JONES COLLEGE OF BUSINESS
MIDDLE TENNESSEE STATE UNIVERSITY

# Tennessee Consumer Outlook Index

Office of Consumer Research
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June 28, 2021

## Consumers' Outlook Improves, With Fears of Inflation Looming

Outlook among Tennessee consumers has improved heading into the summer months.[1] The Overall Outlook Index, which had increased in March, rose again to 20 from 1.[2] However, this modest improvement in outlook was the result of two offsetting trends.

Perceptions of the current economic situation rose dramatically. The Current Situation Index increased to 22 from -69 in March. This marks the first time in more than a year that the Current Situation Index is positive. Conversely, expectations for the future of the economy and views regarding making large purchases declined. The Future Expectations Index dropped to 56 from 79, and the Purchasing Index fell to -58 from -9. These declines were most noticeable among consumers in west Tennessee.

The declines in future expectations suggest that even though consumers believe the economy has improved as it recovers from the pandemic, concerns about rising taxes and inflation might dampen consumers' desire and ability to open up their wallets and spend money. The current online survey of 610 Tennessee consumers was conducted between June 7 and June 27.

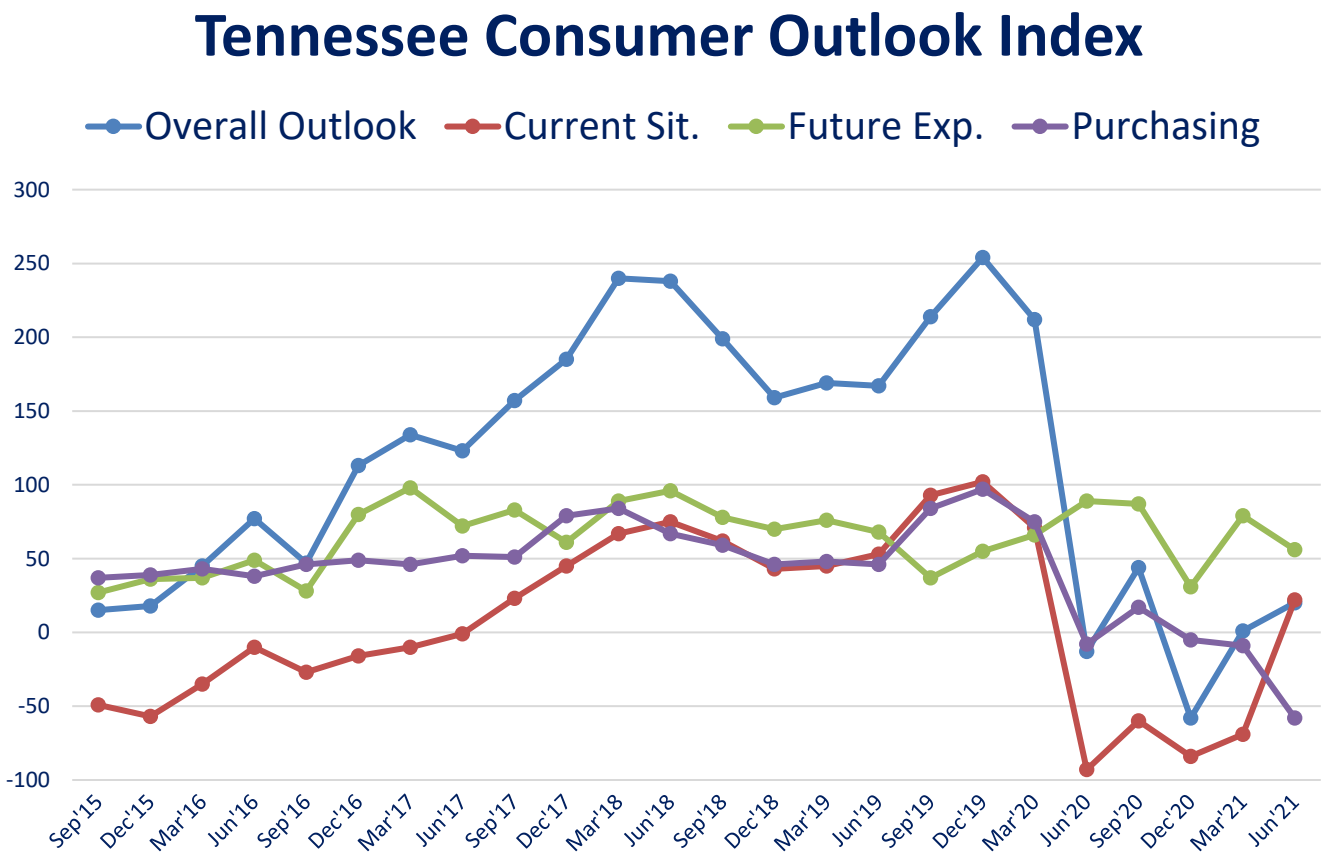
### Tennessee Consumer Outlook Index and Components
**Increase/Decrease from March 2021**

| | TN June 2021 | Change from March | West TN June 2021 | Change from March | Mid TN June 2021 | Change from March | East TN June 2021 | Change from March |
|---|---|---|---|---|---|---|---|---|
| Overall Outlook Index | 20 | +19 | 42 | -37 | 56 | +78 | -31 | +55 |
| Current Situation Index | 22 | +91 | 17 | +88 | 32 | +97 | 12 | +85 |
| Future Expectations Index | 56 | -23 | 71 | -53 | 67 | -5 | 35 | -46 |
| Purchasing Index | -58 | -49 | -46 | -72 | -43 | -14 | -78 | +17 |

[1] The current online survey of 610 Tennessee residents was conducted between June 7 and June 27.
[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 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 chart below shows how the Tennessee Consumer Outlook Index has changed since December, 2015. The Purchasing Index is now at its lowest level ever. Given that two-thirds of the national economy is from consumer spending, such apprehension toward purchasing can inhibit future economic growth.




***The Current Economy***. Perceptions of the current economic situation have improved, suggesting previously expected growth in the economy has occurred. The percent who said business conditions in the country as a whole are "good" gained to 11 from 4. The percent who said conditions are "bad" dipped to 31 from 35. This improved view of the current economy is not unique to consumers. The Conference Board's Measure of CEO Confidence™ rose in the second quarter of 2021, following a similar rise in the first quarter. Their Measure of CEO Confidence™ is now at its highest level since the measure began in 1976.[3]

Perceptions of the Tennessee economy also improved. The percent who said business conditions in Tennessee are "good" rose to 24 from 13, while the percentage who said they are "bad" fell to 16 from 22.

[3] CEO Confidence Hits All-Time High in Q2, The Conference Board, May 19, 2021, www.Conference-board.org.

***Jobs and Employment***. As vaccination rates increase, COVID-19 cases decline, and more and more businesses reopen, those businesses will need to hire more employees. Perceptions of the current job market rose significantly. The percent who said jobs are "easy to find" increased significantly to 54 from 15. Further, the percent who said jobs are "hard to find" dropped to 9 from 23. The Bureau of Labor Statistics reported in June that total nonfarm payroll employment rose by 559,000, and the unemployment rate declined to 5.8 percent.[4] However, not all consumers expect this job growth to continue. The percent who said there would be "more" job openings in the next six months dipped to 33 from 39, whereas the percent who said there would be "fewer" job openings gained to 18 from 14.

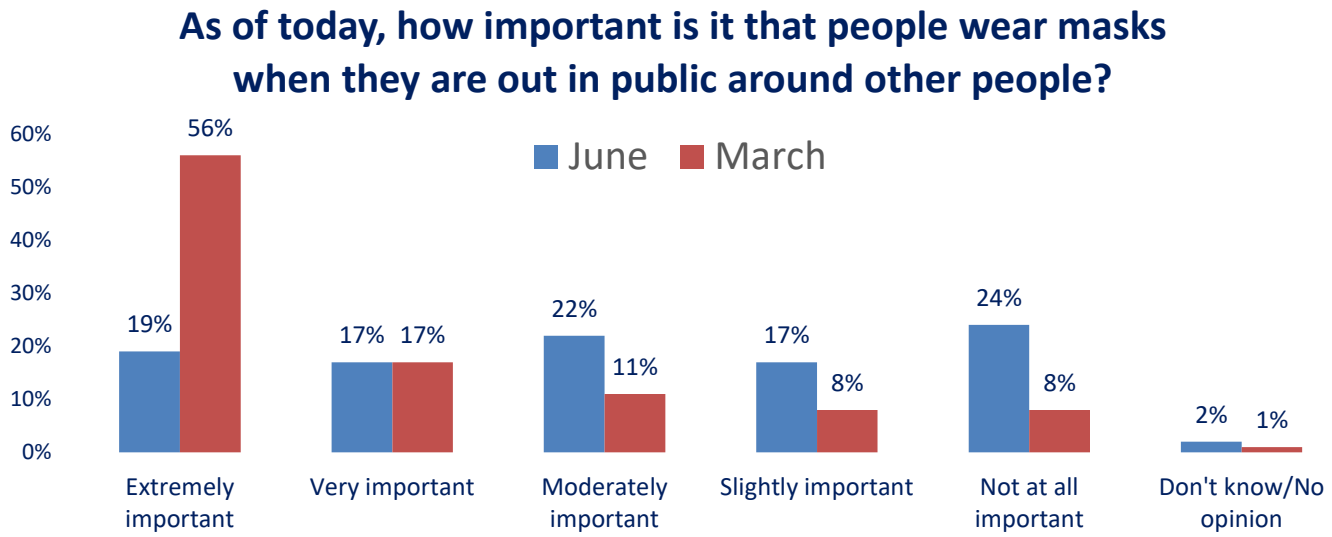
***The Future Economy***. Optimism for the future economy has waned slightly. The percent who said business conditions in the U.S. in the next six months would be "better" dropped to 34 from 40. The percent who said business conditions in Tennessee in the next six months would be "better" dipped slightly to 36 from 39.

***Jobs, Vaccinations, and Confidence***. Expanding vaccination rates across the state and country have given Tennessee consumers greater resolve when resuming shopping, travel, and vacation plans. This reflects a renewed sense of comfort among consumers as they begin to think about opening their wallets and spending money in ways they were not able to spend most of last year. The chart below shows how consumers are much more comfortable resuming their normal shopping and other consumer-related activities than they were just three months ago. Nearly three-fourths (71%) are either "extremely comfortable" or "somewhat comfortable," resuming their consumer-related activities, up from 43 percent in March.




[4] Bureau of Labor Statistics, Employment Situation Summary, June 4, 2021, www.BLS.gov

***Masks***. Consumers' concerns about needing to wear masks in public have also declined significantly since March. Only 36 percent said it is either "extremely important" or "very important" for people to wear masks when in public, down from 73 percent in March. Further, 24 percent said wearing masks is "not at all important." As more and more consumers feel comfortable resuming their shopping, dining, travel, and other consumer-related behaviors, and they feel a decreased need to wear masks, this can help to spur economic activity.




***Spending***. While perceptions of the current economy improved, the Purchasing Index declined further to -58 from -9. This was in large part due to the decreasing number of consumers who believe now is a good time to buy a house. The percent who said now is a "good time" to buy a house dropped to 20 from 30, while the percent who said it is a "bad time" rose to 50 from 30.

Conversely, there was a noticeable net increase in the percent who said they expect to increase their spending from last year. The percent who said they expect to spend "more" than they spent last year gained to 31 from 23, while the percent who expect to spend "less" dipped to 27 from 33. Some of this expected increase in spending could be due to more positive views of the economy, whereas some could be due to expected increases in prices associated with higher inflation.

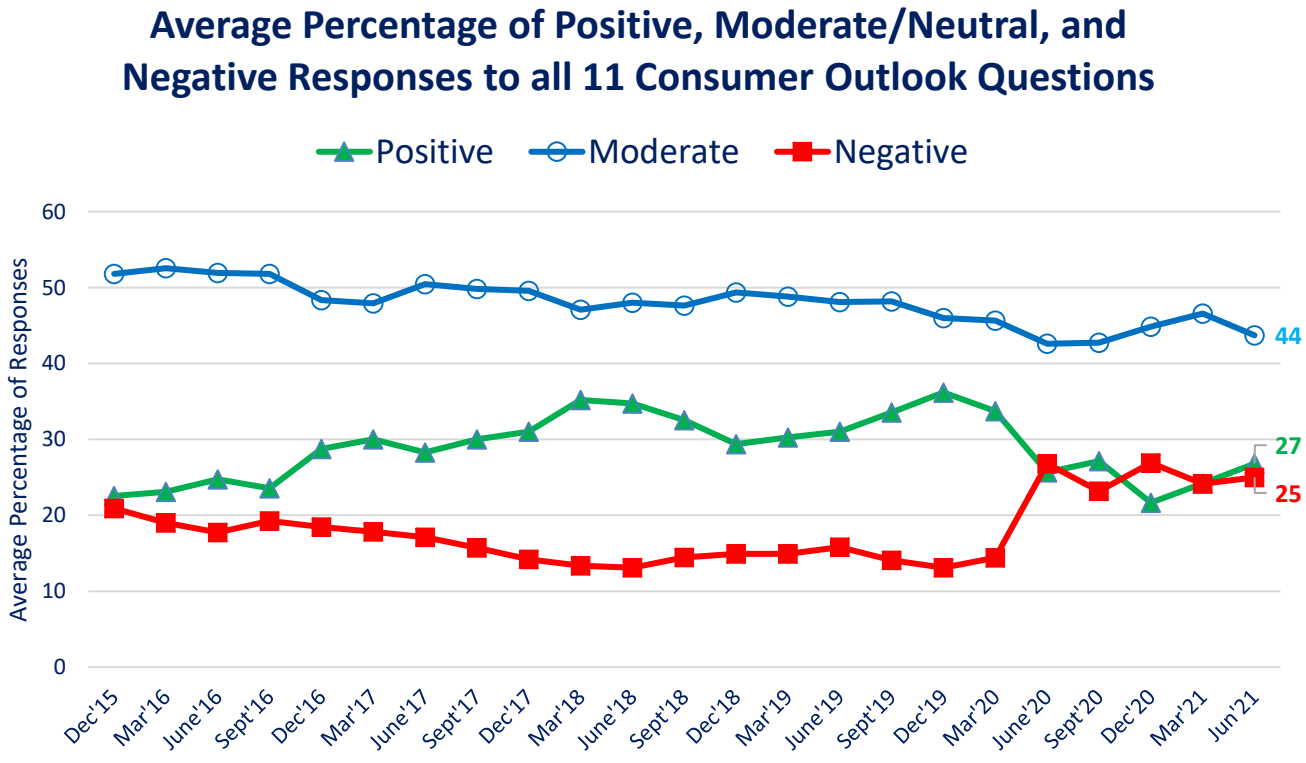
***Inflation, Taxes, and Concerns for the Future.*** When asked about concerns or worries they have for the future of our nation and/or our economy, two-thirds (66%) said they are concerned about the potential for higher taxes in the future (see chart on page 6 of this report). Similarly, 65 percent said they are worried about higher inflation. Such concerns are not unfounded. The Bureau of Labor Statistics reported in June that the Consumer Price Index rose 0.6 percent in May, after also rising 0.8 percent in April. Further, over the last 12 months, the index rose 5.0 percent, the largest 12-month increase since 2008.[5] Such concerns can inhibit consumers' desire and ability to increase spending in the near future.

[5] Bureau of Labor Statistics, Consumer Price Index Summary, June 10, 2021, www.bls.gov/cpi

***The Final Word***. These results are good news for local businesses and retailers as vaccination rates increase, COVID-19 cases decline, and more and more businesses reopen. As the number of vaccinations increases, restrictions are lifted, and workers are hired to handle growing consumer demand, continued economic growth can set the stage for future spending as consumers become more comfortable opening up their wallets and spending in ways they were not able to do so last year. However, large increases in spending might be hindered by rising inflation and/or higher taxes. If taxes are raised and/or the prices for consumer goods and services rise, consumers might decrease their rate of spending. Some consumers might even delay their spending as the level of government support declines as more and more businesses open up and jobs become available.

## Average Attitude

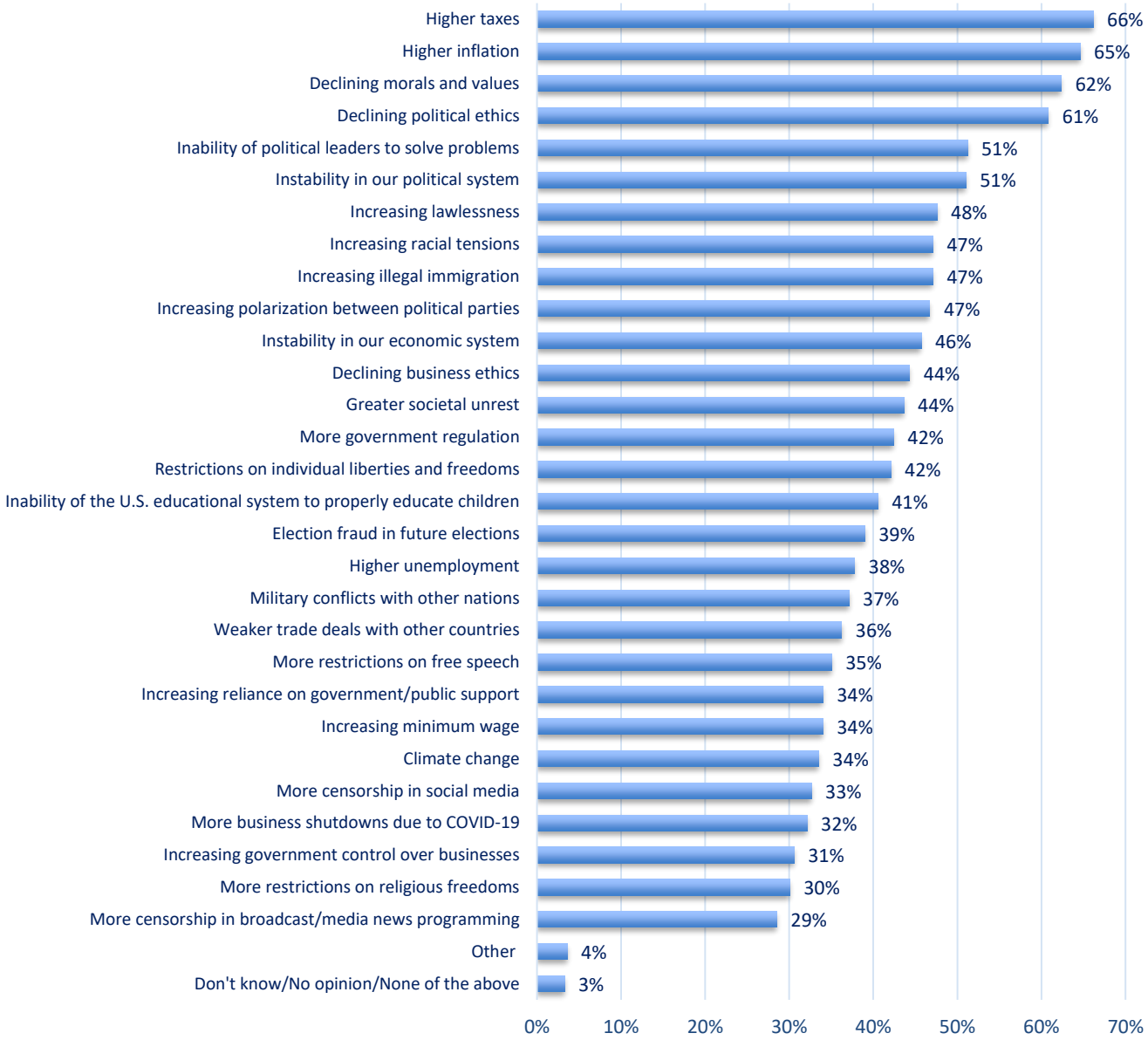
The chart below shows the average percentage of positive, moderate/neutral, and negative responses to all 11 questions that make up the Tennessee Consumer Outlook Index. The positive gap between the average percentage of positive versus negative responses to the survey questions has reemerged. More than one-fourth (27%) think economic conditions are "good" and think future economic conditions will be "better." A slightly smaller percentage (25%) think economic conditions are "bad" and think future economic conditions will be "worse." The largest percentage of consumers (44%) think the economy is somewhere "in-between" good and bad and will likely stay "about the same" in the future.



## Concerns for the Future

When asked about their concerns for the future, higher taxes and higher inflation, along with declining morals and values, were the most often cited. Higher taxes and higher inflation can both cause consumers to reduce their level of spending.

### Which of the following concerns or worries do you have for the future of our nation and/or our economy? (*Check all that apply*)



## Political Affiliation and Concerns

Concerns or worries for the future vary widely by political affiliation. Issues for which the difference in the percentage of responses between republican and democrat consumers is greater than five percent are highlighted in red. Republican consumers are more concerned about higher taxes, higher inflation, and declining morals, values, and political ethics. The only issue for which democrat consumers expressed more concerns was climate change.

| Which of the following concerns or worries do you have for the future of our nation and/or our economy? | Total | Republican | Democrat | Independent |
|---|---|---|---|---|
| Higher taxes | 66% | 83% | 42% | 64% |
| Higher inflation | 65% | 75% | 51% | 66% |
| Declining morals and values | 62% | 73% | 48% | 62% |
| Declining political ethics | 61% | 65% | 58% | 64% |
| Instability in our political system | 51% | 51% | 48% | 61% |
| Inability of political leaders to solve problems | 51% | 54% | 43% | 59% |
| Increasing lawlessness | 48% | 61% | 33% | 47% |
| Increasing polarization between political parties | 47% | 46% | 45% | 56% |
| Increasing illegal immigration | 47% | 71% | 15% | 47% |
| Increasing racial tensions | 47% | 49% | 45% | 47% |
| Instability in our economic system | 46% | 51% | 32% | 50% |
| Greater societal unrest | 44% | 48% | 35% | 46% |
| Declining business ethics | 44% | 43% | 42% | 47% |
| Restrictions on individual liberties and freedoms | 42% | 55% | 20% | 45% |
| More government regulation | 42% | 63% | 15% | 41% |
| Inability of the U.S. educational system to properly educate children | 41% | 40% | 36% | 46% |
| Election fraud in future elections | 39% | 61% | 13% | 35% |
| Higher unemployment | 38% | 41% | 32% | 36% |
| Military conflicts with other nations | 37% | 36% | 35% | 43% |
| Weaker trade deals with other countries | 36% | 47% | 17% | 41% |
| More restrictions on free speech | 35% | 46% | 17% | 37% |
| Climate change | 34% | 13% | 65% | 36% |
| Increasing minimum wage | 34% | 43% | 22% | 36% |
| Increasing reliance on government/public support | 34% | 50% | 12% | 34% |
| More censorship in social media | 33% | 47% | 13% | 34% |
| More business shutdowns due to COVID-19 | 32% | 31% | 32% | 28% |
| Increasing government control over businesses | 31% | 46% | 8% | 31% |
| More restrictions on religious freedoms | 30% | 43% | 11% | 29% |
| More censorship in broadcast/media news programming | 29% | 38% | 12% | 31% |
| Other | 4% | 2% | 5% | 4% |
| Don't know/No opinion/None of the above | 3% | 1% | 2% | 4% |

## Perceptions of the Economy - Comparison to the Nation

When compared to consumers across the rest of the country, Tennessee consumers have more negative views of the current U.S. economy and are more likely to say business conditions in the U.S. will be worse six months from now. However, Tennessee consumers are slightly more positive regarding the current and future job market. Further, Tennessee consumers are slightly more likely to have positive views about their personal financial situation.

The table below shows 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).[6]

| Comparing Tennessee Consumers to Consumers across the Country as a Whole | Nation (%) | TN June'21 (%) |
|---|---|---|
| Business conditions in the U.S. are good. | 19 | 11 |
| Business conditions in the U.S. are bad. | 22 | 31 |
| Six months from now, business conditions in the U.S. will be better. | 30 | 34 |
| Six months from now, business conditions in the U.S. will be worse. | 15 | 28 |
| Jobs are easy to find (plentiful). | 47 | 54 |
| Jobs are hard to find. | 12 | 9 |
| Six months from now, there will be more job openings. | 27 | 33 |
| Six months from now, there will be fewer job openings. | 17 | 18 |
| In 12 months, my personal financial situation (income) will be better. | 15 | 28 |
| In 12 months, my personal financial situation (income) will be worse. | 9 | 13 |

[6] Source: May 25, 2021, *Consumer Confidence Holds Steady in May*, (www.conference-board.org).

## Consumer Outlook Index with Net Change* (Increase or Decrease) from March, 2021

| | | Tenn. June'21 (%) | Net Change* | West TN June'21 (%) | Net Change | Mid TN June'21 (%) | Net Change | East TN June'21 (%) | Net Change |
|---|---|---|---|---|---|---|---|---|---|
| Business conditions in the U.S. are: | Good | 11 | +11 | 13 | +10 | 12 | +13 | 10 | +10 |
| | In between | 56 | | 53 | | 59 | | 55 | |
| | Bad | 31 | | 30 | | 28 | | 35 | |
| Six months from now, business conditions in the U.S. will be: | Better | 34 | -9 | 36 | -23 | 34 | -4 | 32 | -3 |
| | About same | 33 | | 31 | | 36 | | 32 | |
| | Worse | 28 | | 26 | | 25 | | 32 | |
| Business conditions in Tennessee are: | Good | 24 | +17 | 22 | +16 | 26 | +16 | 24 | +16 |
| | In between | 58 | | 54 | | 57 | | 61 | |
| | Bad | 16 | | 18 | | 16 | | 15 | |
| Six months from now, business conditions in Tennessee will be: | Better | 36 | -3 | 39 | -7 | 36 | -4 | 35 | +2 |
| | About same | 43 | | 41 | | 44 | | 42 | |
| | Worse | 16 | | 15 | | 16 | | 17 | |
| Jobs in your area of Tennessee are (can be): | Easy to find | 54 | +53 | 47 | +56 | 54 | +47 | 58 | +52 |
| | Found w/effort | 34 | | 39 | | 33 | | 33 | |
| | Hard to find | 9 | | 11 | | 10 | | 8 | |
| In six months, there will be ____ jobs in your area of Tennessee. | More | 33 | -10 | 33 | -12 | 39 | 0 | 27 | -15 |
| | About same | 44 | | 47 | | 40 | | 45 | |
| | Fewer | 18 | | 13 | | 17 | | 22 | |
| Financially, how are you compared to a year ago? | Better | 17 | +10 | 20 | +6 | 20 | +20 | 11 | +2 |
| | About same | 54 | | 53 | | 53 | | 56 | |
| | Worse | 28 | | 26 | | 26 | | 33 | |
| Financially, how will you be one year from now? | Better | 28 | -1 | 28 | -11 | 28 | +3 | 28 | +3 |
| | About same | 53 | | 56 | | 55 | | 49 | |
| | Worse | 13 | | 11 | | 12 | | 16 | |
| Now is a ___ time to buy major household items. | Good time | 18 | -4 | 18 | -19 | 22 | +12 | 15 | -3 |
| | In between | 41 | | 38 | | 41 | | 45 | |
| | Bad time | 33 | | 34 | | 31 | | 33 | |
| Now is a ___ time to buy a house. | Good time | 20 | -30 | 21 | -31 | 23 | -24 | 17 | -34 |
| | In between | 25 | | 30 | | 23 | | 22 | |
| | Bad time | 50 | | 41 | | 50 | | 56 | |
| Now is a ___ time to buy a car. | Good time | 20 | -15 | 22 | -22 | 21 | -2 | 17 | -21 |
| | In between | 40 | | 37 | | 42 | | 40 | |
| | Bad time | 33 | | 32 | | 28 | | 38 | |

## Consumer Spending, Saving, and Investments

| | | Tenn. June'21 (%) | Net Change | West TN June'21 (%) | Net Change | Mid TN June'21 (%) | Net Change | East TN June'21 (%) | Net Change |
|---|---|---|---|---|---|---|---|---|---|
| Compared to last year, I will spend: | More | 31 | +14 | 31 | +7 | 33 | +22 | 29 | +12 |
| | About same | 40 | | 37 | | 40 | | 41 | |
| | Less | 27 | | 28 | | 26 | | 28 | |
| Compared to last year, I am saving: | More | 24 | +3 | 23 | -8 | 27 | +6 | 23 | +9 |
| | About same | 41 | | 44 | | 39 | | 41 | |
| | Less | 31 | | 29 | | 32 | | 33 | |
| In the next 12 months, I will ___ my level of saving. | Increase | 35 | +5 | 36 | -11 | 36 | +13 | 33 | +11 |
| | Keep same | 44 | | 37 | | 48 | | 42 | |
| | Decrease | 15 | | 18 | | 12 | | 17 | |
| In the next 12 months, the value of the stock market will be: | Higher | 25 | +3 | 23 | -8 | 26 | +11 | 26 | +6 |
| | About same | 24 | | 27 | | 25 | | 21 | |
| | Lower | 29 | | 27 | | 28 | | 32 | |
| In 12 months, the value of my savings and investments will be: | Higher | 30 | +1 | 28 | -12 | 32 | +10 | 29 | +7 |
| | About same | 35 | | 35 | | 35 | | 34 | |
| | Lower | 24 | | 21 | | 21 | | 28 | |
| If I lost my job, I would survive financially. | Definitely yes | 16 | -2 | 20 | -7 | 16 | -1 | 15 | +3 |
| | Probably yes | 18 | | 17 | | 19 | | 16 | |
| | Maybe | 16 | | 18 | | 17 | | 14 | |
| | Probably no | 16 | | 13 | | 16 | | 18 | |
| | Definitely no | 27 | | 27 | | 27 | | 27 | |
| In 12 months the total amount of my credit card debt will be: | Higher | 7 | +2 | 6 | +7 | 8 | 0 | 7 | +2 |
| | About same | 47 | | 45 | | 43 | | 52 | |
| | Lower | 35 | | 35 | | 39 | | 31 | |

* *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,** | **Pessimistic consumer outlook,** |
| *which leads to …* | *which leads to …* |
| **Increased consumer spending,** | **Decreased consumer spending,** |
| *which leads to …* | *which leads to …* |
| **Retailers hire more employees and purchase more inventory from suppliers,** | **Retailers hire fewer employees and purchase less inventory from suppliers,** |
| *which leads to …* | *which leads to …* |
| **Suppliers (manufacturers) must make more products,** | **Suppliers (manufacturers) must make fewer products,** |
| *which leads to …* | *which leads to …* |
| **Suppliers (manufacturers) hire more employees,** | **Suppliers (manufacturers) hire fewer employees,** |
| *which leads to …* | *which leads to …* |
| **More retail, service, and manufacturing employees,** | **Fewer retail, service, and manufacturing employees,** |
| *which leads to …* | *which leads to …* |
| **More consumers with paychecks who are able to spend,** | **Fewer consumers with paychecks who are able to spend,** |
| *which leads to …* | *which leads to …* |
| **Growing economy,** | **Slowing economy,** |
| *which leads to …* | *which leads to …* |
| **More optimistic consumer outlook,** | **More pessimistic consumer outlook,** |
| *which leads to …* | *which leads to …* |

## About the Survey

The results reported here are based on online surveys of 610 randomly selected adult residents of Tennessee. Online surveys were conducted between June 7 and June 27, 2021. 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 610 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 ± 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?