



Tennessee Consumer Outlook Index

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Consumer Outlook Improves across Tennessee

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers across the state are feeling more upbeat about the economy.¹ The Tennessee Consumer Outlook Index rose to 45 from 18 in December of last year.² This increase was due in large part to consumers' views of the current economy. The Current Situation Index rose to -35 from -57. However, the fact that the Current Situation Index is still in the negative range indicates a greater percentage of consumers have negative views of the current economy than have positive views. Consumers' outlook regarding the future of the economy and their view that now is a good time to make large purchases saw only negligible increases from December.

The current online survey of 606 Tennessee consumers was conducted between March 1 and March 15.

The Tennessee Consumer Outlook Index and Components

Increase / Decrease from December 2015

| | TN March '16 | | West TN March '16 | | Mid TN March '16 | | East TN March '16 | |
|---------------------------|--------------------|----|----------------------------|----|------------------------|-----|-------------------------|----|
| | Change | | Change | | Change | | Change | |
| Overall Outlook Index | 45 | 27 | 22 | 48 | 92 | 3 | 17 | 22 |
| Current Situation Index | -35 | 22 | -58 | 28 | -4 | 20 | -46 | 14 |
| Future Expectations Index | 37 | 1 | 39 | 9 | 46 | -11 | 26 | 0 |
| Purchasing Index | 43 | 4 | 41 | 11 | 50 | -6 | 37 | 8 |

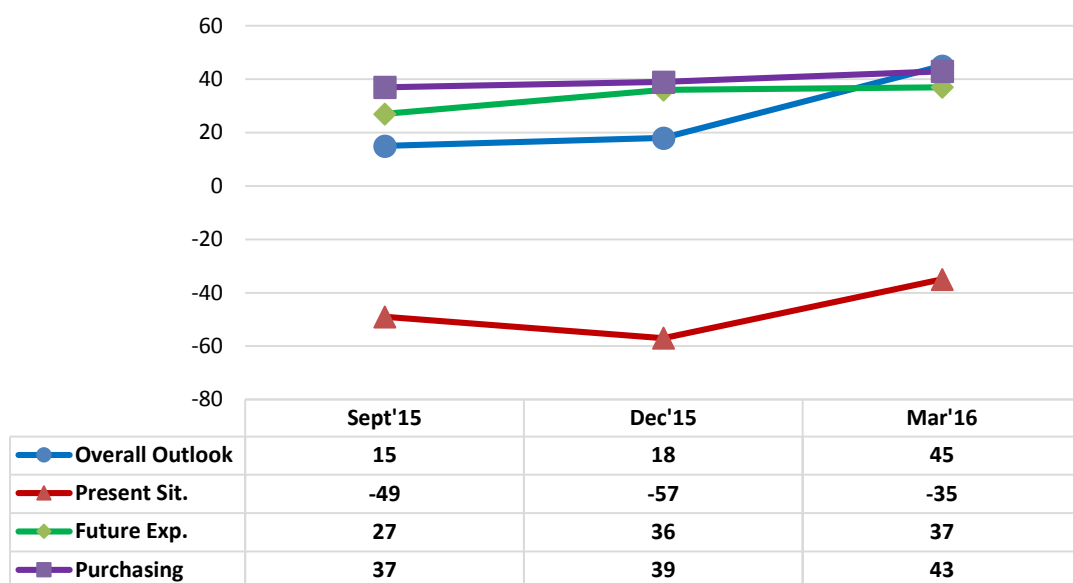
¹ The current online survey of 606 Tennessee residents was conducted between March 1 and March 15.

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).

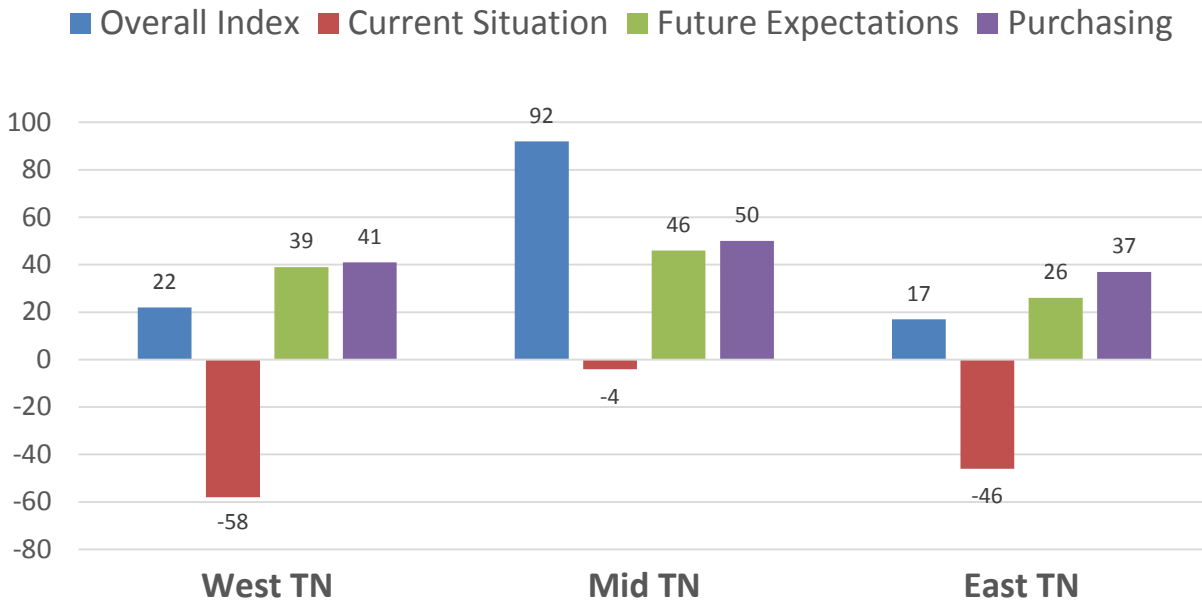
Building a Foundation for Future Spending. The chart below shows how the Tennessee Consumer Outlook Index has changed since September of last year. Although it does not appear the Index has changed that much, the general trend is toward a more positive outlook regarding the economy. Even though these modest improvements might not stimulate immediate increases in consumer spending, growing confidence in the economy can become the foundation for greater willingness among consumers to open their wallets and increase spending.

Tennessee Consumer Outlook Index



Local Economies. The Tennessee region with the largest improvement in the Outlook Index was West Tennessee. Even though Middle Tennessee saw modest decreases in consumers' outlook regarding the future of the economy and their views toward making large purchases, it still leads the state regarding consumers' perceptions of the economy.

Tennessee Consumer Outlook Index Results by Region



Consumers' Concerns

Current Economy. Consumers across the state continue to hold relatively negative views of the current economy. Although there was a net positive change in perceptions of the current U.S. economy since December, only 12 percent of consumers said business conditions in the U.S. are “good,” and 27 percent said business conditions are “bad.”

Conversely, perceptions of the Tennessee economy are more positive. Almost one in four consumers (24 percent) said business conditions in Tennessee are “good,” compared to 18 percent who said business conditions in Tennessee are “bad.”

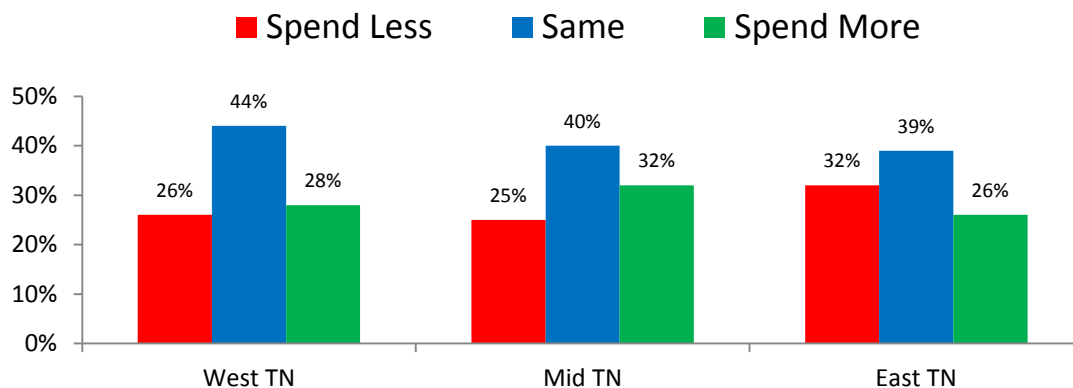
Job Market. The job market continues to be a drag on consumers' outlook. Only 11 percent of Tennessee consumers said jobs are “easy to find,” compared to 34 percent who said jobs are “hard to find.” Anxiety about the job market remains highest in West Tennessee, where only 7 percent viewed jobs as “easy to find” versus 41 percent who viewed them as “hard to find.”

Personal Finances. Perceptions of personal finances improved across all three regions of the state. However, consumers are becoming a bit more concerned about what their personal finances will look like one year from now.

Financial Insecurity. Spending decisions are often based on consumers' sense of security and stability when it comes to employment and personal finances. Unfortunately, when asked if they would be able to survive financially if they lost their job (or primary source of income) tomorrow, the majority of consumers (54 percent) responded with either "definitely no" or "probably no." Only 24 percent responded with either "definitely yes" or "probably yes." This pattern remains consistent across the three regions of the state.

Consumer Spending. How consumers feel about the overall economy, the job market, and their personal financial situation can have significant effects on their willingness to spend money. Taken together, the current results do not suggest any significant changes in consumer spending in the near future. When asked, the percentage who said they expect to increase their level of spending from last year dipped to 29 from 32 in December. However, the percentage who said they expect to decrease their level of spending also declined to 27 from 31. There was a net increase in the percent of consumers who expect to maintain their current level of spending.

Thinking about your overall level of consumer spending, do you think you will spend more, spend less, or spend about the same as you did last year?

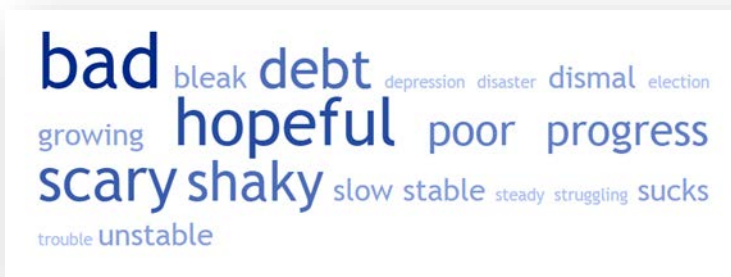


The complete set of results for all three regions of the state is provided at the end of this report.

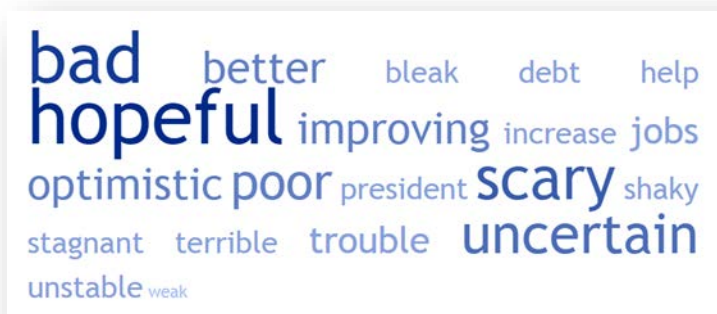
Perceptions of the Economy—In One Word

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 cloud below shows 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.

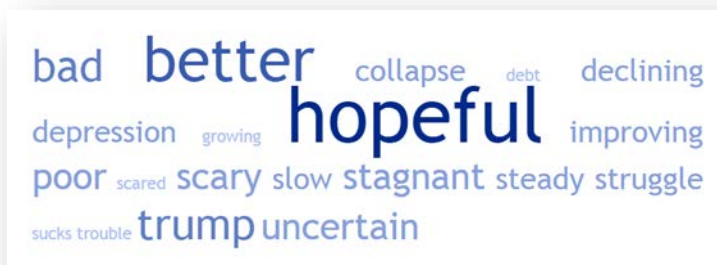
West Tennessee



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 more optimistic about the future of the job market and their 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).

| Comparing Tennessee Consumers to Consumers across the Country as a Whole | Nation (%) | Tenn. (%) |
|--|-----------------|-----------|
| Business conditions in the U.S. are good. | 26 ³ | 12 |
| Business conditions in the U.S. are bad. | 20 | 27 |
| Six months from now, business conditions in the U.S. will be better. | 15 | 15 |
| Six months from now, business conditions in the U.S. will be worse. | 12 | 17 |
| Jobs are easy to find (plentiful). | 22 | 11 |
| Jobs are hard to find. | 24 | 34 |
| Six months from now, there will be more job openings. | 12 | 21 |
| Six months from now, there will be fewer job openings. | 17 | 18 |
| In 12 months my personal financial situation (income) will be better. | 17 | 40 |
| In 12 months my personal financial situation (income) will be worse. | 13 | 9 |

³ Source: February 23, 2016, "The Conference Board Consumer Confidence Index® Declined in February." (www.conference-board.org).

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 pay checks who are able to spend, <i>which leads to ...</i> | Fewer consumers with pay checks 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> |

Consumer Outlook Index with Increase/Decrease from December 2015

| | | Tennessee | | West TN | | Mid TN | | East TN | |
|---|----------------|-----------|--------|----------|--------|----------|--------|----------|--------|
| | | Mar. '16 | | Mar. '16 | | Mar. '16 | | Mar. '16 | |
| | | (%) | Change | (%) | Change | (%) | Change | (%) | Change |
| Business conditions in the U.S. are: | Good | 12 | 2 | 12 | 0 | 14 | 4 | 11 | 2 |
| | In between | 58 | 1 | 57 | 6 | 59 | -1 | 57 | -2 |
| | Bad | 27 | -4 | 27 | -7 | 24 | -4 | 29 | -1 |
| Six months from now, business conditions in the U.S. will be: | Better | 15 | 3 | 17 | 4 | 14 | 1 | 15 | 4 |
| | About same | 61 | 0 | 61 | -1 | 62 | 1 | 60 | 0 |
| | Worse | 17 | -4 | 16 | -3 | 17 | -3 | 19 | -4 |
| Business conditions in Tennessee are: | Good | 24 | 4 | 17 | 3 | 31 | 6 | 22 | 2 |
| | In between | 56 | -2 | 57 | 1 | 54 | -6 | 56 | 0 |
| | Bad | 18 | -1 | 24 | -2 | 12 | -1 | 19 | 0 |
| Six months from now, business conditions in Tennessee will be: | Better | 17 | 0 | 15 | 0 | 22 | 3 | 15 | -3 |
| | About same | 66 | 1 | 67 | 2 | 63 | -3 | 68 | 3 |
| | Worse | 12 | 0 | 14 | 0 | 11 | 0 | 12 | 0 |
| Jobs in your area of Tennessee are (can be): | Easy to find | 11 | 2 | 7 | 3 | 15 | -1 | 10 | 2 |
| | Found w/effort | 53 | -1 | 49 | 0 | 54 | -3 | 55 | -2 |
| | Hard to find | 34 | -1 | 41 | -4 | 28 | 2 | 32 | -2 |
| In six months, there will be ____ jobs in your area of Tennessee. | More | 21 | -3 | 20 | 0 | 25 | -6 | 18 | -4 |
| | About same | 55 | 2 | 56 | 3 | 52 | 1 | 58 | 5 |
| | Fewer | 18 | 0 | 19 | -3 | 17 | 3 | 19 | 2 |
| Financially, how are you compared to a year ago? | Better | 25 | 4 | 24 | 3 | 27 | 5 | 22 | 2 |
| | About same | 45 | -1 | 47 | 0 | 44 | -4 | 45 | 0 |
| | Worse | 28 | -4 | 26 | -6 | 27 | -3 | 31 | -3 |
| Financially, how will you be one year from now? | Better | 40 | -3 | 43 | 0 | 40 | -7 | 38 | -2 |
| | About same | 47 | 3 | 46 | -2 | 47 | 5 | 48 | 7 |
| | Worse | 9 | 0 | 7 | 1 | 10 | 2 | 10 | -3 |
| Now is a ____ time to buy major household items. | Good time | 24 | -1 | 25 | 1 | 24 | -4 | 21 | -1 |
| | In between | 51 | -1 | 49 | -1 | 53 | 2 | 51 | -3 |
| | Bad time | 15 | -1 | 16 | 0 | 12 | -2 | 16 | -3 |
| Now is a ____ time to buy a house. | Good time | 37 | 2 | 37 | 4 | 40 | 3 | 35 | -1 |
| | In between | 35 | 1 | 35 | 3 | 34 | -4 | 37 | 3 |
| | Bad time | 18 | -4 | 18 | -7 | 18 | -2 | 17 | -3 |
| Now is a ____ time to buy a car. | Good time | 28 | -4 | 29 | 0 | 27 | -10 | 27 | -2 |
| | In between | 51 | 5 | 47 | -2 | 54 | 7 | 51 | 8 |
| | Bad time | 13 | -2 | 16 | 1 | 11 | -1 | 13 | -6 |

Consumer Spending, Saving, and Investments

| | | Tennessee | | West TN | | Mid TN | | East TN | |
|---|------------------|-----------|--------|----------|--------|----------|--------|----------|--------|
| | | Mar. '16 | | Mar. '16 | | Mar. '16 | | Mar. '16 | |
| | | (%) | Change | (%) | Change | (%) | Change | (%) | Change |
| Compared to last year, I will spend: | More | 29 | -3 | 28 | -7 | 32 | -1 | 26 | -1 |
| | About the same | 41 | 5 | 44 | 9 | 40 | 4 | 39 | 3 |
| | Less | 27 | -4 | 26 | -3 | 25 | -5 | 32 | -4 |
| Compared to last year, I am saving: | More | 29 | 7 | 29 | 7 | 31 | 9 | 26 | 6 |
| | About the same | 36 | -4 | 36 | -7 | 36 | -5 | 37 | 1 |
| | Less | 31 | -5 | 30 | -3 | 29 | -5 | 33 | -8 |
| In the next 12 months, I will ___ my level of saving. | Increase | 44 | -4 | 43 | -5 | 46 | -6 | 43 | -1 |
| | Keep it the same | 36 | 0 | 35 | -2 | 37 | 3 | 37 | 0 |
| | Decrease | 13 | 3 | 15 | 5 | 12 | 4 | 13 | 0 |
| In the next 12 months, the value of the stock market will be: | Higher | 17 | 4 | 19 | 5 | 16 | 4 | 17 | 3 |
| | About the same | 39 | -3 | 37 | -6 | 42 | -4 | 38 | -1 |
| | Lower | 25 | 4 | 26 | 5 | 22 | 4 | 27 | 4 |
| In 12 months the value of my savings and investments will be: | Higher | 28 | -3 | 28 | -1 | 27 | -9 | 27 | 0 |
| | About the same | 42 | 3 | 39 | -1 | 43 | 5 | 42 | 3 |
| | Lower | 19 | 2 | 20 | 5 | 18 | 3 | 20 | -2 |
| If I lost my job, I would survive financially. | Definitely Yes | 8 | -1 | 8 | 2 | 9 | -1 | 5 | -5 |
| | Probably Yes | 16 | -2 | 15 | -8 | 19 | 3 | 13 | -2 |
| | Maybe | 18 | 3 | 17 | 2 | 17 | 2 | 21 | 7 |
| | Probably No | 22 | 1 | 26 | 3 | 18 | -7 | 22 | 7 |
| | Definitely No | 32 | -2 | 31 | 0 | 31 | 1 | 35 | -6 |

About the Survey

The results reported here are based on online surveys of 606 randomly selected adult residents of Tennessee. Online surveys were conducted between March 1 and March 15, 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 606 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 (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?