



Tennessee Consumer Outlook Index

Office of Consumer Research
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Tennessee Consumer Outlook Improves Significantly Heading into the Christmas and Holiday Shopping Season with Increased Optimism Following the Presidential Election

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers across the state are feeling much more optimistic about the economy as we head into the ever important Christmas and holiday shopping season.¹ The Tennessee Consumer Outlook Index soared to 113 from 47 in September.² This pattern of improving outlook was consistent across all three regions of the state. Additionally, Tennessee consumers feel optimistic about the potential effects of Donald Trump's victory in the presidential election on the overall U.S. economy. The current survey of 630 Tennessee consumers was conducted between December 1 and December 8.

Tennessee Consumer Outlook Index and Components

Increase/Decrease from September 2016

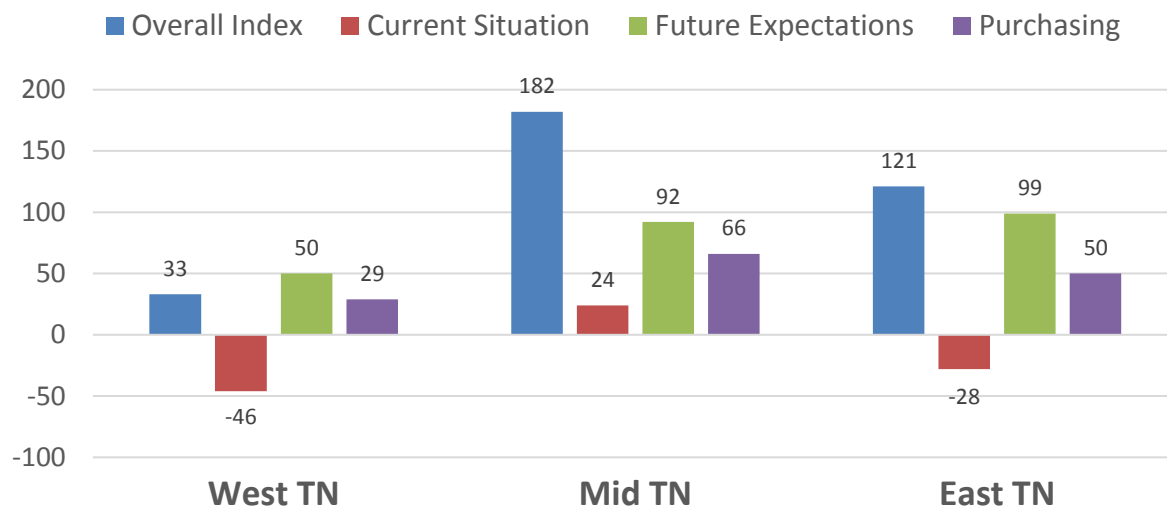
	TN Dec '16 (n=630)	Change from Sept.	West TN Dec '16 (n=210)	Change from Sept.	Mid TN Dec '16 (n=210)	Change from Sept.	East TN Dec '16 (n=210)	Change from Sept.
Overall Outlook Index	113	66	33	30	182	60	121	108
Current Situation Index	-16	11	-46	17	24	-2	-28	20
Future Expectations Index	80	52	50	32	92	47	99	80
Purchasing Index	49	3	29	-19	66	15	50	8

¹ The current online survey of 630 Tennessee residents was conducted between December 1 and December 8.

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 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 11 questions combined (complete questions are shown at the end of this report).

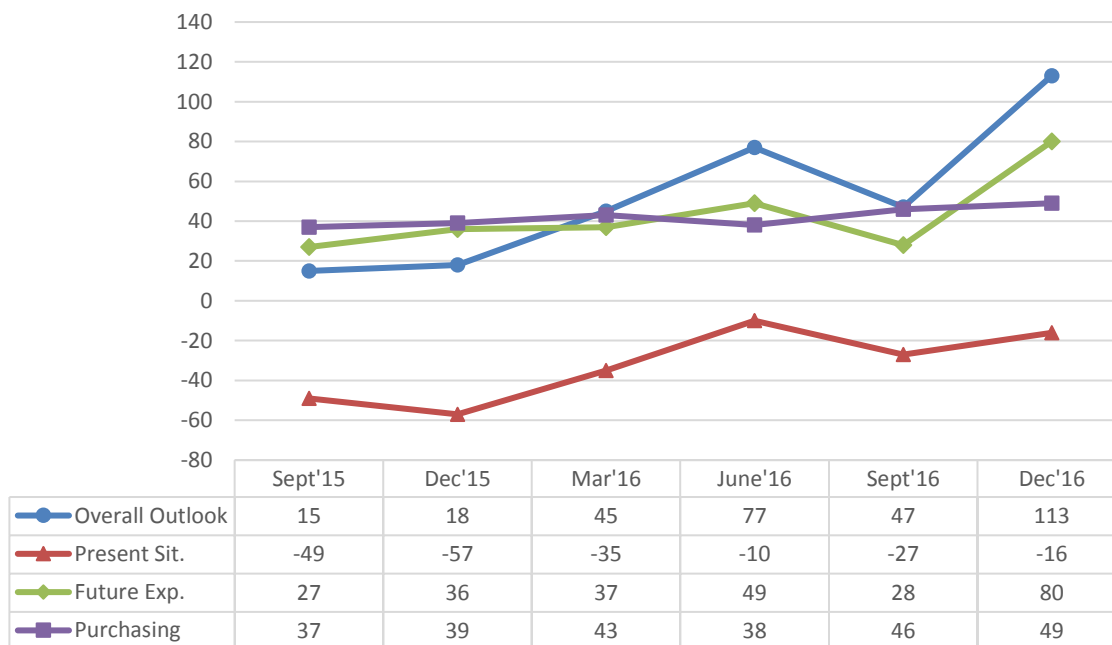
The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero indicates the percentage of consumers who hold negative views of the economy is equal to the percentage of 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).

Tennessee Consumer Outlook Index Results by Region



The complete set of results for all three regions of the state is provided at the end of this report. The chart below shows how the Tennessee Consumer Outlook Index has changed since September of 2015.

Tennessee Consumer Outlook Index



National Economy. Tennessee consumers are feeling better about the current state of the economy. The Current Situation Index improved to -16 from -27 in September. However, the fact that the Current Situation Index is still in the negative range indicates a greater percentage of consumers still hold negative views of the current economy than hold positive views. Only 13 percent of Tennessee consumers said current economic conditions in the country as a whole are “good,” whereas 20 percent said they were “bad.”

Tennessee Economy. Perceptions of the state’s economy are more positive. A greater percentage of consumers said business conditions in Tennessee are “good” (27 percent) than “bad” (17 percent). And, views of the Tennessee economy have remained relatively unchanged from September.

Jobs. Tennessee consumers continue to have concerns about the ease with which jobs can be found. More consumers said jobs are “hard to find” (26 percent) than “easy to find” (13 percent). However, consumers are optimistic regarding the future job market. More consumers expect there will be “more jobs” in the next six months (29 percent) than “fewer jobs” (17 percent). This pattern of optimism regarding the future job market is consistent across the three regions of the state.

Future Expectations. Overall, Tennessee consumers feel much more optimistic about the future of the economy. The Future Expectations Index rose significantly to 80 from 28. Further, this optimism is shared across all three regions of the state. In general, Tennessee consumers have found renewed optimism regarding the future of the overall U.S. economy, the state’s economy, the job market, their personal financial situation, the stock market, and the value of their savings and investments.

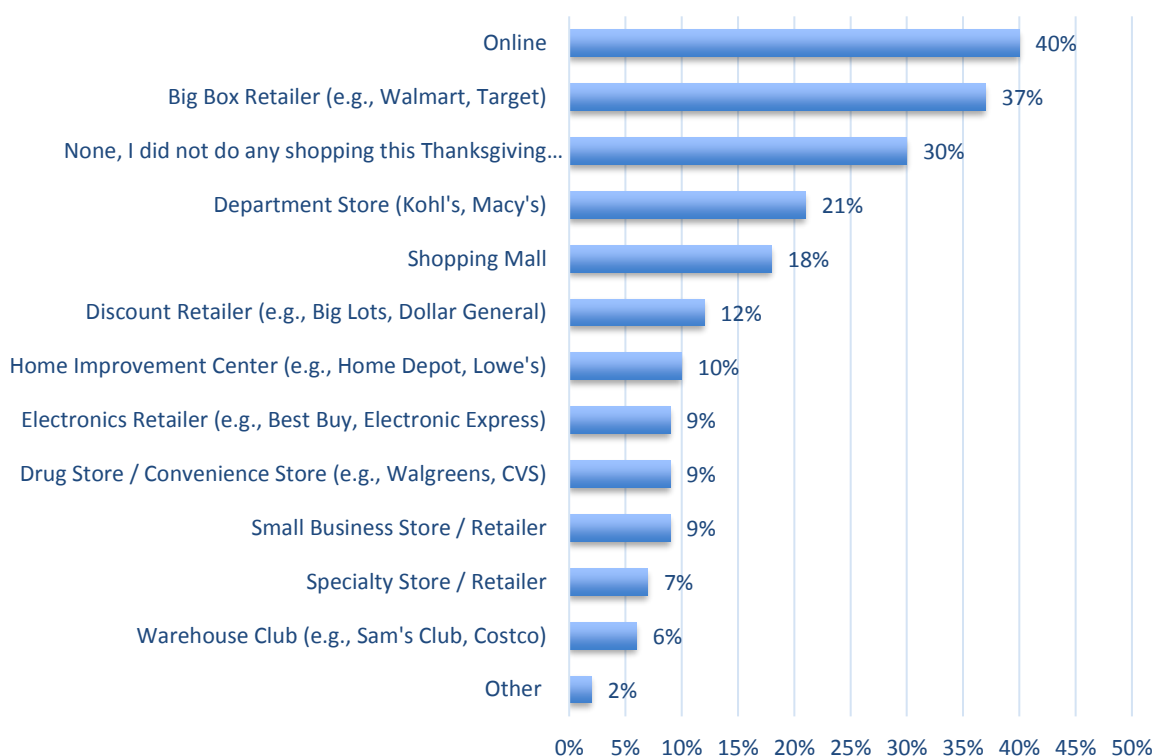
Purchasing Situation. Along with the modest improvement in the Purchasing Index to 49 from 46, there was also a small net increase in the percent of consumers who expect to spend more this year than they spent last year. The fact that this net increase in expected spending was not larger could be explained by the timing of this survey. The limited number of days left in the year might explain why there were not more consumers reporting they will spend more this year than they spent last year.

Spending. Taken together, this is exactly the type of good news retailers want to hear heading into the Christmas and holiday shopping season. Improving optimism regarding the future of the job market and personal finances can spur increased consumer spending. As consumers feel more confident in their job situation and the availability of jobs should they need to find one, the more comfortable they will be about their personal finances and the more willing they will be to open up their wallets and spend money.

Christmas and Holiday Spending

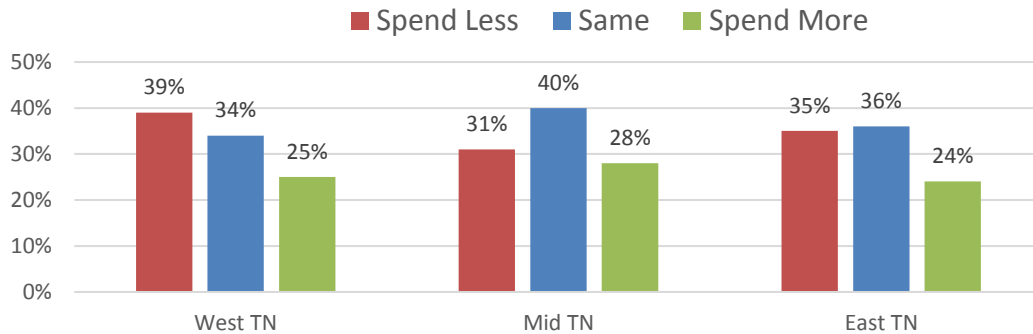
Consumers were also asked specifically about their shopping and spending plans for the Christmas and holiday season. When asked if they did any shopping over the Thanksgiving weekend (including Cyber Monday), most consumers either made purchases online (40%) or went to big box retailers such as Walmart or Target (37%). Three in ten (30%) did not do any shopping during the traditional Thanksgiving weekend shopping days.

If you did some shopping this Thanksgiving weekend (including Black Friday, Small Business Saturday, Cyber Monday), please tell us where you went shopping.



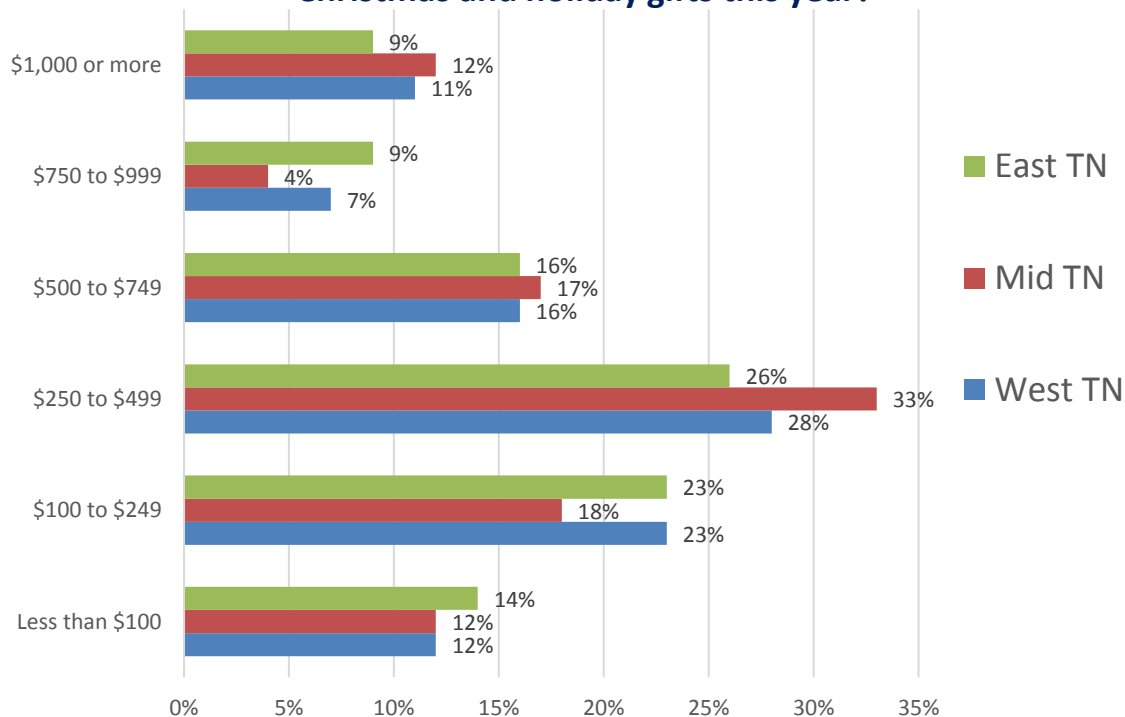
Consumers were also asked about the total amount of money they expect to spend on Christmas and holiday gifts this year and whether or not they expect to spend more or less than they spent last year. Statewide, 35 percent expect to spend “less than they spent last year.” Conversely, the majority (62 percent) expect to spend either “more than they spent last year” (26 percent) or “about the same as they spent last year” (36 percent).

Thinking about how much you will spend on Christmas and holiday gifts, do you think this year you will end up spending more than you spent last year, less than last year, or about the same as last year?



With respect to total expenditures for Christmas and holiday gifts, 13 percent of consumers statewide expect to spend less than \$100, 21 percent expect to spend between \$100 and \$249, 29 percent expect to spend between \$250 and \$499, 17 percent expect to spend between \$500 and \$749, 7 percent expect to spend between \$750 and \$999, and 11 percent expect to spend more than \$1,000. The chart below shows how these spending expectations vary by region of the state.

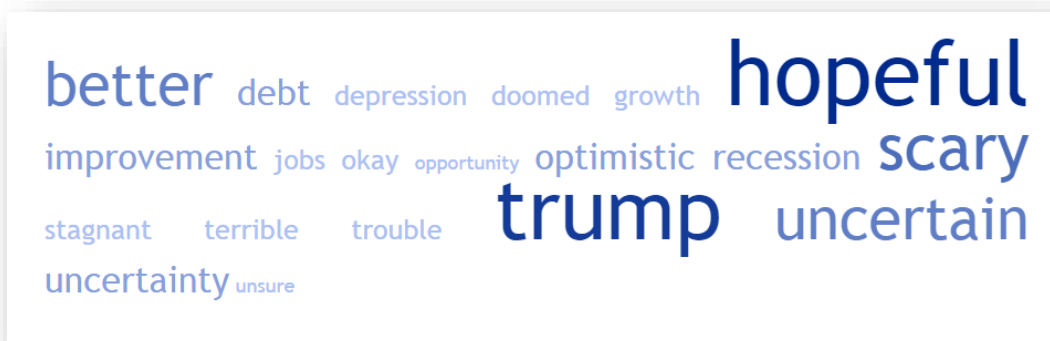
Approximately, how much do you expect to spend on Christmas and holiday gifts this year?



Perceptions of the Economy—In One Word

Consumers were also asked to identify the one word that came to mind when they thought about the future of the overall U.S. economy. The word clouds below show the 20 most frequently mentioned words. The larger the word, the more frequently it was mentioned. This can provide clues about the thoughts on consumers' minds as they responded to the survey. These word clouds show that the result from the recent presidential election was on the minds of many consumers.

West Tennessee



Middle Tennessee



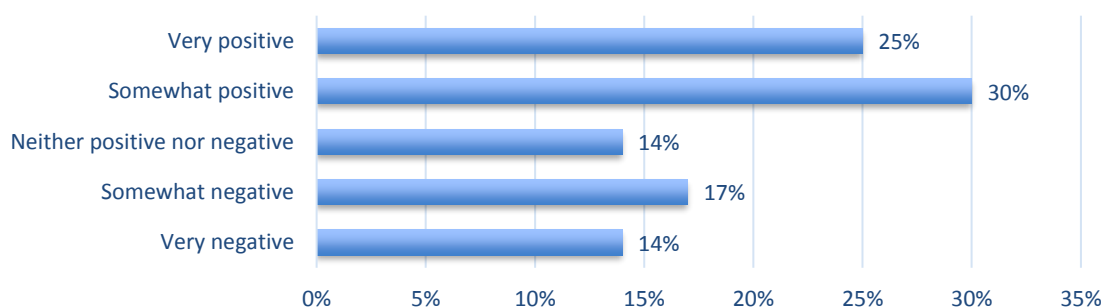
East Tennessee



The Presidential Election and Economic Attitudes

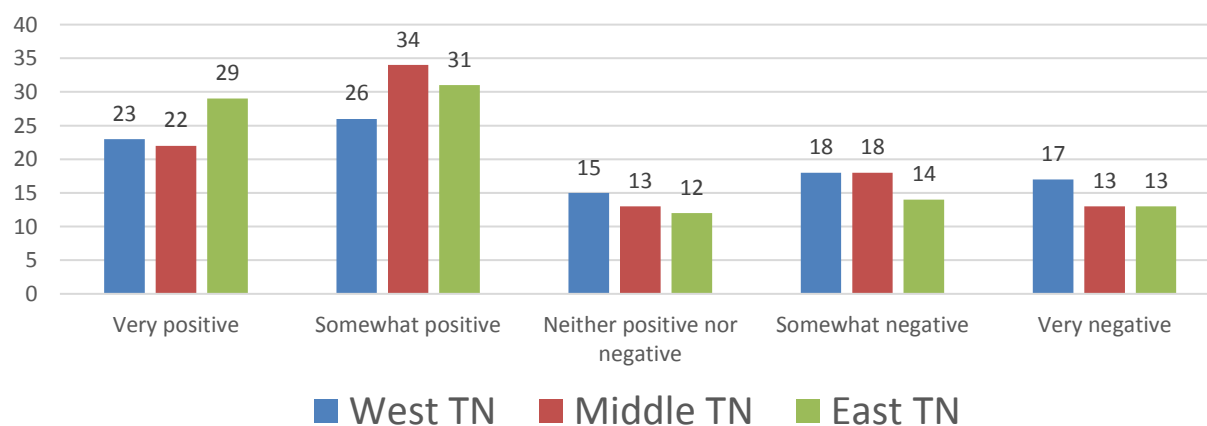
When asked about the possible effects of the recent presidential election on the economy, the majority of Tennessee consumers expect that Donald Trump's victory will have a positive effect on the future of the overall American economy.

What effect will Donald Trump's victory in the presidential election have on the future of the overall American economy?



Even though there were minor differences in response to the recent election across the three regions of the state, the general pattern of positive expectations is consistent across the state. The anticipation of decreased business regulation, favorable tax policies, construction spending for infrastructure improvements, and a more business-friendly climate might explain such positive views.

What effect will Donald Trump's victory in the presidential election have on the future of the overall American economy? (by region of Tennessee)



Perceptions of the Economy: Comparison to the Nation

When compared to consumers across the rest of the country, Tennessee consumers continue to have less positive views of the current U.S. economy as well as the current job market. However, Tennessee consumers are comparatively more optimistic about the future of the U.S. economy, the future of the job market, and their future personal financial situation. The table below shows the 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).³

Comparing Tennessee Consumers to Consumers across the Country as a Whole	Nation (%)	Tenn. (%)
Business conditions in the U.S. are good.	29	13
Business conditions in the U.S. are bad.	15	20
Six months from now, business conditions in the U.S. will be better.	15	34
Six months from now, business conditions in the U.S. will be worse.	10	21
Jobs are easy to find (plentiful).	27	13
Jobs are hard to find.	22	26
Six months from now, there will be more job openings.	15	29
Six months from now, there will be fewer job openings.	14	17
In 12 months my personal financial situation (income) will be better.	18	48
In 12 months my personal financial situation (income) will be worse.	9	9

³ Source: November 29, 2016, "The Conference Board Consumer Confidence Index® Rebounds Strongly in November." (www.conference-board.org).

Consumer Outlook Index with Net Change* (Increase or Decrease) from September 2016

		Tenn. Dec. '16 (%)	Net Change*	West TN Dec. '16 (%)	Net Change	Mid TN Dec. '16 (%)	Net Change	East TN Dec. '16 (%)	Net Change
Business conditions in the U.S. are:	Good	13	6	13	9	16	4	9	5
	In between	65		64		64		68	
	Bad	20		22		16		21	
Six months from now, business conditions in the U.S. will be:	Better	34	20	31	17	33	19	38	24
	About same	39		36		42		38	
	Worse	21		26		19		19	
Business conditions in Tennessee are:	Good	27	1	23	2	36	-4	22	6
	In between	54		51		52		58	
	Bad	17		24		9		18	
Six months from now, business conditions in Tennessee will be:	Better	32	7	27	0	35	7	35	17
	About same	47		48		50		43	
	Worse	16		21		13		13	
Jobs in your area of Tennessee are (can be):	Easy to find	13	6	9	8	20	4	9	5
	Found w/effort	59		54		60		62	
	Hard to find	26		35		18		26	
In six months, there will be ____ jobs in your area of Tennessee.	More	29	12	24	10	34	11	29	17
	About same	50		54		46		50	
	Fewer	17		20		17		13	
Financially, how are you compared to a year ago?	Better	24	-2	24	-2	24	-6	25	4
	About same	45		41		46		47	
	Worse	30		34		29		28	
Financially, how will you be one year from now?	Better	48	13	46	5	47	10	50	22
	About same	40		38		43		39	
	Worse	9		11		8		8	
Now is a ____ time to buy major household items.	Good time	28	5	26	2	31	8	27	3
	In between	49		44		52		50	
	Bad time	14		17		10		16	
Now is a ____ time to buy a house.	Good time	35	-6	34	-17	38	1	34	-3
	In between	37		32		39		39	
	Bad time	20		27		17		16	
Now is a ____ time to buy a car.	Good time	33	4	30	-4	37	6	31	8
	In between	47		44		44		52	
	Bad time	13		17		13		10	

Consumer Spending, Saving, and Investments

		Tenn. Dec. '16 (%)	Net Change	West TN Dec. '16 (%)	Net Change	Mid TN Dec. '16 (%)	Net Change	East TN Dec. '16 (%)	Net Change
Compared to last year, I will spend:	More	36	4	34	4	37	8	37	1
	About same	36		30		40		39	
	Less	27		35		21		24	
Compared to last year, I am saving:	More	22	-2	24	3	25	-8	18	1
	About the same	39		39		36		42	
	Less	37		34		37		39	
In the next 12 months, I will ___ my level of saving.	Increase	55	21	47	10	62	23	55	28
	Keep it the same	33		39		27		31	
	Decrease	8		9		8		7	
In the next 12 months, the value of the stock market will be:	Higher	33	19	30	12	34	17	35	25
	About the same	28		25		28		30	
	Lower	21		23		24		17	
In 12 months the value of my savings and investments will be:	Higher	35	12	30	5	40	15	34	17
	About the same	37		36		33		40	
	Lower	14		18		14		10	
If I lost my job, I would survive financially.	Definitely yes	9	-14	11	-15	11	-12	7	-13
	Probably yes	14		12		14		16	
	Maybe	15		15		19		12	
	Probably no	19		19		18		20	
	Definitely no	40		40		36		44	

* 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 would 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 630 randomly selected adult residents of Tennessee. Online surveys were conducted between December 1 and December 8, 2016. Using the panel-sampling services of Qualtrics.com, a stratified sampling procedure was used to ensure an equal representation of consumers from each region of the state. With a sample of 630 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?