



Tennessee Consumer Outlook Index

Office of Consumer Research
Director Timothy R. Graeff, Ph.D., Tim.Graeff@mtsu.edu, 615-898-5124

December 21, 2020

Consumers' Outlook Sinks Following the Presidential Election

Outlook among Tennessee consumers has plummeted following the recent presidential election.¹ On the heels of recent gains in outlook as the nation rebounded from the economic impact of COVID-19, the Tennessee Consumer Outlook Index fell back into negative territory. The Overall Outlook Index sank to -58 from 44 in September.² Of most significance is the eroding outlook for the future, which had remained steady during the year. The Future Expectations Index dropped to 31 from 87 in September.

Perceptions of the current economy fell even further into the negative range to -84 from -60. Such negative views and outlook have led to more hesitant views regarding spending. The Purchasing Situation sank into the negative range to -5 from 17. This foreboding decline in outlook for the future could signal decreasing consumer spending. Declines in perceptions of the economy and outlook for the future were most visible in east and middle Tennessee.

The current online survey of 588 Tennessee consumers was conducted between December 9 and December 20.

Tennessee Consumer Outlook Index and Components

Increase/Decrease from September 2020

| | TN Dec 2020 | Change from Sept | West TN Dec 2020 | Change from Sept | Mid TN Dec 2020 | Change from Sept | East TN Dec 2020 | Change from Sept |
|---------------------------|-------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|------------------------|------------------------|
| Overall Outlook Index | -58 | -102 | -35 | -57 | -45 | -144 | -87 | -192 |
| Current Situation Index | -84 | -24 | -99 | -35 | -76 | -26 | -79 | -55 |
| Future Expectations Index | 31 | -56 | 71 | -4 | 30 | -92 | 2 | -102 |
| Purchasing Index | -5 | -22 | -7 | -18 | 1 | -26 | -10 | -35 |

¹ The current online survey of 588 Tennessee residents was conducted between December 9 and December 20.

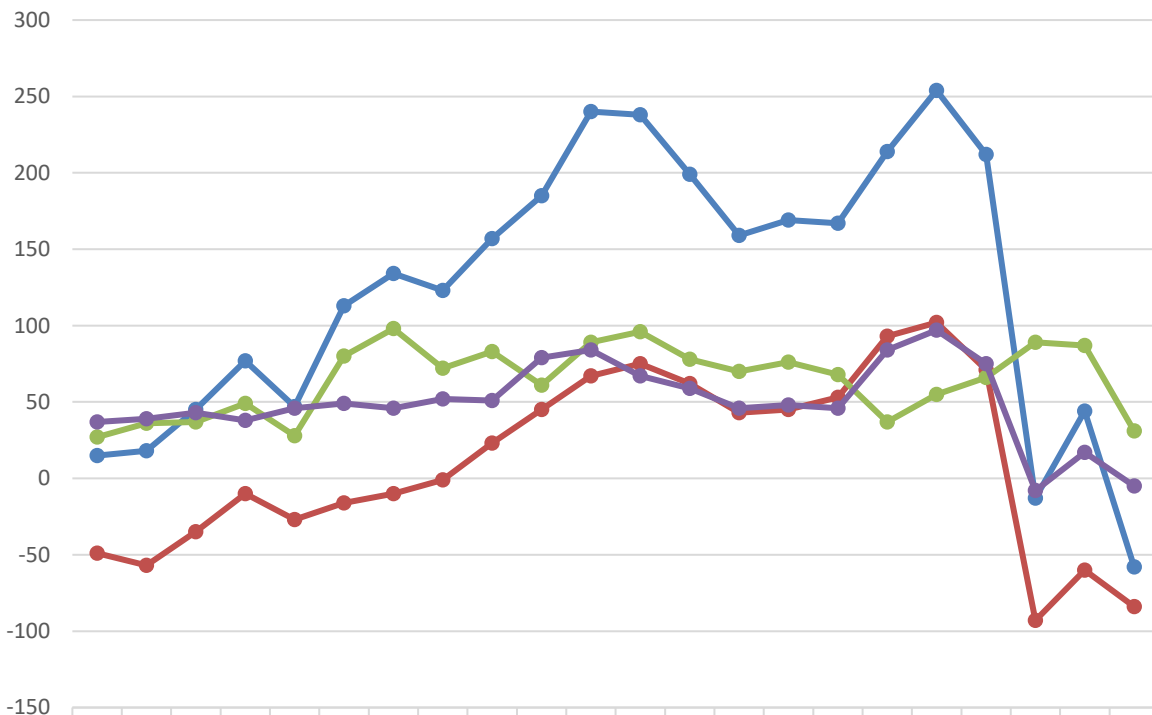
² The Consumer Outlook Index scores are based on consumers' responses to 11 questions measuring their perceptions of the current economy, the future economy, jobs, personal finances, and whether now is a good time to make large purchases. Four questions make up the Current Situation Index, four questions 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).

The chart below shows how the Tennessee Consumer Outlook Index has changed since December, 2015. As expected, perceptions of the economy dropped during the pandemic. However, recent improvements in outlook as the economy began to rebound from the pandemic have now been negated.

Tennessee Consumer Outlook Index

Overall Outlook Current Sit. Future Exp. Purchasing



| | Sep'15 | Dec'15 | Mar'16 | Jun'16 | Sep'16 | Dec'16 | Mar'17 | Jun'17 | Sep'17 | Dec'17 | Mar'18 | Jun'18 | Sep'18 | Dec'18 | Mar'19 | Jun'19 | Sep'19 | Dec'19 | Mar'20 | Jun'20 | Sep'20 | Dec'20 |
|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Overall Outlook | 15 | 18 | 45 | 77 | 47 | 113 | 134 | 123 | 157 | 185 | 240 | 238 | 199 | 159 | 169 | 167 | 214 | 254 | 212 | -13 | 44 | -58 |
| Current Sit. | -49 | -57 | -35 | -10 | -27 | -16 | -10 | -1 | 23 | 45 | 67 | 75 | 62 | 43 | 45 | 53 | 93 | 102 | 71 | -93 | -60 | -84 |
| Future Exp. | 27 | 36 | 37 | 49 | 28 | 80 | 98 | 72 | 83 | 61 | 89 | 96 | 78 | 70 | 76 | 68 | 37 | 55 | 66 | 89 | 87 | 31 |
| Purchasing | 37 | 39 | 43 | 38 | 46 | 49 | 46 | 52 | 51 | 79 | 84 | 67 | 59 | 46 | 48 | 46 | 84 | 97 | 75 | -8 | 17 | -5 |

Increasingly Negative Perceptions. There was a net decrease for all 11 questions that make up the Consumer Outlook Index. Perceptions of the current U.S. economy have declined. The percent who said business conditions in the country as a whole are “good” dipped to 6 from 11. Further, the percent who said they are “bad” rose to 46 from 38.

However, perceptions of the Tennessee economy were less negatively affected. The percent who said business conditions in Tennessee are “good” slid only slightly to 13 from 15, while the percent who said they are “bad” remained steady at 28.

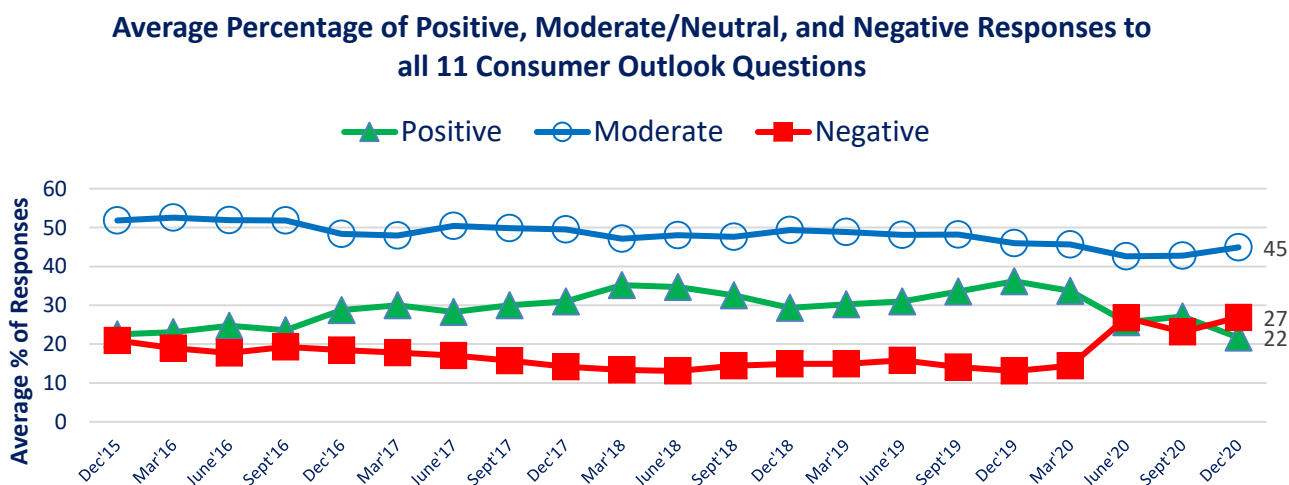
Jobs and the Labor Market. Perceptions of the current job market also weakened. The percent who said jobs are “easy to find” dipped to 15 from 19, while the percent who said jobs are “hard to find” inched up only slightly to 25 from 24. Expectations for the future job market also declined. The percent who said there will be “more” job openings in the next six months dropped to 29 from 37, while the percent who said there will be “fewer” job openings rose to 22 from 16.

Consumer Spending. Attitudes regarding spending were also negatively affected. Fewer consumers believe now is a good time to purchase a home, purchase major household items for the home, and purchase a car. When asked about their expected spending compared to last year, more than twice as many (43%) said they expect to spend “less” than spend “more” (21%).

The Final Word. Taken together, these results are sobering news for Tennessee businesses and consumers. For the majority of this past year following the onset of COVID-19 and the accompanying economic shutdowns, Tennessee consumers remained optimistic about the future economy. However, such optimism has now faded. Even with good economic news of recent gains in the stock market, approval of COVID-19 vaccines, peace deals in the Middle East, declining unemployment, and record gains in GDP, the recent election seems to have put a damper on consumers’ outlook for the future. Fears of rising taxes on individuals and businesses, concerns about potential policies threatening American jobs, and continued uncertainty regarding the election have dulled consumers’ outlook for the future and spending.

Average Attitude

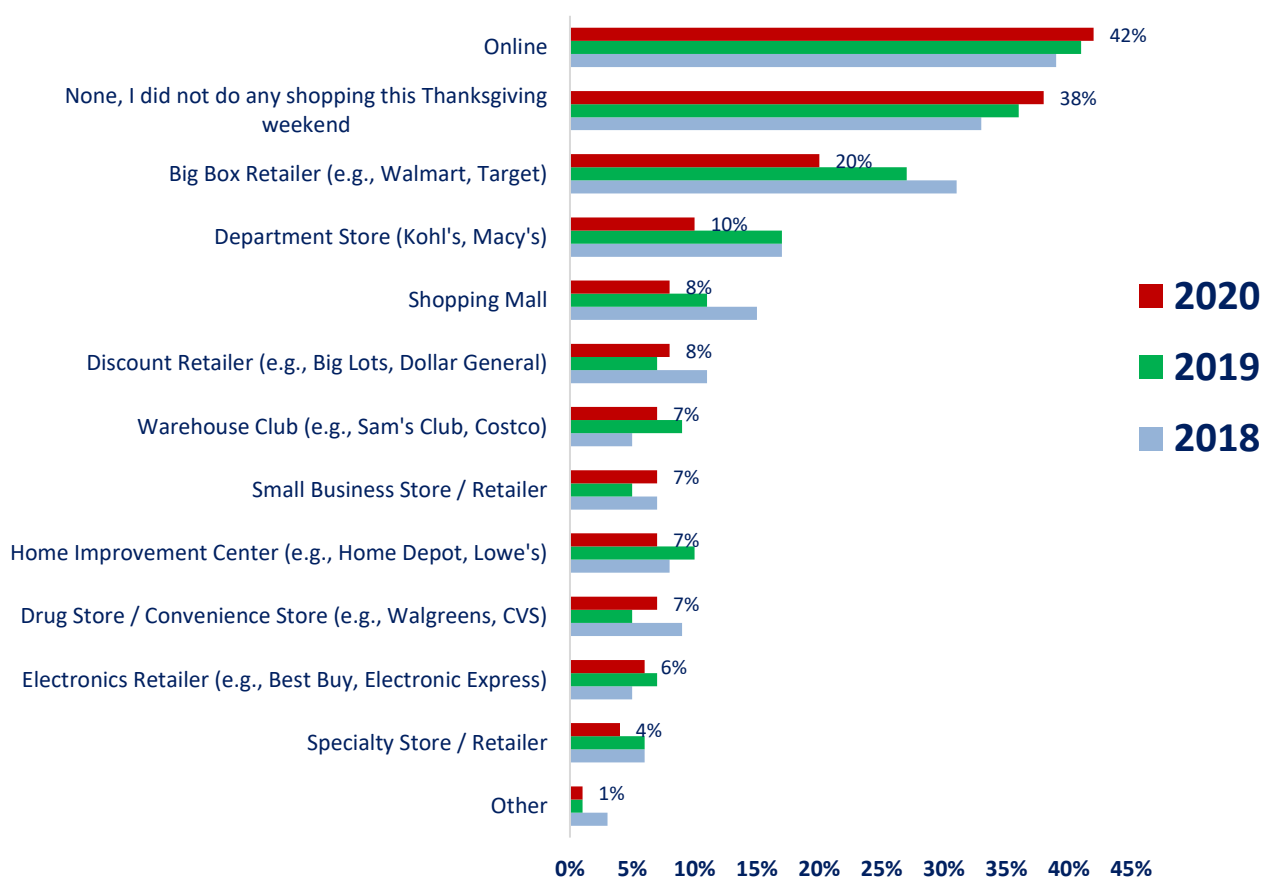
The chart below shows the average percentage of positive, moderate/neutral, and negative responses to all 11 questions that make up the Tennessee Consumer Outlook Index. The favorable gap between the percentage of positive versus negative responses that was regained in September, has now been lost again. Most consumers (45%) think the economy is somewhere “in between” good and bad and will likely stay “about the same” in the future. Of the remaining consumers, 27 percent think economic conditions are “bad” and think future economic conditions will be “worse,” versus only 22 percent who think economic conditions are “good” and think future economic conditions will be “better.”



Thanksgiving Weekend Shopping

Consumers were asked about their shopping and spending plans for this Christmas and holiday season. When asked if they did any shopping during the recent Thanksgiving weekend (including Black Friday, Small Business Saturday, and Cyber Monday), most consumers either made purchases online (42%) or did not do any shopping (38%).

**If you did some shopping this Thanksgiving Weekend (including Black Friday, Small Business Saturday, Cyber Monday), please tell us where you went shopping.
(Check all that apply)**



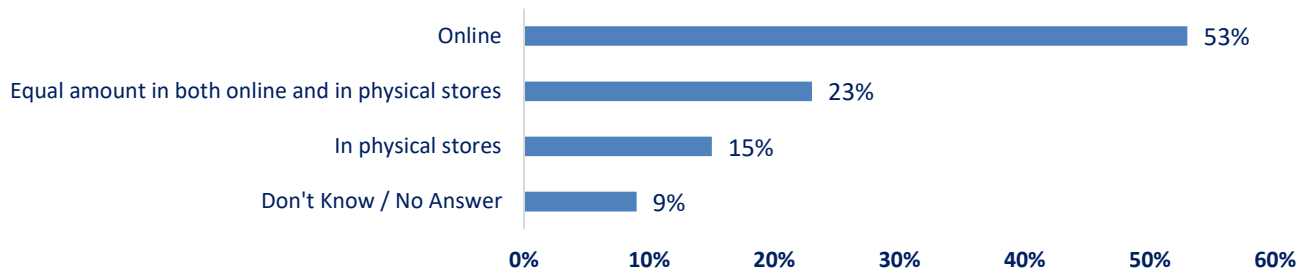
Comfort Shopping and Wearing Masks

Clearly, online shopping is increasing in popularity, especially at a time when shopping in person is still problematic for many consumers. Only 33 percent of consumers feel comfortable resuming their normal shopping and other consumer related activities, down from 43 percent in September. The majority (51%) feel uncomfortable, up from 46 percent. Further, 76 percent said it is important that people wear masks when out in public, up from 72 percent in September.

Christmas and Holiday Shopping

As COVID-19 continues to infringe upon consumers' behaviors, more than half of consumers (53%) said they will do the majority of their Christmas and holiday shopping online. Relatively few (15%) expect to do most of their shopping in physical stores.

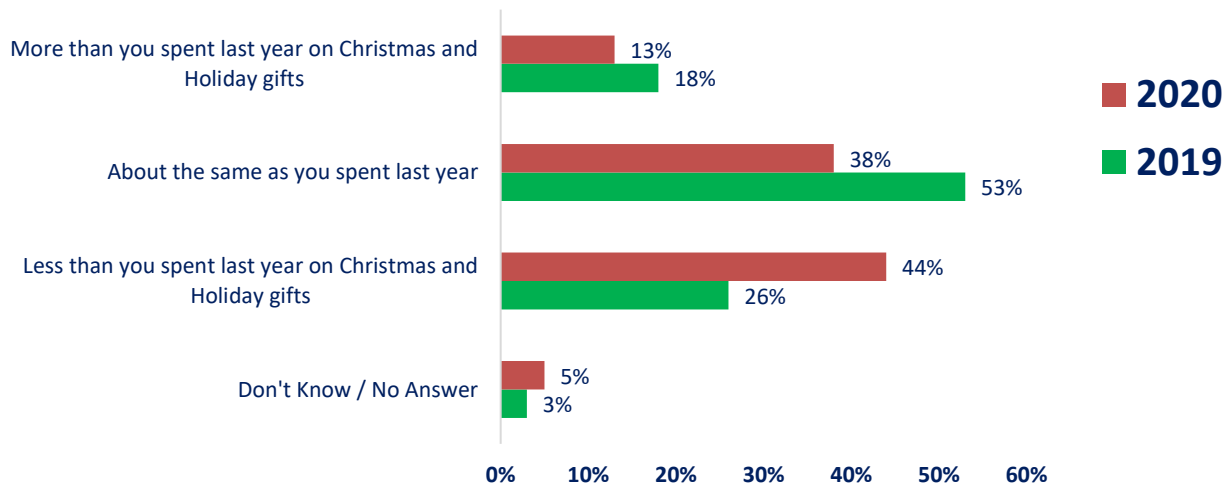
This year, where will you do the majority of your Christmas and holiday shopping?



Amount of Spending

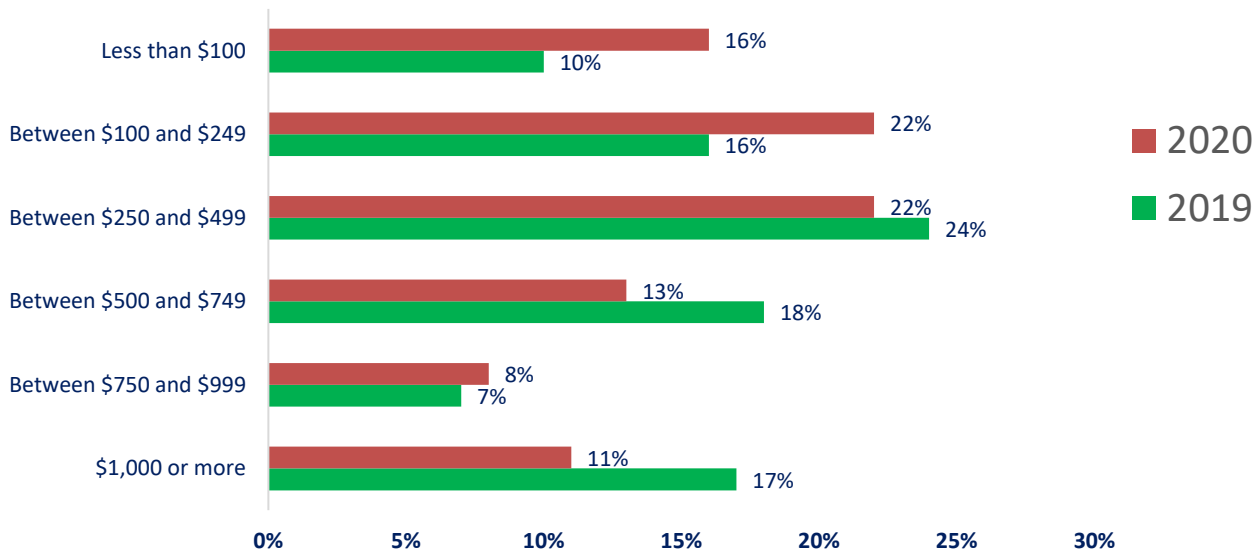
Consumers were also asked about the total amount of money they expect to spend on Christmas and holiday gifts this year and whether they expect to spend more or less than they spent last year. The trend is for reduced spending this year. A greater number of consumers expect to decrease their spending from last year, whereas fewer consumers expect to increase their spending.

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?



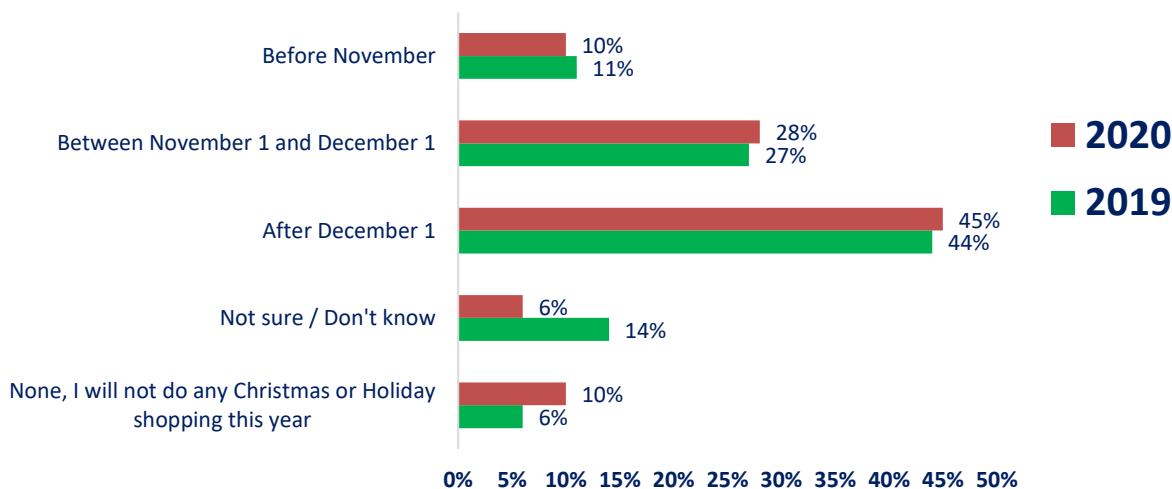
Most Tennessee consumers (60%) expect to spend less than \$500, up from 50 percent last year. Only 32 percent expect to spend more than \$500, a decrease from 42 percent last year.

How much do you plan to spend on Christmas and holiday gifts this year?



Even though a small percentage of consumers did their shopping early this year, almost half still expect to do most of their shopping after December 1. When compared to last year, restrictions on in-person shopping and the increased reliance on online shopping have not greatly affected the timing of when Tennessee consumers expect to do most of their holiday shopping.

When will you do the majority of your Christmas and holiday shopping this year?



Perceptions of the Economy: Comparison to the Nation

When compared to consumers across the rest of the country, Tennessee consumers have more negative views of the current U.S. economy and the current job market, but share relatively similar views regarding the future of the economy and the job market. However, Tennessee consumers are significantly more optimistic about their future personal financial situation.

The table below shows 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).³

| Comparing Tennessee Consumers to Consumers across the Country as a Whole | Nation (%) | TN Dec'20 (%) |
|--|------------|---------------|
| Business conditions in the U.S. are good. | 18 | 6 |
| Business conditions in the U.S. are bad. | 34 | 46 |
| Six months from now, business conditions in the U.S. will be better. | 27 | 27 |
| Six months from now, business conditions in the U.S. will be worse. | 20 | 27 |
| Jobs are easy to find (plentiful). | 27 | 15 |
| Jobs are hard to find. | 20 | 25 |
| Six months from now, there will be more job openings. | 26 | 29 |
| Six months from now, there will be fewer job openings. | 21 | 22 |
| In 12 months, my personal financial situation (income) will be better. | 18 | 30 |
| In 12 months, my personal financial situation (income) will be worse. | 13 | 11 |

³ Source: November 24, 2020, *The Conference Board Consumer Confidence Index® Decreased in November* (www.conference-board.org).

Consumer Outlook Index with Net Change* (Increase or Decrease) from September, 2020

| | | Tenn. Dec'20 (%) | Net Change* | West TN Dec'20 (%) | Net Change | Mid TN Dec'20 (%) | Net Change | East TN Dec'20 (%) | Net Change |
|--|----------------|------------------------|----------------|--------------------------|---------------|-------------------------|---------------|--------------------------|---------------|
| Business conditions in the U.S. are: | Good | 6 | -13 | 8 | -18 | 5 | -14 | 6 | -7 |
| | In between | 45 | | 40 | | 46 | | 47 | |
| | Bad | 46 | | 49 | | 45 | | 44 | |
| Six months from now, business conditions in the U.S. will be: | Better | 27 | -19 | 34 | -2 | 27 | -26 | 22 | -23 |
| | About same | 37 | | 38 | | 37 | | 36 | |
| | Worse | 27 | | 19 | | 25 | | 34 | |
| Business conditions in Tennessee are: | Good | 13 | -2 | 10 | -10 | 13 | -3 | 14 | +4 |
| | In between | 56 | | 54 | | 57 | | 58 | |
| | Bad | 28 | | 33 | | 27 | | 25 | |
| Six months from now, business conditions in Tennessee will be: | Better | 26 | -17 | 33 | -2 | 26 | -25 | 20 | -24 |
| | About same | 44 | | 39 | | 45 | | 46 | |
| | Worse | 21 | | 19 | | 19 | | 25 | |
| Jobs in your area of Tennessee are (can be): | Easy to find | 15 | -4 | 15 | -6 | 16 | -7 | 15 | -1 |
| | Found w/effort | 53 | | 49 | | 55 | | 54 | |
| | Hard to find | 25 | | 32 | | 23 | | 21 | |
| In six months, there will be ___ jobs in your area of Tennessee. | More | 29 | -13 | 32 | -2 | 29 | -26 | 27 | -11 |
| | About same | 39 | | 42 | | 40 | | 35 | |
| | Fewer | 22 | | 19 | | 22 | | 24 | |
| Financially, how are you compared to a year ago? | Better | 16 | -4 | 18 | -1 | 18 | -2 | 12 | -8 |
| | About same | 48 | | 46 | | 47 | | 50 | |
| | Worse | 35 | | 35 | | 33 | | 36 | |
| Financially, how will you be one year from now? | Better | 30 | -6 | 41 | +1 | 22 | -15 | 28 | -2 |
| | About same | 53 | | 41 | | 62 | | 54 | |
| | Worse | 11 | | 12 | | 8 | | 12 | |
| Now is a ___ time to buy major household items. | Good time | 17 | -11 | 20 | -5 | 14 | -17 | 18 | -10 |
| | In between | 41 | | 41 | | 45 | | 39 | |
| | Bad time | 33 | | 30 | | 33 | | 35 | |
| Now is a ___ time to buy a house. | Good time | 32 | -6 | 29 | -9 | 36 | -5 | 30 | -6 |
| | In between | 36 | | 34 | | 33 | | 39 | |
| | Bad time | 26 | | 29 | | 25 | | 23 | |
| Now is a ___ time to buy a car. | Good time | 27 | -6 | 29 | -5 | 29 | -4 | 24 | -9 |
| | In between | 41 | | 38 | | 44 | | 40 | |
| | Bad time | 23 | | 26 | | 19 | | 25 | |

Consumer Spending, Saving, and Investments

| | | Tenn. | Net | West TN | Net | Mid TN | Net | East TN | Net |
|---|----------------|--------|--------|---------|--------|--------|--------|---------|--------|
| | | Dec'20 | Change | Dec'20 | Change | Dec'20 | Change | Dec'20 | Change |
| | | (%) | | (%) | | (%) | | (%) | |
| Compared to last year, I will spend: | More | 21 | -5 | 22 | +1 | 23 | -1 | 20 | -11 |
| | About same | 32 | | 32 | | 30 | | 35 | |
| | Less | 43 | | 43 | | 43 | | 41 | |
| Compared to last year, I am saving: | More | 20 | -14 | 22 | -9 | 22 | -20 | 15 | -14 |
| | About same | 38 | | 38 | | 33 | | 44 | |
| | Less | 39 | | 39 | | 41 | | 37 | |
| In the next 12 months, I will ___ my level of saving. | Increase | 37 | +2 | 44 | +14 | 35 | -7 | 32 | 0 |
| | Keep same | 41 | | 37 | | 41 | | 43 | |
| | Decrease | 14 | | 11 | | 16 | | 15 | |
| In the next 12 months, the value of the stock market will be: | Higher | 25 | -10 | 30 | -3 | 23 | -16 | 22 | -7 |
| | About same | 28 | | 27 | | 31 | | 25 | |
| | Lower | 28 | | 24 | | 27 | | 32 | |
| In 12 months the value of my savings and investments will be: | Higher | 29 | -9 | 36 | +1 | 29 | -14 | 22 | -12 |
| | About same | 35 | | 34 | | 38 | | 33 | |
| | Lower | 24 | | 20 | | 22 | | 30 | |
| If I lost my job, I would survive financially. | Definitely yes | 13 | -10 | 12 | -10 | 15 | -7 | 12 | -12 |
| | Probably yes | 16 | | 20 | | 16 | | 11 | |
| | Maybe | 19 | | 17 | | 20 | | 20 | |
| | Probably no | 16 | | 17 | | 16 | | 16 | |
| | Definitely no | 31 | | 30 | | 28 | | 35 | |
| In 12 months the total amount of my credit card debt will be: | Higher | 8 | -2 | 10 | -7 | 5 | +4 | 10 | -3 |
| | About same | 45 | | 38 | | 51 | | 45 | |
| | Lower | 35 | | 39 | | 31 | | 35 | |

* 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 will 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 |
|---|--|
| <p>Optimistic consumer outlook, <i>which leads to ...</i></p> | <p>Pessimistic consumer outlook, <i>which leads to ...</i></p> |
| <p>Increased consumer spending, <i>which leads to ...</i></p> | <p>Decreased consumer spending, <i>which leads to ...</i></p> |
| <p>Retailers hire more employees and purchase more inventory from suppliers, <i>which leads to ...</i></p> | <p>Retailers hire fewer employees and purchase less inventory from suppliers, <i>which leads to ...</i></p> |
| <p>Suppliers (manufacturers) must make more products, <i>which leads to ...</i></p> | <p>Suppliers (manufacturers) must make fewer products, <i>which leads to ...</i></p> |
| <p>Suppliers (manufacturers) hire more employees, <i>which leads to ...</i></p> | <p>Suppliers (manufacturers) hire fewer employees, <i>which leads to ...</i></p> |
| <p>More retail, service, and manufacturing employees, <i>which leads to ...</i></p> | <p>Fewer retail, service, and manufacturing employees, <i>which leads to ...</i></p> |
| <p>More consumers with paychecks who are able to spend, <i>which leads to ...</i></p> | <p>Fewer consumers with paychecks who are able to spend, <i>which leads to ...</i></p> |
| <p>Growing economy, <i>which leads to ...</i></p> | <p>Slowing economy, <i>which leads to ...</i></p> |
| <p>More optimistic consumer outlook, <i>which leads to ...</i></p> | <p>More pessimistic consumer outlook, <i>which leads to ...</i></p> |

About the Survey

The results reported here are based on online surveys of 588 randomly selected adult residents of Tennessee. Online surveys were conducted between December 9 and December 20, 2020. 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 588 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?