

# Middle Tennessee Consumer Outlook Index

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## The Office of Consumer Research

at Middle Tennessee State University

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## Consumers More Upbeat About the Economy

Following a decline in consumers' outlook on the economy at the end of last year, local consumers have become more optimistic about the future of the economy. The overall consumer outlook index rose to 144 from 106 last November. This was fueled by increasingly more positive views of the current economy, greater expectations for the future of the economy, and a growing sense that now is a good time to make large purchases. The current poll of 334 randomly selected adult residents of Davidson County, Rutherford County and Williamson County was conducted the evenings of Tuesday, January 29, Wednesday, January 30, and Thursday, January 31.

## The Middle Tennessee Consumer Outlook Index and Components

	Dec '10	Feb '11	Apr '11	May '11	Sept '11	Dec '11	Jan '12	Apr '12	Sept '12	Nov '12	Feb '13
Overall Outlook Index	69	129	54	63	27	112	151	184	178	106	<b>144</b> <sup>1</sup>
Current Situation Index	-90	-74	-83	-80	-86	-64	-55	-24	-26	-22	<b>-16</b>
Future Expectations Index	86	123	75	99	59	97	125	115	112	55	<b>78</b>
Purchasing Index	73	80	62	44	54	79	81	93	92	73	<b>82</b>

<sup>1</sup> The score is computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question.

The current situation index gained to -16 from -22 in November. However, the fact that the current situation index is still in the negative range indicates that the percent of consumers who view the current economy negatively outnumbers the percent of consumer who view the current economy positively.

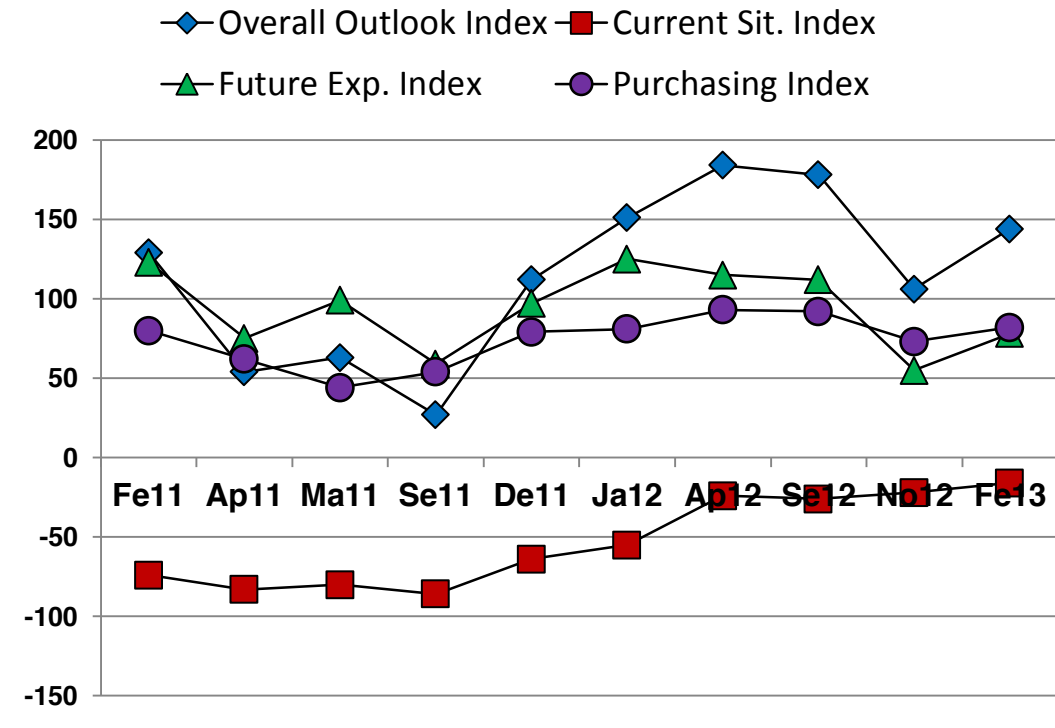
Similarly, the future expectations index rose to 78 from 55 indicating that consumers are becoming more optimistic about future growth for the economy. Likewise, the purchasing index rose to 82 from 73 indicating that more consumers believe that now is a good time to make large purchases.

However, a concern among retails and businesses is whether or not this more positive outlook on the economy will lead to increased consumer spending. Even though consumers have a more favorable view of the future of the economy their spending might not necessarily increase. Continued concerns about the job market and the negative effects of increasing taxes might dampen the effects of a positive outlook on consumers' desire and ability to spend money. Further, higher taxes are giving consumers concerns about their ability to save money now and in the future.

**What Was on Consumers' Minds?** Consumers were given an opportunity to offer a reason for why they rated the economy as they did. Below is a word cloud that depicts the 25 most frequently mentioned words that appeared in these open-ended responses. The larger the word, the more frequently it was mentioned. This can provide clues about the thoughts that were on consumers' minds as they responded to the survey.



## Middle Tennessee Consumer Outlook Index











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 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 November, 2012.

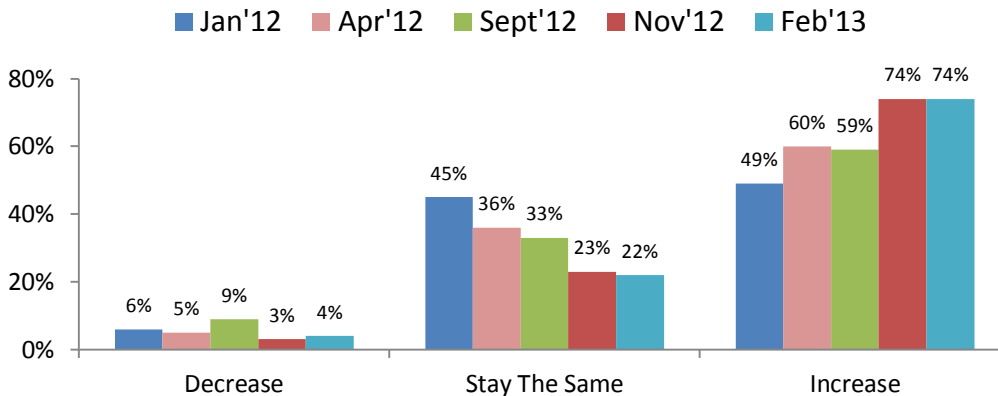
	February 2013 (%)	Change from November 2012
Business conditions in the U.S. are <u>Good</u> .	14	No Change
Six months from now, business conditions in the U.S. will be <u>Better</u> .	34	 1%
Business conditions in Middle Tennessee are <u>Good</u> .	42	 7%
Six months from now, business conditions in Middle Tennessee will be <u>Better</u> .	36	No Change
Jobs in Middle Tennessee are <u>Easy To Find</u> .	5	 2%
Six months from now there will be <u>More Job Openings</u> in Middle Tennessee	34	 1%
I am <u>Better Off Financially</u> than I was one year ago.	17	 1%
12 months from now I will be <u>Better Off Financially</u> than I am today.	33	 2%
Now is a <u>Good Time To Make Large Purchases</u> .	28	 3%
Now is a <u>Good Time To Buy A Home</u> .	67	 5%
Now is a <u>Good Time To Buy A Car</u> .	37	No Change

<b>Consumer Outlook</b>		<b>Feb</b>	<b>Apr</b>	<b>May</b>	<b>Sept</b>	<b>Dec</b>	<b>Jan</b>	<b>Apr</b>	<b>Sept</b>	<b>Nov</b>	<b>Jan</b>
		<b>'11</b>	<b>'11</b>	<b>'11</b>	<b>'11</b>	<b>'11</b>	<b>'12</b>	<b>'12</b>	<b>'12</b>	<b>'12</b>	<b>'13</b>
		<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
<b>Are business conditions in the U.S.</b>	Good	8	8	9	7	9	7	11	11	14	<b>14</b>
	In Between	64	58	65	52	55	62	66	59	60	<b>62</b>
	Bad	28	34	26	41	36	30	21	29	25	<b>23</b>
<b>Six months from now, will business conditions in the U.S. be:</b>	Better	44	27	34	30	32	36	33	35	35	<b>34</b>
	About same	44	54	50	49	49	54	49	38	34	<b>41</b>
	Worse	10	17	15	19	18	7	15	13	28	<b>22</b>
<b>Are business conditions in Middle TN:</b>	Good	23	24	25	23	24	27	32	40	35	<b>42</b>
	In Between	59	57	60	60	59	55	59	46	53	<b>48</b>
	Bad	17	16	15	16	15	16	9	11	10	<b>8</b>
<b>Six months from now, will business conditions in Middle TN be:</b>	Better	40	33	38	31	40	38	37	37	36	<b>36</b>
	About same	51	55	53	57	49	54	54	46	45	<b>52</b>
	Worse	8	10	8	11	9	6	7	7	18	<b>10</b>
<b>Are jobs in Middle TN:</b>	Easy to find	3	3	5	4	5	5	5	4	7	<b>5</b>
	Found w/effort	42	46	37	42	51	46	51	52	53	<b>53</b>
	Hard to find	53	47	57	51	41	41	38	35	35	<b>37</b>
<b>In Middle TN six months from now there will be (# of jobs):</b>	More	39	34	32	26	38	39	40	36	33	<b>34</b>
	About same	48	51	54	53	49	47	46	44	46	<b>49</b>
	Fewer	11	12	13	19	11	9	11	9	16	<b>13</b>
<b>Compared to a year ago, is your personal financial situation:</b>	Better	18	16	13	19	17	19	19	19	18	<b>17</b>
	About same	54	48	53	50	57	54	58	56	56	<b>57</b>
	Worse	28	37	34	31	27	26	23	25	26	<b>26</b>
<b>In 12 months will your personal financial situation be:</b>	Better	37	34	37	32	35	39	44	41	31	<b>33</b>
	About same	55	52	57	57	55	53	50	51	51	<b>53</b>
	Worse	8	14	6	11	10	5	6	8	18	<b>14</b>
<b>Is now a good time to buy large items for the home?</b>	Good time	36	30	25	28	33	32	32	33	31	<b>28</b>
	In between	37	41	48	39	39	42	45	34	40	<b>47</b>
	Bad time	23	25	22	28	22	18	18	25	23	<b>20</b>
<b>Is now a good time to buy a house?</b>	Good time	66	64	57	61	66	68	71	69	62	<b>67</b>
	In between	15	18	17	18	16	14	17	16	18	<b>15</b>
	Bad time	17	15	23	18	15	15	11	12	16	<b>13</b>
<b>Is now a good time to buy a car?</b>	Good time	38	35	28	34	37	33	34	48	37	<b>37</b>
	In between	38	35	47	39	38	42	47	27	39	<b>40</b>
	Bad time	20	27	21	23	20	19	15	21	18	<b>17</b>

**Taxes**

Consumers continue to fear higher taxes now, and in the future. Increasing taxes means less money available for discretionary spending.

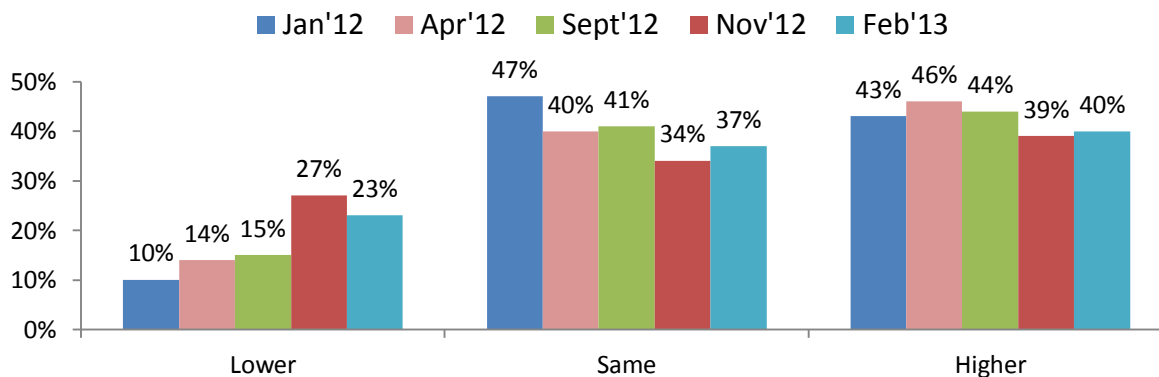
**Do you think that in the next year the overall amount of taxes that you pay will increase, decrease, or stay about the same?**



**Consumer Investments: The Stock Market**

A rising U.S. stock market can give consumers a greater feeling of wealth as their investments and savings grow. The percent of consumers who expect the stock market to increase remained relatively unchanged. However, fewer consumers expect the stock market to decrease in value over the next 12 months.

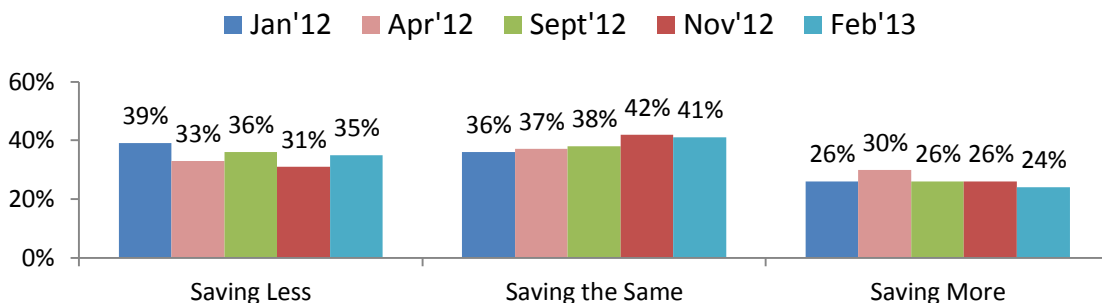
**Do you think that 12 months from now the overall level (value) of the U.S. Stock Market will be higher than it is today, lower than it is today, or about the same?**



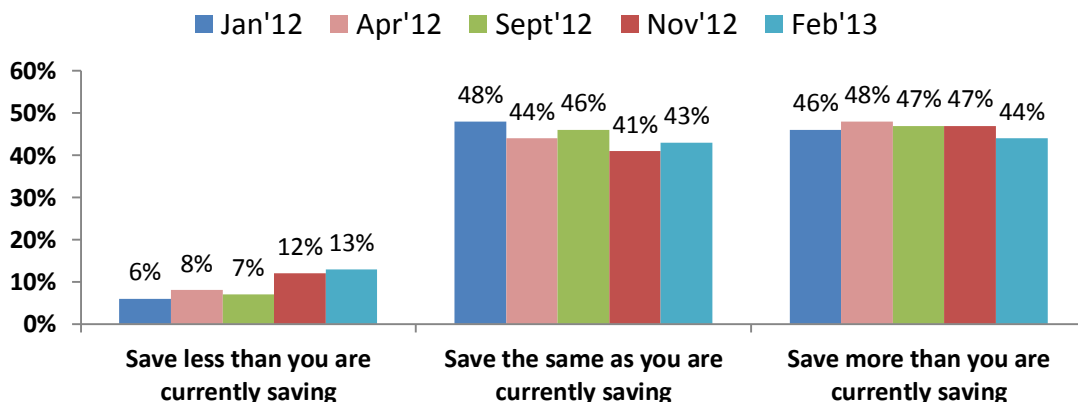
## Consumer Saving

The fear of higher taxes seems to be having a negative effect on consumers' ability to save money and their expectations for saving money in the future.

**Thinking about the amount of your income that you are currently saving, compared to before this most recent recession began, are you currently saving more of your income, saving less of your income, or saving about the same?**



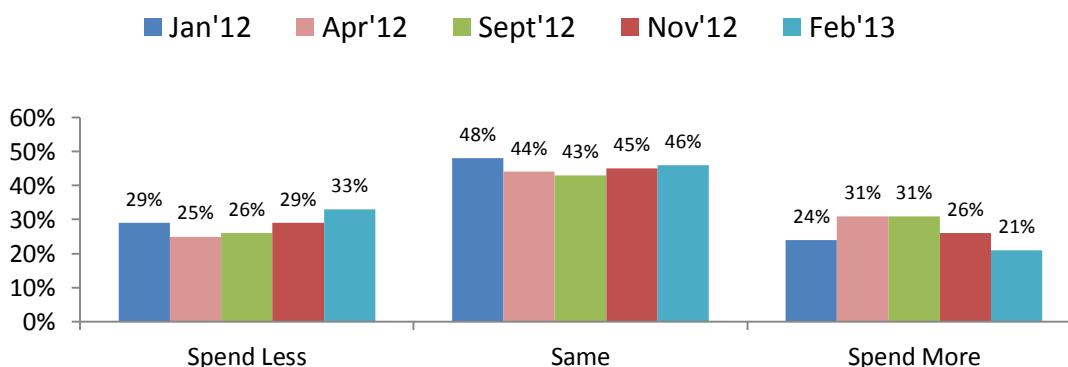
**Looking ahead, do you think that when the economy has completely recovered from this most recent that you will save more of your income than you are currently saving, save less of your income than you are currently saving, or save about the same?**



## Annual Consumer Spending

An increase in consumers' outlook on the economy is often seen as a precursor to increased consumer spending. However, the effects of higher taxes and continued uneasiness regarding the job market might actually be having a negative effect on consumers' spending. Even though consumers might expect the economy to improve in the future, their ability to spend and save are being hindered by higher taxes.

**Thinking about your overall level of consumer spending, do you think that you will spend more, spend less, or spend about the same as you did last year?**



## 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. 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.

Comparing Middle Tennessee Consumers to Consumers Across the Country as a Whole	Nation (%)	Mid. Tenn. (%)
Business conditions in the U.S. are good.	17 <sup>2</sup>	14
Six months from now, business conditions in the U.S. will be better.	15	34
Jobs are easy to find (plentiful).	9	5
Six months from now, there will be more job openings.	14	34
In 12 months my personal financial situation (income) will be better.	14	33

<sup>2</sup> Source: January 29, 2013, "The Conference Board Consumer Confidence Index® Declines." ([www.conference-board.org](http://www.conference-board.org)).



## **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
<p><b>Increased consumer confidence,</b> <i>leads to ...</i></p>	<p><b>Decreased consumer confidence,</b> <i>leads to ...</i></p>
<p><b>Increased consumer spending,</b> <i>which leads to ...</i></p>	<p><b>Decreased consumer spending,</b> <i>which leads to ...</i></p>
<p><b>Retailers hire more employees and purchase more inventory from suppliers,</b> <i>which leads to ...</i></p>	<p><b>Retailers hire fewer employees and purchase less inventory from suppliers,</b> <i>which leads to ...</i></p>
<p><b>Suppliers (manufacturers) must make more products,</b> <i>which leads to ...</i></p>	<p><b>Suppliers (manufacturers) must make fewer products,</b> <i>which leads to ...</i></p>
<p><b>Suppliers (manufacturers) hire more employees,</b> <i>which leads to ...</i></p>	<p><b>Suppliers (manufacturers) hire fewer employees,</b> <i>which leads to ...</i></p>
<p><b>More retail and manufacturing employees,</b> <i>which leads to ...</i></p>	<p><b>Fewer retail and manufacturing employees,</b> <i>which leads to ...</i></p>
<p><b>More consumers with pay checks who are able to spend,</b> <i>which leads to ...</i></p>	<p><b>Fewer consumers with pay checks who are able to spend,</b> <i>which leads to ...</i></p>
<p><b>Growing economy,</b> <i>which leads to ...</i></p>	<p><b>Slowing economy,</b> <i>which leads to ...</i></p>
<p><b>Increased consumer confidence,</b> <i>which leads to ...</i></p>	<p><b>Decreased consumer confidence,</b> <i>which leads to ...</i></p>

## **About the Survey**

The results reported here are based on telephone interviews with 334 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 Tuesday, January 29, Wednesday, January 30, and Thursday, January 31. With a sample of 334 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  $\pm 5.4\%$ . Other factors such as problems with question wording and question interpretation can also introduce additional bias or error into the results. Results from the 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 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.

## **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](mailto:Tim.Graeff@mtsu.edu)).

**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

