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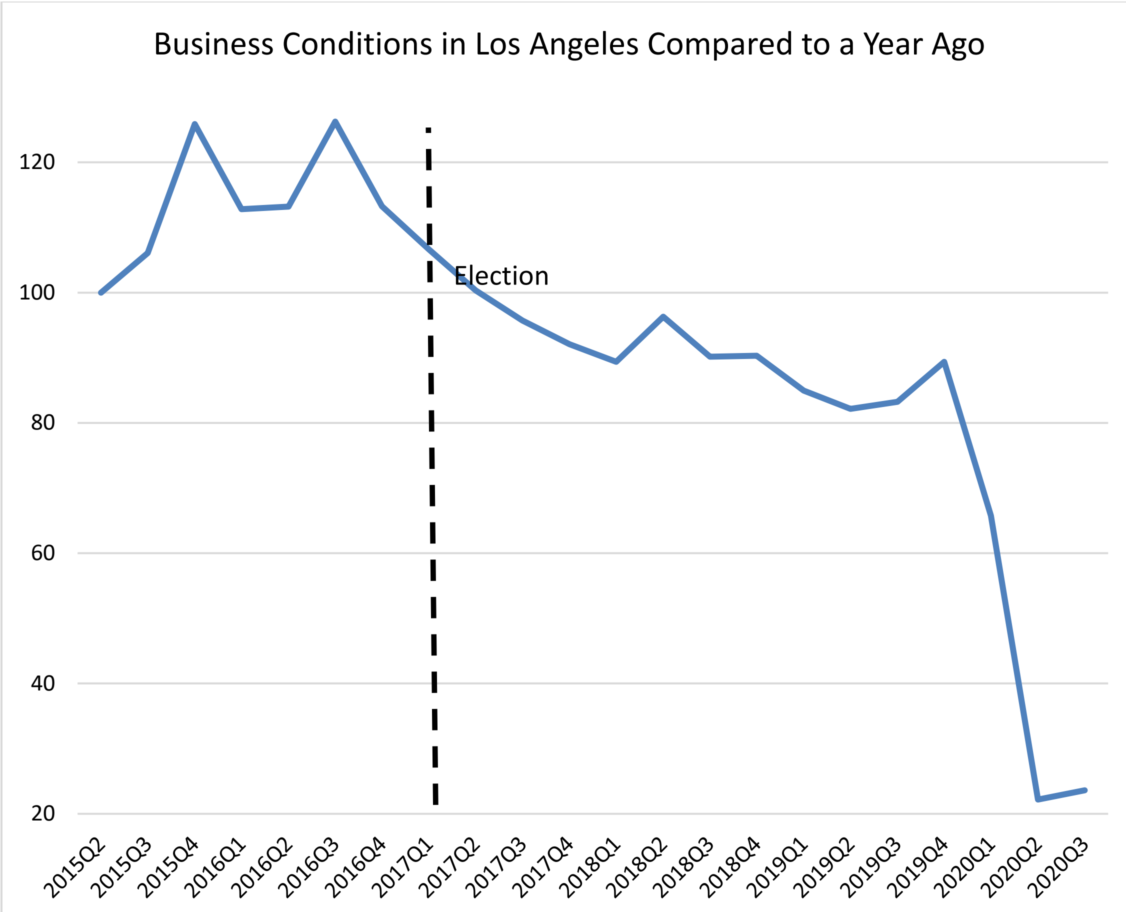
LOS ANGELES COUNTY CONSUMER SENTIMENT STEADY— NEAR ALL-TIME LOW – IN THIRD QUARTER 2020, ACCORDING TO SURVEY FROM LOWE INSTITUTE OF POLITICAL ECONOMY AT CLAREMONT MCKENNA COLLEGE

Following a second quarter drop of 22.8%, Index stands at 61.6

LOS ANGELES – October 06, 2020 -- The CMC-Lowe Institute Los Angeles Consumer Sentiment Index (Index) remained essentially flat over the third quarter of 2020, rising 1.5% from an all-time low of 60.7 in the second quarter to 61.6 in quarter three as Los Angeles County remained in a partially reopened holding pattern.

"Higher income residents are managing to weather the current economy, that is functioning at 90 percent of its prior capacity, however lower income residents are suffering financial distress. This may correlate to the decline in service industries, such as restaurants and hospitality, that have been hardest hit by the global pandemic as these businesses are a major source of jobs at the lower end of the wage scale," 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.

Sentiment regarding local business conditions ticked up slightly as responses to questions in this area of the survey moved from negative to neutral. However, this is most pronounced in questions that ask for reflection as to whether conditions have changed in the last few months. "In the last three months there haven't been any new conditions stressing the economy that might move sentiment," noted Shelton



The average fraction of household income lost in the third quarter was much higher among those at the lowest end of the income scale as the global pandemic-fueled economic decline continues. The largest income drop is among those making less than $35,000 per year, at 42.9%, followed by earners between $35,000 and $100,000 per year, at 27.5%. Those earning more than $100,000 per year posted an 18.2% decline.

Not surprisingly, given the significant drop in income for lower income households, this group was also more likely to have to defer rent or mortgage payments. Among respondents making over $75,000 per year, 22.4% had to defer rent or mortgage while this was true of only 11.6% of respondents earning over $75,000 per year.

Sentiment declined most acutely among those making less than $25,000 per year, a drop of 15.3%, as sustained income loss tips more respondents into acute financial distress. Those making above $75,000 per year actually held steady during the third quarter, suggesting the lack of new economic stresses is allowing this group to, for now, adjust to the “new normal.”

There is difference in sentiment among different age groups. Sentiment rose 7.7% among respondents aged 18-24 and 6.6% for respondents over 55 while sentiment of those aged 25-54 has declined 1.0%. “We speculate that among this group there may be school-age children who cannot return to K-12 schooling requiring people to juggle household management and work demands while also monitoring classwork and providing teaching assistance,” observed Shelton.

“Perhaps highlighting the demands of home-schooling and family members working remotely, sentiment among full-time homemakers fell 12.4% while that of respondents with a full-time job declined only 2.4%. Sentiment of retirees rose 7.5% which may be a reflection of relative stability in the investment market,” he added.

Large rises in sentiment among certain groups represent small positive indicators during this ongoing economic downturn. Rebounds in sentiment among the self-employed, rising 33.5% to 61.2, and the part-time employed, up 12.6% to 65.5, show some movement in the job market. Further, sentiment among those in the middle-income range, from $35,000 - $75,000 per year rose 9.7% to 66.7. “These results seem to track the return of work as partial reopening was allowed and businesses discovered new ways to reach customers,” Shelton observed.

However, despite the decline in the official unemployment rate, respondents’ view of the labor market continues to deteriorate with overall sentiment in this area down 4.7%. Sentiment declined precipitously among the unemployed, declining12.8%, as job seekers are finding this a tough labor market and renewals of federal assistance are not forthcoming.

The economists behind the Index delve into the data and provide additional analysis and context at www.caconsumersentiment.com.

<u>About the Survey</u>

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

<u>About the Lowe Institute</u>

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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