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Fed Interest Rate Cuts Boost California Consumer Sentiment

Anderson Center for Economic Research

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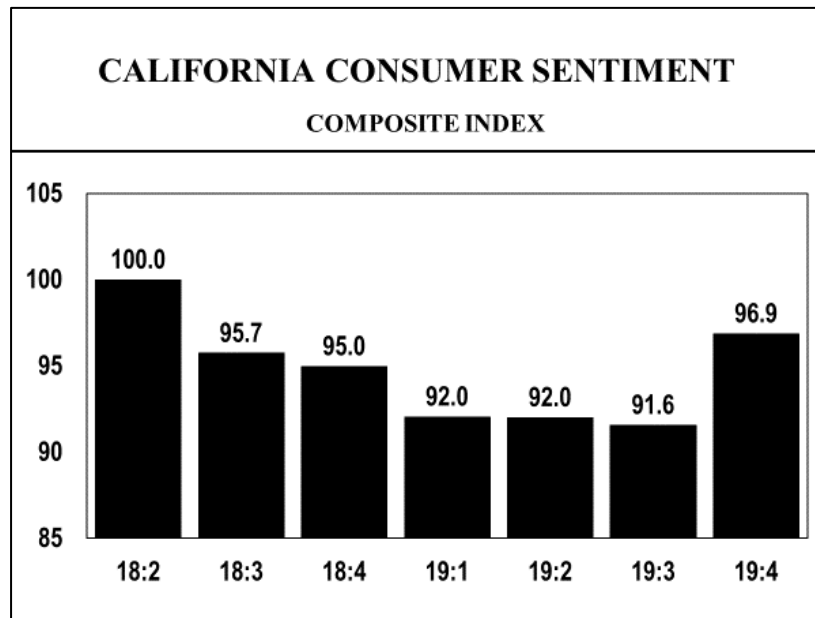
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PRESS RELEASE

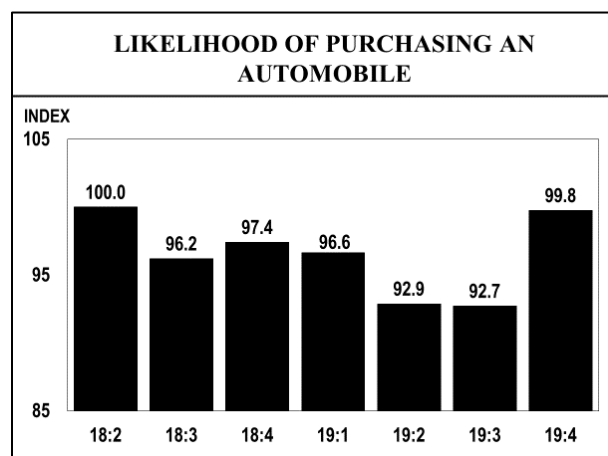
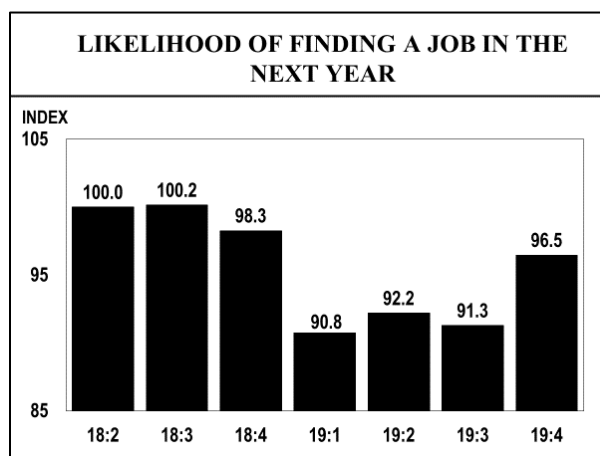
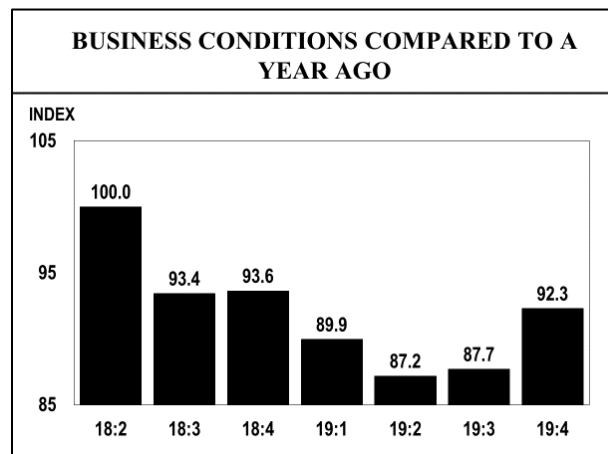
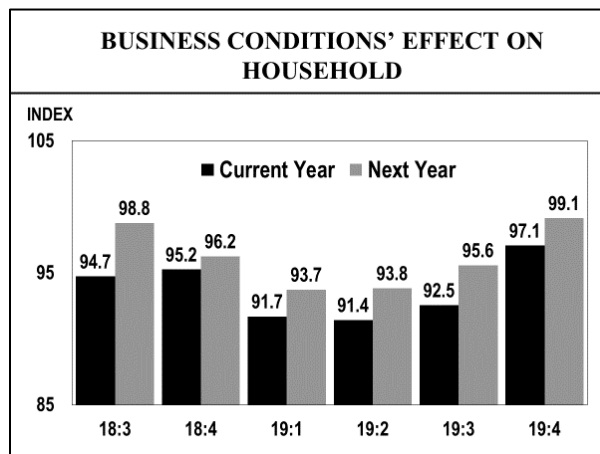
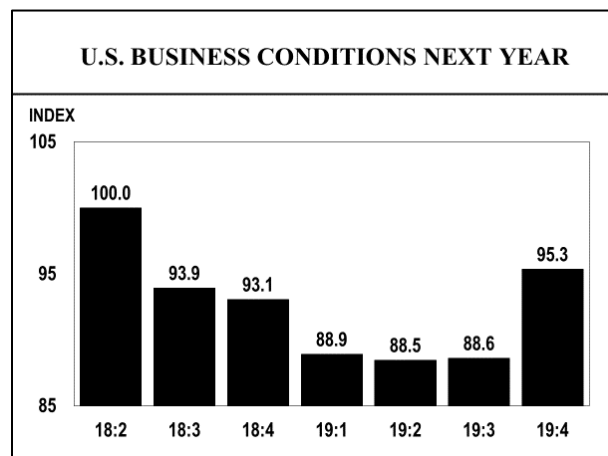
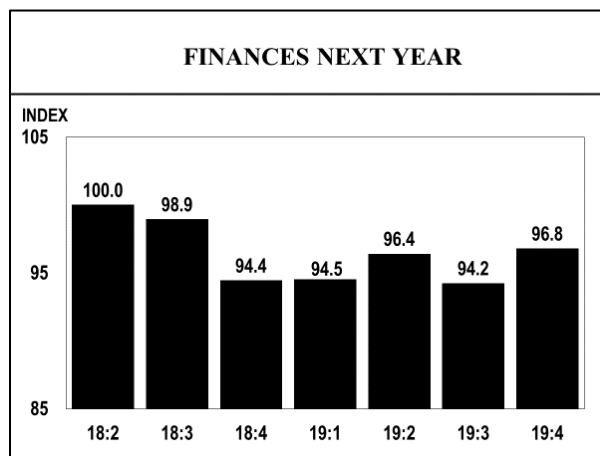
FED INTEREST RATE CUTS BOOST CALIFORNIA CONSUMER SENTIMENT

The Chapman University-Claremont McKenna College California Consumer Sentiment Index rose from a value 91.6 in the third quarter of 2019 to 96.9 in the fourth quarter. Consumer sentiment rose 5.8 percent in the last quarter of the year. Marc Weidenmier, Professor of Finance at the George Argyros School of Business and Economics at Chapman University, attributes the significant rise in consumer sentiment largely to the three interest rates cuts by the Federal Reserve in 2019. "Lowering interest rates has reduced the cost of borrowing for businesses and made it easier for consumers to purchase large ticket items such as cars and other durable goods," said Weidenmier.

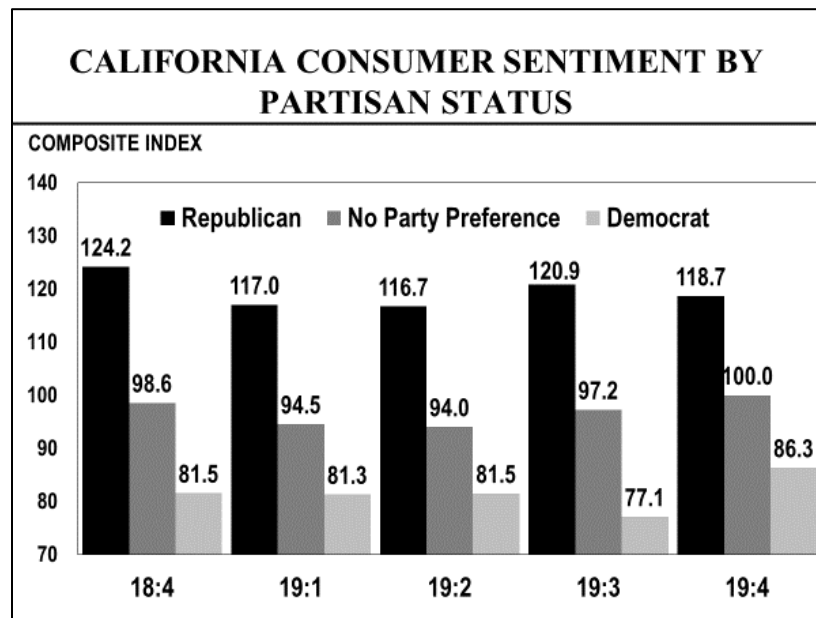


A random sample of two thousand California residents is used to construct the consumer sentiment index. Each person is asked seven questions about current and future economic and financial conditions in California and the United States. Survey participants reported large gains in sentiment with respect to purchasing a car in the next year and U.S. business conditions in the next year. Sentiment rose 7.7 percent on the car question and 7.6

percent on future business conditions. Consumer sentiment also rose 5.7 percent for job prospects and 5.2 percent on current business conditions relative to a year ago. Survey respondents expressed smaller gains in the 2–3 percent range with respect to questions about the effect of business conditions on the household and finances in the next year.



Another interesting aspect of the California Consumer Sentiment Index is how political attitudes help shape consumer sentiment over the last quarter. Consumer sentiment for survey respondents that lean Republican fell 1.8 percent from a value of 120.9 in the third quarter to a value of 118.7 in the fourth quarter of 2019. On the other hand, consumer sentiment for survey respondents that lean Democratic surged more than 11 percent, rising from a value of 77.1 to 86.3 in the fourth quarter. The large rise in Democratic sentiment is likely due to the impeachment of President Trump who is very unpopular among democratic voters in California.



Overall, consumer sentiment appears to be on the rise in California. People seemed to have put aside concerns of an imminent recession. Instead, it appears that Fed policy has provided a boost to local and national economic conditions. The California and U.S. economies appear to once again be on the road for solid and stable economic growth that will most likely continue through the presidential election.

The Chapman-CMC California Consumer Sentiment Index is a joint venture between the A. Gary Anderson Center for Economic Research at Chapman University and the Lowe Institute of Political Economy at Claremont McKenna College.

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
- › Orange County Consumer Sentiment Survey
- › California Consumer Sentiment Survey

APRIL

- › California Purchasing Managers Survey
- › Orange County Consumer Sentiment Survey
- › California Consumer Sentiment Survey

JUNE

- › Economic Forecast Update Conference for the U.S, California and Orange County

JULY

- › California Purchasing Managers Survey
- › Orange County Consumer Sentiment Survey
- › California Consumer Sentiment Survey

OCTOBER

- › California Purchasing Managers Survey
- › Orange County Consumer Sentiment Survey
- › California Consumer Sentiment Survey

DECEMBER

- › Economic Forecast Conference for the U.S., California and Orange County