



# 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 modestly following a steady decline from an all-time high this time last year.<sup>1</sup> The Tennessee Consumer Outlook Index improved to 169 from 159 last December.<sup>2</sup> This offers good news to Tennessee businesses and retailers as consumers shift toward a more optimistic view of the economy.

However, this improvement in outlook was not consistent across the state, with consumers in middle Tennessee actually becoming less optimistic about the economy. The largest improvement in outlook was in east Tennessee. The current online survey of 627 Tennessee consumers was conducted between March 4 and March 10.

### Tennessee Consumer Outlook Index and Components Increase/Decrease from December 2018

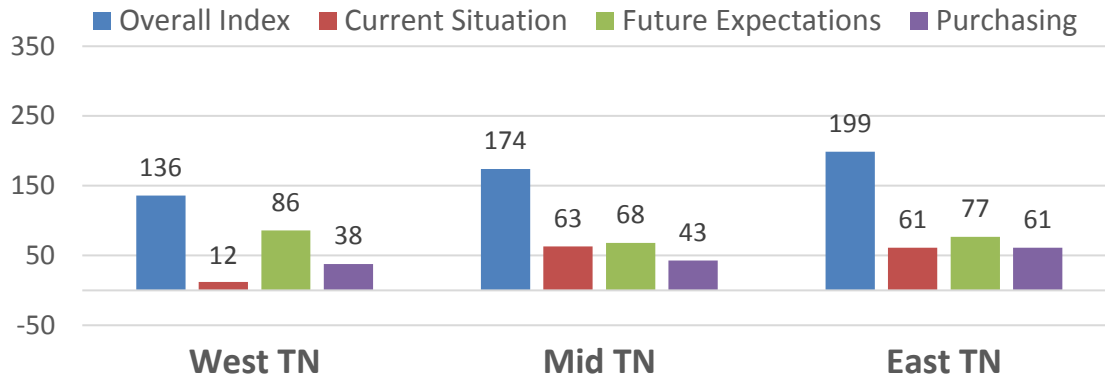
	TN March '19 (n=627)	Change from Sept	West TN March '19 (n=207)	Change from Sept	Mid TN March '19 (n=210)	Change from Sept	East TN March '19 (n=210)	Change from Sept
Overall Outlook Index	169	+10	136	+35	174	-45	199	+47
Current Situation Index	45	+2	12	-10	63	-13	61	+30
Future Expectations Index	76	+6	86	+45	68	-28	77	+6
Purchasing Index	48	+2	38	0	43	-4	61	+11

<sup>1</sup> The current online survey of 627 Tennessee residents was conducted between March 4 and March 10.

<sup>2</sup> 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).

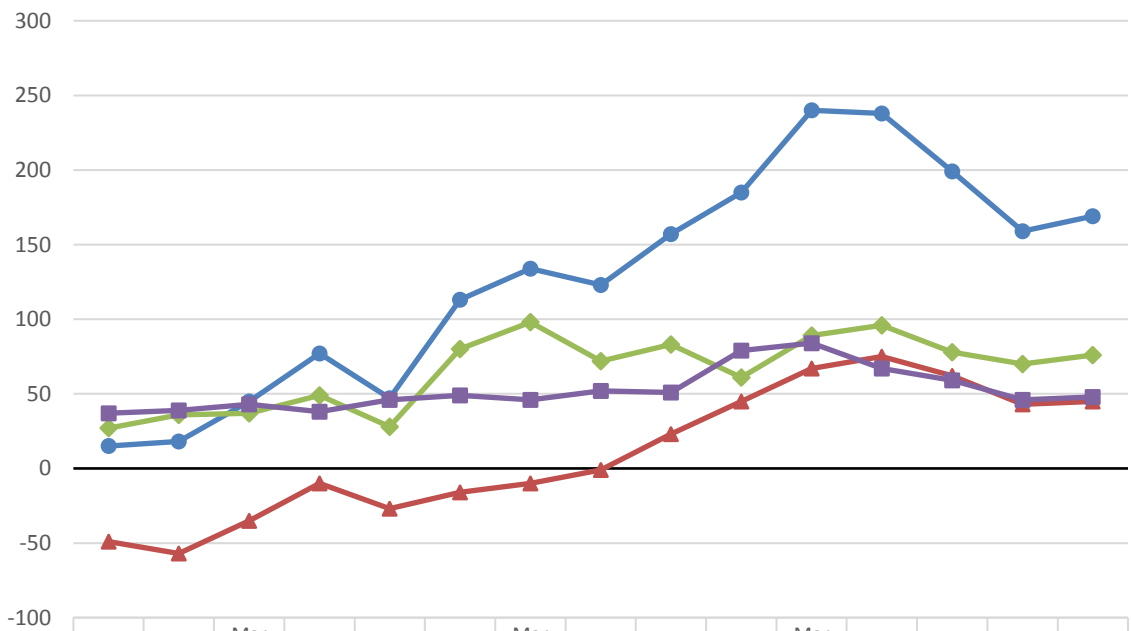
The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero indicates the percentage of consumers who hold negative views of the economy is equal to the percentage of 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 chart below shows how the Tennessee Consumer Outlook Index has changed since December of 2015.

### Tennessee Consumer Outlook Index



	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
Overall Outlook	15	18	45	77	47	113	134	123	157	185	240	238	199	159	169
Present Sit.	-49	-57	-35	-10	-27	-16	-10	-1	23	45	67	75	62	43	45
Future Exp.	27	36	37	49	28	80	98	72	83	61	89	96	78	70	76
Purchasing	37	39	43	38	46	49	46	52	51	79	84	67	59	46	48

***Tennessee Consumers' Improving Outlook.*** Even though the current results show only a modest improvement in overall outlook, this mirrors the recent trend found nationally by the Conference Board, which found an increase in consumer confidence nationally after observing three months of decline.

Although views of the national economy decreased a bit compared to last December, perceptions remain decidedly positive. More than twice as many Tennessee consumers said business conditions in the U.S. are “good” (28 percent) versus “bad” (13 percent). Additionally, more expect the national economy to be “better” six months from now (24 percent) versus “worse” (17 percent).

Consumers continue to hold more positive views of the state’s economy than the national economy. The percent who said business conditions in Tennessee are “good” (38 percent) more than triples the percent who said conditions are “bad” (11 percent). Similarly, the percent who expect the Tennessee economy to be “better” in the next six months (28 percent) more than doubles the percent who expect it to be “worse” (11 percent).

Consumers have also become more optimistic about their own personal financial situation. Although the percent who said their current financial situation is “better” than it was one year ago (27 percent) is not much greater than the percent who said it is “worse” (25 percent), a significantly larger percent expect their personal financial position will be “better” one year from now (44 percent) versus “worse” (8 percent).

Perceptions regarding spending were equivocal. There was a slight net decrease in the percent who expect to spend more this year than they did last year. Similarly, there was a small net decrease in the percent who said now is a good time to buy major household items. Conversely, there was a net increase in the percent who said now is a good time to buy a house. As a result, no major changes in consumer spending are expected to follow immediately from this improvement in overall outlook.

***Why the Improvement in Outlook?*** A number of factors contribute to this improvement in consumer outlook. Consumer spending power is driven by income from employment, and views of the job market are improving. Only 21 percent said jobs in their area of Tennessee are “hard to find,” and only 13 percent expect there to be “fewer” jobs in the next six months. The U.S. unemployment rate averaged 5.7 percent between the end of WWII and 2019. The unemployment rate for February 2019 was down to 3.8 percent (3.3 percent for Tennessee in January 2019). An improving job market gives consumers a sense of confidence when it comes to employment and optimism when it comes to their future personal financial situation.

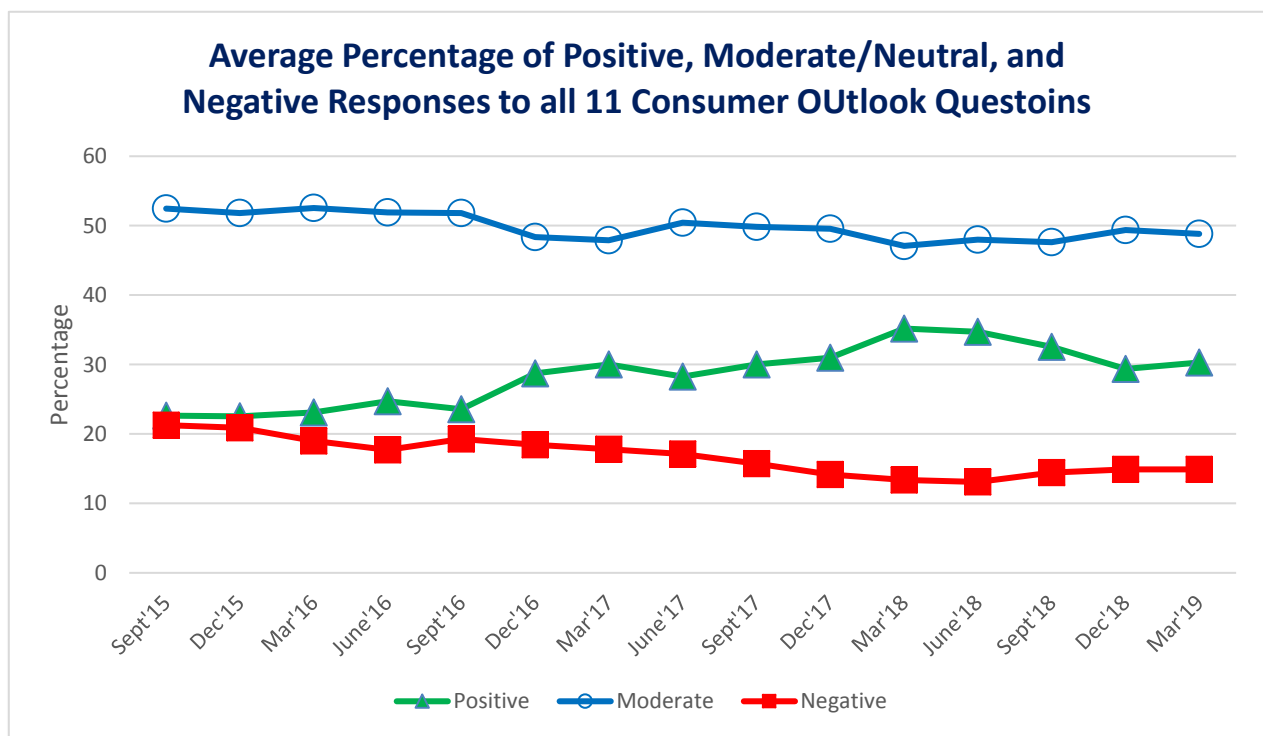
Fears of a major government shutdown and its possible negative effects on the economy appear to be alleviated, at least for the time being. In addition, recent improvements in the stock market have also helped to alleviate fears of an economic slowdown. This is especially so following the wild fluctuations in the market observed at the end of last year.

**Personal Finances and Spending.** However, recent fears of a government shutdown might have stimulated consumers to focus on getting their personal financial house in order. There was a significant net increase in the percent who said they are saving “more” than they did last year. Additionally, more than four times as many Tennessee consumers said they plan to “increase” (44 percent) versus “decrease (11 percent) their level of saving in the next 12 months. Further, almost half (49 percent) expect the total amount of their credit card debt to be “lower” in the next 12 months versus “higher” (8 percent).

All things considered, the current results are good news for local businesses and retailers. Tennessee consumers are feeling better about the economy, albeit probably not enough to stimulate large increases in purchasing. Instead, consumers seem more focused on getting their personal finances in order by increasing savings and lowering credit card debt. While such savings can mean delayed consumer spending in the short term, it is a positive sign as consumers build a solid financial footing on which future spending can be based.

### 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 think economic conditions are “bad” or think future economic conditions will be “worse.”

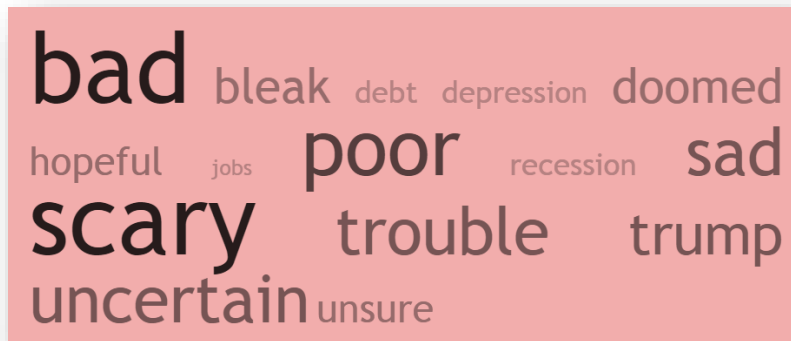


## Perceptions of the Economy—In One Word

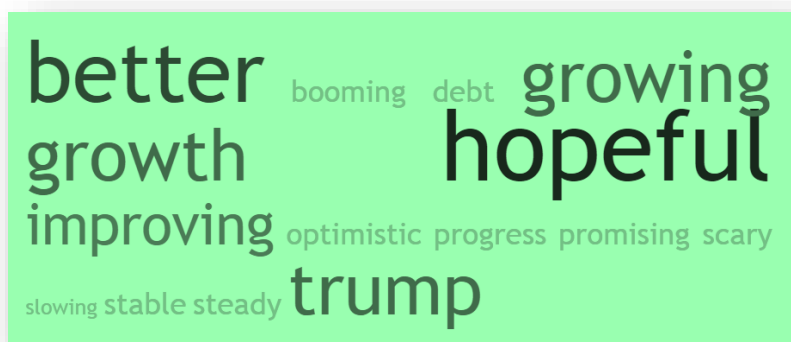
Consumers were asked to identify the one word that came to mind when they thought about the future of the overall U.S. economy. Respondents were also asked to “rate the future of the overall U.S. economy on a 0 to 10 scale, where 0 means there is likely to be a major recession, and 10 means the economy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

The word clouds below show the 15 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 most frequently mentioned by those responding 1-6 on the scale (n=281; 45 percent of the total sample).



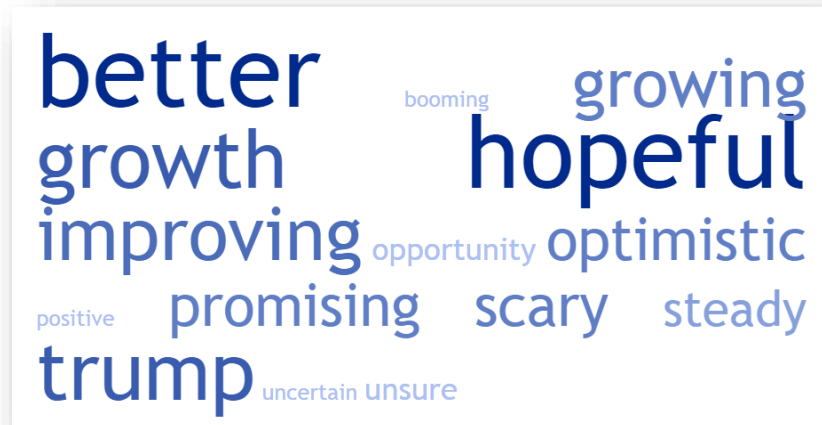
**Optimistic Consumers.** The word cloud below shows the words most frequently mentioned by those responding 7-10 on the scale (n=346; 55 percent of the total sample).



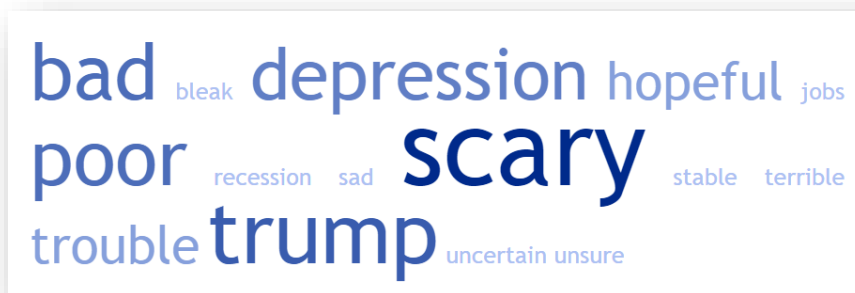
Although President Trump was not the most frequently mentioned for either group, he appears in both. For those more pessimistic consumers, few specific terms are identified, indicating their pessimism stems from general fears.

**Politics and Consumer Outlook.** As expected, the word clouds below show clear differences in perceptions based on political affiliation. Republican consumers reported greater optimism compared to apprehension and depression reported by Democrat consumers.

**Republican Consumers.**



**Democrat Consumers.**



## Perceptions of the Economy: Comparison to the Nation

When compared to consumers across the rest of the country, Tennessee consumers have less positive views of the overall U.S. economy and 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](http://www.conference-board.org)).<sup>3</sup>

Comparing Tennessee Consumers to Consumers across the Country as a Whole	Nation (%)	Tenn. (%)
Business conditions in the U.S. are good.	41	28
Business conditions in the U.S. are bad.	11	13
Six months from now, business conditions in the U.S. will be better.	20	24
Six months from now, business conditions in the U.S. will be worse.	9	17
Jobs are easy to find (plentiful).	46	22
Jobs are hard to find.	12	21
Six months from now, there will be more job openings.	19	29
Six months from now, there will be fewer job openings.	12	13
In 12 months my personal financial situation (income) will be better.	20	44
In 12 months my personal financial situation (income) will be worse.	9	8

<sup>3</sup> Source: February 26, March 2019, "The Conference Board Consumer Confidence Index® Rebounded in February." ([www.conference-board.org](http://www.conference-board.org)).

## Consumer Outlook Index with Net Change\* (Increase or Decrease) from December 2019

		Tenn. Mar'18 (%)	Net Change*	West TN Mar'18 (%)	Net Change	Mid TN Mar'18 (%)	Net Change	East TN Mar'18 (%)	Net Change
Business conditions in the U.S. are:	Good	28	-4	27	0	26	-12	32	+1
	In between	55		57		56		52	
	Bad	13		13		15		11	
Six months from now, business conditions in the U.S. will be:	Better	24	-2	28	+10	21	-8	24	-4
	About same	53		51		55		53	
	Worse	17		18		18		15	
Business conditions in Tennessee are:	Good	38	+2	30	-6	41	-3	41	+11
	In between	48		50		48		47	
	Bad	11		18		9		7	
Six months from now, business conditions in Tennessee will be:	Better	28	+3	30	+12	25	-6	30	+5
	About same	55		53		55		56	
	Worse	11		12		13		8	
Jobs in your area of Tennessee are (can be):	Easy to find	22	+2	13	-3	30	+4	25	+7
	Found w/effort	54		56		53		52	
	Hard to find	21		29		15		19	
In six months, there will be ___ jobs in your area of Tennessee.	More	29	+1	28	+10	30	-15	30	+7
	About same	52		53		51		52	
	Fewer	13		14		15		11	
Financially, how are you compared to a year ago?	Better	27	+2	28	-1	30	-2	24	+11
	About same	46		46		43		50	
	Worse	25		26		25		24	
Financially, how will you be one year from now?	Better	44	+4	52	+13	46	+1	36	-2
	About same	43		37		41		51	
	Worse	8		8		8		9	
Now is a ___ time to buy major household items.	Good time	29	-3	28	-4	30	-1	30	-3
	In between	47		48		46		47	
	Bad time	12		14		10		12	
Now is a ___ time to buy a house.	Good time	31	+5	31	+6	30	+2	32	+7
	In between	39		40		35		41	
	Bad time	20		21		25		16	
Now is a ___ time to buy a car.	Good time	33	0	30	-2	31	-5	37	+7
	In between	45		47		46		42	
	Bad time	13		16		13		10	



## Consumer Spending, Saving, and Investments

		Tenn.	Net	West TN	Net	Mid TN	Net	East TN	Net
		Mar'18	Change	Mar'18	Change	Mar'18	Change	Mar'18	Change
		(%)		(%)		(%)		(%)	
Compared to last year, I will spend:	More	32	-3	37	-6	33	+5	26	-16
	About same	38		36		40		38	
	Less	28		25		25		33	
Compared to last year, I am saving:	More	30	+10	29	+15	34	+22	27	+11
	About same	38		39		35		41	
	Less	29		29		28		29	
In the next 12 months, I will ___ my level of saving.	Increase	44	+3	51	-1	44	-2	39	-6
	Keep same	40		36		36		46	
	Decrease	11		9		13		10	
In the next 12 months, the value of the stock market will be:	Higher	22	+4	23	0	22	+3	22	+4
	About same	32		32		32		32	
	Lower	22		24		21		21	
In 12 months the value of my savings and investments will be:	Higher	31	+3	29	-8	34	+8	30	-1
	About same	40		41		38		41	
	Lower	16		16		16		17	
If I lost my job, I would survive financially.	Definitely yes	8	-9	9	+8	8	+2	7	-7
	Probably yes	17		20		18		14	
	Maybe	15		15		12		19	
	Probably no	23		22		25		21	
	Definitely no	33		31		33		35	
In 12 months the total amount of my credit card debt will be:	Higher	8	-5	6	-10	9	+7	8	-13
	About same	31		30		32		30	
	Lower	49		50		49		49	

\* 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><b>Optimistic consumer outlook,</b> <i>which leads to ...</i></p>	<p><b>Pessimistic consumer outlook,</b> <i>which leads to ...</i></p>
<p><b>Increased consumer spending,</b> <i>which leads to ...</i></p>	<p><b>Decreased consumer spending,</b> <i>which leads to ...</i></p>
<p><b>Retailers hire more employees and purchase more inventory from suppliers,</b> <i>which leads to ...</i></p>	<p><b>Retailers hire fewer employees and purchase less inventory from suppliers,</b> <i>which leads to ...</i></p>
<p><b>Suppliers (manufacturers) must make more products,</b> <i>which leads to ...</i></p>	<p><b>Suppliers (manufacturers) must make fewer products,</b> <i>which leads to ...</i></p>
<p><b>Suppliers (manufacturers) hire more employees,</b> <i>which leads to ...</i></p>	<p><b>Suppliers (manufacturers) hire fewer employees,</b> <i>which leads to ...</i></p>
<p><b>More retail, service, and manufacturing employees,</b> <i>which leads to ...</i></p>	<p><b>Fewer retail, service, and manufacturing employees,</b> <i>which leads to ...</i></p>
<p><b>More consumers with paychecks who are able to spend,</b> <i>which leads to ...</i></p>	<p><b>Fewer consumers with paychecks who are able to spend,</b> <i>which leads to ...</i></p>
<p><b>Growing economy,</b> <i>which leads to ...</i></p>	<p><b>Slowing economy,</b> <i>which leads to ...</i></p>
<p><b>More optimistic consumer outlook,</b> <i>which leads to ...</i></p>	<p><b>More pessimistic consumer outlook,</b> <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 March 4 and March 10, 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 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](http://www.conference-board.org)). This report is also available on the MTSU Office of Consumer Research web page ([www.mtsu.edu/consumer](http://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](mailto: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?