

ECONOMIC SURVEY

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Inside

- 1 Household Budget Expectations
- 2 Household Expenditure Details
- 3 Spotlight: Prices
- 3 Spotlight: Quitting Jobs
- 3 Spotlight: COVID-19 Risks

Executive Summary

After a period of exceptionally high growth in spring and summer 2021, growth expectations show signs of a slowdown in August 2021. Households expect to spend 2% more in the next three months than this time in 2019, but this is down from 6% in June 2021. The slower spending growth suggests some concern and increased uncertainty about economic growth in the future.

Slower spending is concentrated in e-commerce, electronics, and food at home—three categories that have experienced higher than average expected spending over the last six months. Consumers have experienced higher prices for food, utilities, and entertainment in August relative to June, with housing prices remaining high. For this month, we provide a spotlight on the expected employee-initiated job changes (e.g. “Quits”), highlighting general job satisfaction. A surprisingly large 1 in 5 Utah consumers think it is somewhat likely that they quit their current job within the next three months. Of those that consider quitting feasible, 20% say their current pay is too low and over 10% indicate other options provide better remote work, better pay, better benefits, and better flexibility. Finally, respondents say the risk of catching COVID-19 dramatically increased since June, potentially providing an explanation for slowing spending and increased uncertainty.

HOUSEHOLD BUDGET EXPECTATIONS

In **Figures 1, 2, and 3**, we report spending, income, and savings expectations for the next three months relative to this time in 2019 (pre-pandemic). Spending growth is expected to be highest for the average Utahn and American, followed by “your friends”. Expected increases in income are highest for “your friends”, then an “average Utahn,” “you,” and finally an “average American.” Relative to April, income expectations are lower for everyone, except the respondents themselves—which remain stable. Savings are expected to decrease for the average American and Utahn, and respondent friends, but are expected stay steady or slightly increase for households themselves.



DAVID ECCLES SCHOOL OF BUSINESS

Figure 1: Spending Expectations

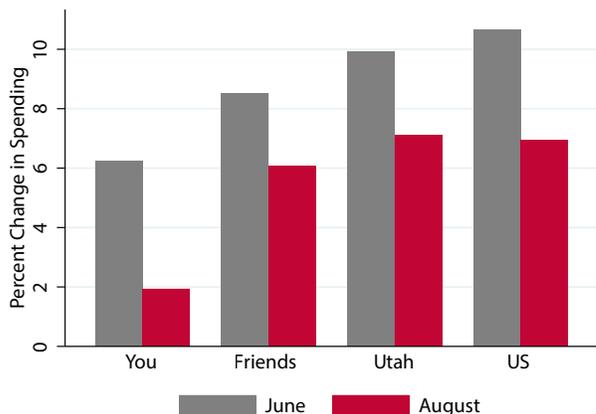


Figure 2: Income Expectations

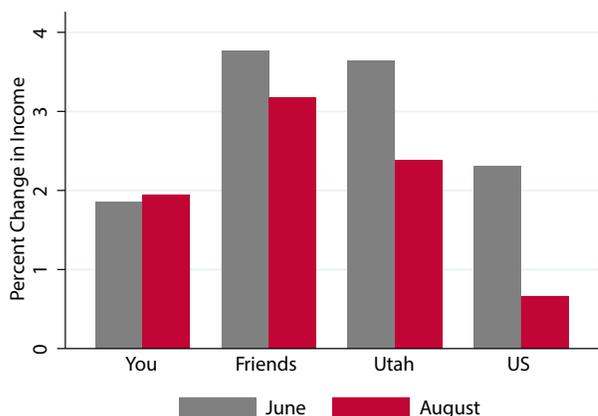


Figure 3: Saving Expectations

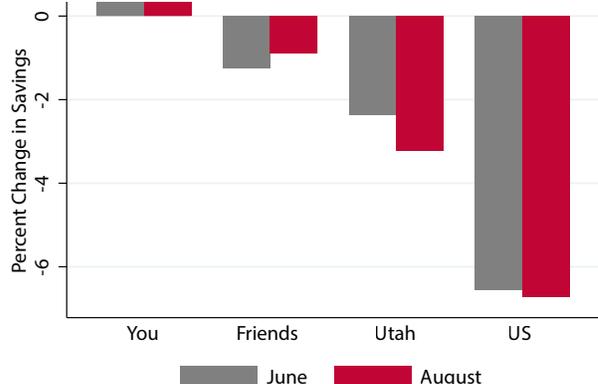
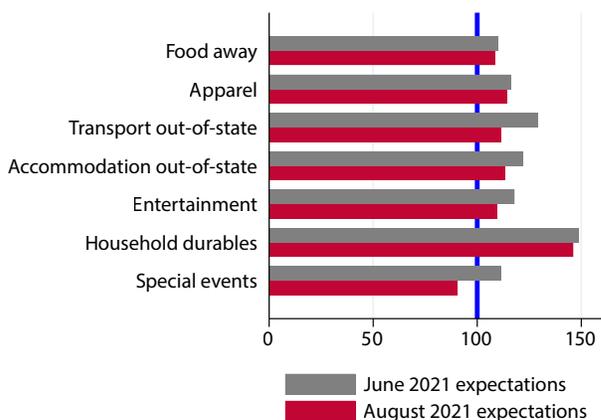


Figure 4: Spending on Previously Decreased Categories



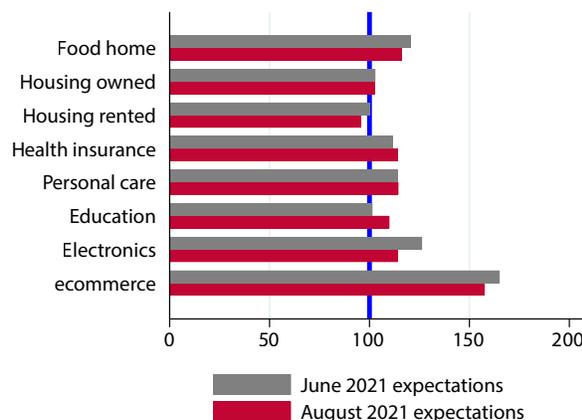
Since February 2021, our survey has found higher expected spending, which peaked in April 2021. Now, however, for the first time since February 2021, spending expectations dropped substantially in August 2021, relative to June 2021. **Figure 1** shows that people expect to spend 2% more—down from 6% more in June. This is consistent across different reference groups we asked respondents, including: respondents themselves (you), people connected to respondents (your friends), an average Utahn, and an average American. This is potentially a sign of higher uncertainty about the future.

HOUSEHOLD EXPENDITURE DETAILS

We asked households how much they spent in 2019 in different spending categories and their expected spending in these categories for 2021. We report expected spending in 2021 (relative to spending in 2019) for some of these categories in **Figures 4 and 5**. The blue 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 decreases in transport out-of-state, accommodation out-of-state, entertainment, and special events—all items that have been responsive to COVID-19 cases in the past and likely being damped by the recent surge in cases. In **Figure 5**, the spending categories of e-commerce, electronics, and food home experienced decreases in expected spending in August relative to June. This is important, since these categories all exhibited higher spending levels during the pandemic.

Figure 5: Spending on Previously Increased Categories



SPOTLIGHT: PRICES

Figure 6 shows that consumers continue to experience higher prices. Prices increased in August relative to June for food, utilities, and entertainment. Prices for housing and cars remain high, potentially suggesting depressed consumption for some of the largest purchases.

SPOTLIGHT: QUITTING JOBS

We asked households how likely it was that they would quit their job in the next three months. We grouped their answers into not likely (less than 5% chance), somewhat likely (5%-50%) and likely (50% or more). While most respondents do not find it likely they will quit, a large minority of 28% said a quit is at least somewhat likely. For respondents who stated that they are “likely” to quit their current employer, the top reason included “pay too low,” and “better opportunities elsewhere” in terms of stability, flexibility, benefits, remote work, as reported in Figure 7. The elevated rates of employee initiated job changes likely will continue to put upward pressure on wages.

SPOTLIGHT: COVID-19 RISKS

Throughout our surveys of Utah consumers during the pandemic, one consistent finding is that households respond to higher COVID-19 cases by spending less. COVID-19 cases increased dramatically in Utah in August 2021. As a result, people indicate their expected risk of catching COVID-19 increased dramatically. Figure 8 shows that the perceived infection risk had dropped from 20% in October 2020 to 2% in June 2021. It should be noted, these infection risks are likely too high compared with true infection risks. However, they do provide a measure of concern about COVID-19 infection risk, even suggesting that consumers may overreact to increases in case counts. In August, respondents reported a risk of catching COVID-19 of almost 10%.

An important economic issue during the pandemic has been how Utah consumers responded to higher reported COVID-19 cases with increased voluntary social distancing, which reduced consumption spending and economic activity. A natural question is therefore, whether such voluntary social distancing responses will continue, given, firstly, a sense of “social distancing fatigue” and secondly, the availability of vaccines.

Our survey results suggest that the average Utahn is still responsive to case counts and higher expected COVID-19 case growth is likely increasing uncertainty and dampening spending growth. Additionally, it is important to note, that in 2020 Americans responded more to case counts than government shutdowns.

Figure 6: Price Changes

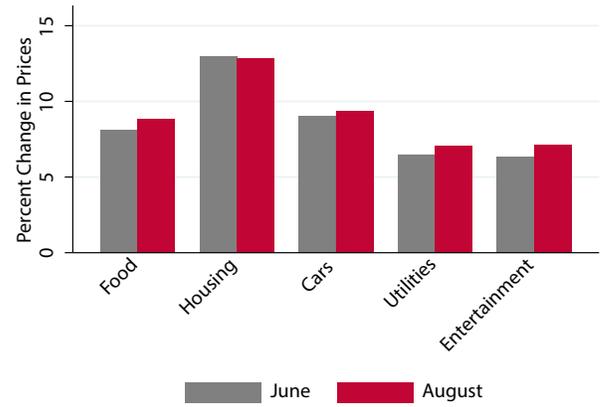


Figure 7: Reasons for Quitting Jobs

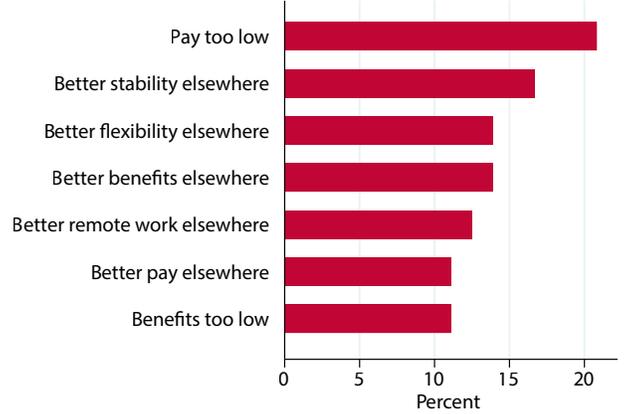


Figure 8: Likelihood of Catching COVID-19

