

ECONOMIC SURVEY

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Executive Summary

The Utah Consumer sentiment index indicates favorable economic conditions at the beginning of the new year.

Compared to the declining trends in October, November, and December 2020, there is an increase in positive consumer sentiment in January 2021.

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 for US estimates. The Eccles indices ask the same questions as the Michigan index for comparability and come from a representative sample of Utah residents. For January 2021, the Eccles Utah index is 98.7, the Eccles US index is 82.5, and the Michigan US index is 79. These numbers still indicate a somewhat incomplete revival 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 directly measure expected income and consumer spending are therefore useful for forecasting economic conditions for the state of Utah. These quantitative responses for the month of January show increased optimism about changes in income, spending and savings for Utah. They also indicate that Utahns have brighter expectations for Utah than for the US as a whole.

Finally, we report answers to questions about people's expectations concerning the COVID-19 pandemic. We find that compared to December, January has more people considering it less likely to catch COVID-19.



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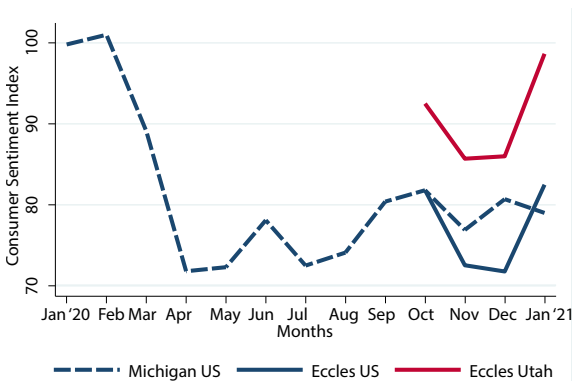
CONSUMER SENTIMENT

The Michigan and Eccles Consumer Sentiment Indices are calculated based on how favorable or unfavorable consumers are on five different questions. These questions 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.

Only 19% of Utah households responded that they were better off financially now than they were a year ago. In comparison, 23% said worse off, with the remaining households saying conditions were about the same. People are slightly more optimistic about the future as 31% expected to be better off next year, while only 10% said they expected to be worse off. Both perception of the current situation and optimism for future has improved compared to the December responses.

The Eccles Utah index has spiked from 86 in December 2020 to 98.7 in January 2021, whereas, the US index spiked from 71.8 to 82.5 during the same period. The Utah index has been higher than the US indices throughout the last few months. When asked about business conditions in Utah over the next 12 months, 58% were optimistic, while only 33% were optimistic for the US as a whole. Similarly, over the next five years, 65% had a favorable outlook for Utah, while only 43% did for the US as a whole.

Figure 1: Consumer Sentiment



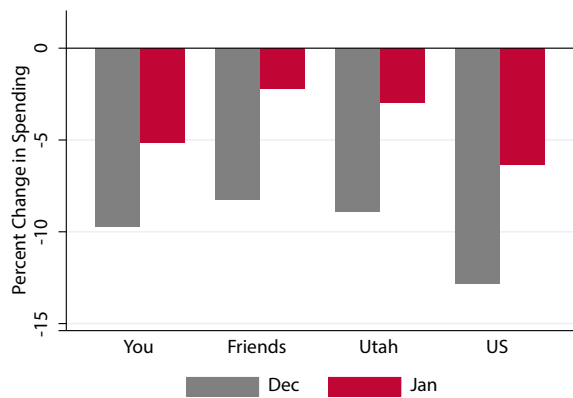
HOUSEHOLD BUDGET EXPECTATIONS

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.

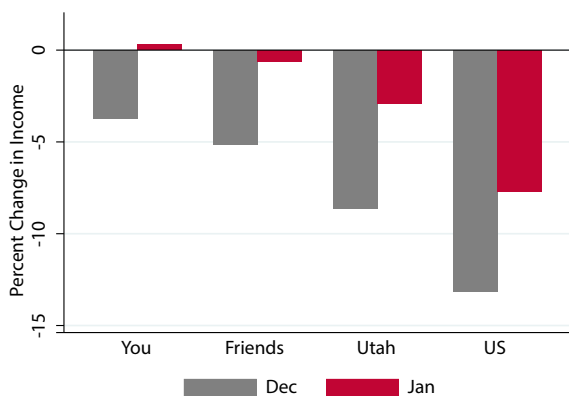
Second, consumer spending, savings, and income are directly related to local economic activity. For example, spending directly increases demand, while income is the result of employment. Therefore, these quantities are likely to be of value when forecasting economic conditions for the state of Utah. 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.

Figure 2: Spending Expectations



In **Figures 2, 3, and 4**, we report that spending, income, and savings expectations in the next three months relative to this time last year. In both December and January, the respondents said that they expect them, their friends and the average Utahn and American to spend less than during this time last year. However, consumers expected their spending growth to be more similar to early 2020, indicating a relative improvement.

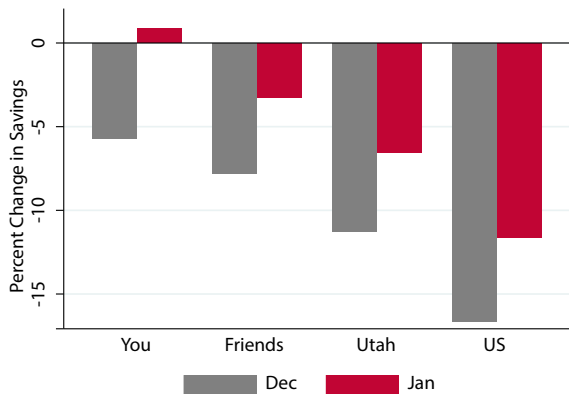
Figure 3: Income Expectations



Changes in income potentially provide a leading indicator of economic conditions. In **Figure 3**, we find that in comparison to December, responses in January show improvement in income expectations. On average, respondents expect slightly higher income growth relative to this time last year. They also expect their friends' income to grow at almost the same rate as last year. Expectations of income of average Utahn and American also seem better in January than in December, though Utah consumers still expect declining income.

Similar to income expectations, there is a noticeable optimism about savings among respondents. Respondents' own savings growth is expected to grow slightly. For friends, the average Utahn, and average American savings growth expectations are less negative than before.

Figure 4: Saving Expectations



COVID-19 EXPECTATIONS

We 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?"

There is wide dispersion in the likelihood of catching COVID-19. In **Figure 5**, we report density curves about how likely people believe it is that they will catch COVID-19 in the next two months. On average, people believed they have a 28 percent chance of being infected in December, and the percentage falls to 23 percent in January. There is a wide dispersion with a sizeable fraction reporting nearly a 100 percent likelihood of catching COVID-19.

Figure 5: Chance of Catching COVID-19

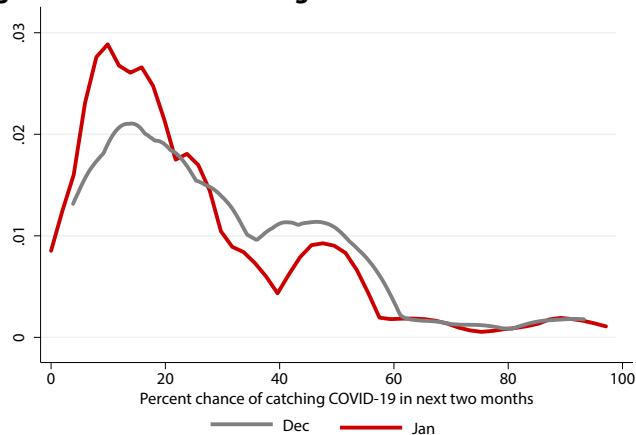


Figure 5 indicates that, compared to December, there are more people in January who finds it less likely to catch COVID-19 in the next two months.