

UF survey: Consumer confidence registers modest increase in July

27 July 2011, by Milenko Martinovich

(PhysOrg.com) -- Increased optimism about making major purchases played a significant role in consumer confidence rising two points in July to 68, according to a new University of Florida survey.

Four of the five components that make up the index increased or remained unchanged. The biggest improvement was in confidence to purchase big-ticket items such as cars and appliances which rose five points to 77.

"Some of this may have to do with declines in gas prices during the month of June and much of July," said Chris McCarty, director of the Bureau of Economic and Business Research. "This leaves more money in people's budgets for other purchases."

The other index components that rose were perceptions of personal finances now compared with a year ago, which increased three points to 57, and expectations of personal finances a year from now, which climbed one point to 75. Expectations of U.S. economic conditions over the next five years remained at 72. The only component to decline was perceptions of U.S. economic conditions over the next year, which fell one point to 59.

McCarty said another reason for the increase was improved confidence among seniors, which rose five points to 66. Last month's overall decline, McCarty said, was due in large part to seniors' uncertainty over potential cuts to Medicare and Social Security. Although the federal government has not yet released its budget plans, the delay in reducing those programs may have led to a slight improvement. McCarty also said seniors may have learned that proposed entitlement cuts might not affect those in or near retirement as much as previously thought.

State unemployment was unchanged in June at

10.6 percent, ending five consecutive months of decline (national unemployment was 9.2 percent as of July 8). Home sales in Florida were down in June, but the median price for a single-family home (\$138,000) in Florida increased for the fourth consecutive month. McCarty warned, however, that home prices aren't expected to rise through the fall.

"First, the processing of a backlog of foreclosures has been delayed in the courts," McCarty said. "Second is a change in FHA (Federal Housing Administration) loans for higher-priced homes. During the housing crisis the FHA raised the price of conforming loans to \$729,750. That will fall to its previous level of \$625,000 making the sale of higher-priced homes more difficult and putting downward pressure on prices."

Another element that could derail [consumer confidence](#), McCarty cautioned, is the aftermath of the debt ceiling debate.

"It is unlikely that the U.S. will actually default," McCarty said. "The question is what sort of deal will ultimately lead to raising the debt ceiling. That seems to be anybody's guess. Depending on the details this could have a relatively negligible effect on consumers or a severe effect. It is unlikely that any deficit reduction plan will raise consumer optimism, despite its necessity."

The research center, 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 June was collected from 414 responses.

The index is benchmarked to 1966, so a value of 100 represents the same level of confidence for that year. The lowest index possible is a 2; the highest is 150.

Provided by University of Florida

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