Consumer Confidence Tumbles

ORANGE, CA — The Anderson Center’s California Composite Index of Consumer Sentiment has tumbled to 71.0 in the fourth quarter of 2007. This represents a 25 percent drop from the third quarter and is 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 who are optimistic. Continued housing market woes, a volatile stock market, high gasoline prices, and concerns about the job market are negatively affecting consumers’ expectations about current economic conditions.

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 of the three components of the composite index dropped in this quarter as compared to the third quarter levels.
The index measuring **current** economic conditions shows a deep plunge from a level of 90.3 in the third quarter of 2007 to 55.9 in the fourth quarter of 2007 – a sharp drop of 38 percent. Likewise, the index measuring **future** economic conditions declined, although not as much, from 102.0 in the previous quarter to 85.9 in the fourth quarter of 2007.

![CALIFORNIA CONSUMER SENTIMENT
Current v. Future Conditions](image)

The index measuring consumers’ planned spending on big ticket items decreased by about 16 points in the fourth quarter of 2007 from the previous quarter and is sharply lower from the reading of 103.5 in the fourth quarter of 2006. This decline suggests further cutback in spending over the next six months – clearly bad news to retailers especially in this holiday season.

![CURRENT SPENDING PLAN](image)
**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