**Middle Tennessee Consumer Outlook Index**

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**The Office of Consumer Research**

at Middle Tennessee State University

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**Consumers’ Outlook on the Economy Improves**

Local consumers’ outlook on the economy has improved since the beginning of the year. Even though consumers in Middle Tennessee continue to hold negative perceptions of the current economy, the overall consumer outlook index increased to 184, up from 151 in January of 2012. This continues a steady trend of improving perceptions of the economy which began in the second half of 2011. However, when viewed from a historical perspective, the overall confidence index is still at a relatively low level given that the index was routinely in the 200 to 300 range during the first half of the last decade.

Local consumers’ perceptions of the current economy have improved, and the increase in the purchasing index suggests that consumers increasingly view now as a good time to make large purchases. A growing percent of consumers expect to increase their level of consumer spending from last year. However, some of this expected increased spending could be the result of escalating gasoline prices. Further, increased consumer spending could be tempered by growing uneasiness about the future of the economy. Worries about the current job market, concerns about the growing national debt, and fears of higher taxes have led to uncertainty about the direction of the future economy.

The current poll of 404 randomly selected adult residents of Davidson, Rutherford and Williamson counties was conducted the evenings of Monday, April 23 and Tuesday, April 24.

**The Middle Tennessee Consumer Outlook Index and Components**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Apr ‘10 | Jun ‘10 | Sept ‘10 | Dec ‘10 | Feb ‘11 | Apr ‘11 | May ‘11 | Sept ‘11 | Dec  ‘11 | Jan  ‘12 | **Apr ‘11** |
| Overall Outlook Index | 99 | 102 | 76 | 69 | 129 | 54 | 63 | 27 | 112 | 151 | **184[[1]](#footnote-1)** |
| Current Situation Index | -99 | -86 | -93 | -90 | -74 | -83 | -80 | -86 | -64 | -55 | **-24** |
| Future Expectations Index | 117 | 98 | 99 | 86 | 123 | 75 | 99 | 59 | 97 | 125 | **115** |
| Purchasing Index | 81 | 90 | 70 | 73 | 80 | 62 | 44 | 54 | 79 | 81 | **93** |

The consumer outlook index scores are based on consumers’ responses to eleven 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 eleven questions combined (the 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 would indicate that 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 would indicate that the number of consumers who hold positive views of the economy outnumber those who hold negative views of the economy.

**Changes in Consumers’ Perceptions of the Economy**

The table below shows how consumers’ responses to selected survey questions have changed since January 2012.

|  |  |  |
| --- | --- | --- |
|  | April  2012  (%) | Change from  January  2012 |
| Business conditions in the U.S. are Good. | **11** | **4%** |
| Six months from now, business conditions in the U.S. will be Better. | **33** | **3%** |
| Business conditions in Middle Tennessee are Good. | **32** | **5%** |
| Six months from now, business conditions in Middle Tennessee will be Better. | **37** | **1%** |
| Jobs in Middle Tennessee are Easy To Find. | **5** | **No Change** |
| Six months from now there will be More Job Openings in Middle Tennessee | **40** | **1%** |
| I am Better Off Financially than I was one year ago. | **19** | **No Change** |
| 12 months from now I will be Better Off Financially than I am today. | **44** | **5%** |
| Now is a Good Time To Make Large Purchases. | **32** | **No Change** |
| Now is a Good Time To Buy A Home. | **71** | **3%** |
| Now is a Good Time To Buy A Car. | **34** | **1%** |

**Current Economy**

The current situation index improved to -24 from -55 in January. The fact that the current situation index is still in the negative range indicates that the number of consumers who hold negative views of the current economy outnumber those who hold positive views of the current economy.

Local consumers continue to hold more positive views of the local economy than the overall U.S. economy. The percent of local consumers who said that business conditions in the country as a whole are “good” rose to 11 from 7. Comparatively, the percent who said that business conditions in Middle Tennessee are “good” gained to 32 from 27.

**Job Market**

Concerns about employment and the job market continue to place a drag on consumers’ feelings toward the economy. Very few consumers have confidence in the current job market, with only five percent saying that jobs are “easy to find.” This percentage has remained relatively unchanged in the single digits since December of 2008.

Further, local consumers have not changed much with respect to their perceptions of the future job market. The percent who said that there will be “more job openings” in the next six months gained only slightly to 40 from 39.

**Future Economy**

In contrast to the gains seen with respect to the present situation index and the purchasing index, the future expectations index dropped to 115 from 125, indicating that local consumers’ optimism about the future of the economy might be waning. The percent who said that six months from now business conditions in the U.S. will be “better” dropped to 33 from 36. This was coupled with an increase in the percent who expect the overall economy to be worse in the next six months, to 15 from 7. Such negative expectations can be influenced by the recent increases in gasoline prices, fears of higher taxes, worries about the ever growing government debt, and general uncertainty about the direction of the economy. Expectations for the future of the local economy remained relatively unchanged.

Decreases in expectations for the future of the overall economy were offset somewhat by increased expectations regarding personal finances. The percent who said that in the next 12 months they will be “better off financially” rose to 44 from 39.

**Taxes**

Even though the purchasing index rose, increases in taxes can decrease the amount of money that consumers have for discretionary spending. We see a significant increase in the percent of consumers who expect their tax bills to rise in the future. The percent who expect to pay more in taxes in the next year rose to 60 from 49 in January. Consumers are becoming increasing fearful of higher taxes as a way to deal with the ever growing government debt.

**Consumer Investments: The Stock Market**

Offsetting consumers’ fears about higher taxes is an increased expectation that the U.S. stock market will continue to rise, thus giving consumers a greater feeling of wealth as their investments and savings grow. Only 14 percent of consumers expect the stock market to decrease in value within the next 12 months.

**Consumer Saving**

Consumers were also asked about their current level of saving compared to their level of saving before the most recent recession began. While in the past year we saw a greater tendency for consumers to have decreased their level of saving, we are beginning to see a slight rise in the percent of consumers who are increasing their level of saving.

Consumers were also asked to look ahead and predict their level of saving after the most recent recession has completely ended and the economy strengthens. We have consistently seen that consumers expect to either maintain their current level of saving or increase their level of saving in the future. Very few consumers expect to decrease their level of saving.

**The Bottom Line: Consumer Spending**

A key question for local retailers is whether or not consumers will increase their spending as a result of this growing confidence in the economy. The overall increase in consumers’ outlook regarding the economy can have a positive effect on their desire to spend money. The percent of consumers who expect to increase their level of consumer spending rose to 31 from 24. However, some of this expected increase in consumer spending could be due in part to the recent increases in gasoline prices.

**Perceptions of the Economy: Comparison to The Nation**

Compared to consumers across the country as a whole, local consumers have traditionally held more positive perceptions of the economy. Even though local consumers have slightly more negative views of the current American economy and the current job market, local consumers are comparatively more optimistic about the future of the American economy, are more optimistic about the future of the job market, and are more optimistic about their personal financial situation in the next year. The table below illustrates some of these differences in consumers’ responses to selected survey questions.

|  |  |  |
| --- | --- | --- |
| Comparing Middle Tennessee Consumers to  Consumers Across the Country as a Whole | Nation  (%) | Mid.  Tenn.  (%) |
| Business conditions in the U.S. are good. | **15[[2]](#footnote-2)** | **11** |
| Six months from now, business conditions in the U.S. will be better. | **19** | **33** |
| Jobs are easy to find (plentiful). | **8** | **5** |
| Six months from now, there will be more job openings. | **17** | **40** |
| In 12 months my personal financial situation (income) will be better. | **14** | **44** |

**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 confidence that translate into reduced purchasing patterns can have significant negative effects on the economy. Conversely, increases in consumer confidence 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 begin to produce more and retailers begin to fill jobs to meet increased consumer demand. This type of self-fulfilling prophecy is illustrated below in the *Consumer Confidence Cycle*.

**The Self-Fulfilling Prophecy of the Consumer Confidence Cycle**

|  |  |  |
| --- | --- | --- |
| **Consumer Optimism** |  | **Consumer Pessimism** |
| **Increased consumer confidence,**  *leads to …* |  | **Decreased consumer confidence,**  *leads to …* |
| **Increased consumer spending,**  *which leads to …* |  | **Decreased consumer spending,**  *which leads to …* |
| **Retailers hire more employees and purchase more inventory from suppliers,**  *which leads to …* |  | **Retailers hire fewer employees and purchase less inventory from suppliers,**  *which leads to …* |
| **Suppliers (manufacturers) must make more products,**  *which leads to …* |  | **Suppliers (manufacturers) must make fewer products,**  *which leads to …* |
| **Suppliers (manufacturers) hire more employees,**  *which leads to …* |  | **Suppliers (manufacturers) hire fewer employees,**  *which leads to …* |
| **More retail and manufacturing employees,**  *which leads to …* |  | **Fewer retail and manufacturing employees,**  *which leads to …* |
| **More consumers with pay checks who are able to spend,**  *which leads to …* |  | **Fewer consumers with pay checks who are able to spend,**  *which leads to …* |
| **Growing economy,**  *which leads to …* |  | **Slowing economy,**  *which leads to …* |
| **Increased consumer confidence,**  *which leads to …* |  | **Decreased consumer confidence,**  *which leads to …* |

**About the Survey**

The results reported here are based on telephone interviews with 404 randomly selected adult residents, 18 years and older, from Davidson County, Rutherford County and Williamson County. Phone interviews were conducted between 4:30 pm and 8:30 pm on Monday, April 23, and Tuesday, April 24. With a sample of 404 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 ± 4.9%. Other factors such as problems with question wording and question interpretation can also introduce additional bias or error into the results. Results from the Middle 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 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 (see the following tables of results). The Future Expectations Index is based on questions 2, 4, 6, and 8. The Purchasing Index is based on questions 9, 10, and 11.

**About the Office of Consumer Research at MTSU**

In 2000, the Management and Marketing Department at Middle Tennessee State University received funding from an MTSU Technology Access Fee grant to create a telephone survey research lab and the Office of Consumer Research to be housed in the department. The Office of Consumer Research uses the telephone survey lab to conduct surveys of consumers in Middle Tennessee. The surveys measure consumers’ perceptions of economic conditions in the country as a whole as well as in Middle Tennessee. Similar surveys conducted by the Conference Board and the Survey Research Center at the University of Michigan have been shown to be very predictive of key economic indicators such as inflation, interest rates and consumer spending.

Students in Professor Timothy R. Graeff’s marketing research courses conduct the telephone surveys. For further information contact Timothy R. Graeff, Professor of Marketing and Director, Office of Consumer Research (898-5124; Tim.Graeff@mtsu.edu).

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Consumer Outlook |  | Apr | Jun | Sept | Dec | Feb | Apr | May | Sept | Dec | Jan | **Apr** |
| Recent Results: |  | 10 | 10 | 10 | 10 | 11 | 11 | 11 | 11 | 11 | 12 | **12** |
|  |  | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | **(%)** |
| Are business conditions | Good | 7 | 7 | 5 | 7 | 8 | 8 | 9 | 7 | 9 | 7 | **11** |
| in the U.S. | In Between | 59 | 61 | 54 | 58 | 64 | 58 | 65 | 52 | 55 | 62 | **66** |
|  | Bad | 33 | 32 | 41 | 34 | 28 | 34 | 26 | 41 | 36 | 30 | **21** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Six months from now, | Better | 42 | 39 | 33 | 35 | 44 | 27 | 34 | 30 | 32 | 36 | **33** |
| will business conditions | About same | 42 | 43 | 45 | 47 | 44 | 54 | 50 | 49 | 49 | 54 | **49** |
| in the U.S. be: | Worse | 15 | 16 | 18 | 17 | 10 | 17 | 15 | 19 | 18 | 7 | **15** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Are business conditions | Good | 17 | 25 | 20 | 18 | 23 | 24 | 25 | 23 | 24 | 27 | **32** |
| in Middle TN: | In Between | 59 | 60 | 63 | 62 | 59 | 57 | 60 | 60 | 59 | 55 | **59** |
|  | Bad | 22 | 14 | 16 | 19 | 17 | 16 | 15 | 16 | 15 | 16 | **9** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Six months from now, | Better | 42 | 40 | 38 | 36 | 40 | 33 | 38 | 31 | 40 | 38 | **37** |
| will business conditions | About same | 48 | 51 | 51 | 53 | 51 | 55 | 53 | 57 | 49 | 54 | **54** |
| in Middle TN be: | Worse | 10 | 7 | 9 | 11 | 8 | 10 | 8 | 11 | 9 | 6 | **7** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Are jobs in Middle TN: | Easy to find | 2 | 3 | 3 | 4 | 3 | 3 | 5 | 4 | 5 | 5 | **5** |
|  | Found w/effort | 38 | 38 | 41 | 41 | 42 | 46 | 37 | 42 | 51 | 46 | **51** |
|  | Hard to find | 55 | 56 | 51 | 52 | 53 | 47 | 57 | 51 | 41 | 41 | **38** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| In Middle TN six months | More | 35 | 37 | 35 | 29 | 39 | 34 | 32 | 26 | 38 | 39 | **40** |
| from now there will be | About same | 48 | 50 | 50 | 54 | 48 | 51 | 54 | 53 | 49 | 47 | **46** |
| (# of job): | Fewer | 14 | 10 | 12 | 15 | 11 | 12 | 13 | 19 | 11 | 9 | **11** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Compared to a year ago, | Better | 15 | 12 | 17 | 17 | 18 | 16 | 13 | 19 | 17 | 19 | **19** |
| is your personal financial | About same | 55 | 57 | 54 | 52 | 54 | 48 | 53 | 50 | 57 | 54 | **58** |
| situation: | Worse | 30 | 31 | 30 | 31 | 28 | 37 | 34 | 31 | 27 | 26 | **23** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| In 12 months will your | Better | 45 | 26 | 40 | 40 | 37 | 34 | 37 | 32 | 35 | 39 | **44** |
| personal financial | About same | 46 | 62 | 52 | 49 | 55 | 52 | 57 | 57 | 55 | 53 | **50** |
| situation be: | Worse | 8 | 11 | 8 | 11 | 8 | 14 | 6 | 11 | 10 | 5 | **6** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to | Good time | 33 | 36 | 32 | 39 | 36 | 30 | 25 | 28 | 33 | 32 | **32** |
| buy large items for | In between | 38 | 36 | 38 | 33 | 37 | 41 | 48 | 39 | 39 | 42 | **45** |
| the home? | Bad time | 27 | 24 | 28 | 26 | 23 | 25 | 22 | 28 | 22 | 18 | **18** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to | Good time | 70 | 63 | 68 | 65 | 66 | 64 | 57 | 61 | 66 | 68 | **71** |
| buy a house? | In between | 14 | 24 | 16 | 15 | 15 | 18 | 17 | 18 | 16 | 14 | **17** |
|  | Bad time | 14 | 13 | 14 | 18 | 17 | 15 | 23 | 18 | 15 | 15 | **11** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Is now a good time to | Good time | 42 | 46 | 38 | 36 | 38 | 35 | 28 | 34 | 37 | 33 | **34** |
| buy a car? | In between | 33 | 34 | 33 | 38 | 38 | 35 | 47 | 39 | 38 | 42 | **47** |
|  | Bad time | 23 | 18 | 26 | 23 | 20 | 27 | 21 | 23 | 20 | 19 | **15** |

**The Middle Tennessee Consumer Outlook Survey:**

**[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 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 conditions will be better than they are today, worse than they are today, or just about the same?
3. **[C]** Now turning to business conditions in Middle Tennessee, would you say that business conditions in Middle Tennessee are good, bad, or somewhere in between?
4. **[F]** And how about 6 months from now, do you expect that in Middle Tennessee business conditions 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 are easy to find, can be found with effort, or hard to find?
6. **[F]** How about in the next 6 months, do you expect that in Middle Tennessee 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 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?

**Middle Tennessee Consumer Outlook Index**

1. The score is computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. [↑](#footnote-ref-1)
2. Source: April 24, 2012, “The Conference Board Consumer Confidence Index® Virtually Unchanged,” ([www.conference-board.org](http://www.conference-board.org)). The next consumer confidence report from The Conference Board is scheduled for Tuesday, May 29. [↑](#footnote-ref-2)