



Tennessee Consumer Outlook Index

Office of Consumer Research
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Consumers' Outlook Improves Heading into Spring

Outlook among Tennessee consumers has improved noticeably heading into the spring and summer months.¹ The Overall Outlook Index, which had declined sharply in December, has now improved to 1 from -58.² Although perceptions of the current economic situation improved modestly, the Current Situation Index remains in the negative range, gaining marginally to -69 from -84.

The largest gains were seen in the Future Expectations Index, rising to 79 from 31 in December. Consumers have regained some of their lost optimism with respect to the future of the economy. However, the Purchasing Situation Index remained relatively steady, dipping slightly to -9 from -5. West Tennessee was the only region for which the Purchasing Situation Index rose. This suggests that even though consumers have regained some of their lost hope for the economy, their spending might remain somewhat muted in the near future.

The current online survey of 609 Tennessee consumers was conducted between March 5 and March 23.

Tennessee Consumer Outlook Index and Components

Increase/Decrease from December 2020

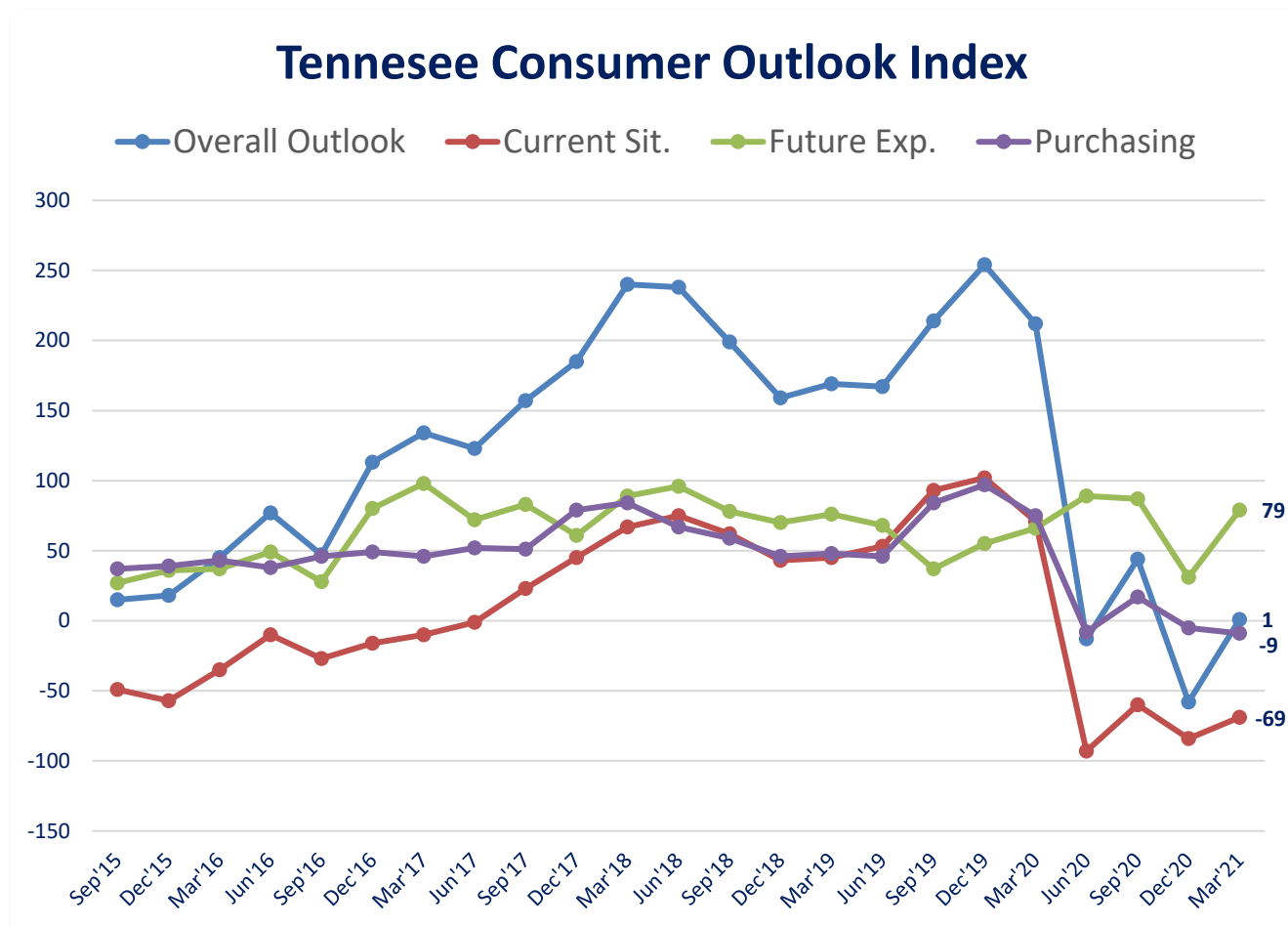
	TN March 2020	Change from Dec	West TN March 2020	Change from Dec	Mid TN March 2020	Change from Dec	East TN March 2020	Change from Dec
Overall Outlook Index	1	+59	79	+113	-22	+23	-39	+167
Current Situation Index	-69	+15	-71	+28	-65	+11	-68	+38
Future Expectations Index	79	+48	124	+52	72	+42	48	+134
Purchasing Index	-9	-4	26	+33	-29	-30	-19	-5

¹ The current online survey of 609 Tennessee residents was conducted between March 5 and March 23.

² The Consumer Outlook Index scores are based on consumers' responses to 11 questions measuring their perceptions of the current economy, the future economy, jobs, personal finances, and whether 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 11 questions combined (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 indicates 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 indicates consumers who hold positive views of the economy outnumber those who hold negative views of the economy (vice versa for a net negative score).

The chart below shows how the Tennessee Consumer Outlook Index has changed since December, 2015. Following a sharp decline in outlook last December, increasing optimism has fueled greater expectations for the economy moving forward.



The Current Economy. Perceptions of the current economic situation have improved, but remain entrenched in the negative range. Even with growing optimism for the future of the economy, consumers retain negative views of the current U.S. economy. The percent who said business conditions in the country as a whole are “good” remained anemic, dipping slightly lower to 4 from 6. However, the percent who said they are “bad” also dropped to 35 from 46. A growing number of consumers have taken a more moderate view of the economy.

Perceptions of the Tennessee economy were less negatively affected. The percent who said business conditions in Tennessee are “good” remained steady at 13, while the percent who said they are “bad” dipped to 22 from 27.

The Future Economy. Consumers have become increasingly optimistic about the overall U.S. economy as well as the local Tennessee economy. The percent who said business conditions in the U.S. in the next six months will be “better,” rose to 40 from 27. The percent who said

business conditions in Tennessee in the next six months will be “better” similarly rose to 39 from 26.

Jobs and Employment. Even though perceptions of the current job market changed very little, optimism for the future job market improved noticeably. The percent who said there will be “more” job openings in the next six months rose to 39 from 29, whereas the percent who said there will be “fewer” job openings dropped to 14 from 22.

Jobs, Vaccinations, and Confidence. According to the Bureau of Labor Statistics, the unemployment rate and number of unemployed persons remained relatively steady in February. Most of the recent job gains were in the areas of hospitality and leisure, with smaller gains in health care, retail trade, and manufacturing.³ Expanding vaccinations across the state and country have given Tennessee consumers greater resolve when resuming shopping, travel, and vacation plans. This reflects a renewed sense of comfort among consumers as they begin to think about opening their wallets and spending money in ways they were not able to spend most of last year.

Comfort Shopping and Wearing Masks. Consumers have increased in their level of comfort while shopping. The percent who said they feel somewhat, or extremely comfortable resuming their normal shopping and other consumer related activities gained to 43 from 33 in December. A similar number (42%) feel uncomfortable, down from 51 percent in December. However, the majority (73%) still think it is very, or extremely important people wear masks when out in public around other people.

Spending. While optimism has improved, the Purchasing Index remains mired in the negative range, decreasing to -9 from -5 in December. Even though a growing number of consumers are more optimistic about the future of the economy, negative perceptions of the current economy might cause many to delay large spending increases in the near future. Even though there was a net increase in the percent who expect to increase their spending from last year, more consumers still expect to spend less than they did last year (33%) versus more (23%). West Tennessee was the only region for which the purchasing index improved.

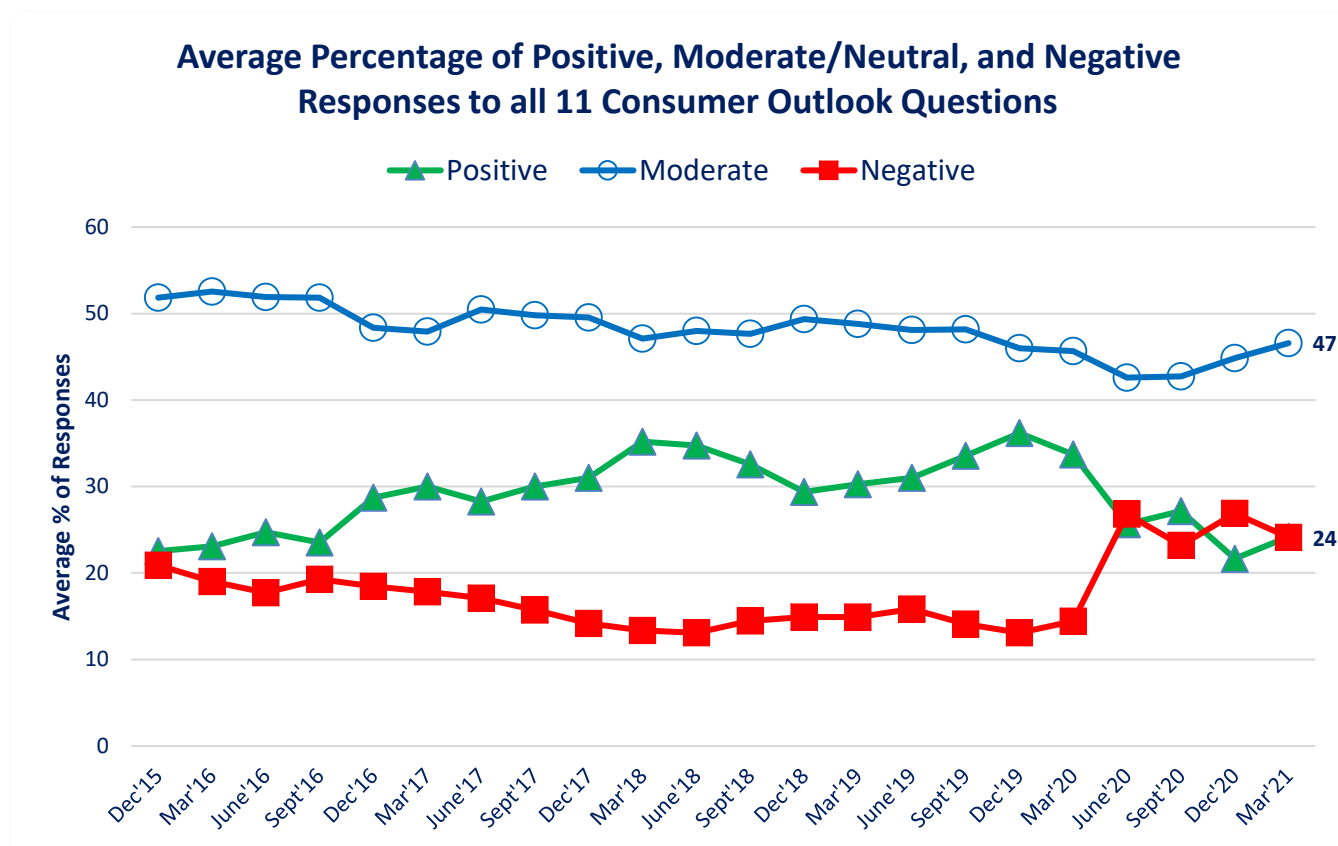
Concerns or Worries for the Future. When asked about concerns or worries they have for the future of our nation and/or our economy, more than two-thirds (68%) said they were concerned about the potential for higher taxes in the future. Further, 52 percent are worried about higher unemployment and instability in our economic system. Such concerns can inhibit consumers’ desire to increase spending in the near future.

The Final Word. Taken together, these results are good news for local businesses and retailers. As the economy continues to emerge from COVID shutdowns and restrictions, consumers are increasingly optimistic the economy will improve in the future. As the number of vaccinations increase, restrictions are lifted, and workers are hired to handle growing consumer demand, continued optimism can set the stage for future spending as consumers become more comfortable opening up their wallets and spending in ways they were not able to do so last year. However, large increases in spending might not happen for a while, until consumers have become more comfortable with an improving economy.

³ Bureau of Labor Statistics, The Employment Situation – February 2021, www.BLS.gov

Average Attitude

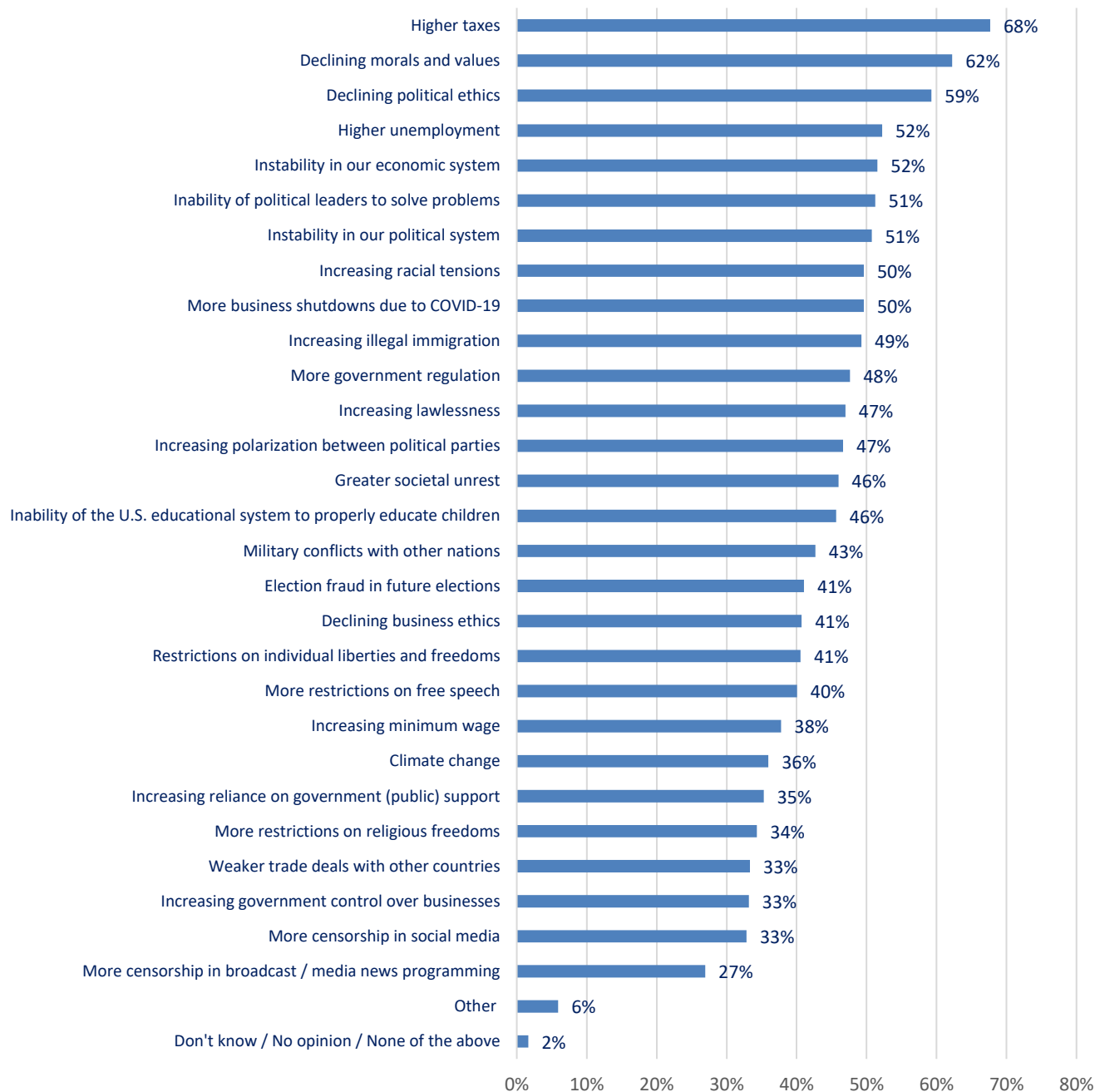
The chart below shows the average percentage of positive, moderate/neutral, and negative responses to all 11 questions that make up the Tennessee Consumer Outlook Index. There is now no gap between the percentage of positive versus negative responses. Almost one fourth (24%) think economic conditions are “good” and think future economic conditions will be “better.” An equal percentage think economic conditions are “bad” and think future economic conditions will be “worse.” Nearly half (47%) think the economy is somewhere “in between” good and bad and will likely stay “about the same” in the future.



Concerns for the Future

When asked about their concerns for the future, higher taxes, declining morals and values, and declining political ethics were the most often cited. Further, the high percentage of respondents who cited concerns about higher unemployment and instability in our economic system can cause consumers to delay spending.

Which of the following concerns or worries do you have for the future of our nation and/or our economy?



Political Affiliation and Concerns

Concerns or worries for the future vary widely by political affiliation. Republican consumers were noticeably more concerned about higher taxes, declining morals and values, inability of political leaders to solve problems, increasing illegal immigration, and more governmental regulation. The only areas where democrat consumers expressed more concerns were increased business shutdowns due to COVID-19, increasing racial tensions, and climate change.

Which of the following concerns or worries do you have for the future of our nation and/or our economy?	Total	Republican	Democrat	Independent
Higher taxes	68%	83%	51%	65%
Declining morals and values	62%	73%	50%	61%
Declining political ethics	59%	69%	54%	57%
Higher unemployment	52%	54%	46%	54%
Instability in our economic system	52%	59%	44%	47%
Inability of political leaders to solve problems	51%	62%	35%	57%
Instability in our political system	51%	59%	42%	52%
More business shutdowns due to COVID-19	50%	40%	48%	53%
Increasing racial tensions	50%	51%	54%	44%
Increasing illegal immigration	49%	79%	17%	53%
More government regulation	48%	73%	17%	49%
Increasing lawlessness	47%	57%	38%	43%
Increasing polarization between political parties	47%	52%	44%	47%
Greater societal unrest	46%	52%	39%	43%
Inability of the U.S. educational system to properly educate children	46%	51%	41%	43%
Military conflicts with other nations	43%	44%	32%	44%
Election fraud in future elections	41%	65%	16%	43%
Declining business ethics	41%	43%	40%	39%
Restrictions on individual liberties and freedoms	41%	59%	18%	38%
More restrictions on free speech	40%	62%	15%	36%
Increasing minimum wage	38%	54%	23%	39%
Climate change	36%	19%	57%	37%
Increasing reliance on government (public) support	35%	53%	14%	36%
More restrictions on religious freedoms	34%	49%	15%	31%
Weaker trade deals with other countries	33%	51%	17%	32%
Increasing government control over businesses	33%	52%	10%	33%
More censorship in social media	33%	49%	11%	30%
More censorship in broadcast / media news programming	27%	39%	8%	30%
Other (please specify)	6%	5%	6%	4%
Don't know / No opinion / None of the above	2%	2%	2%	0%

Perceptions of the Economy - Comparison to the Nation

When compared to consumers across the rest of the country, Tennessee consumers have more negative views of the current U.S. economy and the current job market, but more positive views regarding the future job market. Further, Tennessee consumers are significantly more optimistic about their future personal financial situation.

The table below shows responses from Tennessee residents to a few key questions compared to those of a recent national sample conducted by the Conference Board (www.conference-board.org).⁴

Comparing Tennessee Consumers to Consumers across the Country as a Whole	Nation (%)	TN Dec'20 (%)
Business conditions in the U.S. are good.	17	4
Business conditions in the U.S. are bad.	40	35
Six months from now, business conditions in the U.S. will be better.	31	40
Six months from now, business conditions in the U.S. will be worse.	18	25
Jobs are easy to find (plentiful).	22	15
Jobs are hard to find.	21	23
Six months from now, there will be more job openings.	26	39
Six months from now, there will be fewer job openings.	21	14
In 12 months, my personal financial situation (income) will be better.	15	29
In 12 months, my personal financial situation (income) will be worse.	13	13

⁴ Source: February 23, 2021, *The Conference Board Consumer Confidence Index® Improved in February* (www.conference-board.org).

Consumer Outlook Index with Net Change* (Increase or Decrease) from December, 2020

		Tenn. Mar'21 (%)	Net Change*	West TN Mar'21 (%)	Net Change	Mid TN Mar'21 (%)	Net Change	East TN Mar'21 (%)	Net Change
Business conditions in the U.S. are:	Good	4	+9	6	+14	5	+11	2	+2
	In between	58		58		59		58	
	Bad	35		33		34		38	
Six months from now, business conditions in the U.S. will be:	Better	40	+15	50	+18	40	+11	32	+15
	About same	30		28		30		33	
	Worse	25		17		27		29	
Business conditions in Tennessee are:	Good	13	+6	12	+11	14	+7	14	+4
	In between	62		61		64		61	
	Bad	22		24		20		21	
Six months from now, business conditions in Tennessee will be:	Better	39	+18	44	+17	40	+17	33	+20
	About same	40		39		39		44	
	Worse	16		13		16		18	
Jobs in your area of Tennessee are (can be):	Easy to find	15	+2	8	-3	15	+4	20	+4
	Found w/effort	56		58		60		50	
	Hard to find	23		28		18		22	
In six months, there will be ____ jobs in your area of Tennessee.	More	39	+17	43	+19	39	+15	34	+17
	About same	39		38		36		44	
	Fewer	14		11		17		14	
Financially, how are you compared to a year ago?	Better	12	-2	17	+5	11	-11	8	0
	About same	54		53		50		60	
	Worse	33		29		38		32	
Financially, how will you be one year from now?	Better	29	-3	35	-1	26	-1	26	-6
	About same	53		52		56		52	
	Worse	13		7		13		17	
Now is a ____ time to buy major household items.	Good time	20	+4	26	+13	13	-2	20	+2
	In between	42		45		44		38	
	Bad time	31		23		34		35	
Now is a ____ time to buy a house.	Good time	30	-6	36	+11	28	-14	28	-11
	In between	33		33		35		30	
	Bad time	30		25		31		33	
Now is a ____ time to buy a car.	Good time	25	-2	29	+9	20	-15	26	+1
	In between	45		46		47		41	
	Bad time	23		17		25		26	

Consumer Spending, Saving, and Investments

		Tenn. Mar'21 (%)	Net Change	West TN Mar'21 (%)	Net Change	Mid TN Mar'21 (%)	Net Change	East TN Mar'21 (%)	Net Change
Compared to last year, I will spend:	More	23	+12	25	+17	21	+6	23	+10
	About same	41		45		40		38	
	Less	33		29		36		35	
Compared to last year, I am saving:	More	23	+9	28	+19	23	+9	19	+2
	About same	40		43		39		40	
	Less	33		26		34		38	
In the next 12 months, I will ____ my level of saving.	Increase	33	-8	41	-4	30	-9	28	-12
	Keep same	44		42		44		45	
	Decrease	18		12		19		22	
In the next 12 months, the value of the stock market will be:	Higher	24	-4	29	-2	21	-10	22	-2
	About same	24		26		23		24	
	Lower	32		25		34		35	
In 12 months the value of my savings and investments will be:	Higher	29	0	35	+3	27	-6	24	+2
	About same	36		37		37		34	
	Lower	24		16		26		30	
If I lost my job, I would survive financially.	Definitely yes	15	+3	18	+9	16	+1	11	0
	Probably yes	19		25		17		15	
	Maybe	18		14		20		19	
	Probably no	19		20		15		22	
	Definitely no	24		18		26		26	
In 12 months the total amount of my credit card debt will be:	Higher	6	-3	4	-7	7	-5	6	-1
	About same	48		48		48		48	
	Lower	36		40		38		32	

* The Net Change score for each question is calculated based on the change in percent of both positive (e.g., "good," "better") and negative (e.g., "bad," "worse") responses to a question. The Net Change score increases when there are more positive responses as well as when there are fewer negative responses. For example, if there are 10 percent more positive responses and four percent more negative responses, the net change score is +6. Alternatively, if there are 10 percent more positive responses and four percent fewer negative responses, then the net change score is +14. The Net Change score for the question about surviving financially after a job loss is based on the change in percent of "definitely yes" and "definitely no" responses.

Why Measure Consumers' Outlook? — 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 will then help to grow the economy as manufacturers and service providers begin to produce more and retailers begin to fill jobs to meet increased consumer demand. This type of self-fulfilling prophecy is illustrated below.

Self-Fulfilling Prophecy of the Consumer Outlook Cycle

Optimistic Consumer Outlook	Pessimistic Consumer Outlook
Optimistic consumer outlook, <i>which leads to ...</i>	Pessimistic consumer outlook, <i>which leads to ...</i>
Increased consumer spending, <i>which leads to ...</i>	Decreased consumer spending, <i>which leads to ...</i>
Retailers hire more employees and purchase more inventory from suppliers, <i>which leads to ...</i>	Retailers hire fewer employees and purchase less inventory from suppliers, <i>which leads to ...</i>
Suppliers (manufacturers) must make more products, <i>which leads to ...</i>	Suppliers (manufacturers) must make fewer products, <i>which leads to ...</i>
Suppliers (manufacturers) hire more employees, <i>which leads to ...</i>	Suppliers (manufacturers) hire fewer employees, <i>which leads to ...</i>
More retail, service, and manufacturing employees, <i>which leads to ...</i>	Fewer retail, service, and manufacturing employees, <i>which leads to ...</i>
More consumers with paychecks who are able to spend, <i>which leads to ...</i>	Fewer consumers with paychecks who are able to spend, <i>which leads to ...</i>
Growing economy, <i>which leads to ...</i>	Slowing economy, <i>which leads to ...</i>
More optimistic consumer outlook, <i>which leads to ...</i>	More pessimistic consumer outlook, <i>which leads to ...</i>

About the Survey

The results reported here are based on online surveys of 609 randomly selected adult residents of Tennessee. Online surveys were conducted between March 5 and March 23, 2020. Using the panel-sampling services of Qualtrics.com, a stratified sampling procedure was used to obtain an equal representation of consumers from each region of the state. With a sample of 609 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 $\pm 4\%$. Other factors such as problems with question wording and question interpretation can also introduce additional bias or error into the results. Results from the Tennessee Consumer Outlook Surveys can be compared to national consumer surveys published monthly by the Conference Board (www.conference-board.org). This report is also available on the MTSU Office of Consumer Research web page (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.

For further information about the Office of Consumer Research at Jones College of Business, contact Timothy R. Graeff, Professor of Marketing and Director, Office of Consumer Research (615-898-5124; Tim.Graeff@mtsu.edu).

The Tennessee Consumer Outlook Index

[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 (economic) 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 (economic) conditions will be better than they are today, worse than they are today, or just about the same?
3. **[C]** Now thinking about Tennessee, would you say that business (economic) conditions in the state of Tennessee are good, bad, or somewhere in between?
4. **[F]** And how about 6 months from now? Do you think that business (economic) conditions in the state of Tennessee 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 in the area of Tennessee where you live are easy to find, can be found with effort, or are hard to find?
6. **[F]** How about in the next 6 months? Do you think that in the area of Tennessee where you live 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 that 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?