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Executive Summary

Consumer confidence in the Utah economy continued to strengthen in April 2021. Current expectations of growth in spending, income, and savings over the next three months are about 5%, which is far stronger than expectations reported in February.

Utah consumers believe that the Utah economy is also significantly stronger than the rest of the US. We provide details on spending categories that were strongly affected by COVID-19 and how consumers expect these categories to change in 2021. Importantly, consumers report significant spending on e-commerce (which can partly explain strong state tax revenues in 2020) which is predicted to remain strong. Additionally, we asked consumers about consumption behavior and COVID-19 risks, and find that households plan to spend 8% more if they get vaccinated.

HOUSEHOLD BUDGET EXPECTATIONS

In **Figures 1, 2, and 3**, we report spending, income, and savings expectations in the next three months relative to this time in 2019 (pre-pandemic). While in January and February, spending expectations remained below 2019 levels, Utah consumers expect spending growth over the next 3 months to exceed their April 2019 spending.

Additionally, for the first time, expectations of spending growth have turned positive for every category of Utah consumers we asked about, as well as for US spending generally.

In **Figure 2**, we show that respondents' expected income growth continues to rise. Indeed, expected income growth over the next 3 months has nearly doubled from 2% in February to almost 4% in April. Respondents now believe that income growth will be comparable between themselves and others in Utah. However, consumers continue to believe that income growth in Utah far outpaces income growth in the rest of the US.



Utah Health & Economic
Recovery Outreach



MARRINER S. ECCLES INSTITUTE FOR
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Figure 1: Spending Expectations

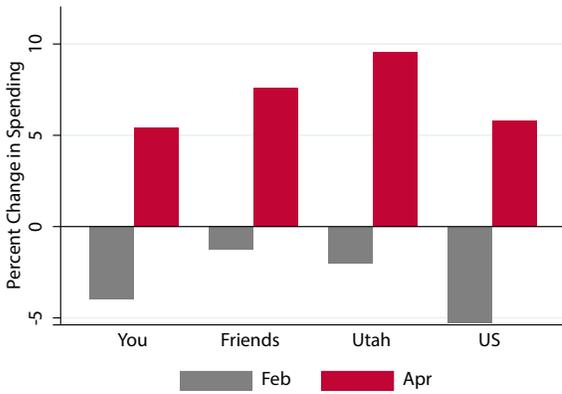
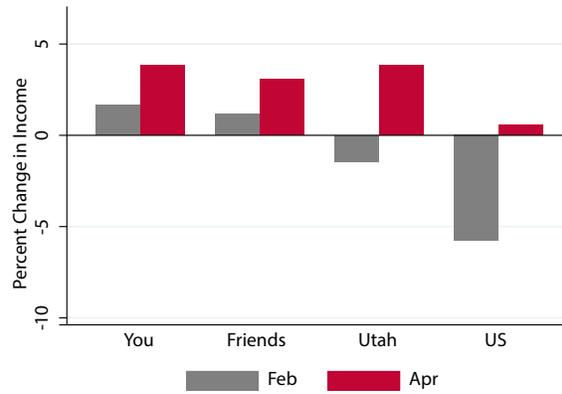


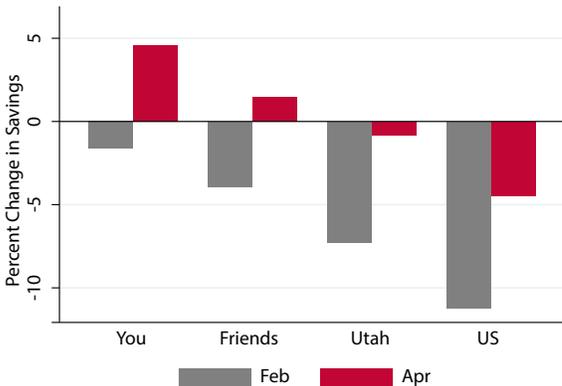
Figure 2: Income Expectations



How is it possible that Utahns believe that their own spending growth is comparable with spending growth in the rest of the US, while income growth is expected to be much stronger for Utah than the rest of the US? **Figure 3**, provides a partial answer. We find that Utah household anticipate strong savings growth for themselves, while expecting savings to decline in the rest of the US.

As in February, respondents are more optimistic about the average Utahn than the average American---likely reflecting the stronger economy in Utah.

Figure 3: Saving Expectations

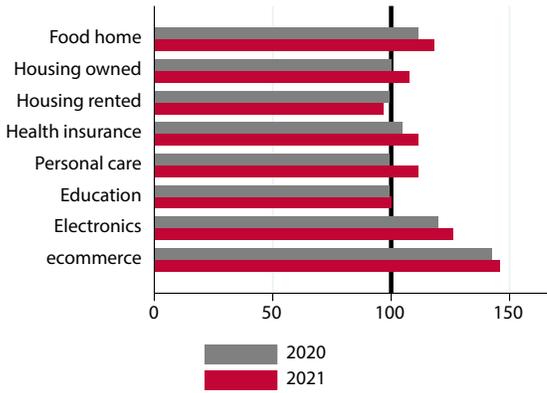


HOUSEHOLD EXPENDITURE DETAILS

We asked households how much they spent in 2019 and 2020, and their expectations for 2021. We report spending in 2020 and expected spending in 2021 (relative to spending in 2019) for some of these categories in **Figures 4 and 5**. The bold line at 100 indicates the same amount of spending as in 2019, and a value of 110 would indicate 10% more spending than in 2019. **Figure 4** shows consumption has been relatively stable between 2019, 2020, and 2021 (expected). In this figure, we see food at home, housing owned, housing rented, and education. Electronic and e-commerce spending was substantially higher in 2020 than in 2019 and households expect to continue that level of spending in 2021.

In **Figure 5**, we report consumption that was depressed in 2020 and where households expect growth in 2021. These consumption items include food away from home, apparel, entertainment, and household durables. Items with very strong spending growth include transport out-of-state, accommodation out-of-state, and special events (such as concerts). This figure suggests there is a pent-up demand for travel and special events that was dramatically dampened in 2020.

Figure 4: Stable Consumption

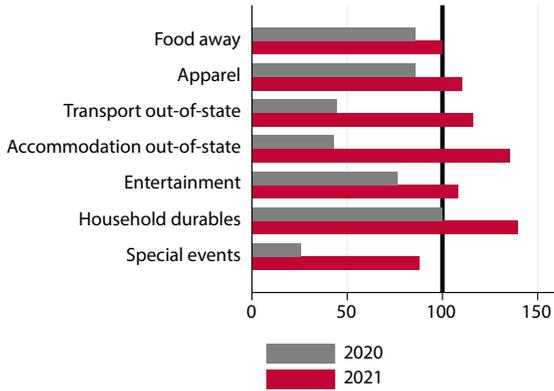


SPOTLIGHT: SPENDING AND VACCINATION

To understand the dynamics of economic recovery, we need to understand how spending patterns are likely to change as the health crisis abates. There are several ways in which a resolution of the health crisis could affect consumer spending.

First, vaccinated consumers are likely to start going out more and spend on restaurants, special events, travel etc. Second, even without being vaccinated themselves, consumers might start going out more if they believe COVID-19 risks are low, either because of slow growth in new cases or high vaccination rates of others.

Figure 5: Consumption Growth



In **Figure 6**, we report additional expected spending by consumers, depending on whether they are vaccinated, plan to be vaccinated, have low COVID-19 expectations or high expected vaccination rates by others. We find that vaccinated consumers expect to spend an additional 8%, while additional spending for consumers with low COVID-19 expectations is below 5%.

Figure 6: Additional Spending

