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Consumer Confidence

Consumer confidence among Floridians plummeted in August, falling 11 points to 76. The decline in confidence was broad-based, with all five components registering a decline. Personal finances compared to a year ago fell seven points to 73, while expectations about future finances fell eight points to 90. Expectations about US business conditions fell 16 points to 60 while expectations about US business conditions over the next five years fell 10 points to 72. Perceptions of whether it is a good time to buy big-ticket items fell 13 points to 87. This is the lowest level for consumer confidence since July, 1993.

“The size and extent of the fall in confidence in August is very similar to the effects we saw last year following Katrina, without the hurricane,” said Chris McCarty, the Survey Director. “The deep drops in all five indices between July and August of 2006 are a mirror of the drops between August and September of 2005. When we think about the events that may have impacted consumers there is, of course, the price of energy, although that has declined recently. The Israeli invasion of Lebanon may have been a factor, although such events typically impact perceptions of short term business conditions. We think it is likely that the effects of a declining housing market may finally be coming into play.”

As is typical of past years, gas prices peaked in early August and are now retreating given lower demand as families have largely finished their summer travels. The stick market, which affects wealthier households, declined in August, largely in reaction to events in the Middle East. However, rising interest rates have impacted most consumers by increasing rates on credit cards and dramatically lowering housing activity in both the purchase and building of homes. The latter is of particular significance given the extent to which consumers have relied on the wealth in their homes to fuel spending. Consumer debt is still at record levels.

“The decline in confidence was disproportionately large among younger consumers, those under age 60,” said McCarty. “This would be the case if housing were having the expected effect as many older consumers have already paid for their homes and are less likely to look toward housing appreciation as a way of financing spending. Consumers with adjustable rate mortgages that are now resetting to current rates are a prime target for the housing decline.”

Moving forward, confidence is expected to remain low through the remainder of 2006. Although the Federal Reserve is not expected to raise interest rates, they are also not expected to lower them. The increased pressure on consumers as the effects of declines in the real estate market come to bear will keep consumer confidence, and therefore spending, at low levels compared to recent years.

FLORIDA ECONOMIC AND CONSUMER SURVEY†

August 29, 2006

Bureau of Economic and Business Research

University of Florida

Aug-05 Sep-05 Oct-05 Nov-05 Dec-05 Jan-06 Feb-06 Mar-06 Apr-06 May-06 Jun-06 Jul-06* Aug-06†

Consumer Confidence Index

FLORIDA	89	78	80	84	91	95	87	91	86	86	88	87	76
Men	94	85	88	88	96	99	92	99	94	93	91	92	83
Women	86	71	74	80	87	92	83	84	82	81	86	84	72
Under age 60	93	79	82	85	95	96	89	94	91	87	93	90	76
Aged 60 and over	82	74	74	82	83	92	84	86	81	83	82	79	75
Income under \$30,000	75	57	67	72	81	83	77	77	75	67	70	74	65
Income \$30,000 and over	96	86	86	89	97	100	92	97	93	92	95	91	80

Personal financial situation now compared to a year ago

FLORIDA	86	80	79	80	88	88	83	89	84	88	87	80	73
Men	88	90	87	84	90	94	89	95	91	95	92	87	75
Women	85	71	73	76	85	84	78	83	80	84	83	76	73
Under age 60	96	86	86	85	93	93	88	98	94	97	93	87	78
Aged 60 and over	65	66	62	71	76	80	76	73	67	72	78	65	63
Income under \$30,000	61	48	51	54	61	61	71	66	65	51	61	47	54
Income \$30,000 and over	99	94	91	91	98	97	91	101	94	102	96	91	79

Personal financial situation expected one year from now

FLORIDA	97	90	90	92	95	99	95	96	92	92	94	98	90
Men	94	95	94	93	100	104	97	102	95	99	92	103	98
Women	99	86	87	90	92	96	93	90	90	88	95	95	85
Under age 60	104	98	98	101	105	109	106	107	107	99	106	107	98
Aged 60 and over	81	72	71	75	73	83	77	75	68	77	72	76	71
Income under \$30,000	90	74	81	78	89	96	81	85	82	74	77	82	78
Income \$30,000 and over	103	98	96	100	99	104	103	101	101	99	102	104	96

Expected national economic conditions over the next year

FLORIDA	75	56	66	72	84	86	77	81	76	73	77	76	60
Men	83	67	78	74	90	92	81	93	88	85	87	78	65
Women	70	47	58	70	79	81	74	70	68	66	69	74	56
Under age 60	75	53	67	73	87	84	78	78	74	70	80	76	57
Aged 60 and over	76	64	68	72	81	89	76	86	80	81	76	73	66
Income under \$30,000	59	37	61	68	86	80	69	71	71	61	61	74	50
Income \$30,000 and over	80	61	68	73	86	90	81	82	79	78	85	75	63

Expected national economic conditions over the next 5 years

FLORIDA	80	70	76	78	84	90	79	83	78	75	86	82	72
Men	89	76	86	84	91	94	85	96	91	80	89	89	85
Women	74	65	69	73	78	87	74	72	70	72	83	77	62
Under age 60	78	68	74	77	86	86	76	84	79	73	86	82	68
Aged 60 and over	84	72	81	80	81	97	84	84	80	79	85	81	80
Income under \$30,000	70	53	65	74	82	78	66	73	68	61	65	76	63
Income \$30,000 and over	84	76	81	78	86	94	84	86	86	80	90	83	73

Is this a good time to buy major household items?

FLORIDA	109	91	88	98	105	109	102	106	102	100	98	100	87
Men	117	99	95	107	107	109	107	109	104	108	97	105	91
Women	104	85	83	90	103	109	97	104	101	95	100	96	84
Under age 60	111	89	88	91	104	109	98	104	101	97	98	100	81
Aged 60 and over	103	95	90	110	105	113	107	110	107	106	99	98	98
Income under \$30,000	94	72	78	85	89	100	101	91	91	87	88	89	77
Income \$30,000 and over	114	101	96	103	114	113	101	112	107	103	102	103	91

*Revised. †Preliminary.

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CHARACTERISTICS OF SURVEY RESPONDENTS FOR CURRENT MONTH

Sample Size	430	Race		Gender	
		% Non-white	18	% Male	43
Average age	52	% White	82	% Female	57
Income Characteristics		Hispanic Origin		Region	
% less than \$20,000	17	% Yes	12	% North	25
% \$20,000 to \$29,999	13	% No	88	% Central	18
% \$30,000 to \$49,999	24			% Southeast	25
% over \$50,000	46			% Southwest	32