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Consumer Confidence

Consumer confidence among Floridians fell in May, down one point to 65. This is now only one point higher than the all time low for the Florida index when it fell to 64 in December 1991. Of the five components measured, three fell during May, one increased and one was the same as April. Perceptions of personal finances now compared to a year ago remained at 59, the all time low for that component. Expectations about personal finances a year from now fell a point to 78. Perceptions of U.S. economic conditions over the next year rose a point to 53 while perceptions of U.S. economic conditions over the next five years fell one point to 71. The biggest change in the make-up of the index was perceptions as to whether it is a good time to buy big-ticket items, which fell three points to 64.

“Last month I suggested that the stimulus checks might result in a temporary increase to consumer confidence in Florida,” said McCarty. “That would likely have showed up in one of the questions about personal finances. Since those index components were essentially flat, it does not appear that the stimulus checks have done much for confidence so far. Some of this is probably due to record gas prices, and increasing debt obligations. The index component asking Floridians about whether it is a good time to buy big ticket items declined, no doubt due to rising prices and the scarcity of credit for some consumers.”

Many people are questioning the source of the dramatic rise in gas prices. Some of the rise is always expected as the summer vacation season approaches and demand increases. Another element of the increase has been the lowering of interest rates by the Federal Reserve. This has the effect of increasing the supply of money for lending and investment, but it also weakens the dollar against other currencies. Since oil is priced in dollars that makes it more expensive for Americans. Speculators who have been expecting interest rate cuts by the Fed drive up the price of oil by entering into contracts anticipating higher prices in the future. Since the Federal Reserve has indicated it is done with interest rate cuts for now, that part of the equation may reverse. Increasing international demand for oil will continue to rise, putting more upward pressure on prices.

Consumer confidence in May actually rose among lower income households and the elderly. Some of this may be due to the receipt of stimulus checks for those who filed their taxes earlier. Another possibility is that lower income households may have made significant adjustments for gas prices based on earlier increases. The volatility in the stock market and potential effects of declining housing prices on middle and upper income households may also explain this difference.

“Florida’s consumers are certainly in a tight spot,” said McCarty. “Housing prices are still declining, lowering the equity consumers have in their homes. Worse is the confusion about when price declines will stop. Although most economists now see price declines extending into 2009, we expect many Florida housing markets to bottom out by July, based on price declines so far. Once these declines stop, consumers and lenders

will know what homes are worth, as will potential buyers. This will dramatically improve circumstances in Florida, which is more dependent than other states on housing activity. However, significant increases in housing prices are years away.”

FLORIDA ECONOMIC AND CONSUMER SURVEY†

May 31, 2008

Bureau of Economic and Business Research

University of Florida

	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08
Consumer Confidence Index													
FLORIDA	81	82	81	78	77	79	76	74	70	73	70	66	65
Men	88	89	82	83	76	85	80	79	75	79	74	67	72
Women	76	77	81	75	76	75	74	70	66	68	66	65	60
Under age 60	83	86	83	81	81	79	77	75	72	73	69	67	65
Aged 60 and over	79	77	77	76	73	79	76	72	68	74	70	64	65
Income under \$30,000	68	70	67	67	66	73	69	64	58	66	62	60	61
Income \$30,000 and over	87	89	88	84	81	80	80	77	74	76	74	67	68
Personal financial situation now compared to a year ago													
FLORIDA	77	78	73	72	71	69	70	64	65	65	64	59	59
Men	79	86	71	79	75	76	73	69	75	71	69	61	70
Women	76	72	75	67	75	64	68	61	56	59	59	58	50
Under age 60	83	86	78	78	72	70	73	67	67	66	67	63	59
Aged 60 and over	69	66	64	65	70	69	68	58	62	64	59	54	59
Income under \$30,000	50	51	48	49	45	54	59	41	42	50	47	40	47
Income \$30,000 and over	89	88	83	83	80	74	74	70	73	71	71	64	64
Personal financial situation expected one year from now													
FLORIDA	89	88	89	88	86	90	86	87	82	84	88	79	78
Men	95	94	86	92	83	96	89	89	83	89	90	80	83
Women	84	83	91	85	83	86	84	85	82	80	87	78	75
Under age 60	98	98	99	99	97	100	93	96	92	91	98	89	86
Aged 60 and over	77	72	71	73	71	75	78	75	70	76	73	65	69
Income under \$30,000	80	76	81	83	74	83	72	77	77	75	72	56	73
Income \$30,000 and over	95	97	95	93	90	93	94	91	89	89	94	85	80
Expected national economic conditions over the next year													
FLORIDA	74	75	73	70	69	73	62	65	55	65	58	52	53
Men	86	80	72	75	66	76	63	72	56	72	60	55	58
Women	65	71	73	66	66	71	61	60	54	59	56	50	50
Under age 60	75	75	71	67	71	71	59	62	56	64	50	49	52
Aged 60 and over	74	75	74	76	69	77	65	68	54	66	67	55	55
Income under \$30,000	62	69	60	63	69	71	58	66	52	66	54	48	53
Income \$30,000 and over	79	78	77	71	68	73	64	66	56	64	60	51	55
Expected national economic conditions over the next 5 years													
FLORIDA	76	82	80	77	80	78	79	79	74	83	76	72	71
Men	88	88	83	79	78	82	85	83	79	86	82	71	78
Women	67	79	78	76	78	75	75	77	71	80	71	73	67
Under age 60	76	82	78	75	82	72	76	78	72	81	71	69	71
Aged 60 and over	78	84	83	81	78	87	83	81	79	86	83	76	73
Income under \$30,000	66	75	65	72	75	75	70	66	58	77	70	46	73
Income \$30,000 and over	80	86	88	79	81	77	83	84	78	84	80	71	74
Is this a good time to buy major household items?													
FLORIDA	90	87	91	85	81	84	84	75	74	69	64	67	64
Men	94	97	96	91	80	93	89	82	81	75	71	69	71
Women	87	76	88	80	80	78	81	70	68	64	58	66	58
Under age 60	85	90	90	85	83	80	82	73	72	62	60	65	59
Aged 60 and over	98	85	94	86	78	90	88	76	77	75	70	68	70
Income under \$30,000	81	79	79	68	68	81	84	71	63	64	68	56	60
Income \$30,000 and over	92	94	95	92	85	84	88	75	75	70	66	64	65

*Revised. †Preliminary.

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CHARACTERISTICS OF SURVEY RESPONDENTS FOR CURRENT MONTH

Sample Size	429	Race		Gender	
		% Non-white	21	% Male	44
Average age	55	% White	79	% Female	56
Income Characteristics		Hispanic Origin		Region	
% less than \$20,000	15	% Yes	8	% North	29
% \$20,000 to \$29,999	16	% No	92	% Central	18
% \$30,000 to \$49,999	21			% Southeast	26
% over \$50,000	48			% Southwest	27