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Decline in consumer confidence taking center stage

BY MIKE SUNNUCKIS
msunnuckis@bizjournals.com

Betsy Froderman, a Phoenix resident who was shopping at a Peoria Target store on Black Friday is typical of consumer sentiment this holiday season: She's cutting back on her gift purchases because of the economy.

Business owners, retailers, private-sector leaders and policy makers have some ideas about how to encourage Froderman and other consumers to spend more and help get the faltering economy back on its feet.

"The government should allow all homeowners to have a one-month reprieve on their home mortgages. That would surely get the economy up and moving," said Davney Mackey, owner of Cabin Coffee Espresso in north Glendale.

Mackey is trying to hang on to her northwest Valley business.

"I'm tapped out, in debt, and don't see any signs of recovery in the near future," she said. "I'm on the front lines of this disaster. As a small business, we've been experiencing a very drastic drop in sales since last fall, so we've been hanging on for the last year."

Mackey said she's frustrated with the federal government's handling of the economy and credit crunch, and she's not sure how freeing up frozen lending streams will help her business.

"Why would we go into debt even further, and who would give us money now?," she said. "We've been in business

for four years, and we can lose everything because of what has happened. I don't see anyone helping us out."

Consumer spending was down 1 percent in October, and projections are for a restrained holiday shopping season as consumers grapple with the credit crunch, deflated housing prices, too much debt and not enough savings.

Some economists worry low confidence will have long-term ramifications, considering consumers make up two-thirds of the U.S. economy.

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David Eichler, a principal with Phoenix-based David & Sam PR, expects the economic situation to last through 2010 and said businesses and consumers should not be reckless in either direction.

Mark Dioguardi, a partner with Scottsdale law firm Dioguardi & Flynn LLP, said a revived real estate market along



Dioguardi

with government spending on construction and public works will help consumers and the economy.

"We need to create jobs by creating things we need and will add value to our society. People should be put to work building and rebuilding our nation's roads, bridges, dams, schools and other infrastructure, as well as sustainable energy supplies," said Dioguardi, whose firm specializes in real estate, bankruptcy and commercial litigation. "This will rev up demand and spending for goods and services, and pull us out of recession."

The idea of priming the pump via construction is backed by a number of governors and big-city mayors, including Arizona Gov. Janet Napolitano and Phoenix Mayor Phil Gordon. The city of Phoenix needs to cut \$250 million from its budget and could slash 1,000 jobs.

Gordon wants to forge ahead with \$39 million worth of bond-approved capital projects, and he said the city has \$250 million worth of construction projects at Phoenix Sky Harbor International Airport that could be fast-tracked via federal grants or loans. He said that type of infusion gets money into the economy faster than some of the Wall Street and bank bailout measures being undertaken.

Others say consumer and economic confidence are key.

"It's the uncertainty and volatility

that's causing many folks to hold on to their money. They don't want to spend it when they may need it tomorrow, or next week, or next month," said Mary Ann Miller, CEO of the Tempe Chamber of Commerce.

Joan Koerber-Walker, CEO of the Arizona Small Business Association, said while consumers are strapped by high debt, low savings and the rest of the economic fallout, "children still need new shoes. Businesses still need inventory and continue to produce."

Koerber-Walker pointed to families and businesses that still need staple items and new goods and equipment from time to time. She said businesses have plenty of inventory to support durable goods, discretionary and staple purchases, and that some economic optimism would help.

"We need to stop listening to all of the naysayers and start each doing a little bit to help the economy any way we can," she said.



Miller



Koerber-Walker

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David & Sam PR: www.davidandsampr.com

Dioguardi & Flynn LLP: www.dioguardiflynn.com

Tempe Chamber of Commerce: www.tempechamber.org

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