

SILICON VALLEY CONSUMER CONFIDENCE SURVEY

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Consumer Survey Finds Silicon Valley Optimistic But Cautious

SAN JOSE (Jan. 11, 2002) - Silicon Valley consumers are more optimistic about a nationwide economic recovery than their counterparts throughout the country. But they are less certain about the rebound in Silicon Valley itself, according to the first-ever Silicon Valley Consumer Confidence Survey.

The pilot quarterly survey, by the Survey and Policy Research Institute (SPRI) at San Jose State University, found that 63 percent of the adults in Silicon Valley expect business conditions in the country to improve in the coming year while 53.6 percent anticipate improved business conditions in the region itself.

People here see the national economy recovering but they are more circumspect about prospects for Silicon Valley," said SPRI Director Philip J. Trounstine. "They are still shaken by layoffs, collapsing profits and plant closures in the high-tech world. So their optimism is justly tempered."

That cautious optimism is reflected in Silicon Valley consumers' measure of their current economic conditions - significantly worse than consumers across the country.

Residents of the region report having been hit harder financially than consumers nationwide and they're feeling more hesitant about consumer purchases," said Dr. Linda O. Valenty, assistant professor of political science at San Jose State University and director of the survey.

With corporate layoffs and the demise of many dot coms, the economic decline in Silicon Valley has been more dramatic than it has been around the country," Valenty said. "Consumers have been knocked down and they're cautious about spending money right now. And yet they're relatively optimistic about their prospects for the future."

SPRI's first quarter 2002 survey of 1,000 residents of Silicon Valley is a pilot project from which trend data cannot yet be deduced. Nevertheless, the survey demonstrates a remarkable resilience among consumers in Silicon Valley.

While more than 8 in 10 people acknowledge that business conditions are worse now than they were a year ago, they are optimistic about their own fortunes. Fully half (49.8 percent) of the people expect their family income to be higher in the next year compared to just 13.7 percent who anticipate lower family income.

The survey reflected the significant impact on families the sharp downturn in the economy has had. More than one-third (35.2 percent) of all respondents said they and their families are worse off financially than they were a year ago, compared to less than one-quarter (21.8 percent) who said they were better off. About four in 10 respondents (41.5 percent) said their personal financial status is unchanged.

By the same token, 38.4 percent of the people say they believe their families will be better off financially a year from now; 44.3 percent expect their families will be in about the same shape financially, and just 7.3 percent anticipate they'll be in worse shape.

That's a remarkable 82.7 percent who anticipate financial stability or improvement for their families in the coming year. Although some economists and financial analysts have recently argued that companies are stabilizing and profitability is being restored, the word has not filtered through to Silicon Valley consumers.

More than half the respondents (53 percent) say they've heard about unfavorable changes in business conditions in the past few months compared to just 16.8 percent who said they've heard of favorable changes in business conditions.

The government gets only mediocre marks on its economic policies, with 25.1 percent saying the government has done a good job of fighting inflation or unemployment; 48.2 percent saying the government has done only fair, and 18.4 percent saying the government has done a poor job.

Silicon Valley is uncertain about unemployment, with about one-third of the people each predicting more (31 percent), less (28.4 percent) and about the same (36.8 percent) joblessness in the coming year. On interest rates and prices, however, about 10 percent more of the people think rates and prices will go up compared to those who predict reductions.

As a result, 68.5 percent of the people believe now is a good time to buy a house, 57.8 percent says it's a good time to buy major household items and 67.6 percent say it's a good time to buy a car.

On the other hand, only 6.6 percent of the people said they may buy a house in the next three months, 20.3 percent say they may buy a major household item, 12.5 percent say they may buy a car or truck, and 12.9 percent say they may buy a computer.

People recognize that the recession has made major purchases attractive, but they aren't much in the buying mood," Trounstein said. "That's likely a reflection of their uncertainty about how quickly the regional economy will recover."

Personal belt-tightening is apparent in peoples' plans for other spending as well, with 40.8 percent expecting to spend less on clothes and shoes in the next quarter (partly a reflection of higher back-to school expenses); 19.6 percent expecting to spend less dining out and 16.6 percent anticipating spending less on going to the movies.

Vacation plans, too, are being affected by the economic slowdown. About six in 10 (57.3 percent) of the people said they spent less than \$500 in the past three months on vacation travel compared to 31.8 percent who spent more than \$500. And looking forward, 37 percent of the people plan to spend less in the next three months compared to 21.1 percent who plan to spend more.

While 73.4 percent of all the travel people have done in the past three months has been in California - with more than one quarter (26.9) of the people traveling only

within California - respondents predict that only a collective 66.4 percent of their travel will be in California in the next three months.

If they fly, however, they clearly prefer using Mineta San Jose International Airport, with 61.9 percent expecting to fly from San Jose, 19.7 percent from San Francisco and just 5.5 percent from Oakland.

SILICON VALLEY INDEX COMPARED TO NATIONWIDE INDEX

The Silicon Valley Index of Consumer Sentiment (SVICS), based on the questions and formula developed by the University of Michigan, stands at 91.7. By comparison, the nationwide University of Michigan Index of Consumer Sentiment (ICS) was 88.8 in December.

The Silicon Valley Index of Current Economic Conditions (SVICC) is 85.5 compared to the University of Michigan's nationwide Index of Economic Conditions (ICC) of 99.0. The ICC is based on responses to questions concerning current financial conditions and attitudes toward the purchase of major household items.

The Silicon Valley Index of Consumer Expectations (SVICE) is 95.7, compared to the University of Michigan's nationwide Index of Consumer Expectations (ICE) of 82.3. Michigan's Index of Consumer Expectations is a closely watched component of the Index of Leading Economic Indicators - one of the economy's most important markers. The ICE is based on responses to questions concerning future economic conditions.

METHODOLOGY

The Survey and Policy Research Institute questioned 1,000 adult residents of Silicon Valley Dec. 21-22 and Dec. 26-29. A random sample of homes was called throughout Santa Clara County and in adjacent zip codes that comprise Silicon Valley as defined by Joint Venture Silicon Valley. Results were weighted to correspond with California Department of Finance 2001 population estimates for race and ethnicity in Santa Clara and San Mateo Counties. The resulting sample included 485 men; 515 women; 499 Whites; 226 Asians; 206 Hispanics and 37 Blacks. The median age of respondents was 42 with a median household income between \$50,000 and \$75,000. The margin of error for the entire sample is +/- 3 percent. To avoid sequence bias, the survey replicated the University of Michigan's Survey of Consumers and then added questions of specific interest to Silicon Valley.

Initial funding for the Silicon Valley Consumer Confidence Survey is being provided by the City of San Jose, Santa Clara County, the San Jose Mercury News and the California Technology, Trade and Commerce Agency. In addition, the San Jose Silicon Valley Chamber of Commerce is the marketing sponsor for the survey.

FURTHER ANALYSIS

Further detailed analysis of the survey, including cross tabulations by race, income, gender and other factors, is available for purchase from SPRI. For information, contact Renee Anderson at the San Jose Silicon Valley Chamber of Commerce at 408-291-5250 or send e-mail to r.anderson@sjchamber.com. Income from the sale

of these data will be re-invested to support the research and teaching missions of San Jose State University and in the ongoing research activities of the Survey and Policy Research Institute at San Jose State University.

SILICON VALLEY CONSUMER CONFIDENCE SURVEY
Survey and Policy Research Institute at San Jose State University

A2. Would you say that you are better off or worse off financially than you were a year ago?

	Frequency	Percent	Valid Percent	Cumulative Percent
Better Now	218	21.8	21.8	21.8
Same	415	41.5	41.5	63.3
Worse	352	35.2	35.2	98.6
Don't Know	14	1.4	1.4	99.9
Refused	1	.1	.1	100.0
Total	1000	100.0	100.0	

A3. Do you think that a year from now you will be better off financially, or worse off, or just about the same as now?

	Frequency	Percent	Valid Percent	Cumulative Percent
Better Off	384	38.4	38.4	38.4
Same As Now	443	44.3	44.3	82.6
Worse Off	73	7.3	7.3	90.0
Don't Know	100	10.0	10.0	100.0
Total	1000	100.0	100.0	

A4. Now turning to business conditions in the country as a whole - do you think that during the next 12 months we'll have good times financially, or bad times, or what?

	Frequency	Percent	Valid Percent	Cumulative Percent
Good Times	435	43.5	43.5	43.5
(Vol.) Good With Qualifications	81	8.1	8.1	51.6
(Vol.) Good and/or	85	8.5	8.5	60.1

Bad				
(Vol.) Bad With Qualifications	38	3.8	3.8	63.9
Bad Times	252	25.2	25.2	89.1
Don't Know	108	10.8	10.8	99.9
Refused	1	.1	.1	100.0
Total	1000	100.0	100.0	

A5. Would you say that at the present time business conditions in the country are better or worse than they were a year ago?

	Frequency	Percent	Valid Percent	Cumulative Percent
Better Now	71	7.1	7.1	7.1
About The Same	57	5.7	5.7	12.7
Worse Now	856	85.6	85.6	98.3
Don't Know	17	1.7	1.7	100.0
Total	1000	100.0	100.0	

A6. During the last few months, have you heard of any favorable or unfavorable changes in business conditions?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes, Favorable	168	16.8	16.8	16.8
No, Haven't Heard	192	19.2	19.2	36.0
Yes, Unfavorable	530	53.0	53.0	89.0
Don't Know	106	10.6	10.6	99.7
Refused	3	.3	.3	100.0
Total	1000	100.0	100.0	

A7. And how about a year from now, do you expect that in the country as a whole business conditions will be better, or worse than they are at present, or just about the same?

	Frequency	Percent	Valid Percent	Cumulative Percent
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Better A Year From Now	630	63.0	63.0	63.0
About The Same	216	21.6	21.6	84.6
Worse A Year From Now	89	8.9	8.9	93.5
Don't Know	62	6.2	6.2	99.7
Refused	3	.3	.3	100.0
Total	1000	100.0	100.0	

A9. As to the economic policy of the government-I mean steps taken to fight inflation or unemployment-would you say the government is doing a good job, only fair, or a poor job?

	Frequency	Percent	Valid Percent	Cumulative Percent
Good Job	251	25.1	25.1	25.1
Only Fair	482	48.2	48.2	73.3
Poor Job	184	18.4	18.4	91.7
Don't Know	80	8.0	8.0	99.7
Refused	3	.3	.3	100.0
Total	1000	100.0	100.0	

A10. How about people out of work during the coming 12 months -- do you think that there will be more unemployment than now, about the same, or less?

	Frequency	Percent	Valid Percent	Cumulative Percent
More Unemployment	310	31.0	31.0	31.0
About The Same	368	36.8	36.8	67.8
Less Unemployment	284	28.4	28.4	96.1
Don't Know	38	3.8	3.8	99.9
Refused	1	.1	.1	100.0
Total	1000	100.0	100.0	

A11. No one can say for sure, but what do you think will happen to interest rates for borrowing money during the next 12 months -- will they go up, stay the same, or go down?

	Frequency	Percent	Valid	Cumulative
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			Percent	Percent
Go Up	319	31.9	31.9	31.9
Stay The Same	370	37.0	37.0	68.8
Go Down	238	23.8	23.8	92.6
Don't Know	69	6.9	6.9	99.5
Refused	5	.5	.5	100.0
Total	1000	100.0	100.0	

A12. During the next 12 months, do you think that prices in general will go up, or go down, or stay where they are now?

	Frequency	Percent	Valid Percent	Cumulative Percent
Go Up	289	28.9	28.9	28.9
Stay The Same	486	48.6	48.6	77.4
Go Down	169	16.9	16.9	94.4
Don't Know	56	5.6	5.6	99.9
Refused	1	.1	.1	100.0
Total	1000	100.0	100.0	

A13. What about the outlook for prices over the next 5 to 10 years? Do you think prices will be higher, about the same, or lower, 5 to 10 years from now?

	Frequency	Percent	Valid Percent	Cumulative Percent
Higher	726	72.6	72.6	72.6
Stay The Same	136	13.6	13.6	86.2
Lower	40	4.0	4.0	90.3
Don't Know	89	8.9	8.9	99.1
Refused	9	.9	.9	100.0
Total	1000	100.0	100.0	

A14. During the next year or two, do you expect that your (family) income will go up: more than prices will go up, about the same, or less than prices will go up?

	Frequency	Percent	Valid	Cumulative
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			Percent	Percent
Income Up More Than Prices	283	28.3	28.3	28.3
Income Up Same As Prices	451	45.1	45.1	73.5
Income Up Less Than Prices	208	20.8	20.8	94.3
Don't Know	53	5.3	5.3	99.6
Refused	4	.4	.4	100.0
Total	1000	100.0	100.0	

A15. During the next 12 months, do you expect your (family) income to be higher or lower than during the past year?

	Frequency	Percent	Valid Percent	Cumulative Percent
Higher	498	49.8	49.8	49.8
About the Same	337	33.7	33.7	83.5
Lower	137	13.7	13.7	97.2
Don't Know	28	2.8	2.8	100.0
Total	1000	100.0	100.0	

A16. Generally speaking, do you think now is a good time or a bad time to buy a house?

	Frequency	Percent	Valid Percent	Cumulative Percent
Good	685	68.5	68.5	68.5
Good and/or Bad	52	5.2	5.2	73.6
Bad	210	21.0	21.0	94.6
Don't Know	53	5.3	5.3	99.9
Refused	1	.1	.1	100.0
Total	1000	100.0	100.0	

A17. What about selling a house - generally speaking, do you think now is a good time or a bad time to sell a house?

	Frequency	Percent	Valid Percent	Cumulative Percent
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Good	197	19.7	19.7	19.7
Good and/or Bad	42	4.2	4.2	23.9
Bad	691	69.1	69.1	93.0
Don't Know	67	6.7	6.7	99.7
Refused	3	.3	.3	100.0
Total	1000	100.0	100.0	

A18. About the big things people buy for their homes, do you think now is a good or bad time for people to buy major household items?

	Frequency	Percent	Valid Percent	Cumulative Percent
Good	578	57.8	57.8	57.8
Good and/or Bad	82	8.2	8.2	66.0
Bad	239	23.9	23.9	89.9
Don't Know	99	9.9	9.9	99.8
Refused	2	.2	.2	100.0
Total	1000	100.0	100.0	

A19. Speaking now of the automobile market - do you think the next 12 months or so will be a good time or a bad time to buy a car?

	Frequency	Percent	Valid Percent	Cumulative Percent
Good	676	67.6	67.6	67.6
Good and/or Bad	42	4.2	4.2	71.9
Bad	174	17.4	17.4	89.3
Don't Know	101	10.1	10.1	99.5
Refused	5	.5	.5	100.0
Total	1000	100.0	100.0	

A20. Thinking now about Silicon Valley specifically, do you think that during the next 12 months we'll have good times financially, or bad times, or what?

	Frequency	Percent	Valid	Cumulative
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			Percent	Percent
Good	399	39.9	39.9	39.9
Good and/or Bad	108	10.8	10.8	50.7
Bad	378	37.8	37.8	88.5
Don't Know	111	11.1	11.1	99.6
Refused	4	.4	.4	100.0
Total	1000	100.0	100.0	

A21. Would you say that at the present time, business conditions in Silicon Valley are better or worse than they were a year ago?

	Frequency	Percent	Valid Percent	Cumulative Percent
Better Now	62	6.2	6.2	6.2
Same	48	4.8	4.8	11.0
Worse Now	834	83.4	83.4	94.4
Don't Know	52	5.2	5.2	99.6
Refused	4	.4	.4	100.0
Total	1000	100.0	100.0	

A22. How about a year from now? Do you expect that business conditions in Silicon Valley will be better, or worse than they are at present, or just about the same?

	Frequency	Percent	Valid Percent	Cumulative Percent
Better Than Now	536	53.6	53.6	53.6
Same	292	29.2	29.2	82.8
Worse	78	7.8	7.8	90.6
Don't Know	89	8.9	8.9	99.4
Refused	6	.6	.6	100.0
Total	1000	100.0	100.0	

A23. Turning now to some specific areas of consumer spending - during the past three months, how much would you estimate you spent for yourself (your family) on vacation travel?

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than \$100	403	40.3	40.3	43.0
More than \$100 but less than \$300	83	8.3	8.3	51.2
More than \$300 but less than \$500	87	8.7	8.7	59.9
More than \$500 but less than \$1,000	124	12.4	12.4	72.3
More than \$1,000	194	19.4	19.4	91.7
Don't Know	83	8.3	8.3	100.0
Refused	26	2.6	2.6	2.6
Total	1000	100.0	100.0	

A23a. About what percentage of that vacation travel was within California?

0% of travel (all outside of California)	37.1%
1-99% of travel (partly within California)	19.8%
100% of travel (all within California)	26.9%
Don't Know	10.4%
Refused	5.8%
Percent of people who traveled within California	46.7%
Average California percentage of all travel	73.4%

A24. Do you expect that you will spend more, about the same, or less in the next three months on vacation travel than you did in the past three months?

	Frequency	Percent	Valid Percent	Cumulative Percent
More	211	21.1	21.1	21.1
About the Same	334	33.4	33.4	54.5
Less	370	37.0	37.0	91.5
Don't Know	67	6.7	6.7	98.2
Refused	18	1.8	1.8	100.0
Total	1000	100.0	100.0	

A24a. About what percentage of that vacation travel do you expect to spend on travel within California?

0% of travel (all outside of California)	32.7%
1-99% of travel (partly within California)	26.0%
100% of travel (all within California)	23.1%
Don't Know	12.6%
Refused	5.6%
Percent of people who expect to travel in California	49.1%
Average California percentage of all expected travel	66.4%

A24b. If you are planning to fly with a commercial airline, which airport are you most likely to use: San Jose, San Francisco, Oakland, Other, Don't plan to use commercial airline?

	Frequency	Percent	Valid Percent	Cumulative Percent
San Jose	619	61.9	61.9	61.9
San Francisco	197	19.7	19.7	81.6
Oakland	55	5.5	5.5	87.1
Don't plan to fly commercial	85	8.5	8.5	95.5
Don't Know	33	3.3	3.3	98.8
Refused	12	1.2	1.2	100.0
Total	1000	100.0	100.0	

A25. During the past three months, how much would you estimate you spent for yourself and your family each month on clothes and shoes?

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than \$100	251	25.1	25.1	25.1
More than \$100 but less than \$200	213	21.3	21.3	46.4
More than \$200 but less than \$300	184	18.4	18.4	64.8
More than \$300 but less than \$400	84	8.4	8.4	73.2
More than \$400	195	19.5	19.5	92.7
Don't Know	60	6.0	6.0	98.8
Refused	12	1.2	1.2	100.0
Total	1000	100.0	100.0	

A26. Do you expect that you will spend more, about the same or less per month in the next three months than you did in the past three months?

	Frequency	Percent	Valid Percent	Cumulative Percent
More	105	10.5	10.5	10.5
About the Same	450	45.0	45.0	55.5
Less	408	40.8	40.8	96.3
Don't Know	28	2.8	2.8	99.1
Refused	9	.9	.9	100.0
Total	1000	100.0	100.0	

A27. During the past three months, how much would you estimate you spent for yourself and your family each week on dining out?

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than \$50	400	40.0	40.0	40.0
More than \$50 but less than \$100	268	26.8	26.8	66.8
More than \$100 but less than \$150	125	12.5	12.5	79.3
More than \$150 but less than \$200	60	6.0	6.0	85.3
More than \$200	96	9.6	9.6	95.0
Don't Know	34	3.4	3.4	98.4
Refused	16	1.6	1.6	100.0
Total	1000	100.0	100.0	

A28. Do you expect that you will spend more, about the same or less per week in the next three months than you did in the past three months?

	Frequency	Percent	Valid Percent	Cumulative Percent
More	59	5.9	5.9	5.9
About the Same	712	71.2	71.2	77.2
Less	196	19.6	19.6	96.8
Don't Know	22	2.2	2.2	98.9
Refused	11	1.1	1.1	100.0
Total	1000	100.0	100.0	

A29. During the past three months, how much would you estimate you spent for yourself (your family) each month on going to the movies?

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than \$25	587	58.7	58.7	58.7
More than \$25 but less than \$50	192	19.2	19.2	77.9
More than \$50 but less than \$75	77	7.7	7.7	85.6
More than \$75	63	6.3	6.3	91.9
Don't Know	64	6.4	6.4	98.3
Refused	17	1.7	1.7	100.0
Total	1000	100.0	100.0	

A30. Do you expect that you will spend more, about the same or less per month in the next three months than you did in the past three months?

	Frequency	Percent	Valid Percent	Cumulative Percent
More	100	10.0	10.0	10.0
About the Same	670	67.0	67.0	77.0
Less	166	16.6	16.6	93.6
Don't Know	51	5.1	5.1	98.7
Refused	13	1.3	1.3	100.0
Total	1000	100.0	100.0	

A31. Do you expect in the next three months that you will buy a major household item, like furniture, a refrigerator, stove or television?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	140	14.0	14.0	14.0
Maybe	63	6.3	6.3	20.3
No	785	78.5	78.5	98.9
Don't Know	9	.9	.9	99.8
Refused	2	.2	.2	100.0
Total	1000	100.0	100.0	

A33. Do you expect in the next three months that you will buy a house?

	Frequency	Percent	Valid Percent	Cumulative Percent
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Yes	22	2.2	2.2	2.2
Maybe	44	4.4	4.4	6.5
No	928	92.8	92.8	99.3
Don't Know	4	.4	.4	99.7
Refused	3	.3	.3	100.0
Total	1000	100.0	100.0	

A34. Do you expect in the next three months that you will sell a house?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	13	1.3	1.3	1.3
Maybe	29	2.9	2.9	4.2
No	952	95.2	95.2	99.4
Don't Know	3	.3	.3	99.7
Refused	3	.3	.3	100.0
Total	1000	100.0	100.0	

A35. Do you expect in the next three months that you will buy a new car or truck?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	49	4.9	4.9	4.9
Maybe	76	7.6	7.6	12.5
No	869	86.9	86.9	99.4
Don't Know	3	.3	.3	99.7
Refused	3	.3	.3	100.0
Total	1000	100.0	100.0	