

CALIFORNIA CONSUMER CONFIDENCE SURVEY

Survey and Policy Research Institute at San Jose State University

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California consumer confidence falls, second quarter in a row

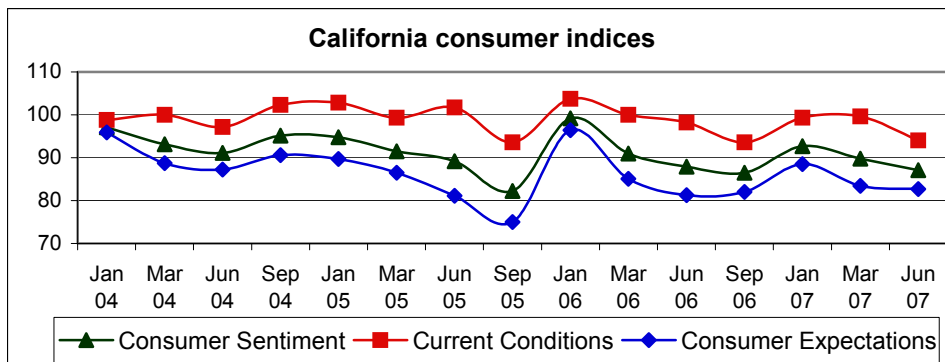
Amid growing pessimism about present and future economic conditions

SAN JOSE (June 27, 2007) -- Consumer confidence in California fell in June, driven by increasingly pessimistic assessments of current economic conditions and future expectations, according to the latest California Consumer Confidence Survey conducted by the Survey and Policy Research Institute at San Jose State University.

Overall, the Index of Consumer Sentiment for California now stands at 87.1, down nearly three index points from 89.8 in March. Assessments of Current Economic Conditions fell more than five points to 94.0 in June, from 99.6 in March, while the forward-looking Index of Consumer Expectations dropped to 82.7, down slightly from 83.4.

Nationwide, consumer confidence has also declined – with the national Index of Consumer Sentiment from the University of Michigan standing at 83.7 in June – down from 88.4 in March.

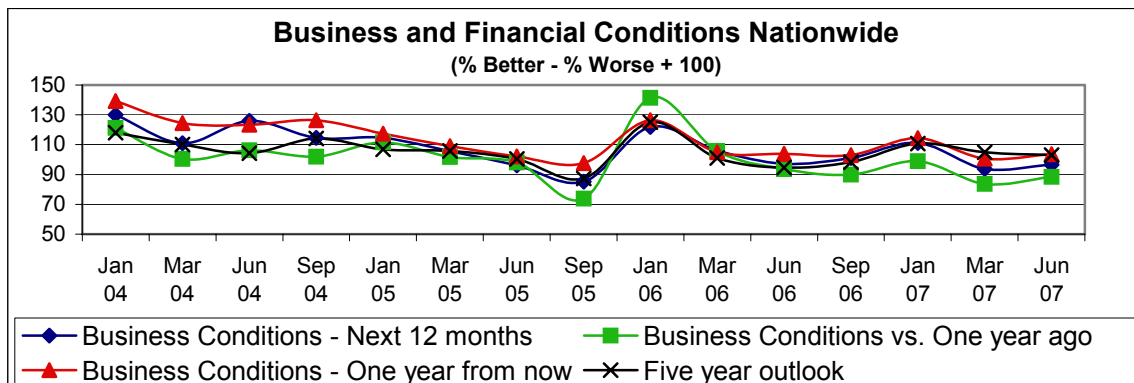
"With gas prices over \$3 a gallon, and rising interest rates, Californians are starting to feel the pinch in their pocketbooks," said survey director Dr. Melinda Jackson, assistant professor of political science at San Jose State University. "Consumers are more cautious about making big purchases right now, and they don't expect things to improve in the coming year."



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 declining assessments of their personal financial situations in June, with 40% saying that they are better off now than they were a year ago, down from 45% in March, and 22% saying they are worse off, compared to 21% three months ago.

In addition, just under half of all Californians (49%) in June reported that they expect their family income to increase in the next 12 months, while 37% expect it to remain the same and 11% expect it to decline. Expectations differed sharply by household income, with 17% of those making less than \$50,000 a year expecting their income to decline in the coming year, compared to just 5% of those in households making over \$100,000 a year.



Assessments of business conditions in the country rose slightly in the second quarter of the year. In June, 31% of California consumers said business conditions in the country were better now than they were one year ago, up from 29% in March, while 43% said they were worse, compared to 46% in March.

But consumers in the state remained unenthusiastic in both their short- and long-term expectations for the national economy. Thirty-one percent of Californians said they expect business conditions in the country to be good in the next 12 months, essentially unchanged from 30% in March, while 35% of state consumers said they expect business conditions to worsen in the coming year, down from 37% in March.

Asked about long-term expectations, 34% of California consumers in June said they expect the country to experience continuous good financial times in the next five years, down slightly from 36% in March. Expected periods of widespread unemployment or depression in the next five years were unchanged, at 31%.

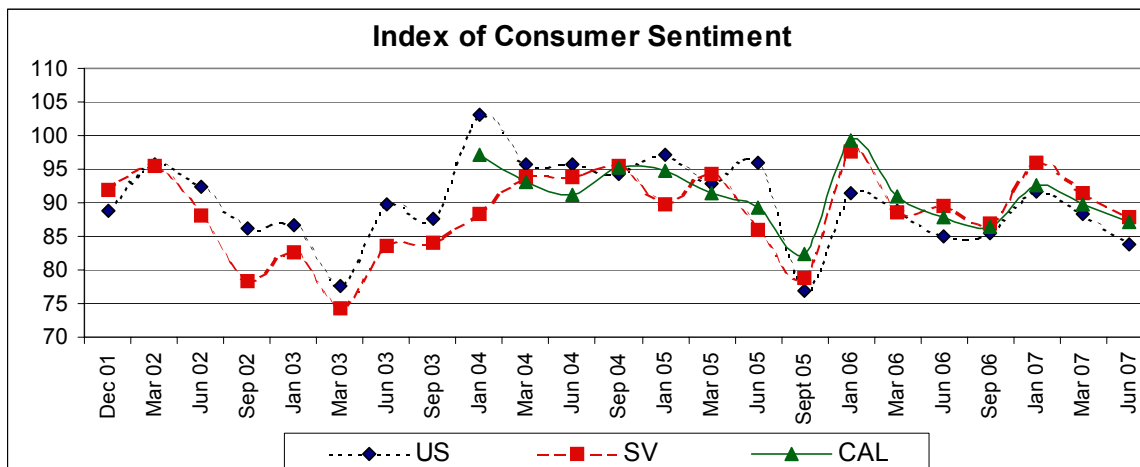
Index	Consumer Sentiment					Current Economic Conditions					Consumer Expectations				
	Jun 06	Sep 06	Jan 07	Mar 07	Jun 07	Jun 06	Sep 06	Jan 07	Mar 07	Jun 07	Jun 06	Sep 06	Jan 07	Mar 07	Jun 07
North	89.6	85.5	92.7	90.7	87.0	100.1	94.0	100.4	100.0	93.6	82.9	80.0	87.8	84.7	82.7
South	86.8	87.6	92.9	89.2	87.1	96.8	93.6	98.9	99.3	94.3	80.3	83.7	89.0	82.7	82.5
SiliconVall	89.6	87.0	95.8	91.4	87.9	100.6	95.5	105.7	98.8	93.2	82.5	81.5	89.5	86.6	84.4
Bay Area	89.1	85.3	93.5	91.4	87.3	100.1	94.7	100.4	100.8	92.8	82.0	79.3	89.0	85.4	83.7
LA	86.6	88.3	95.8	88.3	81.9	97.0	90.6	98.9	99.6	89.0	79.8	86.8	93.9	81.0	77.4
OtherSoCal	87.7	87.7	89.3	91.1	92.4	98.4	96.6	98.5	97.7	100.0	80.9	82.0	83.4	86.8	87.6
Cent Valley	92.6	87.3	91.8	89.6	89.2	102.1	94.3	97.0	99.3	100.4	85.6	82.7	88.5	83.4	82.0
CA	87.9	86.5	92.7	89.8	87.1	98.2	93.6	99.3	99.6	94.0	81.3	82.0	88.5	83.4	82.7
US	84.9	85.4	91.7	88.4	83.7	105.0	96.6	108.1	103.5	100.2	72.0	78.2	81.2	78.7	73.0

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

When asked about their general sense of how things are going in the country, 30% of Californians said in June that they think things are going in the right direction, while nearly double that number – 59% -- said things are seriously off on the wrong track. The number of California consumers rating the government’s handling of the economy as poor also rose in June to 43%, from 41% in March, more than double the 18% who give the government good marks.

Californians also expect both interest rates and prices to go up in the coming year. In June, 61% of California consumers said they expect interest rates to increase, up from 55% in March. Inflation expectations also rose in the second quarter, with 78% of Californians saying they expect to see rising prices in the next 12 months, up from 75% in March.

Concerns about unemployment fell slightly, with 34% of state residents saying in June that they expect more people to be out of work in the coming year, compared to 39% in March.



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

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 82.7, is nearly ten index points higher than the national ICE of 73.0.

On the other hand, the index of Current Economic Conditions was slightly lower in California at 94.0, compared to the national figure of 100.2. While the overall Index of Consumer Sentiment fell in California, to 87.1 in June, from 89.8 in March, the national ICS dropped even more, to 83.7 in June, from 88.4 in March, as reported by the University of Michigan.

Within the state, Central Valley residents gave the most positive ratings for current conditions (100.4), while those on the Central Coast were least positive (81.1). At the same time, residents of Southern California outside of Los Angeles had the highest expectations for the future (87.6), while their neighbors in Los Angeles expressed the most negative expectations (77.4).

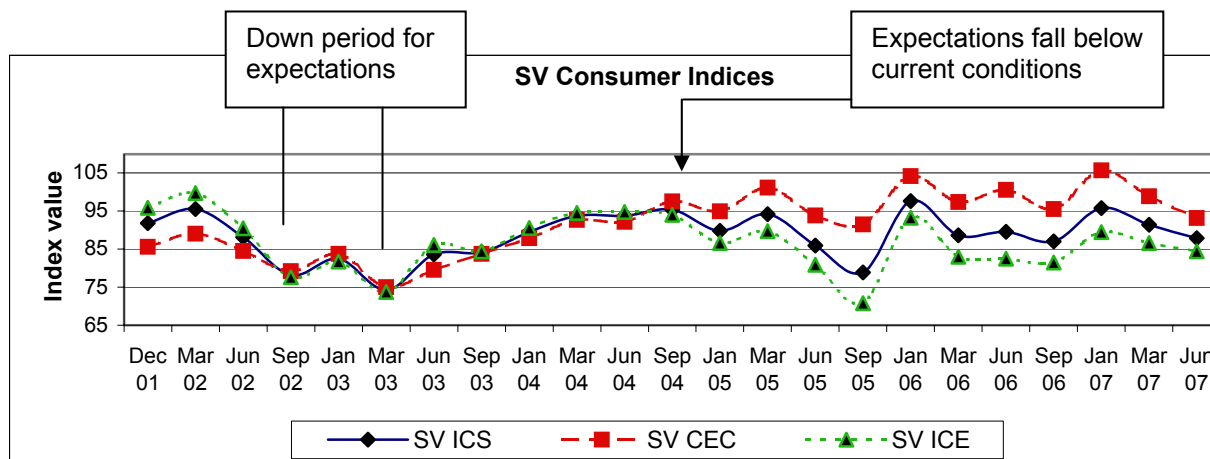
Silicon Valley

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

In June, 38% of Silicon Valley consumers said their personal financial situation was better now than one year ago, down from 45% in March, while 23% said it was worse, up from 21%. When asked about their family income, 49% of those in Silicon Valley said they expected it to be higher in the coming year, while 38% expected it to stay the same, and 12% thought it would be lower.

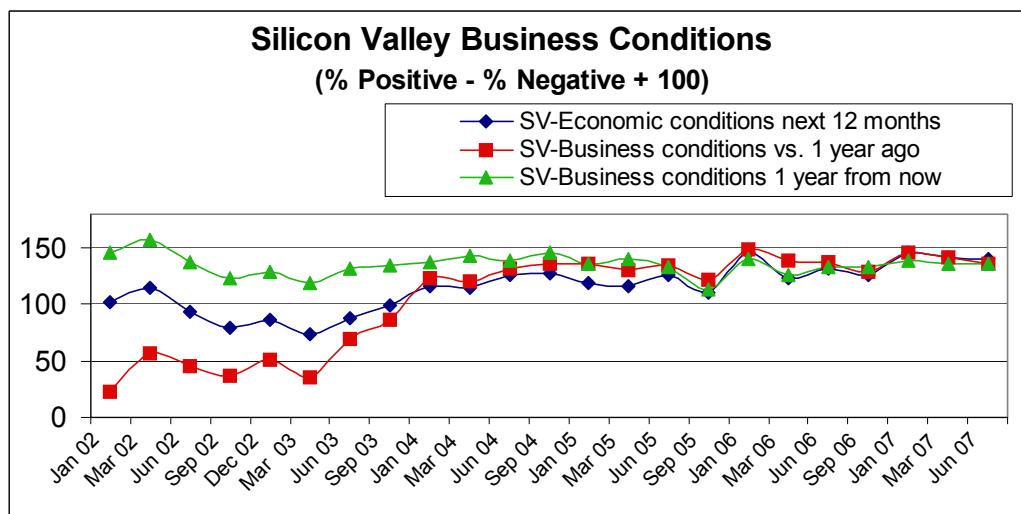
As has been the case since September 2004, economic expectations for the future in Silicon Valley are significantly less positive than judgments of current conditions. The Current Economic Conditions (CEC) index among Silicon Valley consumers fell nearly six points to 93.2 in June, from 98.9 in March. The Index of Consumer Expectations (ICE) fell two points in June to 84.4, with expectations remaining nearly nine index points lower among Silicon Valley residents than assessments of current conditions.

“The portrait of Silicon Valley as a hotbed of entrepreneurial optimism has faded badly,” said SPRI Director Phil Trounstine. “The crash of the dot coms, runaway shops, layoffs and stock options below water all have taken their toll. Folks in Silicon Valley may be hoping for the best but increasingly they are bracing for the worst.”



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

In June, 31% of those in Silicon Valley said they expect to see good times financially in the country over the next 12 months, while 30% expect to see bad times. Silicon Valley consumers were somewhat more optimistic with regard to long-term expectations, with 34% expecting to see continuous good times in the next five years, and 29% anticipating periods of widespread unemployment or depression.



Looking at conditions in the Silicon Valley itself, 57% of residents say that business conditions are better than they were one year ago, down slightly from 60% in March. And looking ahead, 54% of Silicon Valley consumers anticipate good financial times in the region in the next 12 months, while 15% anticipate bad times.

About the Study

The Survey and Policy Research Institute at San Jose State University polled a random sample of 1,000 Californians 18 years of age and older June 18-22 in English, Spanish and Vietnamese as part of the California Consumer Confidence Survey. At least six attempts were made to reach every phone number. 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 3.1%. The sub-sample in the survey for Silicon Valley, weighted for gender, included 295 respondents for a margin of error of plus or minus 5.7%.