

CALIFORNIA CONSUMER CONFIDENCE SURVEY

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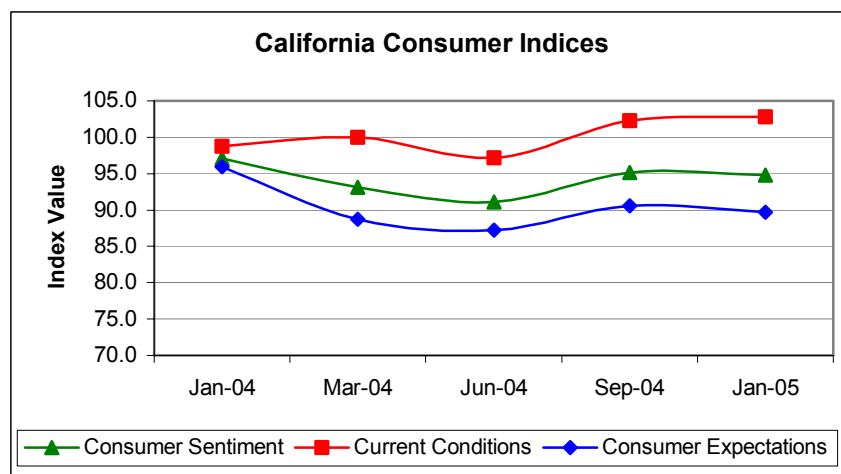
Consumer confidence in CA steady last quarter but down for the year *Increased worries about the economy and finances in Silicon Valley and L.A.*

SAN JOSE (January 18, 2005) -- Consumer confidence in California remained generally stable in the final quarter of 2004 but finished the year lower than it began, with residents of Silicon Valley and Los Angeles expressing increased concern about the economy and their personal finances while consumers in the fast-growing Central Valley were more buoyant than ever.

Statewide, the Index of Consumer Sentiment (ICS) ended the year at 94.8, down only slightly from September's 95.2 but further down from January 2004 when it stood at 97.1. The nation's ICS rose 4.5 points over 2004, to end at 97.1 in December -- up from 92.6 in December 2003, as measured by the University of Michigan.

The Index of Current Economic Conditions (CEC), which measures how consumers feel about the present circumstances, rose over the course of the year statewide, as people reported doing better than they had in the past. In the Bay Area, for example, the CEC rose from 88.7 last January to 95.6 today.

But the Index of Consumer Expectations (ICE), which measures attitudes about the future, declined significantly, suggesting persistent anxiety about the economy and personal finances. From a high of 95.9 a year ago, the statewide ICE fell to 89.7 today. This nervousness about the state of the national economy and its effect on households has a dampening effect on the overall measure of consumer confidence.

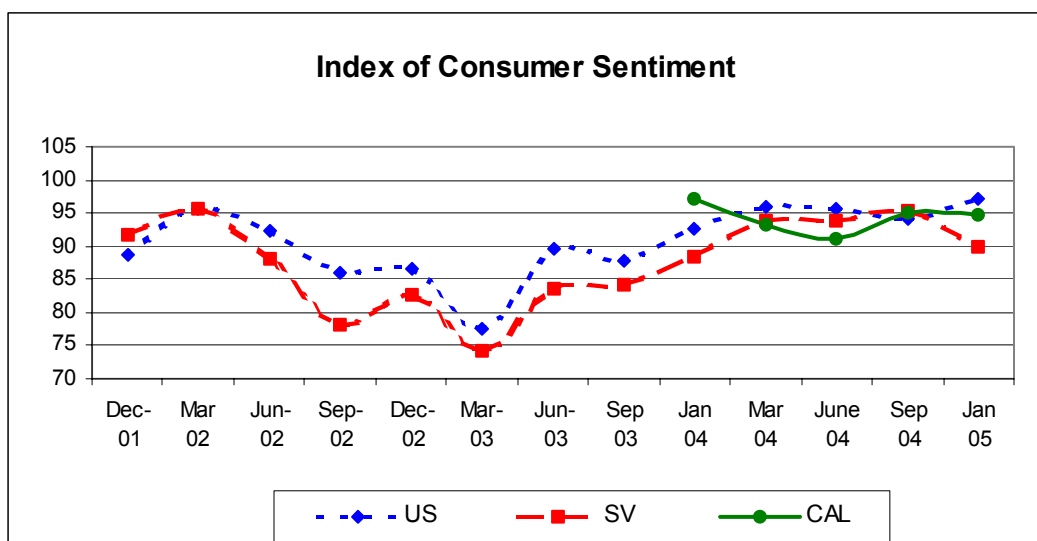


"Consumers throughout the state are doing better financially than they were a year ago, but they're more worried about the future," said Dr. Miriam Donoho, professor of marketing in the San Jose State University College of Business and director of the California Consumer Confidence Survey. "This suggests a cautious attitude about future spending and major purchases."

A year ago, 51% of consumers in Northern California and 55% of those in Southern California expected their family incomes to be higher a year later. And, indeed, a year later, the index of personal financial conditions had advanced from 115 to 121.4, with a dramatic increase in Silicon Valley from 93 to 112.1 over that same year. But by the end of the year, just 47% of consumers in the North and 52% in the South were expecting their family incomes to be higher 12 months later.

In addition, at the start of the year, 51% of California consumers said they expected the country to experience good times financially in the coming year, compared to 21% who predicted bad times. But at the end of the year, only 42% were predicting good times in the coming year compared to 27% anticipating bad times. Los Angeles consumers saw a strong deterioration in optimism; the index of expected business conditions over the next 12 months fell from 133 a year ago to 104.6 today. Silicon Valley and the Bay Area also experienced major declines in expectations.

Likewise, 47% of consumers said a year ago that they anticipated good times for the next five years, compared to just 36% with a rosy long-term outlook at the end of the year. Again, Los Angeles residents express a loss of confidence. Their index of the five-year business outlook fell from 123 a year ago to 96.1 today; while the statewide five-year index fell from 118 last January to 106.8 today.



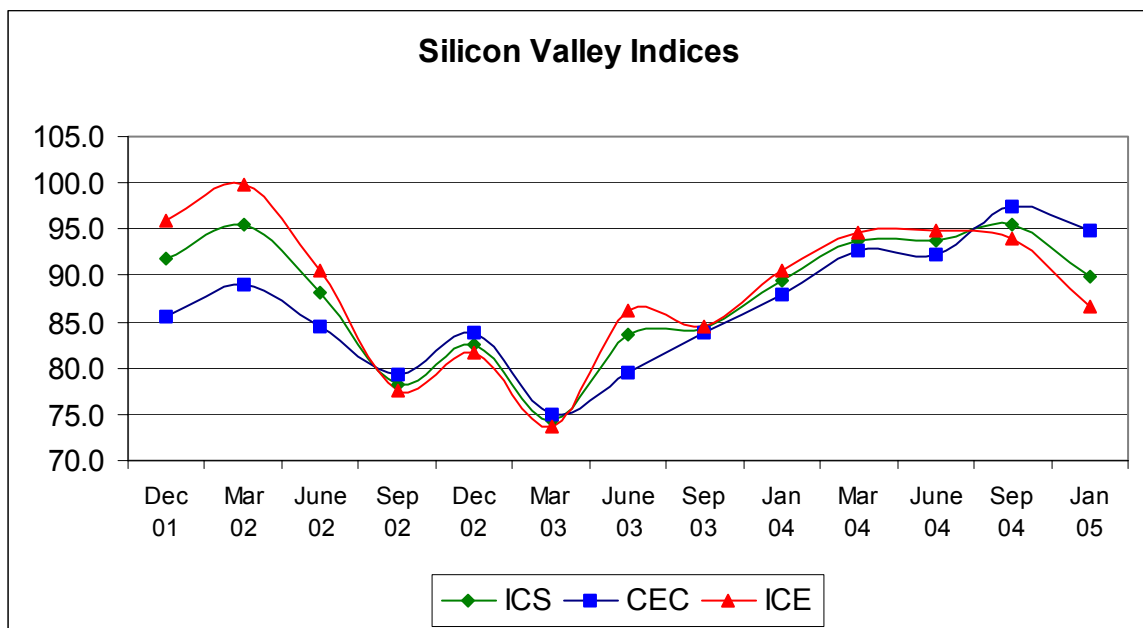
	Consumer Sentiment				Current Economic Conditions					Consumer Expectations					
	Jan	Mar	Jun	Sep	Jan	Jan	Mar	Jun	Sep	Jan	Jan	Mar	Jun	Sep	Jan
North	93.3	91.5	92.9	91.5	93.2	93.9	94.9	96.7	97.5	100.7	92.8	89.3	90.4	87.7	88.5
South	99.5	94.2	89.9	97.7	95.9	102.1	103.4	97.3	105.6	104.2	97.9	88.3	85.1	92.5	90.5
SVall	88.4	93.8	93.7	95.4	89.6	87.9	92.6	92.3	97.5	93.8	90.5	94.5	94.6	94.0	86.8
BayA	88.9	90.9	93.1	90.5	89.2	87.9	91.4	92.9	95.7	95.6	89.1	90.5	93.2	87.1	85.1
LA	98.2	89.3	86.1	93.8	90.7	97.2	97.5	92.7	99.3	101.3	98.9	84.0	82.0	90.2	83.9
SoCal	102.6	99.7	92.9	101.5	100.2	106.8	110.2	99.7	111.6	106.5	99.9	92.9	88.6	95.0	96.2
CentV	97.5	93.3	93.3	93.6	100.9	102.4	99.6	102.1	102.0	108.2	94.4	89.2	87.7	88.2	96.3
CA	97.1	93.1	91.1	95.2	94.8	98.8	100.0	97.2	102.3	102.8	95.9	88.7	87.2	90.6	89.7
US	92.6	95.8	95.6	94.2	97.1	97.0	106.8	106.7	99.6	106.7	89.8	88.8	88.5	79.6	90.9

Silicon Valley

The statewide decline in consumer expectations was especially severe in Silicon Valley, dropping from its 12-month high of 94 in September to its 12-month low of 86.6 in January. The Los Angeles area also showed a sharp decline, from 90.2 to 83.9, over the last quarter of 2004.

Throughout 2004, California consumer's expectations have trailed about 10 index points behind the measure of current circumstances. In sharp contrast, Silicon Valley consumers, for more than two years, have expressed their optimism with a higher Index of Consumer Expectations, even when their Current Economic Conditions were at a low.

But in December, Silicon Valley consumers' optimism took a sharp dive, with the Index of Consumer Expectations falling significantly below the measure of Current Economic Conditions. In short, the effects of the decline in the dot-com industry and the recession in Silicon Valley finally undermined the entrepreneurial optimism that has long characterized the region.



Overall the Index of Consumer Sentiment in Silicon Valley fell to 89.6 at the end of the year, erasing a steady increase during 2004 to its highest value of 95.4 in September. By way of contrast, the index in the Central Valley -- which includes some of the fastest growing counties in the state -- rose to a 12-month high of 100.9

Anxiety about the course of the economy is particularly evident in Silicon Valley. A year ago, 51% of consumers in the high-tech region said they expected business conditions in the country as a whole to be better at the end of the coming year. But as of this month, 41% of consumers in Silicon Valley now expect business conditions to be better at the end of the coming year.

Silicon Valley residents also have a grim picture in their own region and may be losing the healthy optimism that was building up over the last year. Only 41% are optimistic now about the financial conditions in the valley during the next year -- a drop from 49% in September. Even more worrisome is the outlook about business conditions in Silicon Valley a year from

now. Just 47% of consumers now predict better conditions a year from now compared to 55% in September.

Not surprisingly, these assessments have the effect of softening consumers' predictions about their future spending. For example, just 9% of consumers said they expect to increase spending on apparel in the coming quarter -- a sharp decline from the 27% who said they expected to increase spending in September.

Moreover, 32% now say they plan to spend less -- up from 22% in September. These are significant changes even after seasonal corrections. Similarly, the picture is far from rosy for spending on housing, cars and entertainment.

Methodology

The Survey and Policy Research Institute called a random sample of 1,008 California consumers Jan. 3-7 in English, Spanish and Vietnamese. The sample included 308 consumers in Silicon Valley, defined as residents of Santa Clara County and adjacent zip codes. The statewide sample was weighted to match the gender and regional distribution of California adults according to the U.S. Census Bureau. The overall margin of error for the survey is +/- 3% at the 95% confidence level. The margin of error for smaller sub-samples is higher.