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Consumer Confidence

Consumer confidence among Floridians rose two points in February to 91, four points higher than the same time a year ago. Four of the five index components rose in February. Perceptions of personal finances now compared to a year ago rise four points to 84, while perceptions of finances a year from now rose three points to 95. Perceptions of US economic conditions over the next year remained unchanged at 83, while perceptions of US economic conditions over the next five years rose three points to 86. Perceptions of whether it is a good time to buy big ticket items rose three points to 109.

“Consumers confidence among Florida’s consumers has been volatile the last couple of months,” said Chris McCarty, the Survey Director. “There are competing forces acting on the consumer, and it is still unclear how these will play out in the long term. On the positive side, gas prices are still relatively low, although they are headed back up. The stock market hit another record high in February, although it is down from that. Employment remains solid here in Florida, the unemployment rate quite low compared to previous years. On the down side is housing, the focus of everyone’s attention. There is no question that we are seeing deterioration in the sub-prime loan market, and that inventories are up and sales of both new and existing homes are down. Many people ended up buying homes they could not afford. The question is whether the effects of housing will be restricted to that sector.”

Housing construction by itself represents less than ten percent of the US economy. However the effect of housing can move into other sectors. Since the last recession in 2001, consumer spending, which is responsible for about two thirds of all US economic activity, has been fueled directly by equity withdraws from housing. As people’s homes appreciated, they felt comfortable doing cash-out refinancing, home equity loans and home equity lines of credit. As sales have slowed and homeowners drop their prices to sell, the value of homes in many markets is declining. This makes consumer less comfortable withdrawing equity from their homes. The big questions are how much will consumer spending pull back due to the decline in real estate prices, and if other areas of the economy, such as business investment and exports, can offset a possible decline in purchasing power from consumers.

“I think a lot of people have been looking toward the Federal Reserve for some relief to this situation,” said McCarty. “There is a sense from some economists that the Fed is overly concerned with inflation and should lower interest rates before the end of spring, traditionally the most active season for selling homes. Given recent data on inflation, and statements from Fed board members, it is very unlikely that interest rates will be lowered in the near term. We still are predicting the effects on housing to spill into other sectors of the economy by May or June. This should be more pronounced here in Florida, given the enormous gains in the value of Florida real estate. It has much further to fall than other states.”

FLORIDA ECONOMIC AND CONSUMER SURVEY†
February 27, 2007
Bureau of Economic and Business Research
University of Florida

Feb-06 Mar-06 Apr-06 May-06 Jun-06 Jul-06 Aug-06 Sep-06 Oct-06 Nov-06 Dec-06 Jan-07* Feb-07†

Consumer Confidence Index

FLORIDA	87	91	86	86	88	87	77	83	90	93	90	89	91
Men	92	99	94	93	91	92	84	90	98	96	95	95	96
Women	83	84	82	81	86	84	72	78	84	91	87	84	87
Under age 60	89	94	91	87	93	90	79	86	94	96	92	91	97
Aged 60 and over	84	86	81	83	82	79	73	80	82	88	87	87	83
Income under \$30,000	77	77	75	67	70	74	62	72	81	83	77	82	80
Income \$30,000 and over	92	97	93	92	95	91	83	89	95	98	98	93	95

Personal financial situation now compared to a year ago

FLORIDA	83	89	84	88	87	80	74	76	82	84	84	80	84
Men	89	95	91	95	92	87	76	78	95	93	88	87	89
Women	78	83	80	84	83	76	72	75	74	78	81	73	79
Under age 60	88	98	94	97	93	87	79	81	90	92	86	81	94
Aged 60 and over	76	73	67	72	78	65	62	66	69	70	78	78	69
Income under \$30,000	71	66	65	51	61	47	52	53	59	57	62	62	58
Income \$30,000 and over	91	101	94	102	96	91	81	85	91	96	94	88	94

Personal financial situation expected one year from now

FLORIDA	95	96	92	92	94	98	91	89	97	101	96	92	95
Men	97	102	95	99	92	103	98	90	105	104	95	103	97
Women	93	90	90	88	95	95	86	87	91	97	97	83	93
Under age 60	106	107	107	99	106	107	100	101	109	111	105	108	109
Aged 60 and over	77	75	68	77	72	76	71	69	74	82	81	71	74
Income under \$30,000	81	85	82	74	77	82	77	83	88	84	89	86	87
Income \$30,000 and over	103	101	101	99	102	104	98	93	102	107	101	97	99

Expected national economic conditions over the next year

FLORIDA	77	81	76	73	77	76	62	73	83	88	84	83	83
Men	81	93	88	85	87	78	68	86	96	93	89	86	91
Women	74	70	68	66	69	74	57	64	75	85	81	80	77
Under age 60	78	78	74	70	80	76	60	72	84	86	85	77	85
Aged 60 and over	76	86	80	81	76	73	64	78	83	93	84	91	81
Income under \$30,000	69	71	71	61	61	74	49	63	73	76	69	78	78
Income \$30,000 and over	81	82	79	78	85	75	65	79	90	91	92	85	84

Expected national economic conditions over the next 5 years

FLORIDA	79	83	78	75	86	82	73	77	85	93	85	83	86
Men	85	96	91	80	89	89	85	88	92	92	95	88	94
Women	74	72	70	72	83	77	65	70	81	94	77	79	79
Under age 60	76	84	79	73	86	82	71	76	86	94	87	85	86
Aged 60 and over	84	84	80	79	85	81	79	84	84	91	82	82	85
Income under \$30,000	66	73	68	61	65	76	60	70	87	94	70	83	75
Income \$30,000 and over	84	86	86	80	90	83	76	84	87	92	94	84	88

Is this a good time to buy major household items?

FLORIDA	102	106	102	100	98	100	87	100	101	101	103	106	109
Men	107	109	104	108	97	105	93	108	103	100	110	110	111
Women	97	104	101	95	100	96	82	94	100	101	97	104	107
Under age 60	98	104	101	97	98	100	84	100	102	98	99	102	110
Aged 60 and over	107	110	107	106	99	98	92	102	99	105	109	114	108
Income under \$30,000	101	91	91	87	88	89	74	90	98	104	94	101	103
Income \$30,000 and over	101	112	107	103	102	103	92	108	102	103	107	108	109

*Revised. †Preliminary.

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CHARACTERISTICS OF SURVEY RESPONDENTS FOR CURRENT MONTH

Sample Size	466	Race		Gender	
		% Non-white	16	% Male	44
Average age	54	% White	86	% Female	56
Income Characteristics		Hispanic Origin		Region	
% less than \$20,000	13	% Yes	11	% North	22
% \$20,000 to \$29,999	10	% No	89	% Central	19
% \$30,000 to \$49,999	23			% Southeast	25
% over \$50,000	54			% Southwest	34