



LOWE INSTITUTE  
OF POLITICAL ECONOMY  
CLAREMONT MCKENNA COLLEGE

## **LOS ANGELES COUNTY CONSUMER SENTIMENT INDEX FROM LOWE INSTITUTE OF POLITICAL ECONOMY AT CLAREMONT MCKENNA COLLEGE DECLINES IN FIRST QUARTER 2019**

*Results indicate a sharp decline in outlook for the labor market from 2018*

LOS ANGELES – April XX, 2019 – After remaining stable in the last quarter of 2018, the CMC-Lowe Institute Los Angeles Consumer Sentiment Index declined during the first quarter of 2019 from 92.5 to 88.5, a decline of 4.2%. This marks a resumption of the downward trend in Los Angeles County sentiment that began with the election of 2016.

“Los Angeles County consumers are more concerned about the overall U.S. economy rather than their personal financial situation,” observed Cameron Shelton, Director of the Lowe Institute of Political Economy and McMahan Family Associate Professor of Political Economy and Claremont McKenna College. The Index is generated by an alliance between Claremont McKenna College’s Lowe Institute and Chapman University.

The Index, based on seven questions asking respondents to provide perceptions of their personal and overall economic conditions, showed the largest decline when asked about business conditions in the United States in the next year, down 8.2%. “This is a return to general economic concerns that were shown in the Index prior to the fourth quarter 2018 Index,” Shelton added.

Generally positive sentiment was expressed when queried about personal financial prospects, such as when asked whether their family will be better or worse off financially during the next year there was a less than ½% decline in sentiment. Similarly, when asked if the overall business conditions in the U.S. will affect your family’s economic situation there also was a less than ½% decline. “This would indicate that residents of Los Angeles County are confident that, despite the potential for the U.S. economy to falter, they don’t feel their own personal financial situations are endangered,” commented Shelton.

Most significantly, concerns about the labor market have been exposed in the first quarter results. Respondents posted a 7.7% decline in sentiment when asked about their prospects for securing a job if they lost their current employment. “As the Index was robustly positive on this question throughout 2018, we drilled down further in the data to attempt to determine if this is a

lasting shift. The findings indicate an inflection point in the labor market with consumer sentiment pointing to a softening employment environment,” said Shelton

Among respondents to the Index that are employed full time, there is a downward shift when asked if their employer was letting people go from positions similar to theirs, compared to last year when more people indicated their employers were hiring people of similar positions. Further, compared to past quarters, in the first quarter of 2019 fewer respondents employed full or part time reported that their hours had been increased, while more reported that their hours had been cut.

“While significant, hiring still outpaces workforce reductions and increases in hours outnumber declines. This still looks like an economic expansion but the pace in the first quarter of 2019 is significantly slower than in 2018,” noted Shelton.

A respondent’s political affiliation continues to influence consumer sentiment with those who align with the Democratic party remaining steadily low, virtually unchanged at 84.0 in the third quarter of 2018 and 84.1 in the first quarter of 2019. Sentiment among those not aligned with either major party remains in the middle range at 99.7 in the third quarter of 2018 and 99.5 in the first quarter of 2019. Sentiment among those aligned with the Republic party is descending from recent epic highs moving from 132.4 in the third quarter 2018 to 115.4 in the first quarter of 2019, still well above the Index average. This demonstrates the importance of the national political environment as a filter through which consumers interpret events.

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 additional analysis and context at [www.laconsumersentiment.com](http://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](http://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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