

Inland shoppers watching their spending

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Inland Southern California's consumers don't seem panicked about declining home values and rising gas prices. But they say they're being careful, and that could affect how much they spend in November and December.

Consumers across the country are worried. The New York-based Conference Board's survey of consumer confidence took a sizable hit in October, falling to its lowest point in two years, a report released Tuesday found.

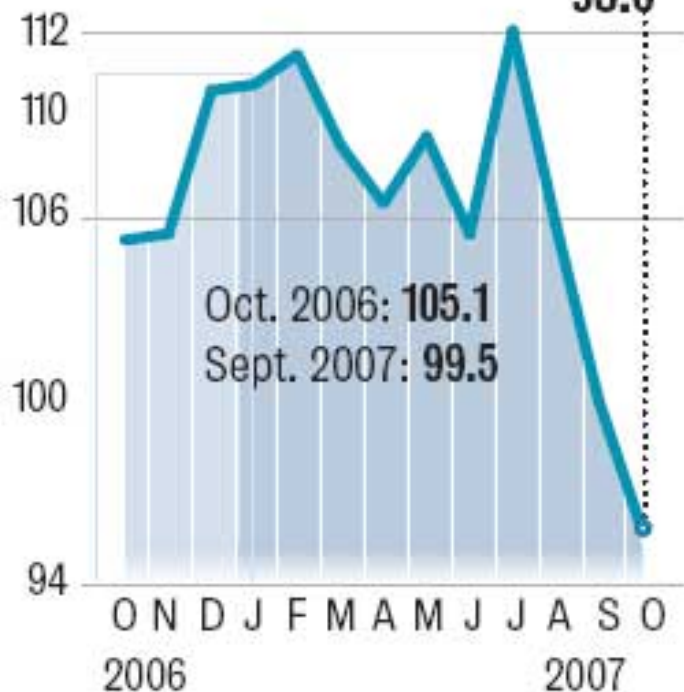
The index, which was on the low end of economists' predictions, fell to 95.6 from a revised 99.5 in September. It was the lowest reading since Hurricanes Katrina and Rita damaged Gulf Coast energy facilities in 2005, causing a spike in gas prices. The all-time high, just before the dot-com collapse in 2000, was 144.7.

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LOSING CONFIDENCE:

The consumer confidence index from a survey of 5,000 U.S. households:

Seasonally adjusted
1985 = 100



SOURCE: THE CONFERENCE BOARD

THE ASSOCIATED PRESS

It adds up to economic conditions that could mean less-than-stellar holiday seasons for retailers.

"We're somewhat conservative about our spending, and we do have a lot of equity in our house," said Jody Brown, 51, who was shopping Tuesday at the Barnes & Noble store at The Crossings at Corona.

Christopher Thornberg, an economist with Los Angeles-based Beacon Economics, said in 2005 and 2006, before home values started their current decline, about 8 percent of consumers' spendable income came from their equity. He said many people who pulled cash out of their homes used it to pay off debt, but probably half of the equity became spending money.

"People should be worried about the decline in home values," Thornberg said. "The amount of money homeowner equity brings into the economic system is enormous."

The Conference Board questions 5,000 representative households across the country, and Thornberg said external events often color the results. "Katrina was a classic case of that," he said. "It was an event that really didn't have an affect on the economy."

Housing is an issue for Rich Thomas. He recently moved to Lake Elsinore from San Jose and hopes to buy a home. He has a potential buyer for his Bay Area home, but that buyer also needs to sell an existing home.

"I try to take a Zen approach to this and not let things I can't control bother me," said Thomas, 50.

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AP photo

As consumer confidence dips, selling costly cars gets harder.

He's said he is also concerned about the job market. As a sales representative for a company that makes building materials, he's seen some industry-wide cutbacks. His own position seems safe, he added.

Thomas said if he cuts back on holiday spending at all, it will be "minimal."

"My overall confidence in the economy is still good," Thomas said. "Only housing is dragging it down."

Sharon Way can't help but notice that problem. She said there are "for sale" signs all over her

Corona neighborhood.

"I know people who are trying to sell and can't," Way said. "It's a mess."

Way, 65, is a manicurist. She said she does not plan to spend any less at the stores this fall.

"We kind of prepare for that ahead of time, so it's not a problem for us," Way said.

The Federal Reserve is expected to cut interest rates today to soften the impact of the housing woes on the economy. However, economists say the move is probably too late to help the holiday season, which accounts for as much as 40 percent of retailers' annual revenue.

The Associated Press contributed to this report.

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