

Citi 2010 Q3 California Pulse Survey

Prepared for PAPOR

December 2010



Research Methods

- ◆ Citibank's California Pulse Survey is a quarterly survey focused on California consumer and small business sentiment regarding the current and future economic environment.
 - This is the fifth wave of the quarterly survey.
- ◆ The poll was conducted by telephone on September 20 – September 28, 2010, among a random sample of 1,206 California residents, age 18 or older throughout the state.
 - Interviews were conducted in both English and Spanish
 - The design includes interviews with random samples of:
 - California landline respondents; California cell phone respondents
 - 330 interviews with San Francisco residents; 346 interviews with Los Angeles residents
- ◆ The cell phone and MSA samples are weighted to the correct proportions.

Citi CA Pulse Index shows signs of Improvement

The Citi California Pulse Index is at its highest point dating back to September 2009.

- ◆ The Citi CA Pulse Index, which combines twelve survey questions into a single measure of overall economic status and future outlook, has risen three points from the second quarter. This represents the third straight quarter with no drop in the index.
- ◆ High income earners and young people continue to be the most optimistic about current and future economic conditions, while middle-aged and low income earners remain the most pessimistic.

Citi CA Pulse Index - Signs of improvement

- ◆ The Citi California Pulse Index has jumped three points in the third quarter of 2010 to its highest point in a year. Despite the negative trend in San Francisco, Los Angeles and the rest of CA have trended in a positive direction as of the third quarter of 2010.

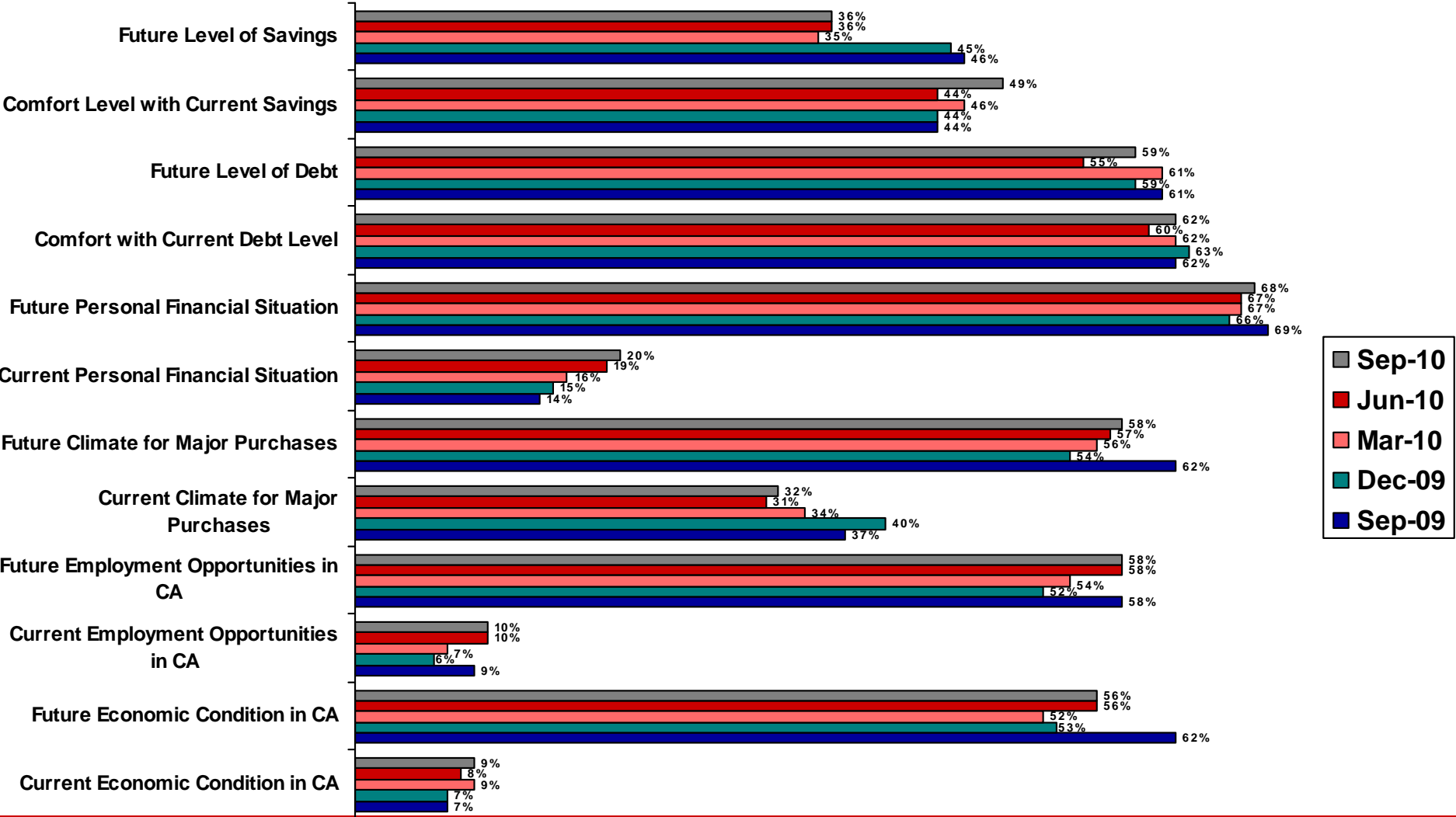
	September 2010	<i>March 2010</i>	<i>December 2009</i>	<i>September 2009</i>
All adults	*	-3	-4	-1
San Francisco	-1	5	3	5
Los Angeles	2	-2	-5	*
All other counties	-2	-6	-4	-3

Citi CA Pulse Index – Improvement in 3Q

- CA Pulse Index shows signs of improvement in the third quarter of 2010. Californians indicate more comfort with savings and debt than in the first and second quarters of 2010.

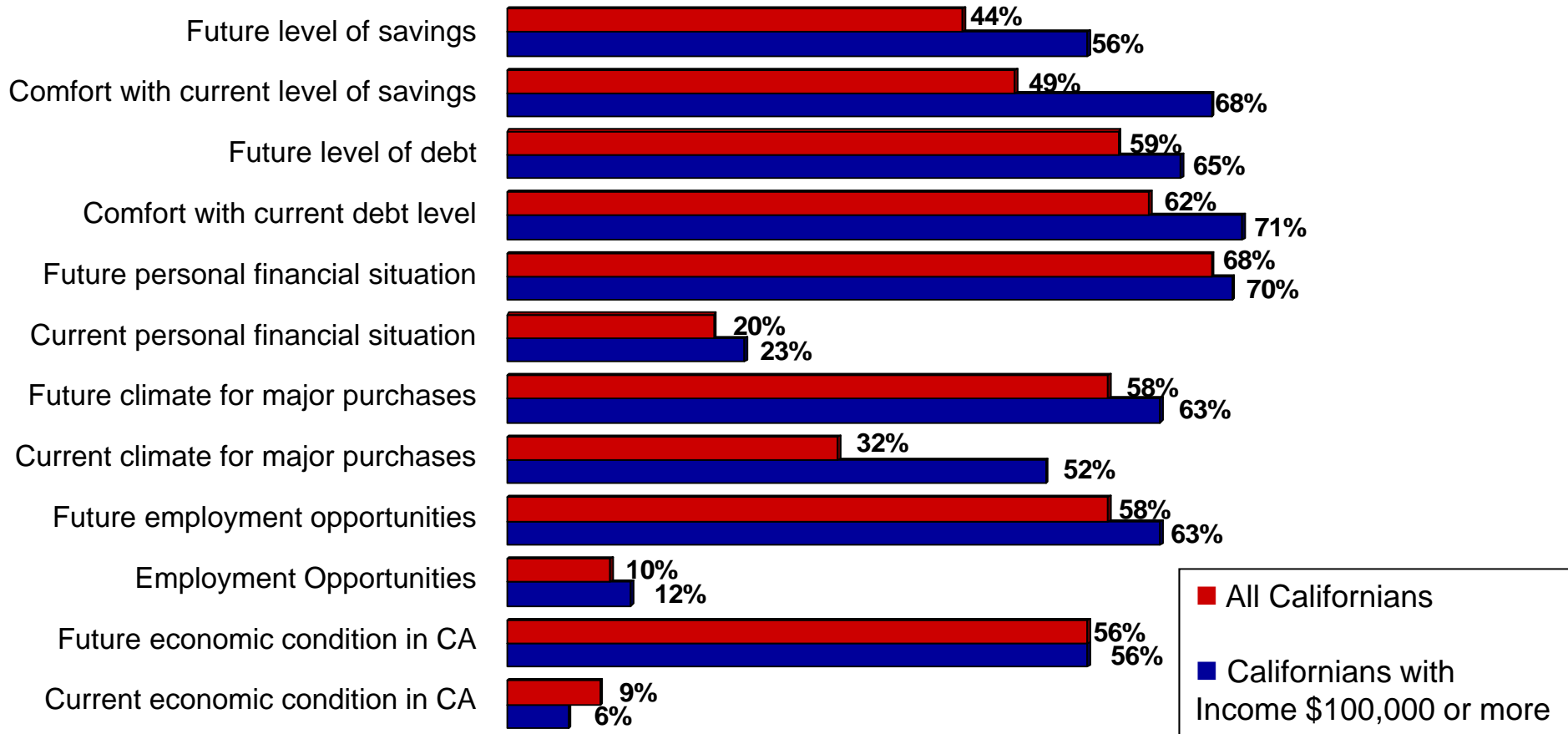
California Pulse Index Item Trends					
	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Current Economic Conditions	-86	-86	-82	-84	-82
Future Economic Conditions	32	20	17	25	27
Employment Opportunities	-80	-84	-83	-76	-77
Future Employment Opportunities	24	18	20	27	29
Current Climate for Major Purchases	-24	-17	-29	-34	-32
Future Climate for Major Purchases	38	29	31	30	33
Current Personal Financial Situation	-31	-28	-23	-16	-18
Future Personal Financial Situation	45	39	40	39	41
Comfort with Current Level of Debt	28	28	25	22	27
Comfort with Future Level of Debt	43	40	43	35	42
Comfort with Current Level of Savings	-10	-10	-6	-11	-1
Comfort with Future Level of Savings	8	8	10	9	7
Index Score	-1	-4	-3	-3	0

Citi CA Pulse Index: Positive Indicators



Positive ratings in third quarter are primary driven by “better off” Californians

% who answer positively



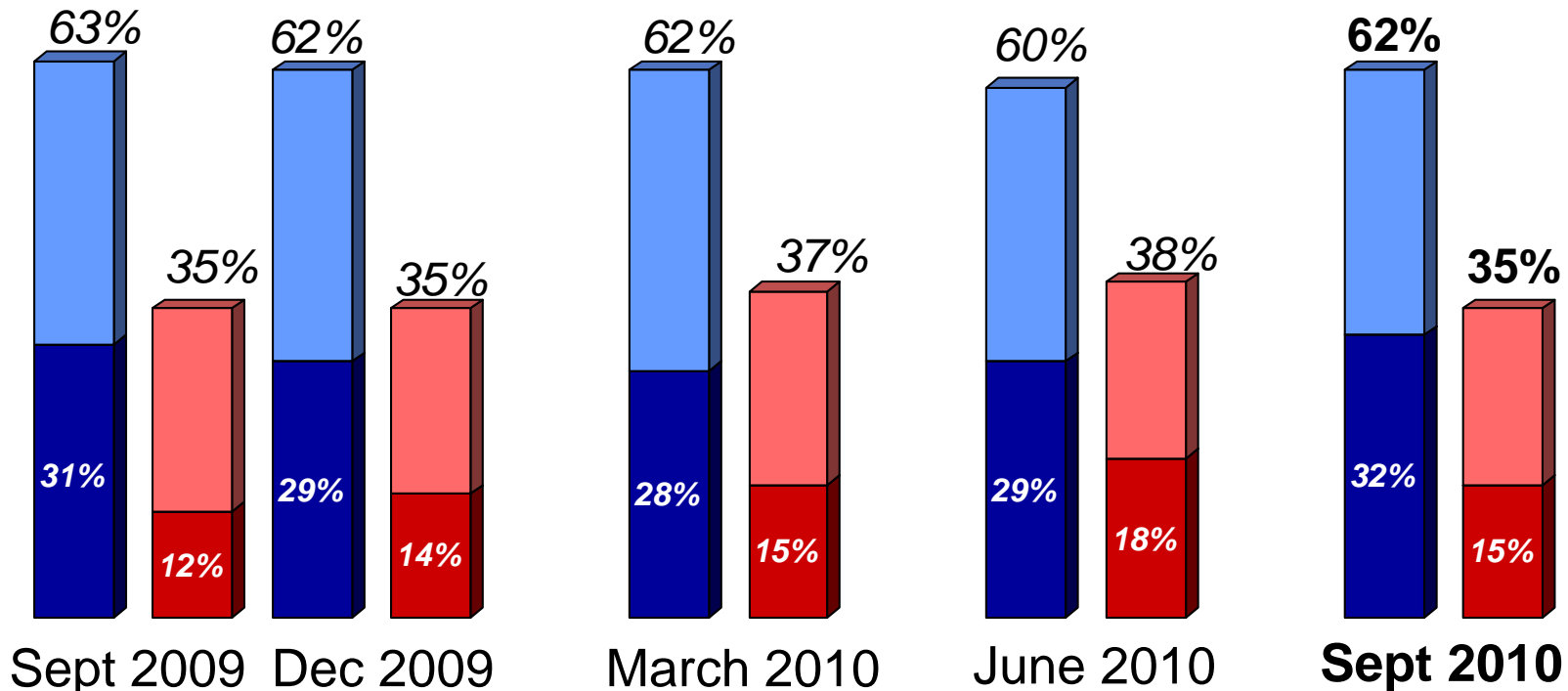
Californians are focused on debt and savings

- ◆ More than six in ten (62%) Californians report their debt level will be lower in the next twelve months(2Q 2010: 60%).
- ◆ Californians are becoming more comfortable with their savings. Nearly half (49%) of Californians are comfortable with their level of savings today, up from 44% who were comfortable in June 2010.
- ◆ More and more, Californians are also making adjustments to their economic behavior. Fully 60% of Californians report they have forever changed they way they spend and save as a result of the economic downturn.
- ◆ This 'New Normal' has most Californians taking a more active role in managing finances, cutting back on debt and everyday expenses and saving and investing more.

A plurality of Californians are comfortable with current debt level, a third are not.

How comfortable are you with your current level of debt:

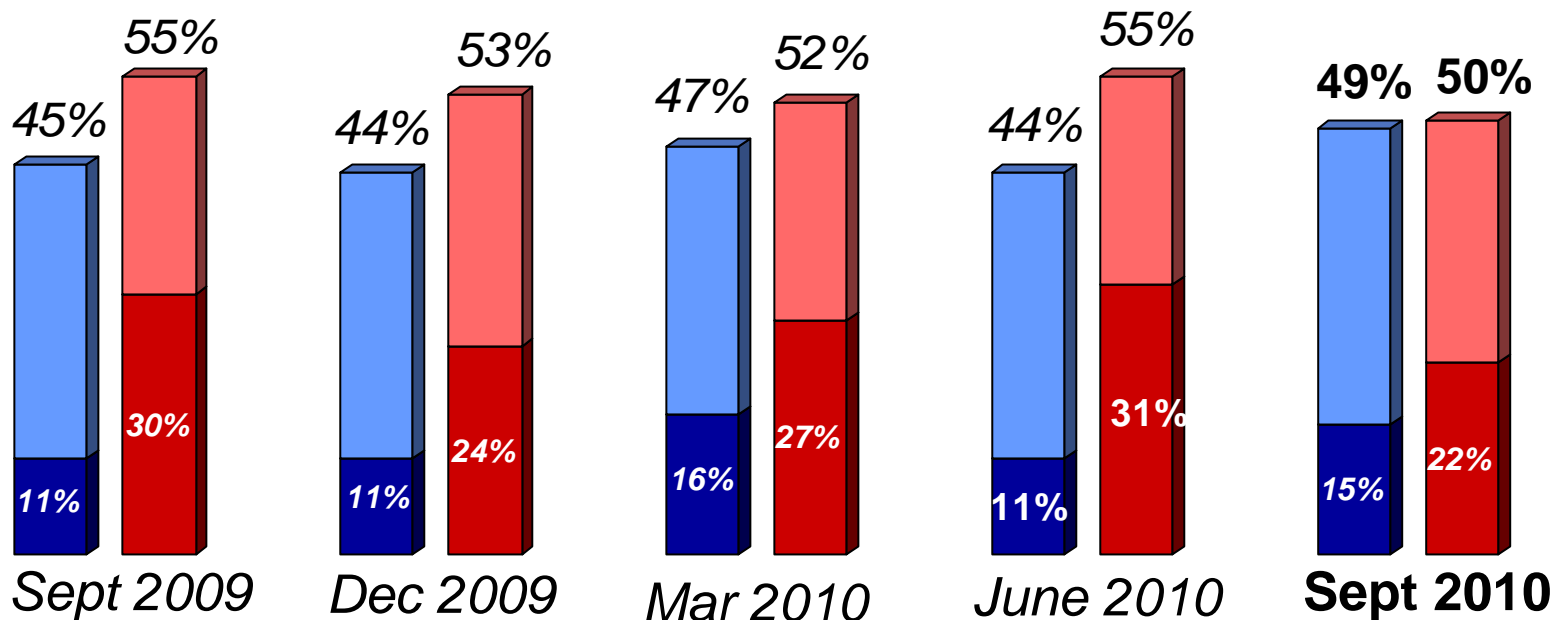
■ Very comfortable ■ Somewhat comfortable ■ Somewhat uncomfortable ■ Very uncomfortable



Californians are increasingly comfortable with level of savings

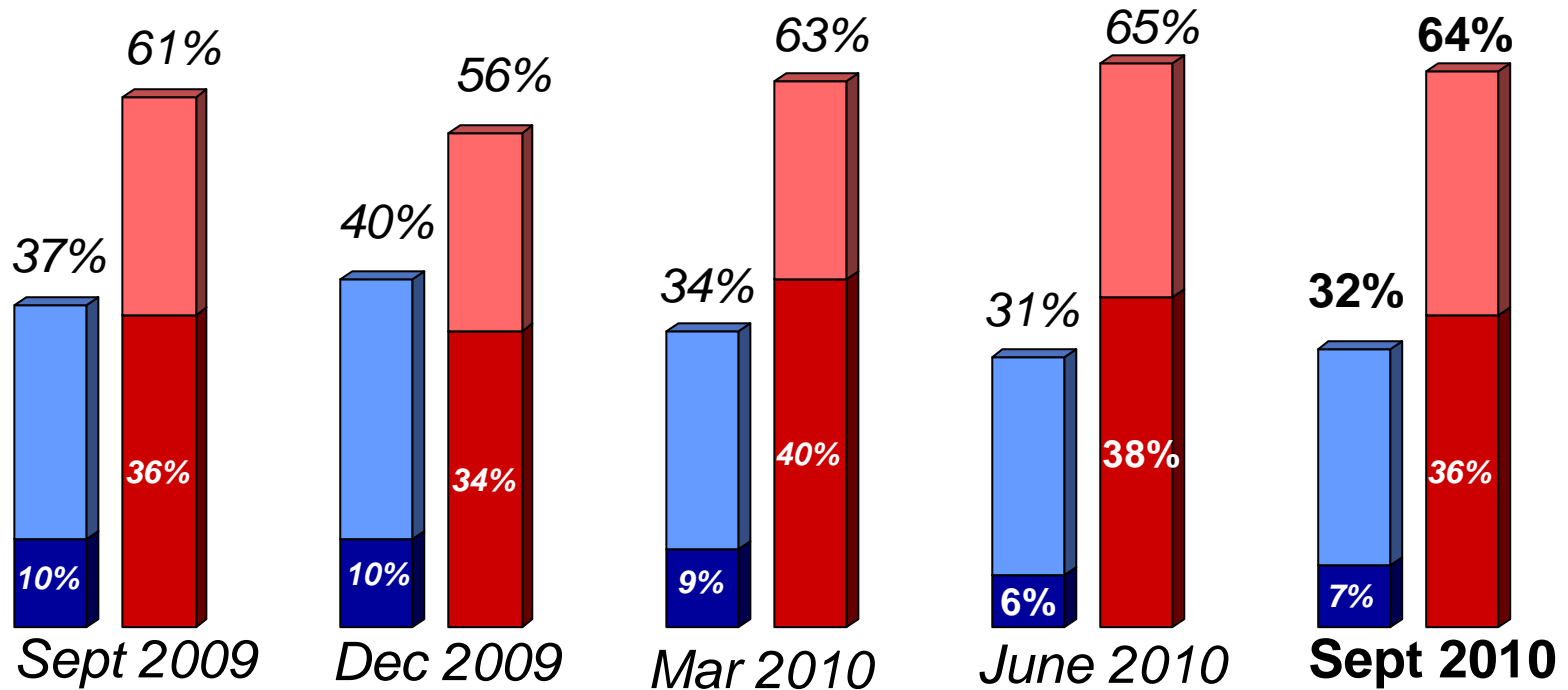
How comfortable are you with your current level of savings?

■ Very comfortable ■ Somewhat comfortable ■ Somewhat uncomfortable ■ Very uncomfortable



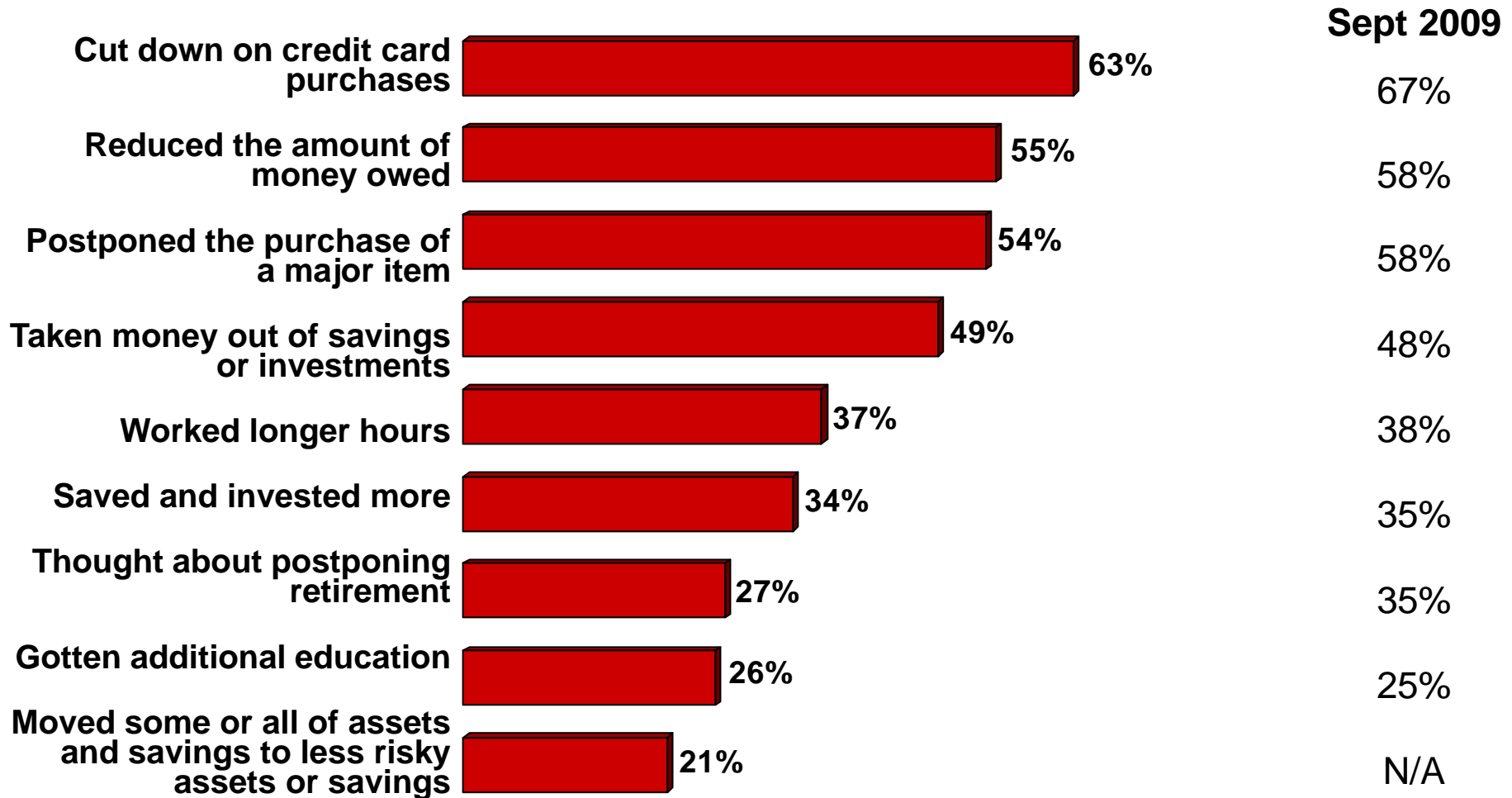
Yet, most still do not think this is a good time to buy major items.

If I needed or wanted to buy a major household item, is it:



Californians are adjusting their spending, saving, and borrowing

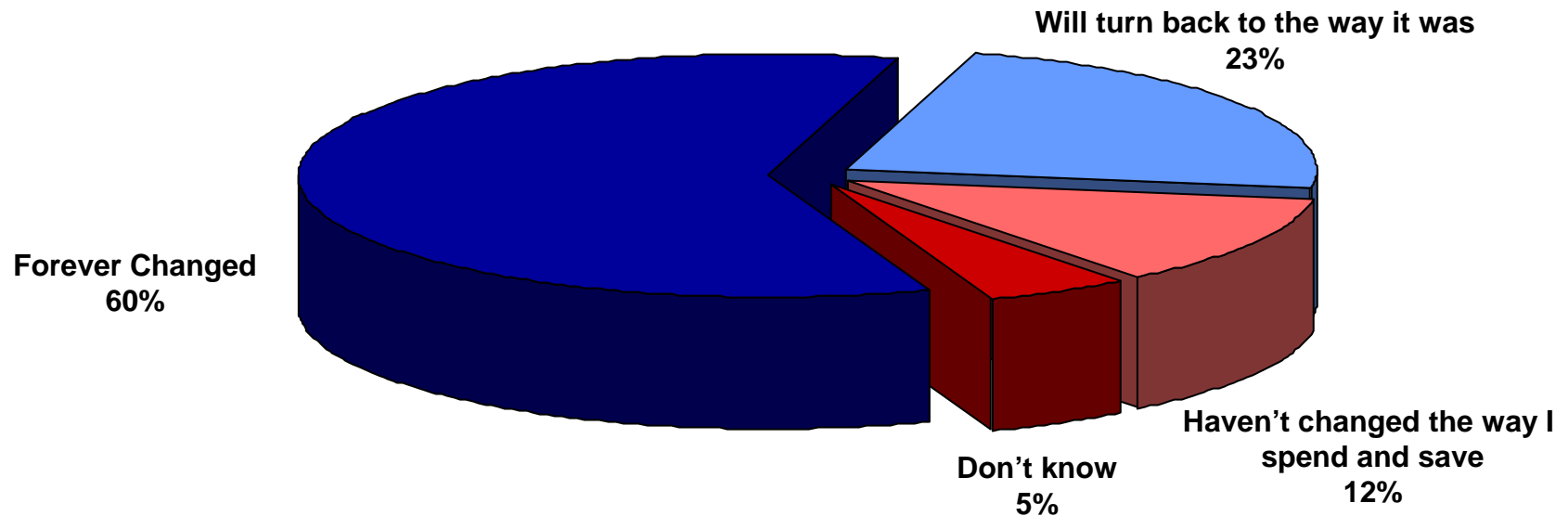
% saying they have done this because of current economic conditions



Californians spending behavior is permanently changed

- ◆ With so many Californians focused on savings and debt, six in ten (60%) report the way they spend and save has forever changed.

Do you think the way you spend and save today will ever go back to the way it was before the economic downturn, or do you think that the way you spend and save will be forever changed?



Many Focus on Managing Finances

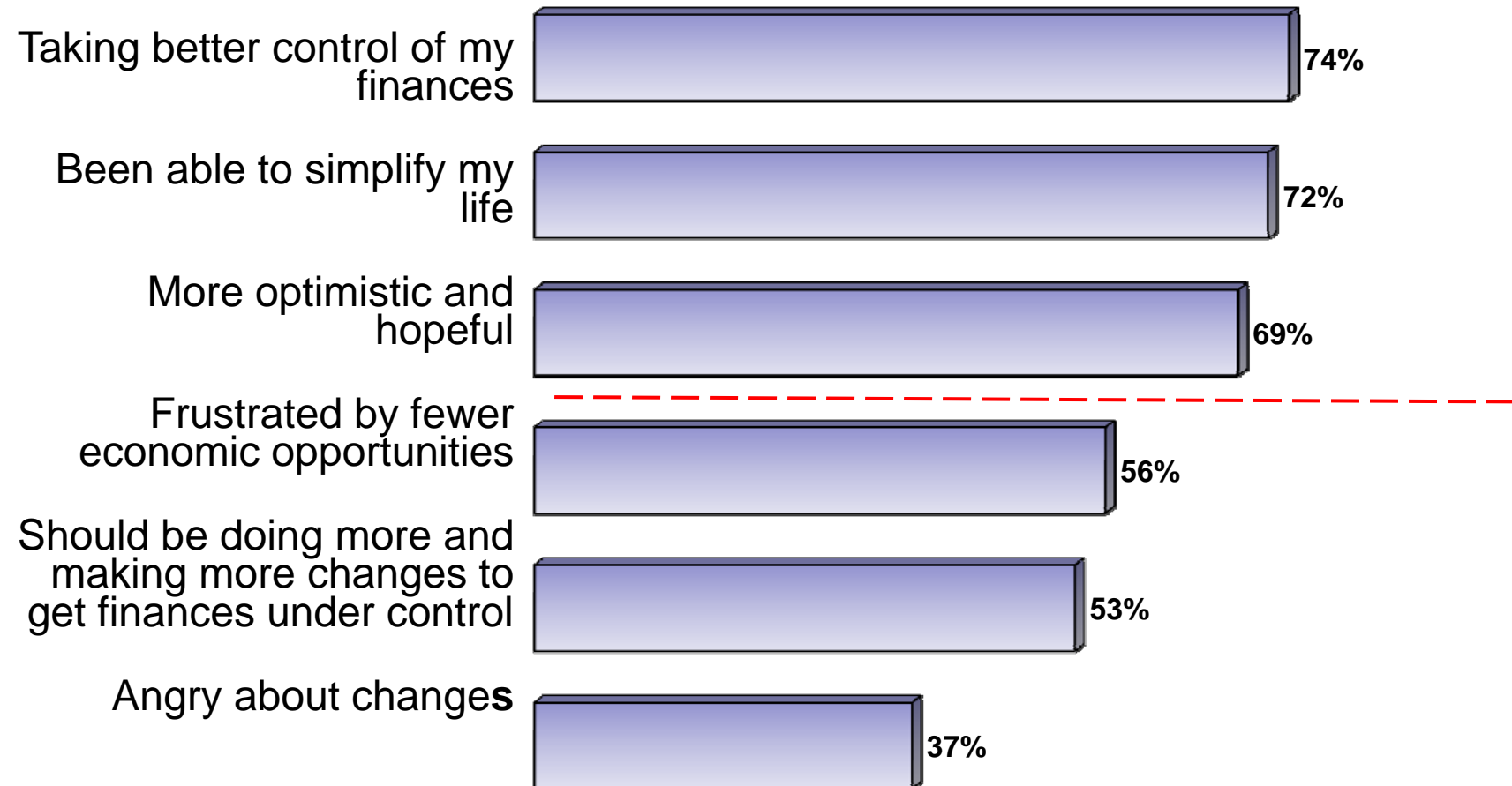
- ◆ Most Californians have felt the impact of the recession. Almost three quarters (74%) are now taking better control of their finances and being more responsible in their borrowing and saving.
- ◆ Six in ten (62%) Californians say they have forever changed the role they take in managing their finances, followed by 61% who have forever changed the way they have cut down on debt.

Top 3 Actions Recently Taken	
Cut down on credit card purchases	63%
Reduce the amount of money owed	55%
Postponed the purchase of a major item, such as an automobile or other expensive item	54%

Behavior as a Result of the Economic Downturn		
	Forever Changed	Return to Normal
Taking a more active role in managing your finances	62%	17%
Cutting back on the amount of money you owe or have borrowed	61%	16%
Cutting back on everyday expenses	59%	22%
Saving and investing more	58%	22%

Yet, Californians are good spirited about their adjustments

% saying it describes their emotional response to adjustments made somewhat/very well

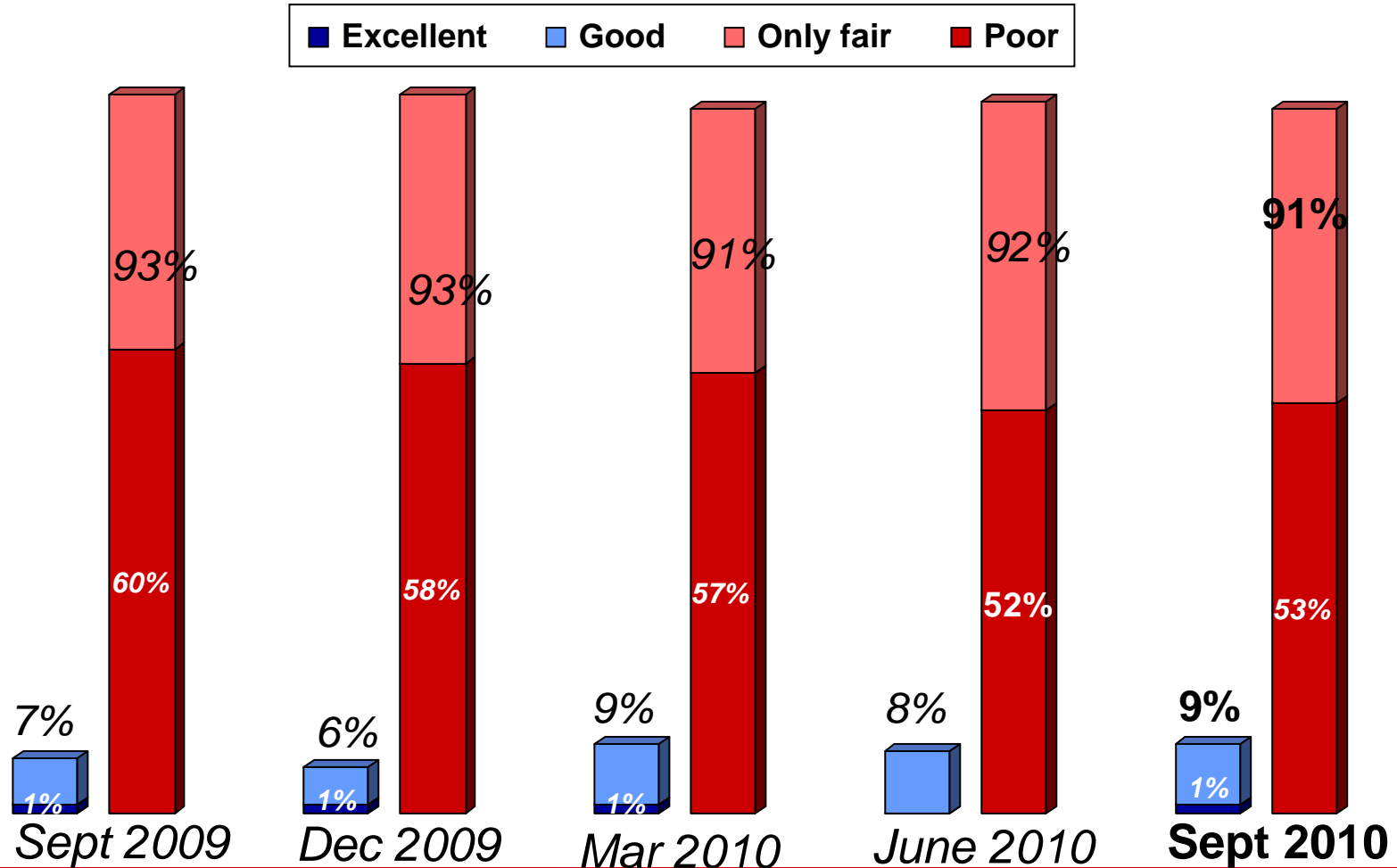


Though economic conditions in CA lag, signs of hope persist

- ◆ Clearly, Californians continue feel the impact of the current sluggish economy. However, their assessment of the future remain optimistic.
- ◆ Today, 91% of Californians describe the condition of the economy as either only fair (38%) or downright poor (53%). Current climate for employment opportunities in the state are just as poor. Nearly all (87%) describe employment opportunities in CA as only fair (33%) or poor (54%).
- ◆ Despite the negative news of current conditions, Californians have not given up hope. Nearly two thirds (63%) say CA is an excellent or good place to live and most think that both economic conditions (56%) and job opportunities (58%) will improve in the next 12 months.

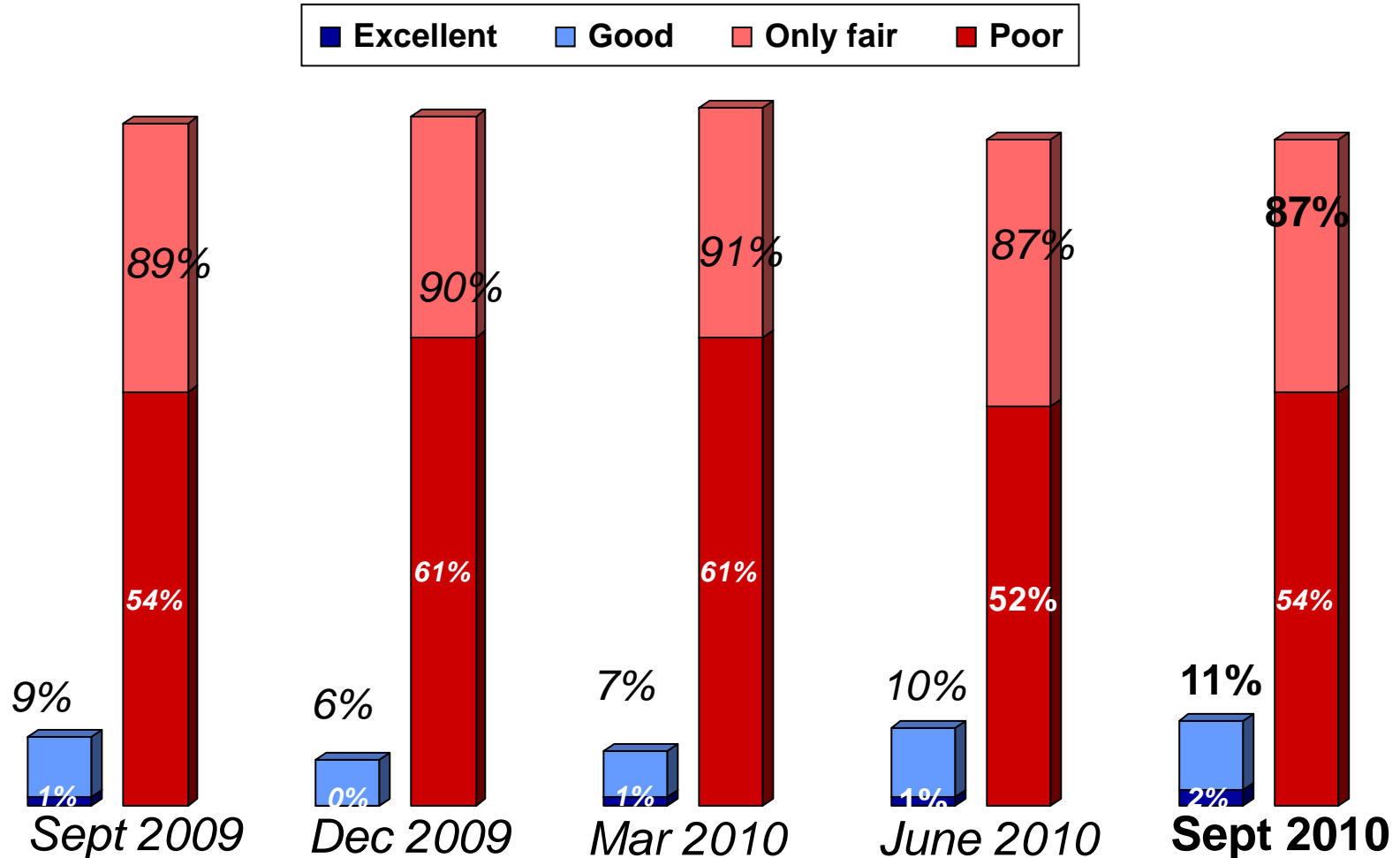
Economic conditions in CA continue to struggle

The condition of the economy in California:

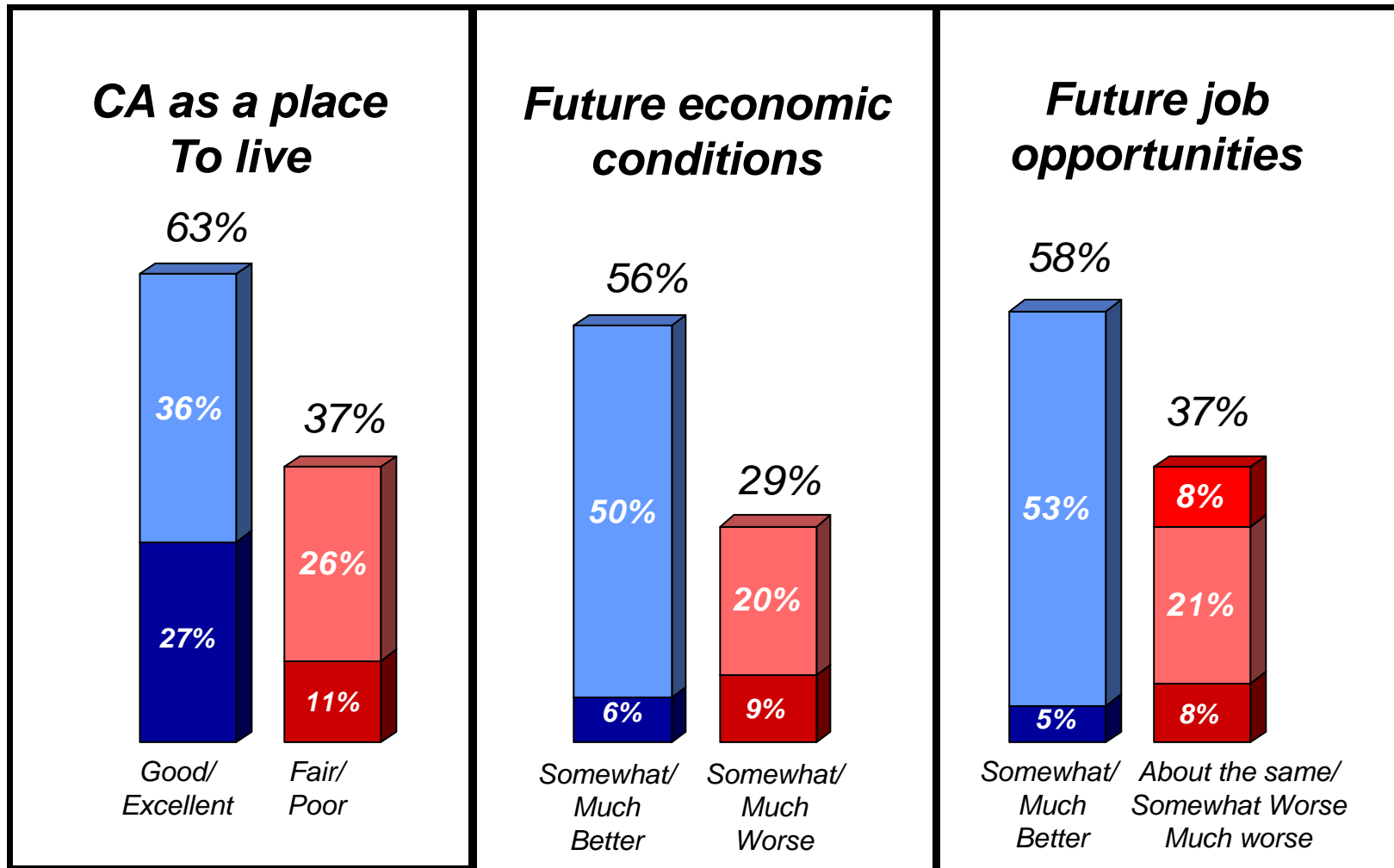


Views of State employment opportunities are very low.

How would you rate local employment opportunities for people like yourself?

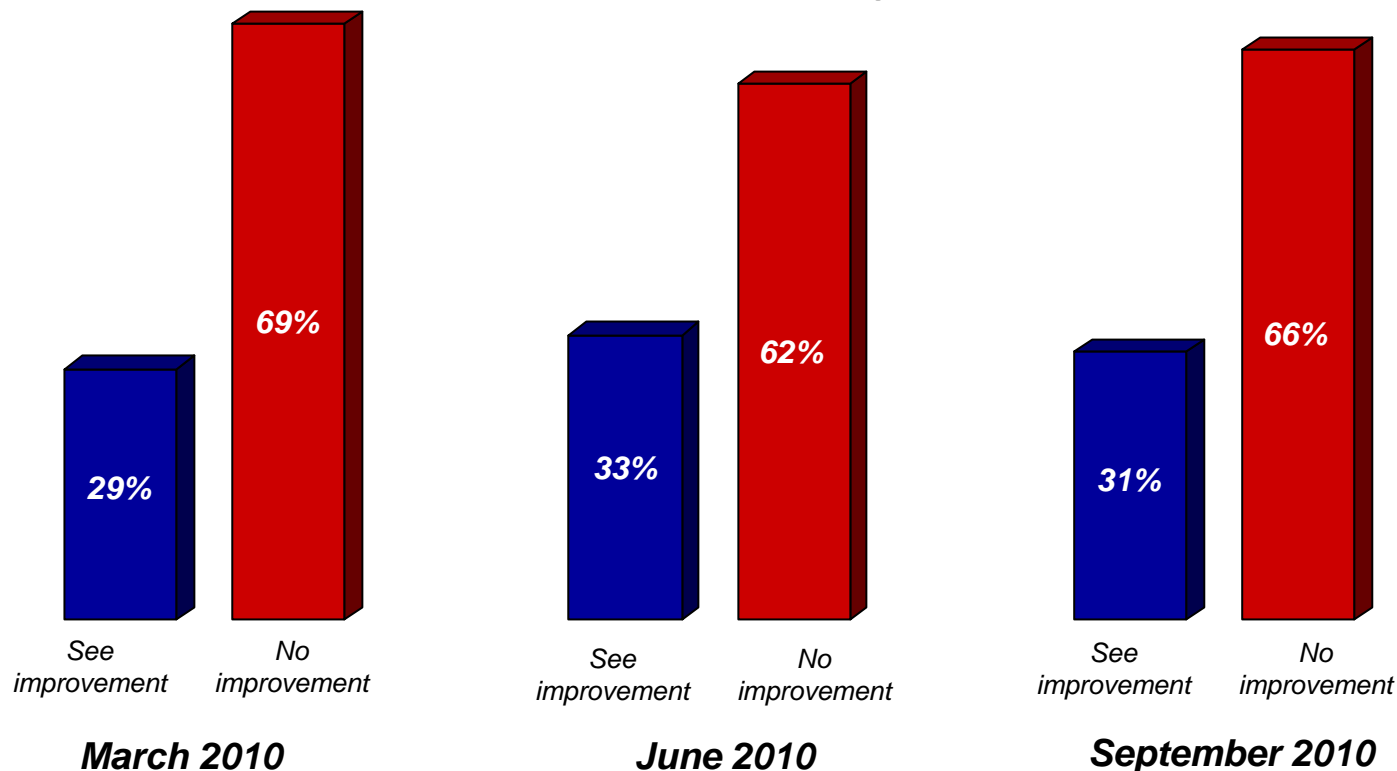


Despite current situation, optimism persists



And, they are seeing some signs that the economy is improving

- ◆ Since June 2010, nearly one third of California residents report seeing signs that the California economy is improving.
- ◆ Best indicators include: More jobs (30%), unemployment falling (19%), and store sales increasing (10%).



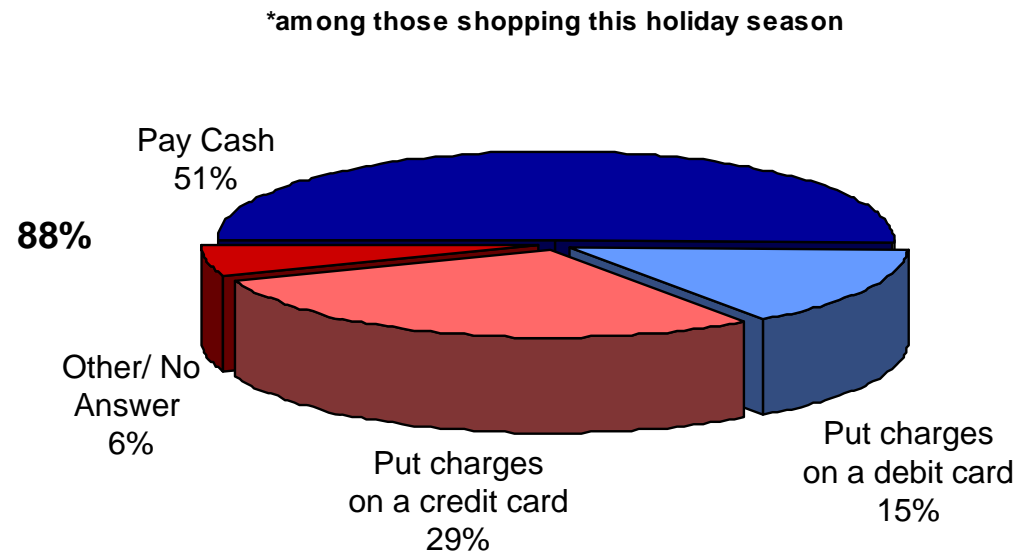
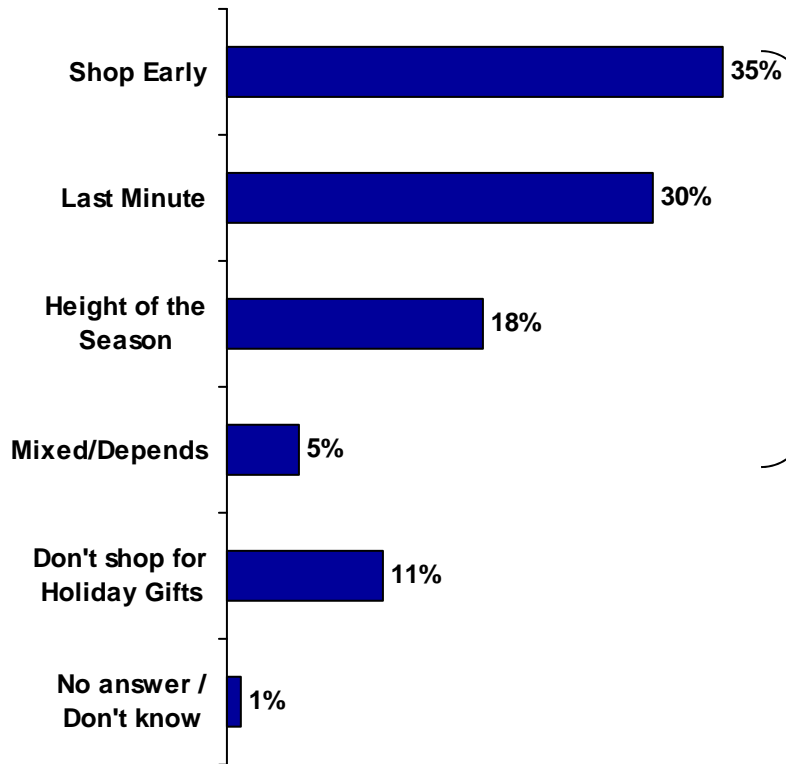
Holiday Spending: Californians expect to be frugal, but not a state of scrooges.

- ◆ With so many Californians focused on reducing debt, more than half (51%) plan to spend cash on holiday shopping this year.
- ◆ Nearly half (46%) of Californians say they plan to spend less than they did last year on holiday gifts. Another 45% report that they plan to spend about the same.
 - Just 7% say they plan to spend more than last year.
- ◆ Nearly four in five (73%) Californians plan to travel either less (30%) or the same as last year (45%). Another 22% do not travel at all during the holiday season. Just 4% of Californians plan to travel more than they did last holiday season.

And, they expect to pay cash

Do you usually shop for gifts early in the season, at the height, or at the last minute?

How are you paying for your holiday spending this year?



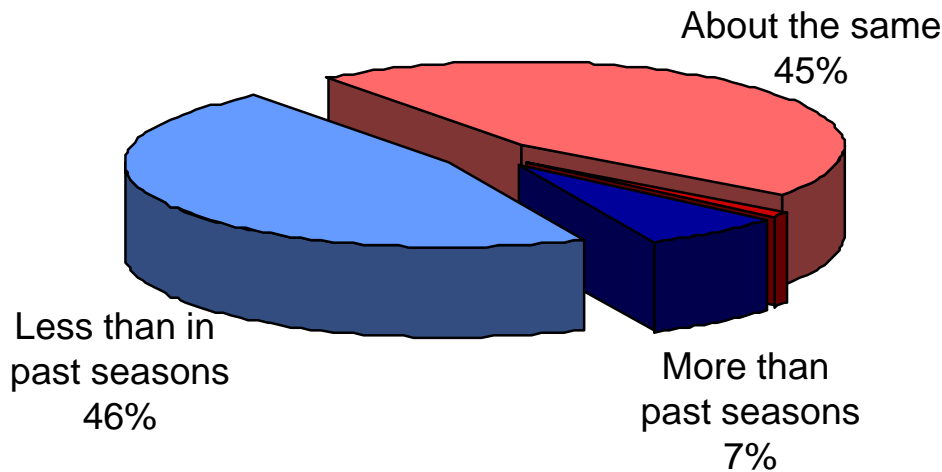
Californians intend to spend but travel plans have not changed for many.

Overall, do you expect to spend much more money during the holiday season than you did last year?

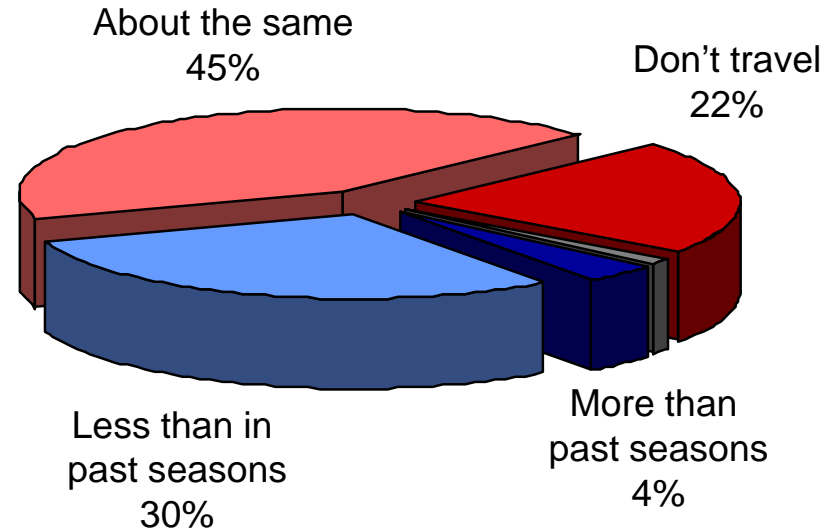
Do you plan on traveling for the holidays this year?

Holiday Shopping

**among those shopping this holiday season*



Holiday Travel Plans



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