

# **CALIFORNIA CONSUMER CONFIDENCE SURVEY**

*Survey and Policy Research Institute at San Jose State University*

SPRI Director Philip J. Trounstine: 408-924-6993

## California consumer confidence down second quarter in a row

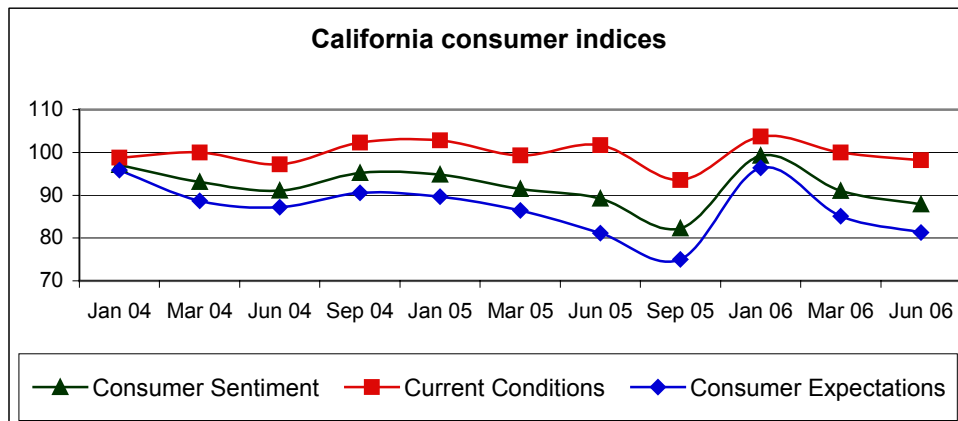
SAN JOSE (July 11, 2006) -- California consumer confidence, like consumer confidence across the country, fell for the second quarter in a row after a bubble of optimism in January was burst by renewed higher gas prices, fears of inflation, and rising interest rates.

Consumer confidence in California continued to drop in June from a record high in January, and now stands at about the same level as one 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 87.9, down three index points from 91.0 in March, and more than ten points from the record high of 99.2 recorded in January. This decline is consistent with the nationwide trend in consumer confidence, which stood at 84.9 in June, down from 91.5 in January, as reported by the University of Michigan.

"The optimism California consumers briefly flirted with at the beginning of the year has definitely worn off," said survey director Dr. Melinda Jackson, assistant professor of political science at San Jose State University.

"With rising interest rates, high gas prices, and the war in Iraq continuing with no end in sight, California consumers are feeling more negative about their current situations, and expressing more concern about the future, both for themselves and for the country as a whole."

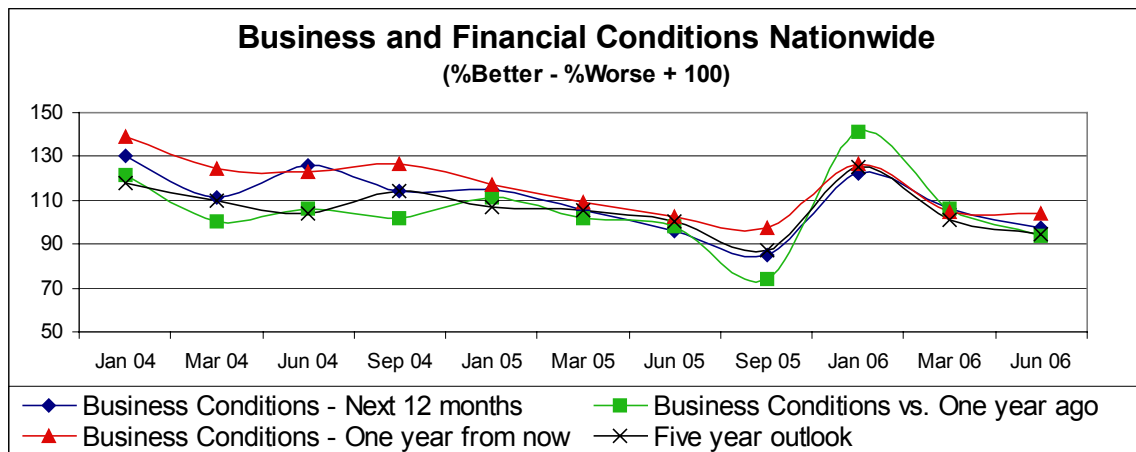


NOTE: The Index of Consumer Sentiment (ICS) combines consumer perceptions about Current Economic Conditions (CEC) and the Index of Consumer Expectations (ICE).

When asked about their general sense of how things are going in the country, Californians were slightly less pessimistic than three months ago. In June, 36% of Californians said they think things are on the right track, up from 31% in March. However, a majority of the state's residents (55%) still think things in the country are seriously off on the wrong track. Three-quarters of California consumers also rate the government's handling of the economy as poor (38%) or only fair (38%), while only 20% say the government is doing a good job.

Californians are concerned about rising prices, interest rates, and unemployment as well. Nearly eight in 10 California consumers (78%) say they expect both prices and interest rates to go up in the next 12 months. One third of Californians (33%) say they expect unemployment to increase in the coming year.

In addition, less than half of California consumers now express positive attitudes about their own personal financial situations – 41% say that they are better off now than they were a year ago, down from 44% in March, and 48% expect their family income to increase in the next 12 months, down from 51% in the first quarter.



Assessments of business conditions in the country are also more negative. In June, 42% of California consumers said that business conditions in the country were worse now compared to one year ago, an increase of 12 points from 34% in March, while 36% said they were better.

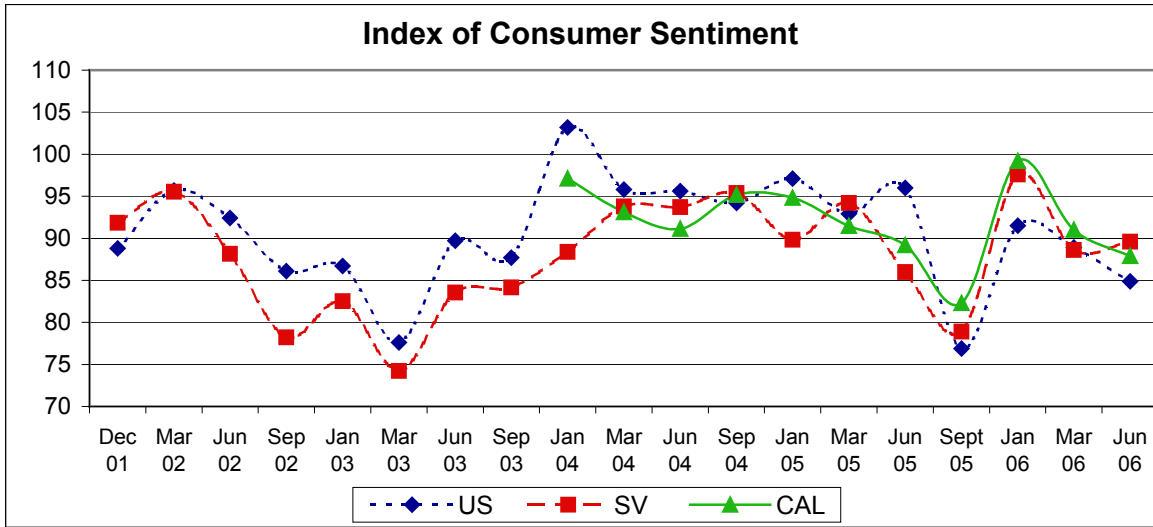
Both short and long-term expectations also declined, with just 33% of Californians saying they expected business conditions in this country to be good in the next 12 months, down from 36% in March. Likewise, 36% of consumers in the state said they expected business conditions to worsen in the coming year, compared to 31% in March. Asked about long-term expectations, only 28% of California consumers said in June that they expected the country to experience continuous good financial times in the next five years, down from 33% in March. A greater number of Californians (34%) said they expected to see periods of widespread unemployment or depression, up from 32% in March.

Index	Consumer Sentiment					Current Economic Conditions					Consumer Expectations				
	Jun 05	Sep 05	Jan 06	Mar 06	Jun 06	Jun 05	Sep 05	Jan 06	Mar 06	Jun 06	Jun 05	Sep 05	Jan 06	Mar 06	Jun 06
North	87.2	79.7	96.8	89.9	89.6	98.8	91.4	103.5	98.5	100.1	79.7	72.1	92.5	84.4	82.9
South	90.5	84.0	101.2	91.7	86.8	103.6	94.9	104.6	101.2	96.8	82.2	77.1	99.0	85.6	80.3
<b>SValley</b>	<b>86.0</b>	<b>78.9</b>	<b>97.6</b>	<b>88.6</b>	<b>89.6</b>	<b>93.9</b>	<b>91.5</b>	<b>104.2</b>	<b>97.4</b>	<b>100.6</b>	<b>80.9</b>	<b>70.8</b>	<b>93.3</b>	<b>83.2</b>	<b>82.5</b>
BayA	84.8	79.5	97.4	88.0	89.1	95.2	91.4	103.5	95.9	100.1	78.0	71.9	93.5	83.0	82.0
LA	89.9	81.3	100.2	90.4	86.6	102.1	94.0	102.9	102.3	97.0	82.0	73.2	98.4	82.7	79.8
OthrSoCal	92.9	86.1	102.2	93.6	87.7	107.0	94.1	105.8	102.3	98.4	83.8	80.9	99.8	88.1	80.9
CentValley	87.3	80.0	98.6	95.4	92.6	100.9	88.8	103.0	105.3	102.1	78.6	74.4	95.8	89.0	85.6
<b>CA</b>	<b>89.2</b>	<b>82.3</b>	<b>99.2</b>	<b>91.0</b>	<b>87.9</b>	<b>101.7</b>	<b>93.5</b>	<b>103.7</b>	<b>100.0</b>	<b>98.2</b>	<b>81.1</b>	<b>75.0</b>	<b>96.4</b>	<b>85.1</b>	<b>81.3</b>
US	96.0	76.9	91.5	88.9	84.9	113.2	98.1	109.1	109.1	105.0	85.0	63.3	80.2	76.0	72.0

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

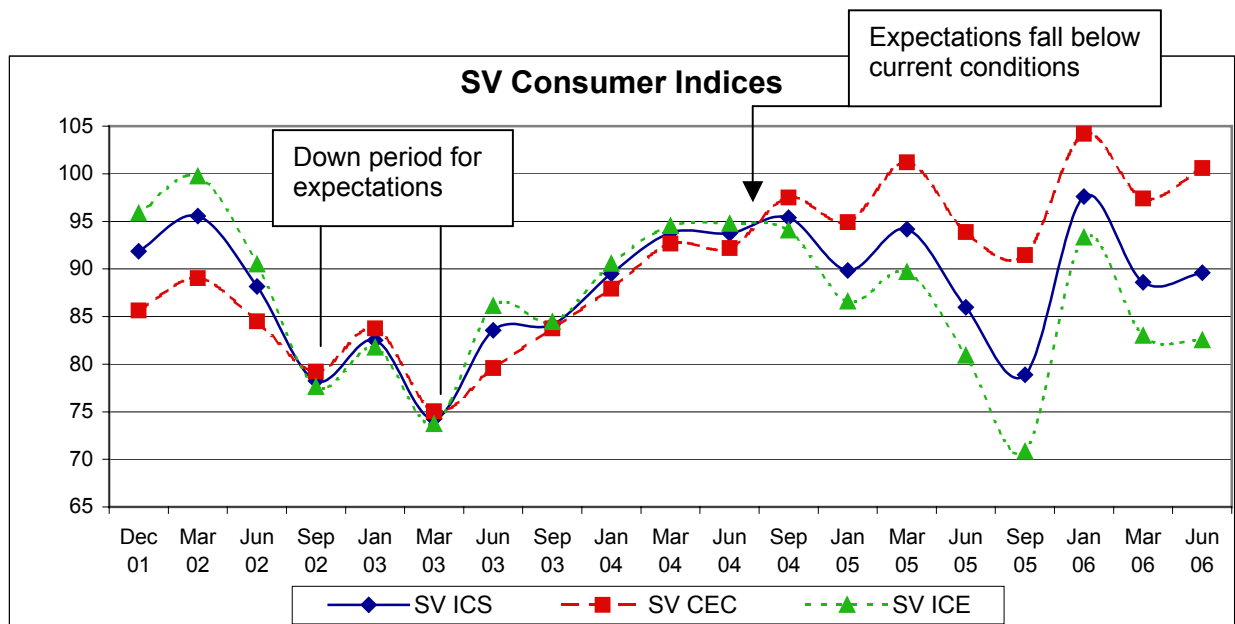
Despite these declines in confidence, Californians remain slightly more optimistic about the future compared to the country as a whole. Although the Index of Consumer Expectations dropped in the state, to 81.3 in June from 85.1 in March, this was still nine points higher than the national ICE of 72.0.

The Current Economic Conditions index remained slightly lower in California at 98.2, compared to the national figure of 105.0.



**Silicon Valley**

Unlike other regions of the state, consumer confidence in Silicon Valley rose slightly in June, driven by improved assessments of current economic conditions.



In June 41% of Silicon Valley consumers said their personal financial situation was better now than one year ago, up from 39% in March, while just 19% said it was worse, compared to 22% in March.

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

While the CEC index rose to 100.6 from 97.4 in March, the ICE dropped slightly to 82.5, from 83.2 in March. Consumer expectations in Silicon Valley are therefore 18 index points lower than assessments of current conditions.

In June 31% of those in Silicon Valley said they expect to see bad times financially in the country over the next 12 months, while only slightly more (36%) expect to see good times. Silicon Valley consumers were similarly split with regard to long-term expectations, with 30% anticipating periods of

widespread unemployment or depression in the next five years, and the same number expecting to see continuous good times.

Looking at conditions in the Silicon Valley itself, 58% say that business conditions are better than they were one year ago. And looking ahead, 50% of Silicon Valley consumers now anticipate good financial times in the region in the next 12 months, up from 46% in March.

### **About the Study**

The Survey and Policy Research Institute polled a random sample of 891 Californians 18 years of age and older June 26-30 in English and Spanish. Results were weighted for region and gender to match the 2000 U.S. Census. The margin of error for statewide results is plus or minus 3.3%. The sub-sample in the survey for Silicon Valley included 384 respondents for a margin of error of plus or minus 5%.