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Orange County Confidence Slips

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PRESS RELEASE

ORANGE COUNTY CONFIDENCE SLIPS

ORANGE, CA — The Chapman-CMC Orange County Consumer Sentiment Index for the third quarter fell 3.2 percent to 97.05 from a second quarter reading of 100.25. The decline can likely be attributed to rising interest rates that are reducing home sales and purchases of large ticket items such as cars in Orange County.

“Real estate is a very important component of economic activity in Orange County. Higher interest rates are making it more expensive for consumers to purchase homes and buy durable goods like cars and refrigerators. Consumers will start to postpone purchases of these items as interest rates continue to back up.” The comments were made by Marc Weidenmier, Professor of Finance at the Argyros School of Business and Economics at Chapman University. The Chapman-CMC Orange County Consumer Sentiment Index is a joint venture between Chapman University and the Lowe Institute of Political Economy at Claremont McKenna College.

Five of the seven questions that make up the Chapman-CMC Orange County Consumer Sentiment Index fell. Business sentiment in Orange County led the way with nearly an 8.0 percent decline from the previous quarter. This was followed by a rising concern that business conditions in Orange County have worsened people’s economic situation in the county. Sentiment fell over 7.0 percent with respect to the impact of local business conditions on the economic situation of the household. The 500 survey respondents’ sentiment fell over 5.5 percent with regard to purchasing an automobile over the next year. Respondents believe that business conditions will probably get worse over the next year in the United States and have a negative impact on their family’s economic well-being. Consumer sentiment fell only a couple of percentage points for questions that pertain to business condition in the United States, however. Orange County residents surveyed seem more concerned about the impact of local economic conditions on their economic well-being rather than the performance of the national economy. The overall decline in the consumer sentiment index was partially offset by a 5.0 percent increase in the ability to find a job over the next year. Orange County respondents remain bullish about future job prospects.

A closer look at the underlying data behind the index shows that sentiment generally declined for the various demographic groups. With respect to income, consumer sentiment declined for respondents earning \$25-\$35K (-24.4%), \$75-\$100K (-9.6%), and \$100-\$150K (-5.3%). Consumer sentiment increased for respondents earning less than \$25K (20.2%), \$35-\$50K (5.8%), and \$50-\$75K (3.6%). A similar picture emerges if we look at consumer sentiment for different age groups. Consumer sentiment declined for the following age groups: 25-34 (-1.2%), 35-44 (-1.2%), 45-54 (-2.8%), and 55-64 (-5.1%). The 18-24 age group registered a 6.2% increase in consumer sentiment while consumer sentiment was flat for people over 65.

Going forward, we will closely follow the actions of the Federal Reserve. The central bank has raised rates four times since December 2017. Continued rate hikes will increase the cost of borrowing and reduce economic activity in construction and the real estate sectors in Orange County. We will closely watch how the decline in the real estate sector spills over to consumer sentiment and general economic activity in Orange County.

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

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| JANUARY | <ul style="list-style-type: none">› Economic Forecast Conferences for the Inland Empire› California Purchasing Managers Survey |
| MARCH | <ul style="list-style-type: none">› California Consumer Sentiment Survey |
| APRIL | <ul style="list-style-type: none">› California Purchasing Managers Survey |
| JUNE | <ul style="list-style-type: none">› California Consumer Sentiment Survey› Economic Forecast Update Conference for the U.S, California and Orange County |
| JULY | <ul style="list-style-type: none">› California Purchasing Managers Survey |
| SEPTEMBER | <ul style="list-style-type: none">› California Consumer Sentiment Survey |
| OCTOBER | <ul style="list-style-type: none">› California Purchasing Managers Survey |
| DECEMBER | <ul style="list-style-type: none">› Economic Forecast Conference for the U.S., California and Orange County› California Consumer Sentiment Survey |