

CALIFORNIA CONSUMER CONFIDENCE SURVEY

Survey and Policy Research Institute at San Jose State University

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Consumers gloomy about present; cautiously optimistic about future

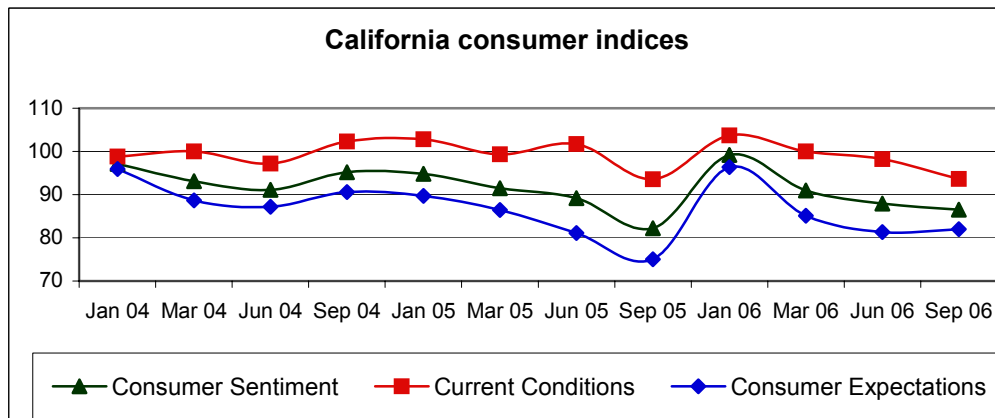
SAN JOSE (October 15, 2006) -- Consumer confidence in California fell slightly in September, driven by increasingly negative assessments of current economic conditions -- even as expectations for the future showed a slight upward trend for the first time since January, the Survey and Policy Research Institute at San Jose State University has found.

Overall, the Index of Consumer Sentiment for California now stands at 86.5, down just over one index point from 87.9 in June, and more than twelve points from the record high of 99.2 recorded in January. The two components of the index moved in opposite directions in the third quarter, with assessments of Current Economic Conditions dropping nearly five points to 93.6, from 98.2 in June, while the Index of Consumer Expectations rose slightly to 82.0 from 81.3 in June.

Nationwide, consumer confidence is showing signs of improvement, up to 85.4 in September from 84.9 in June, but also significantly lower than the 91.5 recorded in January, as reported by the University of Michigan.

"California consumers are feeling ambivalent right now," said survey director Dr. Melinda Jackson, assistant professor of political science at San Jose State University.

"On the one hand, mortgage payments have gone up, and the war in Iraq continues with no end in sight -- but on the other hand, gas prices have fallen in recent weeks, and fears of further interest rate hikes have lessened. On a personal level, California consumers are still feeling negative about their current situations, but they are now beginning to express some cautious optimism about future economic conditions in the country as a whole."



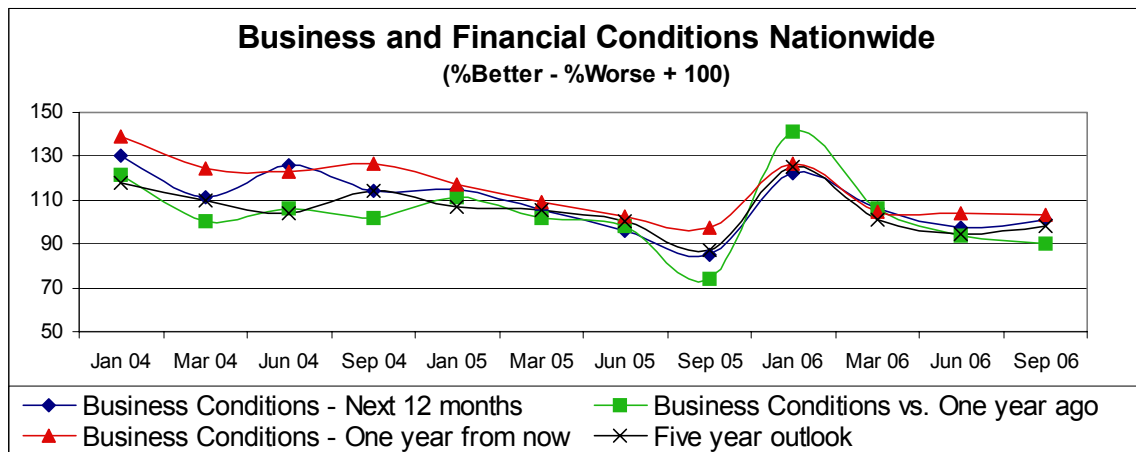
NOTE: The Index of Consumer Sentiment (ICS) combines consumer perceptions about Current Economic Conditions (CEC) and the Index of Consumer Expectations (ICE).

When asked about their general sense of how things are going in the country, Californians were slightly more pessimistic than three months ago. In September, just 30% of Californians said they think things in the country are going in the right direction, down from 36% in June, while six in ten think things are seriously off on the wrong track. Three-quarters of California consumers also rate the government's handling of the economy as poor (43%) or only fair (32%), while just 19% say the government is doing a good job on economic policy.

But fears about rising interest rates and inflation have dropped dramatically. While 55% of California consumers still expect interest rates to go up in the next year, this is down more than twenty

points from 78% in June. Similarly, 67% of Californians now say they expect to see rising prices in the next 12 months, also down from 78% in June. Concerns about unemployment are up slightly though, with 36% of state residents saying they expect more people to be out of work in the coming year, compared to 33% in June.

With regard to their own personal financial situations, California consumer attitudes are essentially unchanged from the second quarter, with less than half expressing positive attitudes – 40% say that they are better off now than they were a year ago, while 25% say they are worse off. And 49% of Californians expect their family income to increase in the next 12 months, while 36% expect it to remain the same and 12% expect it to decline.



Assessments of business conditions in the country are also more negative with regard to the present, but more positive looking forward. In September, 43% of California consumers said that business conditions in the country were worse now than they were one year ago, compared to 42% in June, while 33% said they were better, down from 36% in June.

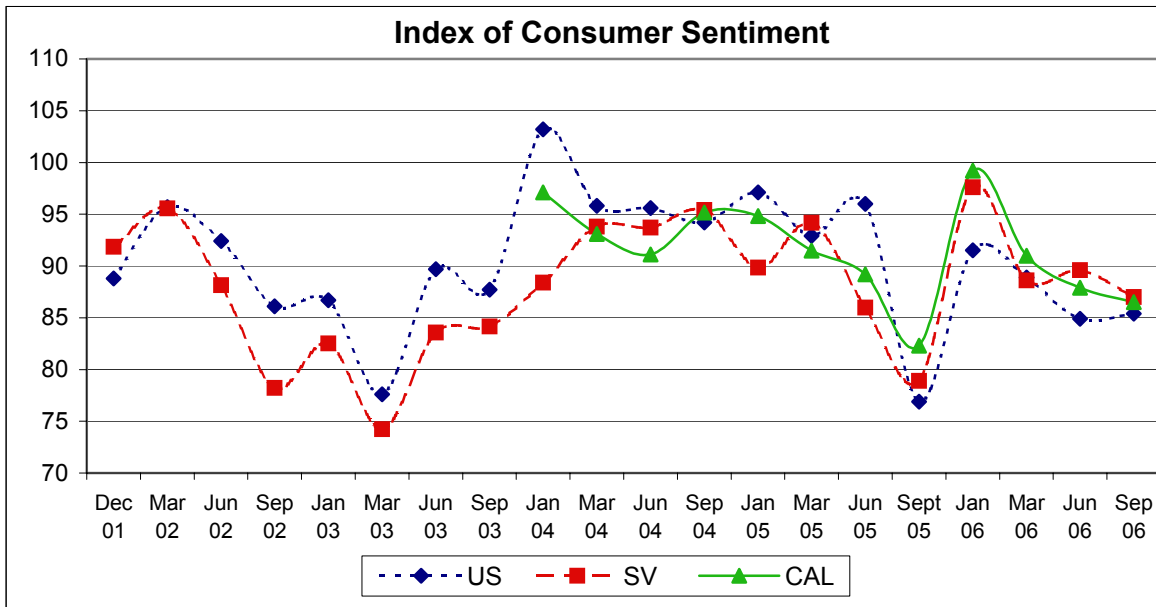
The most improvement in consumer attitudes in the third quarter was found in slightly more optimistic short and long-term business expectations. While 33% of Californians said they expected business conditions in this country to be good in the next 12 months, identical to June, 32% of consumers in the state said they expected business conditions to worsen in the coming year, down from 36% in the second quarter. Asked about long-term expectations, 33% of California consumers said in September that they expected the country to experience continuous good financial times in the next five years, up from 28% in June. About the same number of Californians (35%) said they expected to see periods of widespread unemployment or depression in the next five years, compared to 34% in June.

Index	Consumer Sentiment					Current Economic Conditions					Consumer Expectations				
	Sep 05	Jan 06	Mar 06	Jun 06	Sep 06	Sep 05	Jan 06	Mar 06	Jun 06	Sep 06	Sep 05	Jan 06	Mar 06	Jun 06	Sep 06
North	79.7	96.8	89.9	89.6	85.5	91.4	103.5	98.5	100.1	94.0	72.1	92.5	84.4	82.9	80.0
South	84.0	101.2	91.7	86.8	87.6	94.9	104.6	101.2	96.8	93.6	77.1	99.0	85.6	80.3	83.7
Svall	78.9	97.6	88.6	89.6	87.0	91.5	104.2	97.4	100.6	95.5	70.8	93.3	83.2	82.5	81.5
BayA	79.5	97.4	88.0	89.1	85.3	91.4	103.5	95.9	100.1	94.7	71.9	93.5	83.0	82.0	79.3
LA	81.3	100.2	90.4	86.6	88.3	94.0	102.9	102.3	97.0	90.6	73.2	98.4	82.7	79.8	86.8
OthrSoCal	86.1	102.2	93.6	87.7	87.7	94.1	105.8	102.3	98.4	96.6	80.9	99.8	88.1	80.9	82.0
CentVall	80.0	98.6	95.4	92.6	87.3	88.8	103.0	105.3	102.1	94.3	74.4	95.8	89.0	85.6	82.7
CA	82.3	99.2	91.0	87.9	86.5	93.5	103.7	100.0	98.2	93.6	75.0	96.4	85.1	81.3	82.0
US	76.9	91.5	88.9	84.9	85.4	98.1	109.1	109.1	105.0	96.6	63.3	80.2	76.0	72.0	78.2

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

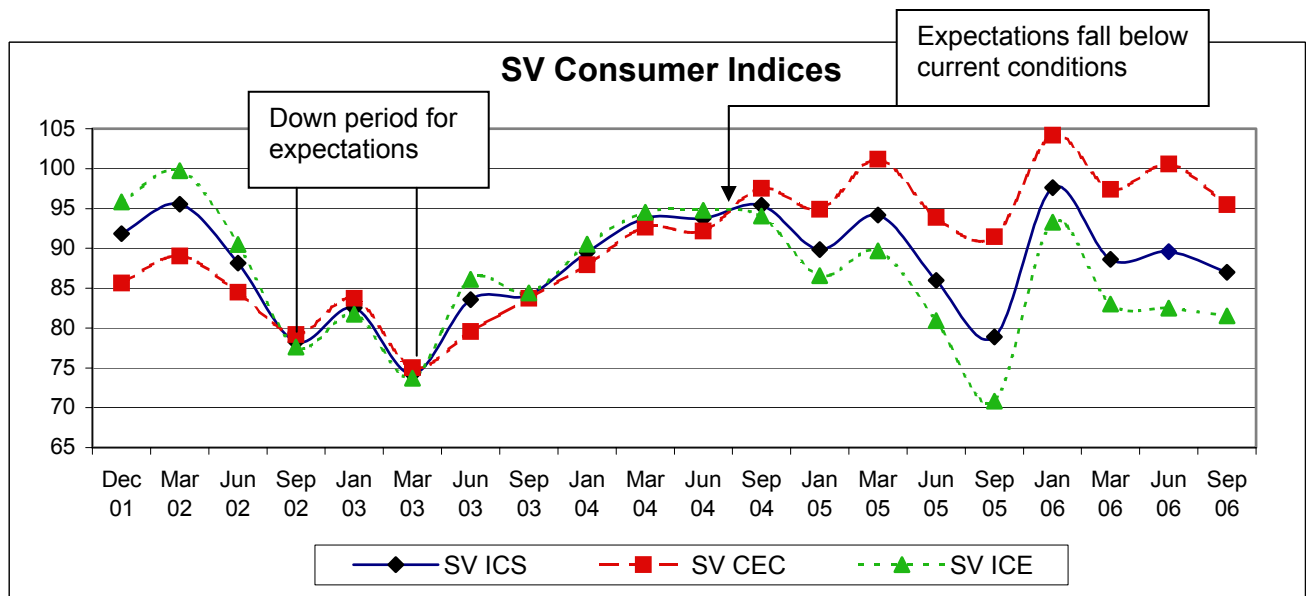
Despite the decline in overall consumer confidence, Californians remain slightly more optimistic about the future compared to the country as a whole. The Index of Consumer Expectations in the state, at 82.0, is still nearly four points higher than the national ICE of 78.2.

The Current Economic Conditions index remained slightly lower in California at 93.6, compared to the national figure of 96.6, even as both measures declined in the third quarter. Overall, the Index of Consumer Sentiment fell slightly in California, to 86.5 in September, from 87.9 in June, while it rose half a point nationally to 85.4, as reported by the University of Michigan.



Silicon Valley

Consumer confidence in Silicon Valley fell slightly in September, with declines in both current and future assessments.



In September, 38% of Silicon Valley consumers said their personal financial situation was better now than one year ago, down from 41% in June, while 20% said it was worse, compared to 19% in June.

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

While the Current Economic Conditions (CEC) index among Silicon Valley consumers fell to 95.5 in September from 100.6 in June, the Index of Consumer Expectations (ICE) dropped one point to 81.5, from 82.5 in June. Consumer expectations in Silicon Valley therefore remain 14 index points lower than assessments of current conditions.

In September, 33% of those in Silicon Valley said they expect to see bad times financially in the country over the next 12 months, while slightly fewer (31%) expect to see good times. Silicon Valley consumers were similarly split with regard to long-term expectations, with 33% expecting to see continuous good times in the next five years, and the same number anticipating periods of widespread unemployment or depression.

Looking at conditions in the Silicon Valley itself, 53% say that business conditions are better than they were one year ago, down from 58% in June. And looking ahead, less than half (45.5%) of Silicon Valley consumers now anticipate good financial times in the region in the next 12 months, down from 50% in June.

About the Study

The Survey and Policy Research Institute at San Jose State University polled a random sample of 902 Californians 18 years of age and older September 26-30 in English, Spanish and Vietnamese as part of the California Consumer Confidence Survey. Results for all adults were weighted for region and gender to match the 2000 U.S. Census. The margin of error for the statewide results is plus or minus 3.3%. The sub-sample in the survey for Silicon Valley included 305 respondents for a margin of error of plus or minus 5.6%.