LOWE INSTITUTE OF POLITICAL ECONOMY
CLAREMONT McKENNA COLLEGE

LOS ANGELES COUNTY CONSUMER SENTIMENT INDEX FROM LOWE INSTITUTE OF POLITICAL ECONOMY AT CLAREMONT MCKENNA COLLEGE DECLINES IN FOURTH QUARTER 2017

Consumer sentiment rose in the fourth quarter among those 55 and over
The Index declined throughout the year and ends 11.8 percent lower from January 2017

LOS ANGELES – January 22, 2018 – CMC-Lowe Institute Los Angeles Consumer Sentiment Index ("Index") closed out 2017 with four consecutive quarters of decline with the fourth quarter value at 93.7, down 3.1 percent of the third quarter value of 96.8, and down 11.8 percent from the year's beginning value of 106.29.

"Steady decline in Los Angeles consumer sentiment throughout 2017 has shown concern for local business prospects and the national economy. The overall results for the fourth quarter of 2017 is a small decline, however there was a 7.3 percent decline in consumer response to consideration of a new car purchase. This is notable as new car purchasing is a leading economic indicator," noted Marc Weidenmier, the former Director of the Lowe Institute of Political Economy, now Professor of Economics and Finance at Chapman University. The Index is generated by an alliance between the CMC-Lowe Institute and Chapman University.

Of the survey's seven questions the query regarding respondents' thoughts on whether the coming year will be a good time to buy a new car is considered a key factor in economic outlook. The decline follows an uptick in this indicator in the third quarter results, though it began to decline in the fourth quarter 2016 which showed people starting to hesitate when considering making a new car purchase, and continued to drop – 5.7 percent – in the first quarter of 2017 with a 1.1 percent decline in the second quarter.

A review of the data by demographics shows a modest decline across all groups with the exception of senior citizens and retirees. The Index rose 11.6 percent among those aged 55 – 64 and 10.4% for those 65 and over. "With most in these groups reliant on pensions or retirement investments, this more positive sentiment may be a result of the continuing rise in the stock market," he observed.

Concerns for the local economy continued with a 5.3 percent decline from third quarter results, when respondents were asked about business conditions in Los Angeles County. This is on the heels of a 4.6 percent decline in the third quarter and 5.9 percent decline in the second quarter.

This anxiety extends to the national economy with a 5.2 percent decline from third quarter results when asked if the economic conditions in the United States will have a negative impact on their family's economic situation.

Tax reform is likely to have been a significant factor in the Los Angeles consumer sentiment though the ramifications to individuals and corporations have yet to be fully realized. Much will depend on when details become available from the IRS that can be analyzed by tax professionals.

Sentiment rose 13.5 percent for those earning $100,000 - $149,999 which, according to Weidenmier, may also be attributed to strong stock market performance.

"While there is a decline in the marginal tax rate for high-income earners, and improved financial prospects in the long-term for corporations, there should be short-term benefits for the middle class. It remains to be seen if, on balance, this changes consumer sentiment in Los Angeles as other lingering concerns remain with regard to immigration and international trade that are pivotal in the region," commented Weidenmier.

"Providing this economic data, along with our partner Chapman University, is an ongoing commitment from the Lowe Institute. The Institute is expanding its economic research to other major Southern California regions including Orange County and the Inland Empire," said Robert J. Lowe, co-founder of the Lowe Institute and Chairman of national real estate company, Lowe.

Los Angeles County has a population of more than 10 million and is the third largest metropolitan economy in the world. The Institute deemed this a region that could benefit from its own consumer sentiment survey. Consumption accounts for, on average, 70 percent of all U.S. economic activity and its importance cannot be overstated.

The economists behind the Index delve into the data and provide analysis and context in a video presentation posted at www.laconsumersentiment.com.

About the Survey

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

About the Lowe Institute

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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