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Consumer Sentiment

Consumer sentiment in March rose three points to 81, tying the post-recession high last reached in May and June of last year. Three of the five components that make up the index rose, one declined and one remained unchanged. Perception of personal finances now compared to a year ago rose 10 points to 73, the highest it has been since August 2007, shortly after the Great Recession began. Consumers seem confident that their finances will continue to improve as expectations of personal finances a year from now rose four points to 82. Expectations of U.S. economic conditions rose five points to 84 while expectations of U.S. economic conditions over the next five years remained unchanged at 79. The only component to decline was perceptions as to whether it is a good time to buy big ticket items, which fell four points to 86.

“This increase is consistent with our expectations that consumer sentiment among Floridians would remain near post-recession highs, given relatively good economic news and the more budget certainty with deals to fund federal budgets through this year,” said Chris McCarty, the Survey Director. “While keeping in mind that an index number of 81 is modest when looking at the entire history of the index, it is as high as we have achieved since before the recession began in December 2007. This is good news for the Federal Reserve as they look for negative effects as they taper their latest monetary intervention, Quantitative Easing III. Since December the Federal Reserve has reduced their bond-buying by \$10 billion each month. They have also signaled that they could raise short term interest rates sooner than expected. At least as far as Floridians are concerned these policies are not problematic.”

The unemployment rate for Florida in January, the most recent number available, was 6.1 percent. This was a decline of .2 percent from December and .4 percent lower than U.S. unemployment which was 6.4 percent in January. The labor force in January expanded as did the number of employed. Several job categories posted increases, including Trade, Transportation and Utilities, Professional and Business Services and Leisure and Hospitality. Florida’s tourism industry has benefited from a harsh winter in the north and is making some gains in shifting to higher technology jobs, including bio-technology. This shift will be important as Florida attempts to diversify its economy to include economic sectors less subject to recessionary effects from other states. The median price for an existing single-family home in Florida rose \$2,500 from January to \$165,000 in February, a 10 percent increase from the same time last year. Housing prices are still about 36% off the peak from June 2006, and are not likely to reach those levels for several years. However current housing prices are stable and unlikely to decline significantly over the year as many distressed home loans have been sold. It is worth noting that Florida still leads the nation in the number of foreclosures and the highest inventory of homes in pre-foreclosure. Both levels are much less than they were at the height of the recession. The foreclosure inventory and changes to Fed policy that will put upward pressure on interest rates will make it more difficult for housing prices to increase dramatically. The stock market hit record highs again in March and is near record highs as of this writing. Retail sales in Florida were much better than the national average in January, in part because

the severe winter weather in many parts of the country constrained shopping. Inflation in Florida has been low, certainly compared to other parts of the country where fuel prices due to the weather put pressure on consumers. The main concern for Federal Reserve policy makers is actually disinflation, where the rate of inflation decreases. While this may seem counter-intuitive, policy-makers must be concerned about a Japan-like decades-long deflation spiral that stagnates growth.

“With the stability on Washington over the budget the Federal Reserve can and should take this opportunity to continue deleveraging its balance sheet, effectively easing up on the gas pedal that has been driving the economy for the past six years,” said McCarty. “Consumers and markets seem to be taking this in stride and so far operating more independently. Moving forward the threats to consumer sentiment and the economy overall may be from international news. For many years we were concerned about default in Europe. Now the biggest threat in the next few months will be over Russia’s move into Ukraine. Many readers are too young to remember the Cold War, but for many U.S. consumers the image of Russian tanks moving through Europe is all too familiar. This is the kind of news that can have at least a temporary effect on consumer sentiment.”

FLORIDA ECONOMIC AND CONSUMER SURVEY†
March 25, 2014
Bureau of Economic and Business Research
University of Florida

	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Consumer Sentiment Index													
FLORIDA	76	79	81	81	77	77	78	70	77	77	78	78	81
Men	78	78	82	85	79	77	82	69	82	79	80	80	85
Women	75	80	79	79	74	77	74	71	72	74	75	75	76
Under age 60	77	86	85	90	80	82	82	78	79	86	79	82	85
Aged 60 and over	75	74	78	74	75	73	74	63	77	71	77	75	77
Income under \$30,000	67	62	73	74	69	70	69	62	65	71	75	61	68
Income \$30,000 and over	81	84	88	86	82	81	82	73	83	79	81	86	87
Personal financial situation now compared to a year ago													
FLORIDA	65	71	67	69	63	63	65	61	69	69	66	63	73
Men	72	70	72	76	67	67	71	63	80	75	71	68	81
Women	58	71	62	63	60	58	61	59	58	63	62	58	64
Under age 60	64	78	73	82	72	68	75	68	69	80	67	69	74
Aged 60 and over	65	63	63	58	57	57	59	54	68	61	65	59	71
Income under \$30,000	51	47	56	54	50	52	49	43	45	50	56	39	48
Income \$30,000 and over	71	77	75	77	69	66	73	70	79	75	70	74	82
Personal financial situation expected one year from now													
FLORIDA	72	79	82	82	75	81	80	74	74	78	80	76	82
Men	74	77	82	82	77	80	81	71	77	79	83	78	85
Women	71	82	82	82	72	83	79	76	70	77	76	74	78
Under age 60	82	95	94	101	85	94	96	93	82	96	96	91	94
Aged 60 and over	64	66	72	66	68	69	66	58	68	67	71	66	72
Income under \$30,000	66	64	71	82	68	76	71	66	65	77	77	68	80
Income \$30,000 and over	78	84	90	86	79	86	86	77	78	81	84	84	86
Expected national economic conditions over the next year													
FLORIDA	77	79	81	82	79	76	76	66	76	73	76	79	84
Men	75	77	79	82	78	70	79	62	77	76	73	82	86
Women	79	82	83	82	79	82	74	69	75	70	78	77	82
Under age 60	76	86	84	88	79	83	76	73	76	77	75	82	90
Aged 60 and over	76	75	80	79	79	71	76	60	77	69	77	77	79
Income under \$30,000	67	62	75	78	76	73	76	64	66	72	77	58	70
Income \$30,000 and over	80	84	88	85	83	78	77	66	81	73	78	89	89
Expected national economic conditions over the next 5 years													
FLORIDA	76	77	82	82	75	78	75	71	76	74	81	79	79
Men	75	78	82	83	77	77	80	69	74	76	80	82	80
Women	78	76	82	81	73	79	71	73	78	71	82	77	77
Under age 60	75	82	82	89	77	81	81	77	74	75	80	79	83
Aged 60 and over	78	73	83	77	75	76	71	67	78	72	82	80	75
Income under \$30,000	74	65	83	69	77	73	75	70	73	67	86	58	72
Income \$30,000 and over	78	81	86	86	80	81	77	70	78	75	82	89	86
Is this a good time to buy major household items?													
FLORIDA	90	90	91	92	92	87	91	78	92	91	86	90	86
Men	93	89	94	100	96	91	100	81	105	90	93	89	90
Women	87	91	88	85	88	83	83	75	80	91	80	92	82
Under age 60	87	87	90	92	87	82	82	79	93	101	78	87	84
Aged 60 and over	92	93	93	92	96	92	99	77	93	83	91	93	88
Income under \$30,000	76	72	81	88	76	76	73	67	78	86	80	81	70
Income \$30,000 and over	96	94	100	95	100	91	96	83	100	93	92	95	90

*Revised. †Preliminary.

Mar-13 Apr-13 May-13 Jun-13 Jul-13 Aug-13 Sep-13 Oct-13 Nov-13 Dec-13 Jan-14 Feb-14 Mar-14

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CHARACTERISTICS OF SURVEY RESPONDENTS FOR CURRENT MONTH

Sample Size	416	Race		Gender	
		% Non-white	14	% Male	54
Average age	59	% White	86	% Female	46
Income Characteristics		Hispanic Origin		Region	
% less than \$20,000	16	% Yes	10	% North	19
% \$20,000 to \$29,999	9	% No	90	% Central	21
% \$30,000 to \$49,999	22			% Southeast	21
% over \$50,000	53			% Southwest	39