Consumers And Businesses Remain Negative On The Economy

Contributed by TNS
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Over half of consumers in the U.S. hold a negative position on the economy as they continue to see an increase in personal debt.

Demand for credit is especially strong in business banking segment but the worry to access credit, still lingers

The latest information from two TNS research studies show consumer perceptions of the U.S. economy remain predominantly negative - in contrast to what we might be seeing in some recent Consumer Confidence reports.

According to the studies, US consumers' perception of the economy has not improved since December of 2009, with 66% feeling negative about the state of the economy.

Despite being slightly more optimistic, business executives, with revenues between $3MM and $2B, are also most likely to hold a negative perception of the economy.

According to these studies, a vast majority of consumers (69%) strongly anticipate that they will be cutting their personal spending over the next six months. This is a slight increase from the reading in December 2009. Â

"We still see consumers being apprehensive about the future of the economy said Glenn Staada, Vice President of TNS, "Despite some news recently that consumer confidence is increasing,Â we still see a high level of anxiety around the economy and the consumer's personal household situation to open ones wallet is high."

The near-term outlook doesn't look good either. Forty percent (40%) of consumers and 24% of businesses feel the economic landscape will get worse over the next six months.

This is in contrast to the findings in December 2009 when nearly 34% of businesses thought the economy was to get better, not worse. Â

Consistent with this pessimistic consumer view and the tightness of credit markets, nearly all businesses remain in cost containment mode.

Ninety-two (92%) percent of businesses will continue to aggressively seek ways to cut costs in the next six months, with 54% saying this includes labor costs.

A greater portion of larger firms anticipate labor reductions in April (58%) than when polled in December '09 (47%).

The Credit Crunch Remains Strong
Small and medium sized businesses are still struggling to get financial help. The demand for fresh credit is great, yet the current credit shortage continues to exacerbate cash shortfalls for businesses, causing nearly all to remain in cost cutting mode.

Thirty-two percent (32%) of small businesses are anticipating that they will have trouble accessing the credit they need.Â "With credit not flowing, businesses continue to struggle with a diminished cash position and have concerns about their ability to acquire the credit necessary to bridge the gap." Staada added.

Many businesses anticipate this credit shortfall to continue.Â Only 25% of all business banking and middle market executives anticipate relief in the next 12 months and one third of business banking executives say the credit markets won't loosen up for another 2 to 4 years.

"The concern companies are feeling about having more access to credit prohibits them to focus on growth and they ultimately become more vulnerable to further labor reductions thus stalling the recovery even further," Staada added.

About the Studies
The consumer findings are based on TNS Market Effectiveness in U.S. Consumer Banking research program,Â which is a multi-client research offering that is based on over 12,000 interviews completed annually among a nationally representative sample of American banking consumers.

The research diagnoses performance across the customer experience, brand health and reputation, and marketing communications. Findings cited in this release are based on interviews conducted in June, September, December, 2009, and March 2010.Â In each case, responses are based on over 1,000 completed interviews.

The business executive findings are based on the Commercial Banking Momentum Monitor (CBMM).Â Â This program is an ongoing, dynamic research study of mid-sized companies (US based Middle Market companies with revenues $3MM-$2B) across a variety of sectors.

TNS is undertaking this program on behalf of major US financial institutions. The program explores a wide range of topÂ-ics of concern to company financial decision-makers.

The Bank Advisory Board is a select online community of company financial decision makers managed and operated by TNS as part of the CBMM program.Â Membership is by invitation only. Â

The surveys used for this release were fielded in February and December 2009 and April - May 2010.Â Interview counts were 486 and 190 and 219, respectively. Â

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