

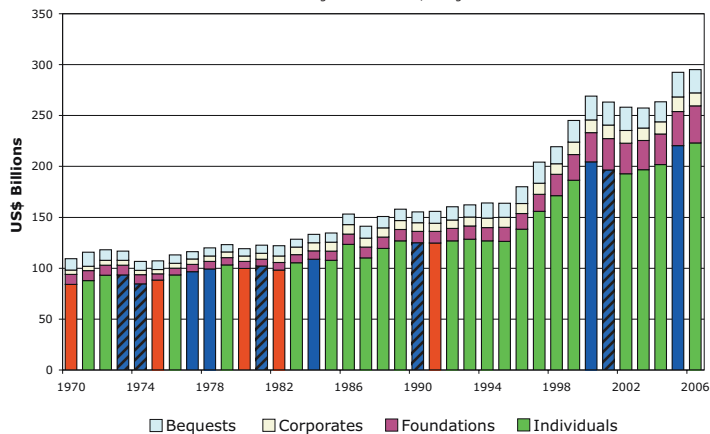
Recession giving: US vs Australia

While charitable giving has grown strongly in recent years both in Australia and the USA, current weaknesses in global economies and share markets are causing some concern for future giving levels. **John McLeod** examines the past evidence and looks at some of the factors that influence how hard the current situation might bite.

US Giving Trends

The long and detailed records of US philanthropy allow good analysis of the effect of recessions and share market falls on giving levels from a range of sources (individuals, foundations, corporations and bequests).

Graph 1 – US Charitable Giving (inflation adjusted)
 (recession years shown in red)
 (-ve share market years shown in blue)
 (combined recession and -ve share market are striped)
 Source: Giving USA Foundation/Giving USA 2007



Since 1970, the US has experienced 10 years of recession and 10 years of share market falls, including five which have coincided (see Graph 1). Many believe that 2008 will add to both tallies. Over this period, real levels of giving have grown annually by 2.8% after inflation of 4.7%. However isolating the periods of recession and share market falls changes the pattern considerably.

Giving by individuals (76% of total giving) is most affected in years of recession, but copes reasonably well with share market falls alone. Feelings of broader economic negativity, like those experienced during recession, seem to impact more on individuals than dips in the share market.

For foundations (12% of total giving), it seems that share market moves don't affect giving until it is remembered that most make grants to the value of 5% of their assets in the following year, making the share market an excellent leading indicator.

While a negative year in the share market will show up in the next year of giving by foundations, paradoxically, strong giving in the year of the market fall often reflects the stronger markets prior to that fall.

For corporates (4% of total giving), patterns are similar to foundations, with recessions having a greater impact on profitability, and in turn, giving levels.

Finally, bequests (8% of total giving) are, not surprisingly, relatively independent of recessions and share market falls. They are however the most unpredictable giving source, being almost three times more volatile than total giving levels.

Annual Changes in Giving Growth – USA 1970-2006

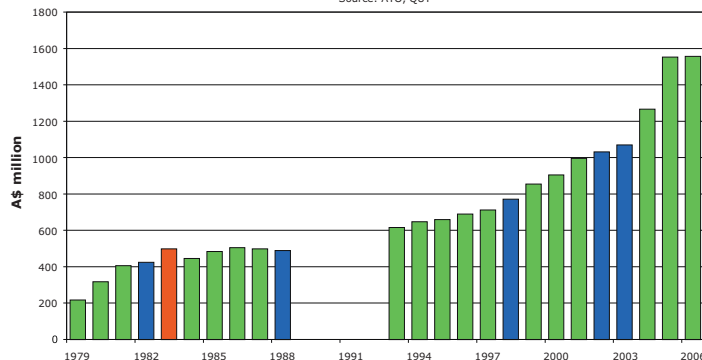
	Individuals	Foundations	Corporates	Bequests	Total
In all Years	2.8%	4.0%	3.0%	2.9%	2.8%
In recessions	-1.7%	-3.1%	-1.1%	2.1%	-1.6%
In share market falls	1.6%	3.7%	4.3%	2.66%	2.0%

Boxing Kangaroo Fights On

The timescale and detail available for Australian giving data (individuals only) doesn't allow the same depth of analysis as for the USA. However share markets have had a more marked affect here with average real giving levels increasing by 14.4% overall, but reducing giving growth to 8.5% in the five market fall years (see Graph 2).

This stronger growth in Australian giving reflects a number of factors including a lower starting base, generous response to natural disasters, and the recent emergence of giving to prescribed private funds (PPFs).

Graph 2 – Australian Individuals Tax deductible Giving (inflation adjusted)
 (recession years shown in red)
 (-ve share market years shown in blue)
 Source: ATO, QUT



While 2008 (due to a potential recession) and 2009 (year following a share market fall) might be difficult years for US giving growth, history suggests Australia may fair a little better from individual giving. And even our foundation giving, mostly based on income rather than percentage of assets, should still see gains, especially with new PPFs boosting totals. **F&P**



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