

# SILICON VALLEY CONSUMER CONFIDENCE SURVEY

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## Consumer Confidence in Silicon Valley Rebounds in First Quarter of 2002

**SAN JOSE** (April 12, 2002) - Confidence in the Silicon Valley economy surged in the first quarter of 2002, with nearly two-thirds of consumers now convinced that business conditions in the region will improve in the coming year.

Although consumers report only marginal improvement in their personal financial status, they are beginning to see the region recovering from recession. And they are increasingly confident that their personal prospects will brighten in the year ahead, according to the Silicon Valley Consumer Confidence Survey.

"One in three consumers say they're still worse off financially than they were a year ago," said Philip J. Trounstine, director of the Survey and Policy Research Institute (SPRI) at San Jose State University. "But there's a growing sense that the area's economy is rebounding and a widening belief that personal incomes will outpace price increases in the year ahead."

SPRI's second quarterly survey of 1,005 consumers found that 65 percent of adults in Silicon Valley expect the national economy to improve in the coming year and an almost identical 64 percent expect improvement in the region's economy. That's a remarkable 10-point increase in the assessment of Silicon Valley since the end of December, when 54 percent of adults said they expected improved business conditions in the region in the coming year.

Still suffering from the slump in the high-tech economy, 33 percent of consumers say they're in worse financial shape now than they were a year ago while 23 percent say they're better off. That's little improvement from December, when 35 percent said they were worse off and 22 percent said they were better off.

But 55 percent of consumers now predict their family incomes will be higher in the coming year, compared to 50 percent who said so in December. And 45 percent say they'll be better off financially than they are now, compared to 38 percent who made that assessment in December.

Even while 61 percent of consumers predict that prices will increase in the coming year – by an average of 6.9 percent – 74 percent expect their family incomes to increase as much or more than the increase in prices.

"This brighter outlook is a reflection of the widening belief that companies are regaining their footing," said Trounstine. "Thirty-eight percent of consumers now predict a decline in unemployment in the year ahead compared to just 20 percent who expect an increase in joblessness. That's a sharp turnaround from December, when 31 percent of adults expected an increase in unemployment and 28 percent thought employment would pick up."

In December, a whopping 86 percent of consumers said business conditions in the country were worse than they had been the previous year and 83 percent made a

similar appraisal of Silicon Valley. But people sharply revised that assessment by the end of the first quarter. Now 63 percent say business conditions in the country are worse than a year ago and 65 percent say business conditions in Silicon Valley are worse than a year earlier.

Overall, more than half of all consumers now expect continuous good times in the economy as a whole, not just in the year ahead but over the next five years.

Growing consumer confidence is reflected also in attitudes toward spending. More than 6 in 10 consumers now say it's a good time to purchase major household items and nearly 7 in 10 consumers say it's a good time to buy a car or a house.

Moreover, consumers say they intend to spend more in the coming quarter than they did in the last on vacation, clothes and shoes, dining out and entertainment. More consumers also say they may buy major household items, homes and vehicles in the coming quarter.

### **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 96.2, up from 91.7 in December. By comparison, the current nationwide University of Michigan Index of Consumer Sentiment (ICS) is 95.7, up from 88.8 in December.

The Silicon Valley Index of Current Economic Conditions (SVICC) is 89.3, up from 85.5 in December. The University of Michigan's current nationwide Index of Economic Conditions (ICC) is 100.4, up from 99.0 in December. 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 100.7, up from 95.7 in December. The University of Michigan's current nationwide Index of Consumer Expectations (ICE) is 92.7, compared to 82.3 in December. 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 1,005 adult residents of Silicon Valley March 25-29. 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 a sample size of 1,000 and 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 482 men, 518 women, 495 whites, 224 Asians, 204 Hispanics and 37 blacks. The median age of respondents was 44 with a median household income between \$75,000 and \$100,000. 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](mailto: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 SECOND QUARTER 2002

**A2. We are interested in how people are getting along financially these days. Would you say that you (and your family living there) are better off or worse off financially than you were a year ago?**

	Dec 01	Mar 02
Better Now	21.8	23.1
Same	41.5	43.3
Worse	35.2	32.6
Don't Know	1.4	.7
Refused	.1	.2
Total	100.0	100.0

**A3. Now looking ahead - do you think that a year from now you (and your family living there) will be better off financially, or worse off or just about the same as now?**

	Dec 01	Mar 02
Better Off	38.4	44.7
Same As Now	44.3	40.6
Worse Off	7.3	7.2
Don't Know	10.0	7.1
Refused	.0	.3
Total	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?**

	Dec 01	Mar 02
Good Times	43.5	42.6
Good (Qualified)	8.1	15.1
Good and/or	8.5	17.9

Bad		
Bad (Qualified)	3.8	4.4
Bad Times	25.2	12.8
Don't Know	10.8	7.0
Refused	.1	.2
Total	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?**

	Dec 01	Mar 02
Better Now	7.1	23.5
About The Same	5.7	11.1
Worse Now	85.6	63.1
Don't Know	1.7	2.3
Total	100.0	100.0

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

	Dec 01	Mar 02
Yes, Favorable	16.8	38.0
No, Haven't Heard	19.2	24.3
Yes, Unfavorable	53.0	33.5
Don't Know	10.6	4.0
Refused	.4	.2
Total	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?**

	Dec 01	Mar 02
Better A Year From Now	63.0	64.6
About The Same	21.6	24.7
Worse A Year From Now	8.9	6.2
Don't Know	6.2	4.5
Refused	.3	.0
Total	100.0	100.0

**A8. Looking ahead, which would you say is more likely: that in the country as a whole we'll have continuous good times during the next five years or so, or that we will have periods of widespread unemployment or depression or what?**

	Dec 01	Mar 02
Good Times	58.7	54.1

Mixed/ Good, Bad	5.8	8.7
Bad Times	27.1	26.3
Stay the Same	Not coded	4.1
Don't Know/Refused	8.4	6.8
Total	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?**

	Dec 01	Mar 02
Good Job	25.1	22.2
Only Fair	48.2	48.2
Poor Job	18.4	24.5
Don't Know	8.0	5.0
Refused	.3	.1
Total	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?**

	Dec 01	Mar 02
More Unemployment	31.0	19.9
About The Same	36.8	39.5
Less Unemployment	28.4	37.5
Don't Know	3.8	3.1
Total	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?**

	Dec 01	Mar 02
Go Up	31.9	63.6
Stay The Same	37.0	23.4
Go Down	23.8	8.5
Don't Know	6.9	4.4
Refused	.4	.1
Total	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?**

	Dec 01	Mar 02
Go Up	28.9	60.6
Stay The Same	48.6	32.7
Go Down	16.9	4.4
Don't Know	5.5	2.2
Refused	.1	.1

<b>Total</b>	100.0	100.0
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**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?**

	<b>Dec 01</b>	<b>Mar 02</b>
<b>Higher</b>	72.6	85.9
<b>Stay The Same</b>	13.6	7.8
<b>Lower</b>	4.0	2.9
<b>Don't Know</b>	8.9	3.4
<b>Refused</b>	.9	.0
<b>Total</b>	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?**

	<b>Dec 01</b>	<b>Mar 02</b>
<b>Income Up More Than Prices</b>	28.3	31.8
<b>Income Up Same As Prices</b>	45.1	42.5
<b>Income Up Less Than Prices</b>	20.8	22.2
<b>Don't Know</b>	5.3	3.1
<b>Refused</b>	.4	.3
<b>Total</b>	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?**

	<b>Dec 01</b>	<b>Mar 02</b>
<b>Higher</b>	49.8	54.9
<b>About The Same</b>	33.7	32.1
<b>Lower</b>	13.7	11.5
<b>Don't Know</b>	2.8	1.4
<b>Refused</b>	.0	.1
<b>Total</b>	100.0	100.0

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

	<b>Dec 01</b>	<b>Mar 02</b>
<b>Good</b>	68.5	66.7
<b>Good and/or Bad</b>	5.2	7.8
<b>Bad</b>	21.0	21.1
<b>Don't Know</b>	5.2	4.4
<b>Refused</b>	.1	.1
<b>Total</b>	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?**

	Dec 01	Mar 02
Good	19.7	41.7
Good and/or Bad	4.2	10.0
Bad	69.1	43.3
Don't Know	6.7	4.9
Refused	.3	.0
Total	100.0	100.0

**A18. About the big things people buy for their homes -- such as furniture, a refrigerator, stove, television and things like that. Generally speaking, do you think now is a good time or a bad time for people to buy major household items?**

	Dec 01	Mar 02
Good	57.8	60.5
Good And/Or Bad	8.2	13.1
Bad	23.9	20.3
Don't Know	9.9	5.9
Refused	.2	.1
Total	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?**

	Dec 01	Mar 02
Good	67.6	67.1
Good and/or Bad	4.2	8.0
Bad	17.4	18.5
Don't Know	10.1	6.3
Refused	.5	.1
Total	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?**

	Dec 01	Mar 02
Good	39.9	41.9
Good and/or Bad	10.8	25.6
Bad	37.8	26.8
Don't Know	11.1	5.5
Refused	.4	.1
Total	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?**

	Dec 01	Mar 02
Better Now	6.2	21.2
Same	4.8	10.7
Worse Now	83.4	65.4
Don't Know	5.2	2.7
Refused	.4	.0

<b>Total</b>	100.0	100.0
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**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?**

	<b>Dec 01</b>	<b>Mar 02</b>
<b>Better Than Now</b>	53.6	63.6
<b>Same</b>	29.2	26.9
<b>Worse</b>	7.8	6.2
<b>Don't Know</b>	8.9	3.2
<b>Refused</b>	.6	.1
<b>Total</b>	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 (and your family) on vacation travel?**

	<b>Dec 01</b>	<b>Mar 02</b>
<b>&lt;\$100</b>	40.3	44.6
<b>&gt;\$100 but &lt;\$300</b>	8.3	8.9
<b>&gt;\$300 but &lt;\$500</b>	8.7	11.5
<b>&gt;\$500 but &lt;\$1,000</b>	12.4	10.9
<b>&gt;\$1,000</b>	19.4	16.2
<b>Don't Know</b>	8.3	6.0
<b>Refused</b>	2.6	1.9
<b>Total</b>	100.0	100.0

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

	<b>Dec 01</b>	<b>Mar 02</b>
<b>0% of travel</b>	37.1	36.3
<b>1-99% of travel</b>	19.8	21.7
<b>100% of travel</b>	26.9	31.0
<b>Don't Know</b>	10.4	6.0
<b>Refused</b>	5.8	5.0
<b>Total</b>	100.0	100.0

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

	<b>Dec 01</b>	<b>Mar 02</b>
<b>More</b>	21.1	31.4
<b>About the same</b>	33.4	40.0
<b>Less</b>	37.0	24.2
<b>Don't Know</b>	6.7	3.6
<b>Refused</b>	1.8	.8
<b>Total</b>	100.0	100.0

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

	<b>Dec 01</b>	<b>Mar 02</b>
<b>0% of travel</b>	32.7	31.0
<b>1-99% of travel</b>	26.0	30.3
<b>100% of travel</b>	23.1	26.4
<b>Don't Know</b>	12.6	7.3
<b>Refused</b>	5.6	5.0
<b>Total</b>	100.0	100.0

**A24b. If you are planning to fly with a commercial airline, which airport are you most likely to use: San Jose, San Francisco, Oakland or another?**

	<b>Dec 01</b>	<b>Mar 02</b>
<b>San Jose</b>	61.9	64.9
<b>San Francisco</b>	19.7	19.2
<b>Oakland</b>	5.5	5.7
<b>Not flying commercial</b>	8.5	7.7
<b>Don't Know</b>	3.3	2.3
<b>Refused</b>	1.1	.2
<b>Total</b>	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?**

	<b>Dec 01</b>	<b>Mar 02</b>
<b>&lt;\$100</b>	25.1	31.2
<b>&gt;\$100 but &lt;\$200</b>	21.3	28.5
<b>&gt;\$200 but &lt;\$300</b>	18.4	17.9
<b>&gt;\$300 but &lt;\$400</b>	8.4	7.4
<b>&gt;\$400</b>	19.5	11.3
<b>Don't Know</b>	6.0	2.4
<b>Refused</b>	1.2	1.3
<b>Total</b>	100.0	100.0

**A26. Do you expect that you will spend more, about the same or less per month in the next three on clothes and shoes?**

	<b>Dec 01</b>	<b>Mar 02</b>
<b>More</b>	10.5	18.7
<b>About the same</b>	45.0	58.1
<b>Less</b>	40.8	21.1
<b>Don't Know</b>	2.8	1.4
<b>Refused</b>	.9	.7
<b>Total</b>	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?**

	Dec 01	Mar 02
<\$50	40.0	36.1
>\$50 but <\$100	26.8	32.0
>\$100 but <\$150	12.5	12.5
>\$150 but <\$200	6.0	6.4
>\$200	9.6	10.9
Don't Know	3.4	1.1
Refused	1.7	1.0
Total	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 on dining out?**

	Dec 01	Mar 02
More	5.9	13.4
About the same	71.2	70.2
Less	19.6	15.1
Don't Know	2.2	.7
Refused	1.1	.6
Total	100.0	100.0

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

	Dec 01	Mar 02
<\$25	58.7	63.0
>\$25 but <\$50	19.2	20.6
>\$50 but <\$75	7.7	8.0
>\$75	6.3	4.9
Don't Know	6.4	2.4
Refused	1.7	1.1
Total	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 on going to the movies?**

	Dec 01	Mar 02
More	10.0	11.3
About the same	67.0	73.0
Less	16.6	12.6
Don't Know	5.1	2.3
Refused	1.3	.7
Total	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?**

	Dec 01	Mar 02
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Yes	14.0	14.9
Maybe	6.3	8.2
No	78.6	75.6
Don't Know	.9	1.1
Refused	.2	.2
Total	100.0	100.0

**A32. Do you expect in the next three months that you will buy a computer?**

	Dec 01	Mar 02
Yes	6.8	8.0
Maybe	6.3	5.8
No	86.4	85.8
Don't Know	.4	.2
Refused	.1	.2
Total	100.0	100.0

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

	Dec 01	Mar 02
Yes	2.2	4.5
Maybe	3.9	3.9
No	92.7	90.9
Don't Know	.4	.4
Refused	.3	.2
Total	100.0	100.0

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

	Dec 01	Mar 02
Yes	1.3	3.5
Maybe	2.9	3.1
No	95.2	92.4
Don't Know	.3	.7
Refused	.3	.2
Total	100.0	100.0

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

	Dec 01	Mar 02
Yes	4.9	5.7
Maybe	7.6	6.9
No	86.9	86.6
Don't Know	.3	.5
Refused	.3	.2
Total	100.0	100.0