

CALIFORNIA CONSUMER CONFIDENCE SURVEY

Survey and Policy Research Institute at San Jose State University

Survey Director Dr. Miriam Gasko Donoho: 510.206.8453
SPRI Director Philip J. Trounstine: 831.662.2652

Consumer confidence slips in June, driven down by expectations

SAN JOSE (July 13, 2005) -- California consumer confidence was down again in June, driven lower by growing concerns about the future even though consumers in most parts of the state are feeling better about their current economic conditions.

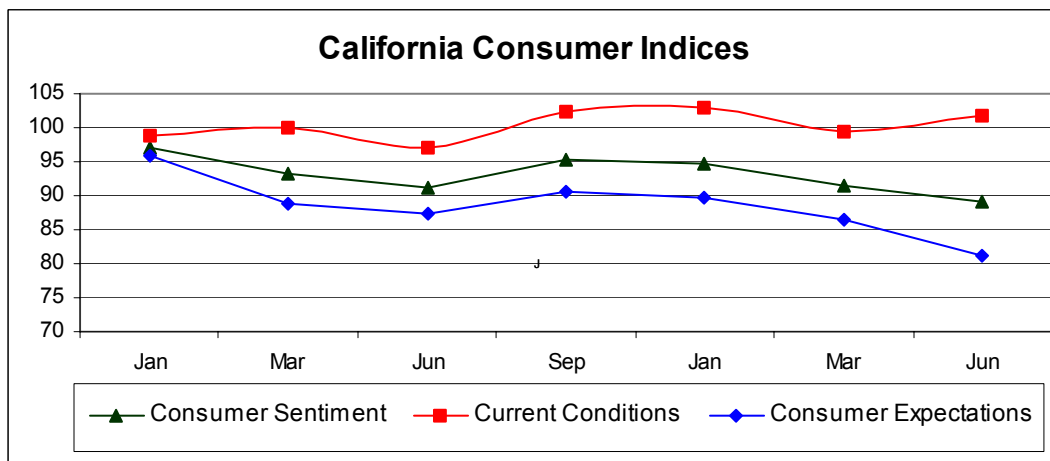
Silicon Valley and the Bay Area, which had shown signs of renewed hope in the first three months of the year, adopted the rest of the state's less confident outlook in June, contributing to an overall Index of Consumer Sentiment for California that now stands at its lowest level since January 2004 when the Survey and Policy Research Institute began measuring consumer confidence statewide.

"California consumers are anxious about their personal fortunes and the future of the economy," said survey director Dr. Miriam Gasko Donoho, professor of marketing at San Jose State University. "They feel better about having a few bucks in their pockets, but they're worried they may not be able to make ends meet a year from now."

The weakening of confidence corresponds with a decline in consumers' sense of how things are going in the country and the state. In June, just 34% of all adults said they believe the country is headed in the right direction compared to 54% who said the country is on the wrong track. And just 35% said the state is headed in the right direction while 53% said it's off on the wrong track.

"The governor has been telling Californians that the state is a mess and people apparently believe him," said Phil Trounstine, director of SPRI. "As for the direction of the country, Californians' perceptions appear colored by an intense disapproval of the war in Iraq."

Statewide, the California Index of Consumer Sentiment (ICS) is now 89.2, down from 91.1 a year ago and considerably below the nationwide index of 96.0, as measured by the University of Michigan. Driving down the index in California are the components that measure consumers' expectations about the future.

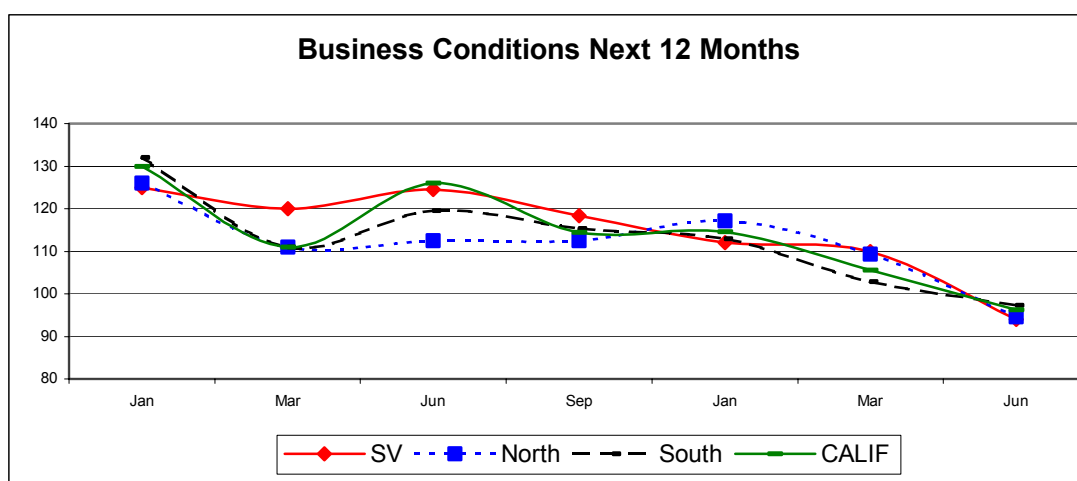


NOTE: The Index of Consumer Sentiment (ICS) combines consumer perceptions about Current Economic Conditions (CEC) and the Index of Consumer Expectations (ICE).

California consumers' sense of their current conditions have exceeded their expectations at least since January 2004, when SPRI's statewide survey began. Currently, the CEC is 20 index points higher than the ICE -- twice the gap registered a year ago. Over the last year the CEC went up to 101.7 from 98.8 while the ICE declined to 81.2 from 95.9.

Polling data reveal a downward trend in Californians' confidence in the nation's economy in both the short and long terms.

A year ago, for example, 40% of consumers said they believed the country would experience good times financially in the coming 12 months. But now a year later, only 32% say they expect good times financially in the next 12 months. At the same time, those predicting bad times financially in the coming year grew from 25% a year ago to 36% today. The downward trend is even more apparent looking back to January 2004 when 52% of consumers believed the country would experience good times financially in the coming 12 months.



Likewise, 47 % of consumers expressed a positive five-year outlook in January 2004 and 35% had a positive five-year outlook on the economy a year ago, compared to just 31% with a rosy five-year outlook today.

Consumers' beliefs about their personal finances in the coming year show similar erosion. In June, only 37% of consumers said they will be better off a year from now, compared with 41% who said so a year ago and 46% who said so in January 2004.

This is explained by consumers' concerns that while prices, unemployment and interest rates will climb, their family incomes may not keep pace.

In June, 46% of consumers said they believe their family income will go up in the next 12 months, compared to 48% a year ago and 54% in January 2004.

But 77% now say they believe prices will rise in the coming year, compared to 70% a year ago and 60% in January. One third of consumers now predict increasing unemployment, compared to 29% last June and 25% in January 2004. And a growing majority of consumers-- now 70% -- now say interest rates will continue to rise over the next 12 months.

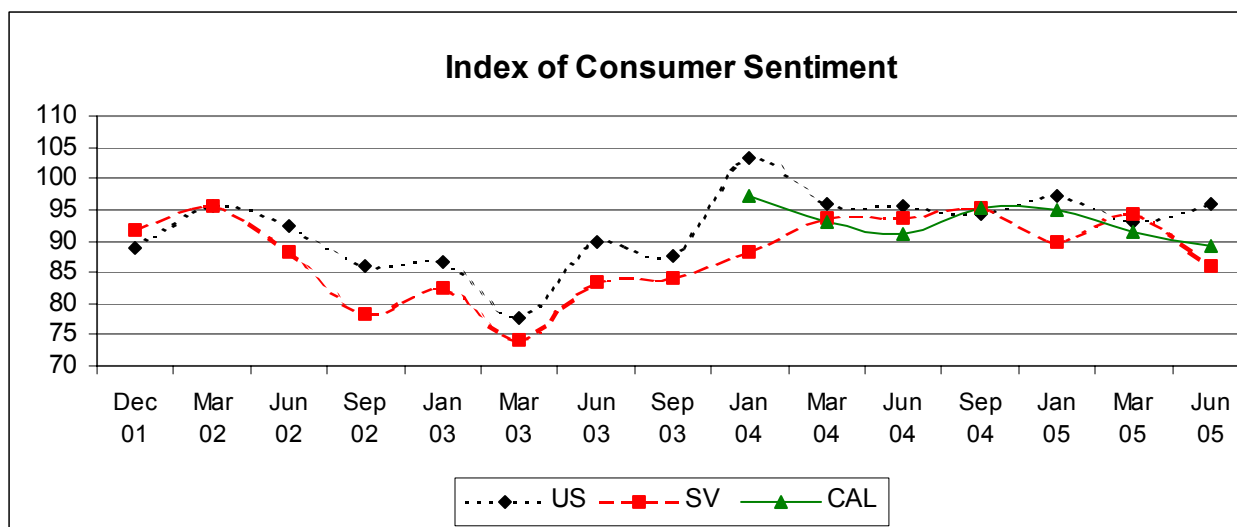
Consumers in Los Angeles and the surrounding counties reported significant improvement in their current economic conditions between March and June, while consumers in Silicon Valley and the Bay Area reported a considerably more downbeat sense of their current conditions than they had in the previous quarter. For example, the CEC rose to 102.1 for Los Angeles residents

and to 107 for residents of the rest of Southern California while in the Silicon Valley the CEC declined to 93.9 from 101.2.

Index	Consumer Sentiment					Current Economic Conditions					Consumer Expectations					
	2004/5	Jun	Sep	Jan	Mar	Jun	Jun	Sep	Jan	Mar	Jun	Jun	Sep	Jan	Mar	Jun
North		92.9	91.5	93.2	91.3	87.2	96.7	97.5	100.7	98.7	98.8	90.4	87.7	88.5	86.6	79.7
South		89.9	97.7	95.9	91.5	90.5	97.3	105.6	104.2	99.6	103.6	85.1	92.5	90.5	86.3	82.2
SVall		93.7	95.4	89.6	94.2	86.0	92.3	97.5	93.8	101.2	93.9	94.6	94.0	86.8	89.7	80.9
BayA		93.1	90.5	89.2	92.7	84.8	92.9	95.7	95.6	100.8	95.2	93.2	87.1	85.1	87.5	78.0
LA		86.1	93.8	90.7	90.4	89.9	92.7	99.3	101.3	99.4	102.1	82.0	90.2	83.9	84.7	82.0
SoCal		92.9	101.5	100.2	94.3	92.9	99.7	111.6	106.5	100.4	107.0	88.6	95.0	96.2	90.4	83.8
CentV		93.3	93.6	100.9	92.4	87.3	102.1	102.0	108.2	99.3	100.9	87.7	88.2	96.3	88.0	78.6
CA		91.1	95.2	94.8	91.5	89.2	97.2	102.3	102.8	99.3	101.7	87.2	90.6	89.7	86.5	81.1
US		95.6	94.2	97.1	92.9	96.0	106.7	99.6	106.7	107.3	113.2	88.5	79.6	90.9	83.6	85.0

Overall, California continues to lag behind the nation in consumer confidence as it has consistently, except for last September, when confidence in California was marginally stronger than the rest of the country, as reported by the University of Michigan.

The most significant difference between California and the rest of the country in June was consumers' expectations for the future. While the index of expectations rose nationwide to 85.0 in June, from 83.6 in March, in California, expectations fell to 81.1 in June from 86.5 in March. In Silicon Valley, expectations fell almost 10 index points, to 80.9 in June from 89.7 in March.

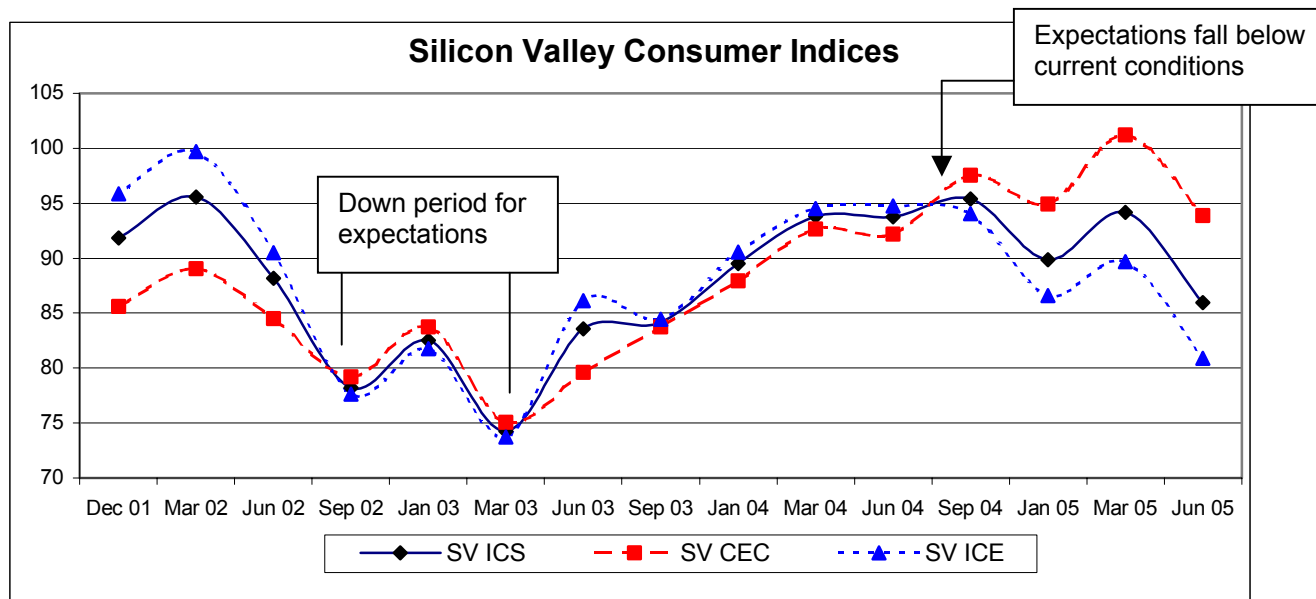


Silicon Valley

As SPRI noted about a year ago, Silicon Valley's expectations for the future-- unlike other parts of California -- had been stronger than current conditions going back to December 2001, except for the period from September 2002 to March 2003. But in late summer of last year, expectations for the future began to fall below current economic conditions. And that trend has continued in Silicon Valley, marking a shift in the region's historically buoyant optimism. In June,

Silicon Valley's Index of Consumer Expectations plunged 8.8 points to 80.9, its lowest value since March 2003.

On the bright side, Silicon Valley's sense of current economic conditions, now 93.9 although down from a peak in March, has risen steadily since March of 2003, when consumers in the valley were feeling their least secure about their personal fortunes and the valley's economic health.



Silicon Valley consumers, like those in the rest of the state, are increasingly concerned about the future of business and financial conditions in the nation. Just 31% believe there will be good times financially during the next 12 months, down from 46% who expect good time financially a year ago -- the most pessimistic assessment since March 2003.

As for the five-year outlook, only 34% of Silicon Valley consumers anticipate good times -- a steady decline from 44% a year ago.

However when asked about conditions in the Silicon Valley itself, residents maintain their optimism both about current conditions relative to a year ago and about future prospects. Nearly half -- 46% -- anticipate good financial times in Silicon Valley during the next 12 months, up from 41% in March and continuing the general upward trend since September of 2002.

Likewise, 54% of Silicon Valley residents say conditions are better in the region than they were a year ago -- a relatively stable perception over the last two years.

About the Study

The Survey and Policy Research Institute polled 928 California adults June 27-July 1. The margin of error for statewide results is plus or minus 3.2%. The sub-sample in the survey for Silicon Valley included 276 respondents for a margin of error of plus or minus 5.9%