

CALIFORNIA CONSUMER CONFIDENCE SURVEY

Survey and Policy Research Institute at San Jose State University

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Consumer confidence falls; declining expectations to blame

SAN JOSE (April 5, 2007) -- Consumer confidence in California fell in March, driven by more pessimistic expectations for the future of the national economy, the Survey and Policy Research Institute at San Jose State University has found.

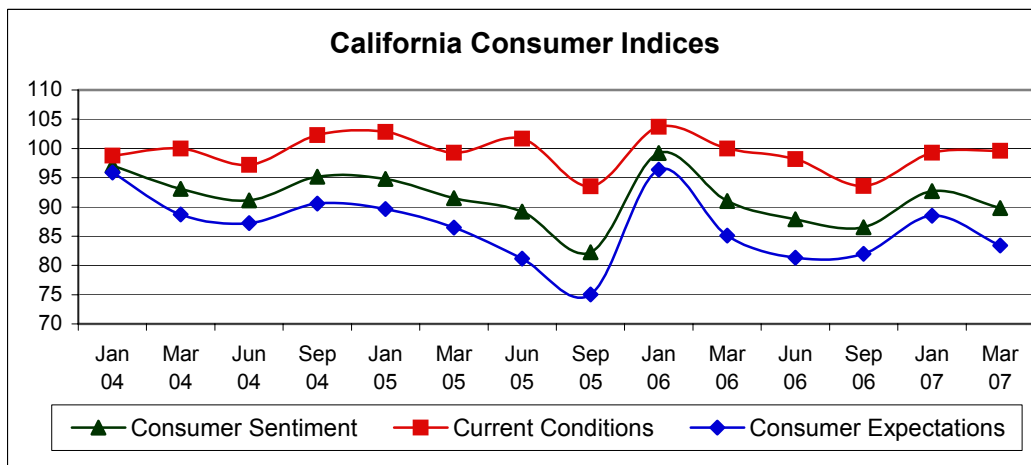
Overall, the Index of Consumer Sentiment for California now stands at 89.8, down nearly three index points from 92.7 in January. This drop is related to a decline in expectations for the future, while judgments of current conditions are up slightly. Although assessments of Current Economic Conditions rose slightly to 99.6 in March, from 99.3 in January, the forward-looking Index of Consumer Expectations fell to 83.4, down more than five index points from 88.5.

Nationwide, consumer confidence has also declined – with the national Index of Consumer Sentiment standing at 88.4 in March – down from 96.9 in January, as measured by the University of Michigan.

“On a personal level, Californians say are doing a little better than they were a year ago, and they expect to do a little better in the coming year,” said survey director Dr. Melinda Jackson, assistant professor of political science at San Jose State University.

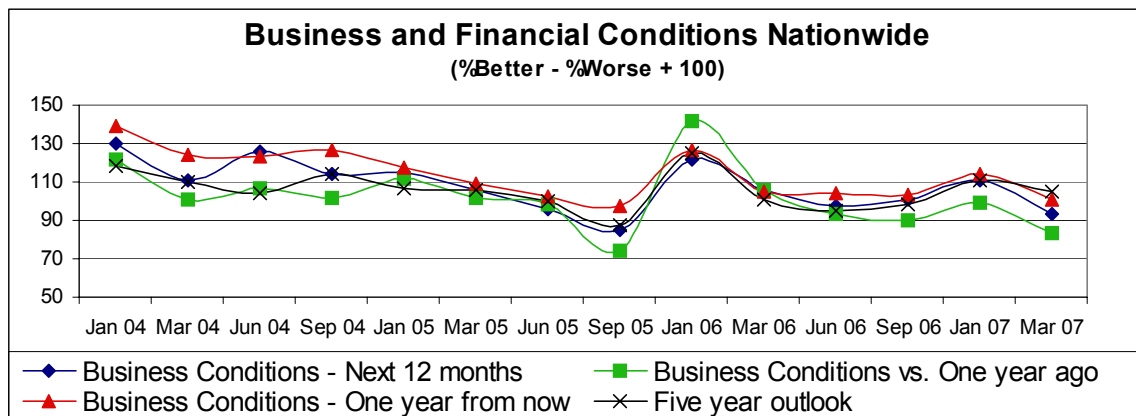
“But when it comes to the national economy, it’s a different story. With the collapse of the sub-prime mortgage market, and the continuing war in Iraq, people are more worried about economic conditions in the country as a whole than they were at the beginning of the year.

“In short, California consumers are feeling anxious about the future,” Jackson said.



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

California consumers expressed cautious optimism about their own personal financial situations. In March, 45% said they are better off now than they were a year ago and 21% said they are worse off. In January, 42% said they were better off while 19% said they were worse off. In addition, just over half of all Californians (51%) in March reported that they expect their family income to increase in the next 12 months, while 35% expect it to remain the same and just 12% expect it to decline.



But assessments of business conditions in the country fell in the first quarter of the year. In March, 29% of California consumers said that business conditions in the country were better now than they were one year ago, down from 36% in January, while 46% said they were worse, compared to 37% in January.

Consumers in the state were also more pessimistic in both their short- and long-term expectations for the national economy. Just three in 10 Californians said they expected business conditions in the country to be good in the next 12 months, down from 36% in January, while 37% of consumers in the state said they expected business conditions to worsen in the coming year, up from 26% at the beginning of the year.

Asked about long-term expectations, 36% of California consumers said in March that they expected the country to experience continuous good financial times in the next five years, essentially unchanged from 35% in January. At the same time, more Californians (31%) said they expected to see periods of widespread unemployment or depression in the next five years, compared to January (25%).

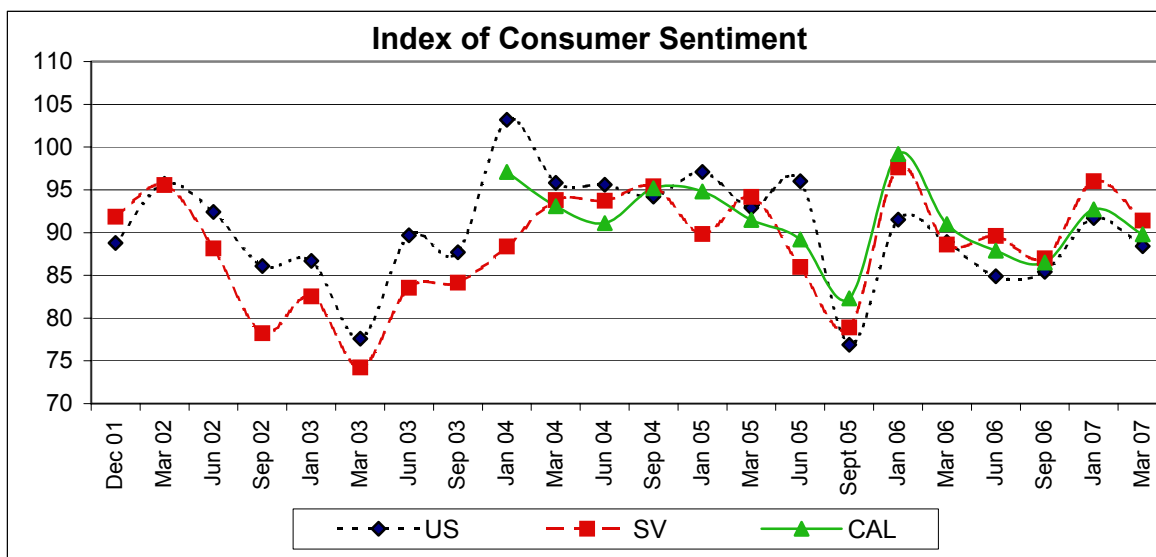
Index	Consumer Sentiment					Current Economic Conditions					Consumer Expectations				
	Mar 06	Jun 06	Sep 06	Jan 07	Mar 07	Mar 06	Jun 06	Sep 06	Jan 07	Mar 07	Mar 06	Jun 06	Sep 06	Jan 07	Mar 07
2005/6	89.9	89.6	85.5	92.7	90.7	98.5	100.1	94.0	100.4	100.0	84.4	82.9	80.0	87.8	84.7
North	89.9	89.6	85.5	92.7	90.7	98.5	100.1	94.0	100.4	100.0	84.4	82.9	80.0	87.8	84.7
South	91.7	86.8	87.6	92.9	89.2	101.2	96.8	93.6	98.9	99.3	85.6	80.3	83.7	89.0	82.7
S Valley	88.6	89.6	87.0	95.8	91.4	97.4	100.6	95.5	105.7	98.8	83.2	82.5	81.5	89.5	86.6
BayA	88.0	89.1	85.3	93.5	91.4	95.9	100.1	94.7	100.4	100.8	83.0	82.0	79.3	89.0	85.4
LA	90.4	86.6	88.3	95.8	88.3	102.3	97.0	90.6	98.9	99.6	82.7	79.8	86.8	93.9	81.0
OthrSoCal	93.6	87.7	87.7	89.3	91.1	102.3	98.4	96.6	98.5	97.7	88.1	80.9	82.0	83.4	86.8
CentVall	95.4	92.6	87.3	91.8	89.6	105.3	102.1	94.3	97.0	99.3	89.0	85.6	82.7	88.5	83.4
CA	91.0	87.9	86.5	92.7	89.8	100.0	98.2	93.6	99.3	99.6	85.1	81.3	82.0	88.5	83.4
US	88.9	84.9	85.4	91.7	88.4	109.1	105.0	96.6	108.1	103.5	76.0	72.0	78.2	81.2	78.7

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

When asked about their general sense of how things are going in the country, 31% of Californians said in March that they think things are going in the right direction and 59% said the country is on the wrong track. That's a slight worsening from January, when 36% said the county was on the right track and 59% said the county was on the wrong track. The number of California consumers rating the government's handling of the economy as poor also rose in March to 41%, from 37% in January, more than double the 20% who give the government good marks.

Fears about rising interest rates remain relatively low, while concerns about inflation are increasing. In March, 55% 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 one year ago in March 2006. Inflation expectations rose in the first quarter, with three quarters of Californians saying they expect to see rising prices in the next 12 months, up from 71% in January.

Concerns about unemployment also rose sharply, with 39% of state residents saying in March that they expect more people to be out of work in the coming year, compared to 30% in January.



Despite these declines, 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 83.4, is nearly five index points higher than the national ICE of 78.7.

The Current Economic Conditions index was slightly lower in California at 99.6, compared to the national figure of 103.5. While the overall Index of Consumer Sentiment fell in California, to 89.8 in March, from 92.7 in January, the national ICS dropped even more, to 88.4 in March, from 96.9 in January, as reported by the University of Michigan.

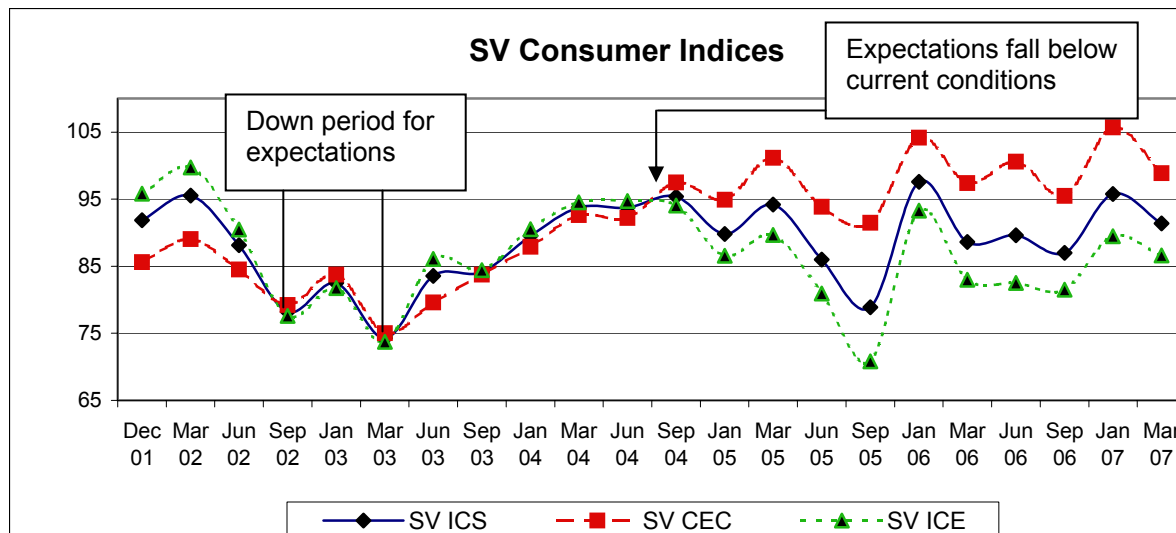
Within the state, residents of northern California offered more positive assessments of both current economic conditions (100.0) and future expectations (84.7), compared to their Southern California counterparts (99.3 CEC; 82.7 ICE). Bay Area residents gave the most positive ratings of current conditions (100.8), while those in Southern California outside of Los Angeles were least positive (97.7). At the same time, residents of Southern California outside of Los Angeles had the highest expectations for the future (86.8), followed closely by Silicon Valley (86.6), while their neighbors in Los Angeles expressed the most negative expectations (81.0).

Silicon Valley

Consumer confidence among Silicon Valley residents declined in March, with more negative assessments of both current and future economic conditions.

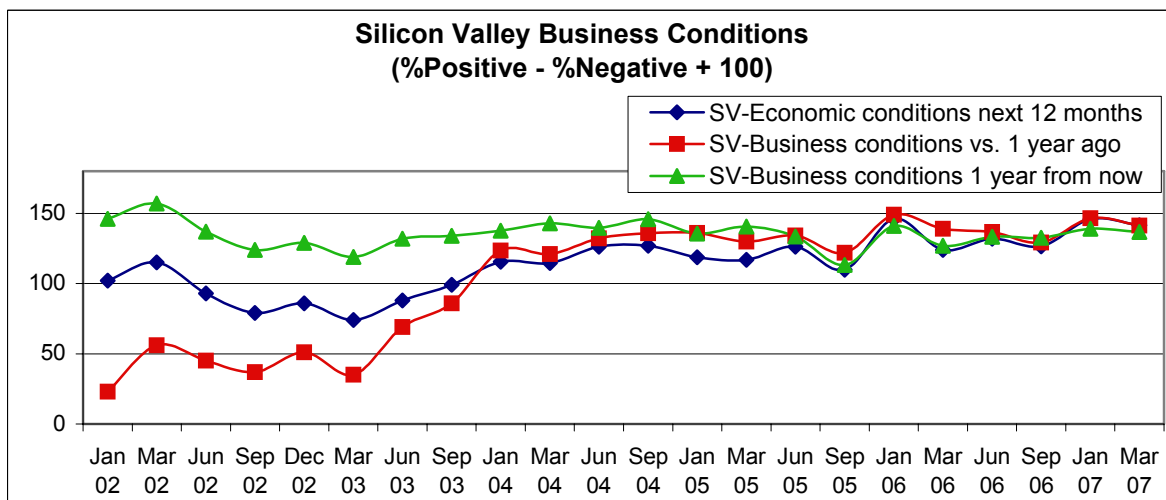
In March, 45% of Silicon Valley consumers said their personal financial situation was better now than one year ago and 21% said they were worse off. In January, 43% said they were better off compared to 15% who said they were worse. When asked about their family income, 44% of those in Silicon Valley said they expected it to be higher in the coming year, while 43% expected it to stay the same, and 9% thought it would be lower.

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 fell nearly seven points to 98.9 in March, from a record high in January. The Index of Consumer Expectations (ICE) fell nearly three points in March to 86.6, and expectations remain 12 index points lower among Silicon Valley residents than assessments of current conditions.



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

In March, 34% of those in Silicon Valley said they expect to see good times financially in the country over the next 12 months, while 29% expect to see bad times. Silicon Valley consumers were somewhat more optimistic with regard to long-term expectations, with 41% expecting to see continuous good times in the next five years, and 30% 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, unchanged from January. And looking ahead, 59% of Silicon Valley consumers now anticipate good financial times in the region in the next 12 months, while 17% anticipate bad times, up from 13% three months ago.

About the Study

The Survey and Policy Research Institute at San Jose State University polled a random sample of 846 Californians 18 years of age and older March 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, at the 95% confidence level, is plus or minus 3.4%. The sub-sample in the survey for Silicon Valley included 304 respondents for a margin of error of plus or minus 5.6 percentage points.