



LOS ANGELES COUNTY CONSUMER SENTIMENT INDEX FROM LOWE INSTITUTE OF POLITICAL ECONOMY AT CLAREMONT MCKENNA COLLEGE REMAINS STEADY IN FOURTH QUARTER 2018

LOS ANGELES – January XX, 2019– During the fourth quarter of 2018, the CMC-Lowe Institute Los Angeles Consumer Sentiment Index remained steady, increasing by 0.7% to 92.5 from a third quarter value of 91.8.

“Despite a tumultuous quarter in political and economic news, there was still some good news in different sectors that balanced out and essentially stabilized overall consumer sentiment,” said Cameron Shelton, Director of the Lowe Institute of Political Economy and McMahon 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.

During the fourth quarter of 2018 there was a precipitous stock market decline, a temporary truce in the trade war with China, a federal election, continued strength in the labor market and an expected quarter point rise in interest rates by the Federal Reserve. The survey was concluded on December 21 ahead of the year-end holidays and prior to the December 22 government shutdown. “The full weight of the government shutdown is just now being felt in the first quarter of 2019,” noted Shelton.

A continued bright spot reflected in the Index is the strength of the job market as indicated by survey response to the question “If you lost your job within the next year, do you think you would have a better or worse chance of finding a new job compared to today?” – with the index rising by 2.5% in the fourth quarter from 112 to 114.9 marking an eighteen month upward trajectory. This is further reflected in the responses from those with full or part-time employment as their overall confidence increased in the fourth quarter by 3.3% and 1.8% respectively, while, not surprisingly, the confidence among the unemployed fell 8.4%.

“As we saw during last February’s stock market swoon, it is those aged 55-64, planning for retirement with significant savings invested in the market, who are most affected by stock market declines,” observed Shelton. “The fourth quarter decline in equities once again led to decreased optimism among this age group, whose confidence declined by 5.4%.”

The stock market decline in the fourth quarter appears to have triggered a broader set of respondents to reevaluate their personal financial situation. Two of the Index survey questions

explicitly ask respondents to consider the effect on “your family’s economic situation” or whether “you and your family will be better off financially” whereas the remainder of the questions ask respondents about their opinion on broad economic conditions. Shelton notes, “Responses to the questions about broad business conditions were all more positive this quarter than last, while responses to the questions about one’s own family were both more negative this quarter.” The Index relating to “will you and your family be better off financially a year from now” declined by 4.2% while the Index relating to whether “business conditions will improve your family’s economic situation” declined by 2.5%.

Despite the stock market swoon, sentiment was more robust among those with higher family incomes. Sentiment among those earning more than \$150,000 rose 8.8% while those earning \$35,000-\$50,000 suffered a 12.5% decline in confidence. However, sentiment among those at the very lowest incomes remained steady, likely buoyed by increases in the minimum wage, the steady availability of work, and improving working conditions arising from labor shortages.

Politically, economists at the Lowe Institute note that respondents who identify with the Republican party have been vastly more optimistic than those identifying with the Democratic party. Not surprisingly, the Democratic victory in the midterm elections closed that gap in largely Democratic Los Angeles County, as Republican consumer enthusiasm dampened slightly, declining by 4.5% while Democratic consumer enthusiasm was essentially flat.

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.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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