



Tennessee Consumer Outlook Index

Office of Consumer Research
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Tennessee Consumers Are Warming to the Economy as We Enter the Summer Months

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers across the state are feeling more positive about the economy as we head into the summer months.¹ The Tennessee Consumer Outlook Index rose to 77 from 45 in March.²

Tennessee Consumer Outlook Index and Components

Increase/Decrease from March 2016

	TN June '16		West TN June '16		Mid TN June '16		East TN June '16	
		Change		Change		Change		Change
Overall Outlook Index	77	32	27	5	147	55	45	28
Current Situation Index	-10	25	-40	18	30	34	-24	22
Future Expectations Index	49	12	32	-7	69	23	38	12
Purchasing Index	38	-5	35	-6	48	-2	31	-6

Current Economy and Jobs. This increase in overall outlook was due in large part to consumers feeling better about the current state of the economy. The Current Situation Index rose to -10 from -35. However, the fact that the Current Situation Index is still in the negative range indicates a greater percentage of consumers have negative views of the current economy than have positive views. For example, more consumers said business conditions in the U.S. are “bad” (24 percent) versus “good” (15 percent).

¹ The current online survey of 605 Tennessee residents was conducted between June 1 and June 10.

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).

The job market continues to be a drag on consumers' outlook. Even though there was a healthy net improvement in consumers' perceptions of the job market, still only 15 percent said jobs are "easy to find," versus 27 percent who said jobs are "hard to find." Anxiety about the job market remains highest in West Tennessee, where only 9 percent viewed jobs as "easy to find" versus 34 percent who viewed them as "hard to find."

The Tennessee Economy. Compared to their views regarding the national economy, Tennessee consumers are more upbeat about the state's economy. One in four (26 percent) said business conditions in Tennessee are "good," compared to 16 percent who said they are "bad." The most positive views of the local economy are found among middle Tennessee consumers, where 35 percent said business conditions in Tennessee are "good," versus only 9 percent who said they are "bad."

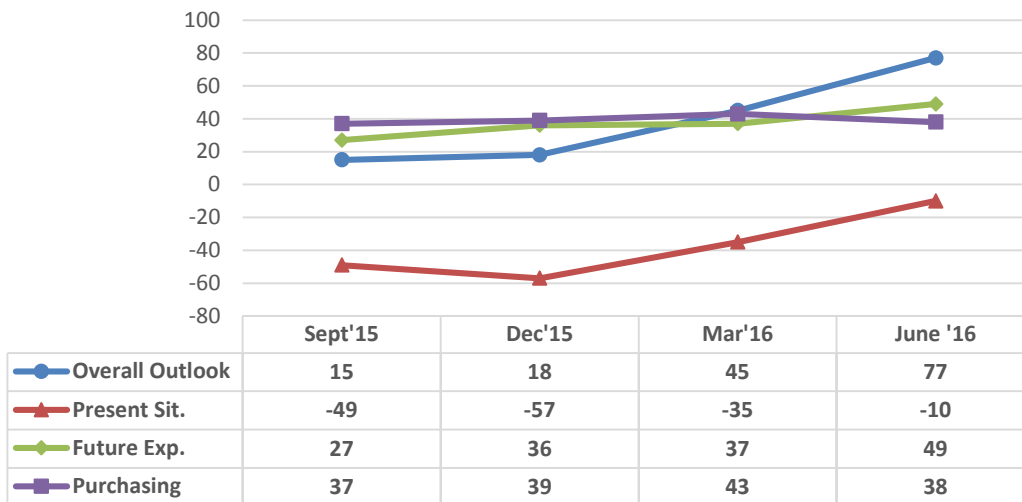
Future Expectations. Overall, Tennessee consumers are also feeling better about the future of the economy. The Future Expectations Index gained to 49 from 37. The most optimistic consumers are in middle Tennessee, where the Expectations Index rose to 69 from 46 in March. Conversely, consumers in west Tennessee feel less optimistic as their Expectations Index actually dropped to 32 from 39.

Spending. Interestingly, even though consumers feel better about the economy, the Purchasing Index dipped to 38 from 43. There was a net decrease in the percent of consumers who believe now is a good time to make large purchases, such as a house or a car. This decrease in the Purchasing Index was relatively consistent across all three regions of the state. However, on a positive note, there was a net increase in the percent who said they expect to increase their level of consumer spending. The percent who said that compared to last year they expect to "spend more" gained to 35 from 29 in March. The percent who expect to "spend less" dipped to 24 from 27. The largest net increase in expected spending is in east Tennessee. These equivocal results suggest that more positive views of the current economy might not translate into immediate increases in consumer spending in the near future.

Financial Insecurity. Spending decisions are often based on consumers' sense of security and stability when it comes to employment and personal finances. Unfortunately, when asked if they would be able to survive financially if they lost their job (or primary source of income) tomorrow, the majority of consumers (54 percent) responded with either "definitely no" or "probably no." Only 26 percent responded with either "definitely yes" or "probably yes." This pattern is consistent across the three regions of the state.

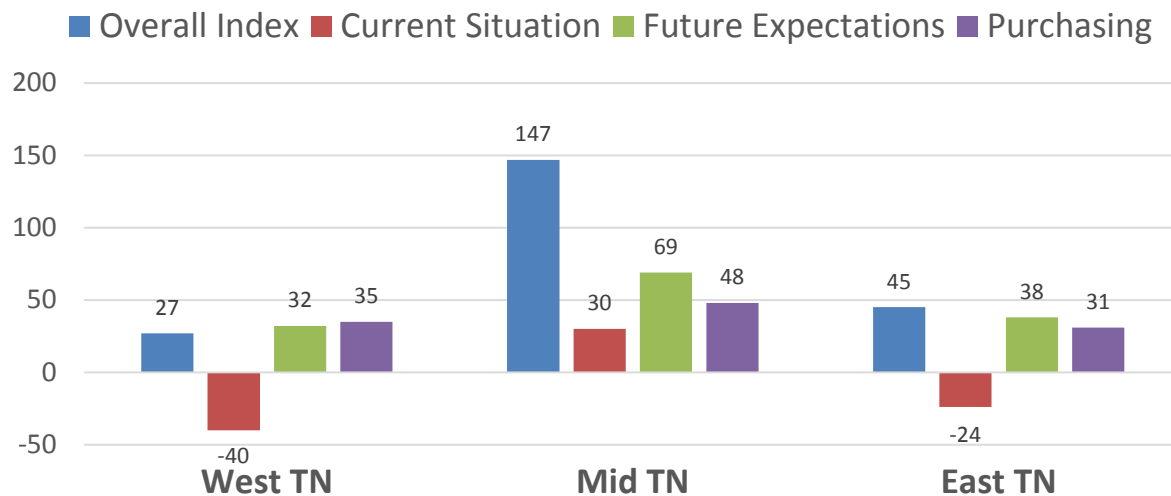
Building a Foundation for Future Spending. The chart below shows how the Tennessee Consumer Outlook Index has changed since September of last year. Although this shows a general trend toward more optimism during the past nine months, Tennessee consumers' views toward making large purchases have remained relatively stable. Even if growing confidence in the economy might not stimulate immediate increases in consumer spending, growing confidence in the economy can become the foundation for greater willingness among consumers to open their wallets and increase spending later in the year.

Tennessee Consumer Outlook Index



Local Economies. Consumers in middle Tennessee continue to be the most optimistic and also have the most significant improvement in outlook. Conversely, consumers in west Tennessee still lag behind the other two regions in terms of overall outlook regarding the economy.

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.

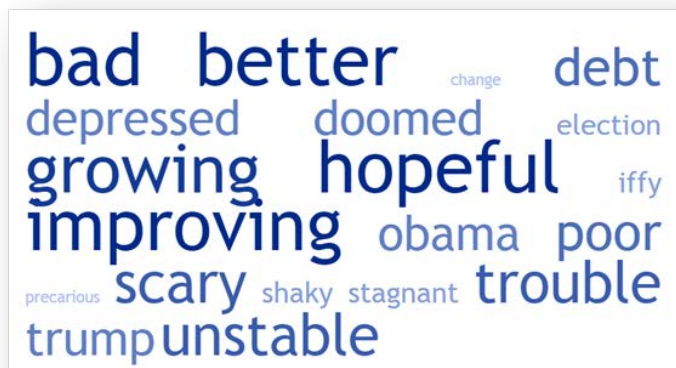
Perceptions of the Economy—In One Word

Consumers were also 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.

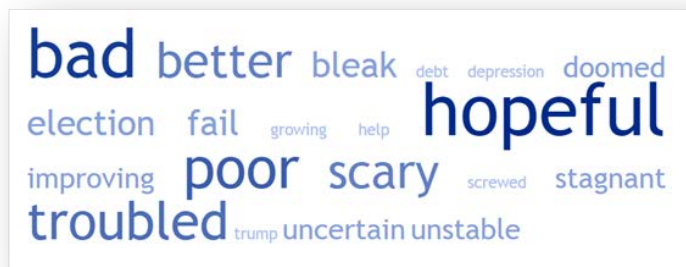
West Tennessee



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 more optimistic about the future of the job market and their 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.	26	15
Business conditions in the U.S. are bad.	22	24
Six months from now, business conditions in the U.S. will be better.	15	16
Six months from now, business conditions in the U.S. will be worse.	12	18
Jobs are easy to find (plentiful).	24	15
Jobs are hard to find.	24	27
Six months from now, there will be more job openings.	13	24
Six months from now, there will be fewer job openings.	18	16
In 12 months my personal financial situation (income) will be better.	16	43
In 12 months my personal financial situation (income) will be worse.	12	8

³ Source: May 31, 2016, "The Conference Board Consumer Confidence Index® Declined Again in May." (www.conference-board.org).

Consumer Outlook Index with Net Change* (Increase or Decrease) from March 2016

		Tennessee June '16 (%)	Net Change*	West TN June '16 (%)	Net Change	Mid TN June '16 (%)	Net Change	East TN June '16 (%)	Net Change
Business conditions in the U.S. are:	Good	15	6	14	4	17	6	15	6
	In between	57		59		59		54	
	Bad	24		25		21		27	
Six months from now, business conditions in the U.S. will be:	Better	16	0	14	-7	18	4	14	-1
	About same	59		61		56		61	
	Worse	18		20		17		19	
Business conditions in Tennessee are:	Good	26	4	18	6	35	7	24	1
	In between	54		60		53		52	
	Bad	16		19		9		20	
Six months from now, business conditions in Tennessee will be:	Better	20	3	17	2	25	5	18	3
	About same	62		63		59		65	
	Worse	12		14		9		12	
Jobs in your area of Tennessee are (can be):	Easy to find	15	11	9	9	20	13	14	8
	Found w/effort	56		54		56		57	
	Hard to find	27		34		20		28	
In six months, there will be ____ jobs in your area of Tennessee.	More	24	5	19	0	29	6	22	6
	About same	54		57		50		56	
	Fewer	16		18		15		17	
Financially, how are you compared to a year ago?	Better	27	4	27	-1	29	8	25	7
	About same	46		41		49		46	
	Worse	26		30		21		27	
Financially, how will you be one year from now?	Better	43	4	44	-2	45	8	41	4
	About same	43		42		43		44	
	Worse	8		10		7		9	
Now is a ____ time to buy major household items.	Good time	23	0	22	-2	27	3	19	-1
	In between	52		51		50		54	
	Bad time	14		15		12		15	
Now is a ____ time to buy a house.	Good time	36	-2	36	-3	39	-2	34	-3
	In between	37		37		35		40	
	Bad time	19		20		19		19	
Now is a ____ time to buy a car.	Good time	27	-3	27	-1	27	-3	26	-2
	In between	51		49		51		52	
	Bad time	15		15		14		14	

Consumer Spending, Saving, and Investments

		Tennessee Mar. '16 (%)	Net Change	West TN Mar. '16 (%)	Net Change	Mid TN Mar. '16 (%)	Net Change	East TN Mar. '16 (%)	Net Change
Compared to last year, I will spend:	More	35	9	34	6	32	0	38	23
	About the same	38		36		40		37	
	Less	24		26		25		21	
Compared to last year, I am saving:	More	28	-3	28	-6	28	-4	26	-2
	About the same	36		33		39		36	
	Less	33		35		30		35	
In the next 12 months, I will ___ my level of saving.	Increase	47	3	45	4	51	5	46	3
	Keep it the same	34		36		32		36	
	Decrease	13		13		12		13	
In the next 12 months, the value of the stock market will be:	Higher	16	1	16	-2	17	3	16	0
	About the same	40		41		40		39	
	Lower	23		25		20		26	
In 12 months the value of my savings and investments will be:	Higher	30	4	30	5	32	6	26	2
	About the same	42		40		39		46	
	Lower	17		17		17		17	
If I lost my job, I would survive financially.	Definitely y Yes	9	1	8	-2	9	4	9	3
	Probably y Yes	17		17		20		15	
	Maybe	16		20		13		15	
	Probably n No	22		19		28		19	
	Definitely n No	32		33		27		36	

* 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 pay checks who are able to spend, <i>which leads to ...</i>	Fewer consumers with pay checks 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 605 randomly selected adult residents of Tennessee. Online surveys were conducted between June 1 and June 10, 2016. Using the panel-sampling services of Qualtrics.com, a stratified sampling procedure was used to ensure an equal representation of consumers from each region of the state. With a sample of 605 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 (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?