California Consumer Sentiment at a Six-Year High

ORANGE, CA — The California Composite Index of Consumer Sentiment increased over six points to 100.3 in the third quarter of 2013 from the second quarter revised reading of 93.9. This is the highest reading of Consumers’ sentiment since the first quarter of 2007, and marks the first time since the beginning of the 2007 recession that the index passed the key threshold of 100. An index level above 100, reflects a higher percentage of optimistic consumers versus those who are pessimistic. In contrast the University of Michigan reading of the U.S. consumer sentiment declined to 82.1 in August compared to a reading of 85.1 in July of 2013.
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 by over 10 points from a revised May reading of 91.0 to a reading of 102.0 in August of 2013. Gradual improvements in the job market and sharp increases in home prices are positively affecting the consumers’ perception of current economic conditions. The index measuring future economic conditions, however, remained virtually unchanged at a reading of 101.1 in August of 2013 compared to a revised reading of 101.4 in May. Again for the first time since beginning of the recession both indices are above the critical value of 100, suggesting a higher percentage of optimists vs. pessimists.

The index measuring consumers’ planned spending on big-ticket items, a volatile component of the composite index, showed an increase of more than ten points, moving from a revised second quarter reading of 84.5 to 95.3. This suggests that consumers’ appetite for purchasing durable goods, such as automobiles, is improving and that is good news to retailers.
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, and Orange County
         › 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