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LA Consumer Confidence Rebounds in 4th Quarter

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After nearly two years of declines, L.A. consumer confidence rebounded in the fourth quarter as local consumer sentiment finally began to reflect the strong economic conditions, according to a survey released Jan. 16.

The survey from the Lowe Institute of Political Economy at Claremont McKenna College showed a consumer sentiment index reading for business conditions in Los Angeles County of 89.4, up from 83.2 in the third quarter and close to the 90.3 reading in the fourth quarter of 2018.

The fourth-quarter jump was the largest on a percentage basis since the second quarter of 2018, which turned out to be a blip amid a three-year downward trend.

During most of those last three years, the economy has been strong with unemployment near record lows, wages steadily rising and the stock market reaching record highs. Yet Los Angeles consumers had remained stubbornly contrarian – at least until this fourth-quarter reading.

“People have finally taken off their foggy goggles and are seeing things clearly – when the economy has actually been pretty good for quite some time,” said Cameron Shelton, director of the Lowe Institute and associate professor of political economy at Claremont McKenna College.

The indices for consumer sentiment on the local and national economies are the first of their kind for Los Angeles. They are produced through an alliance between the Lowe Institute and Chapman University in Orange. A baseline index reading of 100 was set in the second quarter of 2015 for the index, which debuted in 2017.

The fourth-quarter reading was from a sampling in mid-December of roughly 500 L.A. County residents who answered questions about their current economic situation, their outlook for their own finances and spending in coming quarters, and their outlooks on both the local and national economies.

The timing of the survey may have played a role in the rebound in local consumer confidence. At the time, the House of Representatives was voting to impeach President Donald Trump, a move that Shelton said likely pleased many L.A. County consumers; a solid plurality of L.A. County residents are registered Democrats.

Other factors Shelton cited for the turnaround in consumer sentiment were gains in stock markets toward the end of last year, lower interest rates and an easing of trade tensions, especially between the U.S. and China.

The turnaround in consumer confidence was reflected most sharply in consumers' willingness to consider buying a car within the next 12 months. That reading shot up 16.5% to 89.1 from a four-year record low of 76.5.

Shelton said lower interest rates were the biggest factor in that jump. The Federal Reserve cut interest rates three times last year – most recently in October – reversing nearly all of 2018's rate increases. Lower interest rates make car loans more affordable.