

Economic Well-Being

September 2005

Findings in Brief

- Twice as many Californians describe economic conditions in the state as being in bad times (49%) as feel it is in good times (24%). These findings are similar to those observed last year, and have remained more negative than positive for each of the past three years. While all major subgroups of the voting population give a more negative than positive appraisal of the state's economy, women and lower income residents are more inclined than others to rate the state's economy negatively.
- The proportion of Californians who expect the state's economic situation to worsen over the next twelve months (30%) now exceeds the proportion who feel things will improve (22%). Another 42% anticipate no change. This is the first time since 2001 that Californians' economic outlook has been more negative than positive.
- Californians express less confidence that inflation will be kept within reasonable bounds in the future. Currently, 49% say they are confident that inflation will be kept in check in the foreseeable future, while 48% are not confident. This is the first time since 1992 that a majority of Californians do not report being confident that inflation would be kept under control in the near term.
- Similar to what was reported last year, a somewhat larger proportion of California voters describe themselves as being financially better off (41%) than worse off (31%) than they were a year ago. Another 28% expect no change.
- When asked to assess whether they expect to be financially better off or worse off next year, 35% anticipate being better off, 49% foresee no change and 12% see themselves as likely to be financially worse off. These results are similar to those obtained in *Field Polls* conducted in each of the past two years.
- The proportion of Californians under age sixty-five who say they are not confident that they will have enough income and assets to last the rest of their lives increased to 40% in the current survey. This is up from 32% who reported this three years ago, the last time the *Field Poll* asked this question.
- Nearly half (48%) of California homeowners report that they refinanced or took out a new mortgage on their home in the past few years. Nearly three in four homeowners (73%) do not expect mortgage interest rates will be attractive enough in the near future to refinance the loan on their home again in the near future.
- While slightly more than one in three of the renters surveyed (38%) say they considered buying a home in the past year or so, the large majority (61%) say that buying a home would be very difficult for them financially.

Twice as many describe California's economy as being in bad times as good times

Public perceptions of the state of the California economy remain more negative than positive. At present, about half of the state's voters (49%) describe the state as being in economic bad times, twice the proportion (24%) who feel that California is in economic good times. Another 21% give a mixed response and 6% have no opinion. The current findings are similar to those observed a year ago.

While all major subgroups give a more negative than positive appraisal of the state's economy, women and lower income residents are more inclined than men and middle and upper income residents to rate the state's economy negatively.

Table 1
Perceived state of California's economy
(among registered voters)

	Bad times	In-between/mixed	Good times
2005 (August)	49%	21	24
2004 (August)	53%	22	24
2003	75%	12	11
2002	56%	21	20
2001	22%	7	69
2000	13%	10	71
1999	11%	14	72
1998	15%	16	65
1997	42%	23	33
1996	57%	20	19
1995	72%	16	11
1994	81%	14	5
1993	91%	6	3
1992	93%	4	2
1991	85%	8	5
1990	47%	20	30
1989	24%	18	55
1988	21%	19	59
1987	22%	24	51
1986	15%	22	59
1985	19%	16	62
1984	22%	25	50
1983	77%	11	10
1982	60%	23	16
1981	54%	19	24
1980	56%	21	21
1979	41%	17	40
1978	26%	26	42
Gender (Aug. 2005)			
Male	43%	23	28
Female	54%	19	19
Household income (Aug. 2005)			
Less than \$40,000	60%	17	18
\$40,000 - \$79,999	43%	24	27
\$80,000 or more	45%	24	25

(In this and in other succeeding tables, trend data prior to 1993 are based on all adults. Differences between 100% and the sum of each year's percentages equal the proportion with no opinion.)

Expectations for the state's economy worsen

More Californians now expect the state's economy will get worse over the next twelve months (30%) than expect things to improve (22%). Another 42% anticipate no significant change and 6% have no opinion.

These findings represent a significant decline in optimism of the state's economic future than was observed last year, when 44% expected things to improve and just 14% felt that the state's economic picture would worsen.

A slightly larger proportion of men than women expect the state's economy to improve next year.

Table 2
Expectations for the California economy
over the next 12 months
(among registered voters)

	Will get better	Stay the same	Will get worse
2005 (August)	22%	42	30
2004 (August)	44%	39	14
2003	30%	35	30
2002	36%	42	18
2001	14%	43	40
2000	21%	53	16
1999	24%	58	14
1998	29%	53	10
1997	37%	44	14
1996	38%	46	12
1995	32%	44	21
1994	38%	39	20
1993	38%	38	22
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
Gender (Aug. 2005)			
Male	26%	41	30
Female	18%	42	29
Household income (Aug. 2005)			
Less than \$40,000	22%	43	30
\$40,000 - \$79,999	24%	42	24
\$80,000 or more	22%	44	27

(Differences between the sum of each row's percentages and 100% equal proportion with no opinion.)

Declining confidence that inflation will be kept in check

When Californians are asked about their level of confidence that inflation can be kept within reasonable bounds in the near future, half (49%) express some confidence, while 48% are not confident.

This contrasts with the views that Californians held in each of the past twelve years, when large majorities expressed confidence that inflation would remain in check in the near future, and smaller minorities were not confident that future inflation would be kept within reasonable bounds.

Women and lower income adults express less confidence than men and middle and upper income Californians that inflation will be kept within reasonable bounds in the near future.

Table 3
Confidence that inflation can be kept within
reasonable bounds in the near future
(among registered voters)

	Confident	Not confident
2005 (August)	49%	48
2004 (August)	61%	35
2002	67%	30
2001	72%	27
2000	67%	30
1998	69%	28
1997	61%	34
1996	71%	26
1995	58%	40
1994	59%	47
1993	61%	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
Gender (Aug. 2005)		
Male	54%	45
Female	44%	52
Household income (Aug. 2005)		
Less than \$40,000	37%	59
\$40,000 - \$79,999	54%	45
\$80,000 or more	58%	40

(Differences between the sum of each row's percentages and 100% equal proportion with no opinion.)

Californians' own personal financial well-being remains unchanged

A somewhat larger proportion of Californians describe themselves as being financially better off (41%) than worse off (31%) than they were a year ago. Another 28% expect no change. This is similar to what was reported last year at this time.

Once again, women and lower income residents are less likely than men and middle and upper income Californians to report being financially better off than they were one year ago.

	Better off	No change	Worse off
2005 (August)	41%	28	31
2004 (August)	41%	32	27
2003	38%	26	36
2002	35%	30	35
2001	47%	26	27
2000	54%	28	18
1999	49%	35	16
1998	54%	30	16
1997	42%	31	27
1996	38%	35	27
1995	34%	32	34
1994	37%	32	31
1993	29%	26	45
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
1985	54%	27	19
1984	55%	24	21
1981	33%	25	42
1979	30%	28	41
1978	41%	35	24
1977	34%	36	30
1976	28%	33	39
1974	28%	29	43
1973	39%	33	28
1971	29%	36	35
1970	34%	33	33
1966	37%	45	18
1961	40%	41	19
Gender (Aug. 2005)			
Male	46%	25	29
Female	36%	32	32
Household income (Aug. 2005)			
Less than \$40,000	32%	29	39
\$40,000 - \$79,999	44%	22	34
\$80,000 or more	48%	28	24

Personal financial expectations for the coming year similar to last year's

When Californians are asked to assess whether they expect to be financially better off or worse off next year, 35% say they expect to be better off, 49% anticipate no change and 12% see themselves as likely to be financially worse off. These results are similar to those obtained in *Field Polls* conducted in each of the past two years.

A smaller proportion of women (26%) than men (44%) say they expect to be financially better off next year.

	Will be better off	No change	Will be worse off
2005 (August)	35%	49	12
2004 (August)	38%	48	7
2003	36%	48	10
2002	41%	45	8
2001	32%	55	13
2000	44%	53	3
1999	41%	54	5
1998	46%	49	5
1997	40%	50	10
1996	35%	57	8
1995	34%	56	10
1994	40%	48	12
1993	37%	49	14
1992	29%	53	18
1991	30%	53	17
1990	38%	47	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
1979	25%	40	31
1978	37%	46	17
1977	35%	47	18
1976	37%	45	18
1974	33%	39	28
1973	41%	46	13
1971	37%	44	19
1970	34%	44	22
1966	43%	49	8
1961	48%	46	6
Gender (Aug. 2005)			
Male	44%	40	12
Female	26%	57	12
Household income (Aug. 2005)			
Less than \$40,000	34%	51	10
\$40,000 - \$79,999	36%	45	14
\$80,000 or more	40%	45	12

(Differences between the sum of each row's percentages and 100% equal proportion with no opinion.)

Smaller proportion expects to have enough for their retirement years

The proportion of California voters under age 65 who report being not confident that they will have enough income and assets to last for the rest of their lives increased to 40% in the current survey. This compares to 32% who reported this three years ago, the last time the *Field Poll* asked this question. In the current survey another 36% report having some confidence that their income and assets will be sufficient for the rest of their lives, while 22% say they are very confident.

Income security in retirement relates to a person's annual household income, with higher income residents reporting greater levels of confidence that their assets will be sufficient than those earning less.

	Very confident	Somewhat confident	Not confident
August 2005	22%	36	40
September 2002	25%	41	32
<u>Age</u> (Aug. 2005)			
18 - 39	20%	35	43
40 - 49	20%	45	35
50 - 64	17%	32	39
<u>Household income</u> (Aug. 2005)			
Less than \$40,000	13%	32	54
\$40,000 - \$79,999	25%	35	40
\$80,000 or more	37%	44	19

(Differences between the sum of each row's percentages and 100% equal proportion with no opinion.)

Nearly half of California homeowners report refinancing or taking out a new mortgage in the past few years

Nearly half (48%) of California homeowners report that they refinanced or took out a new mortgage on their home in the past few years, while 52% did not. Only a small proportion of those who refinanced or purchased new mortgages in the past few years (6% of all homeowners) said their new mortgage was an interest-only mortgage.

Nearly three in four homeowners (73%) do not expect mortgage interest rates will be attractive enough in the near future to refinance the loan on their home again in the near future.

No, have not refinanced/ taken out new mortgage*	52%
Yes, have refinanced/ taken out new mortgage	48
Mortgage payments pay down both principal and interest	41%
Interest-only mortgage payments	6
Not sure	1

* includes those not sure.

Table 8

Homeowner perceptions of whether mortgage interest rates will be attractive enough to refinance (again) in near future (among homeowners registered to vote)

No, will not be	73%
Yes, will be	13
Don't know	14

One in three renters say they recently considered buying a home

While slightly more than one in three of the renters surveyed (38%) say they considered buying a home in the past year or so, the large majority (61%) say that buying a home would be very difficult for them financially. This compares to 21% who feel buying a home would be somewhat difficult, and just 17% who think it would not pose a financial hardship for them.

Table 9
California renters who have seriously considered buying a home in the past year or so (among renters registered to vote)

No, did not consider buying	62%
Yes, considered buying	38

Table 10
How difficult would it be for renters to buy a home? (among renters registered to vote)

Very difficult	61%
Somewhat difficult	21
Not difficult	17
Not sure	1

About the Survey

The findings in this report are based on a statewide Field Poll survey of 465 registered voters in California. The survey was administered by telephone in English and Spanish during the period August 19-29, 2005. Sampling was carried out using random digit dial methodology, which randomly selects operating telephone exchanges within all area codes serving California households in proportion to population. Within each exchange, telephone numbers are created by adding random digits to the selected telephone exchange. This method permits access to all landline telephone numbers statewide, both listed and unlisted, and gives each residential phone listing an equal chance of being selected. Up to six attempts were made to reach one randomly selected voter in each household. After the completion of interviewing, the sample was weighted to Field Poll estimates of the demographic and regional characteristics of the state's overall registered voter population. Results from previous years' surveys were conducted in a comparable manner.

According to statistical theory, the overall results in this report have a sampling error of +/- 4.8 percentage points at the 95% confidence level. There are other possible sources of error in any survey in addition to sampling variability. Different results could occur because of differences in question wording, sequencing or through omissions or errors in sampling, interviewing or data processing. Extensive efforts were made to minimize such potential errors.

The Field Poll is owned and operated by Field Research Corporation, founded in 1945 by Mervin Field. It currently ranks among the largest opinion research organizations in the Western United States.