

FLORIDA CONSUMER SENTIMENT INDEX
December 24, 2013
FOR IMMEDIATE RELEASE



From:
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Consumer Sentiment

Consumer sentiment among Floridians was unchanged in December at 77, the same as the revised November reading of 77. Among the five components that make up the index one rose, three declined and one remained the same. Perceptions of personal finances now compared to a year ago fell two points to 67 while expectations of personal finances a year from now rose six points to 80. Expectations of U.S. economic conditions over the next year fell two points to 74 while expectations of U.S. economic conditions over the next five years was unchanged at 76. Perceptions as to whether it is a good time to buy big ticket items fell four points to 88. Confidence fell among seniors while it rose among those under age 60.

“Much as we expected the consumer sentiment index remained flat in December,” said Chris McCarty, the Survey Director. “It is now apparent that the sharp drop in confidence in October was largely a response to the U.S. government shutdown and perhaps more importantly the threat of U.S. default on its debt and the implications of that. The index for Florida was largely the same from July until now except for the seven point decline in October. Congress has now taken a shutdown in January off the table, but more angst over raising the debt ceiling by February 7th may result in another decline. We also must keep in mind that our preliminary results for December do not yet include interviews following the Federal Reserve’s decision to begin tapering. While most Floridians may not be aware of that debate the effects of it, for example increases or decrease in the stock market, could have an effect. So far the effect seems to be slightly positive.”

Economic indicators for Florida and the U.S. have been improving. Gross Domestic Product, the most basic measure of the U.S. economy was revised up for the third quarter to 4.13%, although three quarters of that growth was due to increased inventories. Unless consumer demand picks up steam this will be a drag on future GDP. The employment reports for the U.S. continue to show that we are adding jobs. Here in Florida the unemployment rate declined again in November, down .3 percent to 6.4 percent. U.S. unemployment is 7 percent. Once again some of the decline in November was due to a declining labor force as 2,000 people either left the labor force permanently or stopped looking for work. As the recovery takes hold we expect the unemployment rate to increase somewhat as some of those discouraged workers start looking for jobs again. Another factor in the job market is the expiration of extended unemployment benefits from the federal government and the expiration of some food stamp support. The median price of a single family home increased slightly in November to \$169,900 from \$169,000 in October, the first monthly increase since July. Prices are up 13.3 percent from the previous year. Significant increases in housing prices will be difficult in 2014 for several reasons. As the Fed reduces its purchase of Treasuries and mortgage-backed securities interest rates on home loans may rise, although they did not change with the Fed’s reduction from \$85 billion to \$75 billion on Wednesday. The FHA will lower the cap of loans it will cover from \$729,750 to \$625,500. And Fannie Mae and Freddie Mac will raise guarantee fees to lender, which will be passed on to borrowers. Like the Federal Reserve, these

institutions have had programs in place to sustain the recovery, and they will use the good economic news as an opportunity to begin backing away from such support. All of this adds up to additional expenses for buyers. While housing price gains thus far are solid and not likely to decline, housing will not be the same driver of the recovery it has been up to this point. Inflation is uncomfortably low and is one concern the Federal Reserve has as it considers more tapering. While we do not want prices to increase dramatically, some inflation is good as it indicates consumer demand. Persistently low inflation raises concerns about deflation, where prices continue to decrease. The stock market actually rose on the news of the Fed's tapering and is breaking records. Consumer spending had been weak, but recent reports show some improvement, particularly for auto sales. Holiday sales are still somewhat weak compared to a year ago. This is a combination of deep discounting by retailers and a very short holiday season compared to last year due to the lateness of Thanksgiving. Retailers' attempts to capture an extra day by opening on Thanksgiving may have helped but will not fully counteract the short season. Regardless, Florida is estimated to have a surplus of more than \$1.2 billion when the Legislature meets in March.

“Looking ahead consumer sentiment among Floridians in January is likely going to be affected by the rhetoric from Washington surrounding the debt ceiling debate,” said McCarty. “While there is an agreement to fund the government through 2015, there is not a deal yet to extend the debt ceiling beyond February 7th. The decline in confidence in October was likely some combination of concern over the federal government shutdown and concern over the potential effects of a default. One issue has been addressed and the other has not. Over the next year we can expect the gubernatorial campaigns in November to play a much bigger role in confidence as candidates review economic news and discuss their plans for the future.”

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	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
Consumer Sentiment Index													
FLORIDA	76	75	73	76	79	81	81	77	77	78	70	77	77
Men	75	75	71	78	78	82	85	79	77	82	69	82	79
Women	76	74	76	75	80	79	79	74	77	74	71	72	75
Under age 60	83	80	77	77	86	85	90	80	82	82	78	79	84
Aged 60 and over	70	72	71	75	74	78	74	75	73	74	63	77	72
Income under \$30,000	72	74	72	67	62	73	74	69	70	69	62	65	71
Income \$30,000 and over	80	74	75	81	84	88	86	82	81	82	73	83	78
Personal financial situation now compared to a year ago													
FLORIDA	62	59	64	65	71	67	69	63	63	65	61	69	67
Men	65	60	63	72	70	72	76	67	67	71	63	80	74
Women	60	58	64	58	71	62	63	60	58	61	59	58	60
Under age 60	71	65	69	64	78	73	82	72	68	75	68	69	76
Aged 60 and over	55	56	60	65	63	63	58	57	57	59	54	68	61
Income under \$30,000	43	51	55	51	47	56	54	50	52	49	43	45	46
Income \$30,000 and over	74	60	65	71	77	75	77	69	66	73	70	79	73
Personal financial situation expected one year from now													
FLORIDA	76	75	74	72	79	82	82	75	81	80	74	74	80
Men	76	78	70	74	77	82	82	77	80	81	71	77	80
Women	77	72	80	71	82	82	82	72	83	79	76	70	80
Under age 60	95	88	91	82	95	94	101	85	94	96	93	82	96
Aged 60 and over	61	66	66	64	66	72	66	68	69	66	58	68	70
Income under \$30,000	85	76	76	66	64	71	82	68	76	71	66	65	77
Income \$30,000 and over	78	74	74	78	84	90	86	79	86	86	77	78	82
Expected national economic conditions over the next year													
FLORIDA	76	76	72	77	79	81	82	79	76	76	66	76	74
Men	75	75	67	75	77	79	82	78	70	79	62	77	77
Women	76	78	77	79	82	83	82	79	82	74	69	75	71
Under age 60	80	79	69	76	86	84	88	79	83	76	73	76	75
Aged 60 and over	72	75	74	76	75	80	79	79	71	76	60	77	73
Income under \$30,000	77	86	74	67	62	75	78	76	73	76	64	66	75
Income \$30,000 and over	77	72	74	80	84	88	85	83	78	77	66	81	72
Expected national economic conditions over the next 5 years													
FLORIDA	78	76	69	76	77	82	82	75	78	75	71	76	76
Men	74	77	66	75	78	82	83	77	77	80	69	74	79
Women	81	75	72	78	76	82	81	73	79	71	73	78	73
Under age 60	80	80	72	75	82	82	89	77	81	81	77	74	76
Aged 60 and over	76	74	68	78	73	83	77	75	76	71	67	78	76
Income under \$30,000	77	76	72	74	65	83	69	77	73	75	70	73	70
Income \$30,000 and over	80	74	71	78	81	86	86	80	81	77	70	78	74
Is this a good time to buy major household items?													
FLORIDA	86	87	88	90	90	91	92	92	87	91	78	92	88
Men	87	86	90	93	89	94	100	96	91	100	81	105	86
Women	84	88	85	87	91	88	85	88	83	83	75	80	91
Under age 60	86	89	87	87	87	90	92	87	82	82	79	93	97
Aged 60 and over	86	87	89	92	93	93	92	96	92	99	77	93	83
Income under \$30,000	79	82	82	76	72	81	88	76	76	73	67	78	87
Income \$30,000 and over	89	90	92	96	94	100	95	100	91	96	83	100	89

*Revised. †Preliminary.

Dec-12 Jan-13 Feb-13 Mar-13 Apr-13 May-13 Jun-13 Jul-13 Aug-13 Sep-13 Oct-13 Nov-13 Dec-13

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CHARACTERISTICS OF SURVEY RESPONDENTS FOR CURRENT MONTH

Sample Size	420	Race		Gender	
		% Non-white	19	% Male	52
Average age	61	% White	81	% Female	48
Income Characteristics		Hispanic Origin		Region	
% less than \$20,000	14	% Yes	9	% North	26
% \$20,000 to \$29,999	14	% No	91	% Central	19
% \$30,000 to \$49,999	19			% Southeast	19
% over \$50,000	53			% Southwest	36