



Tennessee Consumer Outlook Index

The Office of Consumer Research
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Consumer Outlook Improves in West Tennessee, Decreases in Middle Tennessee

How are consumers feeling about the economy, and how has their outlook changed since September of this year? Results from the most recent Tennessee Consumer Outlook Survey indicate that the answer varies by region of the state.¹ Considering the overall state, there was very little change in Tennessee consumers' feelings about the economy. The Tennessee Consumer Outlook Index edged up only slightly to 18 from 15 in September of this year.² A marginal improvement in expectations regarding the future of the economy was offset by a decrease in perceptions of the current economy. The Future Expectations Index moved up to 36 from 27. However, the Current Situation Index dropped even further into the negative range to -57 from -49. The Purchasing Index remained relatively unchanged.

The Tennessee Consumer Outlook Index and Components

Increase / Decrease from September 2015

	TN Dec. '15	Change	West TN Dec. '15	Change	Mid TN Dec. '15	Change	East TN Dec. '15	Change
Overall Outlook Index	18	3	-26	36	89	-19	-5	-1
Current Situation Index	-57	-8	-86	6	-24	-17	-60	-9
Future Expectations Index	36	9	30	16	57	-1	26	15
Purchasing Index	39	2	30	14	56	-1	29	-7

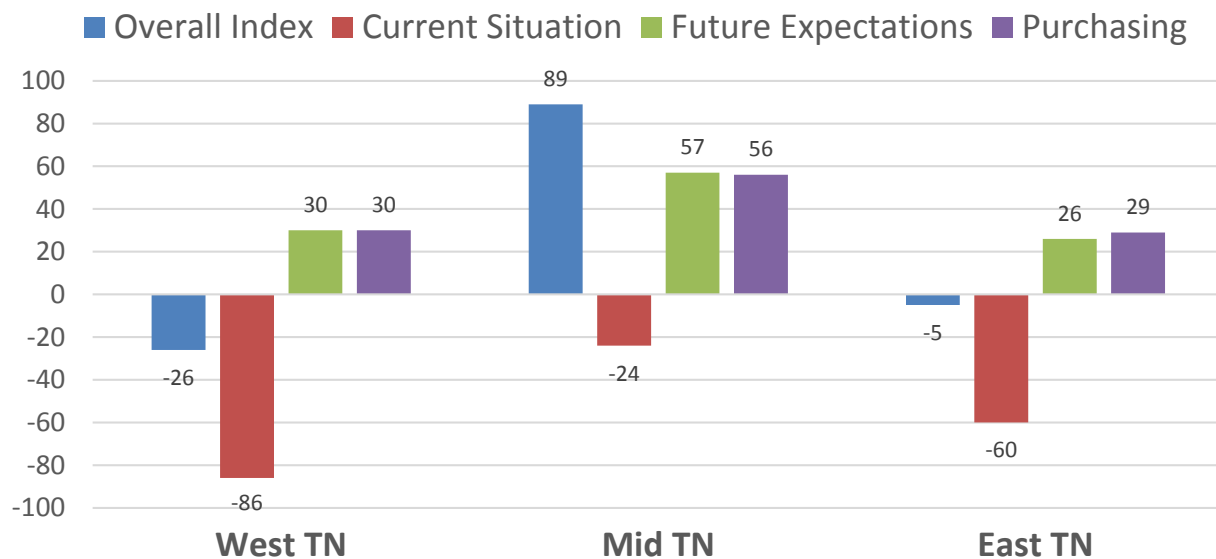
¹ The current online survey of 626 Tennessee residents was conducted between December 1 and December 11.

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 (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 indicates 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 indicates that consumers who hold positive views of the economy outnumber those who hold negative views of the economy (vice versa for a net negative score).

Local Economies. Economies are local. Just as national measures of consumer confidence might not reflect the mood of Tennessee consumers, statewide measures might not reflect the mood of consumers living within a region of the state. As we finish out the year, we find that consumers in West Tennessee have become more upbeat about the economy, leading to the largest improvement for a region in the Outlook Index. Conversely, consumers in Middle Tennessee have grown increasingly anxious about the current economy. Results from East Tennessee were mixed, leading to no significant change in their overall perceptions of the economy. However, West Tennessee still lags the other two regions when it comes to consumers' outlook, especially their views of the current economy.

Tennessee Consumer Outlook Index Results - By Region of Tennessee



Any increase in consumers' outlook is a positive sign, and these results are welcome news for retailers in West Tennessee. Unfortunately, given that consumers still have a number of concerns about the economy, it is unlikely that we will see significant improvements in consumer spending in Tennessee heading into the ever important Christmas and holiday shopping season.

Consumers' Concerns

The Current Economy. Consumers across the state continue to hold negative views of the current economy. Only 10 percent of consumers said that business conditions in the U.S. are "good," and 31 percent said that business conditions are "bad." These sentiments remained mostly unchanged from September. Alternatively, perceptions of the Tennessee economy are a bit more positive. One in five consumers said that business conditions in Tennessee are "good," whereas 19 percent said that business conditions in Tennessee are "bad."

The Job Market. Anxiety about the job market continues to dampen consumers' outlook. Only 9 percent of Tennessee consumers said that jobs are "easy to find." Consumers in West Tennessee are the most anxious about the ease with which jobs can be found. Further, perceptions of the future job market have improved for consumers in Middle and East Tennessee but not West Tennessee.

Personal Finances. Concerns about personal finances can also be a drag on consumer spending. When consumers become increasingly worried about their personal financial situation, they tend to hold onto their wallets and limit their spending. A greater percentage of Tennessee consumers said that compared to one year ago they are "worse off financially" (32 percent) versus "better off financially" (21 percent). This pattern of negative perceptions dominating positive ones is consistent across the state. On the bright side, a significantly greater percentage of consumers expect their personal financial situation to be "better" one year from now (43 percent) versus "worse" (9 percent). This relative optimism is shared across all three regions of the state.

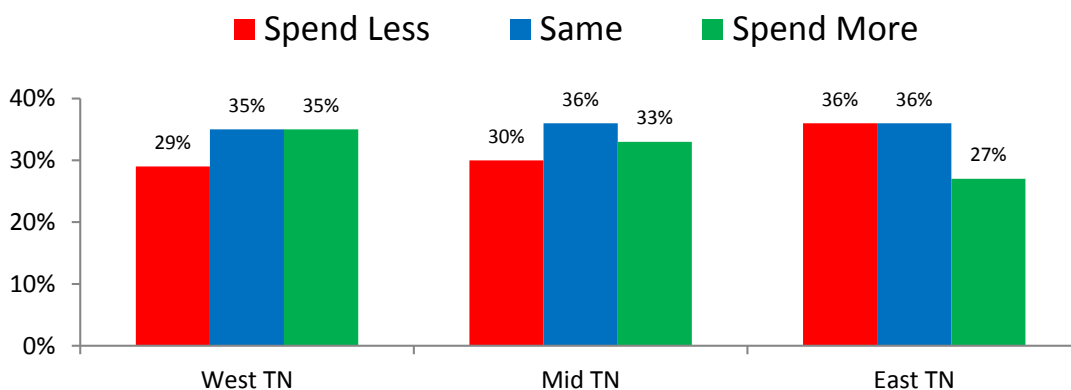
Financial Insecurity. Spending decisions are also predicated on consumers' sense of security and stability when it comes to employment and personal finances. Unfortunately, when asked if they would be able to survive financially if they lost their job (or primary source of income) tomorrow, the majority of consumers (55 percent) responded with either "definitely not" or "probably not." Only 27 percent responded with either "definitely yes" or "probably yes." This pattern is consistent across the three regions of the state.

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

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 suggest that immediate increases in consumer spending are unlikely. When asked, the percentage who said that they expect to increase their level of spending from last year dipped to 32 from 36 in September. Conversely, the percentage who said that they expect to decrease their level of spending rose to 31 from 27. This is not the cheerful news many retailers were hoping to hear given that the Christmas and holiday shopping season can account for a significant portion of annual sales for many retailers.

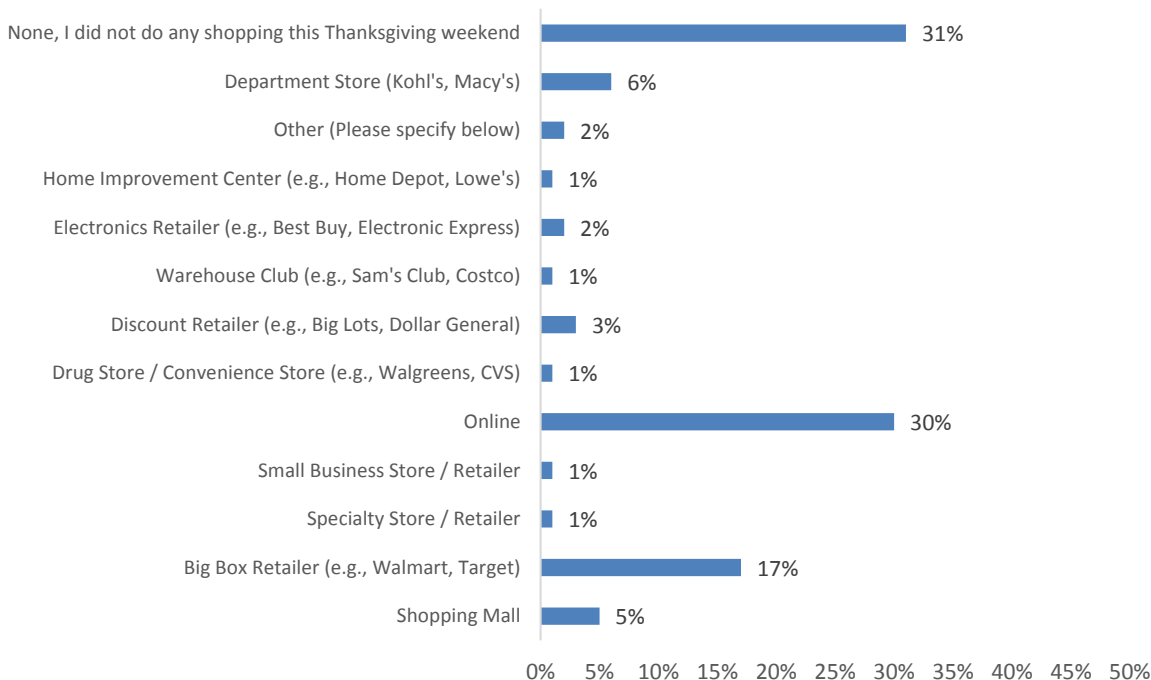
Thinking about your overall level of consumer spending, do you think that you will spend more, spend less, or spend about the same as you did last year?



Christmas and Holiday Spending

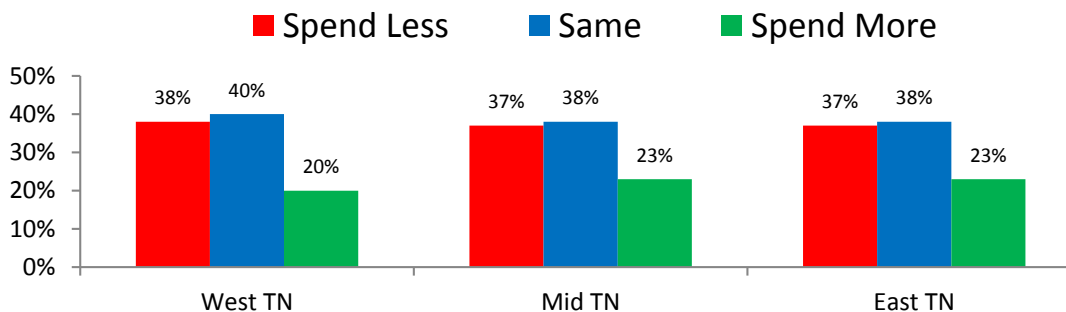
Consumers were also asked specifically about their shopping and spending plans for the Christmas and holiday season. When asked if they did any shopping over the Thanksgiving weekend (including Cyber Monday), most consumers either did not do any shopping (31%), shopped online (30%), or shopped at a big-box retailer (17%). This mirrors the year-to-year drop in Black Friday sales for retailers nationwide as consumers shift to online shopping.

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



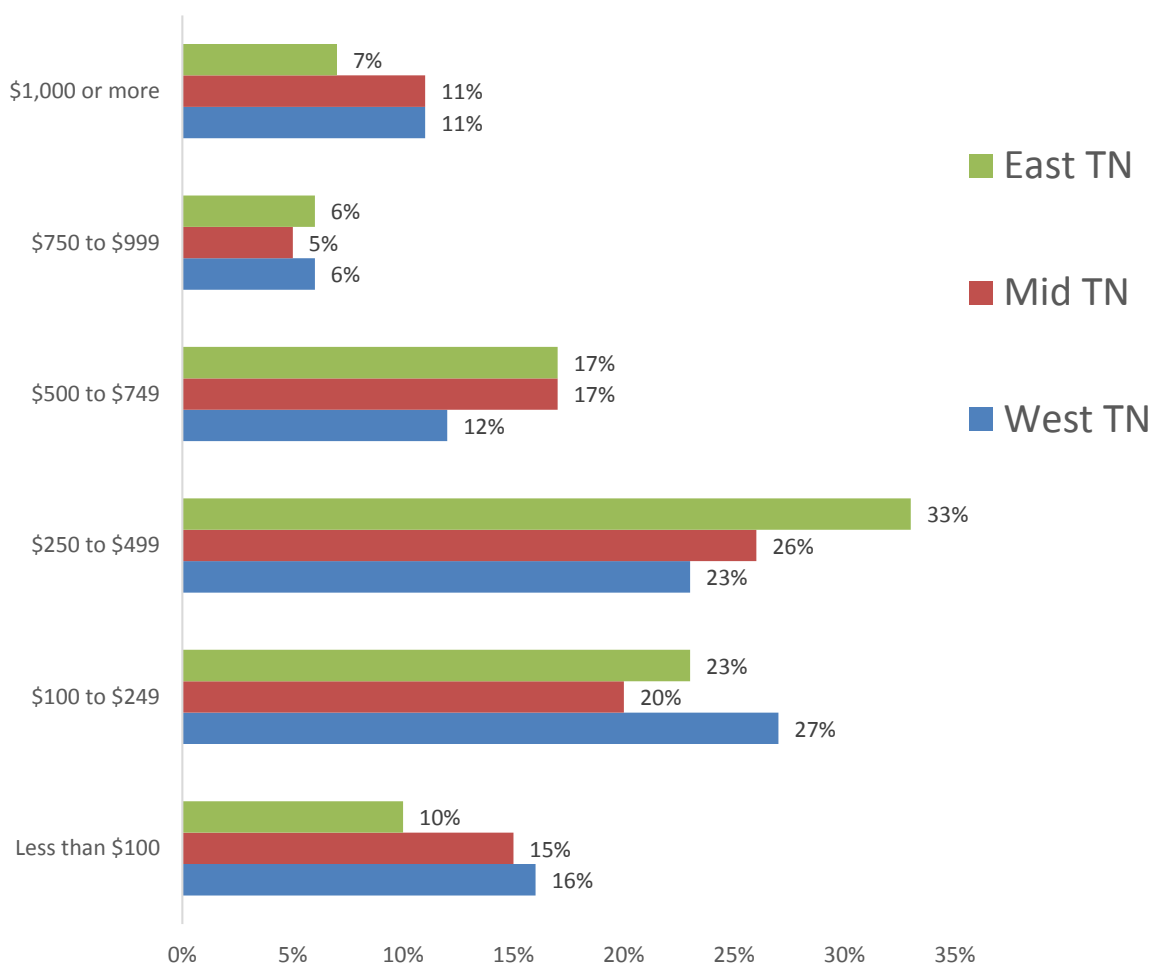
Consumers were also asked about the total amount of money that they expect to spend on Christmas and holiday gifts this year and whether or not they expect to spend more or less than they spent last year. Statewide, 22 percent of consumers expect to spend “more than they spent last year,” 39 percent expect to spend “less than they spent last year,” and 37 percent expect to spend “about the same as they spent last year.” This pattern is consistent across the three regions of the state. This suggests that consumers might be keeping a tight grip on their wallets during the remainder of the year.

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, 14 percent of consumers statewide expect to spend less than \$100, 23 percent expect to spend between \$100 and \$249, 27 percent expect to spend between \$250 and \$499, 15 percent expect to spend between \$500 and \$749, 6 percent expect to spend between \$750 and \$999, and only 10 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 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.

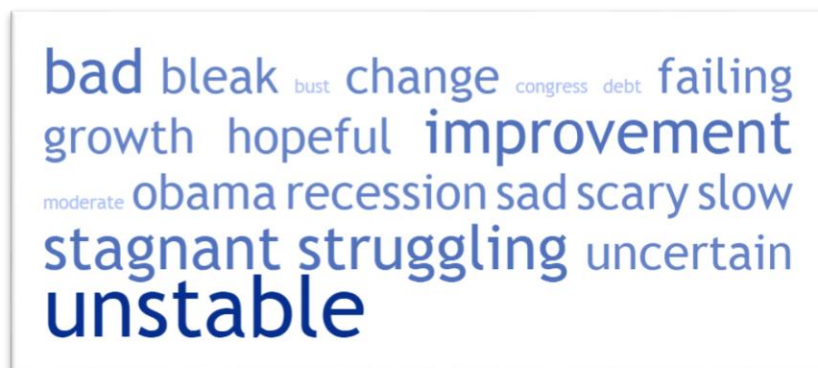
West Tennessee



Middle Tennessee



East Tennessee



Perceptions of the Economy: Comparison to the Nation

When compared to consumers across the rest of the country, Tennessee consumers have less positive views of the current and future 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.	24 ³	10
Business conditions in the U.S. are bad.	17	31
Six months from now, business conditions in the U.S. will be better.	15	12
Six months from now, business conditions in the U.S. will be worse.	11	21
Jobs are easy to find (plentiful).	20	9
Jobs are hard to find.	26	35
Six months from now, there will be more job openings.	12	24
Six months from now, there will be fewer job openings.	19	18
In 12 months my personal financial situation (income) will be better.	17	43
In 12 months my personal financial situation (income) will be worse.	12	9

³ Source: November 24, 2015, "The Conference Board Consumer Confidence Index® Declines Again." (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.

The 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>

The Consumer Outlook Index with Increase / Decrease from September 2015

		Tennessee		West TN		Mid TN		East TN	
		Dec. '15	Change	Dec. '15	Change	Dec. '15	Change	Dec. '15	Change
		(%)		(%)		(%)		(%)	
Business conditions in the US are:	Good	10	-1	12	0	10	0	9	-1
	In Between	57	-1	51	-1	60	-2	59	1
	Bad	31	1	34	-1	28	3	30	-1
Six months from now, business conditions in the US will be:	Better	12	-1	13	-2	13	-1	11	0
	About same	61	-1	62	4	61	-1	60	-4
	Worse	21	-1	19	-5	20	-2	23	3
Business conditions in Tennessee are:	Good	20	-1	14	2	25	-4	20	-2
	In Between	58	1	56	0	60	3	56	-1
	Bad	19	-2	26	-4	13	1	19	-2
Six months from now, business conditions in Tennessee will be:	Better	17	-2	15	-1	19	-4	18	2
	About same	65	1	65	5	66	1	65	-1
	Worse	12	-3	14	-7	11	2	12	-3
Jobs in your area of Tennessee are (can be):	Easy to find	9	0	4	-2	16	4	8	-2
	Found w/effort	54	-2	49	-1	57	-6	57	2
	Hard to find	35	2	45	2	26	3	34	1
In six months, there will be ____ jobs in your area of Tennessee.	More	24	3	20	0	31	4	22	5
	About same	53	-3	53	1	51	-4	53	-8
	Fewer	18	-2	22	-2	14	-1	17	-4
Financially, how are you compared to a year ago?	Better	21	-2	21	2	22	-5	20	-2
	About same	46	-2	47	-1	48	0	45	-3
	Worse	32	3	32	-1	30	5	34	4
Financially, how will you be one year from now?	Better	43	2	43	-1	47	1	40	5
	About same	44	-1	48	7	42	-2	41	-9
	Worse	9	-1	6	-6	8	2	13	1
Now is a ____ time to buy major household items?	Good time	25	2	24	3	28	3	22	1
	In between	52	3	50	7	51	-2	54	5
	Bad time	16	-3	16	-9	14	1	19	0
Now is a ____ time to buy a house.	Good time	35	-6	33	-8	37	-7	36	-2
	In between	34	1	32	3	38	8	34	-6
	Bad time	22	3	25	1	20	1	20	5
Now is a ____ time to buy a car.	Good time	32	5	29	6	37	2	29	6
	In between	46	-3	49	0	47	4	43	-13
	Bad time	15	-1	15	-5	12	-3	19	7

Consumer Spending, Saving, and Investments

		Tennessee		West TN		Mid TN		East TN	
		Dec. '15		Dec. '15		Dec. '15		Dec. '15	
		(%)	Change	(%)	Change	(%)	Change	(%)	Change
Compared to last year, I will spend:	More	32	-4	35	0	33	-2	27	-11
	About the same	36	1	35	0	36	0	36	1
	Less	31	4	29	0	30	2	36	11
Compared to last year, I am saving:	More	22	-1	22	2	22	-5	20	-1
	About the same	40	5	43	8	41	4	36	3
	Less	36	-4	33	-9	34	-2	41	-2
In the next 12 months, I will ___ my level of saving.	Increase	48	0	48	2	52	-2	44	0
	Keep it the same	36	3	37	2	34	4	37	3
	Decrease	10	-4	10	-5	8	-2	13	-4
In the next 12 months, the value of the stock market will be:	Higher	13	-1	14	-4	12	1	14	0
	About the same	42	1	43	10	46	1	39	-6
	Lower	21	-9	21	-13	18	-9	23	-6
In 12 months the value of my savings and investments will be:	Higher	31	2	29	0	36	6	27	0
	About the same	39	-4	40	-4	38	-2	39	-5
	Lower	17	-3	15	-6	15	-3	22	0
If I lost my job, I would survive financially:	Definitely Yes	9	1	6	-2	10	3	10	0
	Probably Yes	18	5	23	9	16	1	15	6
	Maybe	15	-4	15	-2	15	-6	14	-5
	Probably No	21	-2	23	1	25	4	15	-10
	Definitely No	34	-1	31	-6	30	-3	41	7

About the Survey

The results reported here are based on online surveys of 626 randomly selected adult residents of Tennessee. Online surveys were conducted between December 1 and December 11, 2015. 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 626 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?