Middle Tennessee Consumer Outlook Index

September 13, 2013

**The Office of Consumer Research**

**Jones College of Business**

at Middle Tennessee State University

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**Consumers’ Outlook Continues to Improve**

 Consumers’ positive outlook on the economy continues to grow, albeit slowly. Significant gains in consumers’ outlook on the economy were observed from November 2012 through April 2013. However, the current survey reveals only a slight improvement in outlook from April to September of this year.

 The current poll of 310 randomly selected adult residents of Davidson County, Rutherford County and Williamson County was conducted the evenings of Tuesday, September 10 and Thursday, September 12.

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

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Apr ‘11 | May ‘11 | Sept ‘11 | Dec‘11 | Jan‘12 | Apr ‘12 | Sept ‘12 | Nov ‘12 | Feb ‘13 | Apr ‘13 | **Sept****‘13** |
| Overall Outlook Index | 54 | 63 | 27 | 112 | 151 | 184 | 178 | 106 | 144 | 193 | **199**[[1]](#footnote-1) |
| Current Situation Index | -83 | -80 | -86 | -64 | -55 | -24 | -26 | -22 | -16 | 1 | **18** |
| Future Expectations Index | 75 | 99 | 59 | 97 | 125 | 115 | 112 | 55 | 78 | 97 | **86** |
| Purchasing Index | 62 | 44 | 54 | 79 | 81 | 93 | 92 | 73 | 82 | 95 | **95** |

 The overall consumer outlook index edged up to 199 from 193 in April. The current situation index continued to move into the positive range indicating that consumers who view the current economy positively outnumber those who view the economy negatively. And, consumers continue to view the local economy more positively than they view the overall U.S. economy. However, the largest drag on perceptions of the current economy is concerns about the job market. Less than 10 percent of local consumers reported that jobs in Middle Tennessee are “easy to find.” Conversely, 29 percent reported that jobs in Middle Tennessee are “hard to find.”

 The future expectations index dropped to 86 from 97, indicating that consumers’ expectations for a growing economy might be starting to wane. We observed a slight decrease in the percent of consumers who expect the overall U.S. economy to improve in the next six months as well as a decrease in the percent of consumers who expect the local economy to improve in the next six months.

***Consumer Spending.*** Perceptions of the current and future economy can affect consumer spending plans. The purchasing situation index was unchanged at 95. However, when asked whether or not they would increase or decrease their level of consumer spending compared to last year, the percent of consumers who expect to increase their spending rose to 35 from 31. Further, the percent who expect to decrease their consumer spending dropped to 20 from 28. This is good news for local businesses and retailers, especially as we look ahead to the ever important Christmas and Holiday shopping season.

***Consumer Savings.*** The amount of consumer savings can also significantly affect consumers’ ability and willingness to spend money. When asked about the amount of their income that they are currently saving compared to last year, only 22 percent reported saving more, and 28 percent reported saving less than they were saving last year. However, 28 percent report that they plan to increase their level of saving in the next 12 months, whereas only 17 percent expect to decrease their level of saving in the next 12 months.

***What Was on Consumers’ Minds?*** Consumers were given an opportunity to offer a reason for why they rated the economy as they did. Below is a word cloud that depicts the 25 most frequently mentioned words that appeared in these open-ended responses. The larger the word, the more frequently it was mentioned. This can provide clues about the thoughts that were on consumers’ minds as they responded to the survey.



 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.

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

 The table below shows how consumers’ responses to selected survey questions have changed since April, 2013.

|  |  |  |
| --- | --- | --- |
|  | September  2013(%) | Change from April 2013 |
| Business conditions in the U.S. are Good. | **14** | **1%** |
| Six months from now, business conditions in the U.S. will be Better. | **30** | **3%**  |
| Business conditions in Middle Tennessee are Good. | **49** | **5%** |
| Six months from now, business conditions in Middle Tennessee will be Better. | **37** | **2%** |
| Jobs in Middle Tennessee are Easy To Find. | **8** | **No Change** |
| Six months from now there will be More Job Openings in Middle Tennessee | **40** |  **1%** |
| I am Better Off Financially than I was one year ago. | **24** | **No Change** |
| 12 months from now I will be Better Off Financially than I am today. | **35** | **2%** |
| Now is a Good Time To Make Large Purchases. | **29** | **1%** |
| Now is a Good Time To Buy A Home. | **65** | **No Change** |
| Now is a Good Time To Buy A Car. | **45** | **3%** |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Consumer Outlook |  | May | Sept | Dec | Jan | Apr | Sept | Nov | Jan | Apr | Sept |
|  |  | ‘11 | ‘11 | ‘11 | ‘12 | ‘12 | ‘12 | ‘12 | ‘13 | ‘13 | **‘13** |
|   |  | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | **(%)** |
| Are business conditions | Good | 9 | 7 | 9 | 7 | 11 | 11 | 14 | 14 | 13 | **14** |
| in the U.S. | In Between | 65 | 52 | 55 | 62 | 66 | 59 | 60 | 62 | 62 | **66** |
|  | Bad | 26 | 41 | 36 | 30 | 21 | 29 | 25 | 23 | 24 | **20** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Six months from now,  | Better | 34 | 30 | 32 | 36 | 33 | 35 | 35 | 34 | 33 | **30** |
| will business conditions | About same | 50 | 49 | 49 | 54 | 49 | 38 | 34 | 41 | 46 | **48** |
| in the U.S. be: | Worse | 15 | 19 | 18 | 7 | 15 | 13 | 28 | 22 | 19 | **20** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Are business conditions | Good | 25 | 23 | 24 | 27 | 32 | 40 | 35 | 42 | 44 | **49** |
| in Middle TN: | In Between | 60 | 60 | 59 | 55 | 59 | 46 | 53 | 48 | 45 | **46** |
|  | Bad | 15 | 16 | 15 | 16 | 9 | 11 | 10 | 8 | 9 | **5** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Six months from now,  | Better | 38 | 31 | 40 | 38 | 37 | 37 | 36 | 36 | 39 | **37** |
| will business conditions | About same | 53 | 57 | 49 | 54 | 54 | 46 | 45 | 52 | 49 | **51** |
| in Middle TN be: | Worse | 8 | 11 | 9 | 6 | 7 | 7 | 18 | 10 | 10 | **10** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Are jobs in Middle TN: | Easy to find | 5 | 4 | 5 | 5 | 5 | 4 | 7 | 5 | 8 | **8** |
|  | Found w/effort | 37 | 42 | 51 | 46 | 51 | 52 | 53 | 53 | 54 | **57** |
|  | Hard to find | 57 | 51 | 41 | 41 | 38 | 35 | 35 | 37 | 31 | **29** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| In Middle TN six months  | More | 32 | 26 | 38 | 39 | 40 | 36 | 33 | 34 | 39 | **40** |
| from now there will be | About same | 54 | 53 | 49 | 47 | 46 | 44 | 46 | 49 | 47 | **45** |
| (# of jobs): | Fewer | 13 | 19 | 11 | 9 | 11 | 9 | 16 | 13 | 11 | **12** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Compared to a year ago,  | Better | 13 | 19 | 17 | 19 | 19 | 19 | 18 | 17 | 24 | **24** |
| is your personal financial | About same | 53 | 50 | 57 | 54 | 58 | 56 | 56 | 57 | 52 | **53** |
| situation: | Worse | 34 | 31 | 27 | 26 | 23 | 25 | 26 | 26 | 24 | **23** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| In 12 months will your  | Better | 37 | 32 | 35 | 39 | 44 | 41 | 31 | 33 | 37 | **35** |
| personal financial  | About same | 57 | 57 | 55 | 53 | 50 | 51 | 51 | 53 | 52 | **51** |
| situation be: | Worse | 6 | 11 | 10 | 5 | 6 | 8 | 18 | 14 | 11 | **14** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to  | Good time | 25 | 28 | 33 | 32 | 32 | 33 | 31 | 28 | 30 | **29** |
| buy large items for | In between | 48 | 39 | 39 | 42 | 45 | 34 | 40 | 47 | 48 | **47** |
| the home? | Bad time | 22 | 28 | 22 | 18 | 18 | 25 | 23 | 20 | 18 | **18** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to | Good time | 57 | 61 | 66 | 68 | 71 | 69 | 62 | 67 | 65 | **65** |
| buy a house? | In between | 17 | 18 | 16 | 14 | 17 | 16 | 18 | 15 | 22 | **19** |
|  | Bad time | 23 | 18 | 15 | 15 | 11 | 12 | 16 | 13 | 9 | **12** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to  | Good time | 28 | 34 | 37 | 33 | 34 | 48 | 37 | 37 | 42 | **45** |
| buy a car? | In between | 47 | 39 | 38 | 42 | 47 | 27 | 39 | 40 | 37 | **38** |
|  | Bad time | 21 | 23 | 20 | 19 | 15 | 21 | 18 | 17 | 15 | **14** |

**Taxes**

 While increased taxes can reduce the amount of money that consumers have available for discretionary spending, fears of higher taxes in the future seem to be abating. The percentage of consumers who expect their taxes to increase in the future decreased to 64 from 73 in April. However, only 4 percent of consumers expect taxes to decrease in the next year.

**Consumer Investments: The Stock Market**

 A rising U.S. stock market can give consumers a greater feeling of wealth as their investments and savings grow. The percent of consumers who expect the stock market to increase in the next 12 months remained steady. The percent on consumers who expect the stock market to decrease in the next 12 months edged up only one percent.

**Annual Consumer Spending**

 An increase in consumers’ outlook on the economy is often seen as a precursor to increased consumer spending. And, consumers seem to be more willing to open up their wallets and increase their spending.

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

 Consumers in Middle Tennessee do not share the same perceptions of the overall economy as compared to consumers across the rest of the country. Compared to consumers across the country as a whole, local consumers are less positive about the current U.S. economy and have a slightly less positive view of the current job market. However, local consumers have traditionally been more optimistic about the future of the economy. Local consumers are comparatively more optimistic about the future of the American economy, the future of the job market, and their personal financial situation in the next year.

|  |  |  |
| --- | --- | --- |
| Comparing Middle Tennessee Consumers to Consumers Across the Country as a Whole | Nation(%) | Mid.Tenn.(%) |
| Business conditions in the U.S. are good. | **18[[2]](#footnote-2)** | **14** |
| Six months from now, business conditions in the U.S. will be better. | **20** | **30** |
| Jobs are easy to find (plentiful). | **11** | **8** |
| Six months from now, there will be more job openings. | **18** | **40** |
| In 12 months my personal financial situation (income) will be better. | **17** | **35** |

**The Psychology of Consumers**

 The psychology of consumers can have dramatic effects on the future of the economy. Consumer spending makes up two-thirds of the American economy. Decreases in consumer outlook that translate into reduced purchasing patterns can have significant negative effects on the economy. Conversely, increases in consumer outlook that translate into accelerated consumer spending can have significant positive effects on the economy. When consumers begin to feel comfortable about the future of the economy and their own personal financial situation, they will increase their spending. Such spending would then help to grow the economy as manufacturers begin to produce more and retailers begin to fill jobs to meet increased consumer demand. This type of self-fulfilling prophecy is illustrated below in the *Consumer Confidence Cycle*.

**The Self-Fulfilling Prophecy of the Consumer Confidence Cycle**

|  |  |  |
| --- | --- | --- |
| **Consumer Optimism** |  | **Consumer Pessimism** |
| **Increased consumer confidence,** *leads to …* |  | **Decreased consumer confidence,** *leads to …* |
| **Increased consumer spending,** *which leads to …* |  | **Decreased consumer spending,** *which leads to …* |
| **Retailers hire more employees and purchase more inventory from suppliers,** *which leads to …* |  | **Retailers hire fewer employees and purchase less inventory from suppliers,** *which leads to …* |
| **Suppliers (manufacturers) must make more products,** *which leads to …* |  | **Suppliers (manufacturers) must make fewer products,** *which leads to …* |
| **Suppliers (manufacturers) hire more employees,** *which leads to …* |  | **Suppliers (manufacturers) hire fewer employees,** *which leads to …* |
| **More retail and manufacturing employees,** *which leads to …* |  | **Fewer retail and manufacturing employees,** *which leads to …* |
| **More consumers with pay checks who are able to spend,** *which leads to …* |  | **Fewer consumers with pay checks who are able to spend,** *which leads to …* |
| **Growing economy,** *which leads to …* |  | **Slowing economy,** *which leads to …* |
| **Increased consumer confidence,** *which leads to …* |  | **Decreased consumer confidence,** *which leads to …* |

 **About the Survey**

 The results reported here are based on telephone interviews with 310 randomly selected adult residents, 18 years and older, from Davidson County, Rutherford County and Williamson County. Phone interviews were conducted between 4:00 pm and 8:00 pm on Tuesday, September 10, and Thursday, September 12. With a sample of 310 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 ± 5.5%. 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. Source: August 27, 2013, “The Conference Board Consumer Confidence Index® Increases Slightly.” ([www.conference-board.org](http://www.conference-board.org)). [↑](#footnote-ref-2)