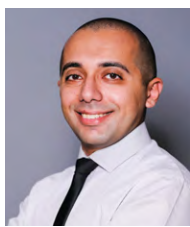




Consumer *Sentiment Survey*

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KEY POINTS

- Consumer sentiment in the region is generally positive, with over 70% of respondents indicating they are the same or better off financially compared to one year ago.
- Of those surveyed, 46% anticipate their household income will increase in the next year.
- Consumers anticipate an increase in income of 3% for the coming year.
- 24% of respondents expect their income to increase more than prices over the next year and 31% expect their income will increase about the same as prices.
- A large majority of respondents expect that regional business conditions will improve (32%) or stay the same over the next year (55%).
- Compared to national data, regional respondents are less positive about the improvements in their current personal finances and economic conditions compared to the past year but are more optimistic regarding the future.

The *Central California Business Review* recently conducted a survey of consumer sentiment in the Central California region, including Fresno, Tulare, Merced, Madera, and Kings counties. The survey included measures of personal and regional economic conditions, as well as purchasing plans and credit utilization. The findings indicate that overall consumer sentiment in the Central California region is generally positive.

Personal Economic Sentiment

Generally, respondents of the 2019 survey perceive their personal financial situation is stable or improving. Compared to one year ago, 30% reported being financially better off now, and 40% reported being financially the same. Compared to 5 years ago, 43% of respondents reported they currently experience a better financial situation, and 23% reported they are in the same financial situation (Figure 1).

69% OF RESPONDENTS ANTICIPATE PRICES WILL INCREASE IN THE NEXT 12 MONTHS.



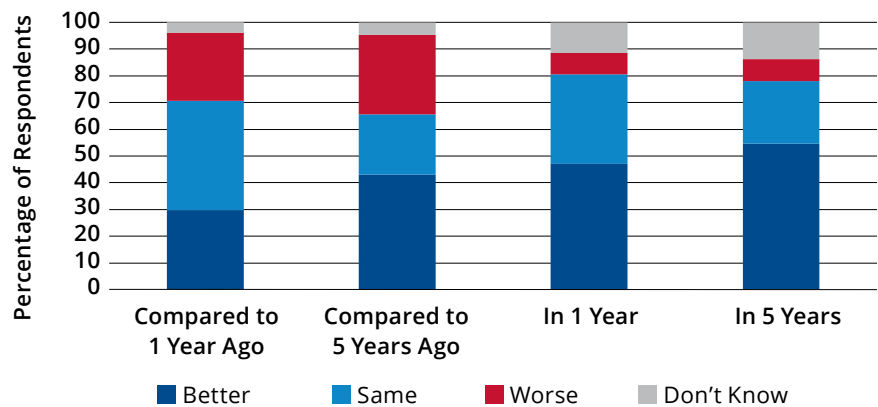
Compared to results from the 2018 Consumer Sentiment Survey, the 2019 survey finds the percent of consumers who perceive their current situation as either the same or better compared to one year ago has dropped three points (from 73.8% to 70.6%); the percent of consumers who perceive they are worse off has increased three points (from 22.7 to 25.6).

When asked about their expected personal financial situation, respondents had quite positive anticipations for the upcoming year as well as the next five years. About 47% of respondents expect to be better off financially in one year, and over half (55%) expect to be better off in 5 years. Of note, only 8% expect to be worse off financially over both the one- and five-year time horizons, while roughly 80% of consumers expect to be better off or stay the same.

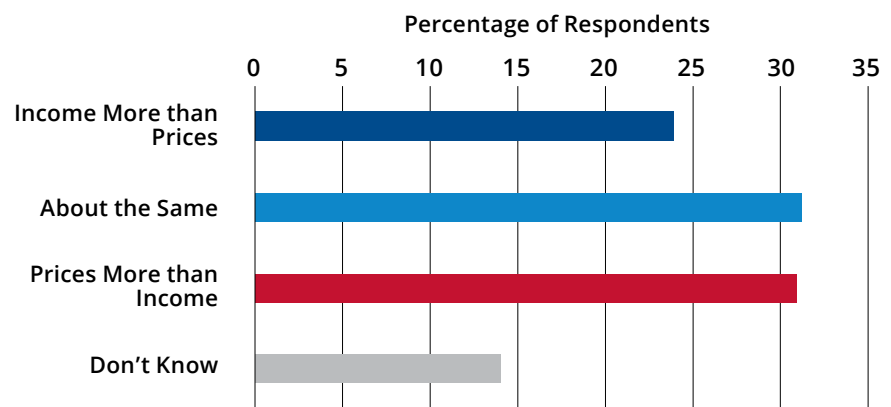
Approximately 22% of respondents anticipate prices will stay the same, while 69% of respondents anticipate prices will increase during the next 12 months. The median anticipated change in household income was 3%. About 46% of respondents expect their household income to increase over the coming year and

When asked about their expected personal financial situation, respondents had quite positive anticipations for the upcoming year.

**Figure 1
Personal Economic Conditions**



**Figure 2
Expected Income Increase/Decrease Relative to Prices**



an equal percent expect to have the same household income. Only 8% of respondents expect a decrease in household income. Comparing anticipated increase in prices (i.e., inflation) to anticipated increase in household income, 24% of respondents expect their income to increase more than prices over the next year or two and 31% expect a similar increase in their income and prices. About 31% of respondents expect prices to increase more than their income. (See Figure 2)

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Consumer expectations about price changes relative to income are slightly more optimistic this year than last year. As Figure 3 indicates, the percent of 2019 respondents who anticipate prices will increase more than income is less than in 2018. Consistently, slightly more respondents anticipate income will increase more than prices in 2019 than did so in 2018. While the differences are fairly small, they indicate a positive sentiment.

Sentiment about the Region

As for perception of the region's overall economy, more respondents indicate that economic conditions have improved (29%) or stayed the same (49%) compared to last year, and they expect conditions to continue to improve (32%) or stay the same (55%) over the next year (Figure 4). When asked about general business conditions, approximately 30% of respondents expect good times, 57% expect a mix of good and bad times, and only 13% expect bad times.

Compared to the 2018 survey results, consumer anticipation about the regional economy over the next year tends toward the status quo. While the percent of consumers in 2018 who felt the economy would be better in one year was slightly higher than in 2019, the percent of 2019 respondents who felt the economy will be worse decreased by 4.5 points from 2018 (Figure 5).

Figure 3
Consumer Expectations about Prices • 2018 vs. 2019

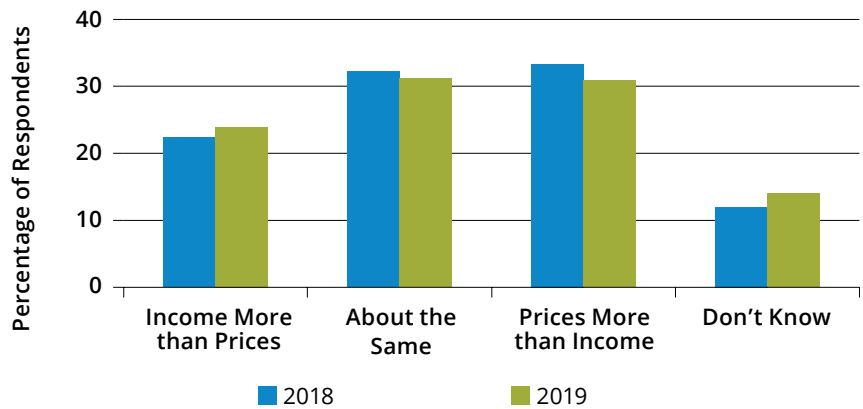


Figure 4
Regional Economic Conditions

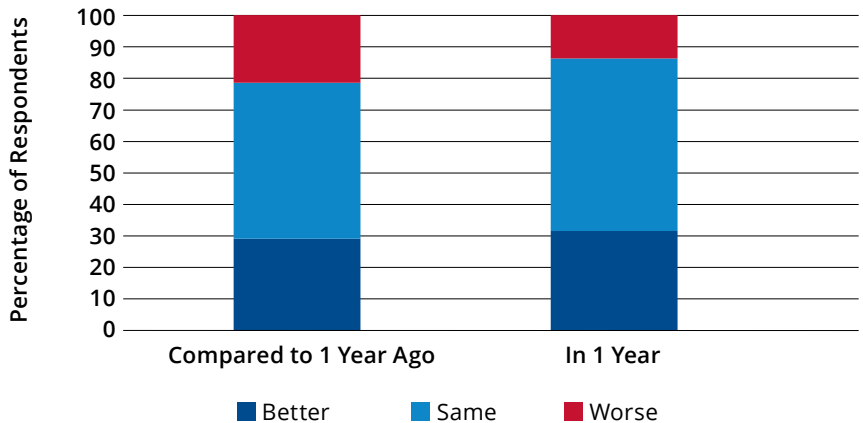
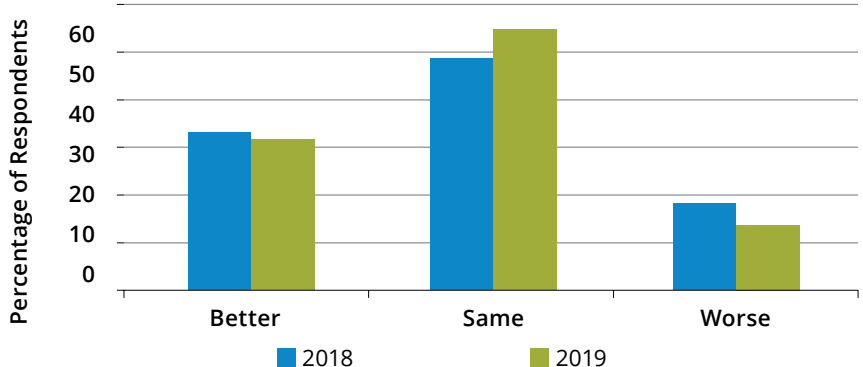


Figure 5
Consumers' Anticipation about the Regional Economy in One Year



Regional vs. National Sentiment¹










To compare regional sentiment with national sentiment measures, we included questions, adapted from the University of Michigan Consumer Sentiment[®] survey to address the Central California region. Following the University of Michigan's method of analysis, Relative Scores were calculated. Relative Scores above 100 suggest more respondents indicated favorable expectations than unfavorable expectations. Scores below 100 suggest respondents indicated more unfavorable than favorable expectations. Relative Scores of Central California are compared to National Relative Scores (Table 1). The only questions with unfavorable ratings (from both regional and national groups) were regarding expectations about changes in prices and changes in income relative to prices.

Generally, when compared to the National respondents, Central California respondents perceive their personal

finances have improved less over the past year relative to National respondents (104 vs. 134) and over the past 5 years (113 vs. 139). However, respondents in Central California indicate more positive expectations about their personal financial situation over the next year than does the National sample (139 vs. 131) and over the next 5 years (146.5 vs. 141).

Data from the Central California and National surveys indicate that consumers expect an increase in both prices and income over the next year. The expected increases are lower for Central California vs. National respondents for both income (137.5 vs. 152) and prices (35.5 vs. 20). Both National and Central California respondents expect similar real income growth over the next years, indicated by whether the increase in prices will surpass the increase in income level (92 vs. 93).

Table 1
Regional Vs. National Consumer Sentiment¹

Category	Regional Relative Score	National Relative Score	Comparison	Interpretation
Personal Economic Conditions				
Current Financial Situation Compared to 5 Years Ago	113	139		Region perceives less improvement over past 5 years
Current Financial Situation Compared to 1 Year Ago	104	134		Region perceives less improvement over past year
Expected Change in Financial Situation in 1 Year	139	131		Region expects more improvement over the next year
Expected Change in Financial Situation in 5 Years	146.5	141		Region expects more improvement over next 5 years
Personal Income Expectations				
Expected Household Income Change Over the Next Year	137.5	152		Region expects less income growth over the next year
Expected Change in Prices Over the Next Year	35.5	20		Region expects less inflation over the next year
Expected Change in Household Income Relative to Prices	93	92		Region expects almost similar real income growth over the next years
Economic Conditions				
Current Business/Economic Conditions Compared to 1 Year Ago	108	115		Region perceives less improvement over past year
Expected Change in Business/Economic Conditions in 1 Year	118	102		Region expects more improvement over the next year

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Both National and Central California respondents indicate perceived improvement in business conditions during the past year. However, when compared to those of Central California, National respondents indicate higher perceived improvements in business conditions (108 vs. 115). Both samples expect positive improvements to happen over the coming year and Central California respondents are more optimistic (118 vs. 102).

Comparing the regional sentiment relative scores for years 2017, 2018, and 2019, two trends are observed (Table 2). First, the expected changes in both financial situation for one year in the future (Column D) and economic / business conditions one year in the future (Column E) show continuing increases. Second, consumer perceptions of their current financial situation compared to both one year ago and five years ago were higher in 2018 than 2017 and 2019. The same pattern is seen with current business conditions. Consumers' 2018 perceptions were a good bit higher than for 2017 or 2019.

Purchasing and Credit

Respondents also completed questions about major purchases. Looking at the past 6 months, approximately 42% of respondents reported making a major household purchase (e.g., furniture, television, major appliances, etc.). When asked whether this is a good time to make major household purchases, approximately 47% responded positively and about 46% anticipate making one during the next 6 months.

Respondents also indicated the types of credit they currently hold. About 24% hold a mortgage, 5% hold a home equity line of credit, 32% hold an auto loan, 47% have a credit card carrying a balance, and 22% hold a student loan. As for plans to acquire different types of credit in the next year, respondents indicated that they plan to seek mortgages (10%), home equity lines of credit (7%), auto loans (15%), student loans (9%) and obtain credit cards (21%) within the next 12 months.

When comparing consumers' responses with 2018, a higher percentage of consumers indicate they plan to use credit card and student loan debt as financing methods in 2019, and a slightly lower percent are planning to acquire a mortgage.

Survey Methodology

The Central California Consumer Sentiment Survey was adapted from the University of Michigan Consumer Sentiment Survey. The sample is composed of 1,783 respondents from Central California, recruited via a marketing research firm to complete the survey. Respondents represented in the sample included Fresno (52.7%), Tulare (19.8%), Merced (12.8%), Madera (7.5%), and Kings (7.3%).

Endnote

- 1 National data from the University of Michigan Consumer Sentiment Survey 2018 Data. Available at: <https://data.sca.isr.umich.edu/>. Relative score values calculated as % of favorable responses minus % of unfavorable responses plus 100. Positive or negative comparison indications are provided for regional vs. national score differences exceeding 2 points.

Table 2
Consumer Sentiment Relative Regional Scores for Three Years

	(A) Current Financial Situation Compared to One Year Ago	(B) Current Financial Situation Compared to 5 Years Ago	(C) Current Business / Economic Conditions Compared to One Year Ago	(D) Expected Change in Financial Situation in One Year	(E) Expected Change in Business /Economic Conditions in One Year
2017	101	111	104	134	111
2018	111	120	114	136	115
2019	104	113	108	139	118