Consumer Confidence Hits Pre-recession High

ORANGE, CA — The California Composite Index of Consumer Confidence increased to 92.3 in the second quarter of 2012 compared to the first quarter revised reading of 89.8. The current reading represents the highest confidence level since the reading of 94.4 in the third quarter of 2007. An index level below 100, however, reflects a higher percentage of pessimistic consumers versus those who are optimistic. The index of consumer confidence at the national level generated by the University of Michigan also increased by 4 points to a reading of 79.3 in the month of May compared to the February reading of 75.3.

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 February reading of 81.3 to 83.7 in May of 2012. The index measuring future economic conditions however decreased significantly to a reading of 96.2 in May of 2012 from a revised reading of 106.9 in February. The uncertainty emanating from potential tax increases both at the state and federal level is negatively impacting consumers’ outlook for future conditions.

The index measuring consumers’ planned spending on big-ticket items increased substantially from the revised February reading of 72.5. The surge in this index to a reading of 101.7 may have been fueled by lower interest rates particularly mortgage rates. In addition, while high gasoline prices curtailed planned spending in the first quarter of this year, the gradual decline in prices is leaving consumers with a higher disposable income inducing a higher level of 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