California Consumer Sentiments Surge

ORANGE, CA — The preliminary California Composite Index of Consumer Sentiment increased in the third quarter of 2014 to 109.5 compared to a reading of 91.9 in the second quarter of 2014. This marks the highest level of consumer sentiment since the fourth quarter of 2004. An index level above 100 signifies a higher percentage of optimistic consumers versus those who are pessimistic. Over a comparable time period, the University of Michigan measurement of the U.S. consumer sentiment also improved to a reading of 82.5 in August of 2014 from a reading of 81.9 in May of 2014.
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 is at 109.1 in August of 2014, a significant increase of more than 23 points from a reading of 85.6 in May of 2014. Higher stock prices, rebounding home prices and lower gasoline prices are boosting consumers’ perception of current economic conditions. The index measuring **future** economic conditions also increased, by 10 points, with a reading of 108.5 in August 2014 compared to a reading of 98.5 in May 2014.

![California Consumer Sentiment Chart](chart1)

The index measuring consumers’ planned spending on big-ticket items bounced from a reading of 91.4 in May 2014 to 112.5 in August 2014. The sharp increase in this index strongly suggests that consumers’ spending over the next six months will accelerate from the current level.

![Current Spending Plan Chart](chart2)
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             | California Consumer Sentiment Survey  
|                  | Economic Forecast Update Conference for the U.S., California, and Orange County  
| 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  