



# Tennessee Consumer Outlook Index

Office of Consumer Research  
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## Tennessee Consumer Outlook Continues to Improve

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers across the state are continuing to feel more optimistic about the economy.<sup>1</sup> The Tennessee Consumer Outlook Index rose to 134 from 113 in December. Although this gain was not as significant as seen in the December survey, where the index soared to 113 from 47 in September of 2016, these results suggest that Tennessee consumers continue to grow in their optimism following the sharp rise in confidence after the presidential election.<sup>2</sup> The current survey of 615 Tennessee consumers was conducted between March 1 and March 8.

### Tennessee Consumer Outlook Index and Components

Increase/Decrease from December 2016

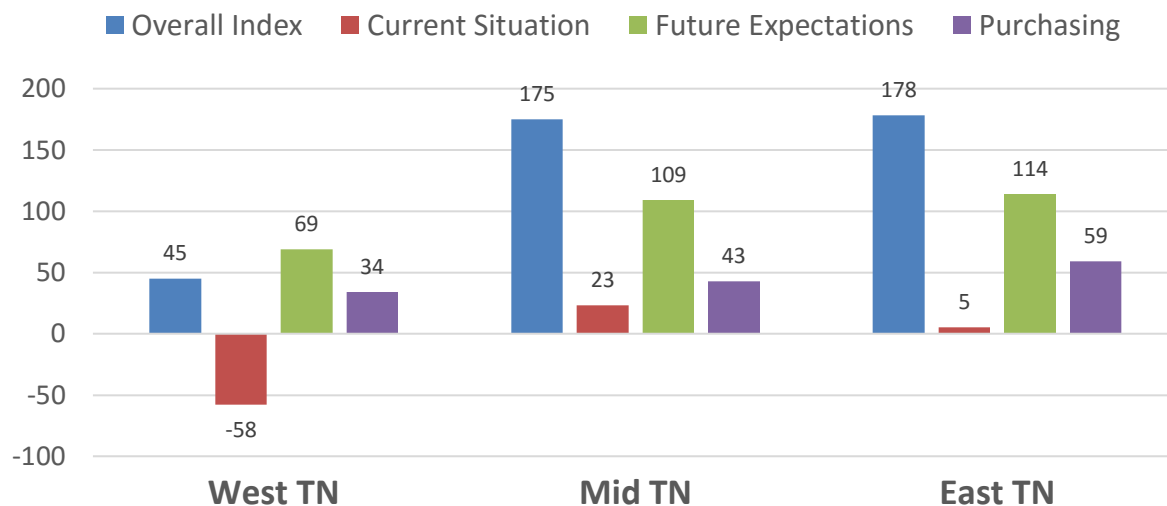
	TN March '17 (n=615)	Change from Dec.	West TN March '17 (n=205)	Change from Dec.	Mid TN March '17 (n=205)	Change from Dec.	East TN March '17 (n=205)	Change from Dec.
Overall Outlook Index	134	21	45	12	175	-7	178	57
Current Situation Index	-10	6	-58	-12	23	-1	5	33
Future Expectations Index	98	18	69	19	109	17	114	15
Purchasing Index	46	-3	34	5	43	-23	59	9

<sup>1</sup> The current online survey of 615 Tennessee residents was conducted between March 1 and March 8.

<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).

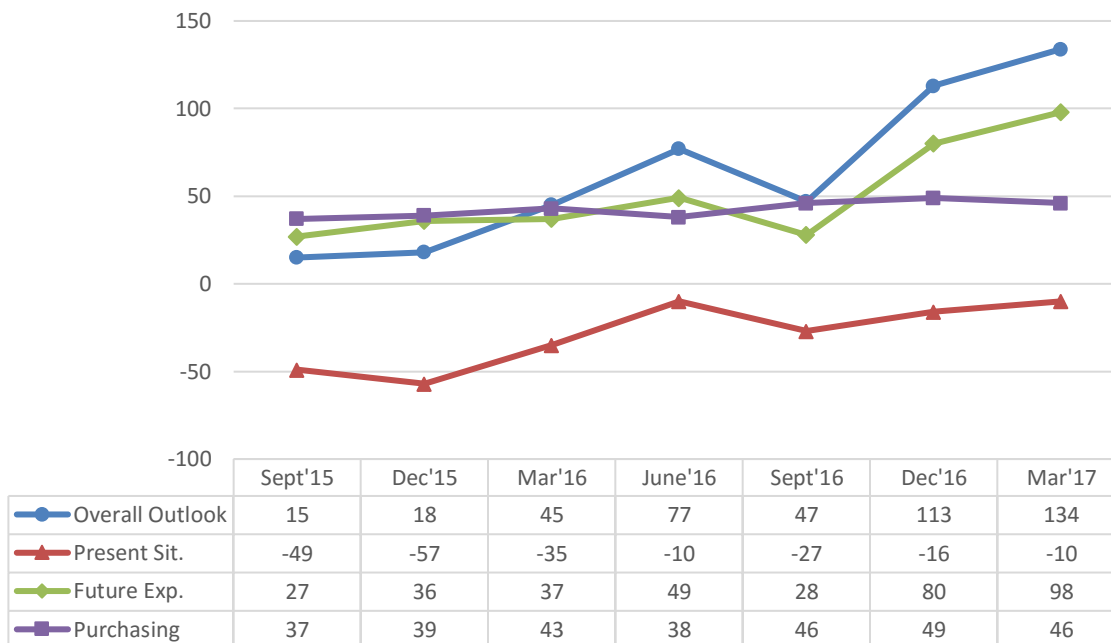
The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero indicates the percentage of consumers who hold negative views of the economy is equal to the percentage of 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 complete set of results for all three regions of the state is provided at the end of this report. The chart below shows how the Tennessee Consumer Outlook Index has changed since September of 2015.

### Tennessee Consumer Outlook Index



**National Economy.** Although the Current Situation Index remains negative, indicating a greater percentage of consumers hold negative views of the current economy than hold positive views, Tennessee consumers are feeling a bit less negative about the current state of the economy. The Current Situation Index improved to -10 from -16 in December. Only 15 percent of Tennessee consumers said current economic conditions in the country as a whole are “good,” compared to 20 percent who said they are “bad.”

**Tennessee Economy.** Consumers continue to hold more positive views of the state’s economy compared to the national economy. A greater percentage of consumers said business conditions in Tennessee are “good” (26 percent) than “bad” (17 percent). And, views of the Tennessee economy have remained relatively unchanged from December.

**Jobs.** Tennessee consumers continue to have concerns about the current state of the labor market and the ease with which jobs can be found. More consumers said jobs are “hard to find” (29 percent) than “easy to find” (14 percent). However, consumers have become more optimistic regarding the future job market. More consumers expect there will be “more jobs” in the next six months (33 percent) than “fewer jobs” (14 percent). This pattern of optimism regarding the future job market is shared among the three regions of the state. The largest net increase in optimism regarding the future job market is in middle Tennessee. Such increases in optimism are reflected in the most recent jobs report from the Bureau of Labor Statistics showing that domestic employers added 235,000 new jobs in February of 2017.

**Personal Finances.** There was also a net increase in optimism regarding consumers’ perceptions of their personal financial situation. Approximately three out of four consumers (72 percent) said compared to a year ago they are “better off” or “about the same” financially, versus only about one out of four (27 percent) who said they are “worse off.”

**Saving.** Personal saving is also on the rise. There was a large net increase in the percent of consumers who are saving more than they did last year. While there was also a smaller net decrease in the percent who expect to raise their level of saving in the next 12 months, half of consumers still expect to “increase” their level of saving. Having both the desire and the ability to save for the future is a sign of improving personal financial health.

**Financial Survival.** There was also a small net increase in consumers’ optimism regarding their ability to survive financially if they lost their job or primary source of income. Still, however, only 27 percent of consumers said they would be able to survive financially, compared to 53 percent who said they would not be able to survive. This pattern is consistent across the three regions of the state.

***Future Expectations.*** Overall, Tennessee consumers feel more optimistic about the future of the economy. The Future Expectations Index rose significantly to 98 from 80. This growing optimism is shared across all three regions of the state. In general, Tennessee consumers continue to grow more optimistic regarding the future of the overall U.S. economy, the state's economy, the job market, their personal financial situation, their personal level of saving, the stock market, and the value of their savings and investments.

***Purchasing Situation and Spending.*** The Purchasing Index declined slightly to 46 from 49 in December. This decrease was due entirely to consumers in middle Tennessee where the Purchasing Index fell substantially to 43 from 66. This suggests recent gains in optimism might not translate into immediate increases in consumer spending. Many personal financial gains might be put back into consumers' wallets toward savings, rather than consumers opening their wallets to spend. However, delayed spending is not always a bad thing. Increased consumer saving, allowing consumers to get their financial health on more stable ground, can set the stage for even more future spending.

Taken together, these results are good news for businesses and retailers. The outlook for future consumer spending is brightened as consumers become more optimistic about the future of the economy, are able to save more money, and continue to feel more confident in the availability of jobs should they need to find one.

## 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 comparatively more optimistic about the future of the U.S. economy, 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](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.	29	15
Business conditions in the U.S. are bad.	13	20
Six months from now, business conditions in the U.S. will be better.	24	40
Six months from now, business conditions in the U.S. will be worse.	11	23
Jobs are easy to find (plentiful).	26	14
Jobs are hard to find.	20	29
Six months from now, there will be more job openings.	20	33
Six months from now, there will be fewer job openings.	14	14
In 12 months my personal financial situation (income) will be better.	18	47
In 12 months my personal financial situation (income) will be worse.	8	7

<sup>3</sup> Source: February 28, 2017, "The Conference Board Consumer Confidence Index® Increased in February." ([www.conference-board.org](http://www.conference-board.org)).

## Consumer Outlook Index with Net Change\* (Increase or Decrease) from December 2016

		Tenn. March '17 (%)	Net Change*	West TN Mar. '17 (%)	Net Change	Mid TN Mar. '17 (%)	Net Change	East TN Mar. '17 (%)	Net Change
Business conditions in the U.S. are:	Good	15	2	11	-7	18	-1	17	15
	In between	63		60		61		66	
	Bad	20		27		19		14	
Six months from now, business conditions in the U.S. will be:	Better	40	4	36	5	41	3	41	4
	About same	32		33		28		35	
	Worse	23		26		24		18	
Business conditions in Tennessee are:	Good	26	-1	12	-13	38	0	27	8
	In between	55		60		50		56	
	Bad	17		26		11		15	
Six months from now, business conditions in Tennessee will be:	Better	35	6	29	6	36	2	41	8
	About same	48		50		50		43	
	Worse	13		17		12		11	
Jobs in your area of Tennessee are (can be):	Easy to find	14	-2	6	-3	22	0	13	-1
	Found w/effort	55		55		55		54	
	Hard to find	29		35		20		31	
In six months, there will be ____ jobs in your area of Tennessee.	More	33	7	28	5	39	12	34	4
	About same	48		48		49		48	
	Fewer	14		19		10		14	
Financially, how are you compared to a year ago?	Better	28	7	28	11	24	0	32	11
	About same	44		43		47		42	
	Worse	27		27		29		24	
Financially, how will you be one year from now?	Better	47	1	47	3	46	0	47	-1
	About same	41		38		43		43	
	Worse	7		9		7		6	
Now is a ____ time to buy major household items.	Good time	26	-2	26	2	25	-11	26	3
	In between	52		51		51		55	
	Bad time	14		15		15		12	
Now is a ____ time to buy a house.	Good time	35	0	35	5	33	-9	36	2
	In between	38		34		38		41	
	Bad time	20		23		21		16	
Now is a ____ time to buy a car.	Good time	31	-1	26	-2	32	-3	36	4
	In between	51		53		52		48	
	Bad time	12		15		11		11	

## Consumer Spending, Saving, and Investments

		Tenn. Dec. '16 (%)	Net Change	West TN Dec. '16 (%)	Net Change	Mid TN Dec. '16 (%)	Net Change	East TN Dec. '16 (%)	Net Change
Compared to last year, I will spend:	More	29	-8	27	-4	29	-14	32	-6
	About same	40		38		42		41	
	Less	28		32		27		25	
Compared to last year, I am saving:	More	29	18	29	10	26	15	33	28
	About the same	42		40		48		39	
	Less	26		29		23		26	
In the next 12 months, I will ____ my level of saving.	Increase	50	-8	48	-1	47	-18	54	-6
	Keep it the same	35		36		39		30	
	Decrease	11		11		11		12	
In the next 12 months, the value of the stock market will be:	Higher	36	3	34	2	37	7	36	0
	About the same	29		27		27		32	
	Lower	21		25		20		18	
In 12 months the value of my savings and investments will be:	Higher	38	3	36	7	41	2	38	2
	About the same	37		37		36		40	
	Lower	14		17		13		12	
If I lost my job, I would survive financially.	Definitely yes	8	3	9	2	8	-4	8	10
	Probably yes	19		22		17		20	
	Maybe	17		17		17		16	
	Probably no	17		14		18		19	
	Definitely no	36		36		37		35	

\* 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 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 615 randomly selected adult residents of Tennessee. Online surveys were conducted between March 1 and March 8, 2017. 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 615 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?