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# Eccles Consumer Sentiment Index

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## Summary

Consumer sentiment indicated an unfavorable assessment of the economy for November and decreased from October 2020. The decrease is smaller for sentiment in Utah than the US as a whole, likely due to mask requirements in Utah bolstering consumer confidence.

We report three indices; the Eccles Utah index, the Eccles US index, and the Michigan US index. The Eccles indices are calculated using survey evidence from Utah residents on conditions in Utah and the US. The Michigan index is a national poll run by the University of Michigan. The Michigan index has been reported since 1978, is frequently used in models of the economy by the Federal government and Federal Reserve, and is currently the gold standard. The Eccles indices ask the same questions as the Michigan index for comparability and come from a representative sample of Utah residents. For November, **the Eccles Utah index is 79.5, the Eccles US index is 72.5, and the Michigan US index is 76.9**. These numbers indicate a somewhat unfavorable assessment of economic conditions as they are below the three-year moving average of the Michigan US index 93.0, which the Eccles indices are anchored to.

The Eccles survey also includes quantitative questions on people's expectations of how their spending, income, and savings will change over the next few months. These questions measure inputs into the local economy and are therefore useful for forecasting economic conditions for the state of Utah. These measures indicate that Utahns believe spending, income, and savings will not fall as much in Utah in the next few months as they will for the US as a whole. **These quantitative responses show some increased optimism about changes in income for Utah.**

Finally, we report answers to questions about how COVID-19 conditions are affecting behavior. We find that **solving the health crisis is good economics**, as people are more likely to go to a store if cases drop or more people are wearing masks.

## Consumer Sentiment Index

The Michigan and Eccles Consumer Sentiment Indices are calculated based on how favorable or unfavorable consumers are on five different questions. These questions, given in full in Table 1, ask about current conditions, expectations for a year from now, business conditions in the next year, conditions over the next five years, and whether it is a good time to buy durable goods such as furniture.

The Eccles US index for November 2020 is 72.5, indicating a relatively unfavorable assessment of the economy. Only 19% responded that they were better off financially now than they were a year ago. In comparison, 26% said worse off, the rest said about the same. People are slightly more optimistic about the future as 28% expected to be better off next year, while only 15% said worse off.

The Eccles Utah index for November 2020 is 79.5; while still low, it is higher than for the US as a whole. When asked about business conditions in Utah over the next 12 months, 41% were optimistic, while only 24% were optimistic for the US as a whole. Similarly, over the next five years, 57% had a favorable outlook for Utah, while only 36% did for the US as a whole. As a result, **consumer sentiment is higher for Utah than in the US.**

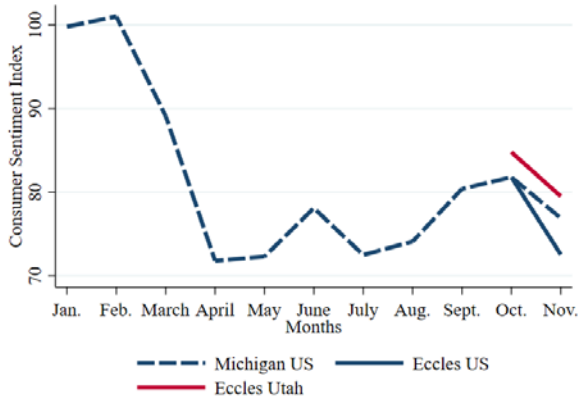
## TABLE 1: Consumer Sentiment Index Components

| *Fav = Favorable, UnFav = Unfavorable* | October | | | November | | |
|---|---|---|---|---|---|---|
| **Questions** | **Fav** | **UnFav** | **Index** | **Fav** | **UnFav** | **Index** |
| Would you say that you (or you and your family living there) are better or worse off financially than you were a year ago? | 24% | 19% | 104% | 19% | 26% | 93% |
| Do you think that a year from now you (or you and your family living there) will be better off financially, or worse off, or just about the same as now? | 29% | 11% | 117% | 28% | 15% | 113% |
| Regarding business conditions in the country as a whole, do you think that during the next twelve months we'll have good times financially, or bad times? | 31% | 69% | 62% | 24% | 76% | 47% |
| Looking ahead, which would you say is more likely, that in the country as a whole we'll have continuous good times during the next five years or so, or that we will have periods of widespread unemployment or depression? | 47% | 53% | 93% | 36% | 64% | 71% |
| About the big things people buy for their homes, such as furniture, a refrigerator, stove, television, and things like that. Generally speaking do you think now is a good or bad time for people to buy major household items? | 42% | 58% | 84% | 42% | 58% | 83% |
| Regarding business conditions in UTAH, do you think that during the next twelve months we'll have good times financially, or bad times? | 47% | 53% | 94% | 41% | 59% | 81% |
| Looking ahead, which would you say is more likely, that in UTAH we'll have continuous good times during the next five years or so, or that we will have periods of widespread unemployment or depression? | 50% | 50% | 101% | 57% | 43% | 113% |
| **Eccles Consumer Sentiment for Utah** | -- | -- | **84.8** | -- | -- | **79.5** |
| **Eccles Consumer Sentiment for US** | -- | -- | **81.8** | -- | -- | **72.5** |
| **Michigan Consumer Sentiment for US** | -- | -- | **81.8** | -- | -- | **76.9** |

**Notes**: Results from the Eccles-Utah consumer sentiment survey. October sample consists of 174 Utah residents who replied to a letter invitation and 277 residents who responded to a phone survey. November sample consists of 411 Utah residents who replied to a letter invitation. Sampling was stratified to ensure demographic representativeness for Utah. Potential responses to the first two questions were "better," "same," "worse," and to the remaining questions, "good" or "bad." Indexes are derived from favorable and unfavorable percentages in the table according to the formula $Index = 100 + (Fav - UnFav)$, where Fav and UnFav are in percentiles, consistent with the original methodology of the Michigan Consumer Sentiment Survey. We then add the indexes from each question and scale it to anchor the index to Michigan's October number.

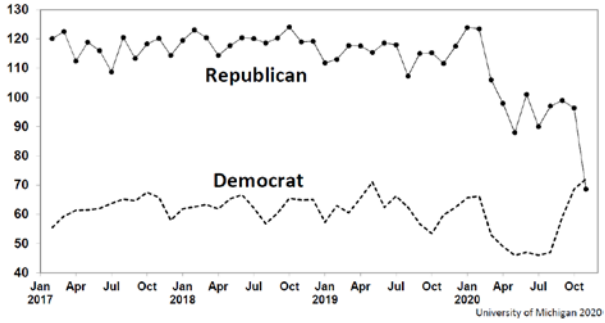
The Michigan US index provides a benchmark and longer time series than the Eccles index. Figure 1 shows that the Michigan US index was around 100 in January and February of 2020. It fell to 71.8 in April after the shock of the COVID-19 pandemic. The Michigan US index has remained below 85 since then. Included in Figure 1 is the Eccles US and Eccles Utah indices for October and November 2020. The Eccles US and Utah indices dropped between October and November, from 81.8 to 72.5 for the US and 84.8 to 79.5 for Utah. As a result, **consumer sentiment decreased less for Utah than in the US.**

**FIGURE 1: Consumer Sentiment Indices**




The decrease in the Eccles US and Utah indices is consistent with rising COVID-19 cases and a combination of the presidential election and voting habits of Utah residents. Figure 2 reproduces Michigan's graph of the consumer expectations by self-identified party affiliation. The figure shows that in the wake of the presidential election, consumer sentiment dropped dramatically for Republicans and increased for Democrats. Given the average voting habits of Utah residents, the large drops in sentiment are likely due, at least in part, to the presidential election results.

**FIGURE 2: Index of Consumer Expectations by Self-Identified Party Affiliation**




## Consumer budget expectations

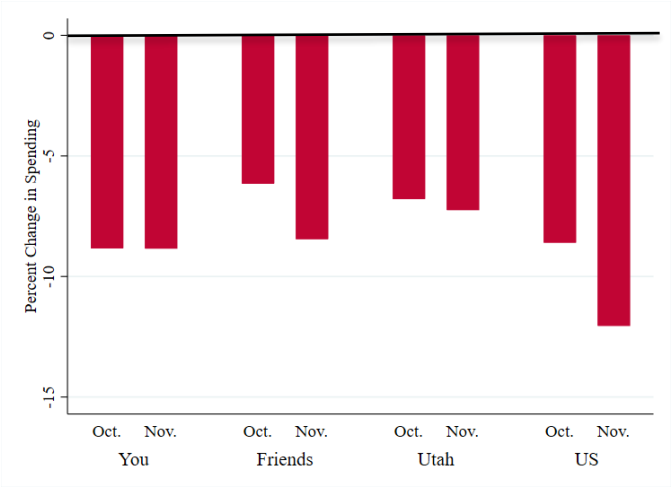
Consumer Sentiment Indexes, such as the Michigan index have been in use for decades, partly due to their ability to capture expected changes in national income, as documented by the study "Information, Animal Spirits, and the Meaning of Innovations in Consumer Confidence," by Barsky and Sims, published in 2012 in the American Economic Review. These indexes rely on the information on the fraction of consumers with favorable as opposed to unfavorable views, without capturing any quantitative information about how much individual consumers expect conditions to change.

To complement the Eccles US and Utah Consumer Sentiment Index, we developed a series of questions to quantify consumer sentiment based on their expectations of spending, income and saving. For example, we ask participants, "How do you think spending for you, your friends, an average Utahn, and an average American will change in the next three months relative to this time last year as a percent?" We focus specifically on budget-related questions for two reasons. First, consumers are very likely to be well informed about potential changes to their budgets, partly because they have full control over spending and savings decisions and have more detailed information about their future incomes.

Second, consumer spending, savings, and income are directly related to local economic activity. For example, spending directly increases demand, while income is the result of employment. Therefore, these quantities are likely to be of value when forecasting economic conditions for the state of Utah. Therefore, our new quantitative questions can provide tangible numbers that will complement the qualitative responses from traditional Consumer Sentiment Indexes presented at the start of this report.

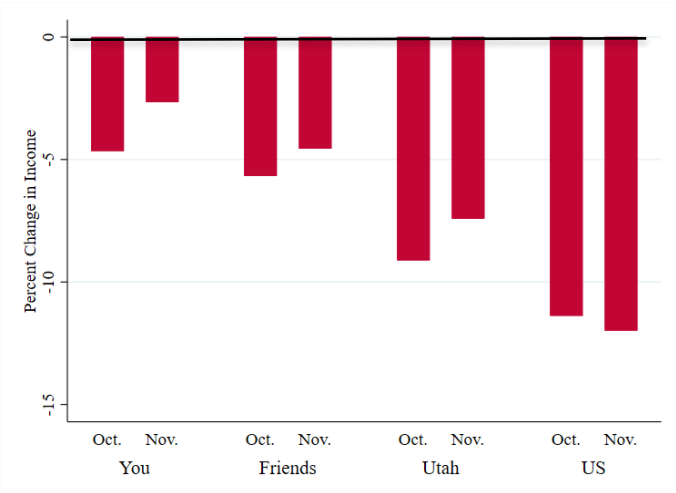
In Figures 3, 4, and 5, we report that spending, income, and savings are expected to be lower in the next three months relative to this time last year. On average, people said they expect to spend roughly 8% less than they did at this time last year. This expectation is similar for their friends and an average Utahn. People expect, however, that the average American will spend roughly 12% less than they did a year ago. These numbers are consistent with the Eccles US and Utah indices, which found that people are overall pessimistic but less so for Utah than the US.

**FIGURE 3: Percent Change in Spending**



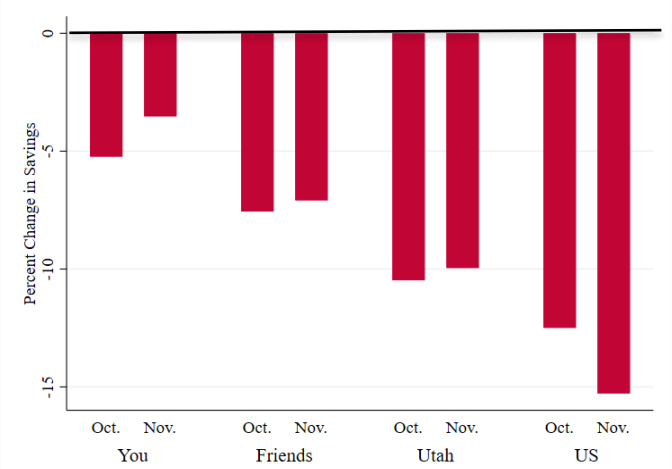

Changes in income potentially provide a leading indicator of economic conditions. In Figure 4, we find that people expect their income to be roughly 3% lower in the next few months relative to last year. This expectation, however, is less negative than their expectations in October. They also expect the average American's income to be roughly 12% lower in the next few months than a year ago, substantially lower than their own expectations. Overall, **forecasts for income improved in November for you, your friends, and an average Utahn.**

**FIGURE 4: Percent Change in Income**




Overall changes in savings remain negative on average. People report their savings will decrease roughly 3% in the next few months relative to this time last year. People report a similar pattern for savings as for income---increased optimism for you, your friends, and an average Utahn. Expectations for an average American, however, is that they will decrease their savings by roughly 15%.

**FIGURE 5: Percent Change in Savings**



## COVID-19 Expectations

We ask several questions about the current COVID-19 conditions and how they shape economic conditions. We also track expectations of COVID-19 risk by asking, "How likely do you think it is you will get COVID-19 in the next two months?" Participants consistently report that they are more likely to go out to a store if COVID-19 conditions were better, such as a decreased number of cases or increased mask wearing.

**Solving the health crisis is good economics.** We report in Figure 6 that people are very responsive to the number of new COVID-19 cases. The increase in the likelihood of going to a store increases from roughly 10 percent to almost 60 percent as cases drop from 10 percent to a 90 percent drop in cases. This is consistent with other work looking at cell phone and credit card spending (see Yang, Looney, Gaulin, Seegert 2020).

**Promoting mask wearing increases consumer confidence.** If everyone wore a mask, people report they would be roughly 50 percent more likely to go out to a store---more than if COVID-19 cases decreased by 50%. We find similar increases in the likelihood of going to a store if stores or the state-enforced mask wearing. This evidence is consistent with changes in mobility measured with cellphone GPS data and credit card spending in response to state mask mandates, see Seegert, Gaulin, Yang, and Navarro-Sanchez (2020).

**Wide dispersion in the likelihood of catching COVID-19.** In Figure 7, we report a histogram of how likely people believe it is that they will catch COVID-19 in the next two months. On average, people believe they have a 26 percent chance of being infected, but there is a wide dispersion with a sizeable fraction reporting nearly a 100 percent likelihood of catching COVID-19. This evidence begs the follow up question: do people socially distance more or less when they believe the risks are higher? On the one hand, people might be more diligent about social distancing if they feel the risk of infection is high, and want to stay safe. On the other hand, if there is strong belief that catching the disease is inevitable, people might give in to the futility and socially distance less.

**FIGURE 6: Likelihood of Going to a Store**

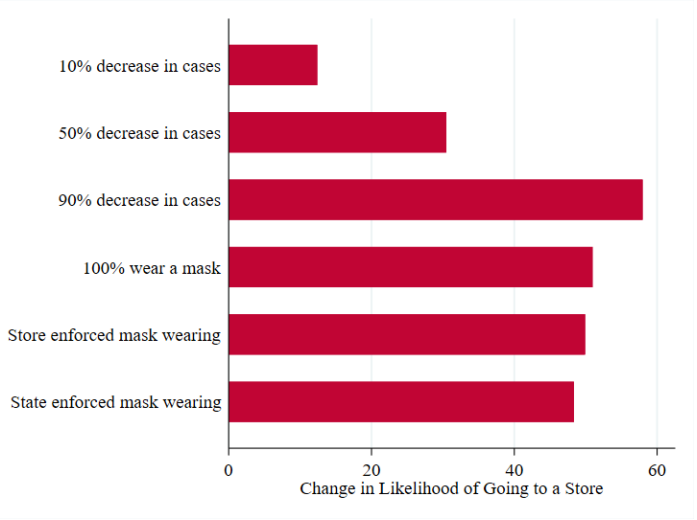



**FIGURE 7: Chance of Catching COVID-19**