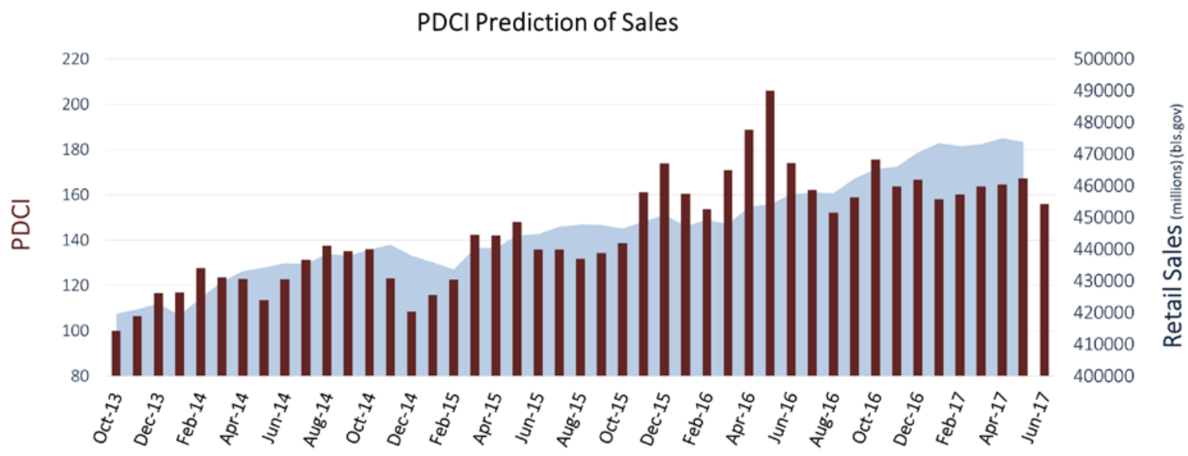
GEORGETOWN UNIVERSITY McDonough SCHOOL of BUSINESS

# Problem-Driven Consumption Index

June 2017

## PDCI Predicts Downturn in Spending

The Problem-Driven Consumption Index (PDCI), a leading indicator of consumer spending, decreased in June, measuring 155.7, down from 167.2 in May. This data suggests there will be a decrease in spending for June relative to May. The increased PDCI score stems from a decrease in the number of problems consumers were planning to solve and a decrease in how much they were planning to spend to solve them. The decrease is ominous given the ongoing political issues experienced by the current administration and planned Federal Reserve rate hikes.




The chart displays the predictive power of the PDCI. Sales are depicted in blue, the PDCI is depicted by the red bars.

The PDCI is down 11% relative to June 2016. This year-over-year decrease is driven by a decrease in the amount consumers plan to spend solving problems, but the amount of problems consumers plan to spend has increased.

The PDCI is derived from responses to the Consumer Problem Survey (CPS). The PDCI is based on two primary components: the quantity of problems consumers are seeking to solve, and the amount consumers plan to spend solving them. The CPS is a monthly survey of a nationally representative sample that measures consumers' problems that require market solutions, thereby allowing the researchers to track the quantity of, severity of, and the types of problems that consumers experience. Data is population weighted to eliminate survey completion bias. The PDCI calculated based on the results is scaled by the CPI-U. Because problem recognition usually precedes purchases, the data from the CPS provides an unprecedented view of future consumption and spending. To learn more about the CPS, read our reports HERE.

## ABOUT THE RESEARCHERS

Chris Hydock, assistant professor of research and Kurt Carlson, professor of marketing produce the CPS and PDCI. To speak to the authors, contact Molly Fleenor (Molly.Fleenor@georgetown.edu) (202-687-5254).