

# **CALIFORNIA CONSUMER CONFIDENCE SURVEY**

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

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## California consumer confidence rebounds in 2007

SAN JOSE (January 10, 2007) -- Consumer confidence in California rose in January, driven by more positive assessments of current economic conditions and rosy expectations for the future, the Survey and Policy Research Institute at San Jose State University has found.

Overall, the Index of Consumer Sentiment for California now stands at 92.7, up more than six index points from 86.5 in September. After falling throughout the first three quarters of 2006, the two components of the index – judgments of current economic conditions and future expectations – both increased in the fourth quarter.

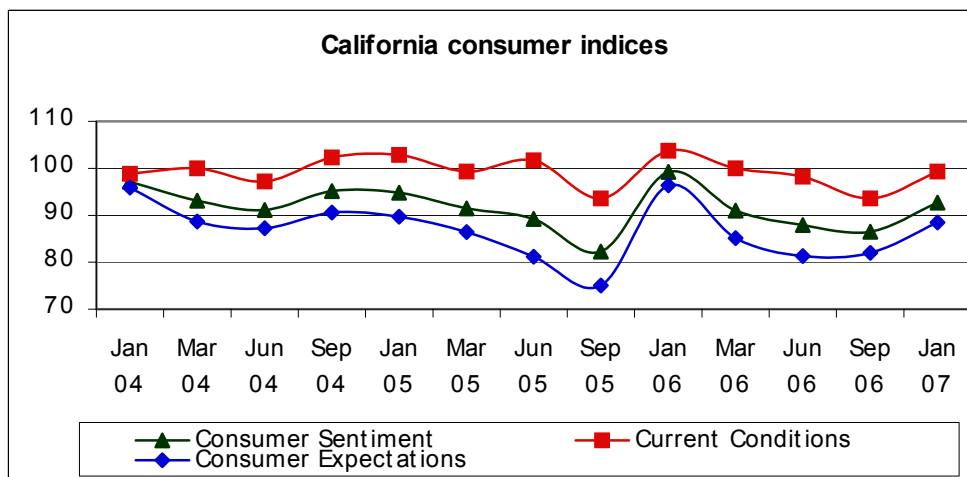
Assessments of Current Economic Conditions rose to 99.3 in January, from 93.6 in September. Likewise, the Index of Consumer Expectations rose more than six index points to 88.5 in January, from 82.0 in September.

Nationwide, consumers are also more confident – with the national Index of Consumer Sentiment standing at 91.7 in December – up from 85.4 in September, as reported by the University of Michigan.

Silicon Valley is at the forefront of the positive trend in California, driven by the Current Economic Conditions index among Silicon Valley residents at 105.7, the highest level reported for any region of the state.

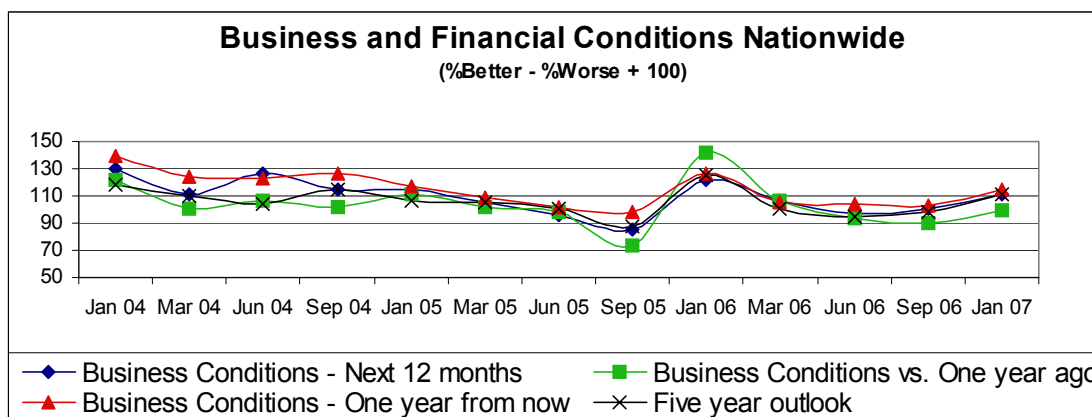
"California consumers are feeling a sense of renewed optimism," said survey director Dr. Melinda Jackson, assistant professor of political science at San Jose State University.

"On a personal level, Californians feel like they are doing a little better than they were a year ago, and they expect the national economy to do better as well. With the Democrats taking control of Congress, there is also a more positive feeling about the direction things are going in the country, and people are hopeful that 2007 will bring some real improvement."



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

California consumers were more optimistic about their own personal financial situations in January, with 42% saying that they are better off now than they were a year ago, compared to 40% in September, while just 19% now say they are worse off, down from 25% three months ago. In addition, half of all Californians in January reported that they expect their family income to increase in the next 12 months, while 37% expect it to remain the same and just 10% expect it to decline.



Assessments of business conditions in the country improved significantly in the fourth quarter of 2006. In January, 36% of California consumers said that business conditions in the country were better now than they were one year ago, up from 33% in September, while 37% said they were worse, compared to 43% in September.

Consumers in the state are also more optimistic in their short and long-term business expectations. More than one-third (36%) of Californians said they expected business conditions in the country to be good in the next 12 months, up from 33% in September, while 26% of consumers in the state said they expected business conditions to worsen in the coming year, down from 32% in the third quarter. Asked about long-term expectations, 35% of California consumers said in January that they expected the country to experience continuous good financial times in the next five years, up from 33% in September. At the same time, significantly fewer Californians (25%) said they expected to see periods of widespread unemployment or depression in the next five years, compared to the third quarter (35%).

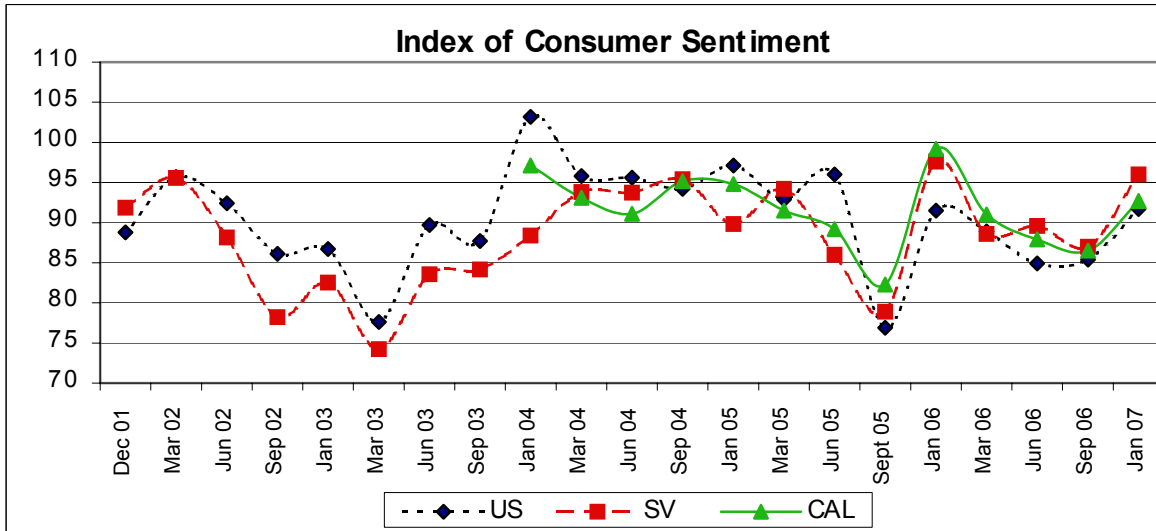
Index	Consumer Sentiment					Current Economic Conditions					Consumer Expectations				
	Jan 06	Mar 06	Jun 06	Sep 06	Jan 07	Jan 06	Mar 06	Jun 06	Sep 06	Jan 07	Jan 06	Mar 06	Jun 06	Sep 06	Jan 07
2005/6	96.8	89.9	89.6	85.5	92.7	103.5	98.5	100.1	94.0	100.4	92.5	84.4	82.9	80.0	87.8
North	96.8	89.9	89.6	85.5	92.7	103.5	98.5	100.1	94.0	100.4	92.5	84.4	82.9	80.0	87.8
South	101.2	91.7	86.8	87.6	92.9	104.6	101.2	96.8	93.6	98.9	99.0	85.6	80.3	83.7	89.0
<b>Svall</b>	<b>97.6</b>	<b>88.6</b>	<b>89.6</b>	<b>87.0</b>	<b>95.8</b>	<b>104.2</b>	<b>97.4</b>	<b>100.6</b>	<b>95.5</b>	<b>105.7</b>	<b>93.3</b>	<b>83.2</b>	<b>82.5</b>	<b>81.5</b>	<b>89.5</b>
BayA	97.4	88.0	89.1	85.3	93.5	103.5	95.9	100.1	94.7	100.4	93.5	83.0	82.0	79.3	89.0
LA	100.2	90.4	86.6	88.3	95.8	102.9	102.3	97.0	90.6	98.9	98.4	82.7	79.8	86.8	93.9
OthrSoCal	102.2	93.6	87.7	87.7	89.3	105.8	102.3	98.4	96.6	98.5	99.8	88.1	80.9	82.0	83.4
CentVall	98.6	95.4	92.6	87.3	91.8	103.0	105.3	102.1	94.3	97.0	95.8	89.0	85.6	82.7	88.5
<b>CA</b>	<b>99.2</b>	<b>91.0</b>	<b>87.9</b>	<b>86.5</b>	<b>92.7</b>	<b>103.7</b>	<b>100.0</b>	<b>98.2</b>	<b>93.6</b>	<b>99.3</b>	<b>96.4</b>	<b>85.1</b>	<b>81.3</b>	<b>82.0</b>	<b>88.5</b>
US	91.5	88.9	84.9	85.4	91.7	109.1	109.1	105.0	96.6	108.1	80.2	76.0	72.0	78.2	81.2

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

When asked about their general sense of how things are going in the country, 36% of Californians said in January that they think things are going in the right direction, up from 30% in September, while 54% think things are seriously off on the wrong track. The number of California consumers rating the government's handling of the economy as poor also dropped in January to 37%, from 43% in September, although this is still nearly double the 19% who give the government good marks.

Fears about rising interest rates and unemployment also remain relatively low. In January, 56% of California consumers said they expect interest rates to increase in the coming year. This represents a sharp drop from the 78% who anticipated rising interest rates in June, just before the Federal Reserve's last rate hike. Concerns about unemployment also dropped in January, with 30% of state residents saying they expect more people to be out of work in the coming year, compared to 36% in September.

The one sign of consumer worry evident in the January survey is that inflation expectations rose slightly, with 71% of Californians saying they expect to see rising prices in the next 12 months, up from 67% in September.



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

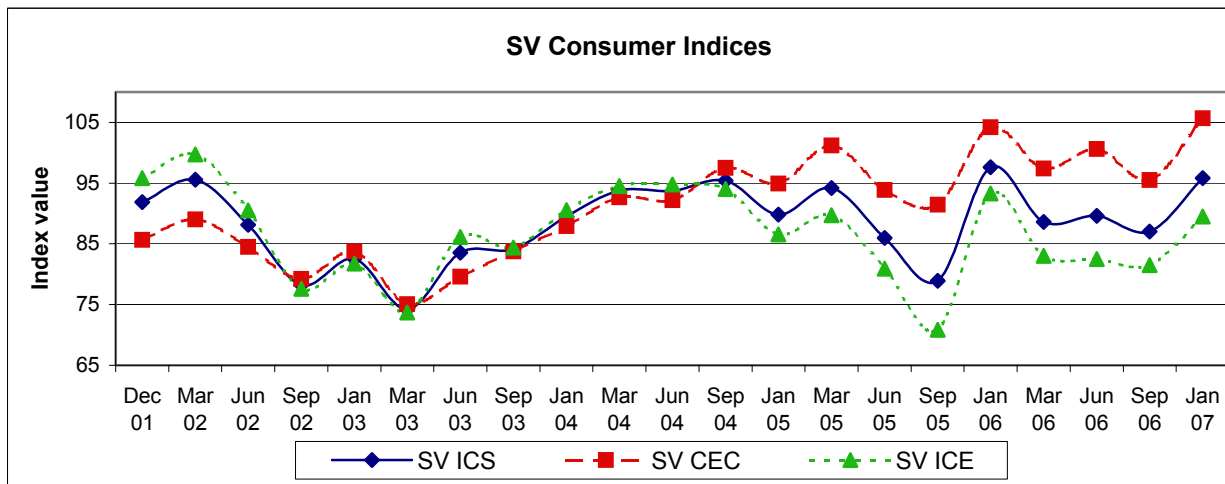
Californians remained more optimistic about the future compared to the country as a whole, as has been the case over the past year. The Index of Consumer Expectations in the state, at 88.5, is more than seven index points higher than the national ICE of 81.2.

The Current Economic Conditions index was slightly lower in California at 99.3, compared to the national figure of 108.1, even as both measures increased in the fourth quarter. Overall, the Index of Consumer Sentiment rose moderately in California, to 92.7 in January, from 86.5 in September, while it rose at the same pace nationally to 91.7, as reported by the University of Michigan.

Within the state, residents of northern California offered more positive assessments of current economic conditions, while Southern Californians were slightly more optimistic about future expectations. Silicon Valley stood out with the most positive ratings of current conditions (105.7), while the Central Valley was least positive (97.0). Los Angeles residents had the highest expectations for the future (93.9), while their neighbors in the surrounding areas of southern California expressed the most negative expectations (83.4).

**Silicon Valley**

Consumer confidence in Silicon Valley rose sharply in January, with increases in both current and future assessments.

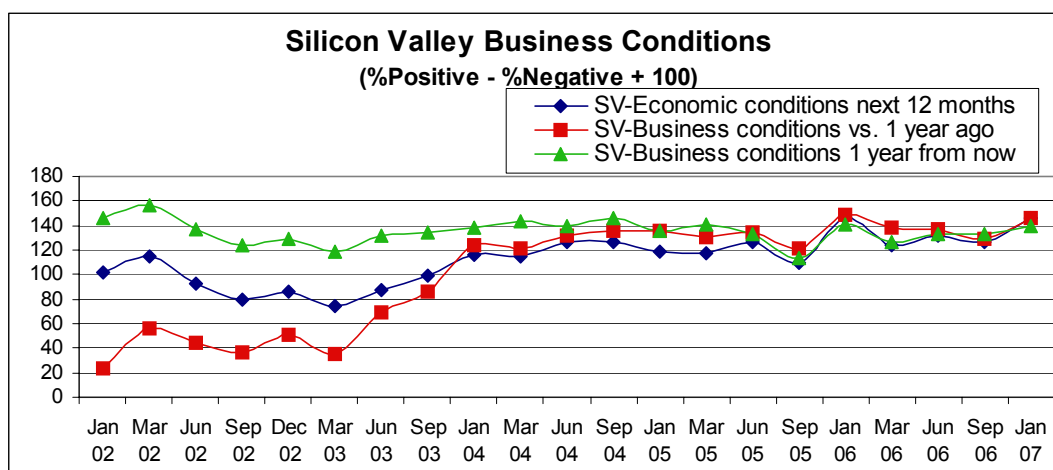


Note: Index numbers = % positive responses - % negative responses + 100

In January, 43% of Silicon Valley consumers said their personal financial situation was better now than one year ago, up from 38% in September, while 15% said it was worse.

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. The Current Economic Conditions (CEC) index among Silicon Valley consumers rose more than ten points to 105.7 in January, the highest level recorded since the SPRI began measuring these attitudes in 2002. The Index of Consumer Expectations (ICE) also rose eight points in January to 89.5, but these expectations remain 16 index points lower among Silicon Valley residents than assessments of current conditions.

In January, 39% of those in Silicon Valley said they expect to see good times financially in the country over the next 12 months, while 25% expect to see bad times. Silicon Valley consumers were similarly optimistic with regard to long-term expectations, with 36% expecting to see continuous good times in the next five years, and 24% anticipating periods of widespread unemployment or depression.



Looking at conditions in the Silicon Valley itself, 60% of residents say that business conditions are better than they were one year ago, up from 51% in September. And looking ahead, 59% of Silicon Valley consumers now anticipate good financial times in the region in the next 12 months, up significantly from 45% in September, while just 13% anticipate bad times, down from 20% three months ago.

### About the Study

The Survey and Policy Research Institute at San Jose State University polled a random sample of 985 Californians 18 years of age and older January 2-6 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 3.1 percentage points. The sub-sample in the survey for Silicon Valley included 367 respondents for a margin of error of plus or minus 5.1%.