



**LOS ANGELES COUNTY CONSUMER SENTIMENT INDEX FROM
LOWE INSTITUTE OF POLITICAL ECONOMY AT CLAREMONT MCKENNA
COLLEGE RISES IN SECOND QUARTER 2018**

Rise likely driven by strong employment and stabilized stock market

LOS ANGELES – July 23, 2018 – The CMC-Lowe Institute Los Angeles Consumer Sentiment Index (“Index”) registered at 97.2 in the second quarter of 2018, an 8.0% increase from its first quarter value of 90.0. Unlike recent Index surveys, this quarter’s results showed gains across income levels and age groups.

“This quarter witnessed a remarkably broad-based rise in consumer sentiment which seems best explained by the continued strength of the labor market,” 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 Index shows those who are participating in the market are strongly upbeat, posting increases over first quarter findings: full-time workers up 4.0%; part-time workers up 16.1%; and self-employed up 6.7%. “Workers may be enjoying increased hours and wages as businesses benefit from a strong economy,” Shelton observed.

“One exception is those that are unable to participate and reap the benefits of this booming market,” he added noting that the Index is down 4.0% among the unemployed and 13.2% among those unable to work.

The uptick in sentiment was shared across levels of education, ethnicities and gender. “One distinction is a higher increase in sentiment among those with the least education,” he said. High school graduates posted a 16.4% rise and those with some college education posted an 8.6% increase while sentiment gains by those with a college degree were more modest at 4.3%.

Sentiment among retirees was particularly strong gaining 13.4% most likely attributable to a return of growth in the stock market and a rise in interest rates. By comparison, those 55 and over were decidedly less optimistic in the first quarter 2018

Index survey driven by anxiety over the stock market jitters that began in late January. As Shelton noted at the time, “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.”

While the Index showed some variances by income level there is no clear pattern presented. “This suggests that no one economic factor, such as the stock market, minimum wage hikes or tax breaks can be singled out as the principal driver of increased consumer optimism,” he concluded.

Responses to the individual questions again reflect a broad rise in confidence from the first quarter. Of note is the strong gain in sentiment regarding the ability to find a job within the next year which increased significantly at 15.7%. Respondents also are anticipating business conditions in the U.S. to strengthen over the next 12 months with a sentiment increase of 10.7%, and they also expressed a belief that the Los Angeles economy has improved over the last year with a gain of 7.7%. Sentiment regarding a household’s financial prospects a year from now rose 5.8% while views of the Los Angeles economy as it pertains to an individual’s personal financial situation showed an increase of 8.2%.

Despite a steady rise in interest rates, respondents were even optimistic about purchasing a big-ticket item and expressed that the next year would be a good time to purchase an automobile, with the Index rising by 5.1%.

Providing this economic data, along with partner Chapman University, is an ongoing commitment from the Lowe Institute which was co-founded by Robert J. Lowe, Chairman of national real estate company Lowe which is headquartered in Los Angeles. 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.

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.laconsumentiment.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.laconsumentiment.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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