

SILICON VALLEY CONSUMER CONFIDENCE SURVEY

Survey and Policy Research Institute at San Jose State University

SPRI Director Philip J. Trounstine: 408.924.6993; 831.662.2652
Survey Director Dr. Miriam Gasko Donoho: 408.924.1346; 510.206.8453

Economic pessimism, concern about war weaken consumer confidence

SAN JOSE, April 11, 2003 – Silicon Valley consumer confidence hit a new low in the first quarter of 2003, with more than half the people predicting bad times financially for the nation and the region and nearly as many saying the war in Iraq is making them more cautious about spending in the coming months.

After a slight upturn in December, a growing lack of confidence in the economy, worries about family incomes and the effects of war, combined to depress buoyancy throughout a region renowned for its optimism, according to the Silicon Valley Consumer Confidence Survey, conducted March 25-29 – before U.S. coalition forces had seized Baghdad.

“The listless economy and the war in Iraq have caused consumers to duck and cover,” said Philip J. Trounstine, director of the Survey & Policy Research Institute at San Jose State University, which conducted the survey. “They’re feeling pain in their pocketbooks and they’re skittish about the future – women even more so than men.”

About 52% of consumers predict bad times financially for the nation and the region in the next 12 months, up from about 43% in December and a huge leap from 22% a year ago, according to the SPRI survey of 1,005 adults in Silicon Valley. The survey has a margin of error of plus or minus 3%.

And the percentage of those predicting that their incomes will be higher in the coming year plunged to 39% in March from 52% in December, causing consumers to anticipate less spending in the coming months on appliances, furniture, computers, cars and trucks. A year ago at this time, 55% of consumers were predicting that their incomes would go up during the next 12 months.

“Consumers’ confidence has been beaten down by the persistently sluggish economy,” said Dr. Miriam Gasko Donoho, professor of marketing at San Jose State University and academic director of the survey. “People are quite worried about the effect of the economy on their personal finances and they’re planning to make fewer major purchases.”

Nor do consumers expect a quick turn-around: The percentage of those predicting good times for the national economy during the next five years dipped to 41% -- the lowest level the survey has found in the six quarters it has measured consumer confidence in the region. By comparison, in March of 2002, 54% predicted good times in the coming five years.

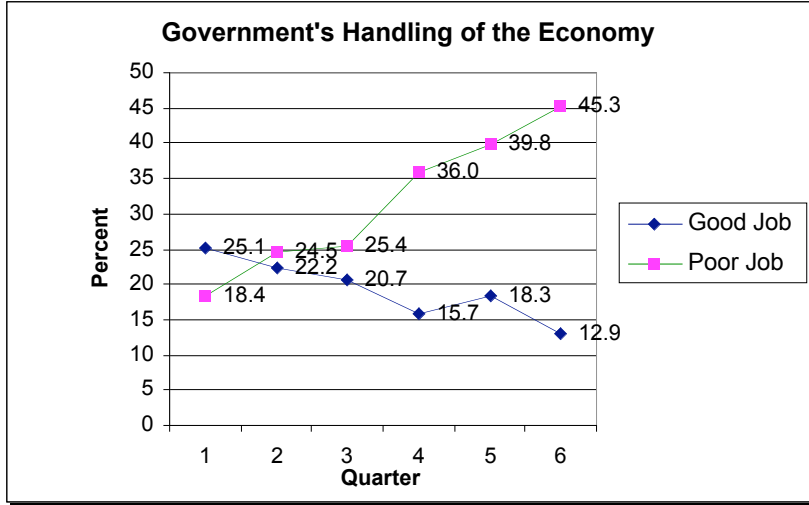
As of late March, the war in Iraq was making about four in 10 consumers more cautious about their spending. And fully half the consumers were predicting the war would make them more wary about spending in the coming months. If that sentiment persists, that would be bad news for the economy, two-thirds of which is driven by consumer spending.

Would you say the war in Iraq will make you more cautious in your spending in the next few months, less cautious or won't it affect your spending?

	Mar 03
More cautious	49.9
Less cautious	2.8
No effect	44.2
Don't know	2.6
Refused	.5
Total	100.0

About 77% of consumers say Silicon Valley is in worse shape financially than it was a year ago and 43% say they are personally worse off than they were 12 months ago.

Nearly half the consumers – 45% -- now say the government is doing a poor job of handling the economy – an increase of 20 percentage points over a year earlier. At the same time, the proportion of those saying the government is doing a good job has declined to 13% from 22% a year ago.



The unrelenting deterioration of Silicon Valley’s opinion of the government’s performance on the economy in part explains why President Bush’s approval rating in Silicon Valley is just 40-48%, compared to 68-26% nationwide.

The proportion of consumers who say their families are worse off now than they were a year ago grew to 43% in March – about 10% more than a year earlier. And the proportion of those who expect to be worse off a year from now grew to about 15% -- more than double the 7% in March of last year.

The outlook for making major purchases for such items as furniture, appliances, televisions and the like is at its lowest level in six quarters, with just 47% agreeing that now is a good time to make such purchases, compared to 56% last quarter and 61% a year ago.

Likewise, only 55% of consumers say it is a good time to buy an automobile, compared to 64% last quarter and 67% a year ago.

The survey found that consumers’ assessments of their current economic conditions declined more sharply than their counterparts nationwide – suggesting that the effects of the economic slowdown are hitting harder in Silicon Valley right now than they are nationally.

While the nationwide University of Michigan’s Index of Consumer Sentiment declined 9.1 percentage points from 86.7 in December to 77.6 in March, Silicon Valley’s index dipped 7.7 points from 81.9 in December to 74.2 in March.

Nationally, Michigan’s Index of Current Economic Conditions dropped 5.8 points from 95.8 in December to 90.0 in March, while Silicon Valley’s index of current conditions declined 7.2 points from 82.2 in December to 75.0 in March.

And while the Index of Consumer Expectations nationally declined 10.3 points from 79.9 in December to 69.6 in March, the local index of expectations dropped 8.0 points from 81.7 in December to 73.7 in March.

EMBARGOED UNTIL 12:01 AM PACIFIC DAYLIGHT TIME, FRIDAY APRIL 11

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	Jan 03	Mar 03
More	5.9	13.4	11.9	10.0	8.2	8.0
About the same	71.2	70.2	68.0	64.1	61.7	70.0
Less	19.6	15.1	18.1	22.5	28.0	20.2
Don't Know	2.2	.7	1.3	1.8	1.6	1.3
Refused	1.1	.6	.7	1.5	.5	.5
Total	100.0	100.0	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	Jan 03	Mar 03
Yes	14.0	14.9	17.3	14.2	16.9	12.8
Maybe	6.3	8.2	4.9	4.1	4.9	3.4
No	78.6	75.6	76.8	80.1	77.6	83.1
Don't Know	.9	1.1	.8	.6	.4	.6
Refused	.2	.2	.2	.2	.1	.1
Total	100.0	100.0	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	Jan 03	Mar 03
Yes	6.8	8.0	7.4	8.0	8.4	6.5
Maybe	6.3	5.8	7.7	5.5	6.0	5.7
No	86.4	85.8	83.8	85.1	85.2	87.4
Don't Know	.4	.2	1.0	.6	.4	.3
Refused	.1	.2	.2	.8	.0	.1
Total	100.0	100.0	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	Jan 03	Mar 03
Yes	2.2	4.5	4.3	3.4	2.8	3.2
Maybe	3.9	3.9	4.8	3.8	2.9	2.4
No	92.7	90.9	89.8	91.8	93.7	94.3
Don't Know	.4	.4	.8	.3	.6	.1
Refused	.3	.2	.2	.7	.0	.1
Total	100.0	100.0	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	Jan 03	Mar 03
Yes	1.3	3.5	2.4	3.4	3.7	2.4
Maybe	2.9	3.1	3.6	2.4	2.0	1.9
No	95.2	92.4	93.6	93.0	94.0	95.4
Don't Know	.3	.7	.2	.5	.3	.2
Refused	.3	.2	.2	.7	.0	.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

EMBARGOED UNTIL 12:01 AM PACIFIC DAYLIGHT TIME, FRIDAY APRIL 11

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	Jan 03	Mar 03
Yes	4.9	5.7	8.0	8.3	7.2	5.4
Maybe	7.6	6.9	7.0	5.8	4.5	7.4
No	86.9	86.6	84.4	84.5	87.8	86.7
Don't Know	.3	.5	.4	.6	.3	.3
Refused	.3	.2	.2	.7	.2	.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

A54. Some people say the events of September 11, the war in Afghanistan and the tensions with Iraq have made them more concerned about the future and more cautious about their spending. Other people aren't too worried about the future and haven't changed their spending patterns very much. Which of these best describes you?

	Sep 02	Jan 03
More concerned and cautious	43.6	47.8
Not too worried; haven't changed much	48.9	47.1
Don't know	5.6	4.8
Refused	1.9	.4
Total	100.0	100.0

See A89 for March 2003

A89. Thinking about your behavior as a consumer, would you say the war in Iraq has made you more cautious in your spending, less cautious or hasn't it affected your spending?

	Mar 03
More cautious	42.3
Less cautious	3.3
No effect	52.8
Don't know	1.1
Refused	.4
Total	100.0

A90 How about your spending in the next few months? Would you say the war in Iraq will make you more cautious in your spending in the next few months, less cautious or won't it affect your spending?

	Mar 03
More cautious	49.9
Less cautious	2.8
No effect	44.2
Don't know	2.6
Refused	.5
Total	100.0

A91 Do you approve or disapprove of the way George W. Bush is handling his job as president?

	Mar 03
Approve	40.1
Disapprove	48.1
Don't know	8.3
Refused	3.5
Total	100.0

EMBARGOED UNTIL 12:01 AM PACIFIC DAYLIGHT TIME, FRIDAY APRIL 11

A92 Do you approve or disapprove of the way George W. Bush is handling the situation with Iraq?

	Mar 03
Approve	44.9
Disapprove	45.0
Don't know	7.2
Refused	2.9
Total	100.0

A93 Regardless of how you feel about supporting American troops in battle, do you support or oppose the U.S. government's decision to go to war against Iraq?

	Mar 03
Support	47.7
Oppose	43.9
Don't know	6.2
Refused	2.2
Total	100.0

A94 How would you say the war in Iraq has gone for the U.S. so far compared to what your expected? Better, worse, or about what you expected?

	Mar 03
Better	16.2
Worse	23.2
As expected	51.5
Don't know	7.6
Refused	1.6
Total	100.0

A95 Some people say it is appropriate for those who are opposed to the war to peacefully protest against it. Others say, no one should protest when the nation is at war. Which view is closer to your own?

	Mar 03
Protest is appropriate	63.3
No one should protest	29.2
Don't know	5.5
Refused	2.0
Total	100.0

A96 Some people say blocking buildings and streets in San Francisco is an appropriate way to express their opposition to the war. Other say, that's going too far. Which view is closer to your own?

	Mar 03
Blocking is appropriate	13.7
That goes too far	80.3
Don't know	4.4
Refused	1.6
Total	100.0

EMBARGOED UNTIL 12:01 AM PACIFIC DAYLIGHT TIME, FRIDAY APRIL 11

A97 Do you think the United States should strike Iraqi military targets even if they're located in areas where civilians might be killed, or should the U.S. avoid striking military targets located in civilian areas?

	Mar 03
Strike anywhere necessary	32.9
Avoid civilian areas	45.5
Neither	2.1
Depends on circumstances*	9.5
Don't know	6.7
Refused	3.3
Total	100.0

A98 Let me read you some expectations the U.S. might have of a war with Iraq and for each one, please tell me whether you think it is realistic or unrealistic expectation:

... Stability will be increased in the Middle East

	Mar 03
Realistic	39.4
Not realistic	49.5
Don't know	8.9
Refused	2.2
Total	100.0

... A democracy will be created in Iraq

	Mar 03
Realistic	39.2
Not realistic	46.7
Don't know	12.1
Refused	2.0
Total	100.0

... The threat of terrorism worldwide will be reduced

	Mar 03
Realistic	35.9
Not realistic	56.1
Don't know	5.8
Refused	2.1
Total	100.0

The Survey and Policy Research Institute questioned 1005 adult residents of Silicon Valley Mar. 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. Surveys were conducted in English, Spanish and Vietnamese. Interviewers asked to speak to the youngest male at home or, if no male was available, the oldest female. Results were weighted to correspond with 2000 U.S. Census population data for gender in the surveyed counties and zip codes. The resulting sample included 482 men, 523 women, 544 whites, 222 Asians, 165 Hispanics and 26 blacks. The margin of error for the entire sample is +/- 3.1 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.

Sponsors of the Silicon Valley Consumer Confidence Survey are the City of San Jose, Santa Clara County and the San Jose Mercury News. In addition, the San Jose Silicon Valley Chamber of Commerce is the marketing sponsor for the survey.