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1-18-2019

Consumer Sentiment Falls for Third Straight Quarter

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Recommended Citation

Anderson Center for Economic Research, "Consumer Sentiment Falls for Third Straight Quarter" (2019).
Anderson Center Press Releases. 103.
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PRESS RELEASE

CONSUMER SENTIMENT FALLS FOR THIRD STRAIGHT QUARTER

The Chapman-CMC Orange County Consumer Sentiment Index for the fourth quarter of 2018 fell 2.95 percent to 94.19 from a third quarter reading of 97.05. The decrease likely reflects higher interest rates as shown by the Federal Reserve's recent decision to raise rates as well as the decline in the stock prices.

"Higher interest rates make it more expensive to purchase big ticket items like houses and household appliances. Given the importance of housing and construction to the economy of Orange County, it is not surprising that consumer sentiment declined in the fourth quarter. Furthermore, the significant fall in stock prices has reduced household wealth, especially for senior citizens who rely on their retirement savings for consumption. These two factors have made the Orange County consumer more bearish in their outlook for purchasing consumer goods," said Professor Marc Weidenmier of Chapman University.

The 500 respondents of the random survey expressed lower sentiment in six of the seven questions. The fall was led by an 8 percent decline in consumer attitudes towards finding a job over the next year. Sentiment of future business conditions in the United States fell by more than 7 percent. Consumers only expressed greater optimism in purchasing a car in the next year. Sentiment rose almost 4 percent for the car question in the fourth quarter. Consumer sentiment towards purchasing a car remains negative, however, given that the sentiment for the car question has fallen in five of the last six quarters.

With respect to demographics, there were some very interesting developments in the sentiment of different groups. Consumer sentiment for Caucasian whites fell 8 percent in the fourth quarter. Men also saw an 8 percent decrease in consumer sentiment compared to only a 1 percent rise for women. Sentiment of survey participants with graduate or post-graduate education decreased almost 13 percent. Senior citizens experienced nearly a 13 percent drop in consumer sentiment in the fourth quarter. The large decline probably reflects the impact of the fall in stock prices on the retirement savings of older age groups.

Going forward, the Federal Reserve has recently indicated that it is taking a wait-and-see approach and currently does not have plans to raise interest rates. There is also uncertainty in Southern California given the United States' ongoing trade spat/war with China. On the national level, the federal government is now divided given that the democrats have taken control of the House of Representatives. Divided government most likely means that very little will be accomplished in Congress over the foreseeable future. It will be interesting to see how the trade and political issues play out and impact consumer sentiment over the next quarter.

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 |