



Tennessee Consumer Outlook Index

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June 21, 2018

Tennessee Consumers' Outlook Levels Off But Remains Strong

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers' outlook on the economy has leveled off but remains strong.¹ The Tennessee Consumer Outlook Index dipped slightly to 238 from 240 in March.² Consumers continue to feel more positive about the overall U.S. economy, the Tennessee economy, and the current job market. The Current Situation Index gained to 75 from 67. The Future Expectations Index also rose to 96 from 89. However, the Purchasing Situation Index declined to 67 from 84, suggesting that some consumers might forgo significant increases in purchasing to reduce credit card debt and build up future savings. The largest gains in outlook were in west Tennessee. The current online survey of 630 Tennessee consumers was conducted between June 11 and June 16.

Tennessee Consumer Outlook Index and Components

Increase/Decrease from March 2018

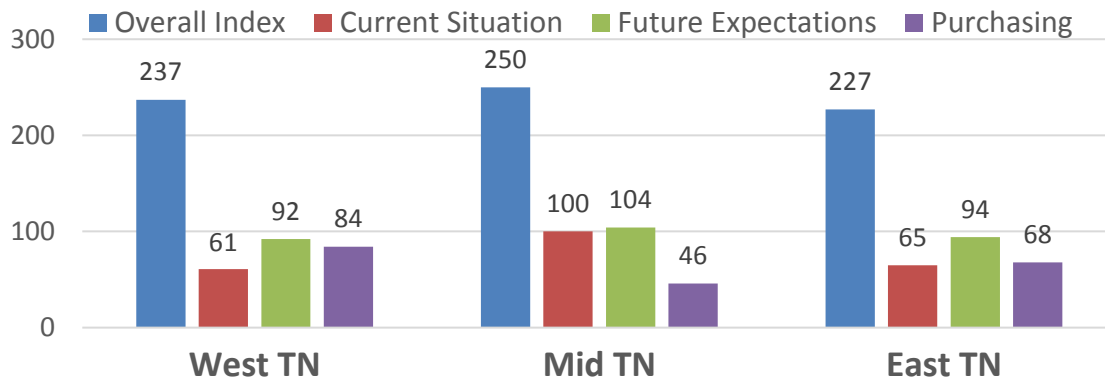
	TN June '18 (n=630)	Change from March	West TN June '18 (n=210)	Change from March	Mid TN June '18 (n=210)	Change from March	East TN June '18 (n=210)	Change from March
Overall Outlook Index	238	-2	237	54	250	-62	227	3
Current Situation Index	75	8	61	28	100	-17	65	15
Future Expectations Index	96	7	92	24	104	-12	94	11
Purchasing Index	67	-17	84	2	46	-33	68	-23

¹ The current online survey of 630 Tennessee residents was conducted between June 11 and June 16.

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).

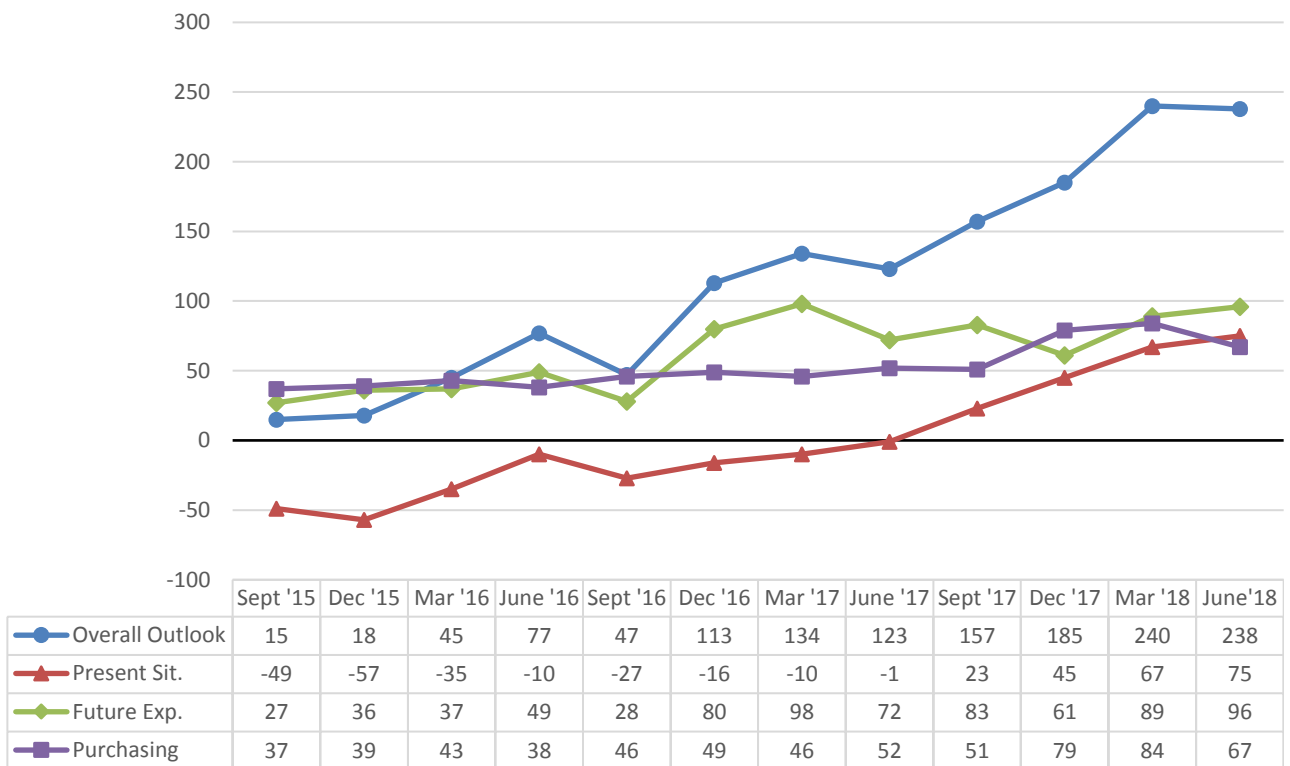
The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero indicates the percentage of consumers who hold negative views of the economy is equal to the percentage of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



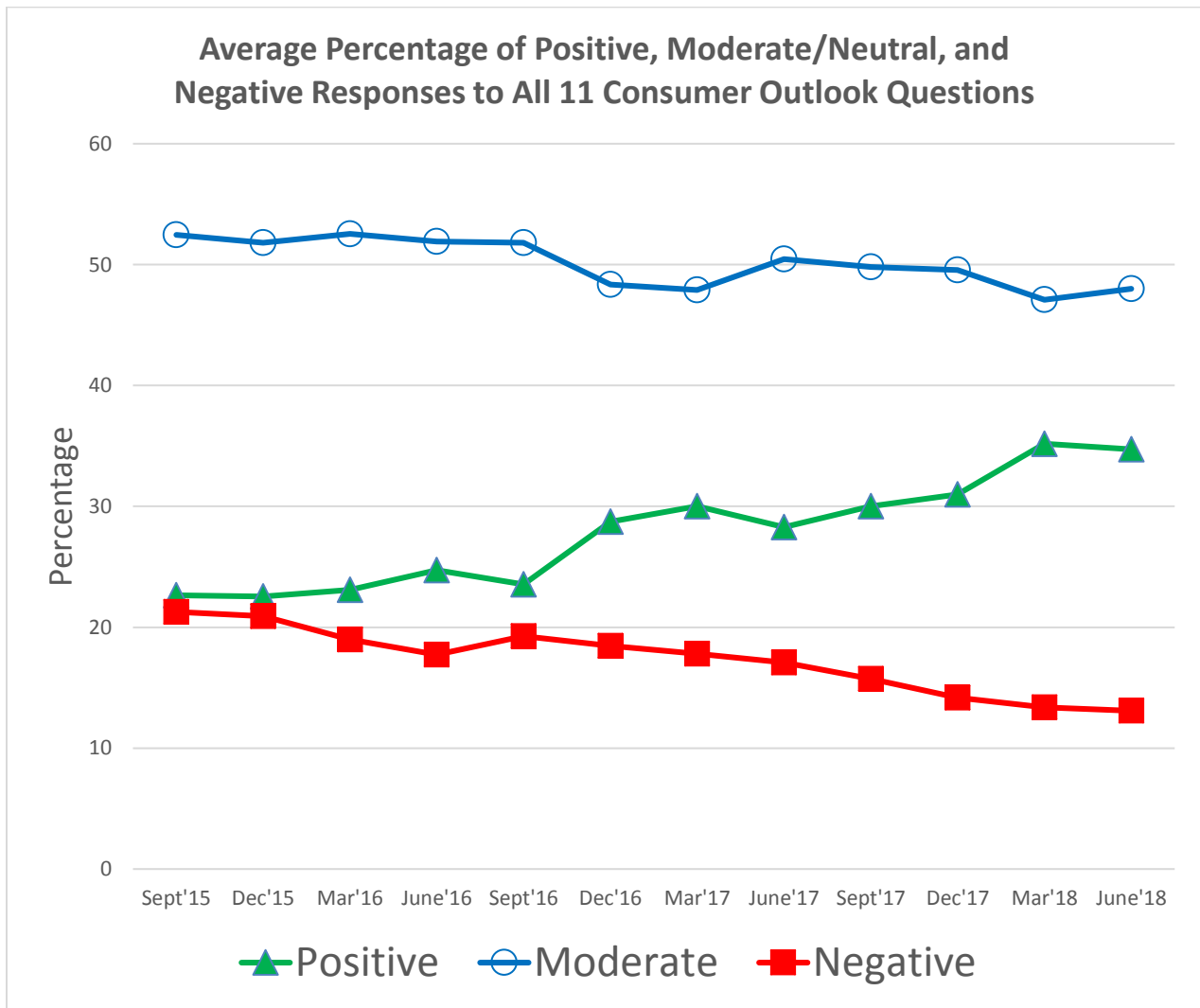
Consumers in middle Tennessee have the most positive views of the current and future economy, whereas consumers in west Tennessee are most likely to say now is a good time to make large purchases. The complete set of results for all three regions of the state is at the end of this report. The chart below shows how the Tennessee Consumer Outlook Index has changed since September of 2015.

Tennessee Consumer Outlook Index



Average Attitude

The general attitude of Tennessee consumers toward the economy has become increasingly positive and decreasingly negative. 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.” Very few think economic conditions are “bad” and think future economic conditions will be “worse.”



The Current Economy. Consumers continue to perceive the economy is improving. The percent of positive views about the economy nearly quadruples the percent of negative views. The percent who said business conditions in the country as a whole are “good” rose to 39, whereas the percent who said conditions are “bad” dipped to 10. The same pattern holds true for the Tennessee economy. The percent who said business conditions in Tennessee are “good” gained to 44, compared to only 10 percent who said business conditions in Tennessee are “bad.”

The Future Economy. Expectations for future economic growth remain strong. Only 17 percent expect the U.S. economy to be “worse” six months from now. Further, only 10 percent expect the Tennessee economy to be “worse” six months from now.

The Job Market. Consumers also feel increasingly upbeat about the job market. The percent who said jobs in their area are “easy to find” gained to 26 from 23 in March. Further, the percent who said six months from now there will be “more” jobs edged upward to 32 from 30. Fewer than one in five Tennessee consumers (18 percent) said jobs in their area are “hard to find,” and only 12 percent expect six months from now there will be “fewer” jobs.

Personal Finances. Consumers are also more optimistic about the outlook for their personal financial situation. The percent who expect their personal financial situation to be “better” one year from now rose to 43 from 39 in March. Only seven percent expect their personal financial situation to be “worse.”

Savings and Investments. Consumer saving can have significant effects on the long-term growth of the economy. Consumers must have adequate savings to allow for future spending without needing to borrow money. Increased savings and investments can also give consumers confidence when they are deciding to make large purchases. The percent who expect to increase their level of saving in the next 12 months rose to 44 from 37. Similarly, a greater percent of consumers expect the value of their savings and investments to be “higher” 12 months from now (38 percent) versus “lower” (12 percent).

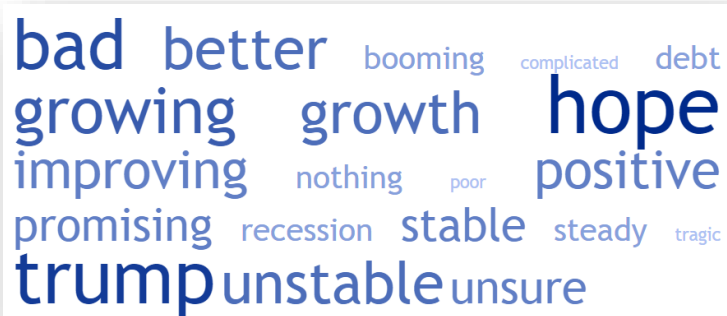
Spending. The percent of consumers who expect to increase their level of consumer spending compared to last year rose to 31 from 25 in March. Further, the percent who expect to reduce their level of spending declined to 22 from 24.

The Final Word. Taken together, these results show a firm belief among consumers that the economy is on a solid footing. Tennessee consumers increasingly believe the economy is moving in a positive direction and expect it to either remain stable or improve in the next 12 months. Positive views of the job market and increased confidence in future personal finances and investments have helped buoy consumers’ outlook. Although some consumers may forgo large purchases in order to increase saving or reduce credit card debt, a growing percentage of consumers expect to increase their spending.

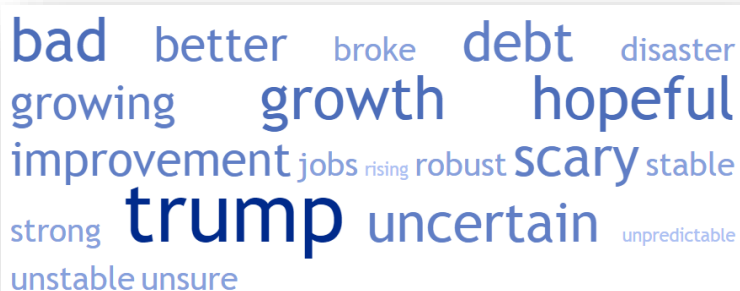
Perceptions of the Economy—In One Word

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.

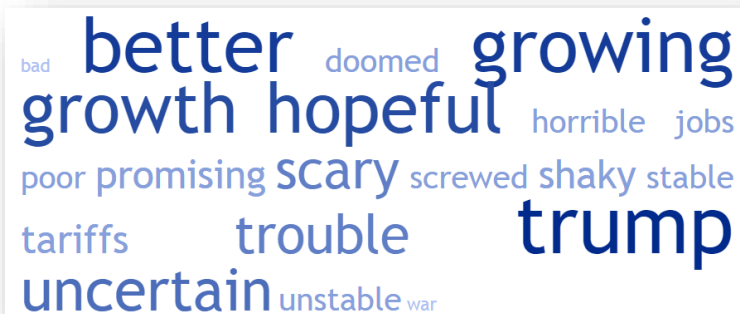
West Tennessee



Middle Tennessee



East Tennessee



Perceptions of the Economy: Comparison to the Nation

When compared to consumers across the rest of the country, Tennessee consumers have similar views of the overall U.S. economy but have less positive views of the current job market. Conversely, 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.	38	39
Business conditions in the U.S. are bad.	12	10
Six months from now, business conditions in the U.S. will be better.	23	37
Six months from now, business conditions in the U.S. will be worse.	8	17
Jobs are easy to find (plentiful).	42	26
Jobs are hard to find.	16	18
Six months from now, there will be more job openings.	20	32
Six months from now, there will be fewer job openings.	14	12
In 12 months my personal financial situation (income) will be better.	21	43
In 12 months my personal financial situation (income) will be worse.	8	7

³ Source: May 29, 2018, "The Conference Board Consumer Confidence Index® Increased in May." (www.conference-board.org).

Consumer Outlook Index with Net Change* (Increase or Decrease) from March 2018

		Tenn.	Net	West TN	Net	Mid TN	Net	East TN	Net
		June'18	Change*	June'18	Change	June'18	Change	June'18	Change
		(%)		(%)		(%)		(%)	
Business conditions in the U.S. are:	Good	39	4	42	8	40	-3	33	5
	In between	50		45		48		58	
	Bad	10		11		10		8	
Six months from now, business conditions in the U.S. will be:	Better	37	0	40	3	35	-2	35	-1
	About same	43		41		45		44	
	Worse	17		18		16		16	
Business conditions in Tennessee are:	Good	44	6	43	17	49	-8	40	9
	In between	44		42		41		50	
	Bad	10		13		8		9	
Six months from now, business conditions in Tennessee will be:	Better	30	0	31	5	33	-6	26	2
	About same	56		55		52		60	
	Worse	10		11		10		7	
Jobs in your area of Tennessee are (can be):	Easy to find	26	6	19	6	38	7	21	5
	Found w/effort	53		53		45		61	
	Hard to find	18		26		14		15	
In six months, there will be ___ jobs in your area of Tennessee.	More	32	2	28	8	35	-9	32	4
	About same	52		54		49		52	
	Fewer	12		14		12		11	
Financially, how are you compared to a year ago?	Better	27	-8	28	-3	30	-13	25	-4
	About same	49		51		43		52	
	Worse	23		21		25		22	
Financially, how will you be one year from now?	Better	43	5	44	8	46	5	40	6
	About same	47		46		44		50	
	Worse	7		8		7		5	
Now is a ___ time to buy major household items.	Good time	33	-2	35	5	32	-8	31	-7
	In between	50		52		47		50	
	Bad time	8		7		10		9	
Now is a ___ time to buy a house.	Good time	36	-9	40	-4	32	-14	37	-10
	In between	36		41		31		36	
	Bad time	19		13		29		16	
Now is a ___ time to buy a car.	Good time	35	-6	38	1	33	-11	34	-6
	In between	48		49		47		50	
	Bad time	10		9		12		9	

Consumer Spending, Saving, and Investments

		Tenn.		West TN		Mid TN		East TN	
		June'18	Net	June'18	Net	June'18	Net	June'18	Net
		(%)	Change	(%)	Change	(%)	Change	(%)	Change
Compared to last year, I will spend:	More	31	8	34	13	30	7	29	2
	About same	45		43		47		46	
	Less	22		22		21		23	
Compared to last year, I am saving:	More	28	-9	30	-4	32	-7	23	-15
	About same	42		43		40		43	
	Less	27		25		26		30	
In the next 12 months, I will ___ my level of saving.	Increase	44	6	47	6	43	4	41	10
	Keep same	42		37		42		47	
	Decrease	11		12		11		8	
In the next 12 months, the value of the stock market will be:	Higher	31	-1	31	0	32	2	30	-1
	About same	34		35		34		33	
	Lower	19		19		18		19	
In 12 months the value of my savings and investments will be:	Higher	38	2	40	4	40	3	35	1
	About same	40		37		41		44	
	Lower	12		15		10		12	
If I lost my job, I would survive financially.	Definitely yes	16	-2	19	3	16	-2	12	-6
	Probably yes	17		15		19		18	
	Maybe	17		14		18		18	
	Probably no	17		17		12		21	
	Definitely no	30		30		30		29	
In 12 months the total amount of my credit card debt will be:	Higher	10	5	15	18	7	2	7	-4
	About same	40		39		41		39	
	Lower	42		41		40		45	

* 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 630 randomly selected adult residents of Tennessee. Online surveys were conducted between June 11 and June 16, 2018. 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?