I have attached a summary of the results from the September 2001 Surveys of Consumers, conducted by the University of Michigan. The scheduled release time is:

**Monday, October 1, 2001 at 12:01 a.m. (ET)**

Results from the October 2001 survey are scheduled for release on Monday, October 29, 2001.

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Consumers React to Terrorist Attack: Initial Rise in Confidence Yields to Spreading Pessimism

ANN ARBOR. The latest consumer survey indicates that the terrorist attack has had a significant impact on consumer confidence. “The initial reaction of consumers was to reassert their confidence, but they quickly concluded that the repercussions of the terrorist attack would significantly harm an already weakened economy,” according to Richard Curtin, the director of the University of Michigan’s Surveys of Consumers. “A recession is no longer in doubt, the only issue is how long the downturn will last,” Curtin added. “The immediate reaction of consumers in the aftermath of the attack was to judge their own finances more favorably, representing a reaction to the unimaginable losses of the victims of the terrorist attack,” Curtin explained.

There was a considerable change in consumer confidence during the two weeks following the terrorist attack. The Index increased 4.7 Index-points during the first week after the attack, and then plunged 16.1 points in the following week. For the month as a whole the Sentiment Index was 81.8, down from 91.5 in August and 106.8 last September. The Index of Consumer Expectations, a component of the Index of Leading Economic Indicators, showed an even sharper decline in late September, plunging 20 Index-points. For the month as a whole, the Expectations Index stood at 73.5 in September, down from 85.2 in August and 103.4 last September. The Expectations Index has declined by a comparable amount only twice before, in reaction to the oil embargo in 1973 and the invasion of Kuwait in 1990.

The data now indicate that spending will decline through the start of 2002. “Unfortunately, the data do not indicate that the decline in confidence is now over,” Curtin noted. Consumers are quite apprehensive about the economic ramifications of an extended war on terrorists. “Concerns about domestic safety as well as casualties abroad will continue to influence consumers’ sense of economic security in the months ahead,” Curtin added. Moreover, the economic repercussions have only begun to spread across the economy. “Given their already heightened concerns about job and income prospects, the recent losses in their wealth and retirement savings, as well as their uncertainty about the future, consumers will shift their focus to increasing their savings in the months ahead,” Curtin explained.

Consumers continued to report that they had used the tax rebate to pay down debt and rebuild savings. “When asked whether larger tax cuts were now needed to improve the economy, just one-in-ten though it would be appropriate,” Curtin reported. More focused stimulative fiscal policies are needed to limit the overall length of the downturn. “While workers in travel related industries have already been harmed, workers in a wide array of other industries and areas will also be affected. Strengthening and expanding the safety net for all workers, as well as temporarily reducing waiting periods for benefits, are now needed,” Curtin explained.

When asked about buying, half of all consumers said they would be more cautious spenders in the wake of the terrorist attack, and consumers held less favorable buying attitudes toward all types of purchases.

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