Consumer Confidence Evaporates

ORANGE, CA — The Anderson Center’s California Composite Index of Consumer Sentiment has plunged to 82.8 in the second quarter of 2007. The decline of about 19 points in the sentiment index from the first quarter of 2007 represents the largest quarterly drop in the index since the third quarter of 2002 when this survey began. An index level below 100 reflects a higher percentage of pessimistic consumers as compared to those that are optimistic. Continued housing market woes coupled with higher gasoline and food prices are negatively impacting consumers’ assessment of the current and future economic conditions.

The University of Michigan’s consumer confidence index measuring consumers’ sentiment at the national level now stands at 88.3 for the month of May, a decline from the level of 91.3 reported in the first quarter (month of February).
The California Composite Index is generated based on three indices: consumers’ outlook on current and future economic conditions, and an index measuring consumers’ future spending plan. All three components of the composite index declined in this quarter.

The index measuring future economic conditions dropped dramatically from 101.7 in the previous quarter to 80.6 in the second quarter of 2007—a decline of 20 points. The index measuring current economic conditions also shows a decline from a level of 97.4 in the first quarter of 2007 to 81.9 in the second quarter of 2007.

The index measuring consumers’ planned spending on big ticket items has fallen to 88.9 from 111.2 in the second quarter of 2007. This suggests that consumer spending over the next six months will decline sharply from the level experienced in the first quarter of this year.
**BACKGROUND AND METHODOLOGY:**

Beginning in the third quarter of 2002, the Anderson Center for Economic Research at Chapman University launched a survey to measure California consumer sentiment. This survey is similar to the monthly national survey of consumer sentiment conducted by the University of Michigan.

A survey comprised of six questions is mailed to a stratified sample of 5,000 residences throughout the state, with a historical response rate of 5 to 10 percent. Three questions relate to the current economic conditions, two questions address future economic conditions (one year outlook) and one question evaluates the consumers’ current plan for purchasing big ticket items.

The results are summarized into four indices. One index measures consumer sentiment about the current economic condition, a second measures consumers’ future economic expectations, the third is a composite index representing overall consumer confidence, and the fourth index measures consumers’ current spending plan on durable goods.
ABOUT THE ANDERSON CENTER FOR ECONOMIC RESEARCH:

The A. Gary Anderson Center for Economic Research (ACER) was established in 1979 to provide data, facilities and support in order to encourage the faculty and students at Chapman University to engage in economic and business research of high quality, and to disseminate the results of this research to the community.

ANNUAL SCHEDULE OF CONFERENCES AND PRESS RELEASES:

JANUARY
- Economic Forecast Conferences for Los Angeles County and the Inland Empire
- California Purchasing Managers Survey

FEBRUARY
- California Leading Employment Indicator

MARCH
- California Consumer Sentiment Survey

APRIL
- California Purchasing Managers Survey

MAY
- California Leading Employment Indicator

JUNE
- Economic Forecast Update Conference for the U.S., California, Orange and Los Angeles counties, and the Inland Empire
- California Consumer Sentiment Survey

JULY
- California Purchasing Managers Survey

AUGUST
- California Leading Employment Indicator

SEPTEMBER
- California Consumer Sentiment Survey

OCTOBER
- California Purchasing Managers Survey

NOVEMBER
- California Leading Employment Indicator

DECEMBER
- Economic Forecast Conference for the U.S., California and Orange County
- California Consumer Sentiment Survey