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Consumer Confidence

Consumer confidence among Floridians fell three points in May to 82. The source of the decline was broad-based with all five of the index components registering increased pessimism. Perceptions of personal finances now compared to a year ago fell four points to 79, while perceptions of personal finances a year from now fell two points to 91. Perceptions of US economic conditions over the next year fell two points to 74, while perceptions of US economic conditions over the next five years fell one point to 78. Perceptions of whether it is a good time to buy big ticket consumer items, such as appliances and cars, fell six points to 91.

“Consumers in Florida are growing much more pessimistic about the economy and their finances,” said Chris McCarty, the Survey Director. “As has been the case for the past two years, a big source of that must be the increase in gas prices and other inflationary pressures. A gallon of gas in Florida has risen more than 13 cents in the past week and 26 cents compared to the same time a year ago. Although it is typical for gas prices to increase as summer approaches, we are now at record highs. This has been impacting low income consumers for some time now. However a closer examination of the trends in consumer confidence show that low income consumers have demonstrated a very low level of consumer confidence since March. For households making less than \$30,000 a year overall consumer confidence has been at 70 for March, April and May. The source of the drop this month is increased pessimism among upper income households who registered a five point overall decline. Given increases in the stock market, the likely culprit is the very weak housing market here in Florida.”

Spring is typically the time when nearly 70 percent of all real estate sales take place. By nearly all measures, this has been a very weak real estate season with overall sales and price declines similar to recessionary levels. While there are a few real estate experts who think the fall in housing has bottomed out, most remain skeptical as one indicator after another shows the depth and breadth of the decline. Retail sales were quite weak in April, declining .2 percent overall. Particularly hard hit were sales of building materials as new home construction has slowed dramatically. Also showing big drops were sales of clothing, cars and general merchandise. While some of this decline is due to increased fuel costs, it almost certainly reflects problems in housing. Among the biggest problem are declining home values, and with that home equity. Home equity withdrawals have been a major source of consumer spending over the past few years.

“There are many parts to the decline in housing that have yet to play out,” said McCarty. “We must keep in mind that Florida is among a few states, such as California, that may experience serious effects from the problems in the real estate market. Besides the direct effects on construction workers, Realtors and others directly involved in the construction and sale of housing, there are the retailers and service industries that are impacted by declining home equity. People often consider vacations as discretionary spending which could impact Florida as a primary vacation destination. There is also an impact on employers who cannot get

employees to move here, or to transfer, because of problems buying or selling houses. Smaller banks may be impacted as those who are willing to buy housing turn to larger established banks and credit unions for mortgage loans, after hearing the horror stories about fraudulent loans made over the past few years. Most economists now believe that housing may be close to bottoming out, but the consequences will be felt for a year or two more. Moving ahead, we expect consumer confidence to remain the same or continue to decline as gas prices and housing continue to negatively impact consumers. If we see significant declines in the stock market in June, a further drop in consumer confidence is a virtual certainty.”

FLORIDA ECONOMIC AND CONSUMER SURVEY†

May 29, 2007

Bureau of Economic and Business Research University of Florida

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

Consumer Confidence Index

FLORIDA	86	88	87	77	83	90	93	90	89	92	86	85	82
Men	93	91	92	84	90	98	96	95	95	97	90	94	90
Women	81	86	84	72	78	84	91	87	84	87	83	78	76
Under age 60	87	93	90	79	86	94	96	92	91	97	91	89	85
Aged 60 and over	83	82	79	73	80	82	88	87	87	84	79	80	80
Income under \$30,000	67	70	74	62	72	81	83	77	82	81	70	70	70
Income \$30,000 and over	92	95	91	83	89	95	98	98	93	95	92	93	88

Personal financial situation now compared to a year ago

FLORIDA	88	87	80	74	76	82	84	84	80	84	80	83	79
Men	95	92	87	76	78	95	93	88	87	90	83	93	80
Women	84	83	76	72	75	74	78	81	73	79	78	74	77
Under age 60	97	93	87	79	81	90	92	86	81	94	89	89	83
Aged 60 and over	72	78	65	62	66	69	70	78	78	69	67	75	72
Income under \$30,000	51	61	47	52	53	59	57	62	62	58	48	60	53
Income \$30,000 and over	102	96	91	81	85	91	96	94	88	94	91	94	89

Personal financial situation expected one year from now

FLORIDA	92	94	98	91	89	97	101	96	92	94	90	93	91
Men	99	92	103	98	90	105	104	95	103	97	92	98	98
Women	88	95	95	86	87	91	97	97	83	92	89	88	85
Under age 60	99	106	107	100	101	109	111	105	108	109	101	106	100
Aged 60 and over	77	72	76	71	69	74	82	81	71	74	73	73	78
Income under \$30,000	74	77	82	77	83	88	84	89	86	86	79	80	83
Income \$30,000 and over	99	102	104	98	93	102	107	101	97	99	93	97	96

Expected national economic conditions over the next year

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

Expected national economic conditions over the next 5 years

FLORIDA	75	86	82	73	77	85	93	85	83	87	81	79	78
Men	80	89	89	85	88	92	92	95	88	95	86	89	90
Women	72	83	77	65	70	81	94	77	79	80	77	71	69
Under age 60	73	86	82	71	76	86	94	87	85	87	81	83	78
Aged 60 and over	79	85	81	79	84	84	91	82	82	86	82	74	80
Income under \$30,000	61	65	76	60	70	87	94	70	83	77	64	62	69
Income \$30,000 and over	80	90	83	76	84	87	92	94	84	88	89	85	82

Is this a good time to buy major household items?

FLORIDA	100	98	100	87	100	101	101	103	106	109	99	97	91
Men	108	97	105	93	108	103	100	110	110	111	100	107	98
Women	95	100	96	82	94	100	101	97	104	108	98	87	85
Under age 60	97	98	100	84	100	102	98	99	102	110	101	96	86
Aged 60 and over	106	99	98	92	102	99	105	109	114	108	97	98	97
Income under \$30,000	87	88	89	74	90	98	104	94	101	106	89	86	82
Income \$30,000 and over	103	102	103	92	108	102	103	107	108	108	101	103	93

*Revised. †Preliminary.

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CHARACTERISTICS OF SURVEY RESPONDENTS FOR CURRENT MONTH

Sample Size	413	Race		Gender	
		% Non-white	21	% Male	43
Average age	54	% White	79	% Female	57
Income Characteristics		Hispanic Origin		Region	
% less than \$20,000	14	% Yes	15	% North	24
% \$20,000 to \$29,999	12	% No	85	% Central	19
% \$30,000 to \$49,999	23			% Southeast	26
% over \$50,000	51			% Southwest	31