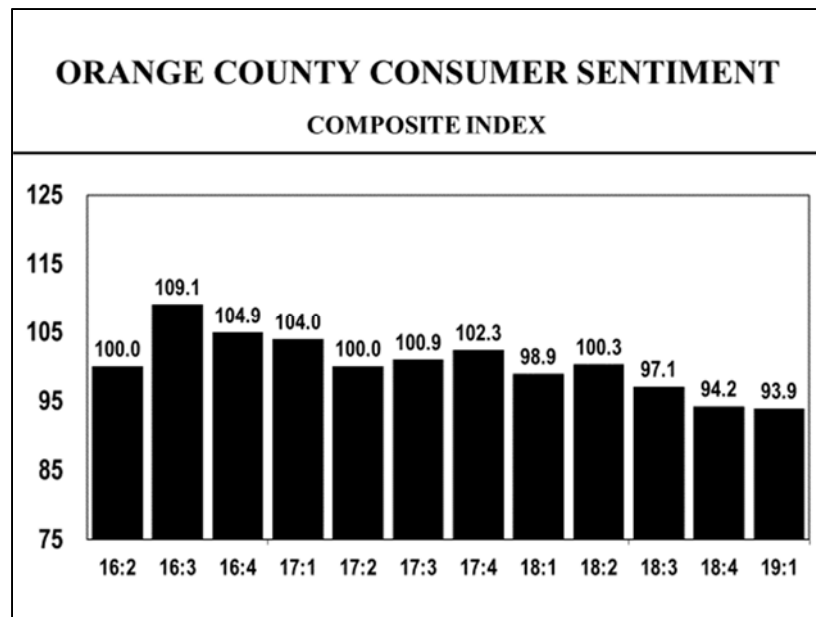


PRESS RELEASE

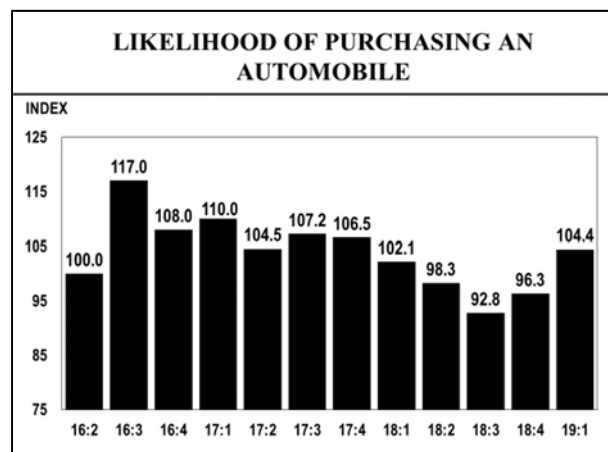
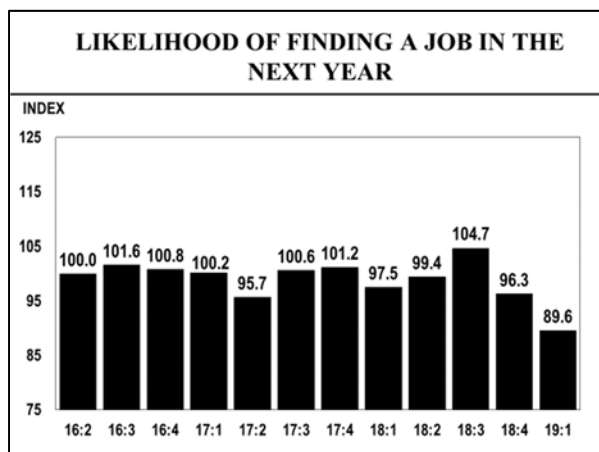
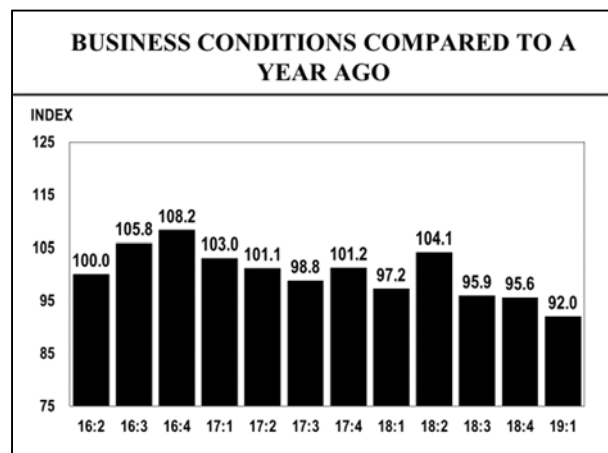
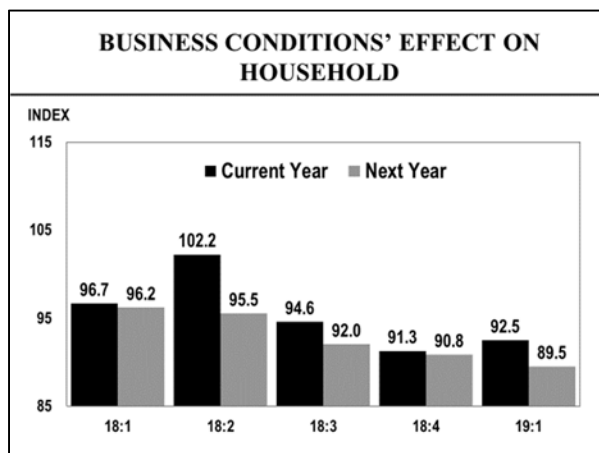
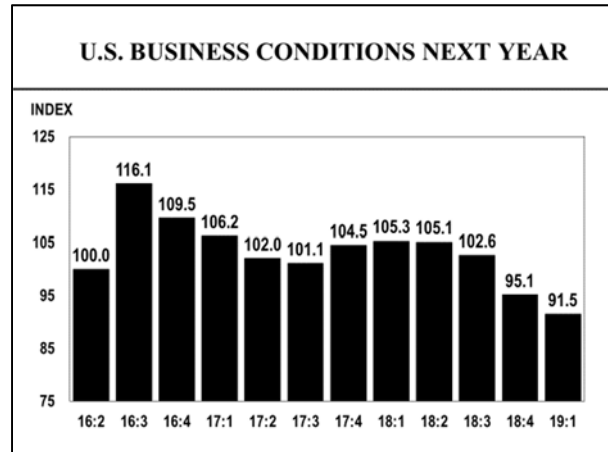
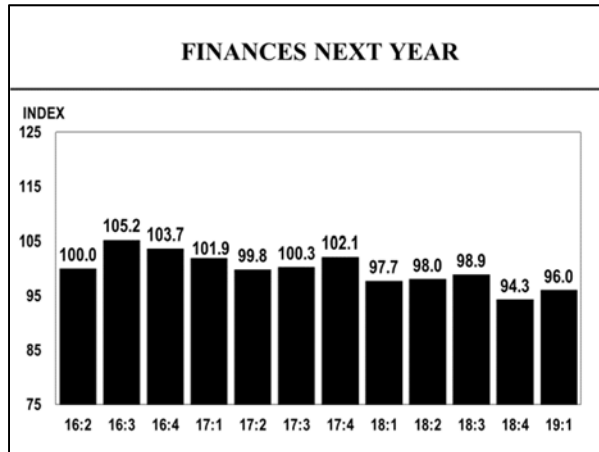
DECLINE OF ORANGE COUNTY CONSUMER SENTIMENT SLOWS

The Chapman-CMC Orange County Consumer Sentiment Index fell slightly from a value of 94.2 in the fourth quarter of 2018 to a value of 93.9 in the first quarter of 2019. The small 0.32 percent decline likely reflects two factors. Housing prices have fallen in three of the last four months in Orange County. This is a negative indicator for the area given its large importance to the local economy. The decline in housing prices could be offset by the recent decrease in long-term interest rates that reduces the cost of a mortgage. The critical question is whether the fall in long-term rates is a short-term blip or the beginning of a longer period of lower interest rates. We will find out the answer to this question over the next couple of quarters.



The underlying questions of the consumer sentiment survey reflect concerns about a softening economy as well as the importance of low interest rates. The random survey of 500 participants in Orange County asks seven questions about local and national economic conditions. Respondents to the consumer sentiment survey reported almost a 7 percent decline in the ability to find a job over the next year. The fall was offset by an increase in

consumer sentiment with respect to purchasing a car over the next year. Survey participants expressed an 8.4 percent increase in consumer sentiment on the car question. Like housing, car sales are very sensitive to movements in interest rates. The recent decline in interest rates makes it easier to buy a car. Four out of the remaining five questions in the survey that asked about local and national business conditions experienced small declines in consumer sentiment.



As for demographics, there are some changes in consumer sentiment that appear to be tied to the Trump tax plan. Consumer sentiment of survey participants with an annual income between \$75,000 and \$100,000 dollars increased from a value of 75.4 in the fourth quarter of 2018 to a value of 82.7 in the first quarter of 2019. The 9.6 percent rise in sentiment may reflect lower taxes and more discretionary income for middle class workers in this income group. On the other hand, consumer sentiment declined by 6.1 percent for survey participants that make more than \$150,000. This may be explained by the Trump tax plan that places limits on the ability of high-income earners to deduct mortgage interest, state income taxes, and property taxes. Finally, we observe a 9 percent decline in consumer sentiment for high school graduates. The fall in sentiment for high school graduates raises some concern about job prospects for this group as well.

Overall, the Chapman-CMC Orange County Consumer Sentiment Survey suggests that the Orange County economy is in a bit of a holding pattern. While the level of consumer sentiment is still relatively high with a reading of 93.4, it has been declining for the last three quarters. Housing prices are declining but interest rates have recently fallen. The future course of economic activity in Orange County will largely depend on whether interest rates remain stable or fall. A significant increase in long-term rates is likely to have a significantly negative impact on future economic growth.

The Chapman-CMC Orange County Consumer Sentiment Index is a joint venture between the A. Gary Anderson Center for Economic Research at Chapman University and the Lowe Institute of Political Economy at Claremont McKenna College. This report was written by Dr. Marc Weidenmier.

ABOUT THE ANDERSON CENTER FOR ECONOMIC RESEARCH

The A. Gary Anderson Center for Economic Research (ACER) was established in 1979 to provide data, facilities and support in order to encourage the faculty and students at Chapman University to engage in economic and business research of high quality, and to disseminate the results of this research to the community.

ANNUAL SCHEDULE OF CONFERENCES AND PRESS RELEASES

JANUARY

- › Economic Forecast Conferences for the Inland Empire
- › California Purchasing Managers Survey
- › Orange County Consumer Sentiment Survey
- › California Consumer Sentiment Survey

APRIL

- › California Purchasing Managers Survey
- › Orange County Consumer Sentiment Survey
- › California Consumer Sentiment Survey

JUNE

- › Economic Forecast Update Conference for the U.S, California and Orange County

JULY

- › California Purchasing Managers Survey
- › Orange County Consumer Sentiment Survey
- › California Consumer Sentiment Survey

OCTOBER

- › California Purchasing Managers Survey
- › Orange County Consumer Sentiment Survey
- › California Consumer Sentiment Survey

DECEMBER

- › Economic Forecast Conference for the U.S., California and Orange County