



Tennessee Consumer Outlook Index

Office of Consumer Research
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December 14, 2018

Tennessee Consumers' Outlook Continues to Weaken

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers' outlook on the economy continues to weaken.¹ The Tennessee Consumer Outlook Index dropped to 159 from 199 in September.² This continues a similar decline from June to September of this year. The Overall Index is now slightly lower than it was this time last year. However, the overall mood of Tennessee consumers remains positive, albeit not as positive as it was earlier this year.

Consumers' perceptions of the current economy and the future economy lessened. Similarly, their perception that now is a good time to make large purchases also declined. This general decline in outlook was consistent across the state with consumers in middle and east Tennessee showing the largest decline in outlook. The current online survey of 630 Tennessee consumers was conducted between December 3 and December 7.

Tennessee Consumer Outlook Index and Components

Increase/Decrease from September 2018

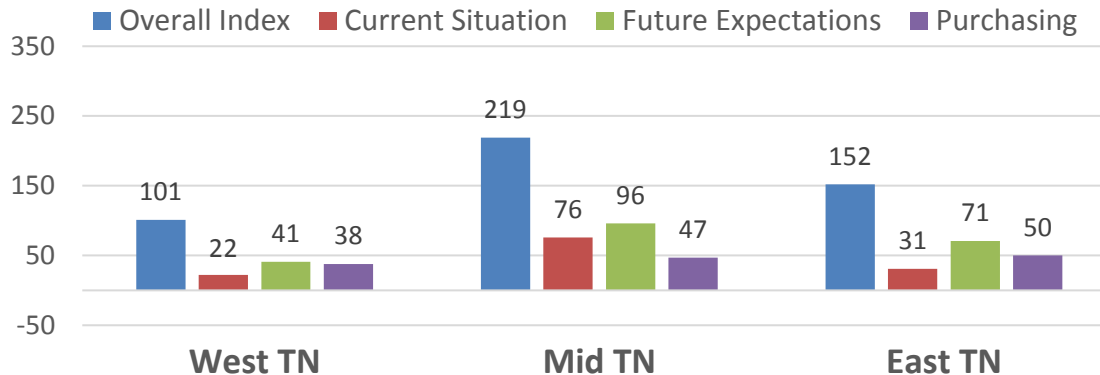
	TN Dec '18 (n=630)	Change from Sept	West TN Dec '18 (n=210)	Change from Sept	Mid TN Dec '18 (n=210)	Change from Sept	East TN Dec '18 (n=210)	Change from Sept
Overall Outlook Index	159	-40	101	-20	219	-57	152	-50
Current Situation Index	43	-19	22	+3	76	-32	31	-28
Future Expectations Index	70	-8	41	-9	96	-6	71	-9
Purchasing Index	46	-13	38	-14	47	-19	50	-13

¹ The current online survey of 630 Tennessee residents was conducted between December 3 and December 7.

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).

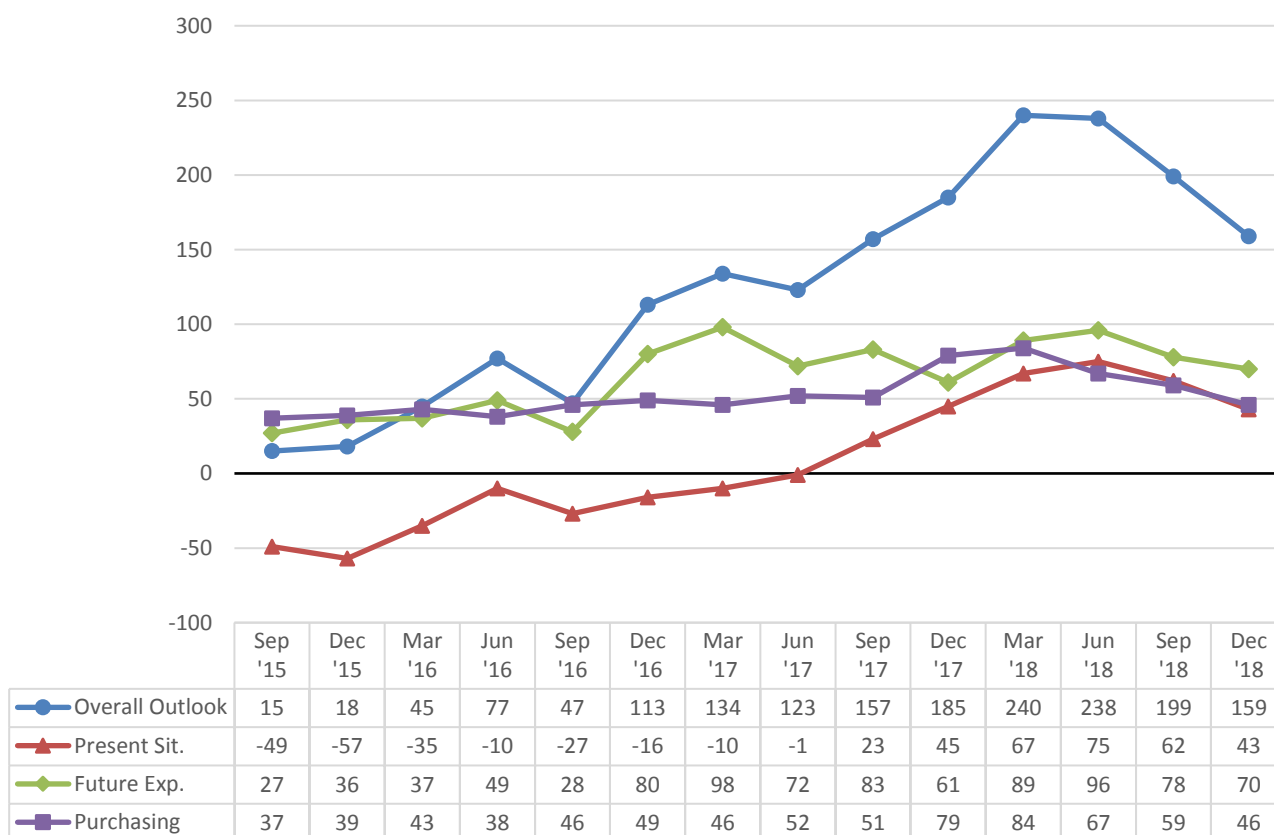
The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero indicates the percentage of consumers who hold negative views of the economy is equal to the percentage of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



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

Tennessee Consumer Outlook Index



Why the Decline in Outlook? It is interesting that these declines in outlook come at a time when the U.S. economy is doing well. GDP is growing, unemployment is at low levels we have not seen in nearly 50 years, and wage growth is strong. So, why the drop in outlook? A number of factors might contribute to this diminishing outlook. Moreover, it should be noted that similar declines in outlook have been observed across the country as a whole. The Conference Board index of consumer confidence also dropped in November of this year.

Stocks and Investments. We see a net decline in Tennessee consumers' confidence in the stock market and the value of their investments. Fewer consumers expect the stock market to be higher in the next 12 months (19 percent) versus those who expect it to be lower (23 percent). In addition, slightly less than one-third (32 percent) expect the value of their savings and investment to be higher 12 months from now. It is easy to see why consumers' expectations for the stock market and their investments have faded. The current survey was conducted from December 3 to December 7. The stock market saw wild fluctuations during this period. From November 30 to December 6 the Dow dropped by a total of 878 points, or almost 3½ percent. In addition, single day declines during this period reached nearly 800 points.

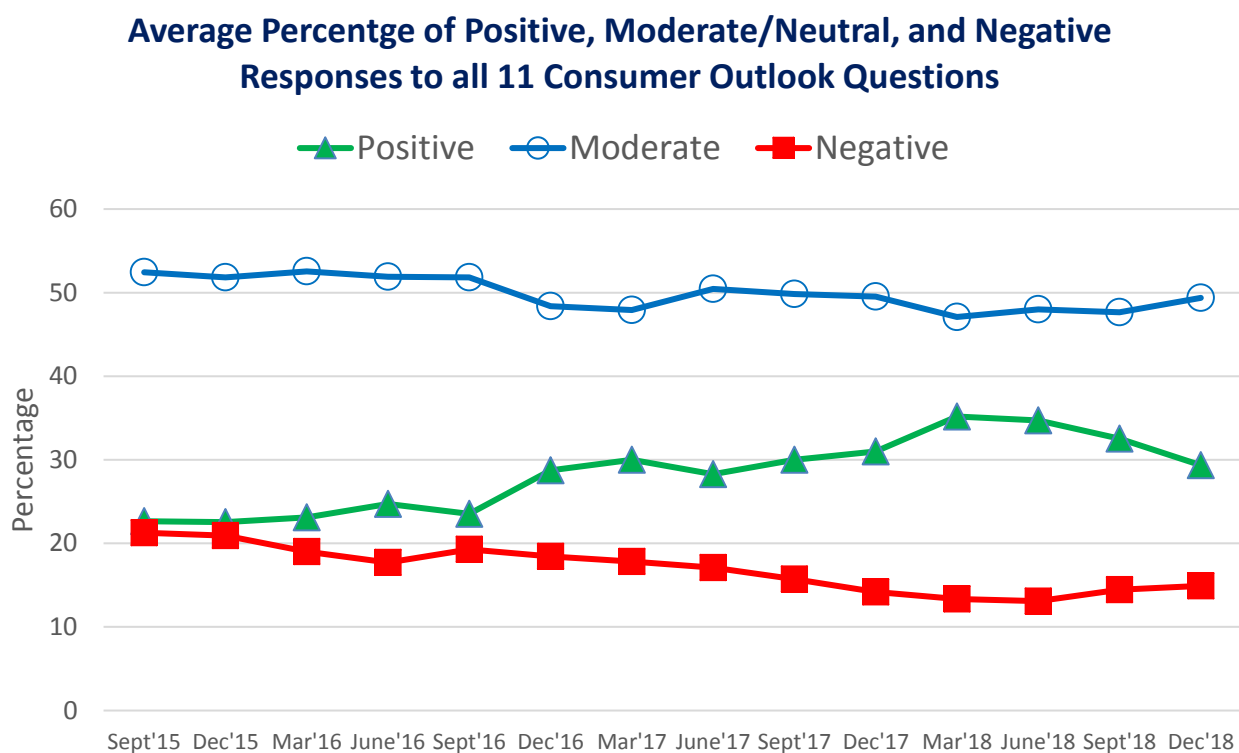
Political Uncertainty. Consumers also hear news reports regarding possible negative effects of tariffs and a trade war with China. Such anxiety can lead many consumers to question the ability of the economy to grow at its current pace. Furthermore, not all consumers viewed the results of the recent midterm elections similarly. We found that across the state 29 percent expect the election results to have a positive effect, whereas 20 percent expect a negative effect. The largest percentage (35 percent) expect the election results to have neither a positive nor a negative effect on the economy (see page 9 of this report).

The Final Word. The fundamentals of the U.S. economy remain strong and solid. As such, 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, evidenced by recent volatility in the stock market. Although declining, Tennessee consumers' outlook remains positive. The percentage of consumers with positive views continues to outnumber those who hold negative views (see page 4). Still, such concerns and anxiety about the economy might find their way into consumers' spending decisions during this ever-important Christmas and holiday shopping season. Diminishing outlook leading to decreases in consumer spending could signal slower growth in the future.

Christmas and holiday spending. A decline in consumer outlook is not the news businesses and retailers like hearing heading into December. Many retailers rely heavily on December sales numbers. Unfortunately, a greater percentage of Tennessee consumers expect to "spend less than they spent last year" (30 percent) versus "more than they spent last year" (24 percent; see pages 6 & 7). When buying Christmas and holiday gifts during the recent Thanksgiving weekend, most consumers did their shopping online (39 percent) or at big-box retailers such as Walmart and Target (31 percent). One-third of Tennessee consumers did not do any shopping this Thanksgiving weekend. The majority (62 percent) expect to spend less than \$500 on gifts this year.

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. The word clouds below show the 15 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 waned, Tennessee consumers remain hopeful about the economy.

West Tennessee



Middle Tennessee



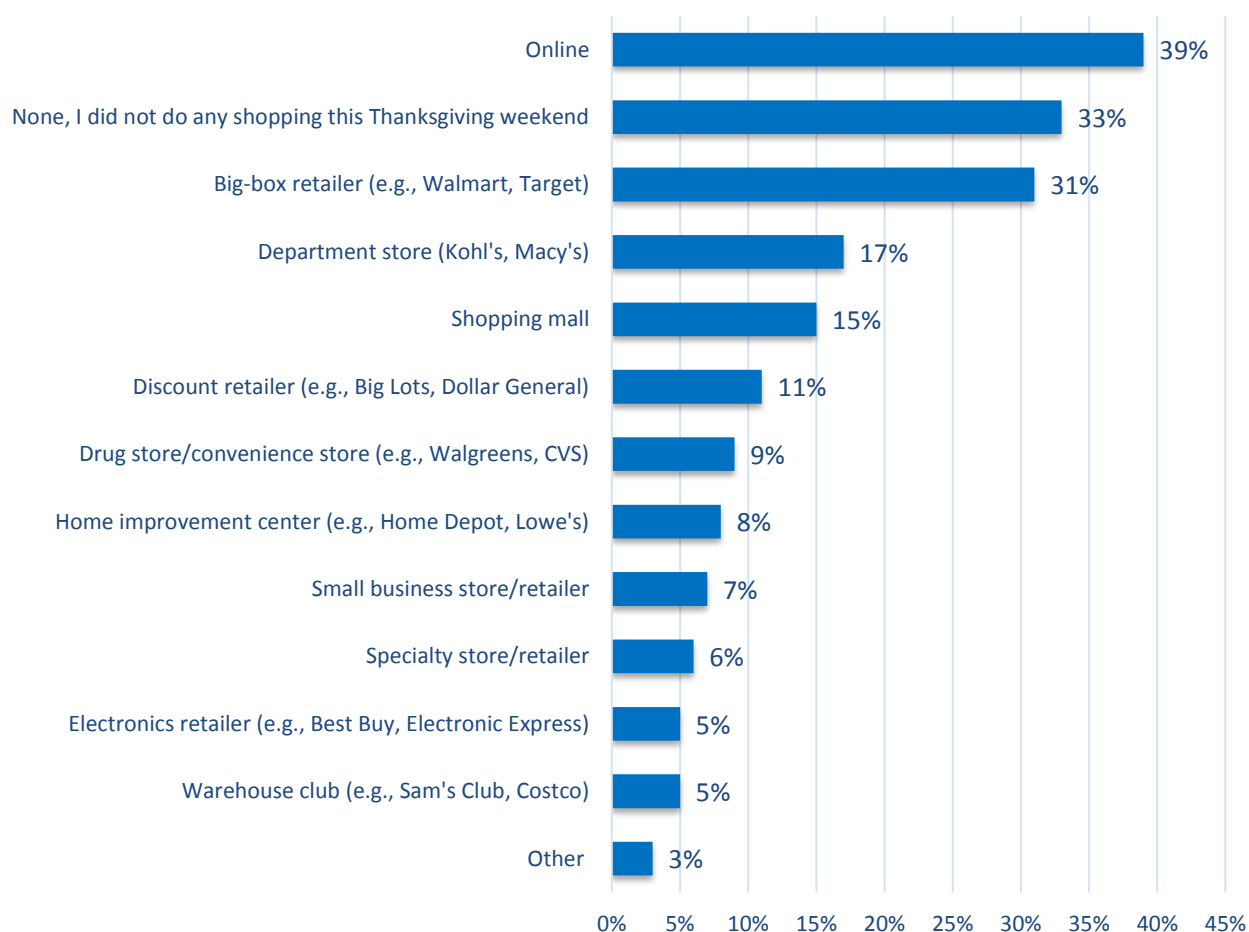
East Tennessee



Christmas and Holiday Spending

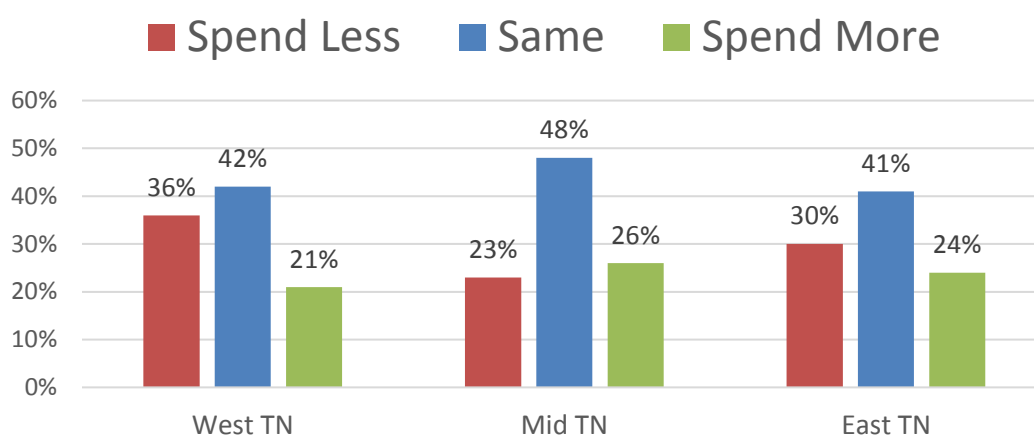
Consumers were asked about their shopping and spending plans for the Christmas and holiday season. When asked if they did any shopping over the Thanksgiving weekend (including Black Friday, Small Business Saturday, and Cyber Monday), most consumers either made purchases online (39%) or went to big-box retailers such as Walmart or Target (31%). One-third (33%) did not do any shopping during the traditional Thanksgiving weekend shopping days.

If you did some shopping this Thanksgiving weekend (including Black Friday, Small Business Saturday, Cyber Monday), please tell us where you went shopping (check all that apply).

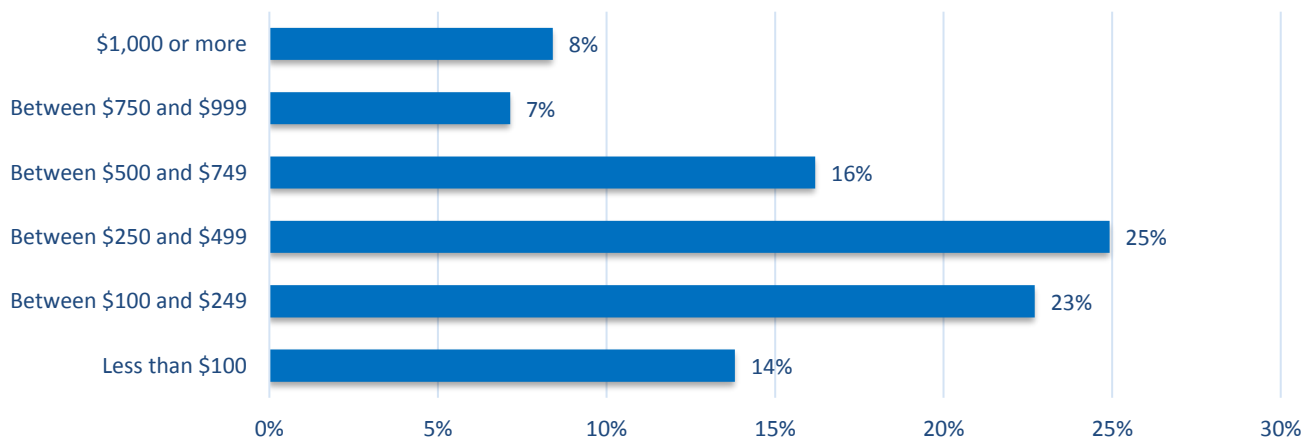


Consumers were also asked about the total amount of money they expect to spend on Christmas and holiday gifts this year and whether or not they expect to spend more or less than they spent last year. Statewide, 30 percent expect to spend “less than they spent last year.” Conversely, the majority expect to spend either “more than they spent last year” (24 percent) or “about the same as they spent last year” (44 percent).

Thinking about how much you will spend on Christmas and holiday gifts, do you think this year you will end up spending more than you spent last year, less than last year, or about the same as last year?

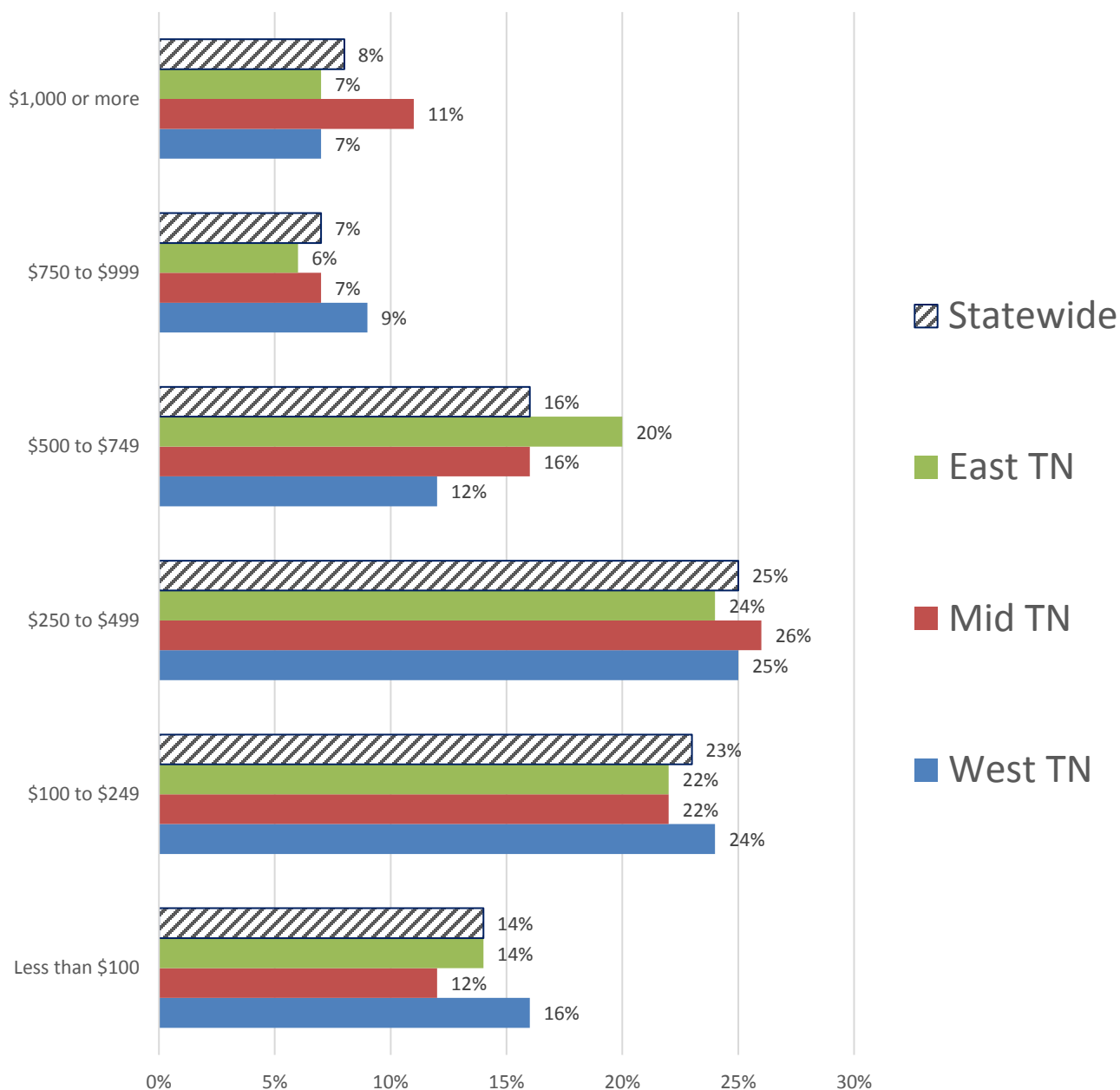


**How much do you expect to spend on Christmas and holiday gifts this year?
(Statewide)**



The chart below shows how these spending expectations vary by region of the state.

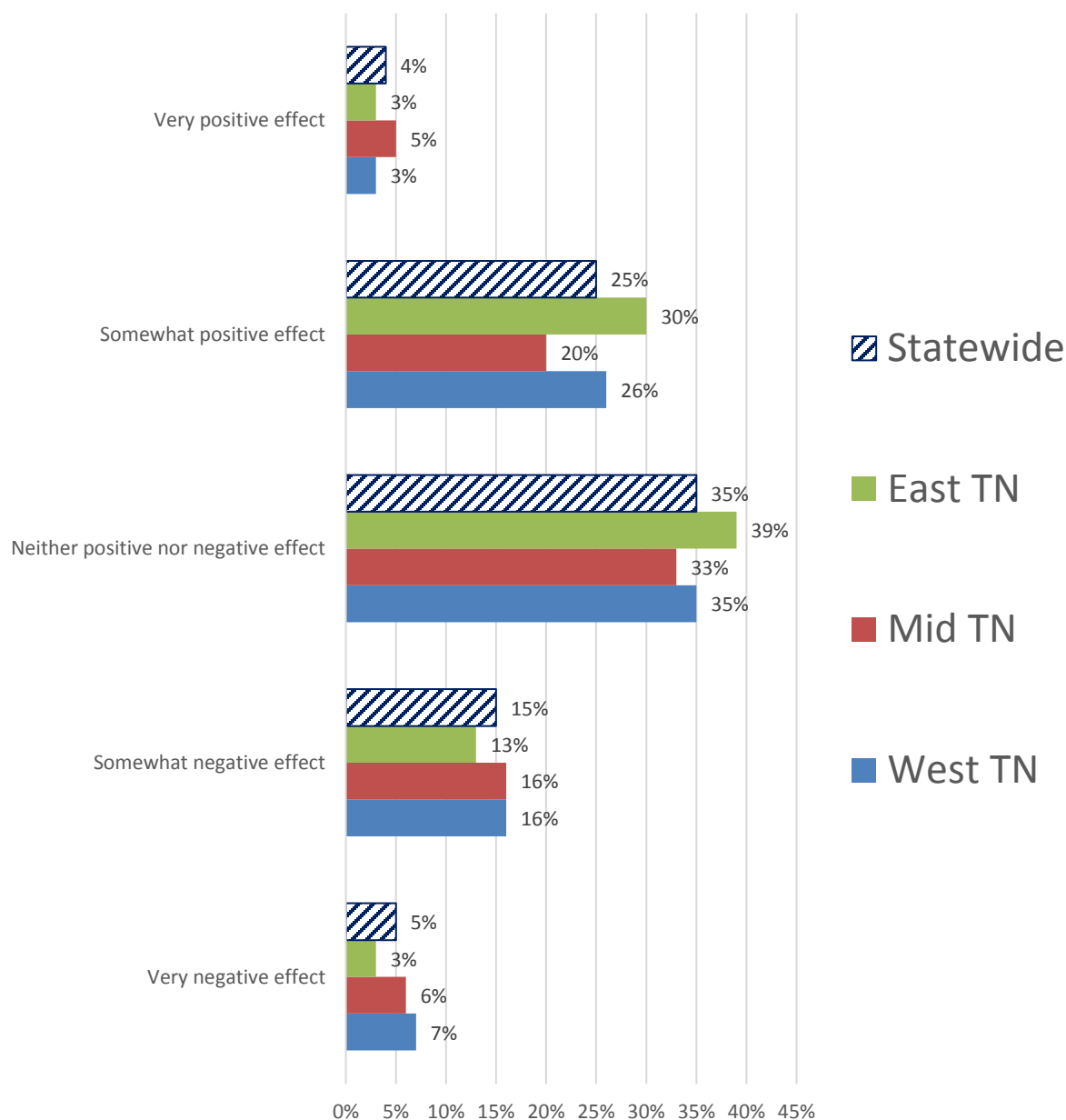
Approximately how much do you expect to spend on Christmas and holiday gifts this year?



Midterm Elections

Perceptions regarding the effects of the midterm elections on the economy were mixed. Although some consumers expect the elections to have a positive effect (29 percent), and others expect they will have a negative effect (20 percent), the largest percentage expect they will have neither a positive nor a negative effect (35 percent).

What effect will the results of the most recent midterm elections have on the overall U.S. economy?



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 U.S. economy, 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).³

Comparing Tennessee Consumers to Consumers across the Country as a Whole	Nation (%)	Tenn. (%)
Business conditions in the U.S. are good.	41	30
Business conditions in the U.S. are bad.	11	11
Six months from now, business conditions in the U.S. will be better.	23	27
Six months from now, business conditions in the U.S. will be worse.	9	18
Jobs are easy to find (plentiful).	47	21
Jobs are hard to find.	12	22
Six months from now, there will be more job openings.	23	28
Six months from now, there will be fewer job openings.	11	13
In 12 months my personal financial situation (income) will be better.	22	40
In 12 months my personal financial situation (income) will be worse.	8	8

³ Source: November 27, 2018, "The Conference Board Consumer Confidence Index® Declined in November." (www.conference-board.org).

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

		Tenn. Dec'18 (%)	Net Change*	West TN Dec'18 (%)	Net Change	Mid TN Dec'18 (%)	Net Change	East TN Dec'18 (%)	Net Change
Business conditions in the U.S. are:	Good	30	-3	30	0	31	-5	30	-3
	In between	55		51		58		57	
	Bad	11		16		8		10	
Six months from now, business conditions in the U.S. will be:	Better	27	0	23	-3	27	-2	29	+2
	About same	49		48		49		51	
	Worse	18		23		16		16	
Business conditions in Tennessee are:	Good	37	-5	33	-3	43	-3	35	-8
	In between	48		50		46		50	
	Bad	12		15		8		12	
Six months from now, business conditions in Tennessee will be:	Better	25	-3	21	-3	27	-4	27	-2
	About same	58		58		57		59	
	Worse	11		15		9		10	
Jobs in your area of Tennessee are (can be):	Easy to find	21	-7	14	-2	29	-16	21	-4
	Found w/effort	52		55		50		53	
	Hard to find	22		27		18		22	
In six months, there will be ____ jobs in your area of Tennessee.	More	28	-3	21	-2	38	+1	25	-5
	About same	54		57		49		56	
	Fewer	13		17		8		13	
Financially, how are you compared to a year ago?	Better	25	-4	27	+8	28	-8	19	-13
	About same	49		49		50		50	
	Worse	25		24		21		30	
Financially, how will you be one year from now?	Better	40	-2	41	-1	43	-1	37	-4
	About same	47		44		45		52	
	Worse	8		10		6		8	
Now is a ____ time to buy major household items.	Good time	31	0	29	-2	30	-6	33	+5
	In between	46		49		47		43	
	Bad time	11		11		9		12	
Now is a ____ time to buy a house.	Good time	28	-10	25	-8	26	-9	32	-14
	In between	37		41		38		33	
	Bad time	22		21		23		23	
Now is a ____ time to buy a car.	Good time	31	-3	29	-4	31	-4	34	-4
	In between	48		49		53		43	
	Bad time	11		13		8		14	

Consumer Spending, Saving, and Investments

		Tenn. Dec'18 (%)	Net Change	West TN Dec'18 (%)	Net Change	Mid TN Dec'18 (%)	Net Change	East TN Dec'18 (%)	Net Change
Compared to last year, I will spend:	More	31	-2	36	+11	30	-4	32	-4
	About same	44		45		41		43	
	Less	24		18		27		23	
Compared to last year, I am saving:	More	23	-2	24	-7	20	-13	23	-4
	About same	41		36		39		39	
	Less	32		39		36		36	
In the next 12 months, I will ___ my level of saving.	Increase	44	-5	49	+8	43	-5	45	+3
	Keep same	37		37		40		38	
	Decrease	14		6		10		10	
In the next 12 months, the value of the stock market will be:	Higher	19	-8	17	-4	19	-7	18	-5
	About same	31		37		38		35	
	Lower	23		18		21		21	
In 12 months the value of my savings and investments will be:	Higher	32	-8	33	+3	24	-11	30	-8
	About same	34		42		46		41	
	Lower	20		12		14		16	
If I lost my job, I would survive financially.	Definitely yes	14	+4	6	-11	14	-7	12	0
	Probably yes	15		20		14		16	
	Maybe	12		20		20		17	
	Probably no	17		16		13		15	
	Definitely no	34		30		32		32	
In 12 months the total amount of my credit card debt will be:	Higher	6	+3	6	+7	3	-11	8	+14
	About same	36		35		34		38	
	Lower	42		40		50		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 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
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 paychecks who are able to spend, <i>which leads to ...</i>	Fewer consumers with paychecks 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 630 randomly selected adult residents of Tennessee. Online surveys were conducted between December 3 and December 7, 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?