Consumer Confidence Drops Again

ORANGE, CA — After a sharp drop in California Consumer Confidence in the previous quarter, the Anderson Center’s California Composite Index of Consumer Sentiment has declined again to a level of 66.3 in the first quarter of 2008. This marks the lowest level of our Consumer Sentiment Index since the beginning of this survey in the third quarter of 2002. An index level below 100 reflects a higher percentage of pessimistic consumers as compared to those who are optimistic. Continued housing market woes, high gasoline prices, concerns about the job market, and a volatile stock market are negatively affecting consumers’ expectations about current and future 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. Two of the three components of the composite index dropped in this quarter as compared to the fourth quarter levels.
The index measuring current economic conditions shows a decrease from a level of 55.9 in the fourth quarter of 2007 to 46.4 in the first quarter of 2008. Similarly, the index measuring future economic conditions declined from 85.9 in the previous quarter to 80.8 in the first quarter of 2008.

The index measuring consumers’ planned spending on big ticket items is the only index that increased after a decline of roughly 16 points last quarter. The index rose by about 5 points from the low of 71.8 in the fourth quarter of 2007 to 77.1 in the first quarter of 2008. A reading of 77.1, however, suggests that a higher percentage of consumers are expected to curtail spending versus those who plan to increase spending over the next six months.
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