<u>ABC NEWS POLL: THE NEW NORMAL</u>
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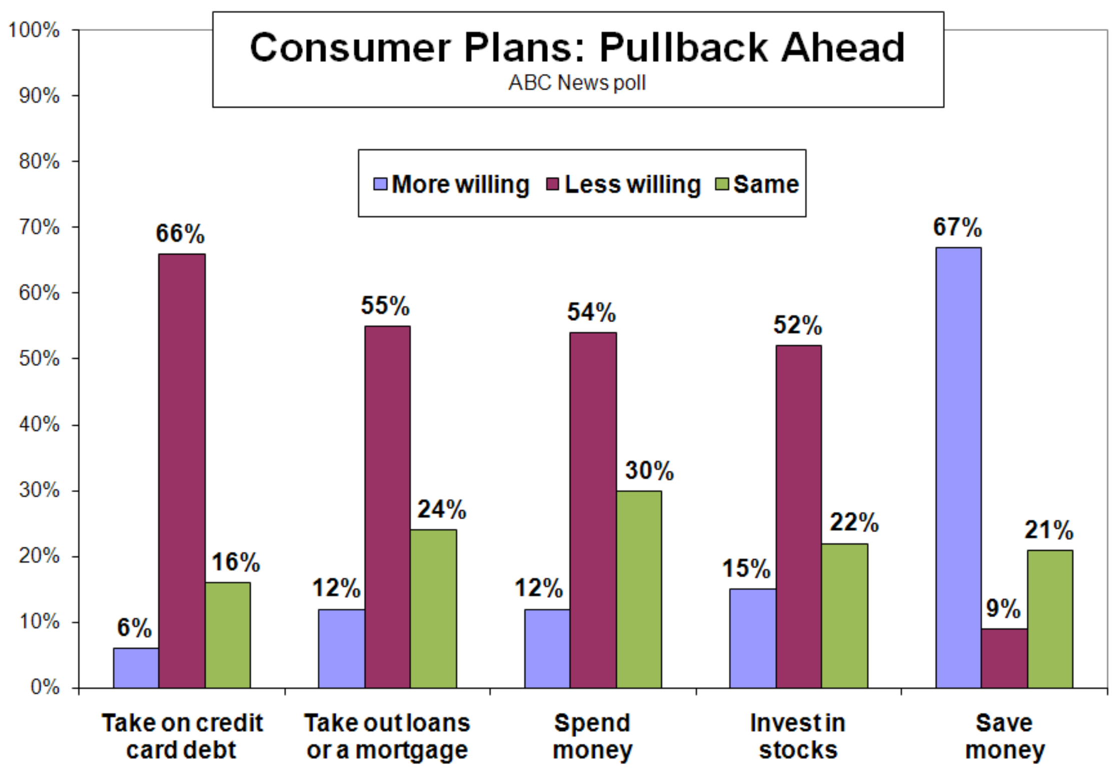
Diminished Economic Expectations Fuel Prospects for a 'New Normal'

Battered by the worst recession in decades, vast numbers of Americans see lean times ahead for the long term – and plan to recalibrate their lives accordingly.

Two concerns stand out in particular: Half the population in this new ABC News poll thinks both job security and retirement prospects in the years ahead will remain worse than their pre-recession levels. Four in 10 also see worsened prospects for the availability of jobs and advancement, and, consequently, their own spending power.

Those diminished expectations – plus the pain of the current downturn – are fueling retrenchments in consumer behavior that could fundamentally reshape the economy. Majorities in this national survey say they plan in the years ahead to spend less, save more, invest more conservatively and, above all, to cut their credit card debt.



The ultimate extent of this potential realignment depends on the depth of the recession and nature of the recovery that follows. But consumer pullback already is well under way: Retail sales in May were down 9.6 percent from a year earlier, consumer credit declined at an annual rate of 7.5 percent in April and the savings rate hit a 14-year high.

With consumer spending accounting for an estimated 70 percent of economic activity, these changes are profound. What lies ahead could be even more so.

Ongoing polling by ABC News has documented the extent of consumer pain to date. While there's been a largely politically inspired rise in expectations that the worst is over (chiefly among Democrats expressing confidence in the Obama administration), ratings of current economic conditions remain near their record low in 23 years of weekly polling, with rising gasoline prices threatening to darken the picture further.

This new survey, part of a weeklong ABC News series, "The New Normal," moves the discussion to more forward-looking measurements, asking Americans whether they think long-term economic conditions will regain, exceed or be worse than their pre-recession levels – and their own intentions to spend, save and take on debt in the future.

In the biggest intended shift, a remarkable 66 percent say they'll be less willing in the years ahead to take on credit card debt, with 52 percent "much" less willing to do so – the highest intensity pullback by far. More than half also say they're less apt to take out loans or a mortgage, invest in the stock market or spend money overall.

And two-thirds insist they'll try harder to save.

EXPECTATIONS – The potential trends look especially grim for luxury and big-ticket products, better for budget-based indulgences. Fifty percent of Americans expect their ability to afford "larger luxuries" to remain worse than it was before the recession, while just 16 percent see it improving beyond its pre-recession level. From new cars to jewelry to high-end holidays, today's troubles could well linger.

But even on basics the picture's not good: Over the long term anywhere from 40 to 43 percent – huge numbers of consumers – don't expect the availability of jobs to regain its pre-recession levels and see worsened advancement opportunities for those who do have work. Equally as many expect a diminished ability to afford things they want and need in general, and, in one particular, anticipate greater difficulty paying for health care.

As noted, even more, 51 and 50 percent respectively, think job security and their ability to afford a comfortable retirement will remain worse than before the downturn began.

Each of these far exceeds the number who expect things in the future to be better than they were before the recession. The number of pessimists also surpasses those who think things simply will return to their pre-recession levels, but not advance beyond them.

There is one less glum outlook: Substantially fewer, 29 percent, think their ability to afford "small luxuries," like dining out, will be worse than it was before the recession began. More think this will go back to its pre-recession status. (Think, perhaps, McDonald's, which managed a 2.8 percent increase in U.S. same-store sales in May.)

	Long-term expectations vs. pre-recession level		
	Better	Worse	Same
Job security	20%	51	26
Retirement savings	23	50	22
Affordability – larger luxuries	16	50	28
Health care affordability	30	43	22
Job advancement	26	42	28
Spending ability	24	42	28
Job availability	29	40	26
Affordability – small luxuries	22	29	45

FACTORS – Expectations of future economic conditions are by nature speculative, informed by political as well as economic judgments. Such is the case now: Republicans, with their far lower confidence in President Obama, have a much more negative view, Democrats much less so, with independents between the two.

Fifty-one percent of Republicans, for instance, think jobs will remain harder to find than before the recession began; just 30 percent of Democrats agree. Republicans likewise are about 20 points more apt to think health care costs, job stability and their own ability to afford things will be worse long-term than they were pre-recession.

Negative expectations also peak among 45- to 54-year-olds, whose ranks include mid- to late-career workers perhaps beginning to assess their life savings as they eye retirement. Expectations are least negative, by contrast, among the youngest adults, age 18 to 29, with the longest time frame for careers and savings alike.

Among other differences, men are 6 to 9 points more negative than women on job-specific metrics – availability, stability and advancement opportunities alike. And there are a few other issue-specific differences: Upper-income Americans are far less glum about being able to afford "small luxuries" and a little less negative about paying for "larger" ones. That holds out some slight hope for higher-end retailers, since better-off adults are their prime market.

Higher-income adults also are less wary than others of the stock market – but still 41 percent of those in $100,000-plus households say they'll be less willing in the future to invest in equities, two in 10 "much" less willing to do so. These jump to 58 percent less willing, 38 percent "much" less willing, among less well-off Americans.

There also are some regional differences, with expectations for job availability, security and advancement opportunities more negative in the Midwest (and to some extent in the Northeast) than elsewhere.

SPENDING PLANS – Such factors have little effect, though, on personal spending and saving intentions, where plans for retrenchment are similar across the board. Here the strong impact is expectations themselves: People who have more negative views of the future economy are more apt to plan to cut back.

Some of these differences are dramatic. Among people who think their ability to save for retirement will be worse in the future than it was pre-recession, 74 percent say they'll be less willing to spend money overall. That dives to just a third of those who see their retirement savings prospects as better or the same as before.

In another example, among people who doubt future job stability, 68 percent say they're less apt to be willing to take out a mortgage or other loans in the future; that falls to 42 percent of those who have less concerns about job stability looking ahead.

	Expectation for…					
	Job stability			Retirement savings		
	Better	Worse	Same	Better	Worse	Same
Less willing to spend on things you want and need	39%	69	41	34%	74	33
Less willing to take out a mortgage or loans	42%	68	42	40%	70	43

Such results underscore the impact of future conditions; if factors such as job stability and the ability to save for retirement improve beyond expectations, consumer cutbacks could be less dire than now anticipated. If not, the "new normal" may well come to pass.

METHODOLOGY – This ABC News poll was conducted by telephone June 3-7, 2009, among a random national sample of 1,001 adults. Results for the full sample have a 3.5-point error margin; click here for a detailed description of sampling error. Sampling, data collection and tabulation by TNS of Horsham, PA.

Analysis by Gary Langer.

ABC News polls can be found at ABCNEWS.com at http://abcnews.com/pollingunit

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Full results follow (*= less than 0.5 percent).

1. We're interested in how the current economic situation might or might not change things in the years ahead – I mean long-term, beyond the next year or so. Think about (FIRST ITEM). In the long term do you think that will go back to the way it was before this recession began, become better than before, or be worse in the future than it was before the recession began?

6/7/09 – Summary Table

	Back to way it was	Become better	Worse than before	No opin.
a. The availability of good-paying jobs in this country	26	29	40	5
b. Job stability – that is, the				

level of confidence people can have that they'll be able to keep their jobs	26	20	51	4
c. Advancement opportunities – the ability to move up to better jobs with better pay	28	26	42	4
d. Your ability to afford the things you want and need	28	24	42	6
e. Your ability to save or have enough money for a comfortable retirement	22	23	50	5
f. Your ability to get affordable health care	22	30	43	5
g. Your ability to afford small luxuries, like dining out	45	22	29	4
h. Your ability to afford larger luxuries – expensive things you'd like but really don't have to have	28	16	50	5

2. Again, compared to the way things were before this recession, do you think that in the years ahead you'll be more willing or less willing to (ITEM) - or will you probably go back to the way you did things before? (IF LESS) Will you be much less willing or somewhat less willing to do that?

6/7/09 – Summary Table

		-------- Less -------			Back to	Never did	No
	More	NET	Much	Somewhat	before	(vol.)	opin.
a. Take on credit card debt	6	66	52	14	16	10	2
b. Take out loans or a mortgage	12	55	33	23	24	4	5
c. Spend money	12	54	24	30	30	0	4
d. Save money	67	9	5	3	21	0	3
e. Invest in the stock market	15	52	33	19	22	7	4

END