Middle Tennessee Consumer Outlook Index

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**The Office of Consumer Research**

**Jones College of Business**

at Middle Tennessee State University

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**Consumer Outlook Surges Heading into the Holiday Season**

 Good news for local businesses and retailers. Consumers have become decidedly more upbeat about the local and national economy. The overall Middle Tennessee Consumer Outlook Index rose to 329 from 226 in September of this year.

**The Middle Tennessee Consumer Outlook Index and Components**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Apr ‘12 | Sept ‘12 | Nov ‘12 | Feb ‘13 | Apr ‘13 | Sept‘13 | Dec ‘13 | Feb ‘14 | May ‘14 | Sep ‘14 | **Dec****‘14** |
| Overall Outlook Index | 184 | 178 | 106 | 144 | 193 | 199 | 122 | 179 | 203 | 226 | **329[[1]](#footnote-1)** |
| Current Situation Index | -24 | -26 | -22 | -16 | 1 | 18 | 3 | 23 | 38 | 48 | **77** |
| Future Expectations Index | 115 | 112 | 55 | 78 | 97 | 86 | 49 | 85 | 86 | 80 | **130** |
| Purchasing Index | 93 | 92 | 73 | 82 | 95 | 95 | 70 | 71 | 79 | 98 | **122** |

 Perceptions of the current state of the economy continue to improve. The Current Situation Index continued its rise, increasing to 77 from 48 in September. The percent of consumers who said that the state of the overall American economy was “good” gained to 27 from 21 in September. Similarly, the percent who said that the Middle Tennessee economy is “good” rose to 60 from 51. A clear majority of local consumers feel good about the local economy.

 Local consumers also feel much better about the future of the economy. The Future Expectations Index rose significantly to 130 from 80 in September. Consumers feel increasingly more optimistic about the future of the national economy, the local economy, the job market, and their own personal financial situation. The percent of consumers who said that six months from now business conditions in the country as a whole will be “better” gained to 33 from 22. Similarly, the percent who said that the local economy will be “better” six months from now rose to 45 from 33.

 When consumers begin to feel better about the current state of the economy and they also feel increasingly more optimistic about the future of the economy, such positive feelings can find their way into budgeting and spending decisions. This is especially important as we enter the ever important Christmas and Holiday shopping season.

 The Purchasing Index also showed a solid increase, rising to 122 from 98 in September. This is good news that many local businesses and retailers have been hoping to hear. This positive view toward spending could signal healthy sales at the cash register. Almost half (49 percent) of local consumer said that now is a “good time to buy large items for the home,” up from 32 in September. Conversely, only 9 percent said that now is a “bad time to buy large items for the home,” a decrease from 13 percent in September.

 In many ways, the feelings that many consumers have regarding the economy are driven by their perceptions of the job market. Spending decisions are often influenced by the confidence that one has in his or her job and the perceived ease with which jobs can be found. The percent who said that jobs in Middle Tennessee are “easy to find” gained slightly to 16 from 14. And, the percent who said that in Middle Tennessee six months from now there will be “more job openings” rose to 43 from 38.

 The current telephone poll of 235 randomly selected adult residents of Davidson County, Rutherford County and Williamson County was conducted between the evenings of Monday, December 1 and Wednesday, December 3.[[2]](#footnote-2) The sample included both landline and cell phones.

 **Annual Consumer Spending**

 As consumers become more optimistic about the economy this can have positive effects on their spending decisions. When asked whether or not they expect their level of consumer spending for 2014 to be more or less than it was for 2013, the percent of consumers who expect to increase their spending rose to 43 from 34, while the percent who plan to decrease their spending dropped to 17 from 20.

**Christmas and Holiday Spending**

 The Christmas and holiday shopping season is an important time for most retailers. A concern for local retailers is that if consumers are not feeling upbeat about the economy, this can dampen their willingness to spend money on Christmas and holiday gifts. However, the current survey suggests that this should not be a concern for retailers. In fact, when asked about their expected Christmas and holiday spending, the percent who expect to increase their spending gained to 21 from 15, while the percent who expect to decrease their spending dropped to 32 from 38.

***Comparison to National Surveys.*** Apparently, the spirits of local consumers have been lifted more than those of consumers across the rest of the country. The 15th annual holiday spending survey, conducted by the Consumer Federation of America (CFA) and the Credit Union National Association (CUNA) recently found that only 10 percent of Americans expect to increase their holiday spending from last year, whereas 33 percent expect to decrease their holiday spending from last year.[[3]](#footnote-3)

***Amount Spent on Christmas and Holiday Gifts.*** Local consumers were also asked to estimate the amount of money they expect to spend on Christmas and holiday gifts this year. Almost half (46%) of all local consumers expect to spend more than $500. Further, almost one in four local consumers (23%) expects to spend more than $1,000, up from 19 percent last year.

 Results from a recent survey conducted by the National Retail Federation suggest that American families will spend an average of $804.42 on gifts, décor, greeting cards and more this holiday season. This is up from last year’s actual amount spent of $767.27[[4]](#footnote-4)

**Perceptions of the Economy: Comparison to The Nation**

 While local consumers have some similar views of the economy as compared to consumers across the rest of the country, local consumers are noticeable more optimistic about the future of the U.S. economy, the future of the job market, and the future of their personal finances.

|  |  |  |
| --- | --- | --- |
| Comparing Middle Tennessee Consumers to Consumers Across the Country as a Whole | Nation(%) | Mid.Tenn.(%) |
| Business conditions in the U.S. are good. | **24[[5]](#footnote-5)** | **27** |
| Six months from now, business conditions in the U.S. will be better. | **18** | **33** |
| Jobs are easy to find (plentiful). | **16** | **16** |
| Six months from now, there will be more job openings. | **15** | **43** |
| In 12 months my personal financial situation (income) will be better. | **16** | **41** |

**Changes in Consumers’ Perceptions of the Economy**

 The table below shows how consumers’ responses to selected survey questions have changed since September, 2014.

|  |  |  |
| --- | --- | --- |
|  | December  2014(%) | Change from September 2014 |
| Business conditions in the U.S. are Good. | **27** | **6%** |
| Six months from now, business conditions in the U.S. will be Better. | **33** | **11%**  |
| Business conditions in Middle Tennessee are Good. | **60** | **9%** |
| Six months from now, business conditions in Middle Tennessee will be Better. | **45** | **12%** |
| Jobs in Middle Tennessee are Easy To Find. | **16** | **2%** |
| Six months from now there will be More Job Openings in Middle Tennessee | **43** | **5%** |
| I am Better Off Financially than I was one year ago. | **30** | **5%** |
| 12 months from now I will be Better Off Financially than I am today. | **41** | **9%** |
| Now is a Good Time To Make Large Purchases. | **49** | **17%** |
| Now is a Good Time To Buy A Home. | **57** | **2%** |
| Now is a Good Time To Buy A Car. | **50** | **2%** |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Consumer Outlook |  | Nov | Jan | Apr | Sept | Dec | Feb | May | Sept | Dec |
|  |  | ‘12 | ‘13 | ‘13 | ‘13 | ‘13 | ‘14 | ‘14 | ‘14 | **‘14** |
|   |  | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | **(%)** |
| Are business conditions | Good | 14 | 14 | 13 | 14 | 12 | 15 | 17 | 21 | **27** |
| in the U.S. | In Between | 60 | 62 | 62 | 66 | 61 | 62 | 66 | 62 | **58** |
|  | Bad | 25 | 23 | 24 | 20 | 26 | 22 | 17 | 15 | **14** |
|  |  |  |  |  |  |  |  |  |  |  |
| Six months from now,  | Better | 35 | 34 | 33 | 30 | 25 | 29 | 31 | 22 | **33** |
| will business conditions | About same | 34 | 41 | 46 | 48 | 47 | 47 | 49 | 57 | **53** |
| in the U.S. be: | Worse | 28 | 22 | 19 | 20 | 25 | 22 | 18 | 17 | **11** |
|  |  |  |  |  |  |  |  |  |  |  |
| Are business conditions | Good | 35 | 42 | 44 | 49 | 42 | 50 | 48 | 51 | **60** |
| in Middle TN: | In Between | 53 | 48 | 45 | 46 | 47 | 38 | 43 | 40 | **35** |
|  | Bad | 10 | 8 | 9 | 5 | 9 | 11 | 7 | 6 | **5** |
|  |  |  |  |  |  |  |  |  |  |  |
| Six months from now,  | Better | 36 | 36 | 39 | 37 | 27 | 35 | 33 | 33 | **45** |
| will business conditions | About same | 45 | 52 | 49 | 51 | 59 | 55 | 57 | 53 | **49** |
| in Middle TN be: | Worse | 18 | 10 | 10 | 10 | 11 | 7 | 8 | 10 | **6** |
|  |  |  |  |  |  |  |  |  |  |  |
| Are jobs in Middle TN: | Easy to find | 7 | 5 | 8 | 8 | 12 | 13 | 16 | 14 | **16** |
|  | Foundw/effort | 53 | 53 | 54 | 57 | 57 | 53 | 57 | 53 | **60** |
|  | Hard to find | 35 | 37 | 31 | 29 | 26 | 28 | 24 | 25 | **18** |
|  |  |  |  |  |  |  |  |  |  |  |
| In Middle TN six months  | More | 33 | 34 | 39 | 40 | 28 | 35 | 33 | 38 | **43** |
| from now there will be | About same | 46 | 49 | 47 | 45 | 50 | 47 | 54 | 48 | **45** |
| (# of jobs): | Fewer | 16 | 13 | 11 | 12 | 16 | 15 | 10 | 9 | **9** |
|  |  |  |  |  |  |  |  |  |  |  |
| Compared to a year ago,  | Better | 18 | 17 | 24 | 24 | 25 | 27 | 29 | 25 | **30** |
| is your personal financial | About same | 56 | 57 | 52 | 53 | 48 | 53 | 47 | 58 | **51** |
| situation: | Worse | 26 | 26 | 24 | 23 | 27 | 21 | 24 | 17 | **19** |
|  |  |  |  |  |  |  |  |  |  |  |
| In 12 months will your  | Better | 31 | 33 | 37 | 35 | 34 | 39 | 33 | 32 | **41** |
| personal financial  | About same | 51 | 53 | 52 | 51 | 53 | 52 | 59 | 59 | **52** |
| situation be: | Worse | 18 | 14 | 11 | 14 | 13 | 9 | 8 | 9 | **6** |
|  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to  | Good time | 31 | 28 | 30 | 29 | 35 | 33 | 32 | 32 | **49** |
| buy large items for | In between | 40 | 47 | 48 | 47 | 34 | 42 | 44 | 49 | **37** |
| the home? | Bad time | 23 | 20 | 18 | 18 | 22 | 20 | 17 | 13 | **9** |
|  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to | Good time | 62 | 67 | 65 | 65 | 52 | 53 | 56 | 55 | **57** |
| buy a house? | In between | 18 | 15 | 22 | 19 | 29 | 24 | 28 | 26 | **23** |
|  | Bad time | 16 | 13 | 9 | 12 | 13 | 18 | 11 | 12 | **14** |
|  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to  | Good time | 37 | 37 | 42 | 45 | 38 | 41 | 37 | 48 | **50** |
| buy a car? | In between | 39 | 40 | 37 | 38 | 38 | 36 | 42 | 35 | **34** |
|  | Bad time | 18 | 17 | 15 | 14 | 20 | 18 | 18 | 12 | **11** |

 **About the Survey**

 The results reported here are based on telephone interviews (including landline and cell phones) with 235 randomly selected adult residents, 18 years and older, from Davidson County, Rutherford County and Williamson County. Phone interviews were conducted between the evenings of Monday, December 1 and Wednesday, December 3. With a sample of 235 people, we can say with 95% confidence that the amount of survey error due to taking a random sample instead of surveying all members of the population is ± 6.3%. Other factors such as problems with question wording and question interpretation can also introduce additional bias or error into the results. Results from the Middle Tennessee Consumer Outlook Surveys can be compared to national consumer surveys published monthly by the Conference Board ([www.conference-board.org](http://www.conference-board.org)). This report is also available on the MTSU Office of Consumer Research web page ([www.mtsu.edu/consumer](http://www.mtsu.edu/consumer)).

 The Consumer Outlook Index is based on all 11 survey questions outlined below. The score is computed by adding the percentage of positive responses to each question, and subtracting the percentage of negative responses. The Current Situation Index is based on questions 1, 3, 5, and 7. The Future Expectations Index is based on questions 2, 4, 6, and 8. The Purchasing Index is based on questions 9, 10, and 11.

**About the Office of Consumer Research at MTSU**

 In 2000, the Management and Marketing Department at Middle Tennessee State University received funding from an MTSU Technology Access Fee grant to create a telephone survey research lab and the Office of Consumer Research to be housed in the department. The Office of Consumer Research uses the telephone survey lab to conduct surveys of consumers in Middle Tennessee. The surveys measure consumers’ perceptions of economic conditions in the country as a whole as well as in Middle Tennessee. Similar surveys conducted by the Conference Board and the Survey Research Center at the University of Michigan have been shown to be very predictive of key economic indicators such as inflation, interest rates and consumer spending.

 Students in Professor Timothy R. Graeff’s marketing research courses conduct the telephone surveys. For further information contact Timothy R. Graeff, Professor of Marketing and Director, Office of Consumer Research (898-5124; Tim.Graeff@mtsu.edu).

**The Middle Tennessee Consumer Outlook Survey:**

**[C]** = included in the Current Situation Index

**[F]** = included in the Future Expectations Index;

**[P]** = included in the Purchasing Situation Index

1. **[C]** Turning first to business conditions in the country as a whole, would you say that business conditions in the country as a whole are good, bad, or somewhere in between?
2. **[F]** And how about 6 months from now, do you expect that in the country as a whole business conditions will be better than they are today, worse than they are today, or just about the same?
3. **[C]** Now turning to business conditions in Middle Tennessee, would you say that business conditions in Middle Tennessee are good, bad, or somewhere in between?
4. **[F]** And how about 6 months from now, do you expect that in Middle Tennessee business conditions will be better than they are today, worse than they are today, or just about the same?
5. **[C]** Now turning to the availability of jobs in Middle Tennessee, would you say that jobs are easy to find, can be found with effort, or hard to find?
6. **[F]** How about in the next 6 months, do you expect that in Middle Tennessee there will be more job openings than there are now, fewer job openings than there are now, or about the same number of job openings?
7. **[C]** We are interested in how people are getting along financially these days. Would you say that you, and any family members living with you, are better off financially than you were a year ago, worse off financially than you were a year ago, or about the same?
8. **[F]** Now looking ahead, do you think that 12 months from now you, and any family members living with you, will be better off financially, worse off financially, or about the same?
9. **[P]** About the big things people buy for their homes -- such as furniture, a refrigerator, stove, television, and things like that, generally speaking, do you think now is a good time for people to buy major household items, a bad time, or somewhere in between?
10. **[P]** How about buying a house? Is now a good time to buy a house, a bad time to buy a house, or somewhere in between?

11. **[P]** How about buying a car? Is now a good time to buy a car, a bad time to buy a car, or somewhere in between?

**Middle Tennessee Consumer Outlook Index**

1. The score is computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. [↑](#footnote-ref-1)
2. The consumer outlook index scores are based on consumers’ responses to eleven questions measuring their perceptions of the current economy, the future economy, jobs, personal finances, and whether or not now is a good time to make large purchases. Four questions make up the current situation index, four questions make up the future expectations index, and three questions make up the purchasing index. The overall outlook index is based on all eleven questions combined (the complete questions are shown at the end of this report).

 The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero would indicate that the percentage of consumers who hold negative views of the economy is equal to the percentage of consumers who hold positive views of the economy. A net positive score would indicate that consumers who hold positive views of the economy outnumber those who hold negative views of the economy. [↑](#footnote-ref-2)
3. Despite Signs of Economic Improvement, Consumers Unlikely to Increase Holiday Spending, According To 15th Annual CFA-CUNA Holiday Spending Survey, November 24, 2014, Consumer Federation of America, <http://www.consumerfed.org>. [↑](#footnote-ref-3)
4. Gift Givers Plan to Splurge on Friends, Family This Holiday Season, October 16, 2014, National Retail Federation, <http://www.nrf.com>. [↑](#footnote-ref-4)
5. Source: November 25, 2014, The Conference Board Consumer Confidence Index® Declines.” ([www.conference-board.org](http://www.conference-board.org)). [↑](#footnote-ref-5)