

# **CALIFORNIA CONSUMER CONFIDENCE SURVEY**

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## Consumer confidence dips in California amid worries about the future

SAN JOSE, April 8, 2004 -- Consumers in most parts of California reported small but consistent improvements in their current economic conditions in March, but they are increasingly concerned about the future of the national economy and business conditions, according to the latest California Consumer Confidence Survey from San Jose State University.

Only four in 10 Californians expect that the country will enjoy good times financially in the coming year, compared to 51% who expressed that view in January. The outlook for the next five years is equally gloomy, with 40% of consumers expecting continuous good times, compared to 47% with that prediction in January.

As a result, California's Index of Consumer Sentiment declined by four points in the first quarter of 2004, led downward by sharply more pessimistic attitudes about the future among Southern Californians. In Los Angeles, for example, just 34% of consumers predict good times for the country financially, a drop of 17 percentage points from January.

The only region that is more optimistic across the board is the Bay Area, where consumers in Silicon Valley, who have been among the most battered in the state, are feeling more confident in the wake of the dot-com bust and more positive about their current circumstances and the future as well.

In March, the overall California Index of Consumer Sentiment stands at 93.1, compared to 97.1 in January. The nationwide March index was 95.8 as measured by the University of Michigan. The Index of Current Economic Conditions in California is 100, slightly up from 98.8 in January. But the Index of Consumer Expectations is 88.7, down significantly from 95.9 in January.

### California Consumer Indices

Index of:	Consumer Sentiment		Current Economic Conditions		Consumer Expectations	
	Jan 04	Mar 04	Jan 04	Mar 04	Jan 04	Mar 04
Northern CA	93.3	91.5▼	93.9	94.9▲	92.8	89.3▼
Southern CA	99.5	94.2▼	102.1	103.4▲	97.9	88.3▼
Silicon Valley	89.5	93.8▲	87.9	92.6▲	90.5	94.5▲
Bay Area	88.9	90.9▲	87.9	91.4▲	89.1	90.5▲
Los Angeles	98.2	89.3▼	97.2	97.5▲	98.9	84.0▼
Other So Cal	102.6	99.7▼	106.8	110.2▲	99.9	92.9▼
Central Valley	97.5	93.3▼	102.4	99.6▼	94.4	89.2▼
Central Coast	92.2	89.0▼	96.0	97.5▲	89.8	83.6▼
Rural CA	104.1	93.9▼	103.8	100.1▼	104.3	88.9▼
<b>CALIFORNIA</b>	<b>97.1</b>	<b>93.1▼</b>	<b>98.8</b>	<b>100.0▲</b>	<b>95.9</b>	<b>88.7▼</b>
US*	92.6	95.8▲	97.0	106.8▲	89.8	88.8▼

\*US index from University of Michigan for December 2003 and March 2004

"Consumers throughout California are feeling a bit more positive about their current financial circumstances, but they're worried about the short-term and long-term health of the economy," said Philip J. Trounstine, Director of the Survey and Policy Research Institute at San Jose State University (SPRI).

"People still think it's a good time to buy homes, cars and major household items, but more people are worried that business conditions will not be better a year from now," Trounstine said.

### **Current Economic Conditions**

Statewide, 43% of consumers say they are getting along financially better now than they were a year ago, little changed from 42% in January. But there are some striking regional differences.

In the Bay Area, only 34% say they are better off today. While that is well below other regions, it is a significant improvement from January's 29%. In Los Angeles, 47% say they are better off today than a year ago, compared to 41% in January -- also a significant improvement.

But in Southern California outside of LA, 44% say they are better off today, compared to 50% in January -- a significant decline for the region that was the most buoyant last quarter. Likewise, in the Central Valley, 44% of consumers say they are better off today compared to 50% in January.

The effect of the regional variations is that in Northern California, 39% say they are better off today compared to 37% in January, while in Southern California, 45% say they are better off today -- virtually unchanged from January.

### **Consumer Expectations**

Looking forward, 43% of California consumers say they will be better off a year from now than they are now, compared to 46% in January. But while the Bay Area's expectations improved to 44% from 40%, personal expectations dropped to 43% in Los Angeles from 51% in January, and they fell to 42% in other Southern California from 47% in January.

In assessing business conditions in the country as a whole, 41% of Californians expect things to be better than they are today, compared to 50% who made that prediction in January. This slide in optimism was particularly sharp in Los Angeles, where 37% expect nationwide business condition to be better a year from now, compared to 50% who thought so in January.

About two-thirds of consumers statewide now believe prices will increase in the coming year compared to 60% in January. And 31% predict more unemployment compared to 25% in January..

Only two in 10 consumers approve of the economic policies of the government in fighting inflation and unemployment, unchanged from January. But the number of people who say the government is doing a poor job rose to 45% in March, from 35% in January. Even in the conservative counties surrounding Los Angeles, the proportion of consumers giving government poor marks for its economic policy rose to 39%, from 26% in January.

	Good Job / Approve		Only Fair		Poor Job / Disapprove	
	Jan	Mar	Jan	Mar	Jan	Mar
Govt economic policy	20.9	19.9	39.9	31.8	34.7	44.6
Bush presidency	48.7	37.8			40.4	49.9
Bush on economy	42.7	34.9			45.0	52.9
Bush on Iraq	46.5	35.5			43.1	54.4

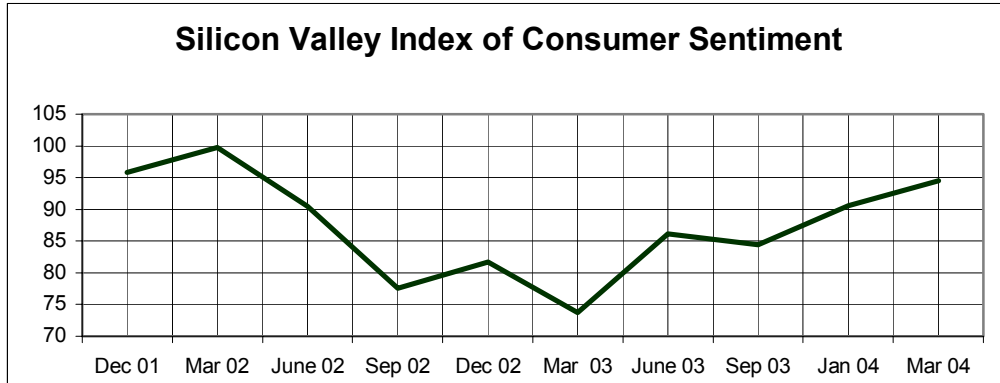
The increased disaffection with the government's economic policies is reflected in assessments of President Bush as approval ratings of his presidency and his handling of the economy and Iraq all declined in March, with disapproval on all three measures now at about 50% or higher.

SPRI surveyed 1,023 California consumers March 29- April 2 in English, Spanish, Vietnamese and Mandarin. The survey has a margin of error of plus or minus 3%. The California Consumer Confidence Survey, the only quarterly statewide phone survey of California consumers, replicates the University of Michigan's nationwide Survey of Consumers.

## Silicon Valley

Unlike their counterparts in most parts of California, consumers attitudes in Silicon Valley brightened across the board in March, pushing the Silicon Valley Consumer Confidence Index to its highest point in two years.

The index now stands at 93.8 -- a convincing increase since March of 2003, when it hit its low point of 74.2.



Tempering what would otherwise appear to be a full-fledged rebound, however, are nagging concerns about the future economic health of the region and the nation. Consumers say they're doing better than they did a year ago and they expect to be doing better a year from now. But they're certain that prices will go up in the coming year and their near-term predictions for the national economy are slightly less optimistic than they were last quarter. On the other hand, their expectations for the next five years are slightly improved over January, with far fewer people predicting continuous bad times.

## Silicon Valley

Are you better off financially than you were a year ago?							
	9-02	1-03	3-03	6-03	9-03	1-04	3-04
Better now	25.7	24.3	23.5	25.8	28.8	28.5	36.6
Same	27.4	31.1	30.6	32.2	31.2	31.5	32.2
Worse	43.4	41.0	43.0	39.4	36.1	35.1	27.2

Do you think you will be better off financially a year from now?							
	9-02	1-03	3-03	6-03	9-03	1-04	3-04
Better	36.2	37.2	32.2	38.7	37.9	38.9	44.3
Same	42.1	42.6	42.7	41.9	42.2	46.8	41.9
Worse	12.7	11.5	14.5	10.8	10.6	8.4	7.7

As with concerns about the national economy, consumers in Silicon Valley remain unsure about the financial health of the region. Four in 10 predict good times financially for the region in the next 12 months, little changed from January. And about half the consumers say business conditions in the Valley are better than they were a year ago -- down slightly from January, but vastly improved from a year ago, when only 12% said business in Silicon Valley was better than a year earlier.

In Silicon Valley, SPRI surveyed 305 consumers. These results were weighted to their proper proportion in the statewide sample. The margin of error for the Silicon Valley results is plus or minus 5.6%.