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Los Angeles County Consumer Sentiment Index from Lowe Institute of Political Economy at Claremont McKenna College Shows Slight Overall Decline in First Quarter 2017

Stark differences emerge among ethnic and age groups

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LOS ANGELES--(BUSINESS WIRE)--The Lowe Institute Los Angeles Consumer Sentiment Index (“Index”) declined by approximately two percent to 103.73 in the first quarter of 2017. This follows a sharp 12 percent decline in the fourth quarter of 2016 to 106.29.

“We attributed the sharp fourth quarter decline to Los Angeles’ reaction to the results of the presidential election and the first quarter 2017 data, with consumer sentiment essentially holding steady, supports that analysis,” noted Marc Weidenmier, Director, Lowe Institute of Political Economy. “However, there was no rebound in consumer sentiment and thus the Index provides reason for continued caution and expectations of slow growth.”

The Index also brought to light some key differences emerging among different ethnic and age groups that offer some important insights that can be attributed to changing national government policies and programs.

First quarter results show a significant – 11.2 percent – decline in consumer sentiment among Hispanics and 9 percent decline for African Americans. Conversely, there was a 5.4 percent increase in consumer sentiment among Caucasians. “Los Angeles has a large Hispanic population with a higher concentration than many other areas in the U.S. This is one aspect reflected in the Los Angeles Index that differentiates the findings from broad national sentiment surveys,” said Weidenmier.

Weidenmier also noted the Index shows a reversal in sentiment among senior citizens (65+) with an 8 percent decline after this group had conveyed a big rise in confidence between the third and fourth quarters of 2016.

“Los Angeles is often a harbinger of economic change for the nation,” said Robert J. Lowe, co-founder of the Lowe Institute and Chairman of national real estate company, Lowe. “This is one of the reasons we decided to launch a consumer sentiment index for Los Angeles as it can not only be a valuable tool for our local businesses and government but also offer guidance to those watching the national economy.”

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.

Of the survey's seven questions the query regarding respondents' thoughts on whether the coming year will be a good time to buy a new car is considered a key factor in economic outlook. The fourth quarter 2016 results showed people starting to hesitate when considering making a new car purchase. The current Index shows a continued drop – 5.7 percent – in consumer plans for new car purchases. “The Index results are already starting to play out in our economy as new car sales have fallen,” said Weidenmier.

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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 questions ask 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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