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Consumer Sentiment

Consumer sentiment among Floridians inched up in September to 83, a post-Recession high. The last time consumer sentiment in Florida was at or above 83 was April, 2007 when the recession was just getting underway. The small rise in confidence was broad-based among all ages and income levels. Of the five components that make up the index two rose, two declined and one remained unchanged. Perceptions of personal finances now compared to a year ago rose one point to 75, while expectations of personal finances one year from now fell one point 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 was unchanged at 80. Perceptions as to whether it is a good time to buy big ticket items, such as cars or appliances rose four points to 98. This is the highest level for this component since March, 2007 and a big driver of the rise in sentiment in September.

“This is a welcome development given that consumer sentiment has been flat for the last few months,” said Chris McCarty, the Survey Director. “While we are still about ten points behind where we would like to be at this point in a recovery, confidence among Floridians is heading in the right direction. Consumer sentiment nationally, as measured by the University of Michigan, was also up in September. We would like to see a bigger pick up in this index, but it is certainly moving in the right direction.”

Economic indicators of importance to Floridians are mixed. The unemployment rate in Florida was up .1 percent in August to 6.3 percent. We made significant gains with the unemployment rate falling steadily since late 2010, but the rate has been fluctuating between 6.2 and 6.3 since December. In some months the decline in unemployment has been due to job creation, in others it was due to a decline in the labor force. In the past economists suggested that the natural rate of unemployment was around 5 percent. While that may have changed given the severity of the last recession, most economists would agree that we should be doing better than 6.3 percent. U.S. unemployment is now lower than Florida at 6.1 percent. The median price of a single family home in Florida declined in August to \$180,000, the first decline since January. A recent report by CoreLogic found that 24.3 percent of Florida homes are still underwater, compared to a national average of 10.7 percent. As the likelihood of a rate hike by the Federal Reserve in 2015 will almost certainly result in an increase in mortgage rates, significant housing price increases over the next year are not likely. Inflation has been low and actually declined in August led in large part by declines in energy prices. Gas prices in Florida fell more than five

cents in September and are predicted to go lower. While this is good news for Florida consumers it is problematic for the Federal Reserve which targets inflation of two percent. Low but positive, inflation is indicative of an economy with healthy consumer demand. The stock market has fluctuated lately in anticipation of a Fed rate hike and concerns about the economies of Europe, China and Japan. While the U.S. has experienced positive growth, many other countries are struggling, particularly Europe. The sanctions imposed by the U.S. and Europe against Russia over the Ukrainian crisis are heavily impacting European countries who trade more directly with Russia. Ultimately these effects will spill back to Florida indirectly through potential declines in the stock market and more directly by declines in both tourism and housing purchases by Europeans.

“Looking ahead over the next few months we expect consumer sentiment to decline from this high,” said McCarty. “Florida continues to be very dependent on construction and housing which have been recovering nicely over the past one to two years. This is in large part due to a recovery in Florida’s population growth which is now reaching levels typical of a recovery and historically low interest rates. A Federal Reserve rate hike is inevitable. While the actual hike is not likely until at least the second quarter of 2015, markets will anticipate that hike and react. This will lead to a temporary, but natural, correction in the stock market and a slowdown in housing sales and construction. Under this scenario housing prices are not likely to decline significantly, but will also not grow as much as they have over the past two years. As the Federal Reserve release more clear language regarding the timing of a rate hike we can expect at least a temporary decline in our consumer sentiment index in Florida.”

FLORIDA ECONOMIC AND CONSUMER SURVEY†
September 30, 2014
Bureau of Economic and Business Research
University of Florida

	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
Consumer Sentiment Index													
FLORIDA	78	70	77	77	78	78	80	80	78	82	82	82	83
Men	82	69	82	79	80	80	83	82	80	85	86	85	84
Women	74	71	72	74	75	75	77	77	75	80	77	80	82
Under age 60	82	78	79	86	79	82	85	83	78	88	88	86	88
Aged 60 and over	74	63	77	71	77	75	77	77	77	79	75	80	79
Income under \$30,000	69	62	65	71	75	61	68	65	66	74	73	71	72
Income \$30,000 and over	82	73	83	79	81	86	86	87	84	87	86	85	88
Personal financial situation now compared to a year ago													
FLORIDA	65	61	69	69	66	63	72	69	71	76	73	74	75
Men	71	63	80	75	71	68	77	73	75	79	79	81	79
Women	61	59	58	63	62	58	66	64	67	73	68	66	72
Under age 60	75	68	69	80	67	69	74	77	70	82	83	82	86
Aged 60 and over	59	54	68	61	65	59	69	65	72	73	65	67	67
Income under \$30,000	49	43	45	50	56	39	49	47	49	66	51	54	55
Income \$30,000 and over	73	70	79	75	70	74	81	81	80	81	82	77	84
Personal financial situation expected one year from now													
FLORIDA	80	74	74	78	80	76	83	78	76	83	81	85	84
Men	81	71	77	79	83	78	86	80	78	85	83	89	82
Women	79	76	70	77	76	74	79	75	73	80	79	81	86
Under age 60	96	93	82	96	96	91	98	92	89	102	97	100	100
Aged 60 and over	66	58	68	67	71	66	72	70	65	71	67	72	73
Income under \$30,000	71	66	65	77	77	68	80	70	66	82	76	77	87
Income \$30,000 and over	86	77	78	81	84	84	88	85	80	87	83	87	85
Expected national economic conditions over the next year													
FLORIDA	76	66	76	73	76	79	82	78	74	80	80	80	78
Men	79	62	77	76	73	82	85	83	76	77	83	80	80
Women	74	69	75	70	78	77	79	73	72	83	78	80	77
Under age 60	76	73	76	77	75	82	86	79	78	85	86	80	81
Aged 60 and over	76	60	77	69	77	77	80	77	71	77	76	80	76
Income under \$30,000	76	64	66	72	77	58	69	66	67	77	79	68	64
Income \$30,000 and over	77	66	81	73	78	89	87	87	80	83	85	84	83
Expected national economic conditions over the next 5 years													
FLORIDA	75	71	76	74	81	79	77	81	76	78	81	80	80
Men	80	69	74	76	80	82	78	83	78	81	86	79	81
Women	71	73	78	71	82	77	75	79	74	76	75	80	78
Under age 60	81	77	74	75	80	79	81	79	74	83	82	77	79
Aged 60 and over	71	67	78	72	82	80	75	81	77	75	78	82	80
Income under \$30,000	75	70	73	67	86	58	73	69	69	71	76	72	68
Income \$30,000 and over	77	70	78	75	82	89	83	86	82	83	84	82	83
Is this a good time to buy major household items?													
FLORIDA	91	78	92	91	86	90	86	92	90	94	93	94	98
Men	100	81	105	90	93	89	87	92	92	101	100	95	98
Women	83	75	80	91	80	92	84	92	88	88	85	93	97
Under age 60	82	79	93	101	78	87	85	87	82	90	93	89	95
Aged 60 and over	99	77	93	83	91	93	87	94	99	98	91	99	99
Income under \$30,000	73	67	78	86	80	81	71	74	81	75	85	83	83
Income \$30,000 and over	96	83	100	93	92	95	90	96	97	99	96	95	105

*Revised. †Preliminary.

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

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CHARACTERISTICS OF SURVEY RESPONDENTS FOR CURRENT MONTH

Sample Size	403	Race		Gender	
		% Non-white	19	% Male	50
Average age	60	% White	81	% Female	50
Income Characteristics		Hispanic Origin		Region	
% less than \$20,000	15	% Yes	11	% North	24
% \$20,000 to \$29,999	12	% No	89	% Central	15
% \$30,000 to \$49,999	23			% Southeast	25
% over \$50,000	50			% Southwest	36

Data Collection Dates: September 1 to 25, 2014