



Tennessee Consumer Outlook Index

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Consumer Outlook Improves Slightly, With East Tennessee Leading the Way

Outlook among Tennessee consumers has improved from its all-time low in September. Although still in the negative range, the Overall Outlook Index gained to -93 from -106.¹ This was due almost entirely to improvements in consumers' outlook for the economy's future. The Future Expectations Index climbed into the positive range, gaining to 14 from -1. Perceptions of the current economy remain negative, with the Current Situation Index dipping slightly to -18 from -14. The Purchasing Index also remained negative but inched up to -90 from -91. However, opinions varied across the state. East Tennessee saw significant improvement in outlook, whereas overall outlook declined in west and middle Tennessee.

Although moderate, this improvement in outlook is good news for Tennessee businesses and retailers, especially those in east Tennessee, as we head into the ever-important Christmas shopping and spending season. Consumers are becoming more comfortable shopping in retail stores and engaging in other consumer-related activities. However, consumers remain worried, frustrated, and afraid for the economy's future, especially about the potential adverse effects of rising inflation and taxes. The current online survey of 627 Tennessee consumers was conducted between November 29 and December 10.

Tennessee Consumer Outlook Index and Components Increase/Decrease from September 2021

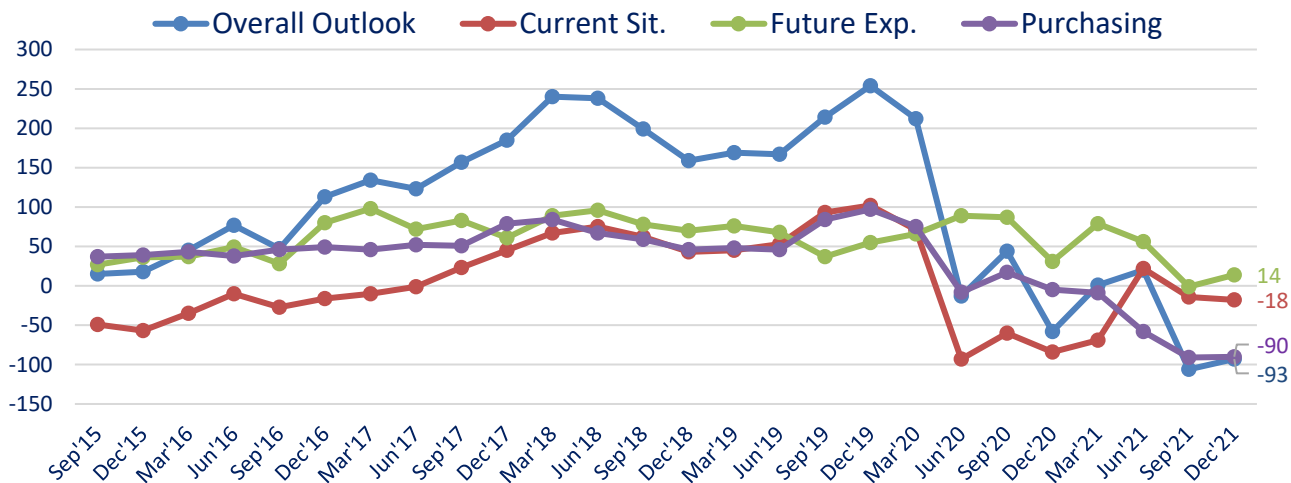
	TN Dec 2021	Change from Sept.	West TN Dec 2021	Change from Sept.	Mid TN Dec 2021	Change from Sept.	East TN Dec 2021	Change from Sept.
Overall Outlook Index	-93	+12	-77	-13	-108	-37	-95	+90
Current Situation Index	-18	-4	-25	-23	-16	-11	-12	+25
Future Expectations Index	14	+15	29	+19	11	-15	3	+27
Purchasing Index	-90	+1	-81	-9	-103	-11	-86	+38

¹ 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. Given that two-thirds of our national economy is from consumer spending, changes in consumers' perceptions of the current economy, the future economy, and whether or not now is a good time to make large purchases can significantly affect future economic growth.

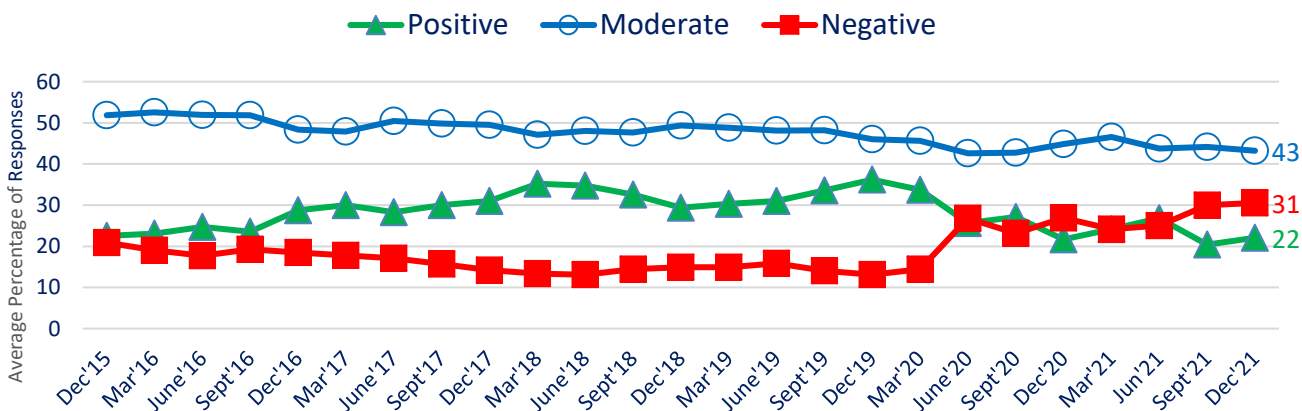
Tennessee Consumer Outlook Index



Average Attitude

The chart below shows the average percentage of positive, moderate/neutral, and negative responses to all 11 questions that comprise the Tennessee Consumer Outlook Index. Overall, most consumers (43%) are somewhat non-committal, believing the economy is somewhere “in-between” good and bad and will likely stay “about the same” in the future. However, 31 percent of consumers think economic conditions are “bad” and think future economic conditions will be “worse.” Conversely, only 22 percent believe economic conditions are “good” and think future economic conditions will be “better.”

Average Percentage of Positive, Moderate/Neutral, and Negative Responses to all 11 Consumer Outlook Questions



The Overall Economic Situation. Perceptions of the overall U.S. economy remained negative and relatively unchanged. More than four times as many consumers said business conditions in the U.S. are “bad” (39%) versus “good” (9%). Nearly twice as many expect future economic conditions in the U.S. to be “worse” (34%) versus “better” (18%). However, perceptions of the Tennessee economy improved. While more consumers said business conditions in Tennessee are “bad” (21%) versus “good” (18%), an equal percentage (22%) expect conditions in Tennessee to be “better” compared to “worse.”

Jobs and Personal Finances. Perceptions of the current job market remained relatively unchanged. However, there was a slight net improvement in the percent expecting the job market to improve in the future. More than twice as many expect there will be “more” job openings in the next six months (32%) than “fewer” job openings (14%). Likewise, expectations for the future of personal financial situations saw a slight improvement. Whereas 30 percent expect their personal financial situation to be “better” one year from now, fewer (17%) expect it to be “worse.”

There was also a significant net decrease in the percent of consumers who feel comfortable surviving a financial crisis. When asked if they could financially survive if they lost their job, one-third (33%) said “definitely no” versus only 10 percent who said “definitely yes.”

Purchasing. Overall, there was no significant net change in consumers’ perceptions regarding it being a good time or bad time to make large purchases. The moderate improvement in the percent who said now is a good time to buy a house was offset by a similar decline in the percent who said now is a good time to buy major household items.

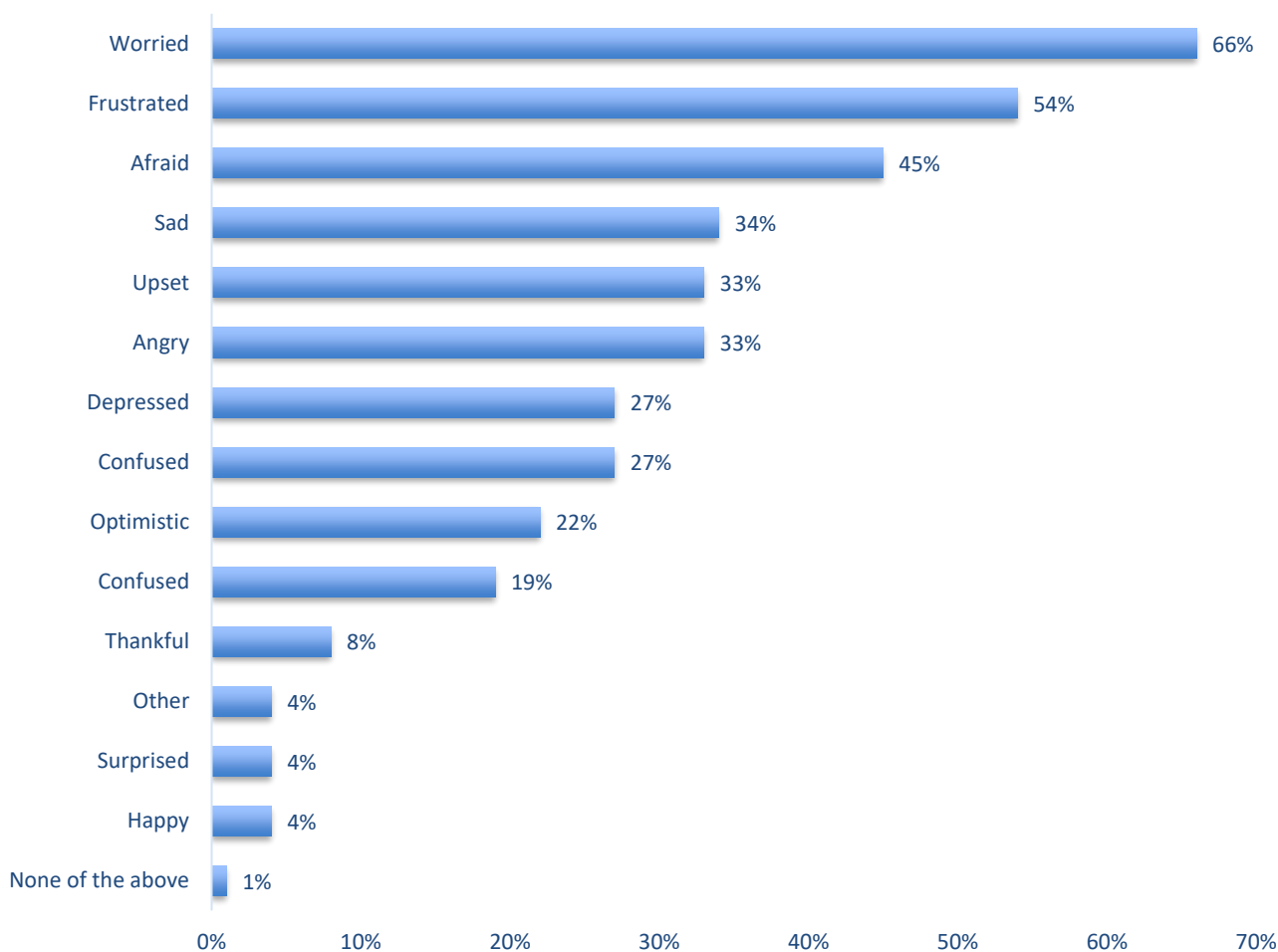
Spending. There was also no net change in expectations for spending. A larger percent (36%) said they expect to increase their spending from last year versus decreasing their spending from last year (29%). However, there was a notable net decline regarding consumer savings. Almost twice as many (43%) said they are saving “less” than they saved last year, compared to 17 percent who said they are saving “more.” Decreased consumer savings can hinder future spending.

Stock Market and Investments. Even with the recent volatility in the stock market, there were small net increases in consumers’ perceptions of the stock market and their investments. However, perceptions of the stock market and investments remain relatively negative. More consumers expect the value of the stock market to be “lower” in the next 12 months (30%) versus “higher” (21%). Similarly, more consumers expect the value of their savings and investments to be “lower” 12 months from now (26%) versus “higher” (23%).

Worries and Concerns for the Future

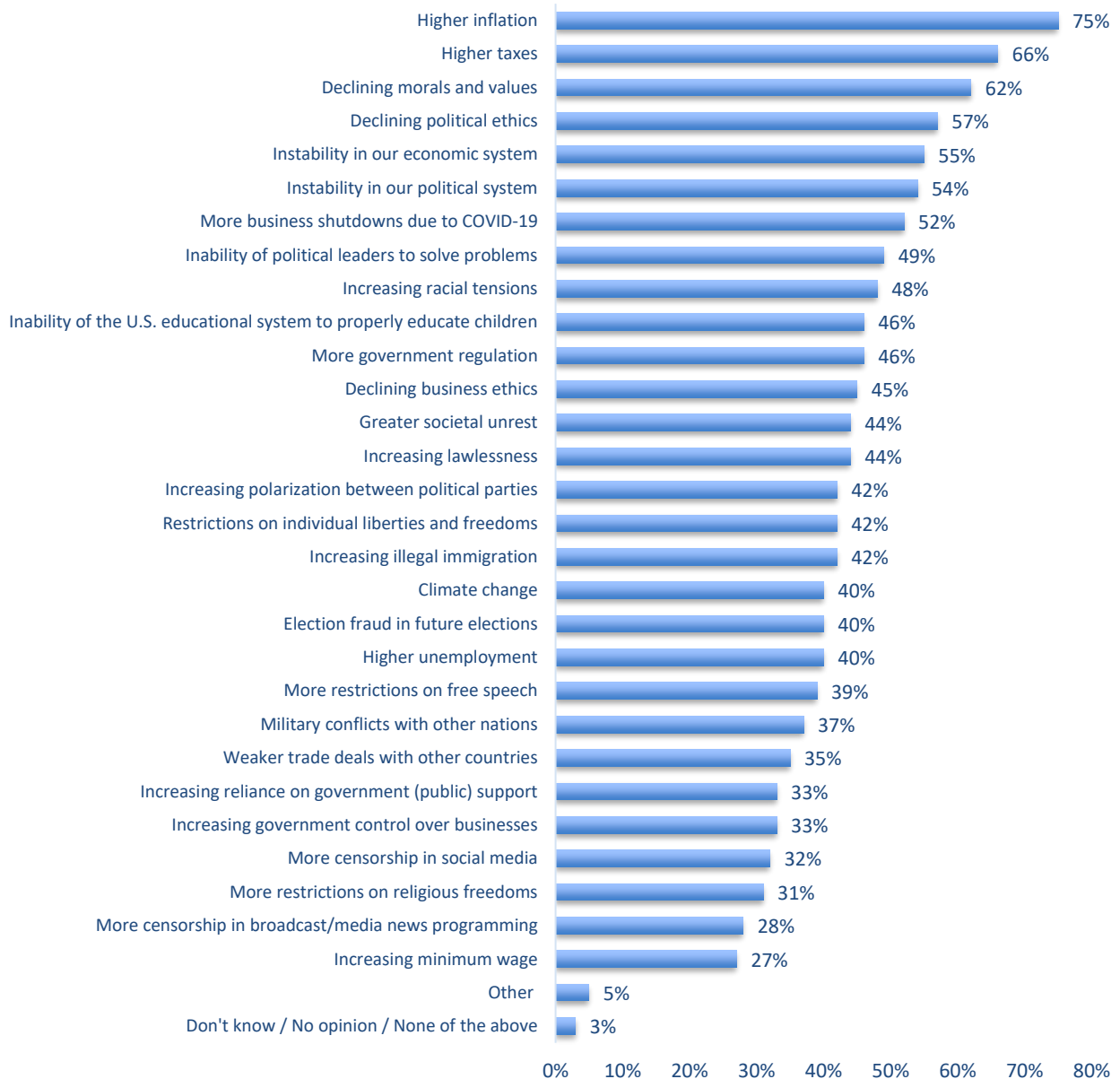
Worries. Consumers were asked to indicate the word(s) that best describe how they feel when they think about the future of our nation and/or economy. The chart below shows the percent of consumers citing each emotion. More than half reported feeling worried or frustrated. Almost half (45%) said they were afraid. And, one-third said they feel either sad, upset, or angry. Only 22 percent reported feeling optimistic, and only 8 percent said they were thankful. Interestingly, only 4 percent said they are surprised about the state of the economy.

Which of the following words describe how you feel when you think about the future of our nation and/or our economy? (Check all that apply)



Concerns for the Future. When asked about their concerns for the future, higher inflation and higher taxes were the most often cited. The percent citing higher inflation crept up to 75 from 74 in September. Clearly, concerns about higher prices weigh heavily on consumers’ minds. The next most often cited concerns were declining morals and values (62%), declining political ethics (57%), and instability in our economic system (55%) and political system (54%).

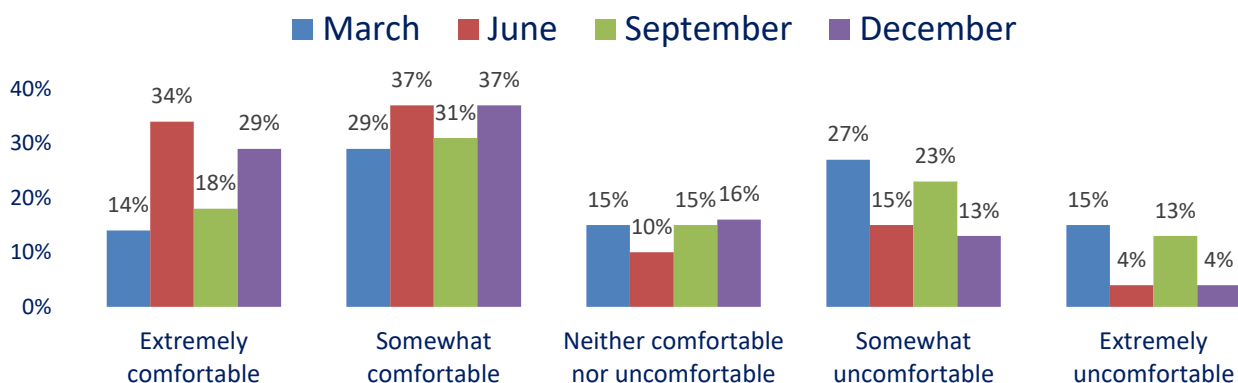
Which of the following concerns or worries do you have for the future of our nation or our economy? (check all that apply)



Comfort Shopping and Wearing Masks

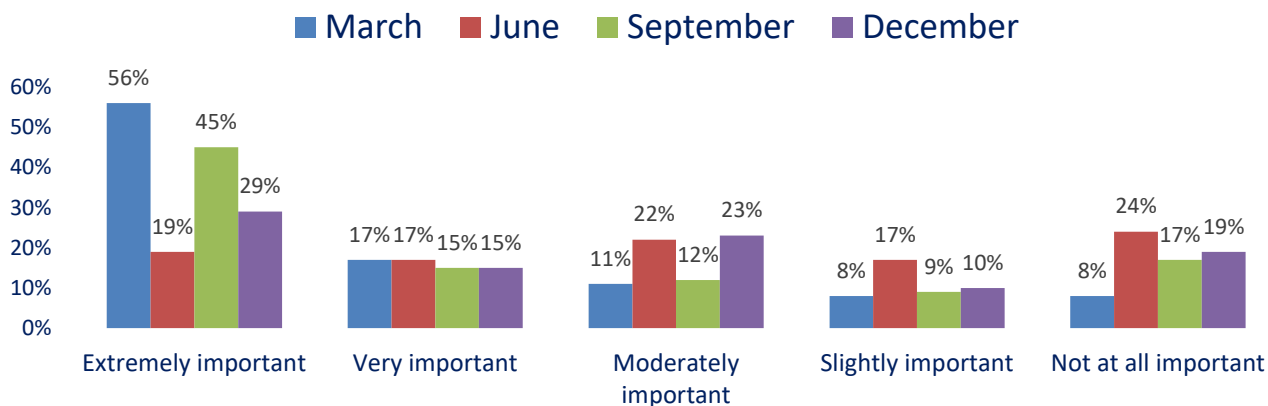
When asked in September, consumers in Tennessee had become less comfortable resuming their normal consumer-related activities. However, such comfort has returned to levels similar to what we saw this summer in June. Two-thirds (66%) reported feeling at least somewhat comfortable resuming their consumer-related activities. Only 17 percent said they were uncomfortable. This increased comfort is good news for businesses and retailers relying on consumers to shop and dine in physical retail locations.

As of today, how comfortable are you resuming your normal shopping, dining, and other consumer-related activities? This includes shopping in retail stores, dining out at restaurants, and attending events.



Masks. Consumers’ feelings about wearing masks have also changed. Compared to September, fewer consumers now feel it is very or extremely important for people to wear masks when out in public around other people. Almost one-in-five (19%) said it is not at all important.

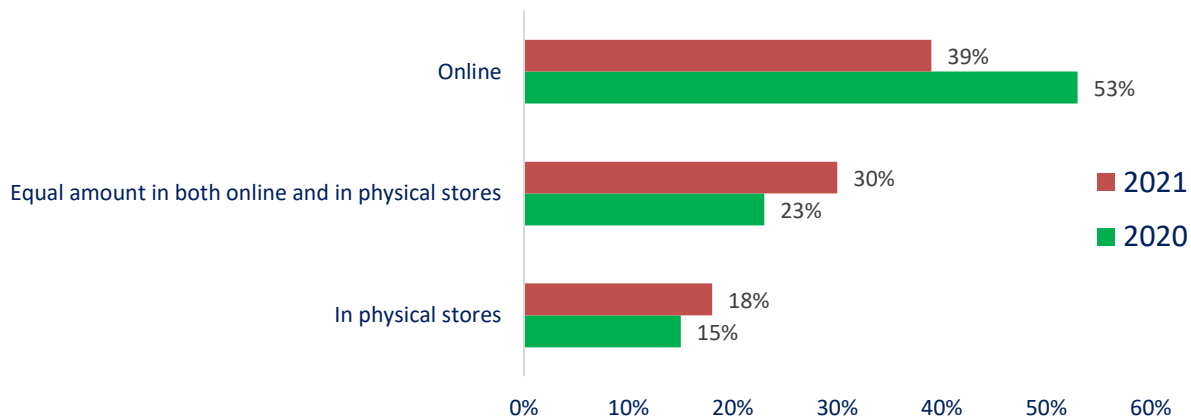
As of today, how important is it that people wear masks when they are out in public around other people?



Christmas and Holiday Shopping

The Christmas and holiday shopping season can be crucial for many retailers. As people become more comfortable resuming their consumer-related activities and the perceived necessity to wear masks lessens, consumers expect to do more Christmas and holiday shopping in physical stores versus online. Although online shopping remains the primary means for shopping this year, less than half (39%) expect to do the majority of their holiday shopping online this year, compared to 53 percent last year.

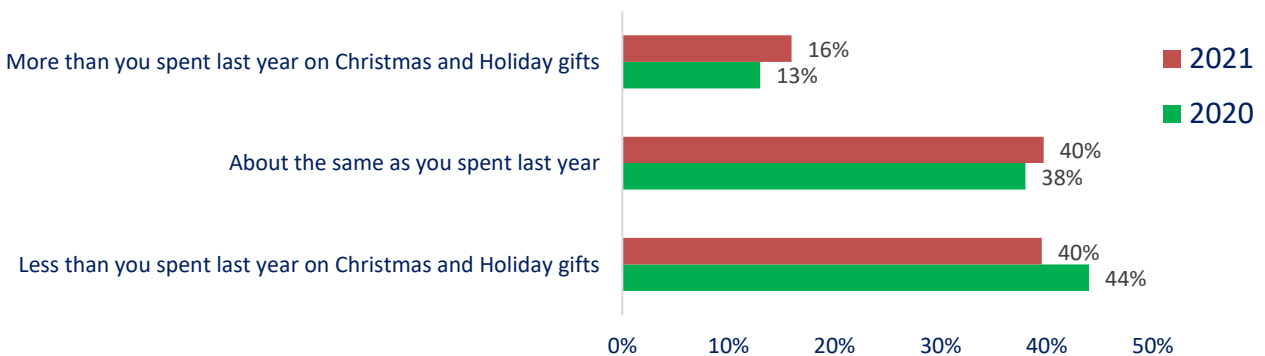
This year, where will you do the majority of your Christmas and Holiday shopping?



Christmas and Holiday Spending

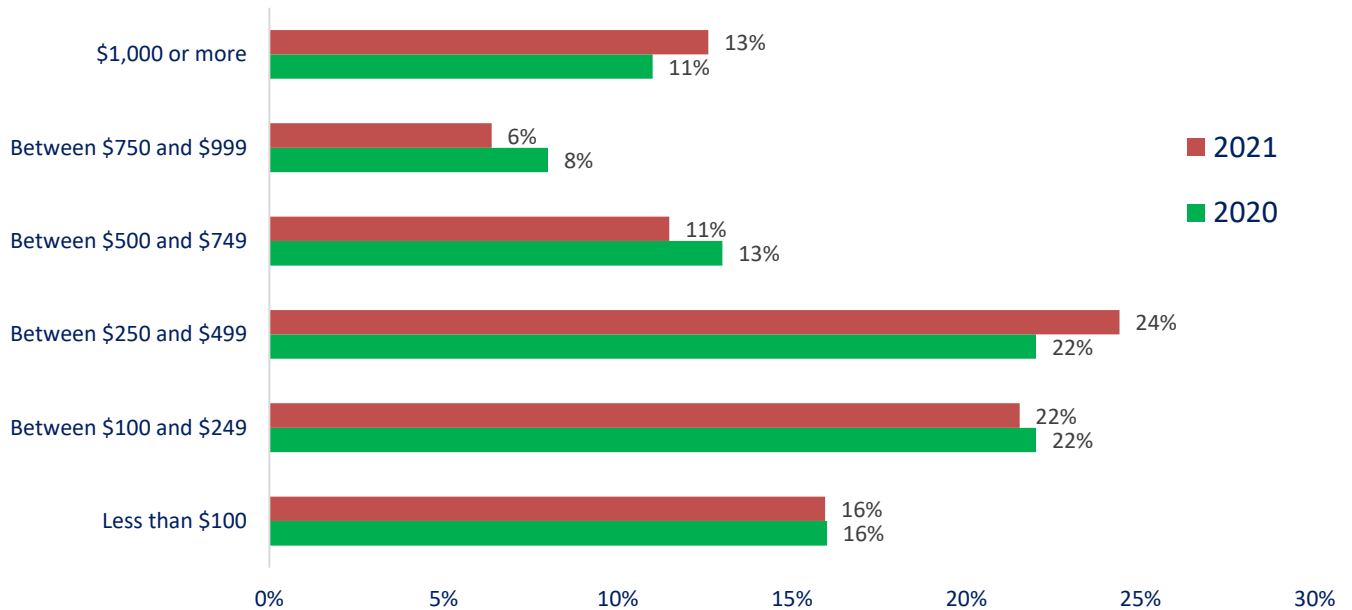
Consumers were also asked about the total amount of money they expect to spend on Christmas and holiday gifts this year and whether they expect to spend more or less than last year. Compared to last year, more consumers expect to increase their spending, and fewer expect to decrease their spending. However, more consumers this year expect to decrease their spending from last year (40%) versus increasing their spending (16%).

Thinking about how much you will spend on Christmas and Holiday gifts this year, do you think you will spend more, less, or about the same as you spent last year?



Most Tennessee consumers (62%) expect to spend less than \$500, compared to 30 percent who expect to spend more than \$500.

Approximately, how much do you expect to spend on Christmas and Holiday gifts this year?



The Final Word

Overall, these results are good news for local businesses and retailers. Even though perceptions of the economy remain generally negative, even modest improvements in consumers' perceptions of the future economy can bolster consumer spending during this ever-important Christmas and holiday shopping season. Consumers' increased willingness, ability, and desire to resume normal consumer-related activities, such as dining in restaurants and shopping in physical stores, is a positive sign for many retailers. Given that two-thirds of the U.S. economy is from consumer spending, even slight increases in consumers' outlook for the future can spur on future economic activity and growth.

Perceptions of the Economy - Comparison to the Nation

Compared to consumers across the rest of the country, Tennessee consumers have more negative views of the current U.S. economy. They are also more likely to say business conditions in the U.S. will be worse six months from now. However, Tennessee consumers are more likely to hold positive views of the job market and their 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).²

Comparing Tennessee Consumers to Consumers Across the Country as a Whole	Nation (%)	TN Dec.21 (%)
Business conditions in the U.S. are good.	17	9
Business conditions in the U.S. are bad.	29	39
Six months from now, business conditions in the U.S. will be better.	24	18
Six months from now, business conditions in the U.S. will be worse.	21	34
Jobs are easy to find (plentiful).	58	52
Jobs are hard to find.	11	11
Six months from now, there will be more job openings.	22	32
Six months from now, there will be fewer job openings.	19	14
In 12 months, my personal financial situation (income) will be better (increase).	18	30
In 12 months, my personal financial situation (income) will be worse (decrease).	12	17

² Source: November 30, 2021, *Consumer Confidence Declined in November*, (www.conference-board.org).

Consumer Outlook Index with Net Change* (Increase or Decrease) from September, 2021

		Tenn. Dec.'21 (%)	Net Change*	West TN Dec.'21 (%)	Net Change	Mid TN Dec.'21 (%)	Net Change	East TN Dec.'21 (%)	Net Change
Business conditions in the U.S. are:	Good	9	+1	10	-7	8	+4	9	+4
	In between	51		49		55		47	
	Bad	39		39		36		42	
Six months from now, business conditions in the U.S. will be:	Better	18	0	20	+2	18	-11	17	+7
	About same	42		44		44		40	
	Worse	34		30		34		39	
Business conditions in Tennessee are:	Good	18	+6	16	+2	20	+3	17	+11
	In between	59		57		58		60	
	Bad	21		24		19		20	
Six months from now, business conditions in Tennessee will be:	Better	22	+4	24	+2	21	-6	21	+16
	About same	51		50		49		55	
	Worse	22		21		24		19	
Jobs in your area of Tennessee are (can be):	Easy to find	52	-2	47	-5	51	-4	56	+4
	Found w/effort	36		40		33		34	
	Hard to find	11		12		13		8	
In six months, there will be ___ jobs in your area of Tennessee.	More	32	+6	36	+15	34	+2	25	+4
	About same	49		44		47		57	
	Fewer	14		15		15		13	
Financially, how are you compared to a year ago?	Better	16	-9	15	-13	18	-15	15	-2
	About same	41		44		35		43	
	Worse	41		40		45		39	
Financially, how will you be one year from now?	Better	30	+5	30	0	30	0	28	+14
	About same	48		47		48		50	
	Worse	17		15		19		17	
Now is a ___ time to buy major household items.	Good time	13	-6	16	0	10	-13	13	-5
	In between	37		39		39		34	
	Bad time	42		40		45		42	
Now is a ___ time to buy a house.	Good time	19	+5	20	-9	17	+4	20	+13
	In between	27		28		28		25	
	Bad time	47		44		50		48	
Now is a ___ time to buy a car.	Good time	14	+2	12	0	13	-2	17	+8
	In between	33		34		33		32	
	Bad time	46		46		48		46	

Consumer Spending, Saving, and Investments

		Tenn. Dec.'21 (%)	Net Change	West TN Dec.'21 (%)	Net Change	Mid TN Dec.'21 (%)	Net Change	East TN Dec.'21 (%)	Net Change
Compared to last year, I will spend:	More	36	0	41	+2	37	-3	30	0
	About same	34		34		31		36	
	Less	29		25		30		31	
Compared to last year, I am saving:	More	17	-16	16	-14	21	-16	15	-17
	About same	36		40		32		35	
	Less	43		39		45		45	
In the next 12 months, I will ___ my level of saving.	Increase	34	+4	35	+5	37	+5	30	0
	Keep same	39		39		40		39	
	Decrease	19		16		19		21	
In the next 12 months, the value of the stock market will be:	Higher	21	+7	23	+11	20	+2	21	+7
	About same	25		26		28		22	
	Lower	30		28		30		32	
In 12 months, the value of my savings and investments will be:	Higher	23	+4	27	+7	22	-3	20	+7
	About same	35		32		38		35	
	Lower	26		23		27		28	
If I lost my job, I would survive financially.	Definitely yes	10	-13	14	+1	8	-4	8	-11
	Probably yes	18		17		21		15	
	Maybe	16		15		17		16	
	Probably no	17		17		16		17	
	Definitely no	33		30		30		37	
In 12 months the total amount of my credit card debt will be:	Higher	11	0	13	+9	11	0	11	-7
	About same	43		45		44		40	
	Lower	32		29		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 economy's future. Consumer spending makes up two-thirds of the American economy. Decreases in consumer outlook that translate into reduced purchasing patterns can significantly negatively affect the economy. Conversely, an increased consumer outlook that translates into accelerated consumer spending can significantly positively impact the economy. When consumers begin to feel comfortable about the future of the economy and their financial situation, they will increase their spending. Such spending will then help grow the economy as manufacturers and service providers begin to produce more and retailers 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 627 randomly selected adult residents of Tennessee. Online surveys were conducted between November 29 and December 10, 2021. 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 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). 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?