



# Tennessee Consumer Outlook Index

Office of Consumer Research  
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June 20, 2017

## Tennessee Consumer Outlook Wanes Heading Into the Summer Months

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers' outlook on the economy has waned heading into the summer months.<sup>1</sup> The Tennessee Consumer Outlook Index declined slightly to 123 from 134 in March. However, consumers' outlook varies across the state as those in west and middle Tennessee showed improved outlook whereas those in east Tennessee showed declines in outlook.<sup>2</sup> The current survey of 627 Tennessee consumers was conducted between June 10 and June 19.

This slight decrease in outlook mirrors the results from recent national surveys. The Conference Board's Consumer Confidence Index<sup>®</sup> has decreased in April and May.<sup>3</sup>

### Tennessee Consumer Outlook Index and Components

Increase/Decrease from March 2017

	TN June '17 (n=627)	Change from March	West TN June '17 (n=207)	Change from March	Mid TN June '17 (n=210)	Change from March	East TN June '17 (n=210)	Change from March
Overall Outlook Index	123	-11	65	+20	185	+10	119	-59
Current Situation Index	-1	+9	-35	+23	40	+17	-6	-11
Future Expectations Index	72	-26	54	-15	94	-15	67	-47
Purchasing Index	52	+6	46	+12	51	+8	58	-1

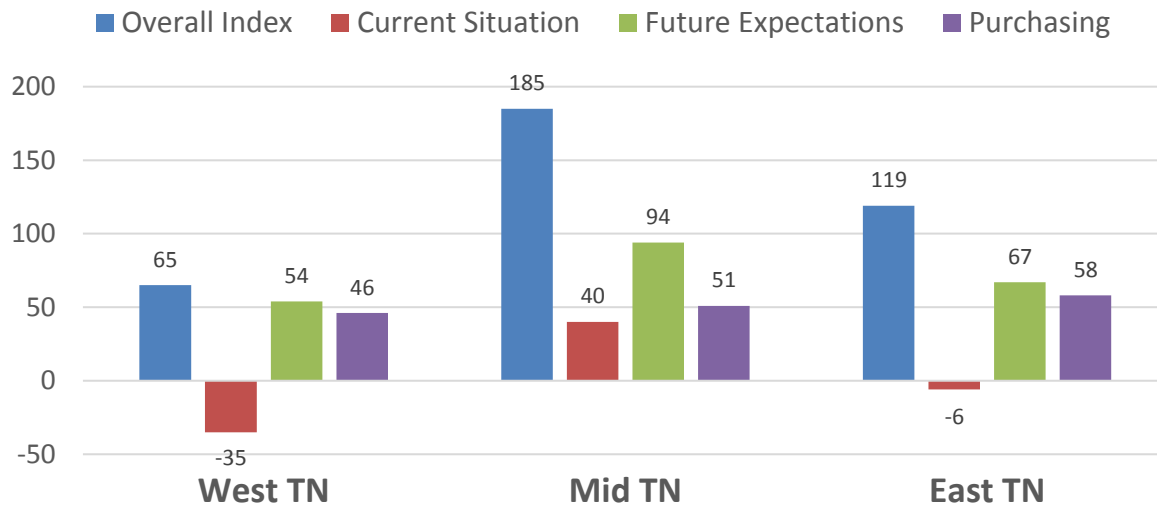
<sup>1</sup> The current online survey of 627 Tennessee residents was conducted between June 10 and June 19.

<sup>2</sup> 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).

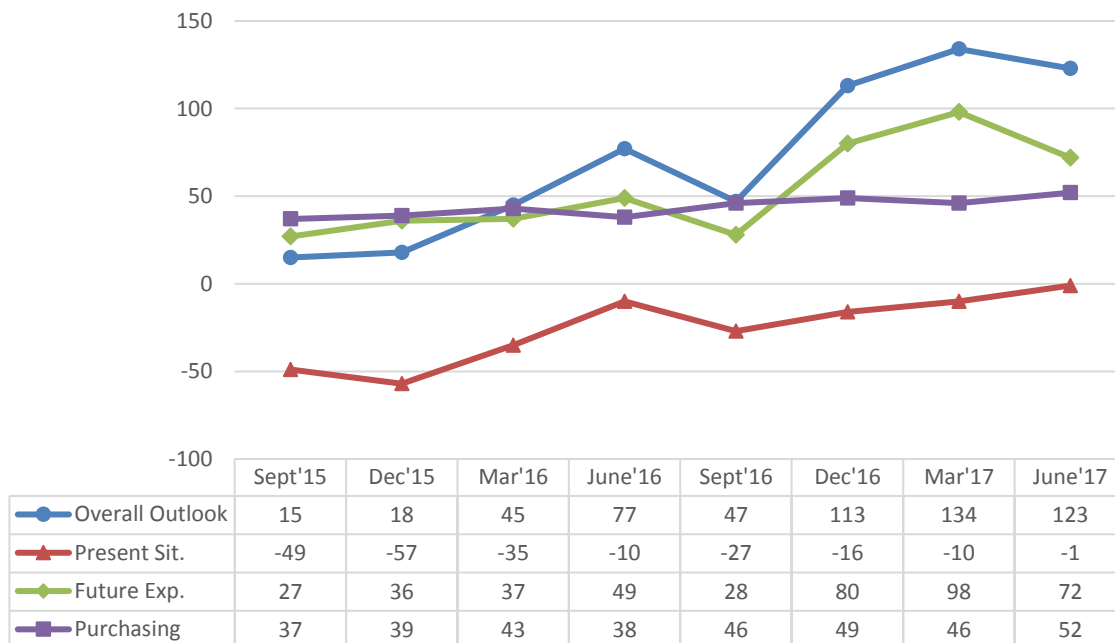
<sup>3</sup> Source: May 30, 2017, "The Conference Board Consumer Confidence Index<sup>®</sup> Declined in May." ([www.conference-board.org](http://www.conference-board.org)).

### 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.** The Current Situation Index improved to -1 from -10 but remained just barely in the negative range. A score of zero for the index would indicate the percentage of consumers holding positive views is equal to the percentage holding negative views. Overall, Tennessee consumers are feeling slightly better about both the national and Tennessee economies. Still, only 17 percent of Tennessee consumers said current economic conditions in the country as a whole are “good,” compared to 18 percent who said they are “bad.”

**Tennessee Economy.** Consumers continue to hold more positive views of the state’s economy compared to the national economy. A greater percentage of consumers said business conditions in Tennessee are “good” (28 percent) than “bad” (14 percent).

**Future Expectations.** Overall, there is declining enthusiasm about the future of the economy. The Future Expectations Index dropped to 72 from 98. This decrease in expectations was consistent across all three regions of the state. Tennessee consumers are experiencing decreased optimism regarding the future of the national and state economy, the job market, and their own personal financial situation. Such concerns are reflected in the net decrease regarding expectations for the stock market. While only 23 percent expect the value of the stock market to be “higher than it is today,” 22 percent expect it to be “lower than it is today.”

**Financial Survival.** There was a small net increase in consumers’ optimism regarding their ability to survive financially if they lost their job or primary source of income. Still, however, only 27 percent of consumers said they would be able to survive financially, compared to 55 percent who said they would not be able to survive. This pattern is consistent across the three regions of the state.

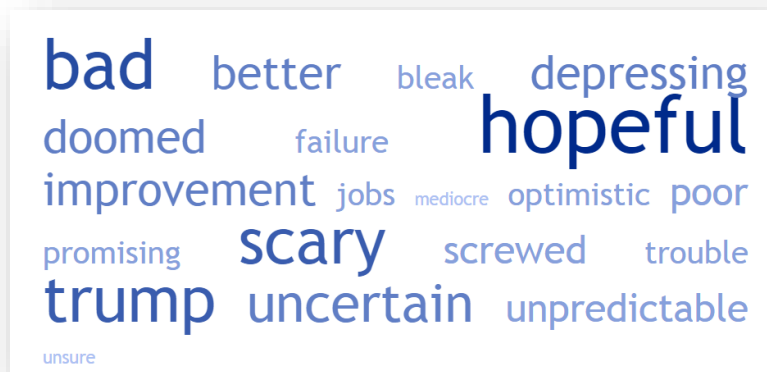
**Purchasing Situation and Spending.** The Purchasing Index rose marginally to 52 from 46 in March. This modest increase, along with the decrease in future expectations, suggests very limited increases in consumer spending. Many personal financial gains might be put back into consumers’ wallets toward savings, rather than consumers opening their wallets to spend. However, delayed spending is not always a bad thing. Increased consumer saving, allowing consumers to get their financial health on more stable ground, can set the stage for increased spending in the future.

**The Final Word.** Taken together, these results suggest Tennessee consumers might be shifting to a cautionary approach to spending during the summer months. Views of the current economy are improving, and Tennessee consumers have relatively positive views of the economy. However, concerns about the future growth of the economy might start to creep into consumers’ minds as they make spending decisions.

## 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 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.

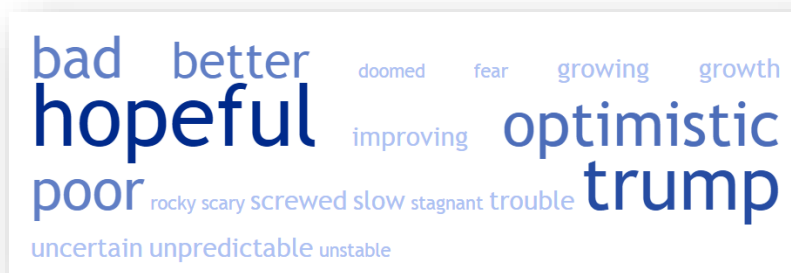
### West Tennessee



### 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](http://www.conference-board.org)).<sup>4</sup>

Comparing Tennessee Consumers to Consumers across the Country as a Whole	Nation (%)	Tenn. (%)
Business conditions in the U.S. are good.	29	17
Business conditions in the U.S. are bad.	14	18
Six months from now, business conditions in the U.S. will be better.	21	31
Six months from now, business conditions in the U.S. will be worse.	10	22
Jobs are easy to find (plentiful).	30	13
Jobs are hard to find.	18	28
Six months from now, there will be more job openings.	19	27
Six months from now, there will be fewer job openings.	12	16
In 12 months my personal financial situation (income) will be better.	19	45
In 12 months my personal financial situation (income) will be worse.	9	9

<sup>4</sup> Source: May 30, 2017, "The Conference Board Consumer Confidence Index® Declined in May." ([www.conference-board.org](http://www.conference-board.org)).

## Consumer Outlook Index with Net Change\* (Increase or Decrease) from March 2017

		Tenn. June '17 (%)	Net Change*	West TN June '17 (%)	Net Change	Mid TN June '17 (%)	Net Change	East TN June '17 (%)	Net Change
Business conditions in the U.S. are:	Good	17	+4	15	+10	20	+8	16	-7
	In between	62		61		64		62	
	Bad	18		21		13		20	
Six months from now, business conditions in the U.S. will be:	Better	31	-8	29	-4	33	-5	31	-15
	About same	42		42		42		43	
	Worse	22		23		21		23	
Business conditions in Tennessee are:	Good	28	+5	19	+17	40	+3	23	-5
	In between	56		63		47		59	
	Bad	14		16		10		16	
Six months from now, business conditions in Tennessee will be:	Better	30	-6	26	-1	37	-2	27	-16
	About same	52		55		44		56	
	Worse	14		15		15		13	
Jobs in your area of Tennessee are (can be):	Easy to find	13	0	8	+2	20	-3	12	+4
	Found w/effort	57		56		56		59	
	Hard to find	28		35		21		26	
In six months, there will be ____ jobs in your area of Tennessee.	More	27	-8	22	-5	35	-7	25	-12
	About same	53		55		49		55	
	Fewer	16		18		13		17	
Financially, how are you compared to a year ago?	Better	26	0	22	-6	27	+9	29	-3
	About same	49		50		50		48	
	Worse	25		27		23		24	
Financially, how will you be one year from now?	Better	45	-4	45	-5	44	-1	46	-4
	About same	43		39		48		42	
	Worse	9		12		6		9	
Now is a ____ time to buy major household items.	Good time	25	+3	22	-2	25	+8	28	+3
	In between	55		55		55		54	
	Bad time	10		13		7		11	
Now is a ____ time to buy a house.	Good time	37	0	34	+2	38	+1	39	-1
	In between	35		39		30		35	
	Bad time	22		20		25		20	
Now is a ____ time to buy a car.	Good time	32	+3	35	+12	30	-1	32	-3
	In between	51		46		54		53	
	Bad time	10		12		10		10	

## Consumer Spending, Saving, and Investments

		Tenn. June '17 (%)	Net Change	West TN June '17 (%)	Net Change	Mid TN June '17 (%)	Net Change	East TN June '17 (%)	Net Change
Compared to last year, I will spend:	More	30	+1	30	+2	26	-1	34	+2
	About same	41		35		48		39	
	Less	28		33		25		25	
Compared to last year, I am saving:	More	33	+1	29	-3	36	+4	34	+1
	About the same	36		37		33		38	
	Less	29		32		29		26	
In the next 12 months, I will ___ my level of saving.	Increase	50	+2	52	+4	55	+13	44	-7
	Keep it the same	37		35		35		42	
	Decrease	9		11		6		9	
In the next 12 months, the value of the stock market will be:	Higher	23	-14	22	-8	22	-17	25	-15
	About the same	37		37		39		35	
	Lower	22		21		22		22	
In 12 months the value of my savings and investments will be:	Higher	37	-1	36	+3	40	0	34	-8
	About the same	39		41		38		38	
	Lower	14		14		12		16	
If I lost my job, I would survive financially.	Definitely yes	8	+2	6	-6	11	+12	7	-2
	Probably yes	19		22		19		16	
	Maybe	16		12		17		18	
	Probably no	21		20		22		20	
	Definitely no	34		39		28		36	

\* 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 627 randomly selected adult residents of Tennessee. Online surveys were conducted between June 10 and June 19, 2017. 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 627 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](http://www.conference-board.org)). This report is also available on the MTSU 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. 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](mailto: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?