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[Home](#) > [Press Releases](#) > Georgia Southern University Survey: Consumers Still Spending Cautiously as Economy Slowly Starts to Recover

Georgia Southern University Survey: Consumers Still Spending Cautiously as Economy Slowly Starts to Recover

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Consumers across Georgia are starting to feel better about the economy but are still spending cautiously, according to a Georgia Southern University study. The Bureau of Business Research and Economic Development (BBRED) in the College of Business Administration has completed its first Spring Consumer Confidence Survey for the State of Georgia and the nine counties in the Coastal Empire.

"The economy is in the early stages of recovery – every economic indicator is moving in the right direction – but consumers are still psychologically in a recession," said Ed Sibbald, director of the Bureau of Business Research and Economic Development.

The Bureau of Business Research and Economic Development (BBRED) within the College of Business Administration at Georgia Southern University has completed its first Spring Consumer Confidence Survey for the State of Georgia and the nine counties in the Coastal Empire.

Supported by students in market research classes in the College of Business Administration, this study summarizes the responses of 567 participants based upon a stratified random sample of 3,100 households throughout the state of Georgia. Approximately 10% of the responses were obtained from individuals living within the Coastal Empire.

Following is a summary of the survey:

Purpose and Focus

Most economists see signs of an improving national economy based upon leading economic indicators and recent trends in consumer spending. Financial markets have stabilized and the stock market is celebrating a year-long 'bull' rally.

The purpose of this survey was to get the sense of 'Main Street' how people in Georgia feel about the state and local economy and their personal financial situations. Assessing consumer confidence levels provides a valid measurement of potential future behavior in terms of spending by individuals, families and businesses. In addition, the survey sought to determine how much underlying strength exists at the grassroots level to support a sustained and robust recovery.

It is widely accepted that consumers' view of the economy and employment has a significant impact on consumer confidence levels. In addition to their own personal experience as well as knowledge about their siblings, friends and professional contacts individuals get information and develop

opinions from various media sources (television, radio, newspapers and the Internet). This survey collected media usage by individuals to determine its role in influencing the responses to the questions.

Key Conclusions

- The average Georgian surveyed has not felt any real impact from the early stages of the economic recovery underway since the third quarter of 2009.
- Georgians are slightly more positive about the economy than in 2008 and 2009, but are still highly ambivalent about the economic prospects in the next year.
- Consumers in Georgia continue to be cautious in their spending and increasingly are price conscious. This does not mean buyers shop for the cheapest price across the board, but they are now more likely to consider both price and quality in their purchasing decisions.
- The average respondent is happy with their job. More than 80% are either satisfied or highly satisfied with their current employment. This is an unusually high percentage even in prosperous times and may reflect, in part, their ability to retain their jobs during the unemployment crisis during the past 24 months.
- The improving but still weak levels of consumer confidence combined with continued caution in spending suggests the economic recovery in Georgia will be slow and gradual during the 2010-2011 period.

Summary Highlights

- Georgia consumers are ambivalent but somewhat pessimistic about the trends in the national, state and local economy. Thirty-four percent (34.4%) believe the economy has not changed and is about the same as 2009. The remaining respondents were split 2-to-1 that the economy is worse than last year 44.6% believing it to be worse than 2009 and only 21% seeing an improvement.
- Respondents were a bit more optimistic about their personal financial situation with 57% believing it has not changed. Nevertheless, 29.1% feel that their financial situation is worse compared to only 13.9% of the respondents who believe they are stronger financially than 2009.
- The survey indicates that improvements in the overall economy have yet to be experienced by 'Main Street' Georgia. One factor influencing this is the lag between perception and reality. As noted by many economists, the national economy is in recovery, but individual consumers are still in a 'psychological recession.' Nevertheless, two other factors are also important and appeared to shape the responses by the participants income and cost of living considerations and job growth.
- A majority (66.4%) of the respondents do not expect higher income levels in 2010. However, 67.5% of the participants believe their cost of living has increased during the past year. This perception is rooted in such daily realities as a 30% increase in gasoline prices since March 2009, rising grocery prices and increasing health care premiums.
- The disparity between income and cost of living expenses translates directly in terms of responses regarding savings. Although the national savings rate has increased above 4% of personal income, 47% of the respondents believe they are saving about the same as 2009, and 39.1% indicated they are saving less than they did last year.
- In terms of future prospects, 33.8% believe economic conditions will improve during the next six months and 28.9% feel the economy will weaken. In terms of job growth, 39.9% see no real change and the remaining responses are evenly split between fewer or greater job availability.
- The most notable response in the survey was the degree of job satisfaction. The vast majority (82.7%) are either satisfied or very satisfied with their jobs. In fact, 45.8% of the respondents felt very satisfied with their jobs. By contrast, job satisfaction levels were in the 60% range during the more prosperous 2004-2007 period. This is a remarkably high level and is probably influenced by the fact that people are thankful they have jobs.
- Opinions on the economy are shaped by personal experiences and economic information is obtained primarily through network/cable television coverage and increasing Internet information sources. Newspapers continue to decline as a primary source of daily and weekly information on non-local 'big picture' issues such as the economy.

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