

Highest jobless rate in three decades causes drop in consumer confidence

24 November 2009, by Cathy Keen

(PhysOrg.com) -- Florida's consumer confidence fell three points to 69 in November amid continued concerns over the state's high unemployment rate, according to a new University of Florida survey.

"We had expected consumer confidence to fluctuate in the upper 60s to low 70s for the next several months, so a decline was not a surprise," said Chris McCarty, survey director of UF's Bureau of Economic and Business Research. "There are reasons for growing pessimism, particularly lingering employment issues that are expected to get worse over the next several months."

Florida's unemployment level increased to 11.2 percent in October, the highest rate in 34 years, McCarty said.

"Perhaps more disturbing is the rising percentage of the long term unemployed - those who are unemployed for six months or more - who are dependent on an extension of unemployment benefits and may have continued difficulty finding work," he said.

This group accounted for 1.79 percent of the United States population in September, compared with 1.2 percent following the recession in 1982, he said.

"The biggest surprise in this report was the very sharp decline in perceptions of the economy in the long run," McCarty said. "Florida consumers may be wondering whether the effects of this downturn will last longer than usual, or perhaps some aspects of this downturn are permanent."

McCarty said he expects holiday retail sales to remain flat compared with a year ago, and he foresees no clear improvement in [consumer confidence](#) before the second quarter of 2010, if not later.

Of the five components that make up the index, two increased while three decreased. This month's report is similar to October in that expectations about the economy declined, while perceptions of personal finances improved.

Perceptions of U.S. economic conditions over the next year fell seven points to 64, while perceptions of economic conditions over the next five years plummeted 11 points to 69. Also declining was perceptions of whether it is a good time to buy big-ticket consumer items, which dropped four points to 78.

In contrast, perceptions of personal finances now compared with a year ago rose five points to 49, while perceptions of personal finances a year from now rose two points to 84.

"The bright side of this report is the rise in perceptions of personal finances," McCarty said, attributing the optimism to positive developments in housing prices and the stock market.

"Housing prices appear to have stabilized in many Florida markets," he said. "The extension of the tax rebate for first-time buyers and the expansion of the program to include a \$6,500 rebate for buyers who have owned a home for at least five years will help support those prices."

The main threat to housing prices is a further deterioration of employment, he said.

In other good news, the stock market has managed to sustain a rally, contributing to consumers' perceptions of wealth, and the Federal Reserve has so far held off on increasing interest rates, 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 November was conducted from 431 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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