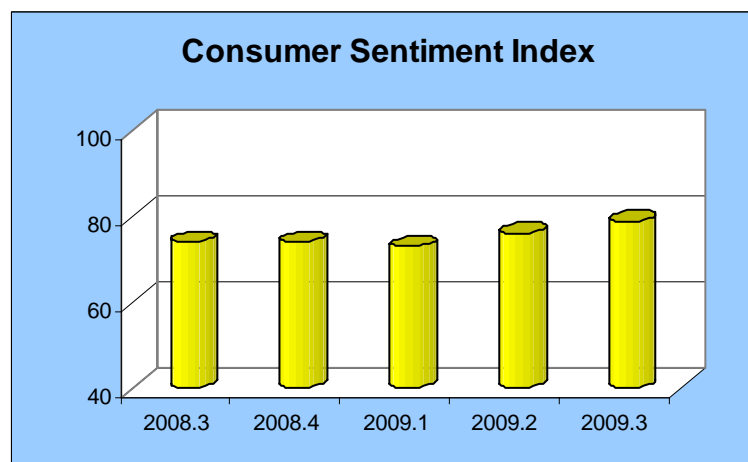


Little Change in Consumer Sentiment in Third Quarter

Mark Evans

Associate Dean, School of Business and Public Administration
Professor and Chair of Economics, CSUB

Bakersfield's Index of Consumer Sentiment inched up from 76 to 79 in the third quarter, its second consecutive increase after bottoming out at 73 in the first quarter. Prior to the second quarter, the local index had declined for eight consecutive quarters from a peak of 125 in first quarter 2007. Nationally, the University of Michigan's consumer sentiment index was unchanged at 68 in the third quarter after finally "turning the corner" in the second quarter. While the modest gains thus far in 2010 are welcomed, both the national and local indexes remain in their "bottom ten percent" of readings since CSUB began tabulating the local index in 1999.



CSUB compiles the Bakersfield index from telephone interviews of a random sample of households. The index is disaggregated into sub-indexes reflecting financial outcomes over the previous 12 months and expectations for the coming year. The modest gain in the composite index resulted from a 14-point gain in the sub-index measuring recent trends combined with an eight-point loss in the sub-index reflecting future expectations. Both sub-indexes have been volatile in recent quarters.

The sub-index measuring recent financial trends increased to 80 in the third quarter from 66 in the second quarter. The percentage of households reporting they had spent "more than usual" on discretionary items increased from 13 to 18 percent, while those spending "less than usual" decreased from 40 to 31 percent. While the percent of households reporting their situation had improved over the previous 12 months remained unchanged at 14 percent, the percent reporting that their condition had worsened decreased from 47 to 33 percent. While this response pattern resulted in an increase in the sub-index, it also implies that nearly 2.5 households became worse off over the past 12 months for every household that reporting improvement.

The sub-index reflecting expectations for the coming year decreased from 78 to 70. The percent of households expecting their financial condition to improve over the coming 12 months decreased from 28 to 17 percent. Also, the percent of respondents indicating their Kern County acquaintances were optimistic about the coming year declined sharply from 41 to 16 percent. When households were asked

if this is a safe or risky time to use savings or incur debt to buy expensive goods, just nine percent indicated this is a safe time, compared to 16 percent in the previous quarter.

Consistent with national commentary, this grassroots survey confirms that although the recession may have “bottomed out,” it could be a long time before we “dig out” locally.

Table 1: Index Values			
	Most Recent Quarter	Previous Quarter	One Year Ago
Bakersfield Consumer Sentiment Index	79	76	74
Current Conditions Index	80	66	78
Future Expectations Index	77	85	70

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)	18 %	51 %	31 %
	Better off	Same	Worse off
How your family is doing financially compared to one year ago.	14 %	53 %	33 %
How your acquaintances in Kern County are doing financially compared to one year ago.	12 %	49 %	39 %

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	17 %	51 %	32 %
	Optimistic	Neutral	Fearful
How your acquaintances in Kern County view the coming year.	16 %	55 %	29 %
	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?	9 %	42 %	49 %