

CALIFORNIA CONSUMER CONFIDENCE SURVEY

Survey and Policy Research Institute at San Jose State University

Survey Director Dr. Melinda Jackson: 408.924.5293

SPRI Director Philip J. Trounstine: 831.662.2652

After brief upsurge, California consumer confidence plunges

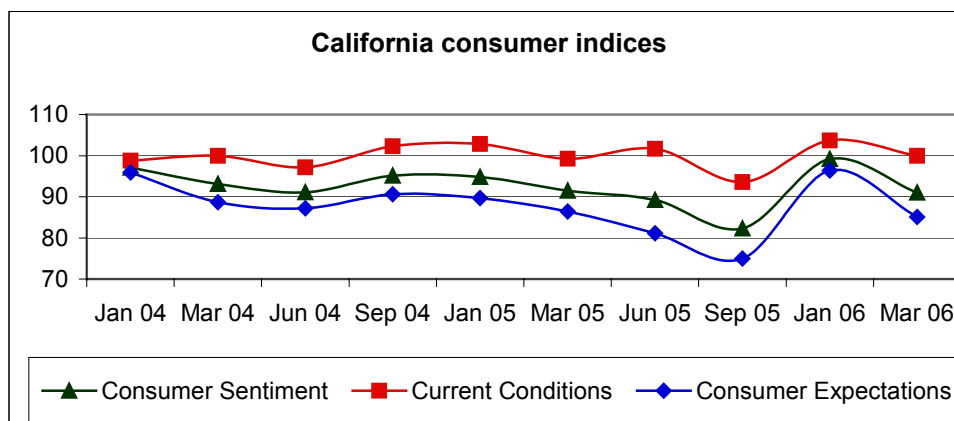
SAN JOSE (April 7, 2006) -- California consumer confidence, like consumer confidence across the country, fell sharply in the first quarter of 2006 after a bubble of optimism in January was burst by renewed higher gas prices, fears of inflation and increased disapproval of the war in Iraq.

After a record high spike at the end of 2005 – when gas prices had dropped and hopes for a new government in Iraq were widespread – consumer confidence in California declined across the state to where it was a year ago, the Survey and Policy Research Institute at San Jose State University has found.

Overall, the Index of Consumer Sentiment for California now stands at 91.0, down more than nine index points from 99.2 in January. The abrupt decline brings California consumers in line with consumers nationwide, for whom the index was 88.9 in March, as reported by the University of Michigan.

"California consumers flirted with optimism in the last quarter of 2005, when gas prices were falling and the prospects for a new government in Iraq appeared to offer hope for the coming year," said survey director Dr. Melinda Jackson, assistant professor of political science at San Jose State University.

"But with gas prices rising again, with deteriorating conditions in Iraq and increased dissatisfaction with the Bush administration and where the country is headed, California consumers are once again expressing sharp concerns about the future."

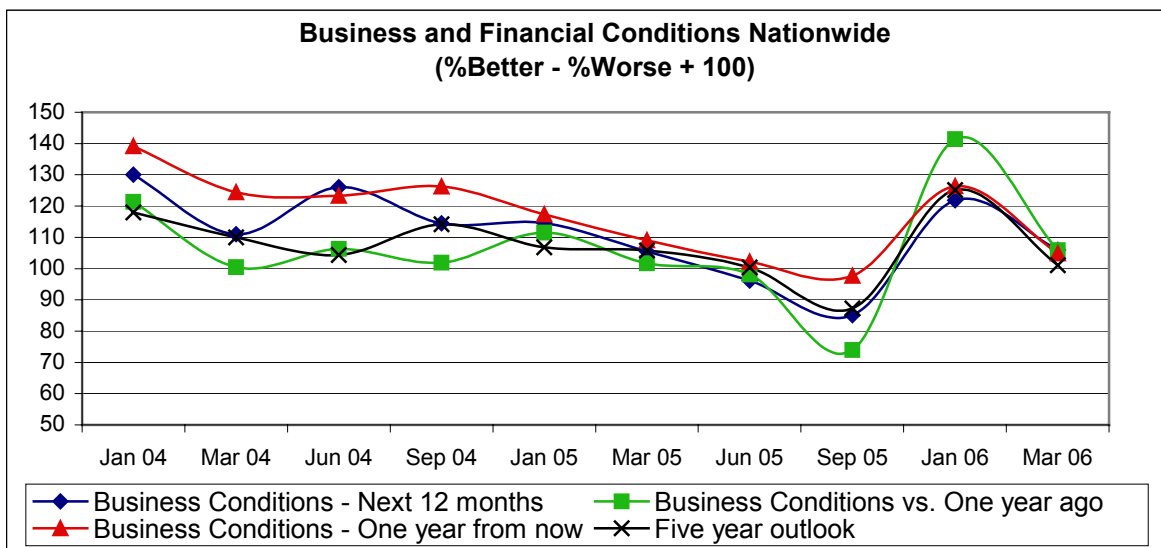


NOTE: The Index of Consumer Sentiment (ICS) combines consumer perceptions about Current Economic Conditions (CEC) and the Index of Consumer Expectations (ICE).

When asked about their general sense of how things are going in the country, consumers were significantly more pessimistic than they were at the beginning of the year. In March, just 31% of Californians said they think things in the country are on the right track, down from 42% in January. Three-quarters of California consumers also rated the government's handling of the economy as poor (40%) or only fair (36%), while only 20% said the government is doing a good job.

Concerns about rising prices, unemployment, and interest rates have all increased as well. Three in four California consumers (76%) say they expect prices to go up in the next 12 months, compared to 68% in January. One in three Californians (34%) now say they expect unemployment to increase in the coming year, up from 30% in January, and nearly eight in 10 (78%) expect interest rates to rise, compared to 69% in January.

While about half of California consumers still express positive attitudes about their own personal financial situations – 44% say that they are better off now than they were a year ago, and 51% expect their family income to increase in the next 12 months – expectations about business conditions in the country are down significantly.



In March, just 37% of Californians said they expected business conditions in the country to be good in the next 12 months, down from 43% in January. Likewise, 31% of consumers in the state said they expected business conditions to worsen in the coming year, compared to 21% in January.

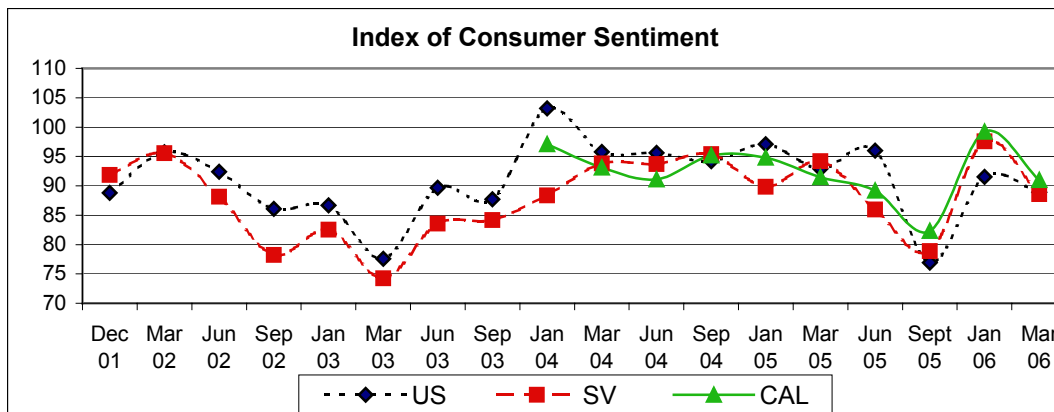
Long-term expectations also declined, with just 33% of California consumers saying in March that they expected the country to experience continuous good financial times in the next five years, down from 47% in January. About an equal number of Californians (32%) said they expected to see periods of widespread unemployment or depression, a 10-point increase from 22% in January.

Index	Consumer Sentiment					Current Economic Conditions					Consumer Expectations				
	Mar 05	Jun 05	Sep 05	Jan 06	Mar 06	Mar 05	Jun 05	Sep 05	Jan 06	Mar 06	Mar 05	Jun 05	Sep 05	Jan 06	Mar 06
2005/6															
North	91.3	87.2	79.7	96.8	89.9	98.7	98.8	91.4	103.5	98.5	86.6	79.7	72.1	92.5	84.4
South	91.5	90.5	84.0	101.2	91.7	99.6	103.6	94.9	104.6	101.2	86.3	82.2	77.1	99.0	85.6
Svall	94.2	86.0	78.9	97.6	88.6	101.2	93.9	91.5	104.2	97.4	89.7	80.9	70.8	93.3	83.2
BayA	92.7	84.8	79.5	97.4	88.0	100.8	95.2	91.4	103.5	95.9	87.5	78.0	71.9	93.5	83.0
LA	90.4	89.9	81.3	100.2	90.4	99.4	102.1	94.0	102.9	102.3	84.7	82.0	73.2	98.4	82.7
OthrSoCal	94.3	92.9	86.1	102.2	93.6	100.4	107.0	94.1	105.8	102.3	90.4	83.8	80.9	99.8	88.1
CentVall	92.4	87.3	80.0	98.6	95.4	99.3	100.9	88.8	103.0	105.3	88.0	78.6	74.4	95.8	89.0
CA	91.5	89.2	82.3	99.2	91.0	99.3	101.7	93.5	103.7	100.0	86.5	81.1	75.0	96.4	85.1
US	92.9	96.0	76.9	91.5	88.9	107.3	113.2	98.1	109.1	109.1	83.6	85.0	63.3	80.2	76.0

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

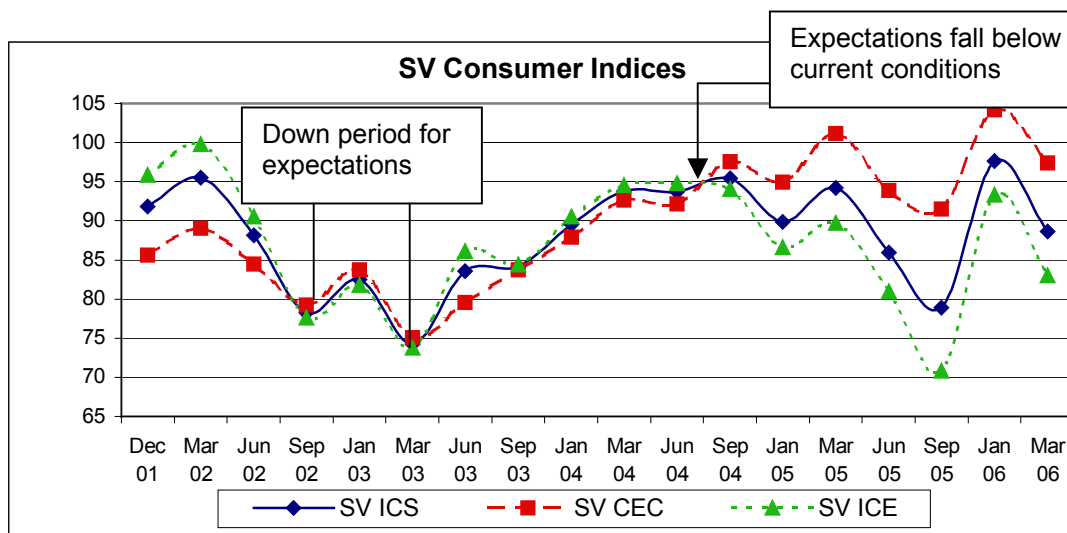
Despite these declines in expectations, Californians remain slightly more optimistic about the future compared to the country as a whole. Although the Index of Consumer Expectations dropped sharply in the state, to 85.1 in March from 96.4 in January, this was still nine points higher than the national ICE of 76.0.

The Current Economic Conditions index remained slightly lower in California at 100.0, compared to the national figure of 109.1.



Silicon Valley

Consumer confidence in Silicon Valley returned to levels similar to those observed one year ago in March 2005, after assessments of current conditions hit a record high in January of this year.



As has been the case since September 2004, expectations for the future in Silicon Valley are significantly less positive than judgments of current conditions.

While the CEC index fell to 97.4 in March, from 104.2 in January, the ICE dropped even more, falling 10 index points to 83.0. Consumer expectations in Silicon Valley therefore remain more than 14 points lower than current conditions.

Silicon Valley consumers, like those in the rest of the state, are increasingly anxious about the future of business and financial conditions in the nation.

In March 30% of those in Silicon Valley said they expect to see bad times financially in the country over the next 12 months, up from 22% in January. By the same token, 33% of Silicon Valley consumers anticipate periods of widespread unemployment or depression in the next five years, up from 25% in January.

Looking at conditions in the Silicon Valley itself, 59% say conditions in the region are better than they were a year ago, down slightly from 62% in January. And looking ahead, less than half of Silicon Valley consumers (46%) anticipate good financial times in the region in the next 12 months, a decline of ten points from January.

About the Study

The Survey and Policy Research Institute polled a random sample of 1008 Californians 18 years of age and older March 27-31 in English and Spanish. The margin of error for statewide results is plus or minus 3.1%. The sub-sample in the survey for Silicon Valley included 249 respondents for a margin of error of plus or minus 6.2%.