



Tennessee Consumer Outlook Index

Office of Consumer Research
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Tennessee Consumers' Outlook Improves

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers' outlook on the economy has improved.¹ The Tennessee Consumer Outlook Index rose significantly to 214 from 167 in June.²

Increasingly positive views of the current economy, the job market, and personal financial situations contributed to this improved overall outlook. However, expectations for the future of the economy dipped as some consumers are uneasy about possible negative effects of tariffs and a trade war with China as well as fears of a future recession.

Overall, this is good news for Tennessee businesses. Improving views of the economy have contributed to a growing sense that now is a good time to increase consumer spending and make large purchases. The current online survey of 630 Tennessee consumers was conducted between September 4 and September 8.

Tennessee Consumer Outlook Index and Components

Increase/Decrease from June 2019

	TN Sept 2019 (n=630)	Change from June	West TN Sept 2019 (n=210)	Change from June	Mid TN Sept 2019 (n=210)	Change from June	East TN Sept 2019 (n=210)	Change from June
Overall Outlook Index	214	+47	130	+18	295	+37	215	+86
Current Situation Index	93	+40	36	+13	142	+47	98	+56
Future Expectations Index	37	-31	20	-31	53	-49	40	-10
Purchasing Index	84	+38	74	+36	100	+39	77	+40

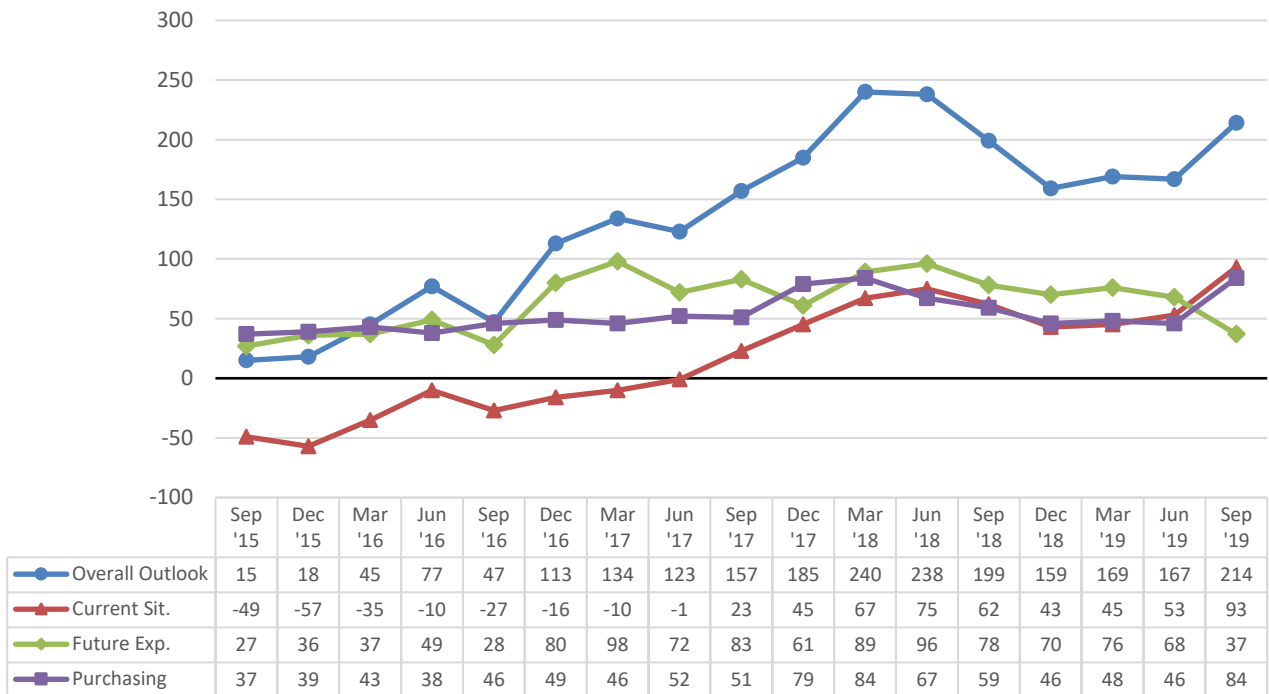
¹ The current online survey of 630 Tennessee residents was conducted between September 4 and September 8.

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 (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 of 2015.

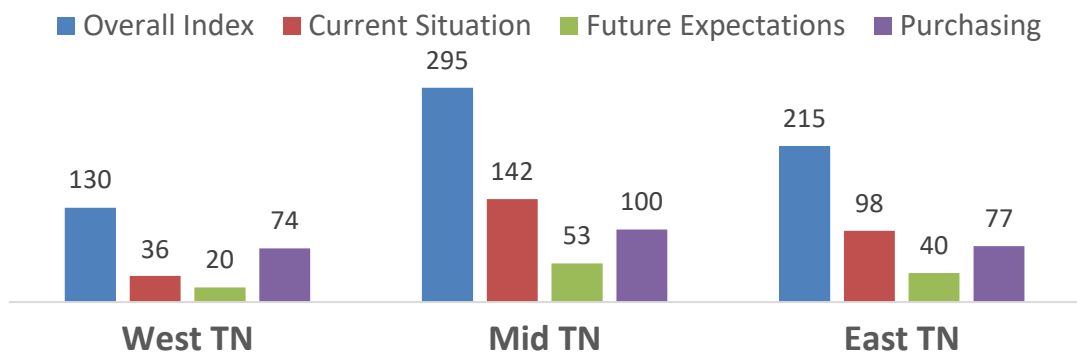
Tennessee Consumer Outlook Index



Tennessee Consumers and the Economy

Consumers in middle Tennessee hold the most positive views of the economy, followed by those in east Tennessee. Even though consumers in west Tennessee hold the least positive views of the economy, there is still good news for businesses in that region of the state. West Tennessee consumers' views regarding spending are comparable to those of consumers in other parts of the state. This bodes well for consumer spending across the entire state.

Tennessee Consumer Outlook Index Results by Region



The Current Economy. Tennessee consumers have become significantly more upbeat about the current economy. The Current Situation Index rose to 93 from 53 in June. The percent of consumers who said business conditions in the U.S. are “good” increased to 40 from 28. Further, this is nearly four times the number who said conditions are “bad” (11 percent). This disparity is even more pronounced with respect to the state’s economy. Almost half (45 percent) said business conditions in Tennessee are “good” versus only 10 percent who said business conditions in Tennessee are “bad.”

Jobs and Employment. Perceptions of the current job market have also improved. The percent who said jobs in the area of Tennessee where they live are “easy to find” gained to 33 from 25 in June. This is more than twice the number who said jobs are “hard to find” (13 percent). Further, almost twice as many expect there will be “more jobs” in the next six months (27 percent) versus “fewer jobs” (15 percent). Since employment is the primary source of income for most consumers, increased confidence in the job market can give further comfort when making spending decisions.

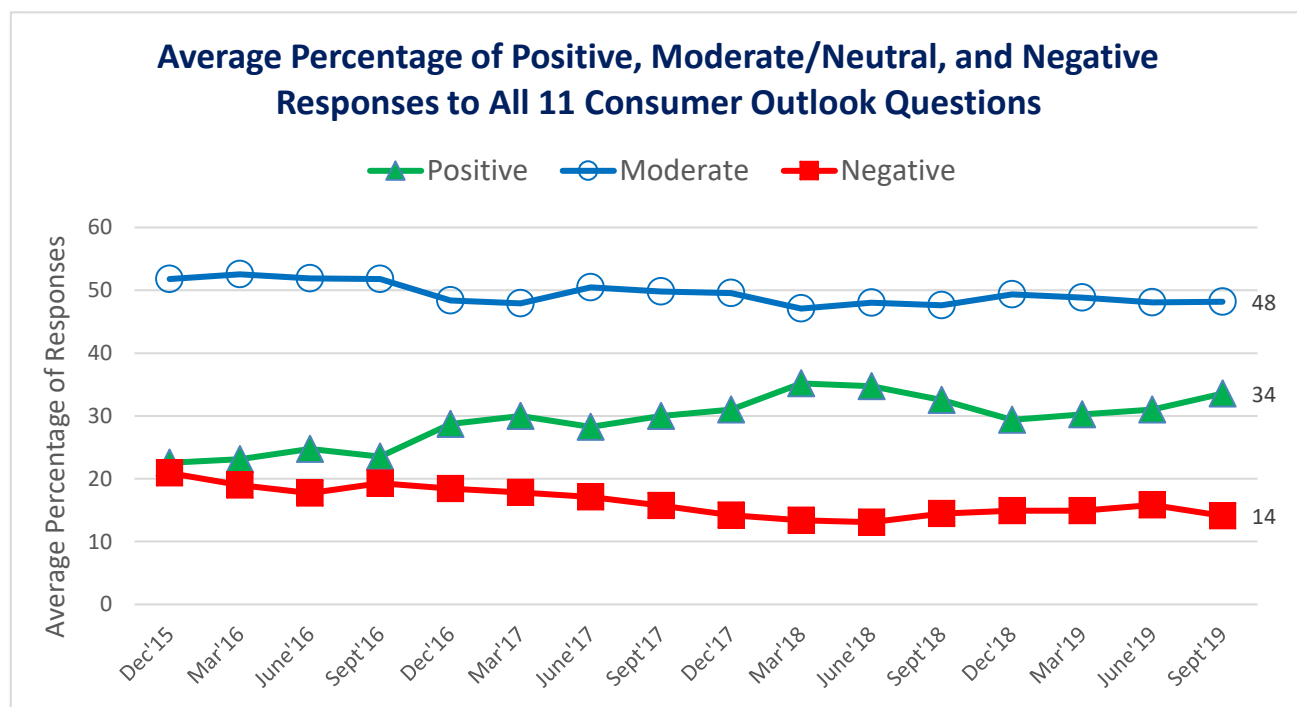
Consumer Spending. Improving views of the current economy and the job market can lead to greater consumer spending. The Purchasing Situation Index rose sharply to 84 from 46 in June. Further, consumers are increasingly confident in their ability to deal with financial shocks and setbacks. The percent who said they would be able to survive financially if they lost their job rose to 40 from 27. The percent who said they would not be able to survive financially if they lost their job decreased to 40 from 52. Improving consumer outlook and greater confidence in personal finances bodes well for Tennessee businesses as we approach the ever-important Christmas and holiday shopping season.

Concerns for the Future Economy? This increasingly positive view of the current economy was offset by a sharp decline in the Future Expectations Index to 37 from 68. Given recent media reports of a possible recession and the negative effects of a trade war with China, it is likely that some doubts have crept into consumers’ minds when assessing the future of the economy. Recent volatility in the stock market has also added to consumers’ uneasiness. Slightly more expect the value of the U.S. stock market to be “lower” 12 months from now (28 percent) versus “higher” (23 percent). However, Tennessee consumers remain relatively optimistic about their personal investments. More expect the value of their personal savings and investments to be “higher” in the next 12 months (32 percent) versus “lower” (20 percent).

The Final Word. The current results are good news for Tennessee businesses and retailers. Tennessee consumers are feeling better about the current economy, and this improving outlook might spark even more spending which can further stimulate the economy.

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. When responding to our questions, the vast majority of consumers think economic conditions are “good” or “in between” and think future economic conditions will be “better” or “stay the same.” Relatively few (14 percent) think economic conditions are “bad” or think future economic conditions will be “worse.”

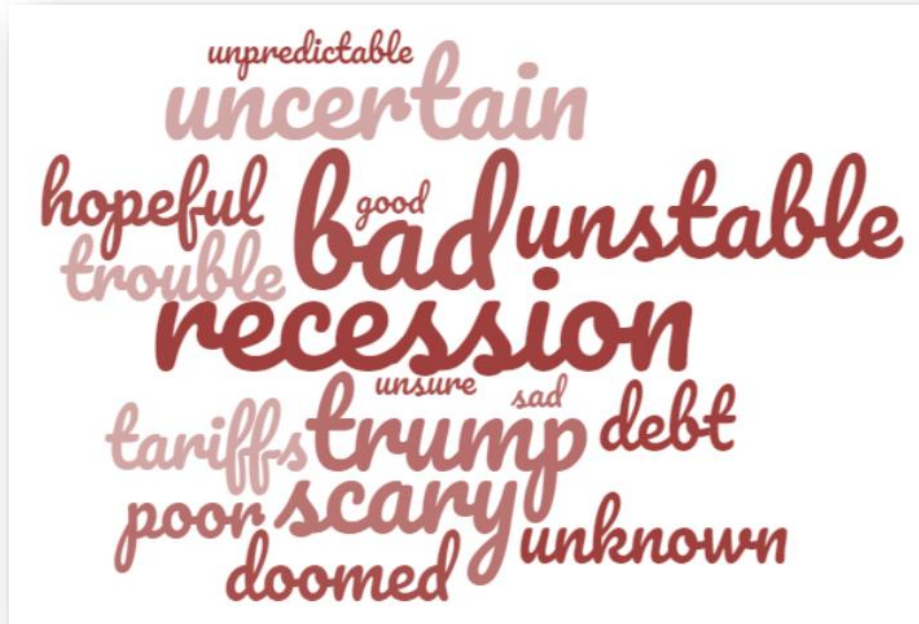


Perceptions of the Economy—In One Word

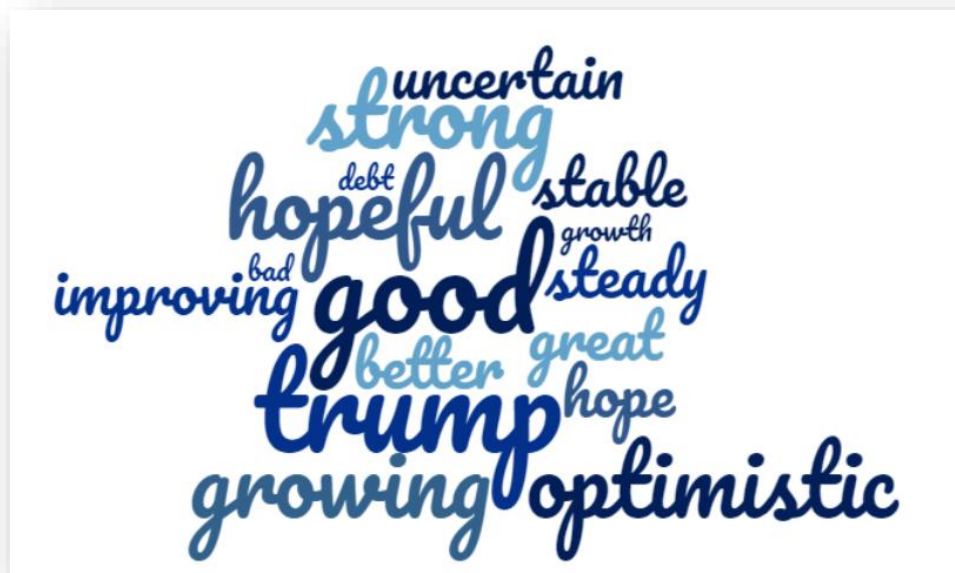
Consumers were asked to rate the future of the overall U.S. economy on a 0 to 10 scale, where 0 means there is likely to be a major recession, and 10 means the economy will grow and expand at a very fast pace. They were then asked to identify the one word that came to mind when thinking about the future of the overall U.S. economy.

The word clouds below show the most frequently mentioned words for those who are relatively pessimistic about the economy versus those who are more optimistic. 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.

Pessimistic Consumers. The word cloud below shows the words mentioned by more pessimistic consumers responding 1-6 on the scale (n=305; 48 percent of the total sample). Recent volatility in the stock market and media reports of trade wars and a coming recession have fueled a growing sense of uncertainty and instability among some consumers.



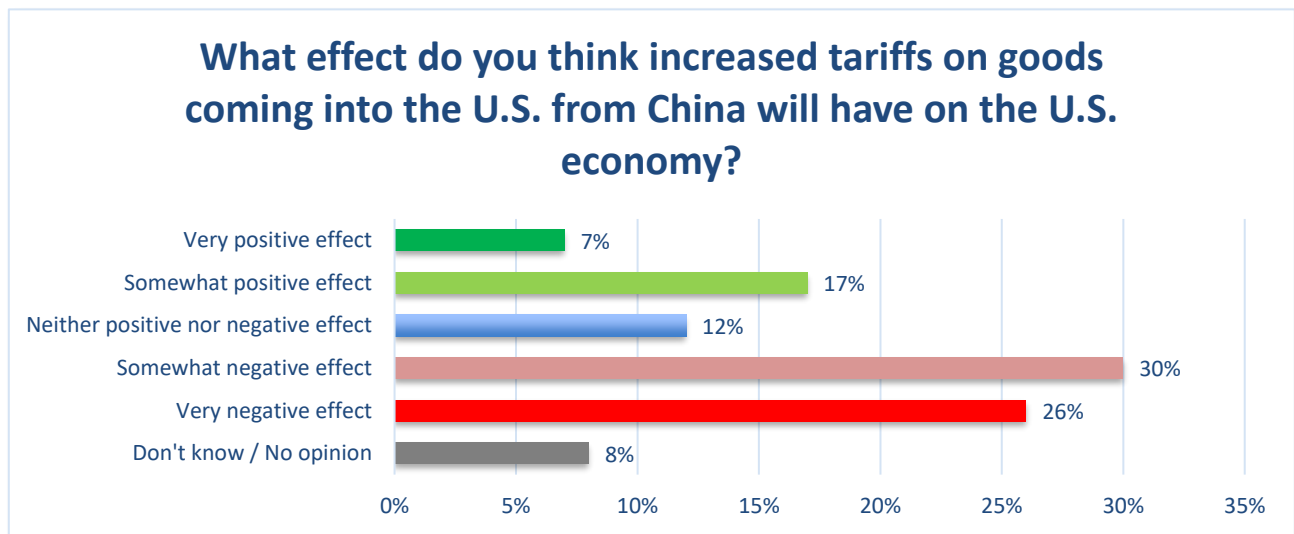
Optimistic Consumers. The word cloud below shows the words most frequently mentioned by more optimistic consumers responding 7-10 on the scale (n=325; 52 percent of the total sample). Apart from President Trump, few specifics were offered for the general optimistic outlook for the future economy.



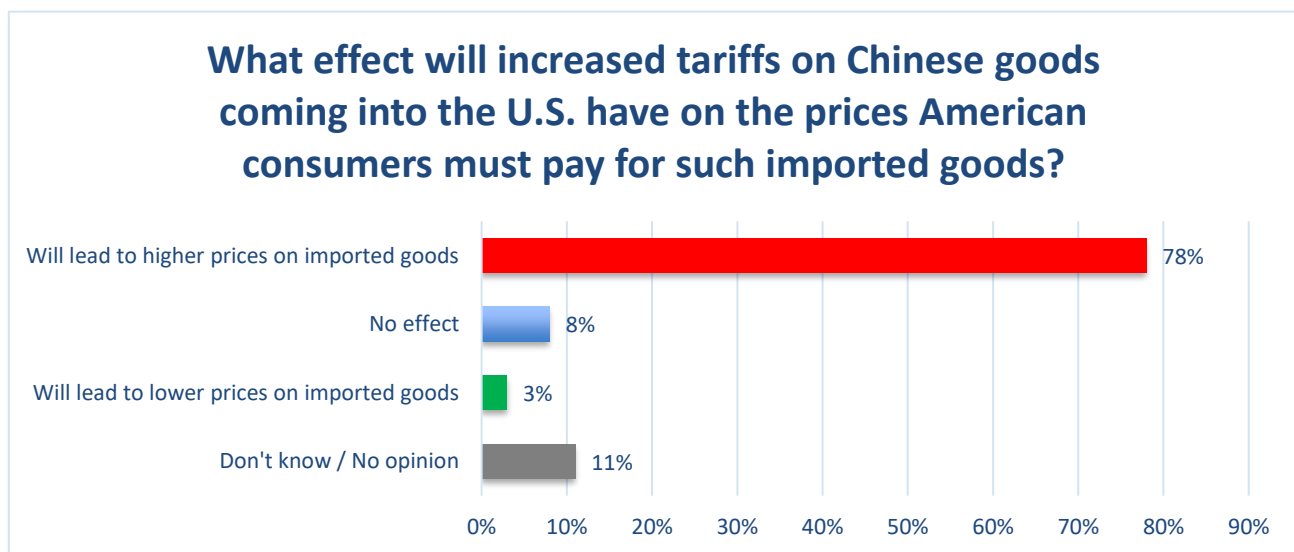
Tariffs and the Economy

Consumers have heard much about a potential trade war with China and possible negative effects of tariffs on goods imported from China. Even though tariffs do not appear to be the primary driver of consumers' anxiety regarding the future economy, they can impact consumer optimism and consumers' spending decisions.

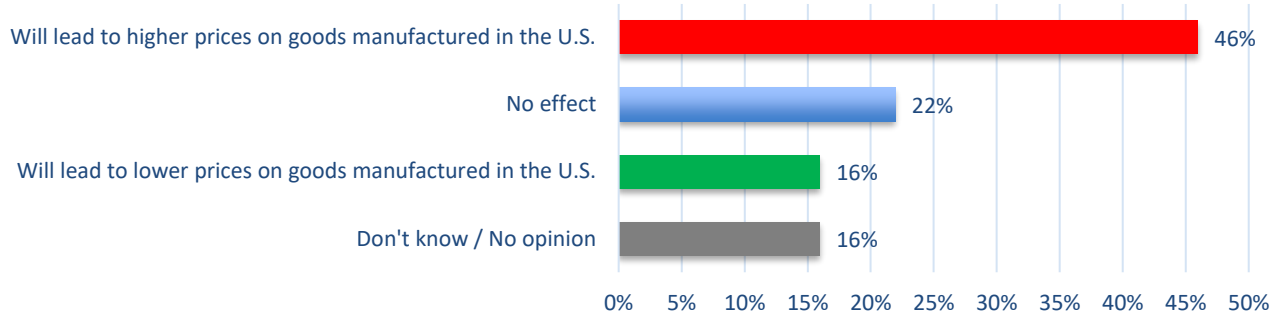
Of those who expressed an opinion, most expect tariffs on Chinese goods will have a negative effect on the U.S. economy.



Further, most consumers expect tariffs will lead to higher prices for both imported goods and goods manufactured in the U.S.

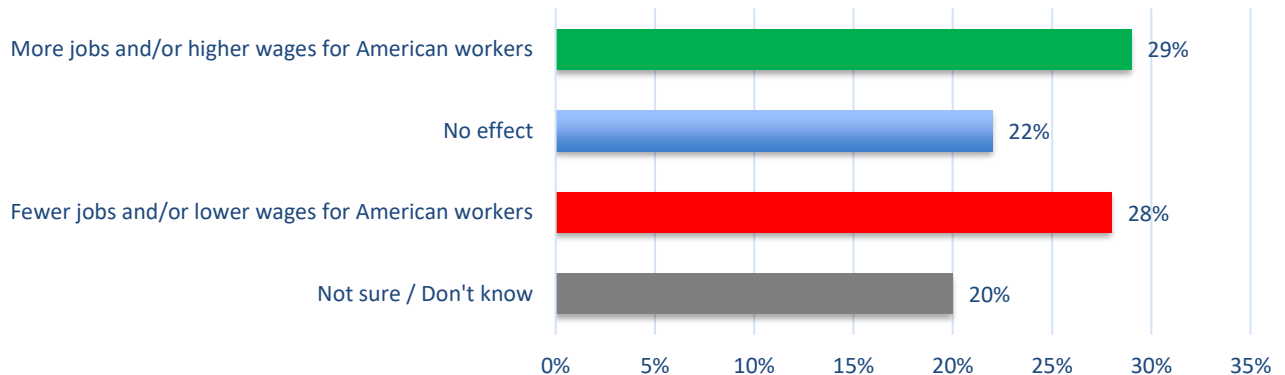


What effect will increased tariffs on Chinese goods coming into the U.S. have on the prices American consumers must pay for goods manufactured in the U.S.?

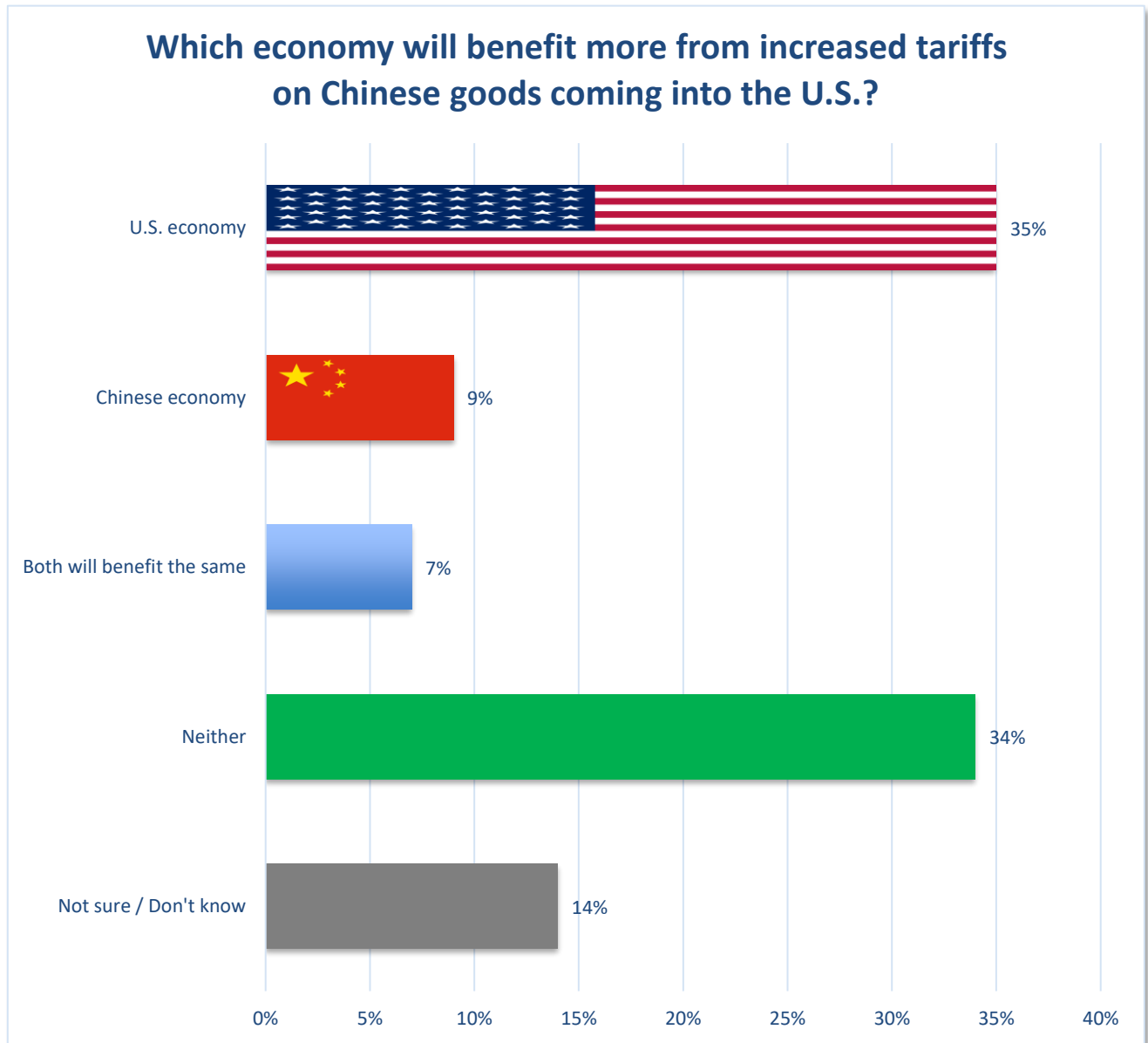


Expectations regarding the effect of tariffs on jobs were mixed. Even though almost three in ten expect tariffs will lead to more jobs for American workers, and almost equal number expect they will lead to fewer jobs.

What effect do you think increased tariffs on Chinese goods coming into the U.S. will have on jobs for American workers?



Ultimately, if there is to be a winner when it comes to tariffs, almost four times as many consumers expect tariffs will benefit the U.S. economy versus the Chinese economy. However, one in three believe neither economy will benefit more from tariffs on Chinese goods.



Perceptions of the Economy: Comparison to the Nation

When compared to consumers across the rest of the country, Tennessee consumers have similar views of the overall U.S. economy, but they hold less positive views of the current job market. Conversely, Tennessee consumers are comparatively more optimistic about the future 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).³

Comparing Tennessee Consumers to Consumers across the Country as a Whole	Nation (%)	Tenn. (%)
Business conditions in the U.S. are good.	42	40
Business conditions in the U.S. are bad.	10	11
Six months from now, business conditions in the U.S. will be better.	22	22
Six months from now, business conditions in the U.S. will be worse.	10	24
Jobs are easy to find (plentiful).	51	33
Jobs are hard to find.	12	13
Six months from now, there will be more job openings.	20	27
Six months from now, there will be fewer job openings.	14	15
In 12 months my personal financial situation (income) will be better.	24	32
In 12 months my personal financial situation (income) will be worse.	6	12

³ Source: August 27, 2019, "The Conference Board Consumer Confidence Index® Declined Marginally in August" (www.conference-board.org).

Consumer Outlook Index with Net Change* (Increase or Decrease) from June 2019

		Tenn. Sept'19 (%)	Net Change*	West TN Sept'19 (%)	Net Change	Mid TN Sept'19 (%)	Net Change	East TN Sept'19 (%)	Net Change
Business conditions in the U.S. are:	Good	40	+15	34	+12	48	+18	39	+15
	In between	47		49		43		48	
	Bad	11		14		8		11	
Six months from now, business conditions in the U.S. will be:	Better	22	-7	22	-5	25	-13	20	-2
	About same	50		51		45		54	
	Worse	24		23		27		21	
Business conditions in Tennessee are:	Good	45	+9	34	+5	56	+11	44	+10
	In between	44		47		39		46	
	Bad	10		17		3		9	
Six months from now, business conditions in Tennessee will be:	Better	23	-9	19	-12	27	-11	22	-4
	About same	57		59		52		61	
	Worse	16		19		15		14	
Jobs in your area of Tennessee are (can be):	Easy to find	33	+10	18	+4	43	+11	37	+15
	Found w/effort	50		58		45		46	
	Hard to find	13		20		7		13	
In six months, there will be ___ jobs in your area of Tennessee.	More	27	-2	23	+2	32	-11	25	+3
	About same	53		52		49		56	
	Fewer	15		16		14		15	
Financially, how are you compared to a year ago?	Better	29	+6	25	-8	30	+7	31	+16
	About same	50		50		53		48	
	Worse	20		24		17		20	
Financially, how will you be one year from now?	Better	32	-13	30	-16	33	-14	34	-7
	About same	52		52		55		48	
	Worse	12		16		8		11	
Now is a ___ time to buy major household items.	Good time	35	+9	29	+8	42	+8	34	+12
	In between	47		53		41		46	
	Bad time	10		10		8		11	
Now is a ___ time to buy a house.	Good time	40	+16	40	+14	42	+20	39	+14
	In between	38		42		37		33	
	Bad time	15		13		15		18	
Now is a ___ time to buy a car.	Good time	43	+13	38	+14	47	+11	42	+14
	In between	42		45		42		40	
	Bad time	9		10		8		9	

Consumer Spending, Saving, and Investments

		Tenn.	Net	West TN	Net	Mid TN	Net	East TN	Net
		Sept'19	Change	Sept'19	Change	Sept'19	Change	Sept'19	Change
		(%)		(%)		(%)		(%)	
Compared to last year, I will spend:	More	29	-6	28	-3	31	-7	30	-7
	About same	47		48		48		47	
	Less	21		24		18		20	
Compared to last year, I am saving:	More	25	+2	22	+1	27	+3	26	0
	About same	47		50		44		46	
	Less	26		25		27		26	
In the next 12 months, I will ___ my level of saving.	Increase	38	-6	33	-10	43	-8	38	-1
	Keep same	47		51		42		46	
	Decrease	10		12		9		10	
In the next 12 months, the value of the stock market will be:	Higher	23	-5	22	+1	25	-9	23	-7
	About same	31		33		30		31	
	Lower	28		27		26		31	
In 12 months the value of my savings and investments will be:	Higher	32	-7	27	-11	37	-8	32	-1
	About same	38		37		34		42	
	Lower	20		23		19		18	
If I lost my job, I would survive financially.	Definitely yes	21	+12	15	+6	28	+18	19	+13
	Probably yes	19		20		17		20	
	Maybe	16		18		16		13	
	Probably no	16		18		14		17	
	Definitely no	24		24		20		28	
In 12 months the total amount of my credit card debt will be:	Higher	5	+1	5	0	6	+1	4	-1
	About same	47		50		44		47	
	Lower	38		38		41		37	

* 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
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 630 randomly selected adult residents of Tennessee. Online surveys were conducted between September 4 and September 8, 2019. 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 630 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?