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Consumer Sentiment

Consumer sentiment among Floridians rose in June by four points to 82, a post-recession high. All five components that make up the index increased. Expectations about personal finances now compared to a year ago rose 4 points to 75, the highest level for this component since the beginning of the recession. Expectations of personal finances one year from now rose 5 points to 81. Perceptions of U.S. economic conditions over the next year rose 7 points to 81, while expectations of U.S. economic conditions over the next five years rose 2 points to 78. Perceptions as to whether it's a good time to buy big-ticket items, such as a car or appliance, rose 4 points to 94, also a record for this component since the recession began.

"While consumer sentiment has been wavering between the upper 70s and low 80s for more than a year, we did not expect this jump," said Chris McCarty the Survey Director. "The gains were particularly high among younger Floridians and those in low-income households. The current personal finances component among households with incomes under \$30,000 a year rose by 18 points. This demographic is unlikely to benefit by record levels in the stock market and price gains in the housing market that typically affect higher income households. One possible explanation is a decline in gas prices which fell nearly \$.10 a gallon in Florida, and have only recently increased. Florida has also been adding jobs over the past year, although they have tended to be low-paying jobs, many of them associated with leisure and hospitality. Those are the kinds of jobs that will be filled by lower income households."

Unemployment in Florida actually rose in May to 6.3 percent and is now the same level as for the U.S. A rise in unemployment following a recession is not necessarily a bad sign as it can indicate discouraged workers who gave up looking for a job coming back into the labor market. Florida's labor force increased in May by 24,000 while Florida lost 17,900 jobs on a seasonally adjusted basis. Much of this loss is attributable to changes in temporary hiring following the extremely cold winter in the north and the end of the season for snowbirds. Housing prices and sales have been holding up with the median price of a single family home increasing to \$180,000, although housing prices nationally did not meet forecasts in May. Housing starts slowed in May, as expected by most economists. One lingering effect of the Great Recession has been a delay in household formation among younger Americans who have had difficulty finding well-paying jobs and many who are saddled with student loans. Florida has also experienced a delayed recovery in the typical pattern of retirees moving to the state as retirees must build pension accounts and sell homes to be able to afford the move. Inflation rose in May to a normal level, although gas prices declined over the past month. The stock market continues to

make gains and hit new highs despite consistent tapering by the Federal Reserve in its bond-buying program known as Quantitative Easing III. Discussion among economists has turned from whether the Fed will taper and by how much, to when the Fed will raise short term interest rates, its traditional mechanism for changing the money supply.

“While this increase in consumer confidence to 82 is welcome news, historically this is not a strong number,” said McCarty. “To put it in perspective, it is worth examining the pattern of consumer confidence following the three recessions that have occurred during the history of the index here Florida. These occurred in 1990-91, in 2001, and the Great Recession which lasted two years from December 2007 to June 2009. Following the first two recessions, consumer confidence at the end of the recession was at 89. Following the end of the most recent recession consumer confidence is at 69. We are now five years out from the Great Recession and consumer confidence stands at 82. Following the previous two recessions five years out consumer confidence was at 91 and 93. Clearly something is different about this recovery compared to previous recoveries. This pattern of lower than normal values is not limited to consumer sentiment. Five years after the end of the recession in the early 90s unemployment stood at 5.4%, and five years following the recession in the early 2000’s unemployment was at 3.4%. This is in contrast to the current level of 6.3% after five years. These mediocre indicators are also strange in light of the massive intervention by the federal government in the form of bailouts and by the Federal Reserve in the form of monetary policy. While the Florida economy is certainly stabilizing, it is not exhibiting trends that would indicate great potential for growth, at least through this year.

FLORIDA ECONOMIC AND CONSUMER SURVEY†
June 24, 2014
Bureau of Economic and Business Research
University of Florida

	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr--14	May-14	Jun-14
Consumer Sentiment Index													
FLORIDA	81	77	77	78	70	77	77	78	78	80	80	78	82
Men	85	79	77	82	69	82	79	80	80	83	82	80	83
Women	79	74	77	74	71	72	74	75	75	77	77	75	80
Under age 60	90	80	82	82	78	79	86	79	82	85	83	78	90
Aged 60 and over	74	75	73	74	63	77	71	77	75	77	77	77	77
Income under \$30,000	74	69	70	69	62	65	71	75	61	68	65	66	75
Income \$30,000 and over	86	82	81	82	73	83	79	81	86	86	87	84	86
Personal financial situation now compared to a year ago													
FLORIDA	69	63	63	65	61	69	69	66	63	72	69	71	75
Men	76	67	67	71	63	80	75	71	68	77	73	75	78
Women	63	60	58	61	59	58	63	62	58	66	64	67	72
Under age 60	82	72	68	75	68	69	80	67	69	74	77	70	80
Aged 60 and over	58	57	57	59	54	68	61	65	59	69	65	72	72
Income under \$30,000	54	50	52	49	43	45	50	56	39	49	47	49	67
Income \$30,000 and over	77	69	66	73	70	79	75	70	74	81	81	80	78
Personal financial situation expected one year from now													
FLORIDA	82	75	81	80	74	74	78	80	76	83	78	76	81
Men	82	77	80	81	71	77	79	83	78	86	80	78	83
Women	82	72	83	79	76	70	77	76	74	79	75	73	79
Under age 60	101	85	94	96	93	82	96	96	91	98	92	89	101
Aged 60 and over	66	68	69	66	58	68	67	71	66	72	70	65	69
Income under \$30,000	82	68	76	71	66	65	77	77	68	80	70	66	83
Income \$30,000 and over	86	79	86	86	77	78	81	84	84	88	85	80	84
Expected national economic conditions over the next year													
FLORIDA	82	79	76	76	66	76	73	76	79	82	78	74	81
Men	82	78	70	79	62	77	76	73	82	85	83	76	75
Women	82	79	82	74	69	75	70	78	77	79	73	72	86
Under age 60	88	79	83	76	73	76	77	75	82	86	79	78	91
Aged 60 and over	79	79	71	76	60	77	69	77	77	80	77	71	75
Income under \$30,000	78	76	73	76	64	66	72	77	58	69	66	67	78
Income \$30,000 and over	85	83	78	77	66	81	73	78	89	87	87	80	84
Expected national economic conditions over the next 5 years													
FLORIDA	82	75	78	75	71	76	74	81	79	77	81	76	78
Men	83	77	77	80	69	74	76	80	82	78	83	78	79
Women	81	73	79	71	73	78	71	82	77	75	79	74	77
Under age 60	89	77	81	81	77	74	75	80	79	81	79	74	85
Aged 60 and over	77	75	76	71	67	78	72	82	80	75	81	77	74
Income under \$30,000	69	77	73	75	70	73	67	86	58	73	69	69	74
Income \$30,000 and over	86	80	81	77	70	78	75	82	89	83	86	82	83
Is this a good time to buy major household items?													
FLORIDA	92	92	87	91	78	92	91	86	90	86	92	90	94
Men	100	96	91	100	81	105	90	93	89	87	92	92	101
Women	85	88	83	83	75	80	91	80	92	84	92	88	88
Under age 60	92	87	82	82	79	93	101	78	87	85	87	82	93
Aged 60 and over	92	96	92	99	77	93	83	91	93	87	94	99	96
Income under \$30,000	88	76	76	73	67	78	86	80	81	71	74	81	74
Income \$30,000 and over	95	100	91	96	83	100	93	92	95	90	96	97	99
*Revised. †Preliminary.	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr--14	May-14	Jun-14

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CHARACTERISTICS OF SURVEY RESPONDENTS FOR CURRENT MONTH

Sample Size	425	Race		Gender	
		% Non-white	12	% Male	48
Average age	62	% White	88	% Female	52
Income Characteristics		Hispanic Origin		Region	
% less than \$20,000	18	% Yes	7	% North	25
% \$20,000 to \$29,999	11	% No	93	% Central	20
% \$30,000 to \$49,999	24			% Southeast	17
% over \$50,000	47			% Southwest	38