



**LOS ANGELES COUNTY CONSUMER SENTIMENT INDEX FROM
LOWE INSTITUTE OF POLITICAL ECONOMY AT CLAREMONT MCKENNA
COLLEGE POSTS MODEST OVERALL DECLINE IN FIRST QUARTER 2018**

Stock market volatility spurs double digit decline among those 55 and over

LOS ANGELES – April XX, 2018 – The CMC-Lowe Institute Los Angeles Consumer Sentiment Index (“Index”) registered at 90.0 in the first quarter of 2018, a modest 4.4% decline from its fourth quarter value of 94.1. When looked at by age, the decline is heavily concentrated among those aged 55-64, whose sentiment declined by 19.4%, and those 65 and over which declined 18.9% -- significantly above the overall 4.4% decline.

“An analysis of the responses suggests that Los Angeles County residents are taking the latest economic news in stride, with the exception of the older population,” noted Cameron Shelton, Director of the Lowe Institute of Political Economy and McMahon Family Associate Professor of Political Economy at Claremont McKenna College. The Index is generated by an alliance between the CMC-Lowe Institute and Chapman University.

“The decline in consumer sentiment among those 55 and over is likely driven by anxiety over the stock market jitters that began in late January. Households nearing retirement typically have a nest egg invested in the stock market and are projecting their retirement income based on the performance of that portfolio,” Shelton observed noting that a 10% correction in the S&P 500 index, followed by a partial recovery and now elevated daily volatility leave these consumers slightly more apprehensive.

By contrast, respondents aged 18-24 showed minimal change in sentiment, declining by 1.6%, as the financial situation of this age group is more closely tied to the labor market which remains strong.

Responses to individual questions support the view that the decline largely reflects anxieties about the stock market rather than the local economy. Whereas sentiment regarding household’s financial prospects a year from now declined by 6.3%, views of the Los Angeles economy as it pertains to an individual’s personal financial

situation showed a small increase of 2.4%. Sentiment regarding the ability to find a job within the next year essentially held steady – rising 0.9%.

“The continued strength of the Los Angeles labor market is a clear bolster to consumer confidence,” Shelton observed.

Stock market anxieties are further reflected in questions about the national outlook. With regard to the outlook for the national economy, the Index shows an 8.0% decline. This aligns with the 5.4% decline when questioned about how the U.S. economy may affect your family’s personal economic situation in the coming year.

The most optimistic group of consumers were those in the highest income category, those earning \$150,000 or more. Their overall sentiment rose by 9.9% , reversing the declines recorded in the first half of 2017. “This likely correlates to the changes in federal income tax that may be offsetting concerns among higher wage earners about stock market performance and their personal portfolios,” noted Shelton.

“Providing this economic data, along with our partner Chapman University, is an ongoing commitment from the Lowe Institute. The Institute has expanded its economic research to other major Southern California regions including an Orange County Index, launched in 2017, and the Inland Empire Index which debuted with the first quarter of 2018,” said Robert J. Lowe, co-founder of the Lowe Institute and Chairman of national real estate company, Lowe.

Los Angeles County has a population of more than 10 million and is the third largest metropolitan economy in the world. The Institute deemed this a region that could benefit from its own consumer sentiment survey. Consumption accounts for, on average, 70 percent of all U.S. economic activity and its importance cannot be overstated.

The economists behind the Index delve into the data and provide analysis and context in a video presentation posted at www.laconsumersentiment.com.

About the Survey

The representativeness of the Lowe Institute Los Angeles Consumer Sentiment Index is ensured by its being constructed from a random sample of 500 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. People are asked to assess whether they see their financial situation

getting better or worse over the coming year and how this is linked to their perception of recent business conditions both in Los Angeles and in the nation as a whole. They are also asked directly whether they think their chances of finding a new job are likely to improve over the coming year and whether they think the next year would be a good time, or a bad time, to buy a new car. The first quarterly survey was done in the second quarter of 2015 and has proceeded quarterly since, providing a baseline of data upon which to build. Additional information is available at www.laconsumersentiment.com

About the Lowe Institute

Founded in 1986 by Robert J. Lowe and his father Thomas Lowe, the Institute offers a variety of programs to provide learning opportunities for students outside the classroom including: a faculty-student research program, a public lecture series and a public policy focus on economic forecasting. The Institute strives to enhance existing curricula and provide emphasis on public affairs and the attendant concentration in economics and government. The mission of the Lowe Institute is to promote undergraduate education in economics and to enhance the public visibility of the College and its sister institutions.

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