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## CREDIT & COLLECTION MATTERS

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*Get the Law Firm Advantage to Debt Recovery*



Issue 48

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### CONSUMER SPENDING UP DESPITE HIGHER GAS PRICES

Americans might complain about higher gasoline prices, but new government data show that hasn't stopped them from driving to the mall. Retail sales jumped 1.1% in February, the biggest monthly increase since last fall, the Commerce Department reported. Consumers went shopping for new cars, clothes, electronics and sporting goods despite spending 3.3% more at gas stations. The results boosted estimates of how fast the economy is growing, particularly on the heels of data showing a strengthening job market.

"Consumers are holding their own and have some extra cushion to withstand higher gasoline prices," said Chris G. Christopher Jr., U.S. economist for IHS Global Insight.

The data show a new resilience among consumers, which could be a missing ingredient in the recovery, economists said. Consumer confidence, jobs and income have all rebounded, but overall growth has still been tepid. Experts have been waiting for consumers to open their wallets because they are the backbone of the economy.

Recent numbers suggest the growth in jobs is finally putting more money in Americans' pockets and fueling more spending. According to government data, the average price of a gallon of regular gasoline has jumped 16% since the beginning of the year, to \$3.829. Generally, economists worry that higher fuel costs are leaving households with less money to spend on other items.

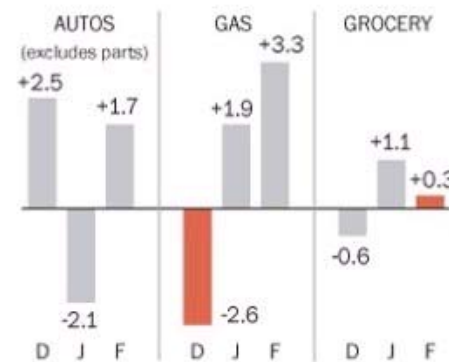
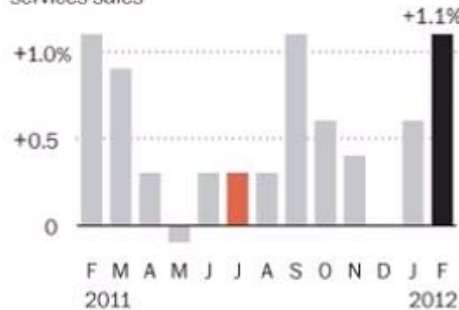
But so far at least, those fears have not materialized. Sales in February rose in almost every category of retailing. Automakers confirmed a strong month with a 1.6% increase in sales. Analysts were particularly heartened by increases in discretionary spending in sectors such as clothing, which was up 1.8% from the previous month. Even long-struggling department stores showed a healthy 1.5% gain.

Several factors have helped buffer Americans' budgets. A big contributor - and also one of the most unpredictable - has been the relatively mild winter. That has reduced many families' heating costs and balanced out the rise in gasoline prices. It also has spurred jobs in construction and even inspired shoppers to work on their yards, helping to boost sales at building and garden stores by 1.4% in February.

Consumers have also weathered even higher fuel costs before. Last spring, gas prices climbed to nearly \$4 a gallon before tapering off. A recent poll by Gallup found that Americans on average feel gas would need to reach \$5.30 a gallon before they significantly cut back on spending.

#### Retail sales

Monthly percentage change in retail and food services sales

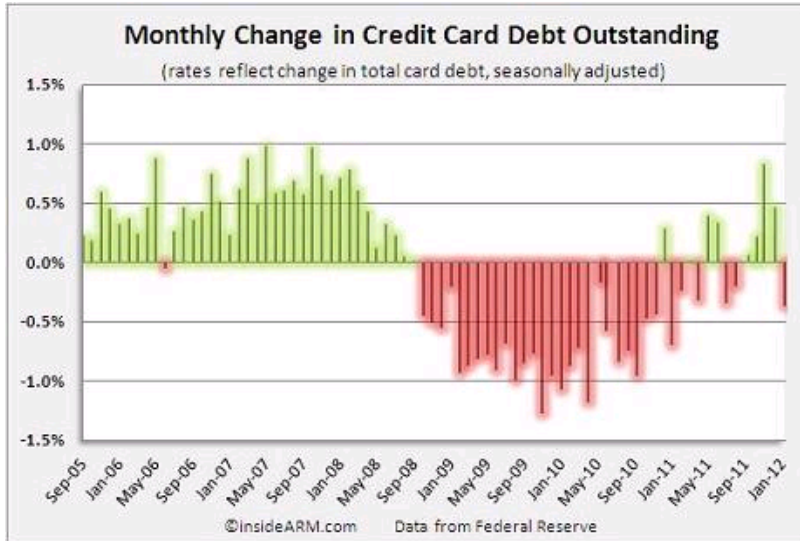


Source: Census Bureau | The Washington Post

## CREDIT CARD DEBT FALLS IN JANUARY

U.S. consumers eased up on credit card spending in January breaking a streak of four straight months of total outstanding credit card debt growth. The Federal Reserve released data that showed a 4.4% annualized decrease (a 0.37% decrease from December 2011), or by \$2.9 billion. Total consumer credit card debt outstanding was \$800.8 billion at the end of January 2012.

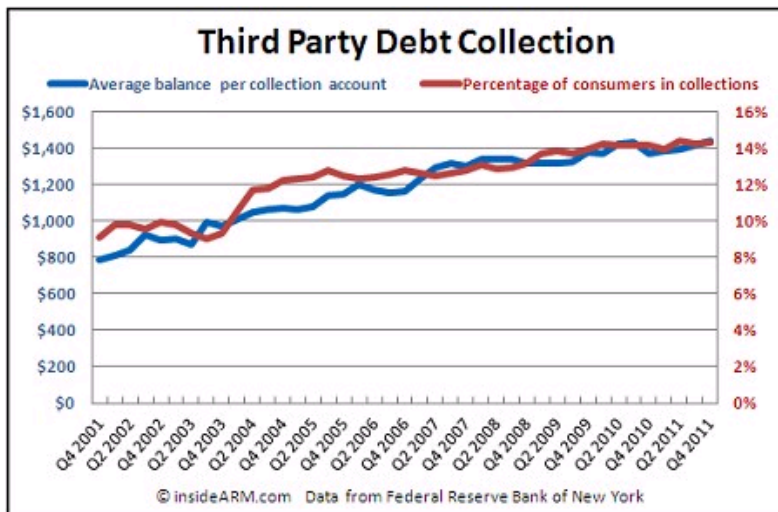
Credit card debt had been on a bit of a tear, increasing 6% in the fourth quarter of 2011, the longest sustained period of growth since 2008. From October 2008 to September 2011, consumer credit card balances shrunk by more than \$180 billion, fueled by a meteoric rise in bank charge-offs and extremely slow growth in credit card lending.



But other types of credit expanded at a record rate in January. Non-revolving debt, which includes auto and student loans, rose \$20.7 billion during the month. It was the largest dollar increase since November 2001. Total consumer credit outstanding, not including debt backed by real estate, was \$2.512 trillion in January.

Source: Inside ARM

## DEBT COLLECTORS PURSUING 14% OF AMERICANS



The Federal Reserve Bank of New York said Monday that more than 14% of American consumers have an account that has gone into the third party debt collection market. In its "Quarterly Report on Household Debt and Credit," the Federal Reserve Bank of New York (FRBNY) said that in the fourth quarter of 2011, 14.29% of Americans were in collection, the second-highest rate ever recorded (after 14.38% in the second quarter of 2011).

The average balance of accounts being pursued by third party debt collectors hit an all-time high of \$1,437 in the fourth quarter.

Source: Inside ARM

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## TOOTH FAIRY FEELING ECONOMIC CRUNCH

This bad economy really bites for kids these days. The Tooth Fairy's average going rate for a baby tooth last year dropped to **\$2.10**, down 42 cents compared with **\$2.52** in 2010, according to a survey sponsored by Delta Dental. According to The Original Tooth Fairy Poll, the 17% decline in the value of a baby tooth has to do with the economy.

"Like many Americans, the Tooth Fairy needed to tighten her belt in 2011, but she's hopeful for a recovery this year," Chris Pyle, spokesperson for the Delta Dental Plans Association, said in a statement.



On the upside, the Tooth Fairy visited 90% of respondents' homes last year. The Original Tooth Fairy Poll, which surveyed 1,355 parents across the country, yielded these additional findings:

- The most common amount left under the pillow by the Tooth Fairy is \$1.
- Most children find more money under the pillow for their first lost baby tooth.
- 35% of those surveyed allow their children 3-4 sugary drinks a day. Dentists say that's too many.
- 71% of those surveyed first take their child to the dentist between 2-3 years old. Dental professionals recommend that parents take their children to the dentist by age 1 or within six months after the first tooth erupts.

The Original Tooth Fairy Poll has generally been a good barometer of the economy's overall direction. In fact, the trend in average giving has tracked with movement of the Dow Jones Industrial Average (DJIA) in seven of the past 10 years.

Source: Delta Dental/The Business Insider

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## SHAMROCKS, SNAKES & A SAINT: ST. PATRICK'S DAY FACTS



St. Patrick's Day - a day to don green, watch parades, decorate with shamrocks, and toast with pint of beer - all in celebration of the Christian Saint Patrick. Today, it is among the most celebrated saint's days in the world. But what is known of this most-celebrated saint?

### Was he even Irish?

The answer? No – not by birth. St. Patrick was born around 390 A.D. born to a wealthy Romano-British family in Britain. As a teenager, he was kidnapped and sent overseas to tend sheep as a slave in the mountainous countryside of Ireland.

### Why are shamrocks symbolic of St. Patrick's Day?

While in Ireland, St. Patrick became a very deeply believing Christian.

After escaping back to Britain on a pirate ship, St. Patrick felt the desire to return to Ireland and spread the message of Christianity throughout the country. He used a shamrock to explain the Christian Holy Trinity; the Father, the Son, and the Holy Spirit. Although people associate shamrocks with the Irish, they are not unique from any other clover species found throughout Europe.

### Did St. Patrick really banish the snakes from Ireland?

The story goes that while on top of a hill fasting, Patrick was attacked by snakes and he chased them down the hill and into the ocean. However, according to National Geographic, there were never snakes in Ireland. This is because the ocean surrounding the island is very cold and snakes never traveled through it to get to the Emerald Isle.

### When was the first St. Patty's Day Parade?

For centuries March 17th was not a holiday full of parades but a solemn religious event and a time to have a large family meal. So where did the parades come from? On March 17, 1762, Irish soldiers serving in the English military marched through New York City. Along with their music, the parade helped the soldiers reconnect with their Irish roots. The tradition has been going on every year since with other cities such as Boston, Philadelphia and Chicago boasting large St. Patrick's Day parades.

### Why Green?

People wishing to become "Irish for the day" opt to wear green - in clothing, accessories, hair dye and even face paint. However the Irish didn't always look so kindly on donning the color green. Irish folklore considered the color unlucky as it was the favorite shade of the Good People (leprechauns). Those who wore too much of the color – especially children – could be stolen away.

Source: National Geographic/DiscoverIreland.com

