California Consumer Confidence Rebounds

ORANGE, CA — After two consecutive quarterly declines, the California Composite Index of Consumer Confidence increased by nearly 7 points to 87.4 in the first quarter of 2012 compared to the fourth quarter revised reading of 80.6. An index level below 100, however, reflects a higher percentage of pessimistic consumers versus those who are optimistic. Similarly, the survey of consumer confidence conducted by the University of Michigan showed a reading of 75.3 in the month of February compared to the November reading of 63.7, pointing to improvement in consumer confidence at the national level. The recent rapid increases in oil prices and consequently higher gasoline prices, if intact, pose a serious threat to consumers’ confidence and spending in the coming months.

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. Current and Future expectation indexes increased but the index measuring consumers’ spending plan decreased by 10 points.
Gradual improvement in the job market along with sharp increases in the S&P 500 in January and February is positively affecting consumers’ outlook about current and future economic conditions. The current economic conditions index increased from a revised November reading of 62.6 to 79.3 in February of 2012. The index measuring future economic conditions also increased to a reading of 103.2 in February of 2012 from a revised reading of 97.6 in November.

The index measuring consumers’ planned spending on big-ticket items decreased significantly from the revised November reading of 82.4. The current reading of 72.3 suggests that growth in consumers’ spending in the early part of 2012 will be somewhat weaker than the pace reported by the retailers during the holiday season. The sharp decline in this index may be attributed to the high level of gasoline prices which is taking a bigger bite from consumers’ disposable income.
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 Los Angeles County and 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, Orange and Los Angeles counties, and the Inland Empire  
|              | 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  