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Consumer Sentiment

Consumer sentiment among Floridians remained flat at a post-recession high of 82 for the third straight month. Of the five components that make up the index one increased, three decreased and one stayed the same. Perceptions of personal finances now compared to a year ago remained unchanged at 73 while expectations of personal finances a year from now rose three points to 84. Expectations of U.S. economic conditions over the next year fell two points to 78 while expectations of U.S. economic conditions over the next five years fell one point to 80. Perceptions as to whether it is a good time to buy big ticket items fell one point to 92. The overall index fell four points for those under age 60 and rose four points for those age 60 and over. Households with incomes over \$30,000 saw a drop in confidence of four points while confidence among low income households remained flat. Further analysis reveals that the increased pessimism for August is being driven by respondents in the age 50-65 category. They are particularly pessimistic about their current personal finances. If this becomes a trend it may be a sign that older respondents feel unprepared for retirement.

“This is a consistent signal that the economy is running at a steady pace,” said Chris McCarty, the Survey Director. “It also suggests that the Florida economy is not growing rapidly. While it’s good news that the index is not volatile, we would like it to be about 10 points higher given that the recession ended more than five years ago. The interpretation of Florida consumer sentiment mirrors the debate occurring at the Federal Reserve where some see the economy to have largely recovered and others still see signs of weakness. While an overall reading of 82 is historically nowhere near a recessionary level it is also not a number associated with strong economic growth. On a more positive note, the mid-month reading from the University of Michigan for the U.S. as a whole declined from 81.8 last month to 79.2 mid-month. While U.S. consumers are somewhat more pessimistic, Florida consumers are holding steady.”

Other economic indicators are similarly positive, but not indicative of robust growth. Florida’s unemployment rate for July was 6.2 percent, unchanged from the previous month. Since December of last year Florida’s unemployment rate has wavered between 6.2 and 6.3 percent. Prior to December it had declined each month for 19 straight months. Florida actually lost jobs in July, primarily in Manufacturing, Services, Wholesale Trade and Government. This was balanced by a decline in the labor force which resulted in no change to the rate. Florida’s unemployment is the same as the nation. Housing prices were up over the previous year, but flat compared to June with the median price of an existing single family home at \$185,000 for both months. Mortgage rates are still near historical lows yet housing sales slowed in

July. Some of this is due to a pull-back from investors, many that paid cash. As the discussion at the Federal Reserve is not whether short term interest rates should go up, but when next year, we are likely to see at least a short term pull back, or at least level growth, in housing prices sometime next year. The stock market continues to support optimism among some Florida consumers as it is at or near record highs. There is increasing speculation that a correction in stocks, typically defined as a decrease of 10 percent or more, is likely in the next six months. Wages have been relatively flat and a larger percentage of the labor force are working part-time when they would like to work full-time than in previous recoveries. Inflation for July was weak, contrary to the view of some economists that the extreme monetary interventions of the Federal Reserve would lead to a spike in prices.

“Looking ahead, all eyes are on the Federal Reserve,” said McCarty. “The debate among members of the Federal Open Market Committee, which among other things sets short term interest rates, is a reflection of discussions among economists about where the economy is headed. Members are split with some seeing us firmly on the road to recovery and advocating for increased interest rates to head off inflation. The other side, including Janet Yellen the Chairman, see signs of weakness and stagnation and advocate a delay in raising interest rates. These decisions will have a big effect on Florida, primarily through the housing market, but also for other kinds of borrowing. The next meeting will be in mid-September. While they will not raise interest rates at that meeting, they may signal whether rates will go up early in 2015 or later, such as the second half of the year.”

FLORIDA ECONOMIC AND CONSUMER SURVEY†
August 26, 2014
Bureau of Economic and Business Research
University of Florida

	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14
Consumer Sentiment Index													
FLORIDA	77	78	70	77	77	78	78	80	80	78	82	82	82
Men	77	82	69	82	79	80	80	83	82	80	85	86	84
Women	77	74	71	72	74	75	75	77	77	75	80	77	79
Under age 60	82	82	78	79	86	79	82	85	83	78	88	88	84
Aged 60 and over	73	74	63	77	71	77	75	77	77	77	79	75	79
Income under \$30,000	70	69	62	65	71	75	61	68	65	66	74	73	73
Income \$30,000 and over	81	82	73	83	79	81	86	86	87	84	87	86	82
Personal financial situation now compared to a year ago													
FLORIDA	63	65	61	69	69	66	63	72	69	71	76	73	73
Men	67	71	63	80	75	71	68	77	73	75	79	79	82
Women	58	61	59	58	63	62	58	66	64	67	73	68	65
Under age 60	68	75	68	69	80	67	69	74	77	70	82	83	81
Aged 60 and over	57	59	54	68	61	65	59	69	65	72	73	65	66
Income under \$30,000	52	49	43	45	50	56	39	49	47	49	66	51	58
Income \$30,000 and over	66	73	70	79	75	70	74	81	81	80	81	82	74
Personal financial situation expected one year from now													
FLORIDA	81	80	74	74	78	80	76	83	78	76	83	81	84
Men	80	81	71	77	79	83	78	86	80	78	85	83	87
Women	83	79	76	70	77	76	74	79	75	73	80	79	81
Under age 60	94	96	93	82	96	96	91	98	92	89	102	97	100
Aged 60 and over	69	66	58	68	67	71	66	72	70	65	71	67	72
Income under \$30,000	76	71	66	65	77	77	68	80	70	66	82	76	79
Income \$30,000 and over	86	86	77	78	81	84	84	88	85	80	87	83	85
Expected national economic conditions over the next year													
FLORIDA	76	76	66	76	73	76	79	82	78	74	80	80	78
Men	70	79	62	77	76	73	82	85	83	76	77	83	80
Women	82	74	69	75	70	78	77	79	73	72	83	78	75
Under age 60	83	76	73	76	77	75	82	86	79	78	85	86	76
Aged 60 and over	71	76	60	77	69	77	77	80	77	71	77	76	78
Income under \$30,000	73	76	64	66	72	77	58	69	66	67	77	79	66
Income \$30,000 and over	78	77	66	81	73	78	89	87	87	80	83	85	80
Expected national economic conditions over the next 5 years													
FLORIDA	78	75	71	76	74	81	79	77	81	76	78	81	80
Men	77	80	69	74	76	80	82	78	83	78	81	86	81
Women	79	71	73	78	71	82	77	75	79	74	76	75	79
Under age 60	81	81	77	74	75	80	79	81	79	74	83	82	75
Aged 60 and over	76	71	67	78	72	82	80	75	81	77	75	78	83
Income under \$30,000	73	75	70	73	67	86	58	73	69	69	71	76	73
Income \$30,000 and over	81	77	70	78	75	82	89	83	86	82	83	84	80
Is this a good time to buy major household items?													
FLORIDA	87	91	78	92	91	86	90	86	92	90	94	93	92
Men	91	100	81	105	90	93	89	87	92	92	101	100	92
Women	83	83	75	80	91	80	92	84	92	88	88	85	93
Under age 60	82	82	79	93	101	78	87	85	87	82	90	93	85
Aged 60 and over	92	99	77	93	83	91	93	87	94	99	98	91	97
Income under \$30,000	76	73	67	78	86	80	81	71	74	81	75	85	88
Income \$30,000 and over	91	96	83	100	93	92	95	90	96	97	99	96	89

*Revised. †Preliminary.

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

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CHARACTERISTICS OF SURVEY RESPONDENTS FOR CURRENT MONTH

Sample Size	396	Race		Gender	
		% Non-white	17	% Male	48
Average age	60	% White	83	% Female	52
Income Characteristics		Hispanic Origin		Region	
% less than \$20,000	18	% Yes	9	% North	25
% \$20,000 to \$29,999	10	% No	91	% Central	18
% \$30,000 to \$49,999	24			% Southeast	21
% over \$50,000	48			% Southwest	36

Data Collection Dates: August 1 to 21, 2014