**Middle Tennessee Consumer Outlook Index**

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**The Office of Consumer Research**

at Middle Tennessee State University

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**Consumers Cautious about the Economy**

Local consumers have taken a cautious outlook on the economy as we head into the latter months of the year. The overall outlook index dropped slightly to 178 from 184 in April. Apparently, local consumers’ views on the overall economy have not changed much during the summer months. Any momentum that was building to help bolster consumers’ outlook on the economy has seemingly slowed. In general, consumers continue to view the current economy negatively, are very worried about the current state of the job market and the difficulty associated with finding jobs, and appear unsure about the future of the economy until the results of the Presidential election are known.

The current poll of 332 randomly selected adult residents of Davidson, Rutherford and Williamson counties was conducted the evenings of Tuesday, September 11 and Thursday, September 13.

**The Middle Tennessee Consumer Outlook Index and Components**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Jun ‘10 | Sept ‘10 | Dec ‘10 | Feb ‘11 | Apr ‘11 | May ‘11 | Sept ‘11 | Dec  ‘11 | Jan  ‘12 | Apr ‘12 | **Sept ‘12** |
| Overall Outlook Index | 102 | 76 | 69 | 129 | 54 | 63 | 27 | 112 | 151 | 184 | **178**[[1]](#footnote-1) |
| Current Situation Index | -86 | -93 | -90 | -74 | -83 | -80 | -86 | -64 | -55 | -24 | **-26** |
| Future Expectations Index | 98 | 99 | 86 | 123 | 75 | 99 | 59 | 97 | 125 | 115 | **112** |
| Purchasing Index | 90 | 70 | 73 | 80 | 62 | 44 | 54 | 79 | 81 | 93 | **92** |

Local consumers are still very pessimistic about the current economy. The current situation index dipped to -26 from -24. The fact that the current situation index remains in the negative range indicates that the number of consumers who hold negative views of the current economy outnumber those who hold positive views of the current economy. Even though the decrease in the current situation index was very small, the fact that the current situation index has been in the negative range since April of 2008 indicates a long-held frustration with the state of the economy.

The optimism regarding the future of the economy that was building since this time last year is apparently waning. The future expectations index had been increasing since September 2011. However, this increasing trend has ceased, with the future expectations index actually dropping a few points to 112 from 115. Worries about the current and future job market, and concerns about the growing national debt have led to uncertainty about the direction of the future economy.

Similarly, the purchasing situation index had been steadily increasing since May of 2011. However, this increase has also begun to level off, with the purchasing index dipping slightly to 92 from 93. This could translate into consumers becoming more cautious about the future of the economy, and more cautious about their willingness to spend money. Rising gasoline prices have also taken a toll on consumers – reducing the amount of discretionary dollars that are available to spend on other purchases.

The consumer outlook index scores are based on consumers’ responses to eleven 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 eleven questions combined (the 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 would indicate that 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 would indicate that the number of consumers who hold positive views of the economy outnumber those who hold negative views of the economy.

**Changes in Consumers’ Perceptions of the Economy**

The table below shows how consumers’ responses to selected survey questions have changed since April 2012.

|  |  |  |
| --- | --- | --- |
|  | September  2012  (%) | Change from  April  2012 |
| Business conditions in the U.S. are Good. | **11** | **No Change** |
| Six months from now, business conditions in the U.S. will be Better. | **35** | **2%** |
| Business conditions in Middle Tennessee are Good. | **40** | **8%** |
| Six months from now, business conditions in Middle Tennessee will be Better. | **37** | **No Change** |
| Jobs in Middle Tennessee are Easy To Find. | **4** | **1%** |
| Six months from now there will be More Job Openings in Middle Tennessee | **36** | **4%** |
| I am Better Off Financially than I was one year ago. | **19** | **No Change** |
| 12 months from now I will be Better Off Financially than I am today. | **41** | **3%** |
| Now is a Good Time To Make Large Purchases. | **33** | **1%** |
| Now is a Good Time To Buy A Home. | **69** | **2%** |
| Now is a Good Time To Buy A Car. | **48** | **14%** |

**Job Market**

Perceptions regarding the job market can have a significant effect on consumers’ outlook for the economy. Concerns about employment and the job market continue to place a drag on consumers’ feelings toward the economy. Very few consumers have confidence in the current job market, with only four percent saying that jobs are “easy to find.” This percentage has remained relatively unchanged in the single digits since December of 2008.

Further, local consumers have become slightly less optimistic about the future job market. The percent who said that there will be “more job openings” in the next six months dropped to 36 from 40.

**Taxes**

Increases in taxes can decrease the amount of money that consumers have for discretionary spending. We see relatively little change in the percent of consumers who expect their tax bills to rise in the future.

**Consumer Investments: The Stock Market**

A rising U.S. stock market can give consumers a greater feeling of wealth as their investments and savings grow. Again, we see relatively little change in expectations for the growth of long term investments.

**Consumer Saving**

Consumers were also asked about their current level of saving compared to their level of saving before the most recent recession began. While we had previously seen a rise in the percent of consumers who are increasing their level of saving, this trend has reversed with the percent reporting that they are “saving more” decreasing to 26 from 30.

Consumers were also asked to look ahead and predict their level of saving after the most recent recession has completely ended and the economy strengthens. These results have remained fairly steady during the past few surveys. Between 40 percent and 50 percent of consumers expect to increase their level of saving, whereas very few consumers expect to decrease their level of saving.

**The Bottom Line: Consumer Spending**

Unfortunately, any momentum that had been growing with respect to consumers’ willingness to spend might be stalling. The continued uneasiness about the current economy, fears about the job market, and caution regarding the future of the economy could be having a dampening effect on consumers’ expectations for spending.

**Perceptions of the Economy: Comparison to The Nation**

Compared to consumers across the country as a whole, local consumers have traditionally held more positive perceptions of the economy. Even though local consumers have slightly more negative views of the current American economy and the current job market, local consumers are comparatively more optimistic about the future of the American economy, are more optimistic about the future of the job market, and are more optimistic about their personal financial situation in the next year. The table below illustrates some of these differences in consumers’ responses to selected survey questions.

|  |  |  |
| --- | --- | --- |
| Comparing Middle Tennessee Consumers to  Consumers Across the Country as a Whole | Nation  (%) | Mid.  Tenn.  (%) |
| Business conditions in the U.S. are good. | **15[[2]](#footnote-2)** | **11** |
| Six months from now, business conditions in the U.S. will be better. | **17** | **35** |
| Jobs are easy to find (plentiful). | **7** | **4** |
| Six months from now, there will be more job openings. | **15** | **36** |
| In 12 months my personal financial situation (income) will be better. | **16** | **41** |

**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 confidence that translate into reduced purchasing patterns can have significant negative effects on the economy. Conversely, increases in consumer confidence 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 begin to produce more and retailers begin to fill jobs to meet increased consumer demand. This type of self-fulfilling prophecy is illustrated below in the *Consumer Confidence Cycle*.

**The Self-Fulfilling Prophecy of the Consumer Confidence Cycle**

|  |  |  |
| --- | --- | --- |
| **Consumer Optimism** |  | **Consumer Pessimism** |
| **Increased consumer confidence,**  *leads to …* |  | **Decreased consumer confidence,**  *leads to …* |
| **Increased consumer spending,**  *which leads to …* |  | **Decreased consumer spending,**  *which leads to …* |
| **Retailers hire more employees and purchase more inventory from suppliers,**  *which leads to …* |  | **Retailers hire fewer employees and purchase less inventory from suppliers,**  *which leads to …* |
| **Suppliers (manufacturers) must make more products,**  *which leads to …* |  | **Suppliers (manufacturers) must make fewer products,**  *which leads to …* |
| **Suppliers (manufacturers) hire more employees,**  *which leads to …* |  | **Suppliers (manufacturers) hire fewer employees,**  *which leads to …* |
| **More retail and manufacturing employees,**  *which leads to …* |  | **Fewer retail and manufacturing employees,**  *which leads to …* |
| **More consumers with pay checks who are able to spend,**  *which leads to …* |  | **Fewer consumers with pay checks who are able to spend,**  *which leads to …* |
| **Growing economy,**  *which leads to …* |  | **Slowing economy,**  *which leads to …* |
| **Increased consumer confidence,**  *which leads to …* |  | **Decreased consumer confidence,**  *which leads to …* |

**About the Survey**

The results reported here are based on telephone interviews with 332 randomly selected adult residents, 18 years and older, from Davidson County, Rutherford County and Williamson County. Phone interviews were conducted between 4:30 pm and 8:30 pm on Tuesday, September 11 and Thursday, September 13. With a sample of 332 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 ± 5.4%. Other factors such as problems with question wording and question interpretation can also introduce additional bias or error into the results. Results from the Middle Tennessee consumer outlook surveys can be compared to national consumer surveys published monthly by the Conference Board ([www.conference-board.org](http://www.conference-board.org)). This report is also available on the Office of Consumer Research web page ([www.mtsu.edu/consumer](http://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 (see the following tables of results). The Future Expectations Index is based on questions 2, 4, 6, and 8. The Purchasing Index is based on questions 9, 10, and 11.

**About the Office of Consumer Research at MTSU**

In 2000, the Management and Marketing Department at Middle Tennessee State University received funding from an MTSU Technology Access Fee grant to create a telephone survey research lab and the Office of Consumer Research to be housed in the department. The Office of Consumer Research uses the telephone survey lab to conduct surveys of consumers in Middle Tennessee. The surveys measure consumers’ perceptions of economic conditions in the country as a whole as well as in Middle Tennessee. Similar surveys conducted by the Conference Board and the Survey Research Center at the University of Michigan have been shown to be very predictive of key economic indicators such as inflation, interest rates and consumer spending.

Students in Professor Timothy R. Graeff’s marketing research courses conduct the telephone surveys. For further information contact Timothy R. Graeff, Professor of Marketing and Director, Office of Consumer Research (898-5124; Tim.Graeff@mtsu.edu).

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Consumer Outlook |  | Jun | Sept | Dec | Feb | Apr | May | Sept | Dec | Jan | Apr | **Sept** |
| Recent Results: |  | ‘10 | ‘10 | ‘10 | ‘11 | ‘11 | ‘11 | ‘11 | ‘11 | ‘12 | ‘12 | **‘12** |
|  |  | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | **(%)** |
| Are business conditions | Good | 7 | 5 | 7 | 8 | 8 | 9 | 7 | 9 | 7 | 11 | **11** |
| in the U.S. | In Between | 61 | 54 | 58 | 64 | 58 | 65 | 52 | 55 | 62 | 66 | **59** |
|  | Bad | 32 | 41 | 34 | 28 | 34 | 26 | 41 | 36 | 30 | 21 | **29** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Six months from now, | Better | 39 | 33 | 35 | 44 | 27 | 34 | 30 | 32 | 36 | 33 | **35** |
| will business conditions | About same | 43 | 45 | 47 | 44 | 54 | 50 | 49 | 49 | 54 | 49 | **38** |
| in the U.S. be: | Worse | 16 | 18 | 17 | 10 | 17 | 15 | 19 | 18 | 7 | 15 | **13** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Are business conditions | Good | 25 | 20 | 18 | 23 | 24 | 25 | 23 | 24 | 27 | 32 | **40** |
| in Middle TN: | In Between | 60 | 63 | 62 | 59 | 57 | 60 | 60 | 59 | 55 | 59 | **46** |
|  | Bad | 14 | 16 | 19 | 17 | 16 | 15 | 16 | 15 | 16 | 9 | **11** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Six months from now, | Better | 40 | 38 | 36 | 40 | 33 | 38 | 31 | 40 | 38 | 37 | **37** |
| will business conditions | About same | 51 | 51 | 53 | 51 | 55 | 53 | 57 | 49 | 54 | 54 | **46** |
| in Middle TN be: | Worse | 7 | 9 | 11 | 8 | 10 | 8 | 11 | 9 | 6 | 7 | **7** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Are jobs in Middle TN: | Easy to find | 3 | 3 | 4 | 3 | 3 | 5 | 4 | 5 | 5 | 5 | **4** |
|  | Found w/effort | 38 | 41 | 41 | 42 | 46 | 37 | 42 | 51 | 46 | 51 | **52** |
|  | Hard to find | 56 | 51 | 52 | 53 | 47 | 57 | 51 | 41 | 41 | 38 | **35** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| In Middle TN six months | More | 37 | 35 | 29 | 39 | 34 | 32 | 26 | 38 | 39 | 40 | **36** |
| from now there will be | About same | 50 | 50 | 54 | 48 | 51 | 54 | 53 | 49 | 47 | 46 | **44** |
| (# of job): | Fewer | 10 | 12 | 15 | 11 | 12 | 13 | 19 | 11 | 9 | 11 | **9** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Compared to a year ago, | Better | 12 | 17 | 17 | 18 | 16 | 13 | 19 | 17 | 19 | 19 | **19** |
| is your personal financial | About same | 57 | 54 | 52 | 54 | 48 | 53 | 50 | 57 | 54 | 58 | **56** |
| situation: | Worse | 31 | 30 | 31 | 28 | 37 | 34 | 31 | 27 | 26 | 23 | **25** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| In 12 months will your | Better | 26 | 40 | 40 | 37 | 34 | 37 | 32 | 35 | 39 | 44 | **41** |
| personal financial | About same | 62 | 52 | 49 | 55 | 52 | 57 | 57 | 55 | 53 | 50 | **51** |
| situation be: | Worse | 11 | 8 | 11 | 8 | 14 | 6 | 11 | 10 | 5 | 6 | **8** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to | Good time | 36 | 32 | 39 | 36 | 30 | 25 | 28 | 33 | 32 | 32 | **33** |
| buy large items for | In between | 36 | 38 | 33 | 37 | 41 | 48 | 39 | 39 | 42 | 45 | **34** |
| the home? | Bad time | 24 | 28 | 26 | 23 | 25 | 22 | 28 | 22 | 18 | 18 | **25** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to | Good time | 63 | 68 | 65 | 66 | 64 | 57 | 61 | 66 | 68 | 71 | **69** |
| buy a house? | In between | 24 | 16 | 15 | 15 | 18 | 17 | 18 | 16 | 14 | 17 | **16** |
|  | Bad time | 13 | 14 | 18 | 17 | 15 | 23 | 18 | 15 | 15 | 11 | **12** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to | Good time | 46 | 38 | 36 | 38 | 35 | 28 | 34 | 37 | 33 | 34 | **48** |
| buy a car? | In between | 34 | 33 | 38 | 38 | 35 | 47 | 39 | 38 | 42 | 47 | **27** |
|  | Bad time | 18 | 26 | 23 | 20 | 27 | 21 | 23 | 20 | 19 | 15 | **21** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

**The Middle Tennessee Consumer Outlook Survey:**

**[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 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 conditions will be better than they are today, worse than they are today, or just about the same?
3. **[C]** Now turning to business conditions in Middle Tennessee, would you say that business conditions in Middle Tennessee are good, bad, or somewhere in between?
4. **[F]** And how about 6 months from now, do you expect that in Middle Tennessee business conditions 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 are easy to find, can be found with effort, or hard to find?
6. **[F]** How about in the next 6 months, do you expect that in Middle Tennessee 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 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?

**Middle Tennessee Consumer Outlook Index**

1. The score is computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. [↑](#footnote-ref-1)
2. Source: August 28, 2012, “The Conference Board Consumer Confidence Index® Declines in August.” ([www.conference-board.org](http://www.conference-board.org)). The next consumer confidence report from The Conference Board is scheduled for Tuesday, September 25. [↑](#footnote-ref-2)