



# Tennessee Consumer Outlook Index

Office of Consumer Research  
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## Tennessee Consumers Increasingly Optimistic About the Economy

Results from the most recent Tennessee Consumer Outlook Survey indicate consumers' outlook on the economy continues its upward trend.<sup>1</sup> The Tennessee Consumer Outlook Index rose to 240 from 185 in December.<sup>2</sup> Consumers continue to feel more positive about the current and future U.S. economy, the job market, investments and the stock market, and their personal finances. Even though some consumers might forgo immediate purchasing as they use personal financial gains to reduce credit card debt, increased savings can lay the groundwork for future spending. The current online survey of 630 Tennessee consumers was conducted between March 1 and March 3.

### Tennessee Consumer Outlook Index and Components

Increase/Decrease from December 2017

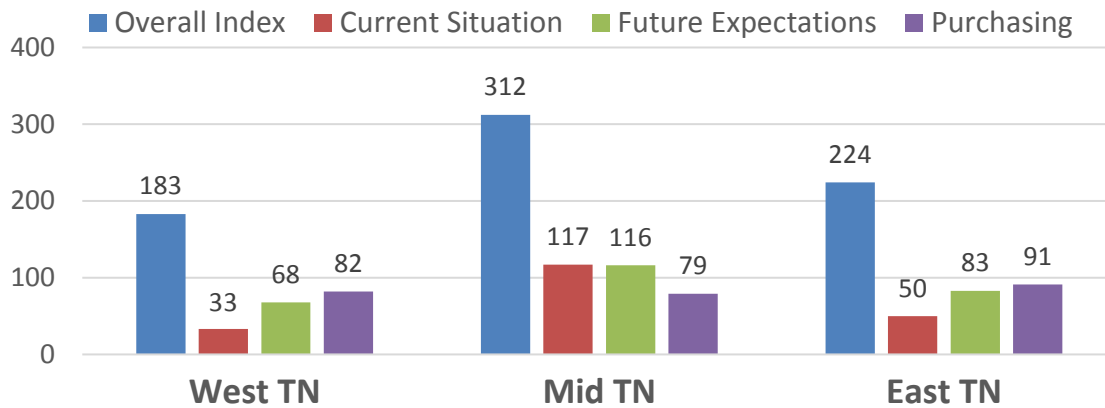
	TN March '18 (n=630)	Change from Sept	West TN March '18 (n=210)	Change from Sept	Mid TN March '18 (n=210)	Change from Sept	East TN March '18 (n=210)	Change from Dec
Overall Outlook Index	240	+55	183	+68	312	+54	224	+51
Current Situation Index	67	+22	33	+31	117	+25	50	+12
Future Expectations Index	89	+28	68	+21	116	+35	83	+30
Purchasing Index	84	+5	82	+16	79	-6	91	+9

<sup>1</sup> The current online survey of 630 Tennessee residents was conducted between March 1 and March 3.

<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).

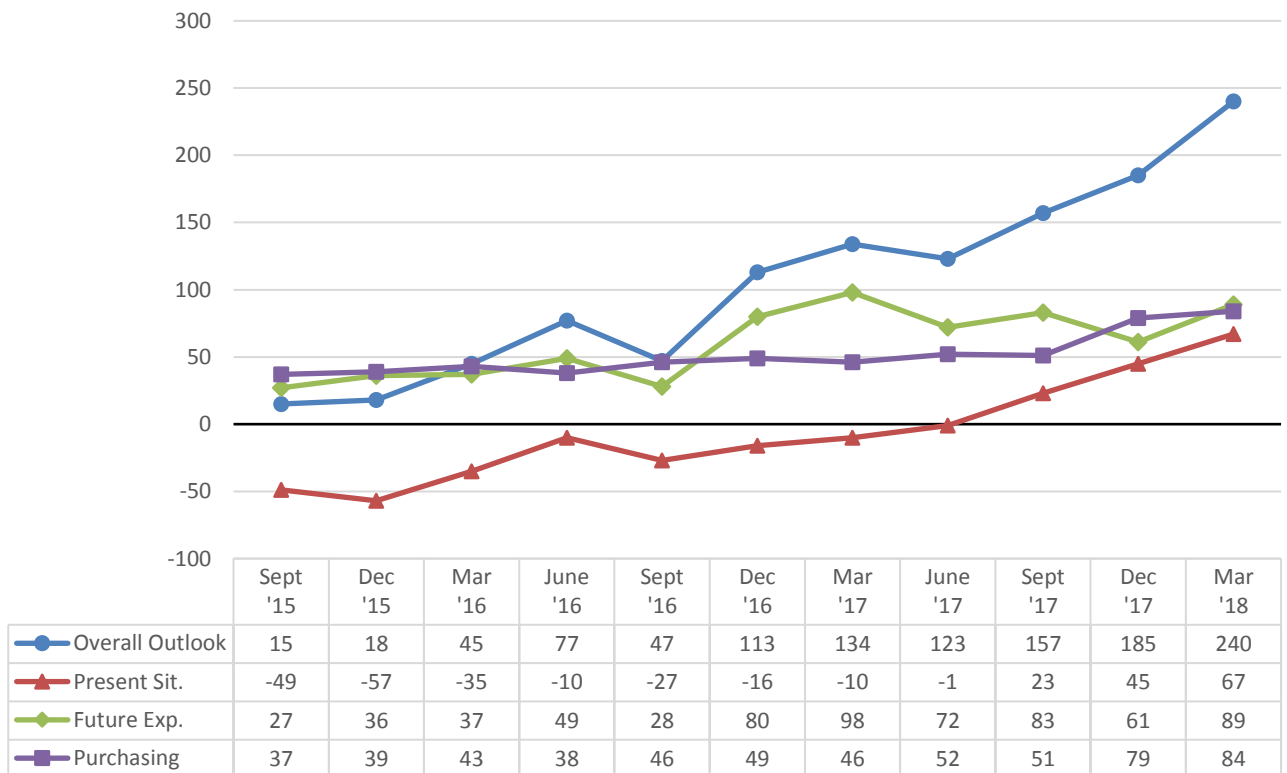
The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero indicates the percentage of consumers who hold negative views of the economy is equal to the percentage of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



**The U.S. Economy.** Perceptions of the current economy appear comfortably positioned in the positive range, indicating the percent of Tennessee consumers with positive views outnumber those with negative views. This follows a two-year period in which the percent of consumers with negative views outnumbered those with positive views. The percent of consumers who said business conditions in the country as a whole are “good” rose to 38 from 29 in December. Further, three times as many consumers said business conditions are “good” (38 percent) versus “bad” (13 percent). Expectations for the future economy also improved. The percent of consumers who said business conditions will be “better” six months from now gained to 37 from 26. This more than doubles the 17 percent who expect business conditions to be “worse” six months from now.

**The Job Market.** Perceptions of the job market also saw slight improvements. The percent who said jobs in their area are “easy to find” gained to 23 from 19. Further, the percent who said six months from now there will be “more” jobs edged upward to 30 from 28. Only one in five Tennessee consumers (21 percent) said jobs in their area are “hard to find,” and only 12 percent expect six months from now there will be “fewer” jobs (12 percent).

**Personal Finances and Investments.** Along with net improvements in the percent of consumers who expect their personal financial situation to improve, outlook for investments and the stock market also improved. The percent who said in the next 12 months the stock market will be “higher than it is today” rose to 33 from 29 in December. Only 20 percent expect that in the next 12 months the stock market will be “lower than it is today.” Further, more than one in three (37 percent) expect the value of their investments to be “higher” than they are today, compared to only 13 percent who expect them to be “lower.”

**Savings and Credit Card Debt.** Consumer saving can have significant effects on the long-term growth of the economy. Consumers must have adequate savings to allow for future spending without needing to borrow money. The percent of consumers who said compared to last year they are saving “more” rose to 30 from 24 in December. Additionally, the percent who expect in 12 months the total amount of their credit card debt to be “lower” increased to 42 from 37.

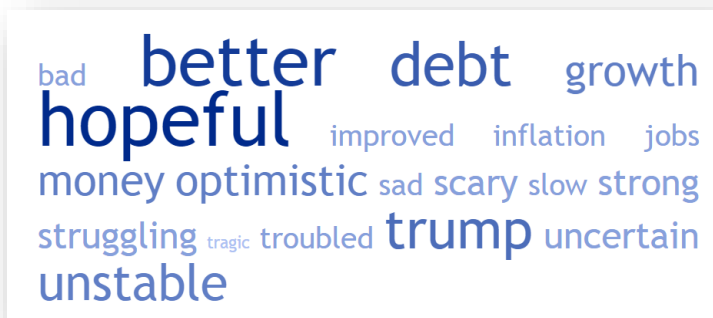
**Spending.** The percent of consumers who expect to increase their level of consumer spending compared to last year dropped to 25 from 34. Further, the percent who expect to reduce their level of spending increased to 24 from 18.

**The Final Word.** Taken together, these results show a continuing upward trend in consumers’ outlook on the economy. Tennessee consumers increasingly believe the economy has turned in a positive direction and expect the economy to continue to improve. Such optimism stems from a more favorable outlook on the job market, personal finances, investments, and savings. Growing optimism regarding the economy can set the stage for future economic growth, given that two-thirds of the U.S. economy is due to consumer spending. However, increased optimism might not necessarily lead to significant increases in consumer spending in Tennessee. A renewed focus on using personal financial gains to reduce credit card debt and increase savings can lay the groundwork for future consumer spending.

## 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.

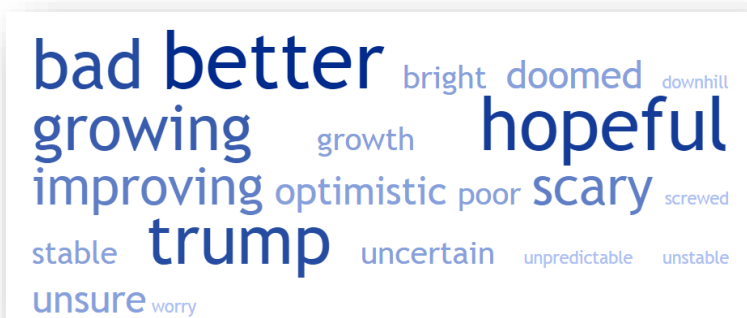
### West Tennessee



### 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 similar views of the overall U.S. economy, but have less positive views of the current job market. Conversely, 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.	36	38
Business conditions in the U.S. are bad.	11	13
Six months from now, business conditions in the U.S. will be better.	26	37
Six months from now, business conditions in the U.S. will be worse.	9	17
Jobs are easy to find (plentiful).	39	23
Jobs are hard to find.	15	21
Six months from now, there will be more job openings.	22	30
Six months from now, there will be fewer job openings.	12	12
In 12 months my personal financial situation (income) will be better.	24	39
In 12 months my personal financial situation (income) will be worse.	9	8

<sup>3</sup> Source: February 27, 2018, "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 2017

		Tenn. Mar'18 (%)	Net Change*	West TN Mar'18 (%)	Net Change	Mid TN Mar'18 (%)	Net Change	East TN Mar'18 (%)	Net Change
Business conditions in the U.S. are:	Good	38	10	37	16	42	14	35	1
	In between	48		47		48		48	
	Bad	13		14		9		15	
Six months from now, business conditions in the U.S. will be:	Better	37	15	34	16	36	18	40	11
	About same	43		47		44		38	
	Worse	17		15		15		20	
Business conditions in Tennessee are:	Good	39	2	29	16	54	3	34	1
	In between	47		51		40		51	
	Bad	11		16		5		12	
Six months from now, business conditions in Tennessee will be:	Better	30	5	25	4	35	7	31	6
	About same	56		60		57		50	
	Worse	10		10		6		14	
Jobs in your area of Tennessee are (can be):	Easy to find	23	4	13	8	32	0	23	4
	Found w/effort	53		58		50		49	
	Hard to find	21		26		15		22	
In six months, there will be ____ jobs in your area of Tennessee.	More	30	3	20	-1	40	7	31	4
	About same	51		59		48		46	
	Fewer	12		14		8		14	
Financially, how are you compared to a year ago?	Better	32	6	28	4	37	8	30	6
	About same	48		54		44		45	
	Worse	20		18		19		23	
Financially, how will you be one year from now?	Better	39	5	37	2	41	3	38	9
	About same	50		51		50		49	
	Worse	8		9		7		9	
Now is a ____ time to buy major household items.	Good time	36	2	32	4	39	0	38	3
	In between	44		50		42		40	
	Bad time	9		9		9		9	
Now is a ____ time to buy a house.	Good time	43	2	45	6	38	-5	46	7
	In between	35		38		36		30	
	Bad time	17		14		21		15	
Now is a ____ time to buy a car.	Good time	40	1	37	6	40	-1	41	-1
	In between	43		47		43		40	
	Bad time	9		9		8		10	

## Consumer Spending, Saving, and Investments

		Tenn. Mar '18 (%)	Net Change	West TN Mar '18 (%)	Net Change	Mid TN Mar '18 (%)	Net Change	East TN Mar '18 (%)	Net Change
Compared to last year, I will spend:	More	25	-15	24	-15	28	-21	25	-7
	About same	48		49		44		50	
	Less	24		25		26		21	
Compared to last year, I am saving:	More	30	14	29	16	33	10	28	17
	About same	47		50		43		47	
	Less	20		20		20		20	
In the next 12 months, I will ___ my level of saving.	Increase	37	-3	40	-7	37	-4	33	1
	Keep same	47		45		50		47	
	Decrease	10		11		9		10	
In the next 12 months, the value of the stock market will be:	Higher	33	4	32	0	34	5	32	3
	About same	31		32		30		31	
	Lower	20		20		22		20	
In 12 months the value of my savings and investments will be:	Higher	37	3	34	-6	39	2	37	8
	About same	40		43		41		35	
	Lower	13		13		12		15	
If I lost my job, I would survive financially.	Definitely yes	17	2	19	5	17	-5	15	3
	Probably yes	24		23		26		21	
	Maybe	16		17		17		15	
	Probably no	14		14		13		15	
	Definitely no	25		22		24		30	
In 12 months the total amount of my credit card debt will be:	Higher	5	-5	4	-6	4	-2	6	-9
	About same	44		39		49		44	
	Lower	42		48		39		40	

\* 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 March 1 and March 3, 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](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?