



Tennessee Consumer Outlook Index

Office of Consumer Research
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Tennessee Consumers Remain Positive about the Economy

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers continue to be optimistic about the overall American economy.¹ The Tennessee Consumer Outlook Index remained relatively unchanged and positive, dipping only two points to 167 from 169 in March.²

However, this was the result of offsetting trends across the state. Consumers in middle Tennessee have become more optimistic about the economy, whereas those in west and east Tennessee have become less optimistic. The current online survey of 630 Tennessee consumers was conducted between June 3 and June 8.

Any concerns consumers might have about possible negative effects of tariffs on the economy do not appear to have a significant impact on how they view the future of the economy. This is good news for Tennessee businesses, as steadying optimism can lead to increases in consumer spending.

Tennessee Consumer Outlook Index and Components

Increase/Decrease from March 2019

	TN June 2019 (n=630)	Change from March	West TN June 2019 (n=210)	Change from March	Mid TN June 2019 (n=210)	Change from March	East TN June 2019 (n=210)	Change from March
Overall Outlook Index	167	-2	112	-24	258	+84	129	-70
Current Situation Index	53	+8	23	+11	95	+32	42	-19
Future Expectations Index	68	-8	51	-35	102	+34	50	-27
Purchasing Index	46	-2	38	0	61	+18	37	-24

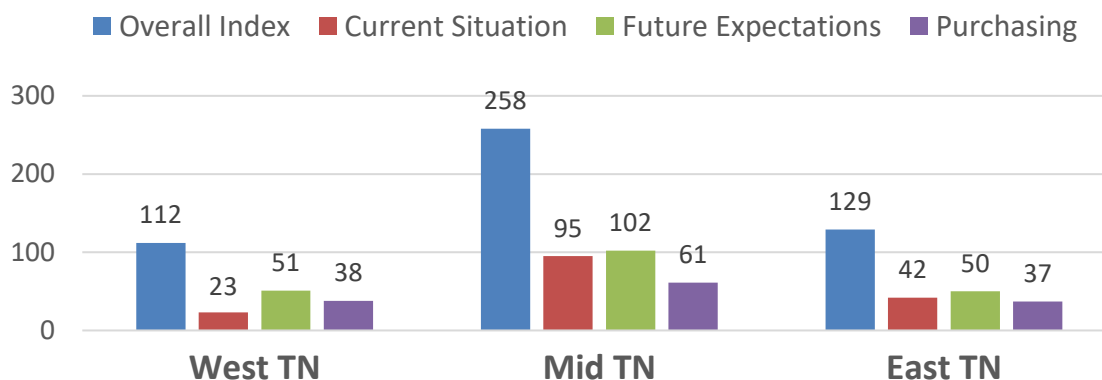
¹ The current online survey of 630 Tennessee residents was conducted between June 3 and June 8.

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).

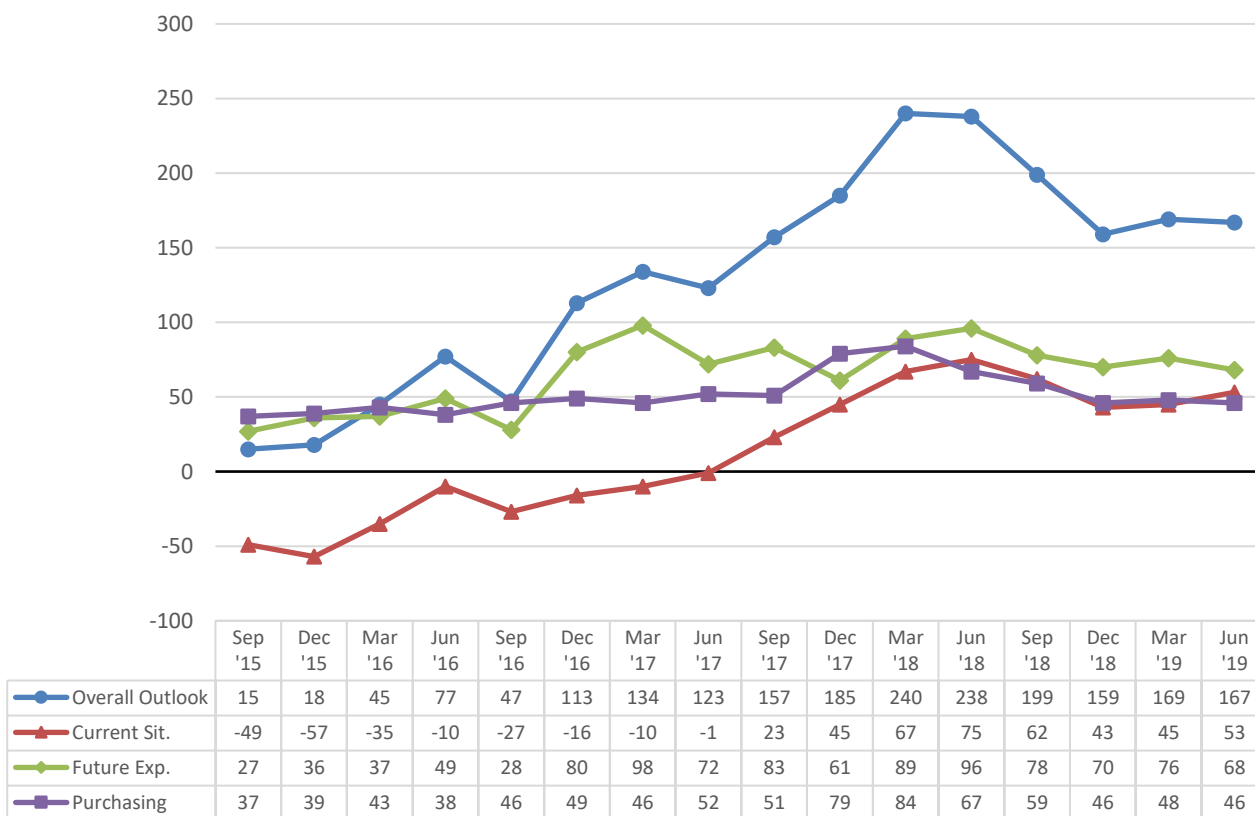
Overall, consumers in middle Tennessee hold the most positive views of the economy, followed by those in east Tennessee and then those in west Tennessee.

Tennessee Consumer Outlook Index Results by Region



The chart below shows how the Tennessee Consumer Outlook Index has changed since December of 2015.

Tennessee Consumer Outlook Index



Tennessee Consumers and the Economy

The Current Economy. Tennessee consumers have become slightly more upbeat about the current economy. The Current Situation Index gained modestly to 53 from 45 in March. Twice as many consumers said business conditions in the U.S. are “good” (28 percent) versus “bad” (14 percent). Furthermore, three times as many said business conditions in Tennessee are “good” (39 percent) versus “bad” (13 percent).

As consumers become more and more comfortable with the state of the economy, this can provide assurance when making purchasing decisions. Even though the Purchasing Situation Index declined slightly to 46 from 48, there was a healthy net increase in the percent of consumers who expect to spend more this year compared to last year. More than one in three expect to spend more than they spent last year. Conversely, only 22 percent expect to spend less than they spent last year. Increased spending can stimulate even more growth in the economy as consumer spending makes up more than two-thirds of the U.S. economy.

Jobs and Employment. There was also a noticeable net increase in the percent who said jobs are easy to find. Only 15 percent said jobs are “hard to find,” compared to 25 percent who said they are “easy to find.” The rest said jobs can be “found with effort.” As employment is the primary source of income for the majority of consumers, increased confidence in the job market can give further comfort when making spending decisions.

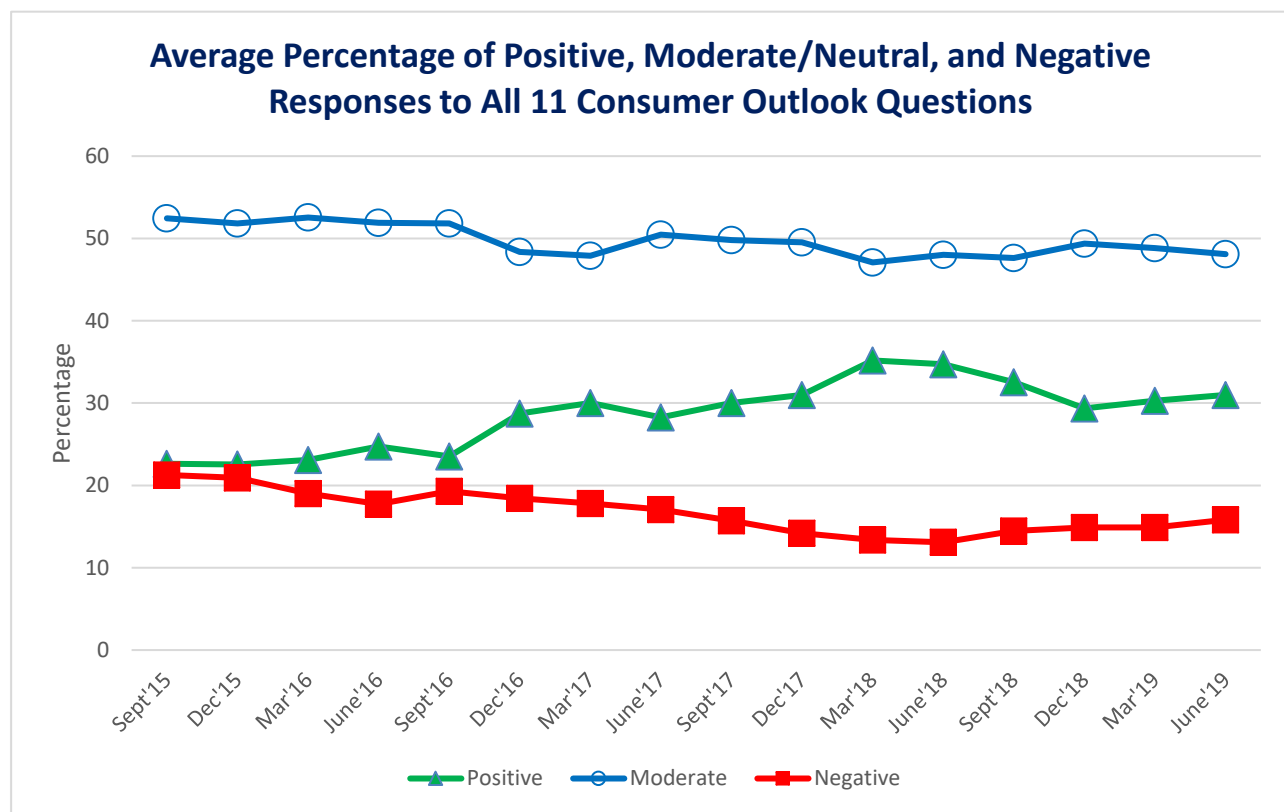
Growing Concerns for the Future Economy? However, this increasingly positive view of the current economy was offset by a similar decline in the Future Expectations Index to 68 from 76. Even with this slight weakening, expectations for the future of the economy remain optimistic. More consumers expect business conditions in the U.S. to be “better” six months from now (24 percent) versus “worse” (19 percent).

As recent news reports discussing the possible negative effects of trade wars with other countries populated broadcasts and websites, it is possible that some doubts might have crept into consumers’ minds when assessing the future of the economy. However, tariffs on Chinese and Mexican goods do not seem to have played a major factor when consumers were assessing the future of the U.S. economy (see page 6).

The Final Word. The current results are good news for local businesses and retailers. Tennessee consumers are feeling better about the current economy, and this improving outlook might help spark even more spending, which will further stimulate the economy.

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. When responding to our questions, the vast majority of consumers think economic conditions are “good” or “in between” and think future economic conditions will be “better” or “stay the same.” Relatively few (16 percent) think economic conditions are “bad” or think future economic conditions will be “worse.”

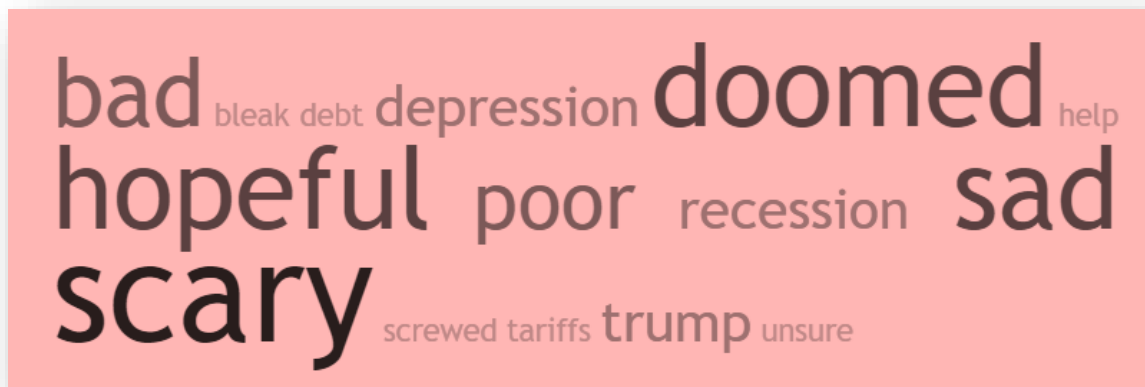


Perceptions of the Economy—In One Word

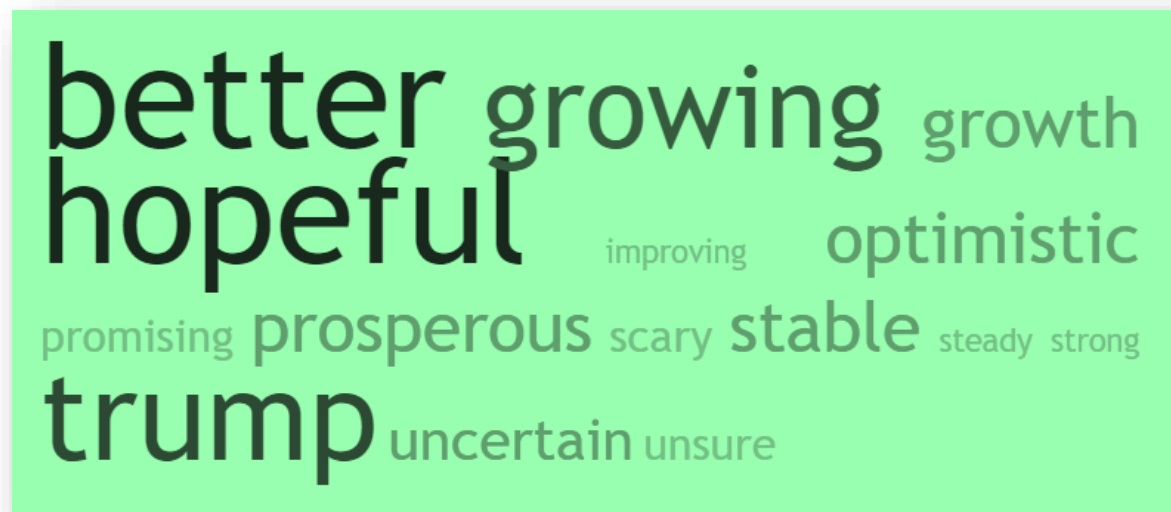
Consumers were asked to “rate the future of the overall U.S. economy on a 0 to 10 scale, where 0 means there is likely to be a major recession, and 10 means the economy will grow and expand at a very fast pace.” They were then asked to identify the one word that came to mind when thinking about the future of the overall U.S. economy.

The word clouds below show the 15 most frequently mentioned words for those who are relatively pessimistic about the economy versus those who are more optimistic. 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.

Pessimistic Consumers. The word cloud below shows the 15 words most frequently mentioned by more pessimistic consumers responding 1-6 on the scale (n=258; 41 percent of the total sample). Apart from a general gloomy outlook, very few specific issues were mentioned as the reason for such pessimism. President Trump was mentioned only six times. Tariffs and debt were each mentioned only five times.



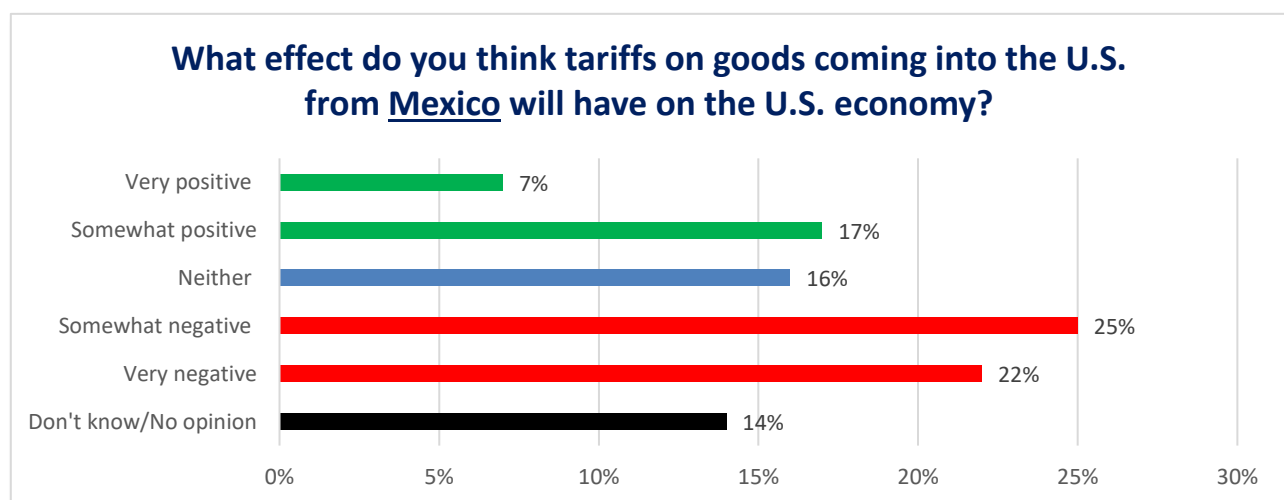
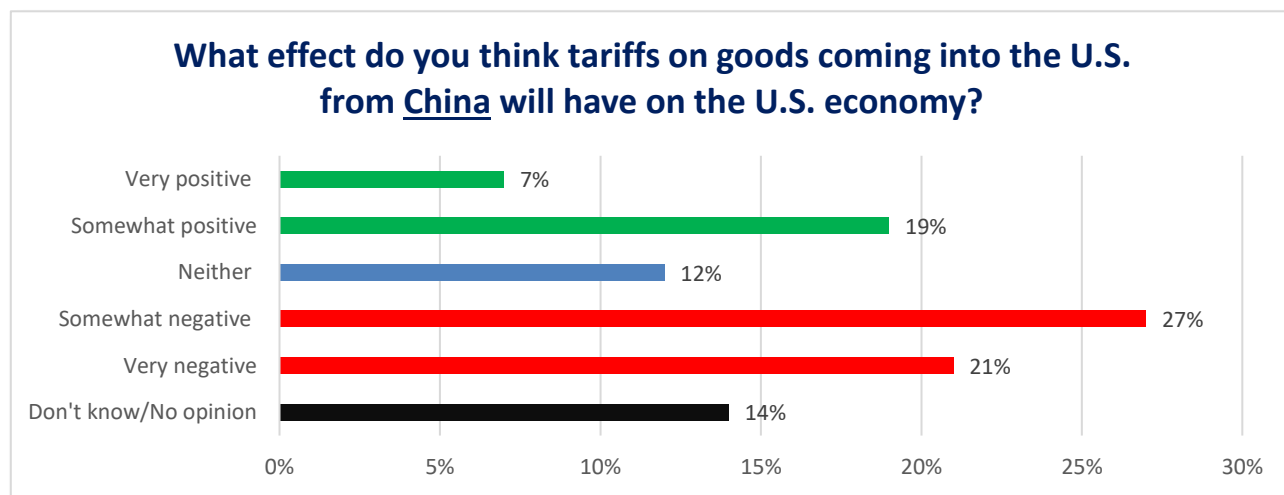
Optimistic Consumers. The word cloud below shows the 15 words most frequently mentioned by more optimistic consumers responding 7-10 on the scale (n=372; 59 percent of the total sample). Apart from President Trump, who was mentioned 18 times, few specifics were offered for the general optimistic outlook for the future economy.



Tariffs and the Economy

Consumers have heard much about potential tariffs and their possible effects on the economy. And, most of the surveys reported here were conducted prior to President Trump announcing that the threatened tariffs on goods coming into the U.S. from Mexico would be put on hold. Given that tariffs were mentioned so infrequently, they do not appear to be on the top of consumers' minds when thinking about the future of the economy.

China and Mexico Tariffs. Consumers were also asked about the possible effects on the economy due to tariffs on goods coming into the U.S. from China or Mexico. As the charts below demonstrate, opinions on the effects of tariffs on the economy vary widely. Almost half (48% for China and 47% for Mexico) expect tariffs to have negative effects on the U.S. economy. Approximately one in four (26% for China and 24% for Mexico) expect tariffs to have positive effects on the economy. And, nearly three in 10 (26% for China and 30% for Mexico) have no opinion or expect tariffs to have neither positive nor negative effects.

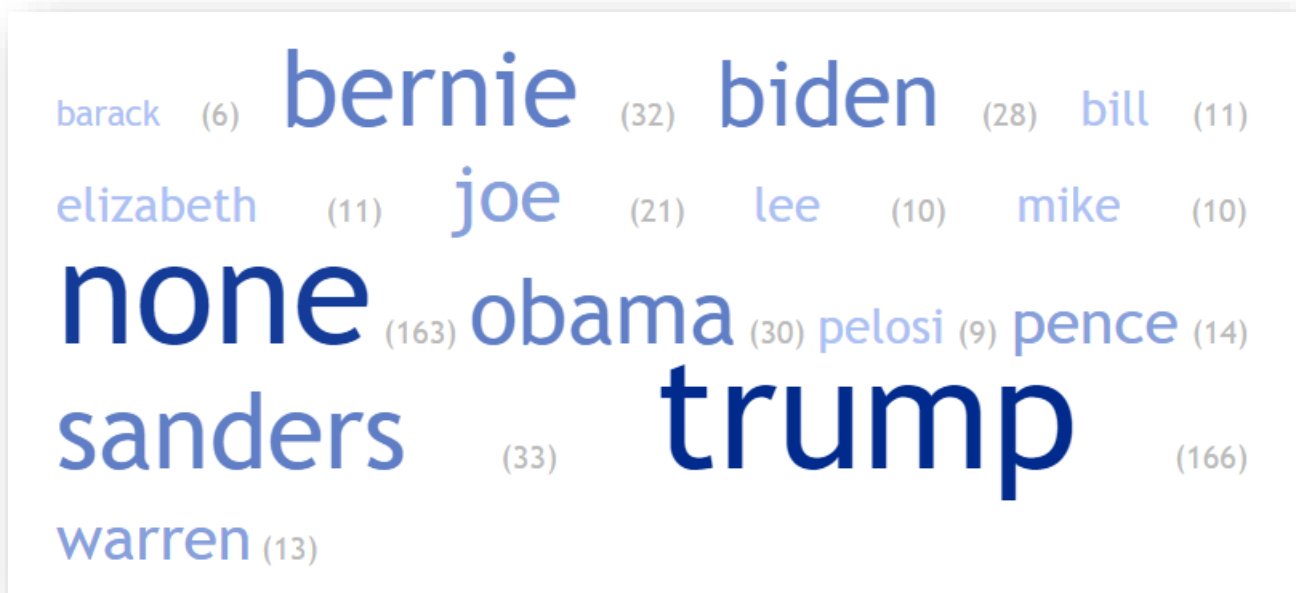


Consumer Trust

Consumers can be highly influenced by speeches, tweets, and interviews given by politicians. They can also be highly influenced by news reports from television and online media outlets. To measure consumers' level of trust in various people and news media sources, respondents were asked to identify the one politician and news media outlet they trust the most. The word clouds below show the 15 most frequently mentioned responses along with the number of times each politician and news media outlet was mentioned (in parentheses). Note that respondents were asked to identify only one politician or media outlet they trust the most.

Donald Trump was by far the most often mentioned politician. However, an almost equal number said they did not trust any politician (none).

Which politician do you trust the most?



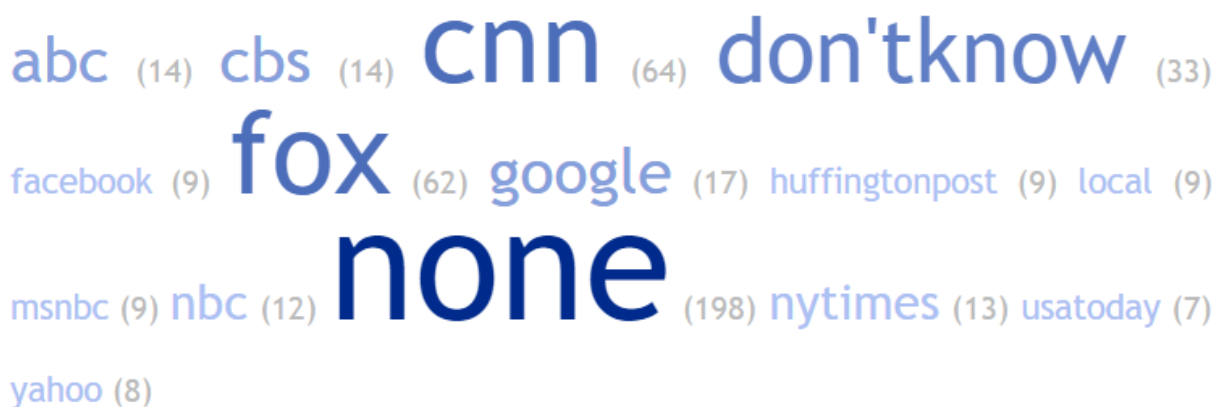
Consumers also have a general lack of trust when it comes to news media outlets. Although Fox News was the most often mentioned television outlet, more consumers said they did not trust any television news media outlet.

Which television news media outlet do you trust the most?



This general lack of trust is even more evident when it comes to online news sources. Of those who cited a trusted online source, CNN and Fox News were the most often mentioned.

Which online news media outlet do you trust the most?



Perceptions of the Economy: Comparison to the Nation

When compared to consumers across the rest of the country, Tennessee consumers have less positive views of the overall U.S. economy and the current job market. Conversely, Tennessee consumers are comparatively more optimistic about the future 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.	38	28
Business conditions in the U.S. are bad.	10	14
Six months from now, business conditions in the U.S. will be better.	22	24
Six months from now, business conditions in the U.S. will be worse.	8	19
Jobs are easy to find (plentiful).	47	25
Jobs are hard to find.	11	15
Six months from now, there will be more job openings.	19	28
Six months from now, there will be fewer job openings.	13	14
In 12 months my personal financial situation (income) will be better.	23	43
In 12 months my personal financial situation (income) will be worse.	8	10

³ Source: May 28, 2019, "The Conference Board Consumer Confidence Index® Increased in May" (www.conference-board.org).

Consumer Outlook Index with Net Change* (Increase or Decrease) from March 2019

		Tenn. June'19 (%)	Net Change*	West TN June'19 (%)	Net Change	Mid TN June'19 (%)	Net Change	East TN June'19 (%)	Net Change
Business conditions in the U.S. are:	Good	28	-1	23	-6	35	+11	27	-8
	In between	55		60		49		57	
	Bad	14		15		13		14	
Six months from now, business conditions in the U.S. will be:	Better	24	-2	25	-6	25	+8	21	-8
	About same	53		51		55		54	
	Worse	19		21		14		20	
Business conditions in Tennessee are:	Good	39	-1	28	0	50	+10	39	-9
	In between	45		51		39		47	
	Bad	13		16		8		14	
Six months from now, business conditions in Tennessee will be:	Better	28	-1	26	-6	31	+11	25	-10
	About same	56		55		54		59	
	Worse	12		14		8		13	
Jobs in your area of Tennessee are (can be):	Easy to find	25	+9	14	+10	38	+10	22	+3
	Found w/effort	57		61		47		63	
	Hard to find	15		20		13		13	
In six months, there will be ___ jobs in your area of Tennessee.	More	28	-2	20	-9	39	+14	25	-12
	About same	53		60		47		52	
	Fewer	14		15		10		18	
Financially, how are you compared to a year ago?	Better	28	+1	33	+7	29	+1	23	-5
	About same	46		43		48		49	
	Worse	25		24		23		28	
Financially, how will you be one year from now?	Better	43	-3	43	-14	45	+1	41	+3
	About same	43		40		44		45	
	Worse	10		13		6		11	
Now is a ___ time to buy major household items.	Good time	29	-1	25	-3	35	+6	27	-7
	In between	44		50		42		41	
	Bad time	13		14		9		16	
Now is a ___ time to buy a house.	Good time	34	-2	39	+3	31	+2	31	-9
	In between	34		30		38		34	
	Bad time	25		26		24		24	
Now is a ___ time to buy a car.	Good time	35	+1	32	0	37	+10	35	-8
	In between	43		40		47		44	
	Bad time	14		18		9		16	

Consumer Spending, Saving, and Investments

		Tenn. June'19 (%)	Net Change	West TN June'19 (%)	Net Change	Mid TN June'19 (%)	Net Change	East TN June'19 (%)	Net Change
Compared to last year, I will spend:	More	36	+10	34	-5	38	+12	37	+24
	About same	41		37		43		42	
	Less	22		27		18		20	
Compared to last year, I am saving:	More	28	-4	26	-4	29	-9	29	+2
	About same	38		40		34		39	
	Less	31		30		32		29	
In the next 12 months, I will ___ my level of saving.	Increase	46	+1	44	-11	51	+11	43	0
	Keep same	37		37		33		39	
	Decrease	12		13		9		14	
In the next 12 months, the value of the stock market will be:	Higher	22	0	24	-5	24	+7	19	-2
	About same	35		28		39		39	
	Lower	22		30		16		20	
In 12 months the value of my savings and investments will be:	Higher	34	+4	34	+2	37	+8	31	+2
	About same	39		37		38		40	
	Lower	15		19		11		16	
If I lost my job, I would survive financially.	Definitely yes	10	0	10	-3	12	-2	9	+5
	Probably yes	17		18		20		14	
	Maybe	17		19		18		16	
	Probably no	18		17		17		19	
	Definitely no	34		31		28		42	
In 12 months the total amount of my credit card debt will be:	Higher	7	+7	7	+11	8	+4	8	+9
	About same	40		42		35		42	
	Lower	41		40		44		40	

* 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 630 randomly selected adult residents of Tennessee. Online surveys were conducted between June 3 and June 8, 2019. 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 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?