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Consumer Confidence

Consumer confidence among Floridians declined one point in February to 74, the same level as it was in November following the presidential elections. The overall index had risen to 76 in December but has since declined. Three of the five index components increased while two decreased. Perceptions of personal finances now compared to a year ago rose six points to 65 while expectations of personal finances a year from now rose one point to 76. Expectations of U.S. economic conditions over the next year fell four points to 72 while expectations of U.S. economic conditions over the next five years fell seven points to 69. Perceptions as to whether it is a good time to buy big ticket items rose one point to 88.

“The main driver of the decline in confidence in February was the delayed effect of the expiring payroll tax cut,” said Chris McCarty, the Survey Director. “Two years ago The White House and Congress put through a different kind of stimulus from previous attempts. Instead of getting money to companies in the hopes that it would stimulate the economy through more hiring or cheaper loans, they temporarily cut the payroll tax people pay for Social Security from 6.2% to 4.2%. This put money directly in the pockets of consumers which had a noticeable effect on consumer spending. The cut was set to expire at the beginning of January 2013, and as part of the fiscal cliff negotiation it was allowed to expire. It took a month for the increased withholding to show up in people’s paychecks, so the effect was delayed. Interestingly, most consumers, and particularly seniors, are more positive than they were last month about their personal finances. They are more negative about the future. This may mean that consumers are less bothered by the expiration of the payroll tax and more concerned about the effects of sequestration that are due to go into effect March 1st. They are probably right to be concerned.”

The unemployment rate for December was 8.0 percent, only 0.1 percent higher than the U.S. reading of 7.9 percent for January. The next release for Florida (January’s estimate) will not be out until March 18th. Florida does not do an employment release in February. Housing continues to hold onto gains as the price of an existing single family home came in at \$145,000, down from December’s \$154,000 but up 12.4% compared to a year ago. There may be pressure on housing prices moving forward, particularly if the effects of sequestration are allowed to proceed. The stock market had hit new highs until a recent pullback tied to announcements by the Pentagon and other agencies about how they will deal with sequestration, and by signals at the last Federal Reserve meeting that some would like to see less Federal Reserve intervention, and ultimately higher interest rates. Gas prices have been rising steadily over the past month with increases in Florida of more than 30 cents per gallon. This has been an odd pattern over the past few years where gas prices rise in the spring, then fall in the summer, the reverse of historical patterns. We are likely to see that pattern again if sequestration goes through as demand for gas will likely decrease.

“Next month it’s all about sequestration,” said McCarty. “Consumers may not recall the deal Congress made back in 2011 to reduce the deficit by \$2 trillion over the next decade in exchange for a rise in the debt ceiling. Barring an agreement, which they didn’t get, the cuts across all areas of government, excluding Medicare and Social Security, would be automatic and go into effect January 2013. As part of the fiscal cliff deal they were delayed until March. There are no publicly discussed deals to make the cuts, or increase revenue, to delay sequestration. It is likely to happen. Consumers are telling us that they are not feeling good about the potential effects. While the worst effects will be felt in the metro area around Washington, DC, Florida will not escape. We have civilian businesses and grants to universities and others that will be cut back as the Pentagon makes large cuts for the remaining fiscal year. Agencies such as TSA and the FAA have signaled furloughs for their staff which will make air travel a challenge, perhaps putting some people off of a Florida vacation. Many Floridians work for federal agencies either full time or part time and they will be affected, as will the multiple businesses that provide services to them. March consumer confidence will reflect some of the effect, but the full effect will be seen in April when most furloughs would actually go into effect. Consumers should realize that a deal on sequestration will not make it go away, it will be a deal that will trade some cuts for other cuts, and tax increases. What we are waiting on is to see which part of the population will take the brunt of that cut. It is currently slated to be anyone hired by or selling goods and services to the federal government.”

FLORIDA ECONOMIC AND CONSUMER SURVEY†
February 26th, 2013
Bureau of Economic and Business Research
University of Florida

	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13
Consumer Confidence Index													
FLORIDA	76	75	74	78	73	77	76	80	80	74	76	75	74
Men	78	74	78	79	74	80	78	79	80	70	75	75	72
Women	73	76	70	77	72	74	74	80	80	77	76	74	75
Under age 60	80	76	77	83	78	81	80	81	84	79	83	80	76
Aged 60 and over	71	74	71	74	70	74	74	80	77	70	70	72	73
Income under \$30,000	67	68	70	70	68	66	66	76	77	71	72	74	73
Income \$30,000 and over	81	79	78	84	79	82	82	83	82	74	80	74	75
Personal financial situation now compared to a year ago													
FLORIDA	59	62	63	62	61	64	61	64	64	57	62	59	65
Men	61	61	67	65	60	69	64	65	66	59	65	60	65
Women	57	64	58	59	61	59	57	63	61	56	60	58	65
Under age 60	67	67	71	67	69	72	65	71	70	64	71	65	67
Aged 60 and over	53	58	55	58	54	55	58	57	57	53	55	56	63
Income under \$30,000	38	49	48	47	49	51	47	50	52	43	43	51	59
Income \$30,000 and over	69	69	72	71	68	71	69	72	69	61	74	60	67
Personal financial situation expected one year from now													
FLORIDA	81	82	79	86	76	85	85	86	85	77	76	75	76
Men	82	79	83	87	73	89	85	81	84	70	76	78	73
Women	80	85	76	85	80	80	84	90	85	84	77	72	78
Under age 60	95	92	91	102	88	97	96	92	94	91	95	88	89
Aged 60 and over	69	73	69	74	67	73	74	80	76	66	61	66	69
Income under \$30,000	78	78	81	85	72	76	68	85	89	78	85	76	81
Income \$30,000 and over	87	84	80	91	80	91	94	87	86	75	78	74	73
Expected national economic conditions over the next year													
FLORIDA	74	73	73	76	73	75	75	81	85	79	76	76	72
Men	76	71	77	71	75	76	74	77	85	71	75	75	67
Women	71	75	68	82	71	75	76	84	86	88	76	78	77
Under age 60	76	70	72	81	74	78	78	81	87	78	80	79	68
Aged 60 and over	70	75	71	72	74	73	73	83	84	80	72	75	75
Income under \$30,000	69	71	73	73	67	64	65	82	83	80	77	86	73
Income \$30,000 and over	78	76	73	81	80	78	78	84	84	77	77	72	74
Expected national economic conditions over the next 5 years													
FLORIDA	81	79	76	84	80	79	82	84	86	77	78	76	69
Men	82	78	77	84	81	81	85	83	85	81	74	77	66
Women	81	81	76	85	79	77	78	85	88	82	81	75	71
Under age 60	84	73	76	85	77	79	83	77	87	80	80	80	69
Aged 60 and over	78	85	76	84	84	80	81	93	86	75	76	74	69
Income under \$30,000	78	79	72	76	76	69	80	84	85	81	77	76	72
Income \$30,000 and over	84	81	77	91	86	83	83	84	86	76	80	74	70
Is this a good time to buy major household items?													
FLORIDA	83	79	80	82	77	82	80	85	79	78	86	87	88
Men	87	80	88	88	83	84	84	92	78	81	87	86	92
Women	78	77	73	76	69	80	75	79	81	75	84	88	84
Under age 60	78	77	74	80	82	77	75	83	80	81	86	89	86
Aged 60 and over	87	78	86	83	72	87	71	87	79	75	86	87	89
Income under \$30,000	72	62	60	70	72	70	70	76	77	73	79	82	80
Income \$30,000 and over	87	86	86	86	80	85	84	88	82	80	89	90	93
*Revised. †Preliminary.	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13

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CHARACTERISTICS OF SURVEY RESPONDENTS FOR CURRENT MONTH

Sample Size	406	Race		Gender	
		% Non-white	15	% Male	50
Average age	64	% White	85	% Female	50
Income Characteristics		Hispanic Origin		Region	
% less than \$20,000	20	% Yes	7	% North	23
% \$20,000 to \$29,999	13	% No	93	% Central	21
% \$30,000 to \$49,999	20			% Southeast	20
% over \$50,000	47			% Southwest	36