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Covid-19 Continues to Impact California Consumer Sentiment

Anderson Center for Economic Research

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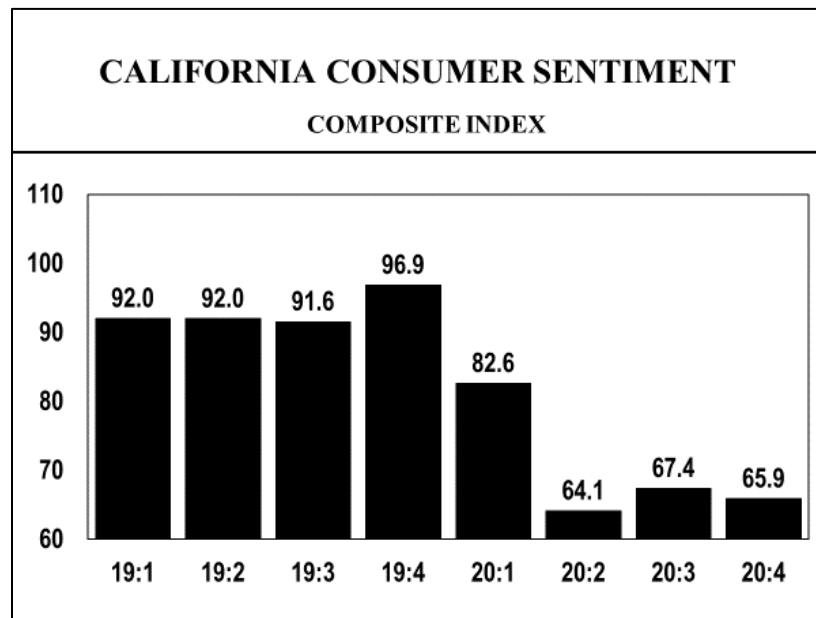
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PRESS RELEASE

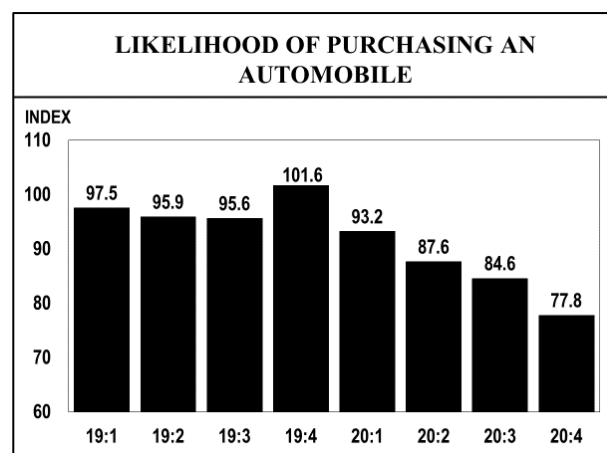
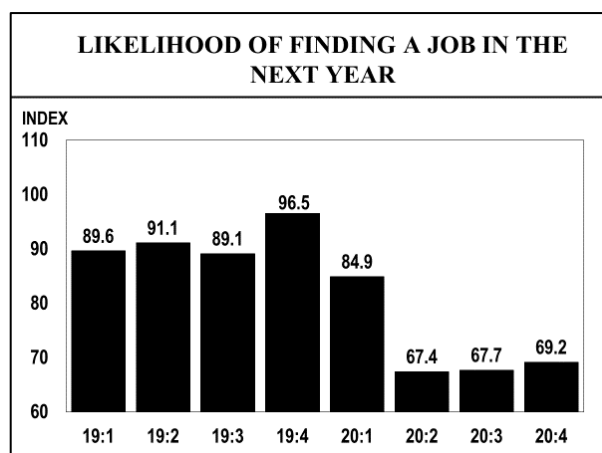
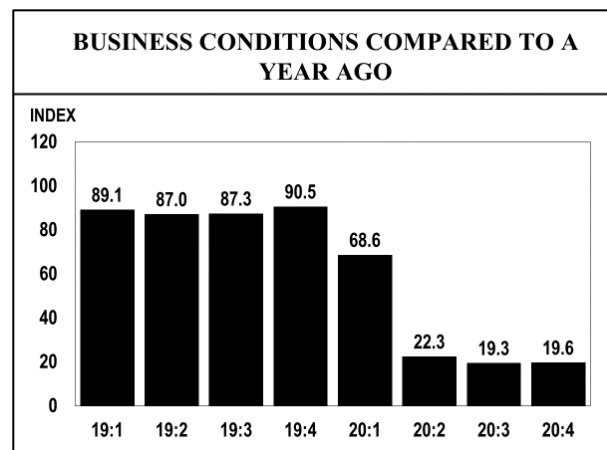
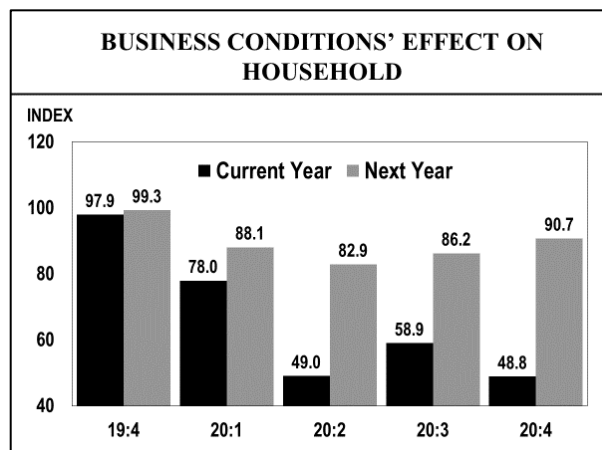
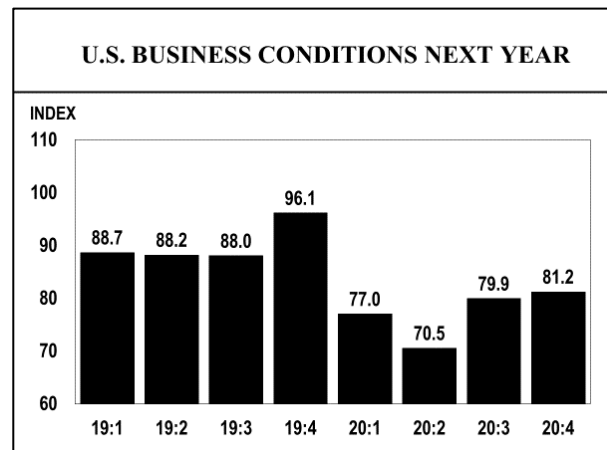
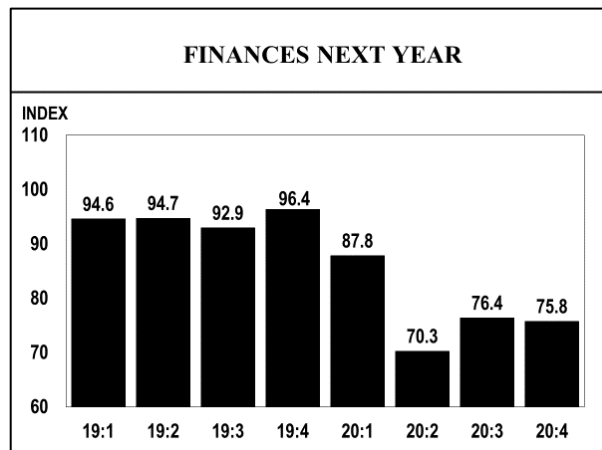
COVID-19 CONTINUES TO IMPACT CALIFORNIA CONSUMER SENTIMENT

ORANGE, CA — The Chapman-Claremont McKenna California Consumer Sentiment Index fell from a value of 67.4 to 65.9 in the fourth quarter of 2020. With a 2.2 percent decline, the reading of 65.9 is the second lowest on record. The low level of California sentiment is driven by uncertainty regarding the coronavirus and lockdown measures that reduce economic activity and spending.

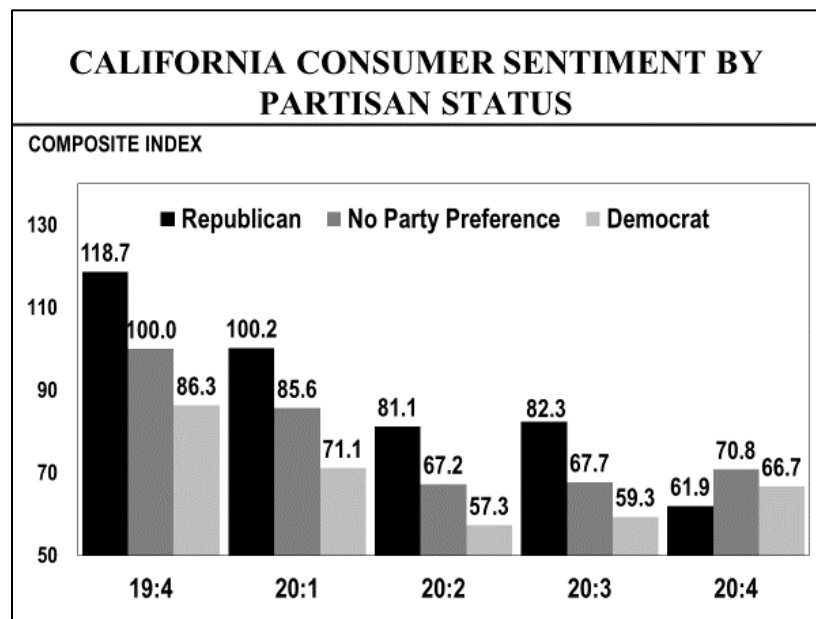


The California sentiment index is based on responses of 2,000 California residents to seven survey questions about current and future economic and financial conditions in the state. Two questions drove the small decline in the baseline index. California residents expressed a large decline in sentiment for buying a car over the next year and current business conditions. Sentiment fell 8.0 and 17.2 percent for the two questions, respectively. The survey response to buying a car is especially concerning as it signals that consumers are unlikely to purchase large

ticket items such as refrigerators and microwaves. Finances next year declined by 0.8 percent. For the remaining questions, we generally observe a small uptick in consumer sentiment. Survey respondents report a 1.6 percent increase in U.S. business conditions in 2021. Sentiment for business conditions' effect on the household rose by 5.2 percent for 2021. Business conditions compared to a year ago rose by 1.1 percent while the likelihood of finding a job rose by 2.2 percent.



Political affiliation also shows some interesting dynamics with the presidential election. With Biden's victory and Trump's defeat, we see somewhat of a reversal in consumer sentiment based on political affiliation. Republican leaning survey respondents saw a 24.7 percent decline in consumer sentiment while Democrats expressed a 12.3 percent rise in sentiment. For independents, consumer sentiment increased by 4.6 percent. The random survey shows that political party affiliation plays an important role in consumer sentiment and consumer spending. As for demographics, self-employed workers reported a 17.1 percent decline in sentiment and people making between \$50,000 and \$75,000 saw a 12.9 percent decline in consumer sentiment. The large fall in consumer sentiment for self-employed workers may reflect the decrease in government support for small business.



The latest results from the Chapman-Claremont McKenna College California Consumer Sentiment Index demonstrate that consumer sentiment has been stuck at a low level since the outbreak of the coronavirus pandemic. Professor Marc Weidenmier of the Argyros School of Business and Economics notes that “consumer sentiment will remain at low levels until the coronavirus pandemic subsides and the California economy reopens. It appears that we are moving in this direction as people are getting vaccinated for COVID-19. Nevertheless, there remains a considerable amount of uncertainty with respect to future economic conditions given the virus and lockdowns.”

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. The Index is constructed from the results of a quarterly survey of a random sample of 2000 people stratified on the basis of age, gender, ethnicity, income, and zip code. The survey asks respondents seven questions concerning their current situation, perceived future prospects, and spending plans.

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