A Closer Look at Local Consumer Sentiment

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The Bureau of Business Research and Economic Development recently conducted a consumer confidence survey that covered the state of Georgia.

The sampling technique used allows the analyst to match the collected data to the state’s twelve regional commissions. This column re-examines this data to answer a nagging question: Are residents in the Coastal Region feeling better about the economy over the past year?

To answer this question, I combined the results from the past three surveys, which include the spring of 2010, fall of 2010 and spring of 2011. Overall, this analysis finds that residents are starting to feel a bit better about the economy.

These conclusions were made based on four key questions from the survey. These are general feelings about the economy, job availability in the next 6 months, financial situation and personal savings patterns.

When participants were asked directly do you think the economy is worse, the same or better than last year, between 54 and 59 percent responded that the economy is about the same or better. Few respondents see the economy making major improvements over the last year. It appears that consumers’ views of the economy are consistent with last year’s results.

Therefore, it is safe to say that any expectations for a quick recovery have disappeared over the last year. However, this is not the only way to get consumers’ views on the economy.

Answers to several other questions that were asked show slightly different results. Some reflect signs of pessimism due to the slow recovery; others are more optimistic. The results that illustrate the expectation of a slow recovery came from answers to the question of how many jobs will be available in the next six months. Almost one third of participants in these surveys still see fewer jobs available. In the spring of 2010 survey, 35 percent felt fewer jobs would be available in six months. This declined to 18 percent in the fall of 2010 and then increased to 31 percent in the most recent survey. This is troubling news because many respondents are still pessimistic about job availability. The problem is that participants with concerns about job availability will be reluctant to make large purchases such as homes, vehicles or improvements, etc. This type of spending has a major impact on the economy because other jobs are created to service the needs of consumers making these purchases.

In contrast, there are some more optimistic results that could indicate some participants are feeling better about the economy. One example is the increasing confidence in individuals’ financial situation over the previous year. Participants’ financial situations have improved from a low of 7 percent in the spring of 2010 to 17 percent in the fall of 2010 before it reached 25 percent in the most recent results. As consumers begin to feel more financially stable, their willingness to make major purchases should increase. Individuals are also reporting similar savings patterns over the last three surveys.

Participants who report saving more over last year have remained stable. This result ranges from 14 percent in the spring of 2010 to about 17 percent in the fall of 2010 and spring of 2011 survey. The positive view is that consumers are not taking spending out of the economy. Saving money or paying down debt is good for the individuals but can be less beneficial for the economy. Dollars that are saved are not spent for goods and services, and that creates and maintains employment.

Overall, there is more good news associated in these results. Still, the unbridled optimism of 2005 or 2006 is not back. Consumers have adjusted to the new realities and are starting to see the glasses to be half full instead of half empty when it comes to economic conditions.

This is an important first step in building consumer confidence. If, as many economists are predicting, private sector employment continues to increase over the next several months, the fall survey could show another increase in confidence.

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