PRESS RELEASE

IMPROVEMENT IN BUSINESS CONDITIONS PUSHES CALIFORNIA CONSUMER SENTIMENT HIGHER

ORANGE, CA — The Chapman University-Claremont McKenna College California Consumer Sentiment Index increased from a value of 90.6 in the first quarter of 2021 to a pandemic high of 99.9 in the second quarter. The 10.3 percent rise is largely driven by the end of the lockdowns and the opening up of the California economy. Professor Marc Weidenmier of the George Argyros School of Business and Economics offered the following assessment of consumer sentiment in California. “Consumer sentiment in the state has made a remarkable recovery over the past couple of quarters as businesses have reopened and California residents have been vaccinated to slow the spread of the coronavirus. Future consumption spending looks bright except for a couple of factors that could derail the recovery from the pandemic. Prices of goods and services have risen quite a bit over the last few months which could lead to higher inflation. Another potential problem is the delta variant of the coronavirus which could lead to more lockdowns and quarantines. Despite these risks, the overall outlook for the California consumption spending is positive.”
The California Consumer Sentiment Survey is based on the responses of 2,000 California residents to seven questions about current and future economic and financial conditions in the state. The greater than 10 percent rise in consumer sentiment is largely due to increased optimism in the responses of three out of the seven questions. Survey respondents expressed a 55.5 percent increase in consumer sentiment with respect to current business conditions compared to a year ago. The effect of business conditions on the household rose 19 percent. Sentiment for finding a job in the next year jumped 19.9 percent in the second quarter of 2021. Most of the remaining questions had very little change except for consumer sentiment for buying a car over the next year fell 4.5 percent.
With respect to the demographics, there were large increases in consumer sentiment reported by people with some high school (22.9%), part-time workers (18.7%), and workers making 25 thousand dollars (13.7%) or less in a year. The rise in consumer sentiment among lower income workers may be the impact of California stimulus as well as recent legislation designed to guarantee a minimum income for workers. Another interesting finding from the survey is that consumer sentiment rose 10.3 percent for republican leaning survey participants compared to a 9.6 percent rise for democrats taking the survey. This is positive news considering that consumer sentiment tends be higher for the party that controls the White House.

Overall, consumer sentiment has rebounded in the state of California. The rapid reversal is testament to the impact of lockdowns and the coronavirus on economic activity. Consumer sentiment should continue to move higher over the next quarter unless the recovery is derailed by inflation or a return of the coronavirus.

The Chapman-CMC California Consumer Sentiment Index is a joint venture between the A. Gary Anderson Center for Economic Research at Chapman University and the Lowe Institute of Political Economy at Claremont McKenna College. The Index is constructed from the results of a quarterly survey of a random sample of 2000 people stratified on the basis of age, gender, ethnicity, income, and zip code. The survey asks respondents seven questions concerning their current situation, perceived future prospects, and spending plans.
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  
|        | ‣ Orange County Consumer Sentiment Survey  
|        | ‣ California Consumer Sentiment Survey |
| APRIL  | ‣ California Purchasing Managers Survey  
|        | ‣ Orange County Consumer Sentiment Survey  
|        | ‣ California Consumer Sentiment Survey |
| JUNE   | ‣ Economic Forecast Update Conference for the U.S., California and Orange County |
| JULY   | ‣ California Purchasing Managers Survey  
|        | ‣ Orange County Consumer Sentiment Survey  
|        | ‣ California Consumer Sentiment Survey |
| OCTOBER | ‣ California Purchasing Managers Survey  
|        | ‣ Orange County Consumer Sentiment Survey  
|        | ‣ California Consumer Sentiment Survey |
| DECEMBER | ‣ Economic Forecast Conference for the U.S., California and Orange County |