

Appendix

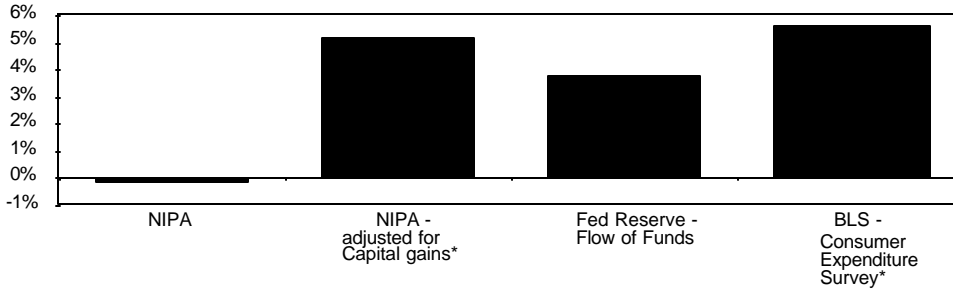
Consumer Myths

The savings rate is far higher than conventional measures suggest.

Methodological issues distort the NIPA savings rate. The most egregious being the exclusion of realized capital gains to disposable income and the inclusion of the corresponding capital gain tax to outlays.

Savings Rate

2000 U.S. Savings Rate

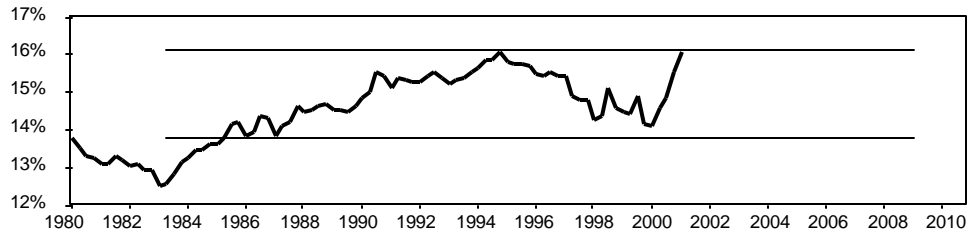


* UBS Warburg estimates

Consumer Debt

Consumer debt ratios are rising, but not extraordinary versus levels of past 20 years.

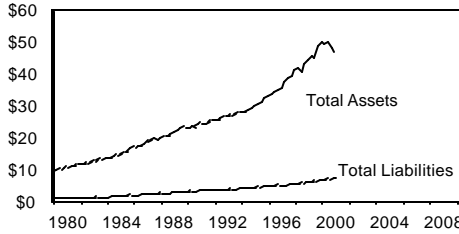
Total Household Liabilities as % of Total Household Assets



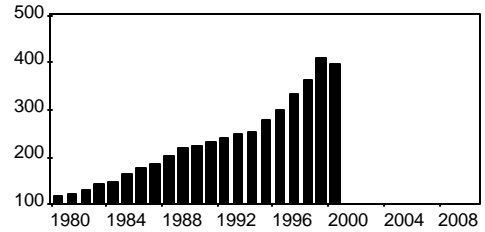
Balance sheets remain solid as a result of continued solid disposable income growth and large accumulated savings base.

Since 1980 household net worth has expanded from \$9.5 trillion to \$41.4 trillion.

Total Household Assets and Liabilities (\$tr)

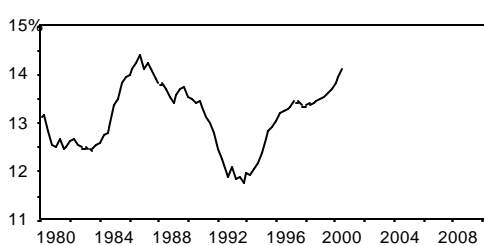


Net Worth per Household (\$000s)

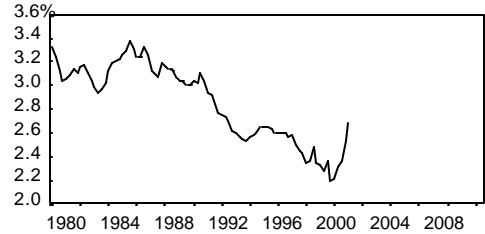


So despite high debt ratios on current income (but again but not extraordinary versus levels of past 20 years), consumers are feeling more comfortable with higher levels of debt given their increased net worth. Ratio of debt payments as a percentage of income plus financial assets is still near historical lows.

Debt Service Payments as % of Disposable Income



Debt service payments as a percentage of personal disposable income plus household financial assets



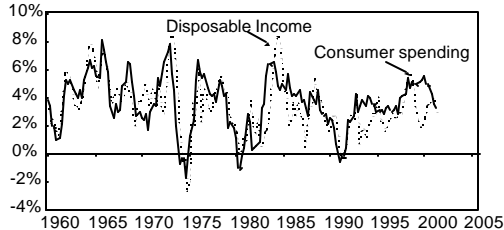
Correlation Coefficient of Real Consumer Spending with 1960 - 2000

Real disposable income	0.74
Employment	0.67
Stocks (S&P 500)	0.20

What ultimately drives consumer spending growth is income growth—not changes in stock prices.

Wealth Effect

Real Disposable Income and Consumer Spending Year over year percent change



S&P 500 and Real Consumer Spending Year over year percent change

