



Tennessee Consumer Outlook Index

Office of Consumer Research
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Tennessee Consumer Outlook Continues to Improve

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers' outlook on the economy continues to improve.¹ The Tennessee Consumer Outlook Index rose to 185 from 157 in September.² Although expectations for the future of the economy have moderated slightly, more positive perceptions of the current economy and increasing beliefs that now is a good time to make large purchases have lifted consumers' outlook. Improving consumer outlook comes at a good time, as many businesses and retailers rely on strong holiday sales to make up for any downturns in sales during previous times of the year. The current survey of 630 Tennessee consumers was conducted between December 1 and December 7.

Tennessee Consumer Outlook Index and Components Increase/Decrease from September 2017

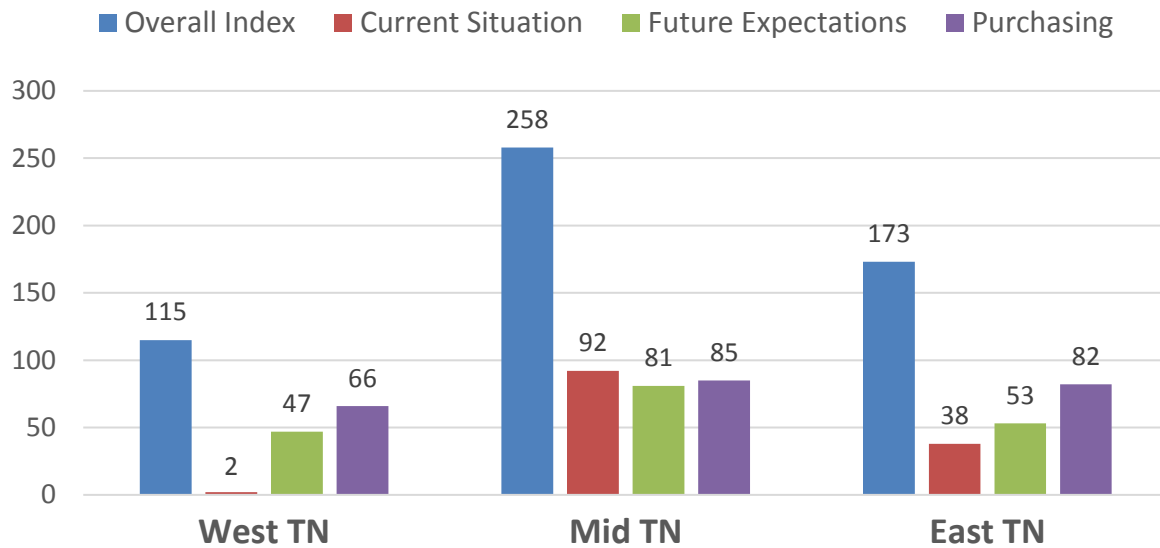
	TN Dec '17 (n=630)	Change from Sept	West TN Dec '17 (n=210)	Change from Sept	Mid TN Dec '17 (n=210)	Change from Sept	East TN Dec '17 (n=210)	Change from Sept
Overall Outlook Index	185	+28	115	+15	258	+80	173	-8
Current Situation Index	45	+22	2	+28	92	+35	38	+8
Future Expectations Index	61	-22	47	-24	81	+3	53	-40
Purchasing Index	79	+28	66	+11	85	+42	82	+24

¹ The current online survey of 630 Tennessee residents was conducted between December 1 and December 7.

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).

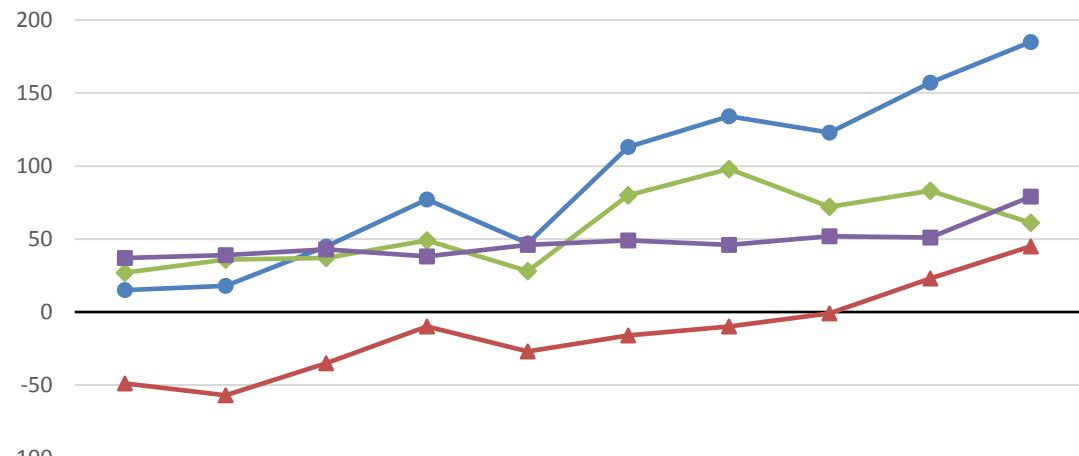
The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero indicates the percentage of consumers who hold negative views of the economy is equal to the percentage of 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).

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



	Sept'15	Dec'15	Mar'16	June'16	Sept'16	Dec'16	Mar'17	June'17	Sept'17	Dec'17
Overall Outlook	15	18	45	77	47	113	134	123	157	185
Present Sit.	-49	-57	-35	-10	-27	-16	-10	-1	23	45
Future Exp.	27	36	37	49	28	80	98	72	83	61
Purchasing	37	39	43	38	46	49	46	52	51	79

The Current Economy. Perceptions of the current economy continue to improve. The Current Situation Index rose to 45 from 23 in September. This steady rise suggests consumers believe the economy has turned in a positive direction. More consumers said business conditions in the U.S. are “good” (29%) than “bad” (14%). Views of the current situation are most positive in middle Tennessee, followed by east Tennessee and finally west Tennessee.

Tennessee Economy. Tennessee consumers continue to feel better about the state’s economy compared to the national economy. The percent of consumers who said business conditions in Tennessee are “good” gained to 37, from 33 in September. The percent who said business conditions in Tennessee are “bad” declined only slightly to 11, from 12.

The Job Market. Overall, perceptions of the job market remained relatively steady. However, this was the result of two counteracting trends. A net improvement in perceptions of the job market among middle Tennessee consumers was offset by a net decline in perceptions among consumers in east Tennessee. Across the state, however, more than one in five consumers (21%) said jobs are “hard to find.” Only 19 percent said job are “easy to find.”

Future Expectations. The Future Expectations Index dropped to 61 from 83 in September. However, this was not due to significantly more consumers believing the economy will get worse in the future. Rather, this was due to more consumers believing the economy will “stay the same.” Therefore, the drop in the Future Expectations Index might not be that bad a sign given that an increasing number of consumers believe the economy has already improved.

Financial Survival. There was a net positive change in Tennessee consumers’ perceptions of their ability to survive financially if they lost their job or primary source of income. The percent of consumers who said they would be able to survive financially (“definitely yes” or “probably yes”) rose to 39, from 25 in September. Similarly, the percent who said they would not be able to survive (“probably no” or “definitely no”) dropped to 38, from 54. Increasing confidence regarding personal finances can lay the groundwork for future consumer spending.

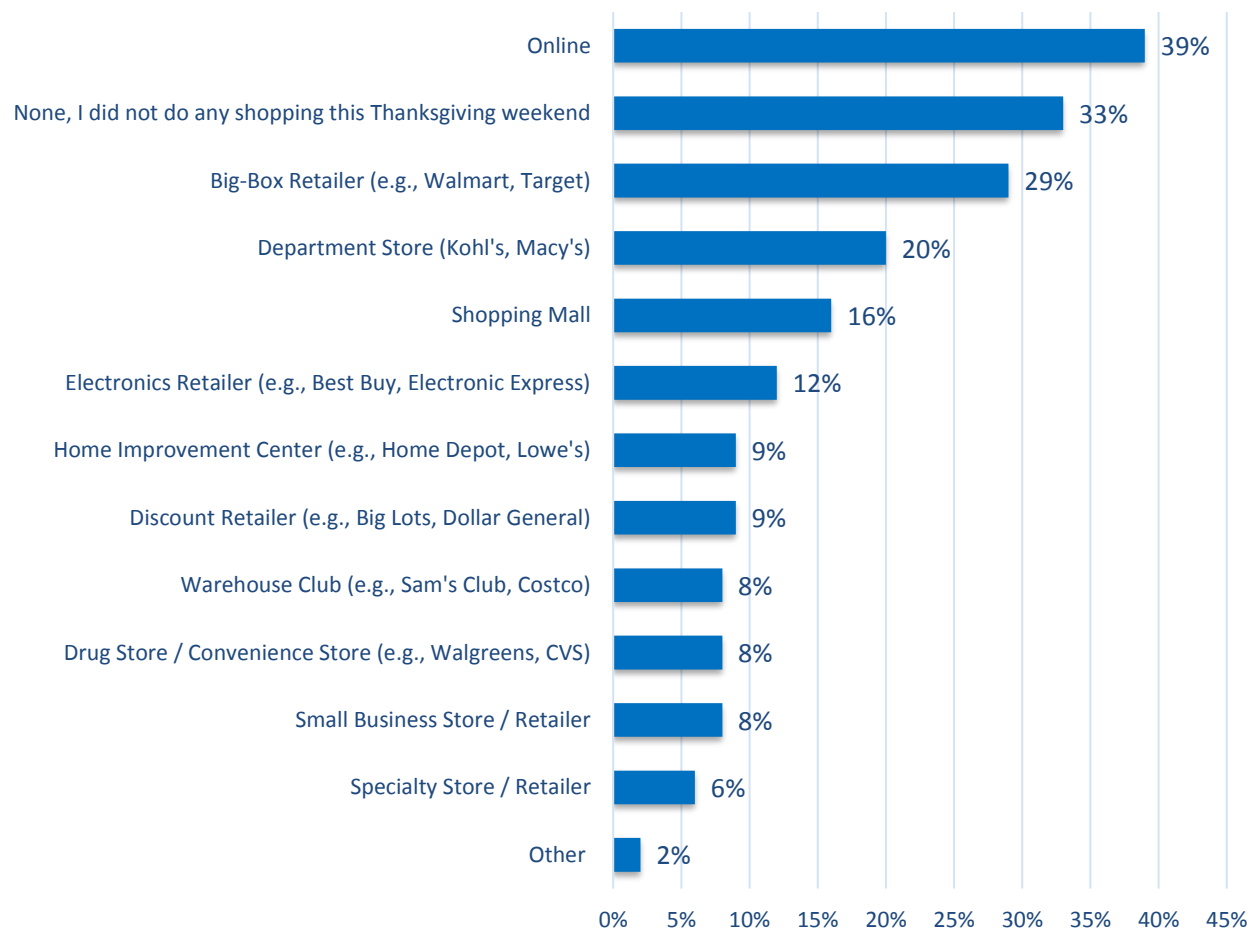
Purchasing Situation and Spending. The Purchasing Index gained to 79 from 51 in September. There were net increases in the percent who said now is a good time to buy major household items, buy a house, and buy a car. This was coupled with a small net increase in the percent of consumers who expect to increase their spending this year compared to last year.

The Final Word. Taken together, these results are good news for businesses and retailers as we enter the ever-important holiday shopping season. Tennessee consumers increasingly believe the economy has turned in a positive direction and have more favorable views toward making large purchases. The net increase in the percent of consumers who expect the economy to remain the same (as opposed to improving or getting worse) might not be a bad sign, given the increasing percent of consumers who believe the economy has already improved. Such positive views on the economy and spending can set the stage for increased consumer spending, which will help further grow the economy. Such spending is important, given that two-thirds of the U.S. economy is made up of consumer spending.

Christmas and Holiday Spending

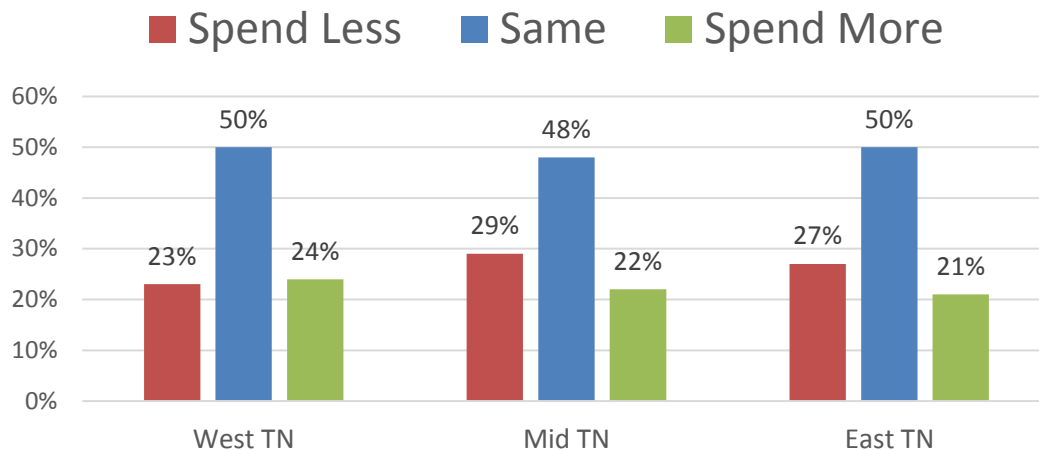
Consumers were also asked specifically about their shopping and spending plans for the Christmas and holiday season. When asked if they did any shopping over the Thanksgiving weekend (including Black Friday, Small Business Saturday, and Cyber Monday), most consumers either made purchases online (39%) or went to big-box retailers such as Walmart or Target (29%). One-third (33%) did not do any shopping during the traditional Thanksgiving weekend shopping days.

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).



Consumers were also asked about the total amount of money 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, 26 percent expect to spend “less than they spent last year.” Conversely, the majority (71 percent) expect to spend either “more than they spent last year” (22 percent) or “about the same as they spent last year” (49 percent).

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?

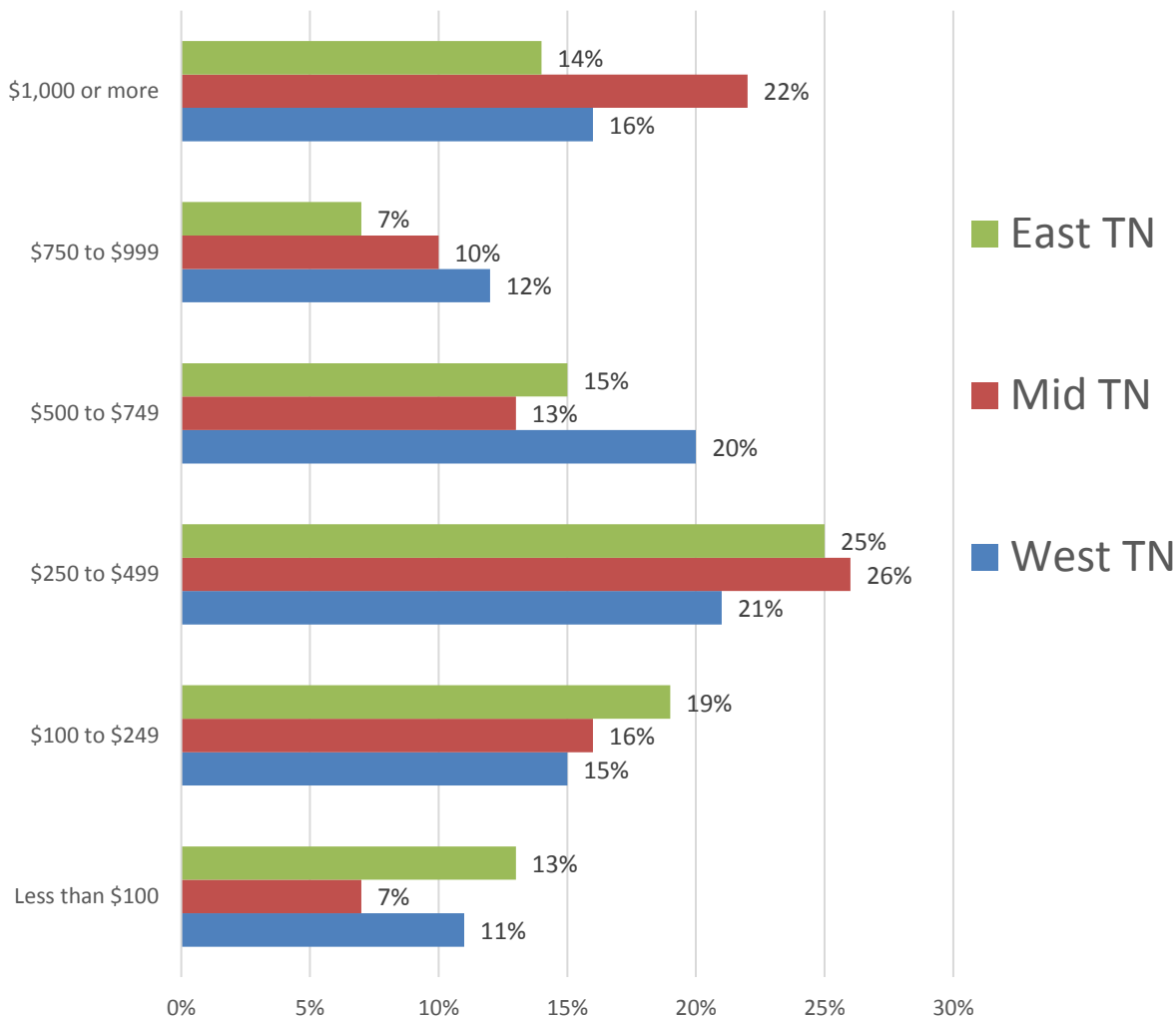


With respect to total expenditures for Christmas and holiday gifts:

- 10 percent of consumers expect to spend less than \$100,
- 17 percent expect to spend between \$100 and \$249,
- 24 percent expect to spend between \$250 and \$499,
- 16 percent expect to spend between \$500 and \$749,
- 10 percent expect to spend between \$750 and \$999, and
- 17 percent expect to spend more than \$1,000.

The chart below shows how these spending expectations vary by region of the state.

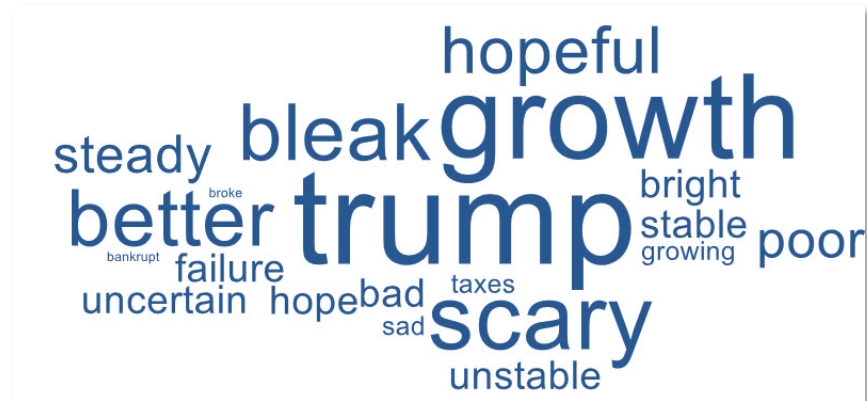
Approximately, how much do you expect to spend on Christmas and holiday gifts this year?



Perceptions of the Economy—In One Word

Consumers were 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.

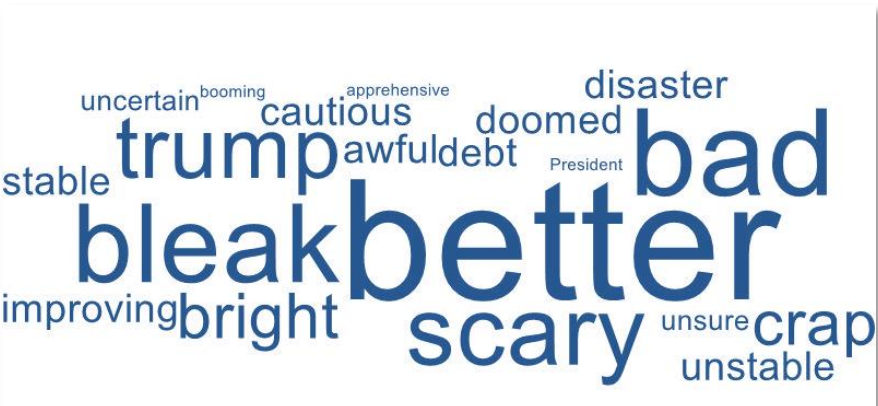
West Tennessee



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).³

Comparing Tennessee Consumers to Consumers across the Country as a Whole	Nation (%)	Tenn. (%)
Business conditions in the U.S. are good.	35	29
Business conditions in the U.S. are bad.	13	14
Six months from now, business conditions in the U.S. will be better.	22	26
Six months from now, business conditions in the U.S. will be worse.	7	21
Jobs are easy to find (plentiful).	37	19
Jobs are hard to find.	17	21
Six months from now, there will be more job openings.	23	28
Six months from now, there will be fewer job openings.	11	13
In 12 months my personal financial situation (income) will be better.	20	34
In 12 months my personal financial situation (income) will be worse.	8	8

³ Source: November 28, 2017, "The Conference Board Consumer Confidence Index® Increased Again." (www.conference-board.org).

Consumer Outlook Index with Net Change* (Increase or Decrease) from September 2017

		Tenn.	Net	West TN	Net	Mid TN	Net	East TN	Net
		Dec '17	Change*	Dec '17	Change	Dec '17	Change	Dec '17	Change
		(%)		(%)		(%)		(%)	
Business conditions in the U.S. are:	Good	29	+13	26	+14	31	+12	29	+15
	In between	55		54		53		58	
	Bad	14		19		12		10	
Six months from now, business conditions in the U.S. will be:	Better	26	-3	25	-2	27	+3	27	-7
	About same	48		50		45		49	
	Worse	21		22		24		18	
Business conditions in Tennessee are:	Good	37	+5	28	+7	50	+9	33	+2
	In between	48		51		44		50	
	Bad	11		18		4		12	
Six months from now, business conditions in Tennessee will be:	Better	27	-6	26	-7	32	+1	23	-12
	About same	56		55		53		59	
	Worse	12		15		10		12	
Jobs in your area of Tennessee are (can be):	Easy to find	19	-1	8	0	30	+5	18	-8
	Found w/effort	56		59		53		56	
	Hard to find	21		29		13		21	
In six months, there will be ___ jobs in your area of Tennessee.	More	28	-2	22	-1	35	+3	26	-7
	About same	51		55		47		53	
	Fewer	13		15		10		13	
Financially, how are you compared to a year ago?	Better	28	+5	28	+7	32	+9	24	-1
	About same	49		50		45		53	
	Worse	22		22		22		23	
Financially, how will you be one year from now?	Better	34	-11	33	-14	38	-4	30	-14
	About same	55		57		53		56	
	Worse	8		7		7		10	
Now is a ___ time to buy major household items.	Good time	35	+12	33	+5	36	+14	36	+15
	In between	44		40		47		45	
	Bad time	10		14		6		10	
Now is a ___ time to buy a house.	Good time	39	+9	40	+4	41	+17	36	+3
	In between	38		39		34		40	
	Bad time	15		15		19		12	
Now is a ___ time to buy a car.	Good time	39	+7	32	+2	42	+11	42	+6
	In between	45		50		42		42	
	Bad time	9		10		9		10	

Consumer Spending, Saving, and Investments

		Tenn.	Net	West TN	Net	Mid TN	Net	East TN	Net
		Dec '17	Change	Dec '17	Change	Dec '17	Change	Dec '17	Change
		(%)		(%)		(%)		(%)	
Compared to last year, I will spend:	More	34	+4	36	+2	37	+11	28	0
	About the same	46		40		48		50	
	Less	18		22		14		17	
Compared to last year, I am saving:	More	24	-1	21	+1	29	+3	21	-9
	About the same	47		50		43		46	
	Less	28		28		26		30	
In the next 12 months, I will ___ my level of saving.	Increase	39	-11	45	-1	40	-14	33	-18
	Keep it the same	46		40		48		49	
	Decrease	9		9		8		11	
In the next 12 months, the value of the stock market will be:	Higher	29	+4	29	+10	30	+5	29	+1
	About the same	31		32		30		30	
	Lower	20		17		23		20	
In 12 months the value of my savings and investments will be:	Higher	38	-1	38	+4	45	+6	32	-10
	About the same	33		38		27		34	
	Lower	17		11		20		18	
If I lost my job, I would survive financially.	Definitely yes	18	+7	17	+6	23	+13	15	+7
	Probably yes	21		20		20		23	
	Maybe	19		20		18		18	
	Probably no	15		15		15		15	
	Definitely no	23		24		21		24	
In 12 months the total amount of my credit card debt will be:	Higher	5	+8	3	+4	5	+8	7	+12
	About the same	49		48		49		50	
	Lower	37		41		38		32	

* 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 630 randomly selected adult residents of Tennessee. Online surveys were conducted between December 1 and December 7, 2017. 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?