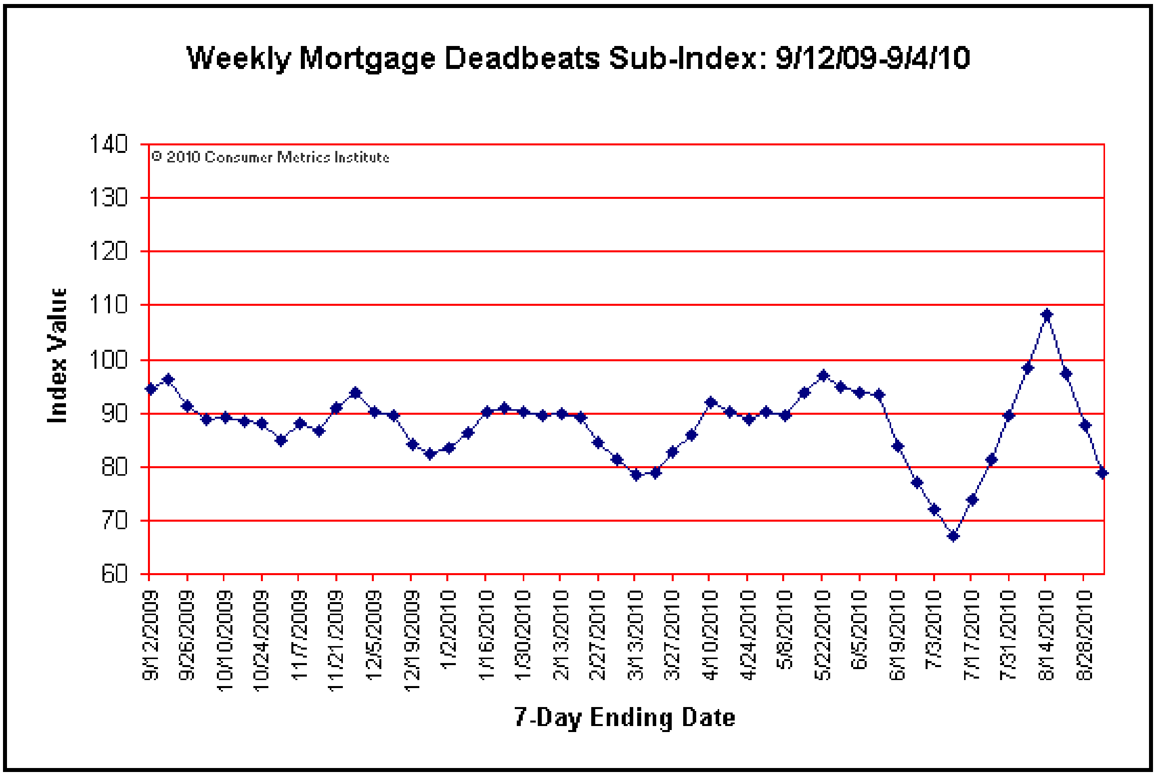


If we want to measure the state of mind of the U.S. consumer, perhaps the single most compelling chart we have is our Weekly Personal Finance chart, that charts the inverse of consumer demand for assistance in dealing with financial defaults and/or foreclosures:



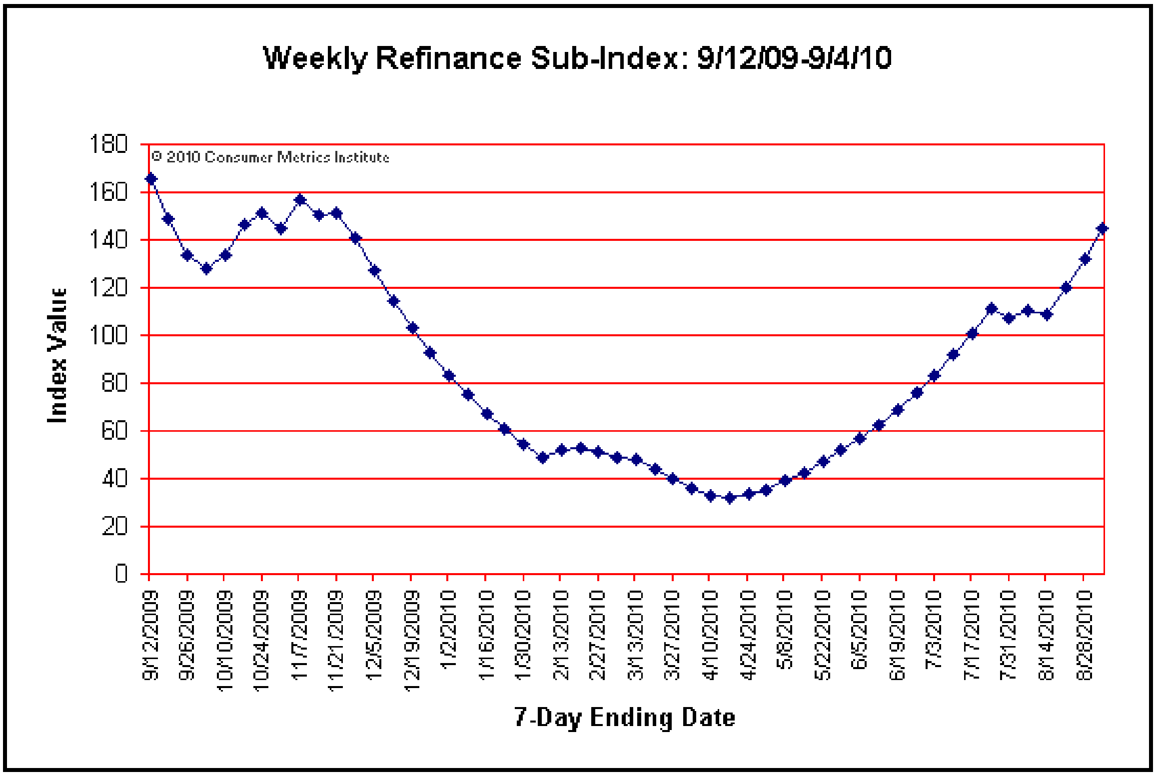
In the middle of August this sub-index reached the lowest level (highest stress) we have ever recorded, surpassing the records set this past May and substantially worse than the prior lows measured back in January 2009. This index is sensitive to those consumers who are in trouble, and isn't necessarily an indication of overall consumer distress. It reached its absolute peak (lowest stress) at the end of November 2007, only to fall in stages to the levels that we are recording now.

We also track for one of our institutional clients something that we call our "Weekly Mortgage Deadbeats" index, which specifically tracks consumer demand for services that help upside-down homeowners skip out of their mortgages:



After remaining relatively low over the past year, this custom index has become volatile again over the past two months -- spiking up to net year-over-year growth before dropping off again. Clearly something may be gearing up in that area again, and we may be heading to another round of under performing loans just as banks have begun to seriously address the older backlog.

A number of members have asked about the recent daily rise of the Housing Index. Nearly all of the consumer demand that has caused the index to rise has been in the refinancing area:



which has resumed its climb after pausing for a few weeks after the Federal Reserve made it clear that rates were not likely to rise over the medium-term future. This continued surge in refinancing activities can be a mixed bag for the economy: although it doesn't create any demand for new home construction, the new lower payments may cause consumers to have more disposable income. On the other hand, if consumers are paying down debt to remain conforming or shortening the term of the mortgages to keep the payments about the same, the net impact on the overall economy might not be so positive. In any event all the refinancing activities are probably impacting the previously generous margins at the lending institutions.