

Florida's consumer confidence wanes as events unravel overseas

March 30 2011, by Milenko Martinovich

Consumer confidence among Floridians dropped four points in March to 72 as many economic indicators for Florida continue to show signs of weakness, according to a new University of Florida survey.

Three of the index components decreased as [natural disasters](#) and political turmoil overseas offset the index's seven-point spike in January.

"There has been a lot of news in March for consumers to process," said Chris McCarty, director of UF's Survey Research Center in the Bureau of Economic and Business Research.

"The unrest in the Middle East and North Africa has been both inspirational and unnerving. The deteriorating circumstances in Libya have been of enormous concern both due to U.S. involvement and the effect on oil production. The earthquake in Japan raises questions about the stability of Japanese products, companies with a base in Japan, as well as reflection on the safety of our own nuclear-based power grid."

McCarty also said gas prices, which had already been on their way up prior to these events, are likely to continue rising due to potential shortages from Libya, offline refineries in Japan, increased demand from China and India and seasonal increases as the summer approaches.

These circumstances are resonating with Floridians. They still express confidence in their personal financial situations, but survey results show they are weary of the effects nationally. Perceptions of U.S. economic

conditions over the next year dropped nine points to 68 — the biggest decline in that category since a 16-point drop in May 2010. Perceptions of U.S. economic conditions over the next five years dropped six points to 74, its lowest reading since August 2010, when it was 69. Confidence in purchasing big-ticket items such as cars and appliances fell nine points to 79.

The only index component to rise was perceptions of personal financial situations now compared to a year ago, which increased by one point to 57. Perceptions of personal financial situations expected a year from now remained at 81.

“The January and February [consumer confidence](#) readings seemed somewhat high,” McCarty said. “While we had expected a decline as the budget situation both at the state and national level unfolded, this decline is in no small part due to the events in the Middle East, North Africa and Japan. This is particularly noticeable in the readings on perceptions of economic conditions which often register pessimism regarding such events in the short run, but recover within a month or two.”

Those situations aside, Floridians must deal with further economic declines at home. McCarty said the median price for a single-family home in Florida fell sharply in January and slightly more in February to \$121,900, the lowest level since March 2001. Sales tax revenues, though higher than last year, are below estimates, requiring deeper cuts to the state budget, McCarty said. The potential cuts are broad-based, McCarty said, affecting virtually all public employees and Medicaid recipients.

One of the few bright spots for Florida was that unemployment fell in February to 11.5 percent, down from 11.9 percent in January. Most economists, however, do not expect significant declines in unemployment until sometime next year, McCarty said.

As time passes, the aftermath of the political uprisings and the Japan earthquake should weigh less on consumers, McCarty said, but the combination of rising gas prices, budget cuts and double-digit unemployment should negate a climb in confidence.

“Immediately prior to the past recession, consumer confidence rose and fell with fluctuating gas prices,” McCarty said. “As prices of gas and food increase consumers already struggling to balance their budgets will grow increasingly pessimistic. Although stability in the stock market will provide some balance to those forces, it is likely that the negatives will keep consumer confidence in the upper 60s to lower 70s for the next few months.”

The research center, a part of the Warrington College of Business Administration, conducts the Florida Consumer Attitude Survey monthly. Respondents are 18 or older and live in households telephoned randomly. The preliminary index for March was collected from 679 responses.

Provided by University of Florida

Citation: Florida's consumer confidence wanes as events unravel overseas (2011, March 30) retrieved 4 May 2024 from

<https://phys.org/news/2011-03-florida-consumer-confidence-wanes-events.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.