

Florida's consumer confidence rises as economic fears ease

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(PhysOrg.com) -- Belief that a national economic recovery is under way boosted Florida's consumer confidence three points to 74 in September, according to a new University of Florida survey.

"I think [Florida](#) consumers are buying into the argument that the worst of the [recession](#) is over and we have avoided a complete meltdown," said Chris McCarty, survey director of UF's Bureau of Economic and Business Research. "Once again they have surprised us with a higher than expected index."

This month's three-point rise follows a four-point revised increase in August. Of the five components that make up September's index, three rose, one declined and one was unchanged. Perceptions of personal finances now compared with a year ago remained unchanged at 44, only five points above its all-time low of 39 in December. Expectations about personal finances a year from now fell three points to 81.

In contrast, perceptions of U.S. [economic conditions](#) over the next year rose three points to 75, while expectations about economic conditions over the next five years rose five points to 86. Perceptions of whether it is a good time to buy big-ticket items, such as appliances and cars, rose nine points to 84.

"It is worth noting that the two index components that gauge perceptions of personal finances both now and in the future are flat or down," McCarty said. "All of the increase is in perceptions of future economic conditions and in the perception that if you have the money it's a good

time to buy.”

There are some signs that the economy is improving, he said.

Once again the median price of a single-family home is virtually flat compared with the previous month, and up for the year, suggesting that housing prices in many areas of Florida have bottomed out, McCarty said. Although foreclosures are still high, the rate seems to be declining, he said.

In other good news, inflation and, in particular, gas prices remain low overall compared with a year ago, McCarty said. In the past few years, [gas prices](#) have dominated the consumer confidence index, he said.

In addition, the stock market is still up for the year and at least for now appears stable, he said.

“On the negative side, unemployment remains at 10.7 percent for Florida,” he said. “This number is not expected to improve much until next year, and it could still get worse. Florida lost population this past year and could do so again as the underlying problems preventing people from moving are still in place.”

Tourisms both domestically and internationally also are down as consumers trim discretionary spending, McCarty said. Retail sales were at least temporarily lifted by such programs as Cash for Clunkers, but sales tax revenues in Florida have dropped 10 percent from a year ago, he said.

“In the near term we expect [consumer confidence](#) to decline at least a point or two as the holiday season nears and stimulus programs like Cash for Clunkers and rebates for first-time home buyers expire,” he said.

“The discussion about health care reform will be at center stage this fall and may affect confidence if the plans involve increased payments from

the middle class.”

Also of economic concern is that at some point extended unemployment benefits will run out, putting more pressure on the unemployed, he said. In the long term, consumers need to be prepared for the inevitable drawing back of stimulus money from the economy, he said.

The U.S. government effectively printed money to avoid a depression, and at some point most of the money will have to be withdrawn from the economy to avoid inflation and a very weak dollar, McCarty said. When that happens, interest rates will rise dramatically, he said.

“We also have to think about how the Florida economy will adjust moving forward,” he said. “It is likely that discussions about off-shore drilling will receive much more attention as Florida looks for industries to replace those dependent on population growth.”

The research center conducts the Florida Consumer Attitude Survey monthly. Respondents are 18 or older and live in households telephoned randomly. The preliminary index for September was conducted from 412 responses. The index is benchmarked to 1966, so a value of 100 represents the same level of confidence for that year.

Provided by University of Florida ([news](#) : [web](#))

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