

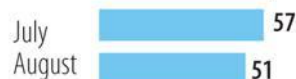
Experts blame consumer confidence drop on perception, not reality

By Kevin Gale and Susan R. Miller
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Plunging confidence

Consumer confidence among Floridians decreased to a reading of 62 in August, only three points higher than the record low of 59 in June 2008. A look at key components:

Perceptions of U.S. economic conditions over the next year



Perceptions of U.S. economic conditions over the next five years



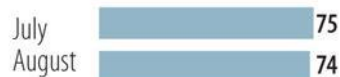
Confidence to purchase big-ticket items such as cars and appliances



Perceptions of personal finances now compared with a year ago



Expectations of personal finances a year from now



Source: University of Florida

Consumer confidence among Floridians decreased to a near-record low in August, according to a University of Florida survey. This month's mark of 62 is only three points higher than the record-low 59 set in June 2008.

"If past history of this index is any indication, we are in, or at least very near, a recession. We are not likely to know for certain until after the fourth quarter," said Chris McCarty, director of the Bureau of Economic and Business Research, who called the decrease in confidence across all five components "remarkable."

University of Central Florida economist Sean Snaith said consumers are suffering from "post-traumatic financial distress disorder."

But just how much is reality, and how much is perception?

Clark Hodges, a financial strategist with Hodges Capital Management, a Dallas-based investment advisory firm, believes the economy isn't as bad as people think. He blames it on the message Americans are receiving from politicians.

"Everything was going well through mid-July, then [politicians] starting using words like 'calamity' and 'depression' and 'double-dip recession' and 'world markets crashing,' and I think that scared everyone," Hodges said. "If you were to visit 10 different corporations and were to ask CEOs how business is, and how their balance sheet looks today versus 2008, generally speaking, most companies look better and feel better."

Brett Rose, CEO of United National Consumer Suppliers, a Fort Lauderdale-based wholesale distributor that recently was named to the Inc. 5000 list of fastest-growing companies, said the downturn has forced consumers to become smarter shoppers, which is good for his business, which specializes in manufacturer closeouts, excess inventories and overstocks.

"We almost benefit from a downswing in the economy," he said. "If I can provide a service and value, hopefully I can do my part in raising consumer confidence."

Rose believes the downturn has forced consumers to change their way of thinking, and many now take pride in taking part in what he calls "the art of the treasure hunt."

Nationwide confidence low

Nationwide, consumer confidence fell to 44.5 in August – the lowest since April 2009 – from a revised 59.2 for July. The Conference Board’s survey, released Aug. 30, showed more pessimism about current economic conditions. Consumers saying jobs are “hard to get” increased to 49.1 percent from 44.8 percent, while those stating jobs are “plentiful” declined to 4.7 percent from 5.1 percent.

Rose said that has not been the case for his company, which has grown threefold in the last 24 months, with plans to double its number of employees in the next eight months.

Despite the significant drop in confidence, state and national economic indicators were not much different from last month, when overall confidence rose two points. State unemployment remained steady, at 10.7 percent, while national unemployment dropped 0.1 percent, to 9.1 percent.

South Florida’s unemployment rate dropped to 11.3 percent in July from 11.8 percent in June and 11.9 percent in July 2010.

As for the future?

“Over the next few months, we do not expect consumer confidence to decline much further,” McCarty said. “While we are near record lows, as is the rest of the country, the economic circumstances are not anything like they were in 2008. At a certain point, it becomes difficult for the index to go much lower.”

THE DETAILS:

Other economic news

- Consumer confidence drops nationally
- Intuit Small Business Employment Index shows weakness
- Consumers are suffering from “post-traumatic financial stress disorder”
- Florida saw the largest loss in part-time state government employment between 2009 and 2010