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California Consumer Sentiment Slips

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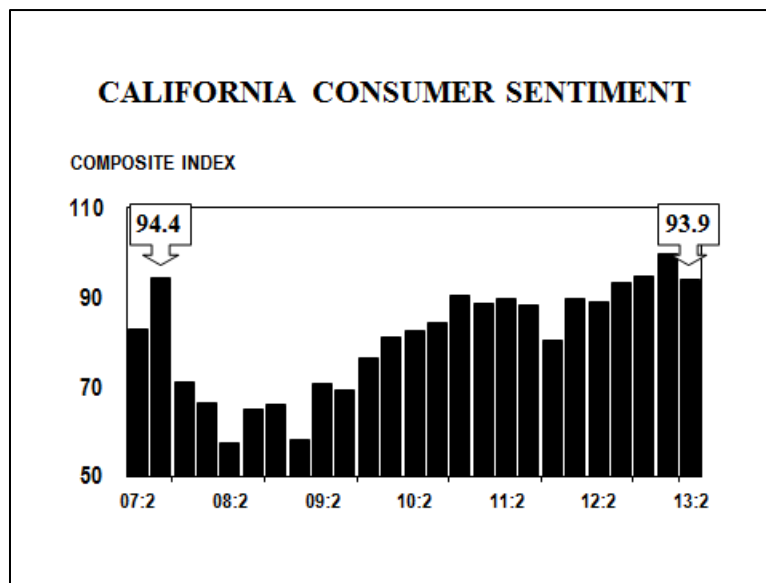
A. Gary Anderson Center for Economic Research

For Release:
June 25, 2013

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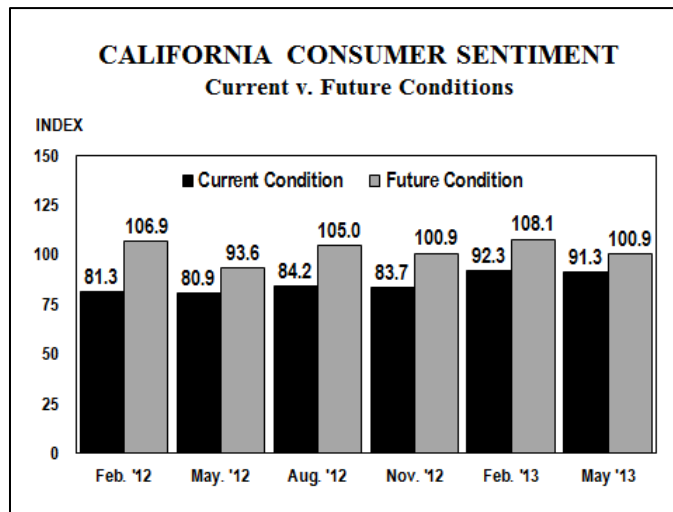
California Consumer Sentiment Slips

ORANGE, CA —The California Composite Index of Consumer Sentiment decreased nearly 6 points to 93.9 in the second quarter of 2013 from the first quarter revised reading of 99.7. As shown in the following figure, this quarter’s consumer sentiment index is about the same as the pre-recession high level of 94.4 in the third quarter of 2007. An index level below 100, however, reflects a higher percentage of pessimistic consumers versus those who are optimistic. The University of Michigan preliminary June reading of the U.S. consumer sentiment also showed a decline in the overall sentiment. In contrast, The Conference Board’s Consumer Confidence Index increased sharply in the month of June compared to May.

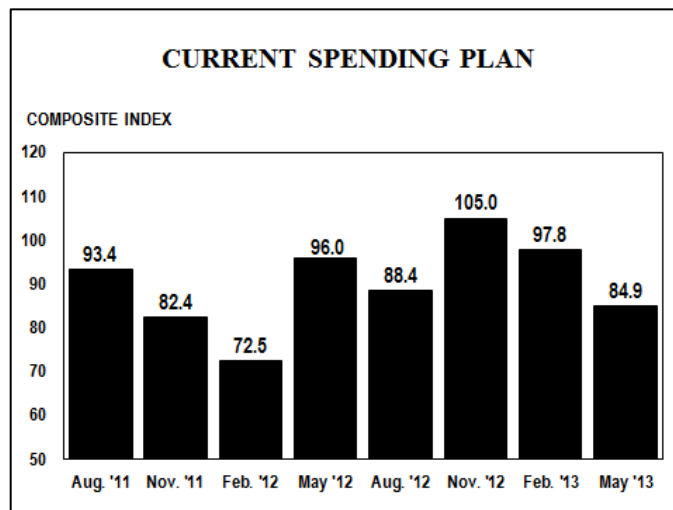


The California Composite Index is generated based on three indices: consumers' outlook on current and future economic conditions, and an index measuring consumers' spending plan.

The **current** economic conditions index remained virtually unchanged with a decline of only 1 point from a revised February reading of 92.3 to a reading of 91.3 in May of 2013. The index measuring **future** economic conditions, however, decreased over 7 points to a reading of 100.9 in May of 2013 compared to a revised reading of 108.1 in February. Rapid increases in home prices seem to have negatively affected some potential homebuyers that see their chances of becoming a homeowner in the near future is diminishing.



The index measuring consumers' planned spending on big-ticket items, a volatile component of the composite index, showed a second consecutive quarterly decline from a revised fourth quarter reading of 105.0. The decrease in this index may be due to higher gasoline prices and higher payroll taxes that began in January of 2013, leaving consumers with less disposable income for spending.



BACKGROUND AND METHODOLOGY:

Beginning in the third quarter of 2002, the Anderson Center for Economic Research at Chapman University launched a survey to measure California consumer sentiment. This survey is similar to the monthly national survey of consumer sentiment conducted by the University of Michigan.

A survey comprised of six questions is mailed to a stratified sample of 5,000 residences throughout the state, with a historical response rate of 5 to 10 percent. Three questions relate to the current economic conditions, two questions address future economic conditions (one year outlook) and one question evaluates the consumers' current plan for purchasing big ticket items.

The results are summarized into four indices. One index measures consumer sentiment about the current economic condition, a second measures consumers' future economic expectations, the third is a composite index representing overall consumer confidence, and the fourth index measures consumers' current spending plan on durable goods.

ABOUT THE ANDERSON CENTER FOR ECONOMIC RESEARCH

The A. Gary Anderson Center for Economic Research (ACER) was established in 1979 to provide data, facilities and support in order to encourage the faculty and students at Chapman University to engage in economic and business research of high quality, and to disseminate the results of this research to the community.

ANNUAL SCHEDULE OF CONFERENCES AND PRESS RELEASES

- JANUARY** † Economic Forecast Conferences for the Inland Empire
 † California Purchasing Managers Survey

- FEBRUARY** † California Leading Employment Indicator

- MARCH** † California Consumer Sentiment Survey

- APRIL** † California Purchasing Managers Survey

- MAY** † California Leading Employment Indicator

- JUNE** † Economic Forecast Update Conference for the U.S., California, and
 Orange County
 † California Consumer Sentiment Survey

- JULY** † California Purchasing Managers Survey

- AUGUST** † California Leading Employment Indicator

- SEPTEMBER** † California Consumer Sentiment Survey

- OCTOBER** † California Purchasing Managers Survey

- NOVEMBER** † California Leading Employment Indicator

- DECEMBER** † Economic Forecast Conference for the U.S., California and
 Orange County
 † California Consumer Sentiment Survey