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Is The LA Economy Heading For Trouble? Recent Consumer Confidence Survey Provides Some Clues



By [Billie Greer](#)

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A decline in the confidence of Los Angeles County consumers continues—raising concern about where the local economy is heading, since consumer spending accounts for about 70% of economic activity in our communities.

According to the index recently released by the Lowe Institute of Political Economy at Claremont McKenna College, Los Angeles consumer sentiment declined by approximately 2% in the first quarter of 2017, following a sharp 12 % decline in the fourth quarter of 2016.

Looking at the responses to this year's survey, consumers were generally more positive than negative. Nevertheless, consumer confidence continues on the downward spiral.

“The Los Angeles region — the third largest metropolitan economy in the world — is often a harbinger of economic change for the nation, said Robert J. Lowe, co-founder of the Lowe Institute and Chairman of a national real estate company, Lowe Enterprises. “This is one of the reasons we decided in 2016 to launch the LA County Consumer Sentiment Index, which not only can be a valuable tool for local businesses and government but also offers guidance to those watching the national economy.”

Institute Director Marc Weidenmier attributed the downturn in consumer confidence late last year to Los Angeles' reaction to the results of the presidential election, and indicates that the 2017 data supports that analysis. Weidenmier said, “According to this year's findings, there has been no rebound in consumer sentiment, providing a compelling reason for continued caution and expectations of slow economic growth.”

The index has also brought to light some key differences emerging among consumers of different ethnic and age groups, offering important insights that can be attributed to changing national government policies and programs.

There is a reversal in sentiment among senior citizens with an 8% decline, in contrast to late last year when seniors conveyed a large rise in confidence. Among women, there has been a 7% decrease in consumer confidence vis-à-vis a 5% uptick among males.

First quarter 2017 results indicate an 11% decline in consumer confidence among Hispanics, a 9% decline among African Americans, and 6% among Asian American Pacific Islander Americans. Conversely, consumer sentiment among Caucasians increased by 5%.

“Los Angeles has a large Hispanic population, more highly concentrated than in many other areas in the U.S., so the data reflected in the index differentiates the findings from the broad national surveys,” said Weidenmier.

As to the rest of the nation – The Conference Board's Consumer Confidence Index, *a national survey*, released monthly, also found that consumer confidence fell in April after sharply increasing over the past two months. However, Lynn Franco, Director of Economic Indicators for the Conference Board, paints a more optimistic view than the LA County index presents, concluding that “Despite April's decline, consumers remain confident that the economy will continue to expand in the months ahead.” That is the national story. Fortunately, we now have meaningful data about our own back yard.

Will consumer confidence continue to erode in Los Angeles to the detriment of the economy? Based on two quarters of data, there is not a lot to cheer about. Looking ahead, it's anyone's guess, given the volatility of the economic and political landscape. So, stay tuned for second quarter 2017 survey results. The answer could become clearer, although we may not want to hear it.

Billie Greer, among other activities, is a Trustee of the Lowe Institute of Political Economy at Claremont McKenna College.

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