



Economic Well-Being

February 2001

Overview

There are numerous indications that the California public has growing concerns about the state's economy and their own financial prospects for the coming year. About twice as many Californians are negative as are positive about where the state's economy is heading over the coming year, the weakest reading since 1992 during the state's last recession. There has also been an increase in the proportion who feels the state will experience a serious economic downturn during the next five years.

The public's forecast of its own financial prospects over the coming year is now the least optimistic that it has been since 1996. In addition, during the past year just one in four Californians with money invested in the stock market report that the value of their portfolio increased during the past year, while nearly twice as many saw declines in their holdings. There has also been a decline in the proportion of residents who thinks now is a good time to make a major household purchase.

As for the present, a majority still describes the California economy as being in economic good times, employment confidence remains strong and the public remains optimistic that inflation will be kept within reasonable bounds.

Findings in Brief

- By an almost two-to-one ratio (36% to 20%) more Californians now expect the state's economy to be in worse shape one year from now than foresee improving conditions. Another 40% believe that things will remain about the same.
- A majority of Californians (56%) now expects the state to experience periods of serious economic downturns over the next five years, while 36% believe the economy will be good most or all of the time.
- Nearly half (48%) of residents say that they are financially better off now they were one year ago, while a quarter say their financial situation has remained about the same (23%) and 27% say they are now worse off. While more positive than negative, the proportion reporting themselves worse off has risen 10 percentage points from last year, while there has been a 7-point drop among those who say they are now better off.
- About one in three Californians (35%) expects their personal financial situation to improve in the coming year, 13% anticipate being worse off and another 49% believe they will remain about the same. This forecast is the least optimistic report given by Californians since 1996.
- While a majority of Californians (56%) reports that they or another household member has money invested in the stock market, this is down from a 62% majority who were in the market one year ago and the 64% who reported this in 1999.
- More Californians who were in the stock market last year say they lost money (44%) than made money (25%).
- The ratio of Californians who think it is a good versus a bad time to buy a major household item (53% to 31%) is down from a 66% to 14% ratio in 1998, the last time this question was measured.

Growing concerns about California's economy for next year

By an almost two-to-one ratio (36% to 20%) more Californians now expect the state's economy to be in worse shape one year from now than foresee improving economic conditions. Another 40% believe that things will remain about the same.

This assessment is the most pessimistic outlook that Californians have held since 1992, during the middle of the state's last economic recession.

Table 1
Expectations for the California economy over the next 12 months

	Will get better	Stay the same	Will get worse
2001	20%	40	36
2000	28%	47	16
1999	27%	55	14
1998	34%	48	11
1997	39%	43	14
1996	38%	46	12
1995	34%	43	20
1994	35%	36	26
1993	42%	35	21
1992	22%	38	36
1991	22%	37	35
1990	10%	32	48
1989	15%	49	30
1988	18%	53	24
1987	24%	54	19
1986	36%	47	12
1985	42%	40	12
1984	50%	40	6
1983	58%	30	10
1982	35%	39	22
1981	32%	36	29

(In this and succeeding tables, the difference between 100% and the sum of each year's percentages equals the proportion with no opinion.)

Residents of the nine-county San Francisco Bay region display the greatest pessimism in regard to the outlook for the state's economy during the coming year. Nearly four times as many Bay Area residents expect the California economy to get worse (45%) as feel it will improve (12%) over the next twelve months.

Table 2
Expectations for the California economy over the next 12 months

	Will get better	About the same	Will get worse
Statewide	20%	40	36
<u>Region</u>			
Los Angeles County	23%	40	33
Orange/San Diego	22%	44	31
Other Southern CA	23%	41	34
Central Valley	22%	38	36
San Francisco Bay Area	12%	40	45
Other Northern CA	18%	37	44

Most see serious economic downturns likely over the next five years

A majority of Californians (56%) now expects the state to experience periods of serious economic downturns over the next five years, while 36% believe the economy will be good most or all of the time. This represents increasing pessimism about the long-term health of the California economy compared to previous years.

Table 3
Expectations for the California economy over the next 5 years

	Periods of serious economic downturns	Generally good	Not sure/ no opinion
2001	56%	36	9
2000	42%	39	19
1999	52%	38	10
1998	41%	44	15
1997	52%	36	12
1996	49%	38	13

Personal financial assessment down

Nearly half (48%) of California residents say that they are financially better off now they were one year ago. In contrast, roughly a quarter say their financial situation has remained about the same (23%) and 27% say they are now worse off.

The proportion who report being worse off in the current poll has risen 10 percentage points from last year and there has been a 7-point drop among those who say they are now better off.

Table 4
Californians' personal financial well-being compared to one year ago

	Better off	No change	Worse off
2001	48%	23	27
2000	55%	28	17
1999	52%	31	17
1998	55%	28	17
1997	45%	28	27
1996	38%	35	27
1995	35%	31	34
1994	29%	34	37
1993	31%	26	43
1992	26%	24	50
1991	25%	28	47
1990	42%	28	30
1989	46%	27	27
1988	50%	23	27
1987	49%	26	25
1986	52%	28	20
1981	33%	25	42
1976	28%	33	39
1971	29%	36	35
1966	37%	45	18
1961	40%	41	19

There are growing differences in personal financial well-being by income. For example, among those whose annual household incomes is less than \$20,000, 39% say they are better off than last year, while among those with incomes in excess of \$80,000 greater than six in ten (62%) report this.

Table 5
Californians' personal financial well-being—by annual household income

	Better off	No change	Worse off
Statewide	48%	23	27
<u>Household income</u>			
Less than \$20,000	39%	30	30
\$20,000–\$40,000	42%	26	32
\$40,000–\$60,000	52%	21	24
\$60,000–\$80,000	57%	16	27
More than \$80,000	62%	14	23

Weakening optimism about improving personal finances next year

About one in three Californians (35%) expect their personal financial situation to improve in the coming year, while 13% anticipate being worse off. Another 49% believe their personal finances will remain about the same. This forecast, while more positive than negative, is the least optimistic report given by Californians since 1996.

Table 6
Personal financial expectations for next year

	Will be better off	No change	Will be worse off
2001	35%	49	13
2000	46%	44	4
1999	44%	45	6
1998	49%	42	6
1997	41%	44	10
1996	35%	52	8
1995	35%	50	11
1994	44%	40	12
1993	40%	44	13
1992	29%	46	18
1991	30%	48	17
1990	38%	41	15
1989	38%	47	15
1988	40%	51	9
1987	47%	45	8
1986	52%	42	6
1985	50%	42	8
1984	51%	42	7
1981	35%	46	19
1976	37%	45	18
1971	37%	44	19
1966	43%	49	8
1961	48%	46	6

Proportion who are investing in the stock market is declining

While a majority of Californians (56%) reports that they or another household member has money invested in the stock market either directly or through a retirement or pension plan, this is down from a 62% majority who reported investing in stocks one year ago and the 64% who reported this in 1999.

Stock ownership is correlated directly to a person's level of household income. Among those with annual household incomes of less than \$20,000, just 17% hold stock. On the other hand, among those whose annual income exceeds \$80,000, 90% own stock.

Table 7
Trend of stock ownership among Californian households

	Own stock	Don't own stock	Don't know
2001	56%	43	1
2000	62%	36	2
1999	64%	35	1
Household income			
Less than \$20,000	17%	83	*
\$20,000-\$40,000	41%	58	1
\$40,000-\$60,000	64%	34	2
\$60,000-\$80,000	79%	21	*
More than \$80,000	90%	9	1

* Less than 1/2 of 1%

Those persons owning stock were asked whether the overall value of their stock holdings increased, decreased or remained about the same last year. The results show that more Californians say they lost money in the stock market last year (44%) than made money (25%), while the rest said their portfolio value stayed about the same or weren't sure. In addition, of those who lost money, about 1 in 3 describe their losses as posing a very or somewhat serious problem for themselves or their families.

Table 8
Did the overall value of stockholders' stocks go up or down in the past year? (IF DOWN) How serious a problem was this for you and your family?

Down	44%
Serious problem	16
Not a serious problem	28
Stayed the same	47
Up	25
Don't know	4

Decline in proportion feeling it's a good time to buy a major household item

The ratio of Californians who say that it is a good time to buy versus a bad time to buy a major household item (53% to 31%) is down from what it was in 1998, the last time this question was measured. At that time 66% described it as a good time to make a major purchase, while just 14% felt it was a bad time.

Table 9
Good or bad time to buy major household item?

	Good time to buy	Bad time to buy	Not sure/depends
2001	53%	31	16
1998	66%	14	16
1997	50%	23	27
1996	52%	22	26
1991	34%	49	17
1990	40%	34	26
1988	57%	23	20
1987	56%	26	18
1986	68%	11	21
1985	64%	14	22
1984	64%	16	20
1983	47%	35	18
1982	35%	42	23

Employment confidence remains strong

Nearly eight in ten employed Californians (78%) remain very confident that they will be employed in a job six months from now. Another 16% are somewhat confident, while just 6% have little confidence they will be employed next summer. These findings are identical to those found at this time three years ago, the last time this question was asked.

Table 10**Confidence of being employed six months from now
(among those employed by someone else)**

	Very confident	Somewhat confident	Not confident
2001	78%	16	6
1998	78%	16	6
1997	79%	15	5
1996	71%	23	6
1995	66%	26	8
1994	62%	26	12
1993	65%	23	12
1992	62%	25	13
1991	69%	20	10
1990	78%	17	5
1985	80%	14	4
1984	82%	13	4
1983	78%	16	5
1982	68%	19	12
1981	81%	14	5
1978	83%	10	5

Most of the self-employed are not concerned about doing enough business

A majority of Californians who are self-employed (55%) say they are not concerned about doing enough business in the coming six months. This compares to 32% who say they are somewhat concerned and 13% who are very concerned. These findings are very similar to those found in 1998, the last time this series was asked.

Table 11**Concern about doing enough business in the next six months
(among those self-employed)**

	Not concerned	Somewhat concerned	Very concerned
2001	55%	32	13
1998	57%	26	14
1997	58%	19	22
1996	45%	33	22
1995	38%	40	22
1994	32%	38	28
1993	32%	37	31
1992	22%	35	42
1991	31%	38	30
1990	53%	32	15

Majority continues to view state's current economy as being in good times

Nearly two-thirds (64%) of Californians believe that the state is currently experiencing economic good times, while 25% think California is in bad economic times. While this continues to be an upbeat assessment, the public's view has declined some in each of the past two years from an all-time high in 1999, when 70% described the state in economic good times and just 14% felt the state was in bad times.

Table 12**Present state of California's economy**

	Good times	In between	Bad times
2001	64%	8	25
2000	65%	11	18
1999	70%	13	14
1998	61%	17	18
1997	34%	21	42
1996	19%	20	57
1995	12%	15	71
1994	4%	12	84
1993	4%	7	88
1992	2%	4	93
1991	5%	8	85
1990	30%	20	47
1989	55%	18	24
1988	59%	19	21
1986	59%	22	15
1985	62%	16	19
1984	50%	25	22
1983	10%	11	77
1982	16%	23	60
1981	24%	19	54
1979	40%	17	41
1978	42%	26	26

Most believe inflation will remain low

When Californians are asked whether they think inflation will be kept within reasonable bounds in the near future, 69% are confident that it will while 30% are not confident. This represents an increase in public confidence that inflation will be kept under control compared to last year.

Table 13**Confident future inflation can be kept within reasonable bounds**

	Confident	Not confident
2001	69%	29
2000	60%	34
1998	64%	32
1997	59%	36
1996	71%	26
1995	55%	42
1994	51%	45
1993	60%	37
1992	49%	48
1989	49%	49
1987	50%	46
1986	60%	37
1984	66%	30
1982	57%	42
1981	50%	48
1979	33%	65
1977	32%	66
1974	35%	63

(The findings in this report are based on a survey among a representative sample of 1,001 California adults conducted January 12-16, 2001. The survey was completed by telephone in English and Spanish using random digit dialing methods. According to statistical theory, survey results from the overall sample have a sampling error of +/-3.2 percentage points at the 95% confidence level. There are many possible sources of error in any survey other than sampling variability. Different results could occur because of biases in question wording or sequencing or through undetected errors in sampling, interviewing or data processing. Extensive efforts were made to minimize such errors.)