



Tennessee Consumer Outlook Index

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Tennessee Consumer Outlook Rebounds

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers' outlook on the economy has rebounded from a slight decline earlier this year.¹ The Tennessee Consumer Outlook Index rose to 157 from 123 in June.² More positive perceptions of the current economy and growing optimism about the future of the economy have buoyed consumers' outlook. Additionally, a more positive outlook regarding the job market could help to lay the foundation for increased consumer spending as we head into the ever-important holiday shopping season. The current survey of 620 Tennessee consumers was conducted between September 1 and September 11.

Tennessee Consumer Outlook Index and Components

Increase/Decrease from June 2017

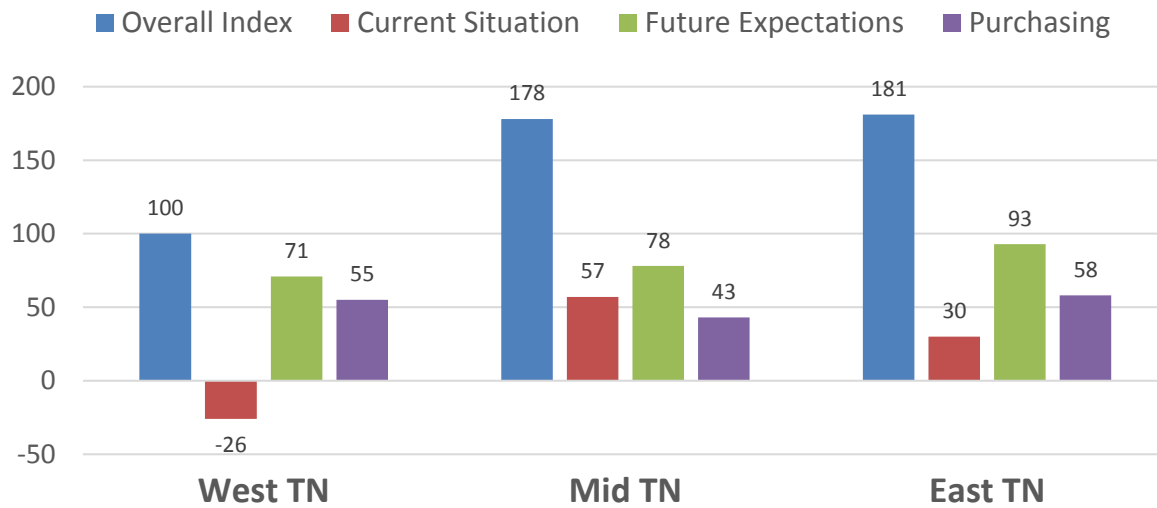
	TN Sept '17 (n=620)	Change from June	West TN Sept '17 (n=200)	Change from June	Mid TN Sept '17 (n=210)	Change from June	East TN Sept '17 (n=210)	Change from June
Overall Outlook Index	157	+34	100	+35	178	-7	181	+62
Current Situation Index	23	+24	-26	+9	57	+17	30	+36
Future Expectations Index	83	+11	71	+17	78	-16	93	+26
Purchasing Index	51	-1	55	+9	43	-8	58	0

¹ The current online survey of 620 Tennessee residents was conducted between September 1 and September 11.

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).

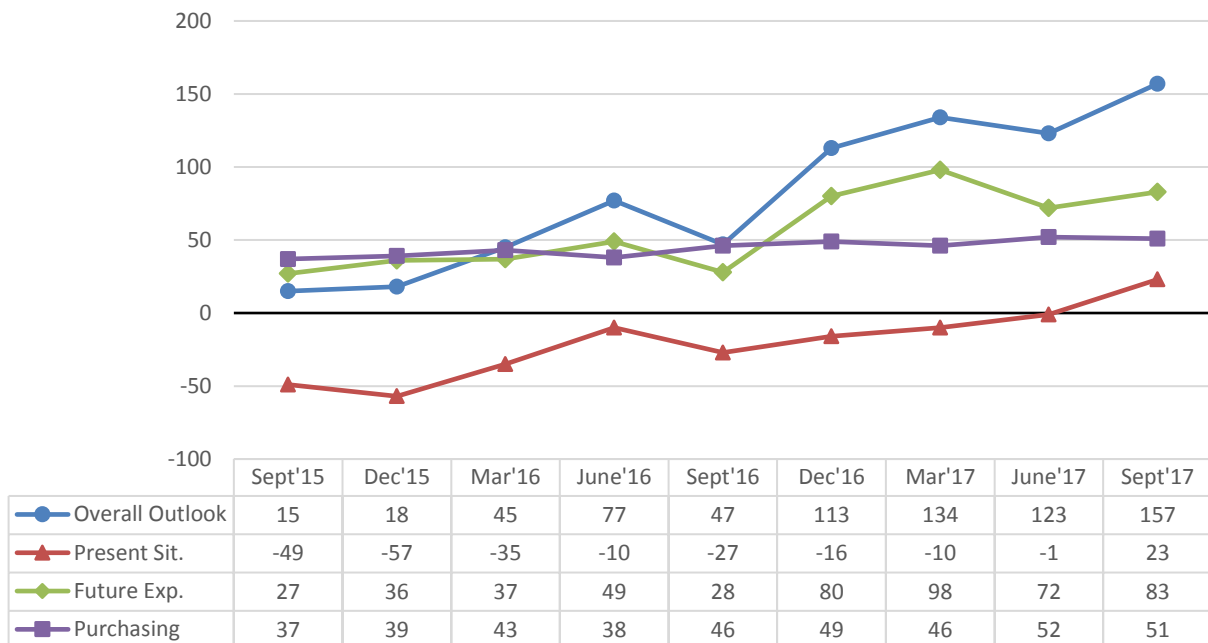
The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero indicates the percentage of consumers who hold negative views of the economy is equal to the percentage of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



The Current Economy. For the first time since this survey began in September of 2015, a greater percentage of consumers have positive views of the current economy than have negative views. The Current Situation Index rose to 23 from -1 in June. This slow and steady rise from the negative range suggests consumers believe the economy is turning in a positive direction. A score of zero for the index would indicate the percentage of consumers holding positive views is equal to the percentage holding negative views. However, in west Tennessee there are still more consumers with negative views of the current economy than positive.

Tennessee Economy. Although perceptions have improved regarding both the national and Tennessee economies, Tennessee consumers continue to feel better about the state's economy compared to the national economy. A greater percentage of consumers said business conditions in Tennessee are "good" (33 percent) than "bad" (12 percent). When asked about the overall national economy, only 19 percent said business conditions are "good," compared to 17 who said they were "bad."

The Job Market. Tennessee consumers are increasingly more upbeat about the job market and the availability of jobs. The vast majority said jobs are "easy to find" (20 percent) or "can be found with effort" (57 percent), compared to only 21 percent who said jobs are "hard to find." Expectations for the future job market also improved. Most consumers expect there to be "more" (29 percent) or "about the same" (55 percent) number of job openings in the next six months. Only 12 percent expect "fewer" job openings in the next six months. This improved outlook for the job market mirrors the recent drop in unemployment rates for the nation and for Tennessee.³

Future Expectations. Overall, there is increasing optimism about the future of the economy. The Future Expectations Index gained to 83 from 72 in June. This was the result of increasing optimism about the future job market as well as the future economy in Tennessee.

Financial Survival. There was no net change in perceptions of Tennessee consumers regarding their ability to survive financially if they lost their job or primary source of income. Still, however, only 25 percent of consumers said they would be able to survive financially, compared to 54 percent who said they would not be able to survive. There was also no net change in consumers' expected level of credit card debt. Only 5 percent of consumers expect their credit card debt to be higher 12 months from now, compared to 45 percent who expect it to be lower. Delayed spending in recent years could have helped to grow consumers' level of savings. Increased consumer spending without the need for credit card debt could help lay the groundwork for future spending and growth in the economy.

Purchasing Situation and Spending. Although the Purchasing Index remained relatively unchanged (dipping only slightly to 51 from 52 in June), there was a net increase in the percent of consumers who expect to increase their spending this year compared to last year. The

³ Source: Bureau of Labor Statistics (www.bls.gov)

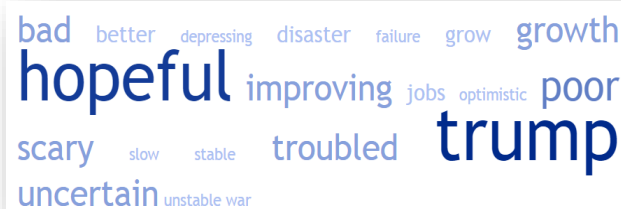
percent who expect to increase their spending rose to 33 from 30 in June. Similarly, the percent who expect to decrease their spending dropped to 21 from 28.

The Final Word. Taken together, these results are good news for businesses and retailers. As we head into the ever-important holiday shopping season, such increased optimism and outlook, accompanied by a greater level of comfort with the job market, can help to form the foundation for increased consumer spending.

Perceptions of the Economy—In One Word

Consumers were 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.

West Tennessee



Middle Tennessee



East 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).⁴

Comparing Tennessee Consumers to Consumers across the Country as a Whole	Nation (%)	Tenn. (%)
Business conditions in the U.S. are good.	35	19
Business conditions in the U.S. are bad.	13	17
Six months from now, business conditions in the U.S. will be better.	20	29
Six months from now, business conditions in the U.S. will be worse.	7	21
Jobs are easy to find (plentiful).	35	20
Jobs are hard to find.	17	21
Six months from now, there will be more job openings.	17	29
Six months from now, there will be fewer job openings.	13	12
In 12 months my personal financial situation (income) will be better.	21	44
In 12 months my personal financial situation (income) will be worse.	8	7

⁴ Source: August 29, 2017, "The Conference Board Consumer Confidence Index® Increased in August." (www.conference-board.org).

Consumer Outlook Index with Net Change* (Increase or Decrease) from June 2017

		Tenn. Sept '17 (%)	Net Change*	West TN Sept '17 (%)	Net Change	Mid TN Sept '17 (%)	Net Change	East TN Sept '17 (%)	Net Change
Business conditions in the U.S. are:	Good	19	+3	14	-1	24	0	19	+8
	In between	62		64		58		64	
	Bad	17		21		17		15	
Six months from now, business conditions in the U.S. will be:	Better	29	-1	27	-1	26	-12	33	+8
	About same	46		46		47		45	
	Worse	21		22		26		17	
Business conditions in Tennessee are:	Good	33	+7	22	0	44	+7	31	+12
	In between	52		56		48		53	
	Bad	12		19		7		12	
Six months from now, business conditions in Tennessee will be:	Better	32	+5	28	+7	33	-1	34	+9
	About same	52		55		51		51	
	Worse	11		10		12		11	
Jobs in your area of Tennessee are (can be):	Easy to find	20	+14	10	+6	28	+13	23	+19
	Found w/effort	57		58		55		58	
	Hard to find	21		31		16		18	
In six months, there will be ____ jobs in your area of Tennessee.	More	29	+6	22	+4	35	0	29	+12
	About same	55		60		49		56	
	Fewer	12		14		13		9	
Financially, how are you compared to a year ago?	Better	27	0	27	+4	27	-3	26	-3
	About same	47		46		47		49	
	Worse	26		28		26		24	
Financially, how will you be one year from now?	Better	44	+1	46	+7	43	-3	42	-3
	About same	46		45		47		47	
	Worse	7		6		8		8	
Now is a ____ time to buy major household items.	Good time	26	-2	27	+5	27	-2	25	-6
	In between	50		50		51		51	
	Bad time	13		13		11		14	
Now is a ____ time to buy a house.	Good time	37	0	40	+7	33	-8	39	+2
	In between	33		33		34		32	
	Bad time	22		19		28		18	
Now is a ____ time to buy a car.	Good time	34	+1	33	-3	33	+2	36	+4
	In between	48		46		50		48	
	Bad time	11		13		11		10	

Consumer Spending, Saving, and Investments

		Tenn. Sept '17 (%)	Net Change	West TN Sept '17 (%)	Net Change	Mid TN Sept '17 (%)	Net Change	East TN Sept '17 (%)	Net Change
Compared to last year, I will spend:	More	33	+10	36	+15	33	+11	30	+2
	About the same	45		40		45		50	
	Less	21		24		21		19	
Compared to last year, I am saving:	More	28	-7	28	-5	31	-7	26	-8
	About the same	38		32		36		45	
	Less	31		36		31		26	
In the next 12 months, I will ___ my level of saving.	Increase	50	0	47	-4	55	-3	48	+5
	Keep it the same	36		36		35		38	
	Decrease	9		10		9		8	
In the next 12 months, the value of the stock market will be:	Higher	25	+4	21	+1	23	+2	30	+5
	About the same	34		40		33		30	
	Lower	20		19		21		22	
In 12 months the value of my savings and investments will be:	Higher	36	-1	36	+1	37	-9	36	+6
	About the same	40		41		36		42	
	Lower	14		13		18		12	
If I lost my job, I would survive financially.	Definitely yes	9	0	6	-3	11	-2	9	+1
	Probably yes	16		19		13		17	
	Maybe	17		15		19		19	
	Probably no	20		22		18		20	
	Definitely no	34		34		36		31	
In 12 months the total amount of my credit card debt will be:	Higher	5	0	6	-3	5	-2	5	+4
	About the same	37		33		38		39	
	Lower	45		48		46		42	

* 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 620 randomly selected adult residents of Tennessee. Online surveys were conducted between September 1 and September 11, 2017. 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 620 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?