

CALIFORNIA CONSUMER CONFIDENCE SURVEY

Survey and Policy Research Institute at San Jose State University

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California consumer confidence plunges to two-year low, driven by negative assessments of current conditions

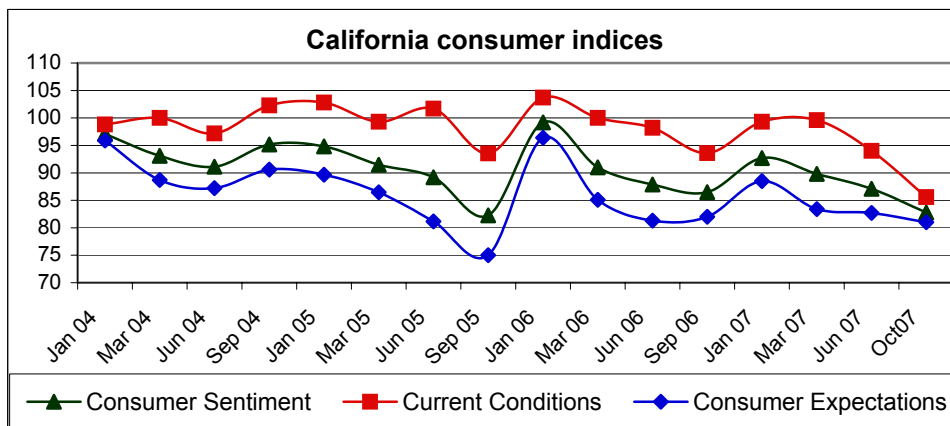
SAN JOSE (October 16, 2007) -- Consumer confidence in California dropped in October, driven by a sharp downturn in assessments of current economic conditions, according to the latest California Consumer Confidence Survey conducted by the Survey and Policy Research Institute at San Jose State University.

Overall, the Index of Consumer Sentiment for California now stands at 82.8, down more than four index points from 87.1 in June. This is the lowest level recorded by SPRI since September 2005, when consumer confidence dropped in the wake of Hurricane Katrina.

Assessments of Current Economic Conditions fell more than eight points to 85.6 in October, from 94.0 in June, to their lowest level since SPRI began its statewide survey in January 2004. The forward-looking Index of Consumer Expectations dropped only slightly in October to 81.0, down from 82.7 in June.

Nationwide, consumer confidence has also declined – with the national Index of Consumer Sentiment standing at 82.0 in September – down from 83.7 in June.

"The slump in the housing market and the return of \$3 gas at the pump has Californians feeling much worse about current conditions," said survey director Dr. Melinda Jackson, assistant professor of political science at San Jose State University. "There's no doubt the economy has taken some hits in recent months. But despite the current downturn, consumers are not spiraling into economic despair – they still express hope that the national economy will start to improve before too long."

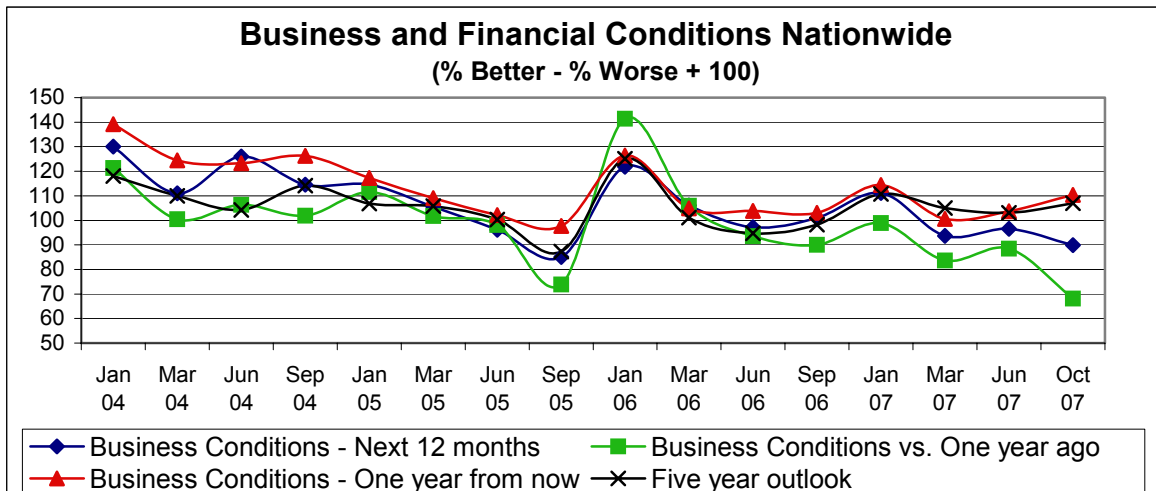


NOTE: The Index of Consumer Sentiment (ICS) combines consumer perceptions about Current Economic Conditions (CEC) and the Index of Consumer Expectations (ICE).

California consumers expressed declining assessments of their personal financial situations in October, with 36% saying that they are better off now than they were a year ago, down from 40% in June, and 26% saying they are worse off, compared to 22% three months ago.

In addition, fewer than half of all Californians (45%) in October reported that they expect their family income to increase in the next 12 months, while 40% expect it to remain the same and 11% expect it to decline. Expectations differed sharply by household income, with just 36% of those making less than

\$50,000 a year expecting their income to increase in the coming year, compared to 53% of those in households making over \$100,000 a year.



Assessments of business conditions in the country were mixed, with consumers expressing hope that the current downturn will prove short-lived. In October, just 23% of California consumers said business conditions in the country were better now than they were one year ago, down from 31% in June, while 55% said they were worse, compared to 43% in June. On the other hand, 33% of consumers said that they expected business conditions to be better one year from now, up slightly from 29% in June, while 23% expected them to worsen, compared to 24% in June.

Consumers in the state were also split in their short- and long-term expectations for the national economy. Twenty-eight percent of Californians said they expect business conditions in the country to be good in the next 12 months, down from 31% in June, while 38% of consumers said they expect business conditions to worsen in the coming year, up from 35% in June.

Asked about long-term expectations, 36% of California consumers in October said they expect the country to experience continuous good financial times in the next five years, up slightly from 34% in June. Expected periods of widespread unemployment or depression in the next five years were down slightly at 29%, compared to 31% in June.

Index	Consumer Sentiment					Current Economic Conditions					Consumer Expectations				
	Sep 06	Jan 07	Mar 07	Jun 07	Oct 07	Sep 06	Jan 07	Mar 07	Jun 07	Oct 07	Sep 06	Jan 07	Mar 07	Jun 07	Oct 07
North	85.5	92.7	90.7	87.0	81.2	94.0	100.4	100.0	93.6	84.1	80.0	87.8	84.7	82.7	79.3
South	87.6	92.9	89.2	87.1	83.9	93.6	98.9	99.3	94.3	86.4	83.7	89.0	82.7	82.5	82.2
SiliconVall	87.0	95.8	91.4	87.9	83.3	95.5	105.7	98.8	93.2	87.9	81.5	89.5	86.6	84.4	80.3
BayA	85.3	93.5	91.4	87.3	82.5	94.7	100.4	100.8	92.8	88.7	79.3	89.0	85.4	83.7	78.6
LA	88.3	95.8	88.3	81.9	80.2	90.6	98.9	99.6	89.0	83.4	86.8	93.9	81.0	77.4	78.1
OthrSoCal	87.7	89.3	91.1	92.4	87.0	96.6	98.5	97.7	100.0	89.4	82.0	83.4	86.8	87.6	85.4
CentVall	87.3	91.8	89.6	89.2	81.9	94.3	97.0	99.3	100.4	80.0	82.7	88.5	83.4	82.0	83.2
CA	86.5	92.7	89.8	87.1	82.8	93.6	99.3	99.6	94.0	85.6	82.0	88.5	83.4	82.7	81.0
US	85.4	91.7	88.4	83.7	83.4	96.6	108.1	103.5	100.2	97.9	78.2	81.2	78.7	73.0	74.1

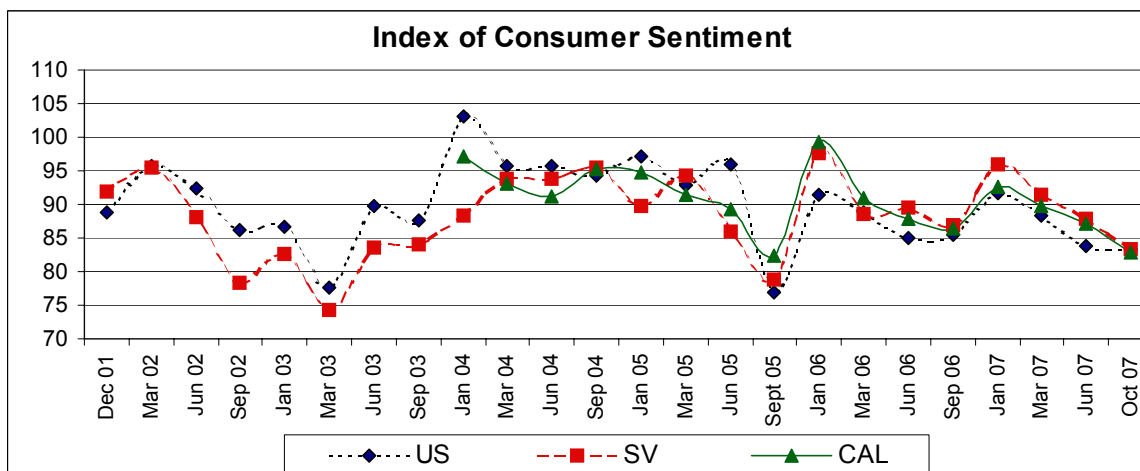
Note: Index numbers = % positive responses - % negative responses + 100

When asked about their general sense of how things are going in the country, just 26% of Californians said in October that they think things are going in the right direction, while more than double that number – 59% -- think things are seriously off on the wrong track. The number of California consumers rating the government’s handling of the economy as poor in October (42%) was also more than double the 18% who gave the government good marks.

Fears of rising interest rates and prices both declined in the third quarter, however. In October, 41% of California consumers said they expect interest rates to increase, down sharply from 61% in June.

Inflation expectations also declined, with 66% of Californians saying they expect to see rising prices in the next 12 months, down from 78% in June.

Concerns about unemployment increased slightly, with 37% of state residents saying in October that they expect more people to be out of work in the coming year, compared to 34% in June.



Note: Index numbers = % positive responses - % negative responses + 100

Despite these declines, Californians remained more optimistic about the future compared to the country as a whole, as has been the case over the past year. The Index of Consumer Expectations in the state, at 81.0, is nearly seven index points higher than the national ICE of 74.1.

On the other hand, the index of Current Economic Conditions was lower in California at 85.6, compared to the national figure of 97.9. While the overall Index of Consumer Sentiment fell in California, to 82.8 in October, from 87.1 in June, the national ICS remained essentially unchanged at 83.4 in September, compared to 83.7 in June, as reported by the University of Michigan.

Within the state, residents of southern California outside of Los Angeles gave the most positive ratings for current conditions (89.4), while those in the Central Valley were least positive (80.0). At the same time, residents of southern California outside of Los Angeles had the highest expectations for the future (85.4), while their neighbors in Los Angeles expressed the most negative expectations (78.1).

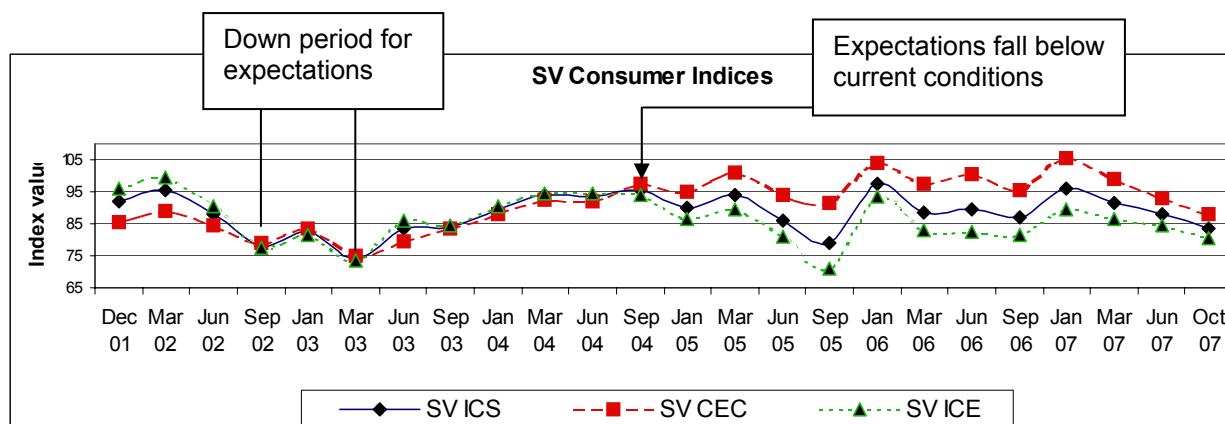
Silicon Valley

Consumer confidence among Silicon Valley residents declined in October, with more negative assessments of both current and future economic conditions, although judgments of personal finances remained more positive.

In October, 43% of Silicon Valley consumers said their personal financial situation was better now than one year ago, up from 38% in June, while 24% said it was worse, similar to 23% in June. When asked about their family income, 45% of those in Silicon Valley said they expected it to be higher in the coming year, while 38% expected it to stay the same, and 11% thought it would be lower.

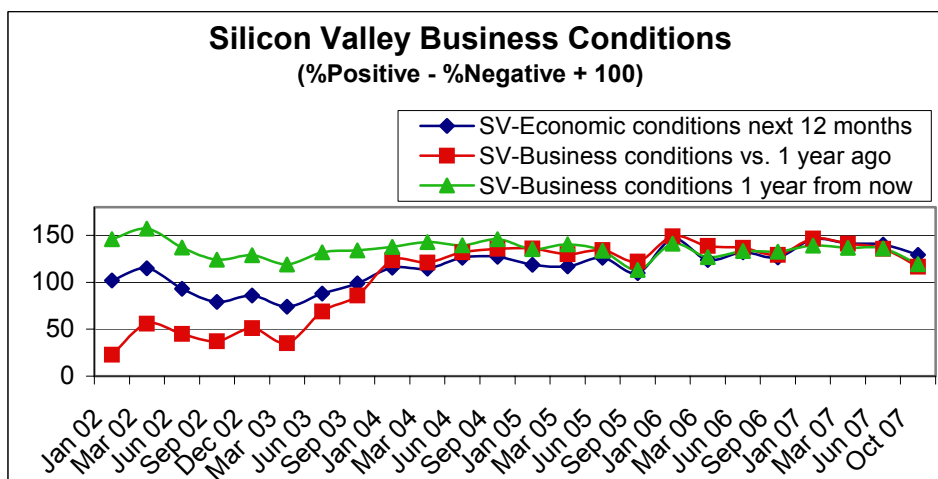
As has been the case since September 2004, economic expectations for the future in Silicon Valley are less positive than judgments of current conditions. The Current Economic Conditions (CEC) index among Silicon Valley consumers fell more than five points to 87.9 in October, from 93.2 in June. The Index of Consumer Expectations (ICE) fell four points in October to 80.3, with expectations remaining three index points lower among Silicon Valley residents than assessments of current conditions.

“Silicon Valley has not been a hub of entrepreneurial optimism for about three years now,” said SPRI Director Phil Trounstein. “The dot-com crash, runaway manufacturing, layoffs and rising energy costs all have conspired to make people in the valley wary about the future.”



Note: Index numbers = % positive responses - % negative responses + 100

In October, 30% of those in Silicon Valley said they expect to see good times financially in the country over the next 12 months, while 37% expect to see bad times. Silicon Valley consumers were split with regard to long-term expectations, with 35% expecting to see continuous good times in the next five years, and 36% anticipating periods of widespread unemployment or depression.



Looking at conditions in the Silicon Valley itself, 46% of residents say that business conditions are better than they were one year ago, down from 57% in June. But looking ahead, 49% of Silicon Valley consumers anticipate good financial times in the region in the next 12 months, while just 20% anticipate bad times.

About the Study

The Survey and Policy Research Institute at San Jose State University polled a random sample of 652 Californians 18 years of age and older October 1-8 in English and Spanish as part of the California Consumer Confidence Survey. Results for all adults were weighted for region and gender to match the 2000 U.S. Census. The margin of error for the statewide results, at the 95% confidence level, is plus or minus 3.8%. The sub-sample in the survey for Silicon Valley included 177 respondents for a margin of error of plus or minus 7.4%.