

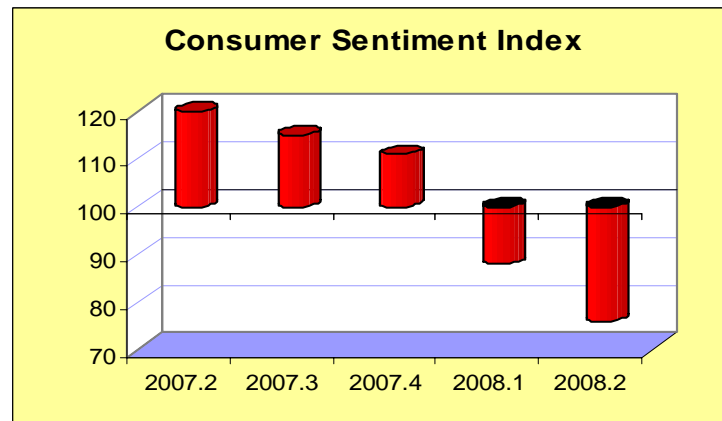
Bakersfield Consumer Sentiment Survey

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The Bakersfield Index of Consumer Sentiment slipped from 88 at the first quarter to 76 in the second, its lowest reading since CSUB began to compile it in 1999. The University of Michigan's national index of Consumer Sentiment did not fare any better, falling from 73 to 60 -- the second lowest level since its inception in 1952. Only the first quarter of 1980 was worse. The Bakersfield index has declined for five consecutive quarters; the national index for six straight quarters. The absolute magnitude of the two indices cannot be compared since they have different base years and are tabulated from different questions using different formulas.



CSUB's Economics Department compiles the Bakersfield Consumer Sentiment Index from telephone surveys administered to a random sample of households listed in the phone book. The index is constructed to help local businesses compare national and local trends and may provide some insight into whether local sales trends reflect broad trends or shifts in market share. The index suggests you are not alone if your sales are down.

The Bakersfield index is disaggregated into sub-indexes reflecting recent financial conditions of households and their expectations for the coming 12 months. The sub-index reflecting current financial conditions did not change markedly in the second quarter. The aggregate index's decline was due to a sharp contraction in the sub-index measuring future expectations.

The sub-index measuring current financial conditions is constructed from questions relating to discretionary spending and financial well-being compared to one year ago. This sub-index declined trivially from 79 in the first quarter to 77, largely because more households reported that their acquaintances in Kern County (as opposed to themselves) appeared to be doing worse than one year ago. Interestingly, while the percent of respondents reporting they had spent more than usual on discretionary items declined from twelve to six percent, the percent who reported spending less than usual declined even more -- from 35 to 26 percent. Also, the percentage of households who reported their households are doing better financially than one year ago nearly doubled from seven to twelve percent, while there was basically no change in the percent reporting worsened conditions.

The sub-index reflecting expectations for the coming year declined from 96 to 75 due to declines in respondents expectations for their own household as well as perceptions that acquaintances were more pessimistic. One quarter ago, 22 percent expected their situation to improve over the coming year; in the second quarter only 14 percent expected improvement. The percent who expected their situation to worsen or become more risky doubled from two-in-ten to four-in-ten. The percent who thought their acquaintances were fearful about the coming year more than doubled from 23 to 57 percent, while the percent who thought their acquaintances in Kern County were optimistic declined from about one-in-three to one-in-five. However, the percent who thought this is a risky time to draw down assets or incur debt to make a major purchase declined from about one-in-four to one-in-six. Hopefully that represents light at the end of the tunnel.

Table 1 : Index Values			
	Most Recent Quarter	Previous Quarter	One Year Ago
Bakersfield Consumer Sentiment Index	76	88	120
Sub-index: Current Conditions	77	79	119
Sub-index: Future Expectations	75	96	121

Table 2: Recent Buying and Financial Trends			
	More than usual	Same as usual	Less than usual
Your recent spending on discretionary items (dining out, weekend outings, entertainment)	6 %	68 %	26 %
	Better off	Same	Worse off
How your family is doing financially compared to one year ago.	12 %	55 %	33 %
How your acquaintances in Kern County are doing financially compared to one year ago.	14 %	45 %	41 %

Table 3: Future Expectations

	Better or more stable	About the same	Worse or more risky
The most likely financial situation of your family one year from now	14 %	46 %	40 %
	Optimistic	Neutral	Fearful
How your acquaintances in Kern County view the coming year.	19 %	24 %	57 %
	Safe time to buy	Neutral response	Risky time to buy
Is now a safe or risky time for most people to use savings or incur debt to buy expensive goods?	5 %	78 %	17 %