
Confidence surges ahead amid optimism about war in Iraq

From:
UF Survey Research Center
Bureau of Economic and Business Research
Warrington College of Business Administration
University of Florida
P. O. Box 117145, Gainesville, Florida 32611-7145

Contact:
Chris McCarty, Survey Director
Office: (352) 392-2908 ext. 100

Consumer Confidence

Consumer confidence among Floridians surged ahead in April amid optimism over the outcome of the war in Iraq. The index rose six points from 81 in March to 87 in April. The rise in confidence was in three of the five components. Short-term perceptions of US business conditions rose 18 points to 80 and long-term perceptions rose 14 points to 87. Perceptions of whether it is a good time to buy big-ticket items rose six points to 96. The other two components measuring perceptions of personal finances fell.

“This rise in confidence was expected following a quick and positive outcome to the war in Iraq,” said Chris McCarty, the Survey Director. “The two components of the index most affected by the war were those measuring perceptions of U.S. business conditions. These tend to be the most volatile of the five components and the most affected by sudden events. The question is whether this rise in confidence will be sustainable.”

While confidence rose overall, the component measuring personal finances now compared to a year ago fell six points to 77, the same level as in January. While there have been some signs that the economy may be set for a turnaround, recent rises in claims for unemployment insurance suggest that we are a long way from a full recovery. This is in large part the cause for the fall in perceptions of personal finances.

“Many people have assumed that the stalled recovery is due to the war in Iraq,” said McCarty. “Others have blamed it on 9-11. While those things have contributed to caution among consumers and investors, the fundamental problem with this recovery predates both. The same forces that led the Federal Reserve to lower interest rates to four-decade lows and the White House to push huge tax cuts are still very much there. U.S. companies have not begun to rehire those who were laid off following the crash of the dot.com industry in 2000, and the accounting scandals in 2001. The recent rise in confidence is probably short-term euphoria that will wear off as attention turns from Iraq back to what is happening here at home.”

Survey Method

The consumer confidence index and its five component indexes are not percentages. The minimum value these indexes can take is 2 if all respondents answered pessimistically on all five questions, and 150 if all respondents answered optimistically on all five questions. The index is benchmarked to 1966, so that a value of 100 represents the same level of confidence for that year. The value of the index is in comparing changes over time rather than looking at an isolated month.

Consumer confidence is designed to measure the mood of consumers towards buying, and thus help to predict buying patterns. Although other economic indicators are also predictors of buying patterns, consumer confidence tends to be available sooner than these indicators. Consumer confidence is also designed to capture the effect of events that may affect buying patterns, but are not immediately reflected in other economic indicators.

The Florida Consumer Attitude Survey is conducted monthly by the UF Survey Research Center of the Bureau of Economic and Business Research at the University of Florida. This 70-station computerized lab surveys Floridians throughout the state through random-digit dialing. Responses are weighted to account for variable response rates across counties.

FLORIDA ECONOMIC AND CONSUMER SURVEY
April 28, 2003
Bureau of Economic and Business Research
University of Florida

Apr-02 May-02 Jun-02 Jul-02 Aug-02 Sep-02 Oct-02 Nov-02 Dec-02 Jan-03 Feb-03 Mar-03* Apr-03†

Consumer Confidence Index

FLORIDA	95	93	94	90	88	90	82	90	86	83	79	81	87
Men	104	98	100	98	96	94	87	95	92	91	88	93	95
Women	86	88	89	84	81	85	78	85	79	76	73	71	82
Under age 60	98	96	97	93	91	92	85	91	88	86	81	82	89
Aged 60 and over	88	83	88	81	81	83	76	88	80	76	77	80	82
Income under \$30,000	86	78	93	83	82	78	77	80	79	75	73	75	79
Income \$30,000 and over	100	101	97	95	93	97	87	95	89	88	85	86	82

Personal financial situation now compared to a year ago

FLORIDA	82	83	88	87	75	78	70	80	74	77	78	83	77
Men	94	83	92	94	80	83	72	89	75	81	84	92	80
Women	71	83	84	81	71	73	68	72	72	73	72	76	74
Under age 60	92	90	95	94	83	84	77	84	79	83	86	90	86
Aged 60 and over	61	64	73	66	55	58	51	65	60	63	58	68	53
Income under \$30,000	69	60	78	75	69	66	54	69	66	64	64	76	65
Income \$30,000 and over	91	96	99	94	81	89	79	86	78	86	90	90	83

Personal financial situation expected one year from now

FLORIDA	103	102	106	103	102	108	101	99	98	97	95	98	97
Men	106	105	108	105	106	108	103	103	103	101	97	104	102
Women	100	99	104	101	98	108	99	96	93	93	94	93	93
Under age 60	111	111	115	111	110	116	108	103	107	105	102	105	104
Aged 60 and over	83	77	83	81	80	81	81	82	79	76	76	84	81
Income under \$30,000	96	96	107	100	98	105	98	94	91	91	94	101	89
Income \$30,000 and over	110	108	109	108	106	114	104	104	105	104	98	100	102

Expected national economic conditions over the next year

FLORIDA	98	96	84	76	76	84	68	81	75	67	59	62	80
Men	108	100	90	85	88	87	75	83	83	79	66	78	90
Women	89	92	78	69	66	81	62	79	66	58	53	49	73
Under age 60	98	96	83	77	75	85	68	80	74	70	57	58	78
Aged 60 and over	98	94	87	75	82	82	71	84	78	60	66	74	82
Income under \$30,000	97	83	91	72	73	73	69	69	75	60	56	49	76
Income \$30,000 and over	97	100	83	80	79	92	70	83	76	70	63	68	80

Expected national economic conditions over the next 5 years

FLORIDA	87	81	85	82	84	80	75	85	77	73	74	73	87
Men	97	93	98	94	102	90	82	93	91	83	88	90	99
Women	77	71	74	72	69	70	68	79	63	66	62	59	79
Under age 60	86	80	85	83	83	79	73	82	79	74	73	71	85
Aged 60 and over	91	85	88	78	87	83	81	99	76	72	79	79	91
Income under \$30,000	74	62	81	78	75	61	68	69	66	69	62	65	79
Income \$30,000 and over	92	91	86	86	92	87	81	92	83	74	80	76	93

Is this a good time to buy major household items?

FLORIDA	103	102	108	101	101	99	98	105	103	100	92	90	96
Men	115	108	110	109	103	103	104	110	105	112	103	104	106
Women	91	97	107	95	100	95	92	101	102	92	82	78	89
Under age 60	100	104	108	100	103	96	98	104	101	97	87	88	94
Aged 60 and over	107	96	110	103	98	109	96	107	110	111	107	93	101
Income under \$30,000	95	87	109	91	94	87	95	96	98	89	89	85	83
Income \$30,000 and over	107	111	112	108	105	104	99	110	102	109	95	95	103

*Revised. †Preliminary.

FLORIDA ECONOMIC AND CONSUMER SURVEY
April 28, 2003
Bureau of Economic and Business Research
University of Florida

CHARACTERISTICS OF SURVEY RESPONDENTS FOR CURRENT MONTH

Sample Size	40	Race		Gender	
		% Non-white	18	% Male	42
Average age	51	% White	82	% Female	48
Income Characteristics		Hispanic Origin		Region	
% less than \$20,000	21	% Yes	13	% North	25
% \$20,000 to \$29,999	14	% No	87	% Central	18
% \$30,000 to \$49,999	28			% Southeast	26
% over \$50,000	37			% Southwest	31