



Tennessee Consumer Outlook Index

Office of Consumer Research
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September 25, 2018

Tennessee Consumers' Outlook Fades

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers' outlook on the economy has faded.¹ The Tennessee Consumer Outlook Index dropped to 199 from 238 in June.² This continues a much smaller decline from March to June of this year. However, the general trend for the past two years remains positive. The Overall Index is still higher now than it was at the end of last year.

Consumers' perceptions of the current economy and the future economy have soured somewhat. The Current Situation Index dipped to 62 from 75 in June. Similarly, the Future Expectations Index dropped to 78 from 96. The Purchasing Situation Index also declined to 59 from 67. The current online survey of 630 Tennessee consumers was conducted between September 4 and September 17.

Tennessee Consumer Outlook Index and Components

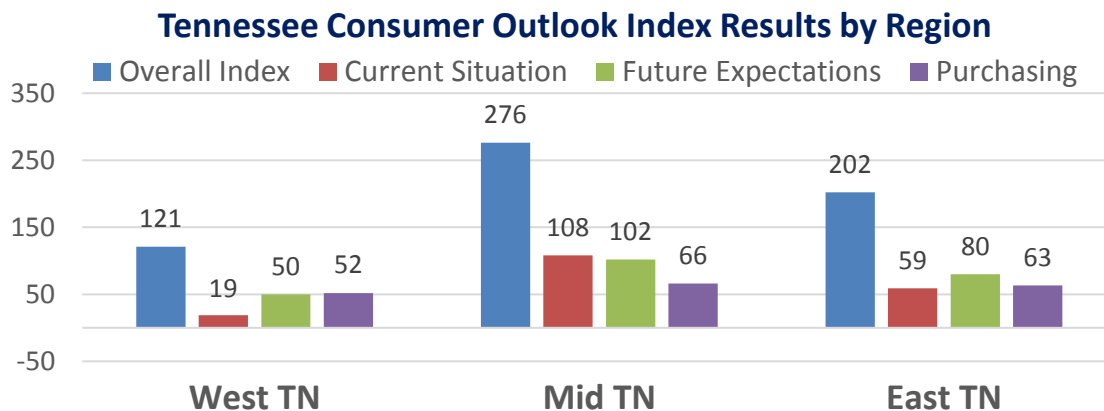
Increase/Decrease from June 2018

	TN Sept '18 (n=630)	Change from June	West TN Sept '18 (n=210)	Change from June	Mid TN Sept '18 (n=210)	Change from June	East TN Sept '18 (n=210)	Change from June
Overall Outlook Index	199	-39	121	-116	276	+26	202	-25
Current Situation Index	62	-13	19	-42	108	+8	59	-6
Future Expectations Index	78	-18	50	-42	102	-2	80	-14
Purchasing Index	59	-8	52	-32	66	+20	63	-5

¹ The current online survey of 630 Tennessee residents was conducted between September 4 and September 17.

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).



Outlook Across the State. These declines in the Overall Outlook Index reflect varying trends across the state. Consumers in west Tennessee saw the largest drop in outlook, followed by those in east Tennessee. Conversely, consumers in middle Tennessee saw improvements in outlook. Consumers in middle Tennessee have the most positive views of the economy, whereas consumers in west Tennessee are the most pessimistic. The complete set of results for all three regions of the state is at the end of this report (see the tables on pages 9 and 10).

Only in west Tennessee were there noticeable declines in perceptions of the current U.S. and Tennessee economy. Further, although there were declines in optimism regarding the future of the overall U.S. economy across all three regions of the state, only consumers in west Tennessee have become significantly less optimistic about the future of Tennessee's economy. Consumers in middle Tennessee are increasingly optimistic about the job market and their personal financial situations. This leads them to have relatively more positive views about making large purchases, compared to consumers in other regions of the state.

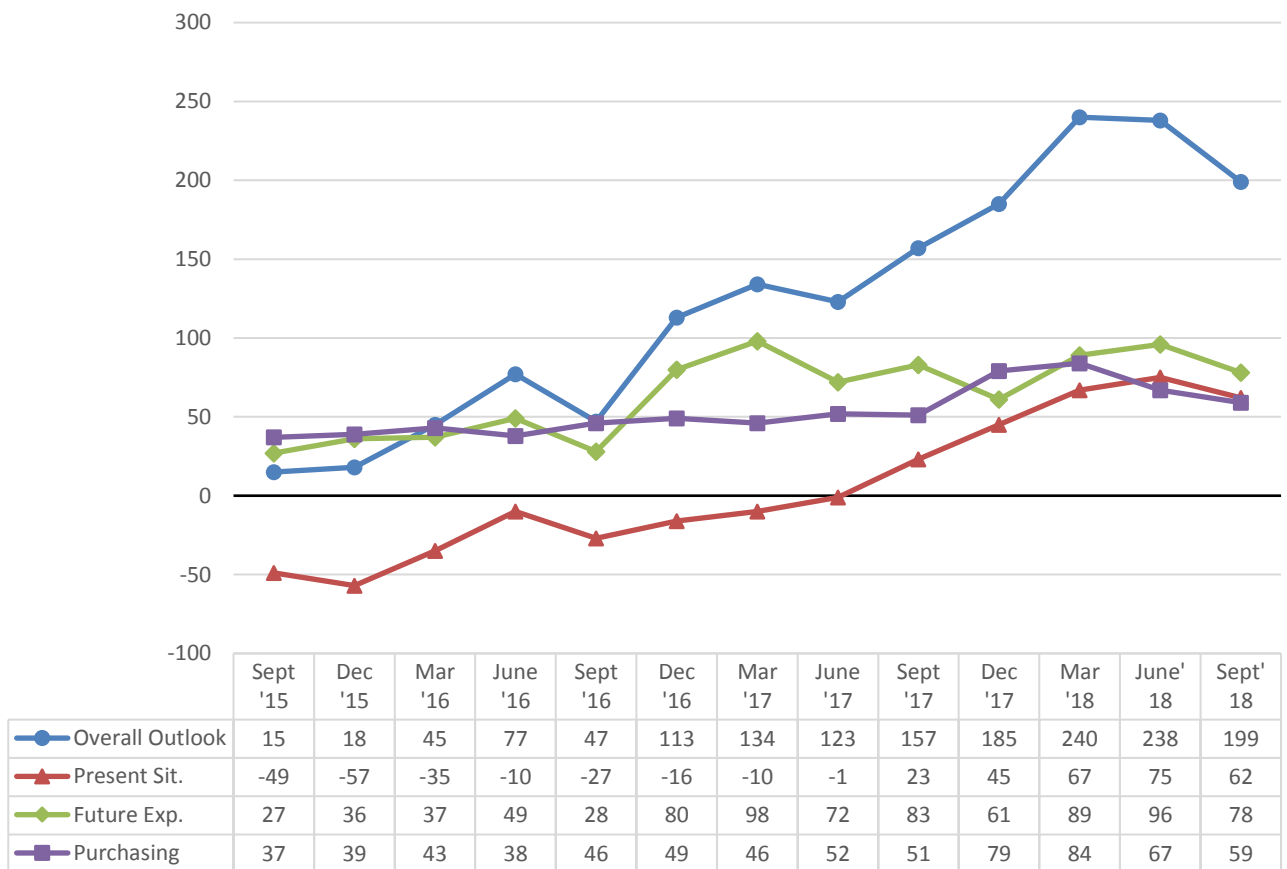
Economic Policies and the Economy. For the most part, Tennessee consumers feel President Trump's economic policies have had a positive effect on the overall U.S. economy (see the tables on pages 5 and 6). Almost half (49 percent) said President Trump's policies have had a positive effect on the economy, while 30 percent said they have had a negative effect. A slight majority (52 percent) said the President's policies have had a positive effect on employment and the number of jobs available. Only 20 percent said they have had a negative effect on the job market. While many consumers see the benefits of such economic policies on the overall economy, relatively fewer report being impacted by them at a personal level. Perceptions of President Trump's policies on the economy are relatively consistent across the three regions of the state. However, such perceptions vary widely based on consumers' political affiliation.

Consumers and the Economy. Taken together, these results indicate Tennessee consumers have become more anxious about the future of the economy, even though overall attitudes remain relatively positive. Such declines in outlook should not be interpreted as a warning of significant reductions in consumer activity. Tennessee consumers remain positive about the economy, albeit less positive than six months ago.

Why the Decline in Outlook? It is noteworthy that these declines in outlook come at a time when GDP is growing, the stock market is reaching record highs, confidence among small business owners is at its highest level ever, and we see significant gains in the job market. It is possible these declines in outlook are merely a correction, as consumers find it hard to believe the economy can continue to grow and expand at its current pace. It is also possible that Tennessee consumers are increasingly anxious about possible negative effects of tariffs and trade wars on the economy. The upcoming midterm elections might also be weighing on consumers' minds as they contemplate the possibility that recent economic policies that have led to such economic gains might be threatened. Further, such fears and concerns might not be sufficiently alleviated due to the lack of positive media coverage of recent economic gains.

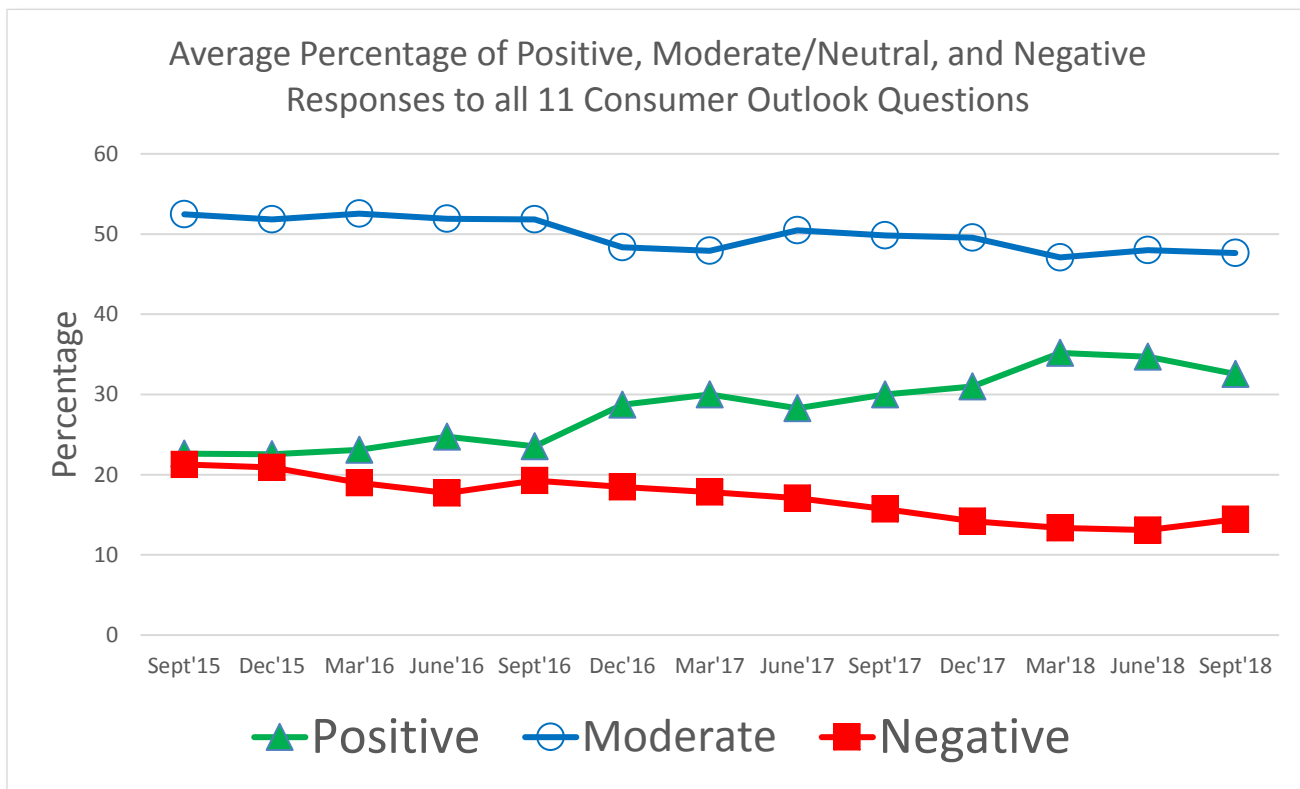
The chart below shows how the Tennessee Consumer Outlook Index has changed since September of 2015.

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 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” or think future economic conditions will be “worse.”



Economic Policies and the Economy: By Region of the State

		West TN	Mid. TN	East TN	Total TN
What effect have President Trump's economic policies had on the <u>overall American economy</u> ?	Very positive	21%	21%	24%	22%
	Somewhat positive	26%	28%	26%	27%
	Neither	10%	13%	12%	12%
	Somewhat negative	12%	19%	15%	15%
	Very negative	19%	13%	12%	15%
	No opinion/DK	12%	5%	11%	10%
What effect have President Trump's economic policies had on <u>employment and the number of jobs available</u> ?	Very positive	24%	26%	23%	24%
	Somewhat positive	27%	26%	30%	28%
	Neither	22%	20%	17%	20%
	Somewhat negative	5%	14%	12%	11%
	Very negative	11%	10%	7%	9%
	No opinion/DK	12%	4%	11%	9%
What effect have President Trump's economic policies had on your <u>personal employment and job situation</u> ?	Very positive	9%	14%	9%	11%
	Somewhat positive	7%	9%	11%	9%
	Neither	50%	55%	58%	54%
	Somewhat negative	7%	6%	6%	6%
	Very negative	7%	7%	4%	6%
	No opinion/DK	20%	9%	12%	14%
What effect have President Trump's economic policies had on your <u>personal financial situation</u> ?	Very positive	8%	14%	10%	11%
	Somewhat positive	17%	16%	18%	17%
	Neither	41%	43%	45%	43%
	Somewhat negative	13%	10%	13%	12%
	Very negative	8%	7%	6%	7%
	No opinion/DK	13%	10%	9%	10%
What effect have President Trump's <u>tax cuts</u> had on your <u>personal financial situation</u> ?	Very positive	8%	15%	10%	11%
	Somewhat positive	20%	20%	24%	21%
	Neither	42%	42%	44%	43%
	Somewhat negative	8%	9%	8%	8%
	Very negative	9%	5%	4%	6%
	No opinion/DK	14%	9%	11%	11%

Economic Policies and the Economy: By Political Affiliation

		Rep.	Dem.	Ind.	Total TN
What effect have President Trump's economic policies had on the <u>overall American economy</u> ?	Very positive	45%	2%	17%	22%
	Somewhat positive	39%	14%	25%	27%
	Neither	7%	11%	18%	12%
	Somewhat negative	4%	32%	17%	15%
	Very negative	3%	37%	13%	15%
	No opinion/DK	3%	4%	10%	10%
What effect have President Trump's economic policies had on <u>employment and the number of jobs available</u> ?	Very positive	50%	4%	15%	24%
	Somewhat positive	33%	15%	32%	28%
	Neither	9%	28%	25%	20%
	Somewhat negative	1%	26%	10%	11%
	Very negative	2%	21%	10%	9%
	No opinion/DK	4%	6%	8%	9%
What effect have President Trump's economic policies had on your <u>personal employment and job situation</u> ?	Very positive	20%	4%	8%	11%
	Somewhat positive	16%	1%	10%	9%
	Neither	50%	53%	57%	54%
	Somewhat negative	2%	15%	6%	6%
	Very negative	1%	12%	9%	6%
	No opinion/DK	11%	14%	10%	14%
What effect have President Trump's economic policies had on your <u>personal financial situation</u> ?	Very positive	20%	3%	9%	11%
	Somewhat positive	32%	4%	14%	17%
	Neither	34%	45%	45%	43%
	Somewhat negative	6%	25%	13%	12%
	Very negative	1%	14%	10%	7%
	No opinion/DK	7%	9%	9%	10%
What effect have President Trump's <u>tax cuts</u> had on your <u>personal financial situation</u> ?	Very positive	23%	4%	7%	11%
	Somewhat positive	31%	6%	21%	21%
	Neither	37%	47%	45%	43%
	Somewhat negative	2%	18%	10%	8%
	Very negative	1%	15%	7%	6%
	No opinion/DK	6%	9%	10%	11%

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. Even though outlook has subsided, Tennessee consumers remain hopeful about the economy.

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 less positive views of the overall U.S. economy and the current job market. Conversely, Tennessee consumers are comparatively more optimistic about 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.	40	34
Business conditions in the U.S. are bad.	9	12
Six months from now, business conditions in the U.S. will be better.	24	26
Six months from now, business conditions in the U.S. will be worse.	11	17
Jobs are easy to find (plentiful).	43	25
Jobs are hard to find.	13	19
Six months from now, there will be more job openings.	22	29
Six months from now, there will be fewer job openings.	14	11
In 12 months my personal financial situation (income) will be better.	26	45
In 12 months my personal financial situation (income) will be worse.	7	11

³ Source: August 28, 2018, "The Conference Board Consumer Confidence Index® Increased in August." (www.conference-board.org).

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

		Tenn.	Net	West TN	Net	Mid TN	Net	East TN	Net
		Sept'18	Change*	Sept'18	Change	Sept'18	Change	Sept'18	Change
		(%)		(%)		(%)		(%)	
Business conditions in the U.S. are:	Good	34	-7	30	-17	38	-2	33	-2
	In between	52		50		51		54	
	Bad	12		16		10		10	
Six months from now, business conditions in the U.S. will be:	Better	26	-11	23	-19	30	-6	25	-8
	About same	50		49		48		52	
	Worse	17		20		17		14	
Business conditions in Tennessee are:	Good	41	-4	35	-9	48	-3	40	0
	In between	46		47		41		49	
	Bad	11		14		10		9	
Six months from now, business conditions in Tennessee will be:	Better	28	-3	24	-11	32	-1	28	0
	About same	54		53		52		56	
	Worse	11		15		10		9	
Jobs in your area of Tennessee are (can be):	Easy to find	25	-2	15	-4	38	+3	22	-3
	Found w/effort	53		56		47		55	
	Hard to find	19		26		11		19	
In six months, there will be ___ jobs in your area of Tennessee.	More	29	-2	20	-8	39	+6	28	-4
	About same	52		58		46		53	
	Fewer	11		14		10		11	
Financially, how are you compared to a year ago?	Better	27	0	22	-12	33	+10	26	-1
	About same	49		50		48		50	
	Worse	23		27		18		24	
Financially, how will you be one year from now?	Better	45	-2	46	-4	48	-1	41	-2
	About same	40		37		40		45	
	Worse	11		14		10		8	
Now is a ___ time to buy major household items.	Good time	32	-5	33	-8	37	+5	27	-6
	In between	47		43		46		50	
	Bad time	12		13		10		11	
Now is a ___ time to buy a house.	Good time	36	-1	33	-15	34	+9	40	+2
	In between	36		35		38		35	
	Bad time	20		21		22		17	
Now is a ___ time to buy a car.	Good time	35	-2	34	-9	38	+6	34	-1
	In between	45		42		45		49	
	Bad time	12		14		11		10	

Consumer Spending, Saving, and Investments

		Tenn.	Net	West TN	Net	Mid TN	Net	East TN	Net
		Sept'18	Change	Sept'18	Change	Sept'18	Change	Sept'18	Change
		(%)		(%)		(%)		(%)	
Compared to last year, I will spend:	More	31	0	30	-5	28	-2	34	+7
	About same	45		42		50		43	
	Less	22		23		21		21	
Compared to last year, I am saving:	More	24	-8	27	-13	23	-9	22	-2
	About same	42		35		48		43	
	Less	31		35		26		31	
In the next 12 months, I will ___ my level of saving.	Increase	45	+2	46	0	48	+6	40	-1
	Keep same	41		38		40		45	
	Decrease	10		11		10		8	
In the next 12 months, the value of the stock market will be:	Higher	23	-8	24	-9	24	-9	21	-9
	About same	37		36		38		35	
	Lower	19		21		19		19	
In 12 months the value of my savings and investments will be:	Higher	34	-6	34	-7	36	-9	32	-1
	About same	40		39		37		42	
	Lower	14		16		15		10	
If I lost my job, I would survive financially.	Definitely yes	12	-1	12	-8	14	+3	10	+1
	Probably yes	18		17		19		18	
	Maybe	14		15		13		15	
	Probably no	18		18		19		18	
	Definitely no	33		35		30		35	
In 12 months the total amount of my credit card debt will be:	Higher	5	-7	5	-15	4	-3	5	-4
	About same	42		40		46		40	
	Lower	44		46		40		47	

* 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 September 4 and September 17, 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?