Consumer Confidence at a 5-year High

ORANGE, CA — The California Composite Index of Consumer Confidence increased to 94.2 in the third quarter of 2012 from the second quarter revised reading of 89.0. As shown in the following figure, consumer confidence has been increasing steadily since hitting a low of 57.6 in the second quarter of 2008 and it has been hovering between readings of 80 and 90 since the first quarter of 2010. The current reading of 94.2 is the highest overall consumer confidence since the beginning of the recession in the fourth quarter of 2007. An index level below 100, however, reflects a higher percentage of pessimistic consumers versus those who are optimistic.

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.
The current economic conditions index increased from a revised May reading of 80.9 to 86.8 in August of 2012. The index measuring future economic conditions increased significantly to a reading of 105.6 in August of 2012 from a revised reading of 93.6 in May. Recent improvement in the job market positively affected consumers’ assessment of the current economic conditions and the outlook about future economic activity.

The index measuring consumers’ planned spending on big-ticket items, however, decreased substantially from the revised May reading of 96.0. The decline in this index in August of 2012 to a reading of 86.1 may be due to high and volatile gasoline prices. Higher gas prices are reducing consumers’ disposable income and negatively affecting consumers’ planned spending.
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 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 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