

Consumer confidence remains stagnant without future economic signals

August 31 2010, by Cathy Keen

With no clear signs the nation is either on the road to economic recovery or showing signs of entering another recession, Florida's consumer confidence remained stagnant, inching up only one point to 67 in August, according to a new University of Florida survey.

[Consumer confidence](#) is entrenched at a relatively low level," said Chris McCarty, director of UF's Survey Research Center in the Bureau of Economic and Business Research. "With the exception of a jump in April due almost entirely to the housing and appliance rebate programs, consumer confidence has been stuck in the upper 60s to low 70s for the past year. We are in the economic doldrums."

Two of the five components of the index increased, while one decreased and two remained unchanged.

Perceptions of personal finances now compared with a year ago rose four points to 52 from a record low in July, while perceptions of personal finances a year from now rose three points to 78.

"On the bright side, the oil spill has been contained and this is probably part of the reason for increased optimism about personal finances," McCarty said. "Although the long-term effects of the spill are not yet known, there is evidence that tourists now realize that Florida beaches are for the most part unaffected."

Remaining unchanged were perceptions of U.S. economic conditions

over the next year at 61 and perceptions of U.S. economic conditions over the next five years at 70. The only component to decline was perceptions about whether it is a good time to buy big-ticket consumer items, which fell two points to 73.

“While the mix among the five components has changed, overall consumers’ attitudes reflect other economic indicators that don’t show a clear path out of recovery or back to another recession,” McCarty said.

Unemployment, the stock market and housing prices all add to the state’s economic uncertainty, he said.

Florida’s [unemployment rate](#) still remains high, having risen .1 to 11.5 percent in July, McCarty said. Also last month the stock market fluctuated wildly, mostly downward, as unexpectedly pessimistic news about existing and new home sales rekindled fears of a double-dip recession, he said.

In other bad news, housing prices fell in July to a median price of \$138,000, erasing gains from the spring that were pushed up by the federal rebate program, McCarty said. However, it seems unlikely that housing prices will continue to decline in the short term, he said.

Prices over the past year have remained relatively flat, compared with the volatility over the past three years, McCarty said. In addition, unemployment is not rising dramatically, mortgage rates are at record lows and the containment of the oil spill means it will be less likely to affect housing prices on the Gulf, he said.

However, if unemployment starts creeping back up, there could be a problem, he said.

On the positive side, inflation remains surprisingly in check despite the

massive infusions of capital from the stimulus and bailout packages, he said.

Taxable sales for June, the latest month for which figures are available, appear on track, and as other news such as the November elections dominates the headlines, the oil spill will become less of a factor for tourists and people who are interested in moving to Florida, he said.

Nationally, consumer confidence, as measured by the University of Michigan's index, which was released on Friday, mirrors Florida, with a one-point increase, although that index is about two points higher overall, 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 August was 425 responses.

Provided by University of Florida

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