

SILICON VALLEY CONSUMER CONFIDENCE SURVEY

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Consumer confidence in Silicon Valley plunges further in third quarter

SAN JOSE (October 11) –The slump in Silicon Valley took a punishing toll on consumer sentiment in the third quarter of 2002, with more than four in 10 consumers in the region reporting they are financially worse off than they were a year ago, according to the latest survey by San Jose State University's Survey and Policy Research Institute (SPRI).

Consumers' assessment of their personal finances was the most dismal the survey has found since it was launched last December. Moreover, consumers' predictions for the future of the national and regional economies are the most pessimistic they have been in four quarters, with only about four in 10 consumers predicting that business conditions will be better a year from now.

"The people of Silicon Valley are beginning to lose the hope they have had for the past nine months," said Dr. Miriam Gasko Donoho, professor of statistics and marketing at San Jose State University. "We see the results in consumers' views of their current situation and of the future situation for their families, the region and the country as a whole."

"Nearly half the consumers in Silicon Valley expect difficult times in the coming year and their expectations for the local economy are only slightly more optimistic than for the national economy. But in both cases, fewer than half the consumers believe things will be much better a year from now," said Donoho, academic director of the survey.

"The entrepreneurial optimism that has characterized Silicon Valley has finally been undermined by the nagging economic slowdown," added SPRI Director Philip J. Trounstine.

More than four in 10 respondents (43.6 percent) agreed with the statement that "the events of September 11, the war in Afghanistan and the tensions with Iraq have made them more concerned and cautious about their spending."

On the other hand, nearly half the respondents (48.9 percent) identified with the statement that "they aren't too worried about the future and haven't changed their spending patterns very much."

SPRI's survey of 1,000 Silicon Valley consumers found that 43.4 percent now say they and their families are financially worse off than they were a year ago, compared to 36.4 percent who made that assessment in June, 32.6 percent in March and 35.2 percent last December.

Consumers' predictions for business conditions in the country as a whole fell to their lowest level the survey has yet found, with 45.5 percent of the adults predicting bad times in the coming year and just 26.9 percent predicting good times.

	Dec 01	Mar 02	Jun 02	Sep 02
Good Times	51.6	57.7	39.0	26.9
Bad Times	29.0	17.2	32.1	45.5

Long-term predictions for the country as a whole also hit a new level of pessimism. When asked whether they expect continuous good times during the next five years or periods of widespread unemployment or depression, consumers' expectations are bleak.

Those who anticipate an extended period of good times outnumber those who expect bad times by the smallest margin measured yet -- 44.3 to 38.7 percent.

	Dec 01	Mar 02	Jun 02	Sep 02
Good Times	58.7	54.1	55.2	44.3
Bad Times	27.1	26.3	28.5	38.7

"Consumers, who had been holding out hope for a recovery, seem to have lost confidence that relief is in sight," said Trounstine. "They expect more unemployment in the coming year and they're increasingly cautious about spending on things like major household items and dining out. The only bright light is that half the consumers still expect that their family income will be higher during the next 12 months."

Consumers in Silicon Valley had remained somewhat more optimistic than consumers nationwide through the Spring, but they now are more pessimistic about the economy than their counterparts across the country.

While the University of Michigan's Index of Consumer Sentiment dropped 6.3 percentage points from 92.4 in June to 86.1 in September, Silicon Valley's index declined 9.9 points in the same period, from 88.1 in June to 78.2 in September.

While the national Index of Current Economic Conditions declined 3.7 percentage points, from 99.5 in June to 95.8 in September, in Silicon Valley the index dropped 5.3 percent, from 84.5 in June to 79.2 in September.

And while the Index of Consumer Expectations nationally dipped 8 percentage points, locally the index of expectations plunged by 12.9 points, from 90.5 in June to 77.6 in September. This component of the index -- measuring consumers' expectations for the future -- accounts for a significant portion of the decline in the overall index.

One area of spending on which consumers appear to remain somewhat buoyant is the automobile market, in which many dealers and manufacturers are offering zero percent financing. The combined percentage of those who said they will or may buy a car or truck in the next three months was 14.1 percent in September, compared to 15 percent in June.

As the economy has taken its toll on consumer confidence, opinions about the effectiveness of the government's handling of the economy have soured. In the most recent survey, the percentage of consumers giving the government high marks has dropped to 15.7 percent and the percentage giving the government low marks has risen to 36 percent.

	Dec 01	Mar 02	Jun 02	Sep 02
Good Job	25.1	22.2	20.7	15.7
Only Fair	48.2	48.2	47.4	42.5
Poor Job	18.4	24.5	25.4	36.0
Don't Know	8.0	5.0	6.4	5.0
Refused	.3	.1	.1	.8
Total	100.0	100.0	100.0	100.0

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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	Jun 02	Sep 02
Better Now	21.8	23.1	26.7	25.7
Same	41.5	43.3	33.6	27.4
Worse	35.2	32.6	36.4	43.4
Don't Know	1.4	.7	2.9	1.9
Refused	.1	.2	.4	1.6
Total	100.0	100.0	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	Jun 02	Sep 02
Better Off	38.4	44.7	37.6	36.2
Same As Now	44.3	40.6	47.2	42.1
Worse Off	7.3	7.2	7.6	12.7
Don't Know	10.0	7.1	7.4	8.8
Refused	.0	.3	.1	.2
Total	100.0	100.0	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	Jun 02	Sep 02
Good Times	43.5	42.6	29.3	23.2
Good (Qualified)	8.1	15.1	9.7	3.7
Good and/or Bad	8.5	17.9	18.1	16.5
Bad (Qualified)	3.8	4.4	6.5	4.9
Bad Times	25.2	12.8	25.6	40.6
Don't Know	10.8	7.0	10.7	10.6
Refused	.1	.2	.1	.4
Total	100.0	100.0	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	Jun 02	Sep 02
Better Now	7.1	23.5	15.7	12.2
About The Same	5.7	11.1	8.9	7.2
Worse Now	85.6	63.1	71.7	78.1
Don't Know	1.7	2.3	3.7	2.5
Total	100.0	100.0	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	Jun 02	Sep 02
Yes, Favorable	16.8	38.0	15.9	13.2
No, Haven't Heard	19.2	24.3	27.8	27.6
Yes, Unfavorable	53.0	33.5	50.2	53.3
Don't Know	10.6	4.0	6.0	4.8
Refused	.4	.2	.1	.1
Total	100.0	100.0	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	Jun 02	Sep 02
Better	63.0	64.6	51.9	40.5
About The Same	21.6	24.7	30.3	31.6
Worse	8.9	6.2	11.8	19.7
Don't Know	6.2	4.5	5.9	8.2
Refused	.3	.0	.1	.1
Total	100.0	100.0	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	Jun 02	Sep 02
Good Times	58.7	54.1	55.2	44.3
Bad Times	27.1	26.3	28.5	38.7
Mixed/DKnow/Refused	14.2	19.6	16.3	20.0
Total	100.0	100.0	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	Jun 02	Sep 02
Good Job	25.1	22.2	20.7	15.7
Only Fair	48.2	48.2	47.4	42.5
Poor Job	18.4	24.5	25.4	36.0
Don't Know	8.0	5.0	6.4	5.0
Refused	.3	.1	.1	.8

Total	100.0	100.0	100.0	100.0
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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	Jun 02	Sep 02
More Unemployment	31.0	19.9	33.8	41.0
About The Same	36.8	39.5	38.5	36.4
Less Unemployment	28.4	37.5	24.5	18.4
Don't Know/Refused	3.8	3.1	3.2	4.2
Total	100.0	100.0	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	Jun 02	Sep 02
Go Up	31.9	63.6	36.2	28.7
Stay The Same	37.0	23.4	38.0	36.4
Go Down	23.8	8.5	17.3	18.4
Don't Know	6.9	4.4	8.3	4.1
Refused	.4	.1	.2	.1
Total	100.0	100.0	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	Jun 02	Sep 02
Go Up	28.9	60.6	46.0	37.6
Stay The Same	48.6	32.7	41.4	43.4
Go Down	16.9	4.4	9.2	14.1
Don't Know	5.5	2.2	3.4	4.4
Refused	.1	.1	.0	.4
Total	100.0	100.0	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?

	Dec 01	Mar 02	Jun 02	Sep 02
Higher	72.6	85.9	78.5	74.8
Stay The Same	13.6	7.8	11.8	13.1
Lower	4.0	2.9	3.5	4.9
Don't Know	8.9	3.4	5.9	7.0
Refused	.9	.0	.3	.2
Total	100.0	100.0	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?

	Dec 01	Mar 02	Jun 02	Sep 02
Income > Prices	28.3	31.8	27.9	28.9
Income = Prices	45.1	42.5	44.7	44.6
Income < Prices	20.8	22.2	22.3	21.8
Don't Know	5.3	3.1	4.8	4.3
Refused	.4	.3	.2	.4
Total	100.0	100.0	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?

	Dec 01	Mar 02	Jun 02	Sep 02
Higher	49.8	54.9	52.6	50.4
About The Same	33.7	32.1	30.4	28.1
Lower	13.7	11.5	13.8	17.2
Don't Know	2.8	1.4	3.0	3.7
Refused	.0	.1	.2	.6
Total	100.0	100.0	100.0	100.0

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

	Dec 01	Mar 02	Jun 02	Sep 02
Good	68.5	66.7	53.9	58.7
Good and/or Bad	5.2	7.8	9.4	6.6
Bad	21.0	21.1	30.5	29.4
Don't Know	5.2	4.4	6.1	4.9
Refused	.1	.1	.2	.4
Total	100.0	100.0	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	Jun 02	Sep 02
Good	19.7	41.7	50.3	42.9
Good and/or Bad	4.2	10.0	8.1	7.0
Bad	69.1	43.3	33.8	43.9
Don't Know	6.7	4.9	7.6	6.1
Refused	.3	.0	.2	.2
Total	100.0	100.0	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	Jun 02	Sep 02
Good	57.8	60.5	54.2	50.3
Good And/Or Bad	8.2	13.1	10.6	11.1
Bad	23.9	20.3	26.0	28.7
Don't Know	9.9	5.9	8.8	9.4
Refused	.2	.1	.4	.5
Total	100.0	100.0	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	Jun 02	Sep 02
Good	67.6	67.1	61.9	60.3
Good and/or Bad	4.2	8.0	9.9	9.2
Bad	17.4	18.5	16.9	24.0
Don't Know	10.1	6.3	11.1	6.1
Refused	.5	.1	.2	.4
Total	100.0	100.0	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	Jun 02	Sep 02
Good	39.9	41.9	31.4	25.4
Good and/or Bad	10.8	25.6	24.0	20.9
Bad	37.8	26.8	38.6	46.4
Don't Know	11.1	5.5	6.0	7.0
Refused	.4	.1	.0	.3
Total	100.0	100.0	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	Jun 02	Sep 02
Better Now	6.2	21.2	15.8	12.4
Same	4.8	10.7	9.5	8.4
Worse Now	83.4	65.4	70.7	75.7
Don't Know	5.2	2.7	3.9	3.3
Refused	.4	.0	.0	.2
Total	100.0	100.0	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?

	Dec 01	Mar 02	Jun 02	Sep 02
Better Than Now	53.6	63.6	48.2	41.7
Same	29.2	26.9	36.3	35.1
Worse	7.8	6.2	10.8	18.1
Don't Know	8.9	3.2	4.6	4.9
Refused	.6	.1	.2	.2
Total	100.0	100.0	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?

	Dec 01	Mar 02	Jun 02	Sep 02
<\$100	40.3	44.6	36.5	34.1
>\$100 but <\$300	8.3	8.9	11.2	6.9
>\$300 but <\$500	8.7	11.5	13.8	10.0
>\$500 but <\$1,000	12.4	10.9	13.1	13.6
>\$1,000	19.4	16.2	22.5	29.0
Don't Know	8.3	6.0	1.9	4.4
Refused	2.6	1.9	1.1	2.0
Total	100.0	100.0	100.0	100.0

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

	Dec 01	Mar 02	Jun 02	Sep 02
0% of travel	37.1	36.3	33.7	41.7
1-99% of travel	19.8	21.7	23.5	22.7

100% of travel	26.9	31.0	34.6	27.7
DK/Refused	16.2	11.0	8.2	7.9
Total	100.0	100.0	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?

	Dec 01	Mar 02	Jun 02	Sep 02
More	21.1	31.4	35.8	21.1
About the same	33.4	40.0	33.1	35.3
Less	37.0	24.2	27.1	38.7
Don't Know	6.7	3.6	3.3	3.3
Refused	1.8	.8	.7	.7
Total	100.0	100.0	100.0	100.0

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

	Dec 01	Mar 02	Jun 02	Sep 02
0% of travel	32.7	31.0	25.5	35.8
1-99% of travel	26.0	30.3	35.0	30.0
100% of travel	23.1	26.4	28.6	20.3
DK/Refused	18.2	12.3	10.9	13.9
Total	100.0	100.0	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?

	Dec 01	Mar 02	Jun 02	Sep 02
San Jose	61.9	64.9	63.2	62.4
San Francisco	19.7	19.2	21.2	22.1
Oakland	5.5	5.7	4.7	4.4
Not flying commercial	8.5	7.7	8.1	6.1
Don't Know	3.3	2.3	2.7	4.1
Refused	1.1	.2	.1	.9
Total	100.0	100.0	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?

	Dec 01	Mar 02	Jun 02	Sep 02
<\$100	25.1	31.2	26.5	28.9
>\$100 but <\$200	21.3	28.5	26.5	22.7
>\$200 but <\$300	18.4	17.9	20.1	14.5
>\$300 but <\$400	8.4	7.4	8.9	10.2
>\$400	19.5	11.3	13.5	16.3
Don't Know	6.0	2.4	3.2	5.2
Refused	1.2	1.3	1.4	2.2
Total	100.0	100.0	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?

	Dec 01	Mar 02	Jun 02	Sep 02
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More	10.5	18.7	17.4	20.2
About the same	45.0	58.1	52.6	46.5
Less	40.8	21.1	27.2	29.7
Don't Know	2.8	1.4	2.0	2.4
Refused	.9	.7	.9	1.2
Total	100.0	100.0	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	Jun 02	Sep 02
<\$50	40.0	36.1	36.9	42.0
>\$50 but <\$100	26.8	32.0	33.0	25.7
>\$100 but <\$150	12.5	12.5	12.4	11.4
>\$150 but <\$200	6.0	6.4	6.0	6.0
>\$200	9.6	10.9	9.3	9.5
Don't Know	3.4	1.1	1.3	3.5
Refused	1.7	1.0	1.1	1.9
Total	100.0	100.0	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	Jun 02	Sep 02
More	5.9	13.4	11.9	10.0
About the same	71.2	70.2	68.0	64.1
Less	19.6	15.1	18.1	22.5
Don't Know	2.2	.7	1.3	1.8
Refused	1.1	.6	.7	1.5
Total	100.0	100.0	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	Jun 02	Sep 02
<\$25	58.7	63.0	59.4	62.7
>\$25 but <\$50	19.2	20.6	22.8	17.5
>\$50 but <\$75	7.7	8.0	9.3	6.3
>\$75	6.3	4.9	6.3	7.0
Don't Know	6.4	2.4	1.4	4.6

Refused	1.7	1.1	.9	1.9
Total	100.0	100.0	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	Jun 02	Sep 02
More	10.0	11.3	13.4	10.5
About the same	67.0	73.0	68.4	68.4
Less	16.6	12.6	15.5	16.8
Don't Know	5.1	2.3	2.1	2.7
Refused	1.3	.7	.6	1.5
Total	100.0	100.0	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	Jun 02	Sept 02
Yes	14.0	14.9	17.3	14.2
Maybe	6.3	8.2	4.9	4.1
No	78.6	75.6	76.8	80.1
Don't Know	.9	1.1	.8	.6
Refused	.2	.2	.2	.2
Total	100.0	100.0	100.0	100.0

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

	Dec 01	Mar 02	Jun 02	Sep 02
Yes	6.8	8.0	7.4	8.0
Maybe	6.3	5.8	7.7	5.5
No	86.4	85.8	83.8	85.1
Don't Know	.4	.2	1.0	.6
Refused	.1	.2	.2	.8
Total	100.0	100.0	100.0	100.0

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

	Dec 01	Mar 02	Jun 02	Sep 02
Yes	2.2	4.5	4.3	3.4
Maybe	3.9	3.9	4.8	3.8
No	92.7	90.9	89.8	91.8
Don't Know	.4	.4	.8	.3
Refused	.3	.2	.2	.7
Total	100.0	100.0	100.0	100.0

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

	Dec 01	Mar 02	Jun 02	Sep 02
Yes	1.3	3.5	2.4	3.4
Maybe	2.9	3.1	3.6	2.4
No	95.2	92.4	93.6	93.0
Don't Know	.3	.7	.2	.5
Refused	.3	.2	.2	.7
Total	100.0	100.0	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	Jun 02	Sep 02
Yes	4.9	5.7	8.0	8.3
Maybe	7.6	6.9	7.0	5.8
No	86.9	86.6	84.4	84.5
Don't Know	.3	.5	.4	.6
Refused	.3	.2	.2	.7
Total	100.0	100.0	100.0	100.0

METHODOLOGY

The Survey and Policy Research Institute questioned 1,000 adult residents of Silicon Valley Sept. 23-27. 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 gender in the surveyed counties and zip codes. The resulting sample included 490 men, 510 women, 479 whites, 213 Asians, 196 Hispanics and 31 blacks. 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.