

CALIFORNIA CONSUMER CONFIDENCE SURVEY

Survey and Policy Research Institute at San Jose State University

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Consumer confidence slumps as outlook sinks in Southern California

SAN JOSE, July 14 -- Despite growing optimism in the Bay Area and Silicon Valley and evidence that the national economy is recovering, California's overall consumer confidence slumped again in the second quarter of 2004, driven down by disaffection throughout the southern part of the state.

California's Index of Consumer Sentiment at the end of June was 91.1, down 2 points from March and 6 points from January, according to findings of the Survey and Policy Research Institute at San Jose State University.

But the statewide figures obscure the vast differences between Northern California, where confidence is rebounding, and Southern California, where consumer sentiment has declined sharply.

In Northern California, for example, consumers' sense of their current economic conditions improved slightly in the first six months of the year while their expectations for the future declined slightly. Overall, consumer sentiment in Northern California is little changed from the beginning of the year.

In Silicon Valley, where consumer sentiment lagged far behind the rest of the state six months ago, optimism has steadily grown, and the region's Index of Consumer Sentiment now is 93.1 -- up 4.2 points from January and 2 points higher than the statewide figure.

But in Southern California, which began the year more buoyant than the North, consumers' sense of their current circumstances and especially their expectations for the future have soured significantly, dragging down the overall measure of consumer sentiment.

"Southern California consumers started off the year much more confident than their counterparts in Northern California," said Dr. Miriam Gasko Donoho, professor of marketing at SJSU and director of the California Consumer Confidence Survey. "But over the past six months, Southern California consumers' level of comfort and optimism have declined sharply, plunging below their neighbors to the North."

Index of:	Consumer Sentiment			Current Economic Conditions			Consumer Expectations		
	4-Jan	4-Mar	4-Jun	4-Jan	4-Mar	4-Jun	4-Jan	4-Mar	4-Jun
Northern CA	93.3	91.5▼	92.9▲	93.9	94.9▲	96.7▲	92.8	89.3▼	90.4▲
Southern CA	99.5	94.2▼	89.9▼	102.1	103.4▲	97.3▼	97.9	88.3▼	85.1▼
Silicon Valley	89.5	93.8▲	93.7▶	87.9	92.6▲	92.3▼	90.5	94.5▲	94.6▶
Bay Area	88.9	90.9▲	93.1▲	87.9	91.4▲	92.9▲	89.1	90.5▲	93.2▲
Los Angeles	98.2	89.3▼	86.1▼	97.2	97.5▲	92.7▼	98.9	84.0▼	82.0▼
Other So Cal	102.6	99.7▼	92.9▼	106.8	110.2▲	99.7▼	99.9	92.9▼	88.6▼
Central Valley	97.5	93.3▼	93.3▶	102.4	99.6▼	102.1▲	94.4	89.2▼	87.7▼
CALIFORNIA	97.1	93.1▼	91.1▼	98.8	100.0▲	97.2▼	95.9	88.7▼	87.2▼
US*	92.6	95.8▲	95.6▼	97	106.8▲	106.7▼	89.8	88.8▼	88.5▼

*University of Michigan

Despite the worsening consumer outlook, assessments of the government's handling of the economy and President Bush's approval rating on the economy brightened somewhat in June, with 22% giving the government high marks on economic policy -- up from 20% in March and 21% in January. Bush's approval on the economy also rose slightly to 37%, up from 35% in March but still down from 43% in January.

But Bush' overall approval rating as president continued its downward slide to 36% in June, from 38% in March and 49% in January, while his disapproval rose to 55%, from 50% in March and 40% in January.

The overall rating appears to be driven largely by assessments of the president's handling of the situation in Iraq. On that issue, Bush's approval rating statewide is just 29% -- a drop of 16 points from January, right after Saddam Hussein had been captured. In Los Angeles, where the president's approval on Iraq was 46% in January, it is just 22% today.

Disapproval of the president's handling of Iraq has risen to 63%, including 57% in Southern California surrounding Los Angeles -- the most Republican-leaning region of the state, where Bush enjoys his widest support.

	Bush presidency			Bush economy			Bush Iraq		
	Jan	Mar	Jun	Jan	Mar	Jun	Jan	Mar	Jun
Northern CA	41.5	36.3	35.0	35.7	32.0	35.8	39.4	32.5	28.0
Southern CA	53.3	38.9	37.2	47.4	36.9	38.3	51.0	37.5	28.5
Bay Area	31.5	27.9	26.3	27.3	25.5	30.3	31.1	24.2	22.0
Los Angeles	49.7	32.9	28.3	40.8	28.8	29.6	45.5	29.7	22.1
Other So Cal	58.4	43.7	43.1	55.5	42.2	44.1	57.0	46.1	34.4
Central Valley	51.1	48.1	46.5	45.8	42.6	42.9	49.2	43.2	35.9
CALIFORNIA	48.7	37.8	36.2	42.7	34.9	37.3	46.5	35.5	28.5

	Good Job / Approve			Only Fair			Poor Job / Disapprove		
	Jan	Mar	Jun	Jan	Mar	Jun	Jan	Mar	Jun
Govt economic policy	20.9	19.9	22.1	39.9	31.8	30.8	34.7	44.6	41.9
Bush presidency	48.7	37.8	36.2				40.4	49.9	55.0
Bush on economy	42.7	34.9	37.3				45.0	52.9	53.5
Bush on Iraq	46.5	35.5	28.5				43.1	54.4	63.1

A powerful component of the slide in consumer confidence is the decline in long-range expectations for the national economy. In June, just 35% predict the country will enjoy continuous good economic conditions over the next five years -- a drop from 40% in March and 47% in January. In looking five years forward, the differences between Northern and Southern California are sharply pronounced, with 39% in the North and just 32% in the South, expecting continuous good times. The Bay Area, despite its antipathy toward Bush, is more optimistic about the future than other regions, with 44% predicting good times ahead.

Another important component in the decline of consumer confidence is the perception of whether it is a good time to purchase durable goods, such as major household appliances. In January, 61% of California consumers said they felt it was a good time to spend money on major goods. In March, the figure slipped only fractionally to 60%. But in June, the measure dropped to 55% -- suggesting consumers are less willing to make major purchases.

Consumer Attitudes and Politics

The SPRI survey suggests a powerful relationship between consumer attitudes and the 2004 presidential campaign.

While John Kerry leads President Bush 50-39% among all likely voters in California, his lead is 56-32% among those who say their families are doing the same financially as they were a year ago and 65-19% among those who say they are doing worse. Meanwhile, Bush leads Kerry 56-35% among likely voters who say their families are better off now than they were a year ago.

For the most part, that is explained by the fact that while just 30% of Democrats and 32% if independents say they are better off than they were a year ago, 53% of Republicans say they are better off. Of those who say they are doing better than a year ago, 33% are Democrats, 12% are independents and 51% are Republicans.

Likewise, among those who say they expect their families to be in about the same financial shape a year from now, Kerry leads Bush 53-36% and among those who expect to be worse off he leads by 65-20%. But among those who say they expect to be better off a year from now, Bush beats Kerry 50-37%.

Those who believe they will be better off a year from now are disproportionately registered to vote as Republicans.

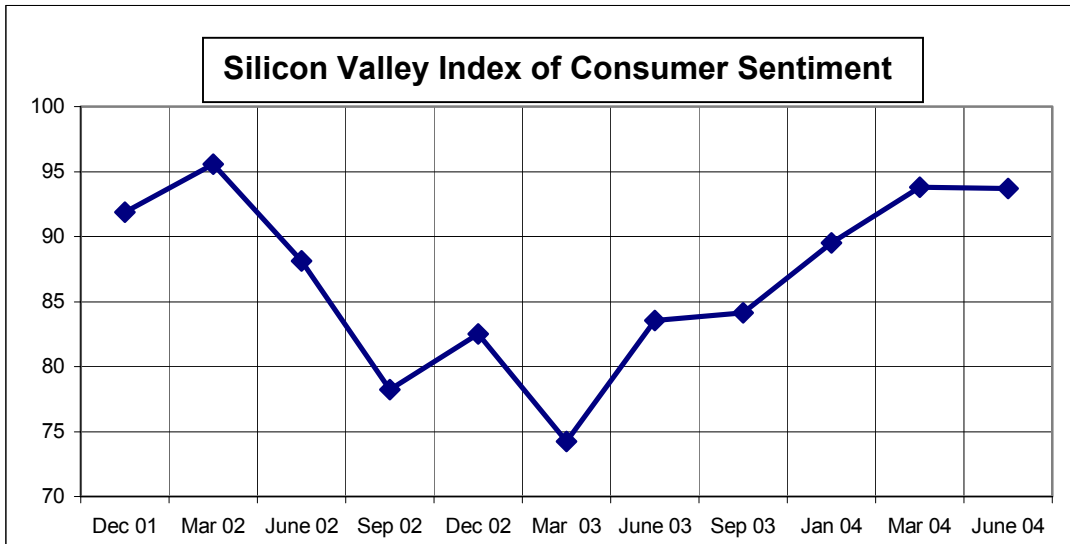
Silicon Valley

While consumer sentiment throughout California dipped in June, it remained steady in Silicon Valley. Although just about one third of consumers in the region say they are better off today than they were a year ago, assessments of the region's economic health have brightened considerably.

Last June, when Silicon Valley consumers were asked to compare regional business conditions to a year earlier, only 25.6% said conditions were better and 56.4% said conditions were worse. That assessment is now almost precisely reversed, with 54.7% saying business conditions today are better than a year earlier and 22.6% saying conditions in the valley are worse.

"In Silicon Valley at least, consumers are confident that the economy has begun to recover. They remain cautious about the impact on their own families, but their outlook is brighter by far than it was a year ago," said Philip J. Trounstine, director of SPRI.

Would you say that at the present time, business conditions in Silicon Valley are better or worse than they were a year ago?								
	Sep-02	Jan-03	Mar-03	Jun-03	Sep-03	Jan-04	Mar-04	Jun-04
Better Now	12.4	19.7	11.7	25.6	34.0	52.6	49.2	54.7
Same	8.4	9.3	8.7	14.8	13.1	12.6	15.0	17.1
Worse Now	75.7	68.5	76.3	56.4	47.6	29.1	28.3	22.6
Don't Know	3.3	2.5	3.0	3.1	5.2	5.6	7.5	5.3
Refused	0.2	0	0.2	0.1	0.1	0.0	0.0	0.4
Total	100	100	100	100	100	100.0	100.0	100.0



Methodology

SPRI surveyed 992 randomly selected California adults in English and Spanish June 28-July 2. The survey included 299 respondents in Silicon Valley, weighted to their proper regional proportion in the statewide sample. Results were weighted to correspond to the regional and gender distribution of adults in California. The margin of error for the statewide results is +/- 3%. The survey included 608 likely voters, defined as registered voters who vote always or most of the time. Results for voters were weighted to correspond with the regional and party distribution for California. The margin of error among likely voters is +/- 4%.

CALIFORNIA CONSUMER CONFIDENCE SURVEY JUNE 2004

A2 We are interested in how people are getting along financially these days. Would you say that you (and your family living there) are better off or worse off financially than you were a year ago?

	North	South	Bay Ar	LA	OthSCA	C Vall	C Coast	Rural	CALIF
Better Now	38.0	39.9	33.5	38.8	41.2	45.5	31.7	50.0	39.2
Same	33.8	34.2	38.3	33.7	34.0	28.8	38.1	26.9	34.1
Worse	25.3	23.0	25.8	25.7	21.4	23.1	22.2	19.2	23.8
Don't Know	2.5	2.4	1.4	1.8	2.7	2.6	6.3	3.8	2.4
Refused	0.5	0.5	1.0		0.8		1.6		0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

A3 Now looking ahead, do you think that a year from now you (and your family living there) will be better off financially, or worse off or just about the same as now?

	North	South	Bay Ar	LA	OthSCA	C Vall	C Coast	Rural	CALIF
Better Off	41.5	40.3	42.6	43.8	37.3	41.0	30.2	50.0	40.7
Same As Now	40.0	42.6	38.3	38.8	44.9	40.4	50.8	50.0	41.6
Worse Off	9.0	9.1	9.6	9.1	9.5	9.6	7.9		9.1
Don't Know	9.3	7.3	9.1	8.3	7.2	9.0	9.5		8.2
Refused	0.3	0.7	0.5		1.1		1.6		0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

A4 Now turning to business conditions in the country as a whole, do you think that during the next 12 months we'll have good times financially or bad times or what?

	North	South	Bay Ar	LA	OthSCA	C Vall	C Coast	Rural	CALIF
Good Times	41.6	38.7	42.9	36.2	41.2	39.5	40.3	44.0	39.9
Good and/or Bad	19.5	24.2	20.5	20.7	28.2	19.1	17.7	24.0	22.3
Bad Times	23.9	26.2	23.3	30.8	21.4	26.1	29.0	8.0	25.3
Don't Know	14.5	10.5	12.4	11.6	9.2	15.3	12.9	24.0	12.1
Refused	0.5	0.3	1.0	0.7					0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

A5. Would you say that at the present time business conditions in the country are better or worse than they were a year ago?

	North	South	Bay Ar	LA	OthSCA	C Vall	C Coast	Rural	CALIF
Better Now	47.0	38.9	51.7	33.7	40.1	44.6	54.1	36.0	42.2
About The Same	13.3	17.3	11.5	13.4	22.1	16.6	9.8	12.0	15.6
Worse Now	34.0	37.2	31.6	46.4	30.5	32.5	34.4	36.0	35.9
DK/Refused	5.5	6.1	4.8	5.8	6.5	6.4	1.6	16.0	5.9
Total	100	100	100	100	100	100.0	100	100	100

