

Florida's consumer confidence remains flat amid mixed economic news

October 27 2009, by Cathy Keen

(PhysOrg.com) -- Florida's consumer confidence remained flat at 72 in October, a level more in line with economists' expectations than the initial increase that was recorded last month, according to a new University of Florida survey.

“Consumers are more optimistic this month about their current personal finances and less optimistic about the U.S. economy in both the short and long term,” said Chris McCarty, survey director of UF’s Bureau of Economic and Business Research. “They remain bullish on buying opportunities and are likely to be even more optimistic when they see the drastically lower prices in the coming months from retailers trying to boost holiday sales among the most cautious U.S. consumers since the Great Depression.”

However, as the holidays approach, most forecasts predict no growth in retail sales over what turned out to be an extremely disappointing 2008 season, McCarty said.

“Floridians should prepare for more bad news through the first quarter of 2010,” he said. “If retail sales growth is as low as expected, sales tax revenues will not meet expectations.”

With decreasing revenues and increasing costs, the state could see a \$2.6 billion budget deficit, McCarty said. “That will mean increased taxes and fees and certainly more cost-cutting by the Florida Legislature as the spring session unfolds,” he said.

September's final consumer confidence index dropped two points from the initial reported reading of 74 when an additional week of interviews were included in survey results at the end of the month, McCarty said. Florida's consumer confidence index had slowly inched up from 67 in July to 71 in August and 72 in September before stalling in October, he said.

"The revision downward and the flat reading this month is more in line with what we had been expecting," McCarty said. "Given the [economic environment](#) in Florida and the U.S., the preliminary reading of 74 last month seemed high."

Two of this month's five components increased while three declined. Perceptions as to whether it is a good time to buy big-ticket items rose three points to 83 and perceptions of personal finances now compared with a year ago rose three points to 45. Expectations about U.S. economic conditions over the next year fell three points to 71, while expectations about U.S. economic conditions over the next five years fell three points to 81. Perceptions of personal finances a year from now fell one point to 80.

Florida's economic picture remains mixed, when housing, the stock market and retailing are all taken into consideration, McCarty said. "Home prices in most Florida markets have held steady over the past few months although they are down an average of 43 percent from the peak values reached in June 2006," he said. "It is unclear how much of this stability is due to activity from first-time home buyers who took advantage of the \$8,000 tax credit due to expire Dec. 1."

The most recent mortgage applications survey from the Mortgage Bankers Association showed a large decline in applications for both new mortgages and refinancing, suggesting that sales may fall in the coming months without the tax rebate, McCarty said. Potentially, this could

decrease home prices even more, even though prices are already down to 2002-2003 levels, he said.

In other bad news, unemployment in Florida has risen to 11 percent, McCarty said. With retail sales remaining quite low, that will likely contribute to further unemployment in many of the state's metro areas as the holiday season unfolds, he said.

And as unemployment rises, the number of Floridians on Medicaid will continue to climb, increasing costs to taxpayers, he said.

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 October was conducted from 408 responses. The index is benchmarked to 1966, so a value of 100 represents the same level of confidence for that year, he said.

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

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