

Florida's consumer confidence gets big boost from variety of factors

October 26 2010, by Cathy Keen

Historically low interest rates, bargains on condominiums and the moratorium on foreclosures were the likely causes of a six-point jump in Florida's consumer confidence in October to 74, its highest level in six months, according to a new University of Florida survey.

"Much like the spike in April's consumer confidence, this increase was not expected," said Chris McCarty, director of UF's Survey Research Center in the Bureau of Economic and Business Research. April's increase was the result of home appliance rebates, he said.

All five of the index components rose this month. The biggest increase was in perceptions of whether it is a good time to buy big-ticket consumer items, which jumped 10 points to 85. Perceptions of personal finances now compared with a year ago rose six points to 55, while perceptions of personal finances a year from now rose seven points to 85. Perceptions of U.S. economic conditions over the next year rose five points to 68, while perceptions of U.S. economic conditions over the next five years rose two points to 78.

"As we get closer to the holiday season, consumers should expect increases in both gas and food prices, which will likely affect consumer confidence and holiday sales," McCarty said. "Given the large increase in confidence this month, I expect a slight decline next month, barring some significant change in the economic climate."

The rise in confidence this month was particularly marked among

seniors. The index rose only two points for those under 60, but 11 points for those 60 and older he said.

“This is an odd result when the biggest news for seniors during October was the announcement on Oct. 15 of no cost-of-living adjustment to Social Security,” McCarty said. “Since then, there has been a push among President Obama and some in Congress for a one-time payment of \$250 as compensation.”

It also is possible that the midterm election cycle could somehow affect senior optimism, McCarty said. “It is not unusual for the potential viability of one candidate or the other to translate into one of the index components, although that is typically one of the two components measuring perceptions of U.S. economic conditions,” he said.

A likely cause of an increase in consumer confidence overall is the effect of the temporary moratorium on [foreclosures](#) and the possibility of delaying foreclosures as a result of the news that banks may be vulnerable in not following procedures in the filing of paperwork when buying and selling mortgages, he said.

The increase in confidence comes amid mixed economic news about employment, housing, tax revenue and tourism revenue. The latest unemployment figures, which were just released, show Florida’s jobless rate in September was up to 11.9 percent from a revised August figure of 11.8 percent, far above the national unemployment rate of 9.6 percent.

“Although housing prices have been declining, condo sales have been on the rise due in part to bargain-buying by those with cash,” McCarty said.

The number of tourists and tourism revenue are also above last year’s, although probably lower than they would have been without the oil spill,

he said.

“My thinking had been that [consumer confidence](#) would remain mired in the upper 60s and low 70s until there was a clear path to economic recovery,” he said. “While I still believe that to be the case, the confidence index for Florida has been somewhat erratic since April.”

These wide swings are the result of historically extreme economic circumstances, he said.

In April, the large infusion of stimulus money in the form of tax rebates affected confidence, McCarty said. April’s reading of 78 was seven points higher than that for March, he said.

“This month, it probably has something to do with historically low interest rates and bargains on condominiums, as well as the moratorium on foreclosures,” 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 collected from 403 responses.

Provided by University of Florida

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