



Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce and Industry

Office of Consumer Research
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Outlook Among Tennessee Business Leaders Surges

Outlook among Tennessee Business Leaders has improved dramatically. The Tennessee Business Barometer surged to 508 from 211 in October, 2020. Tennessee business leaders have more positive views of the current economy, and they are more optimistic about the future of the economy and their own business/firm. Even with the continuing impeachment process in Congress, fewer business leaders reported concerns regarding overall economic and political uncertainty.

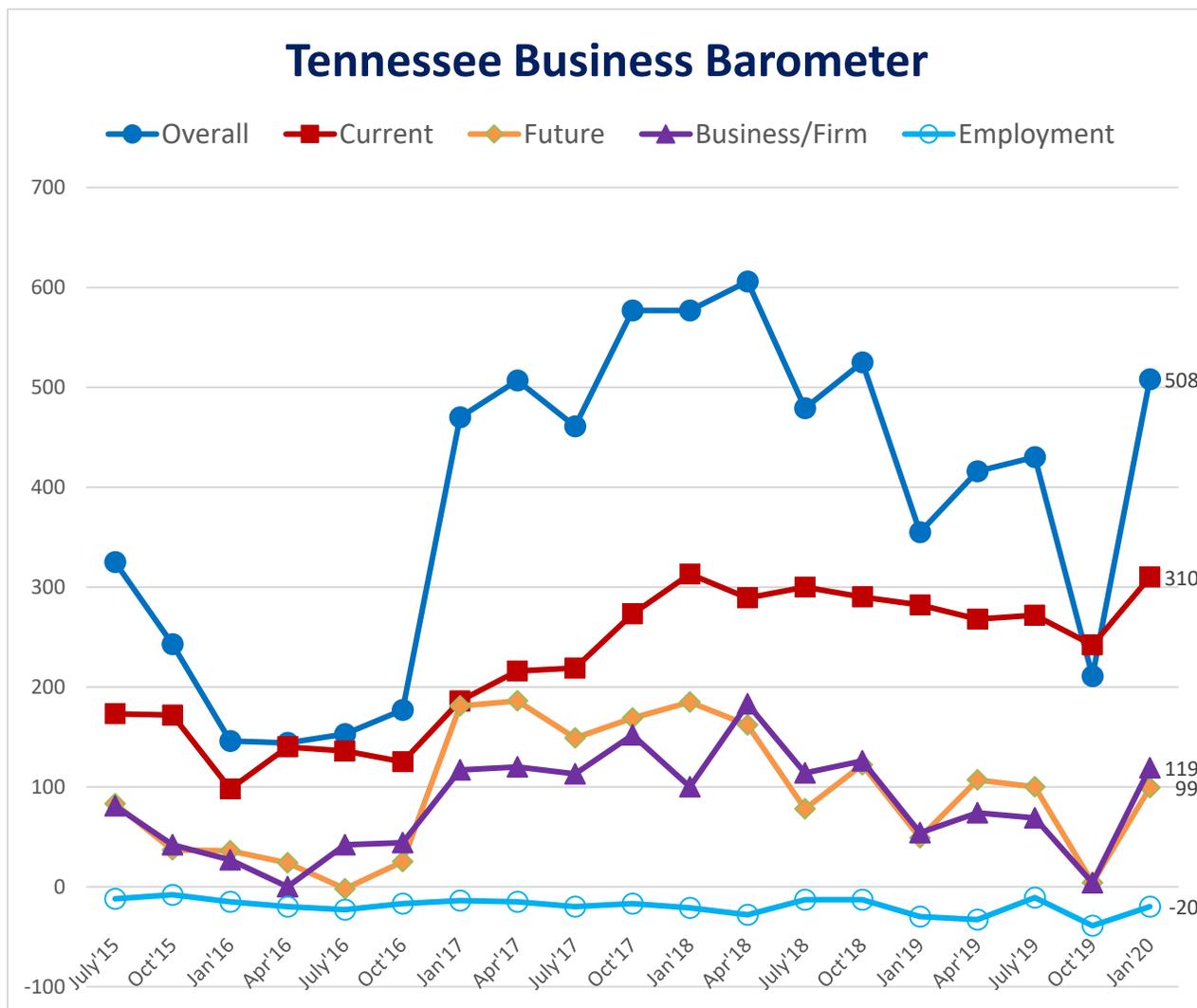
The current online survey of 104 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between January 10 and January 18. The sample of respondents includes business owners (30%), vice presidents (10%), senior managers (26%), and managers/others (34%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for April 2020.

Tennessee Business Barometer Index and Sub-Indices

	January 2019	April 2019 ¹	July 2019	October 2019	January 2020
Overall Business Barometer	355	416	428	211	508
Current Economic Situation Index	282	268	273	242	310
Future Economic Expectations Index	49	107	91	4	99
Business/Firm Performance Index	54	74	76	4	119
Employment Outlook Index	-30	-33	-12	-39	-20

¹ The Tennessee Business Barometer Index scores are based on business leaders' responses to 17 questions measuring their perceptions of the current and future economic and regulatory conditions for the country as a whole, Tennessee, their industry, and their individual firm/business. Five questions make up the Current Economic Situation Index. Five questions make up the Future Economic Expectations Index. Five questions make up the Business/Firm Performance Index. Two questions make up the Employment Outlook Index. The Overall Business Barometer Index is based on all 17 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 the percentage of business leaders who hold negative views of the economy is equal to the percentage of business leaders who hold positive views of the economy. A net positive score would indicate that business leaders who hold positive views of the economy outnumber those who hold negative views of the economy.



Improving Outlook

U.S. Economy. Perceptions of the national economy improved significantly. The percent who said business conditions in the U.S. are “good” rose to 86 from 54 in October. The percent who said conditions are “bad” remained nominal at only two percent. Apparently, many of those who had moderate views in October have become more positive and upbeat about the overall U.S. economy.

Expectations for the future U.S. economy also improved. The percent who said twelve months from now economic conditions in the U.S. will be “better” gained to 19 from 15. More significantly, the percent who said economic conditions will be “worse” fell to 11 from 29.

Tennessee Economy. Views of the current Tennessee economy remain relatively unchanged and positive. The percent who said business conditions in Tennessee are “good” inched up to 83 from 80. Only three percent said conditions in Tennessee are “bad.”

As with the U.S. economy, expectations for the future Tennessee economy were markedly more optimistic. The percent who said twelve months from now business conditions in Tennessee will be “better” rose to 30 from 22. Further, the percent who expect business conditions to be “worse” fell to 7 from 16.

Industry and Firm/Business Expectations

Views regarding economic conditions for specific industries and individual firms/businesses also improved. More than half (54 percent) said economic conditions for their industry are “good.” Further, 61 percent said economic conditions for their firm/business are “good.” More specifically, there were significant net increases in the percent who expect improvements for their firm/business regarding growth, investments, sales, profitability, and inventories.

What Explains this Improvement in Outlook?

No single issue explains this sharp improvement in outlook. There appear to be many bright spots for the economy which explain this more optimistic attitude. The recent USMCA trade agreement along with the phase-one trade deal with China should support higher paying jobs for American workers and growth in the U.S. economy. The current unemployment rate of 3.5% is the lowest since 1969. Growing labor participation rates point to an expanding job market. Wages are on the rise for many Americans. And, recent gains in the stock market reflect optimism among investors.

This increase in optimism mirrors the gain in the Conference Board’s national measure of confidence among CEO’s. Their Measure of CEO Confidence™ rose to 43 from 34 in the fourth quarter of 2019.² The fact that their national measure of confidence is still less than 50 (a score greater than 50 reflects more positive than negative responses) indicates that Tennessee business leaders are relatively more optimistic than their counterparts across the rest of the country.

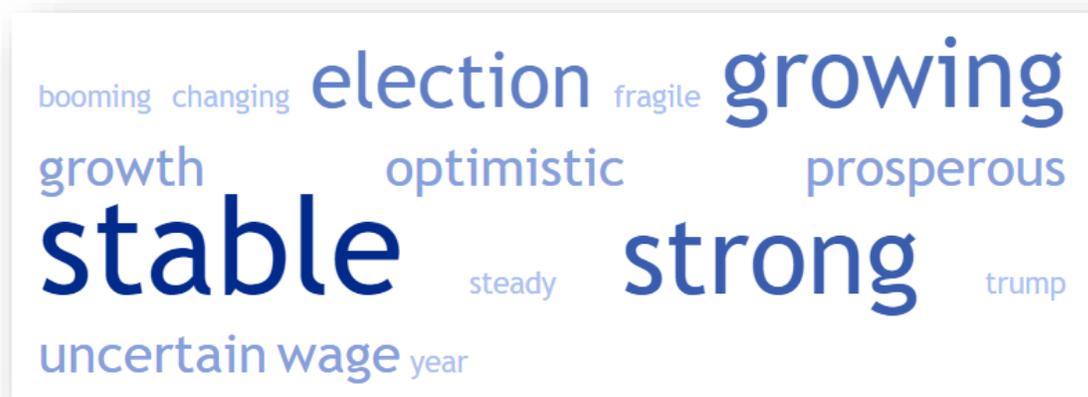
Impeachment? Interestingly, even though the U.S. Senate has begun the presidential impeachment trial, impeachment does not appear to be a pressing concern for Tennessee business leaders. In fact, when asked to report what was on their minds when thinking about the future of the economy, no respondent mentioned impeachment. However, a few respondents did mention the upcoming elections.

² Source: January 7, 2020, “CEO Confidence Rebounded in Q4” (<https://www.conference-board.org/data/ceoconfidence.cfm>)

What Was on Business Leaders' Minds?

The word clouds below show the 15 words most often given when asked to report the word, or words, that come to mind when thinking about the future of the overall U.S. economy, the Tennessee economy, and individual firms. The size of each word reflects the relative frequency with which it was mentioned.

Future of the overall U.S. economy. Tennessee business leaders view the economy as stable, strong, and growing. No respondent mentioned impeachment. However, a few respondents mentioned the upcoming elections. Donald Trump was mentioned in reference to him being good for businesses.



Future of the Tennessee economy. Business leaders are equally positive and optimistic about the future of the state's economy. Only one respondent mentioned recession. Expectations are for a stable, strong, and growing economy in Tennessee.



Future of Individual Firms/Businesses. With respect to their individual firm, business leaders see opportunities for growth amid challenges. More results related to the challenges business leaders are currently experiencing are on page 7 of this report.

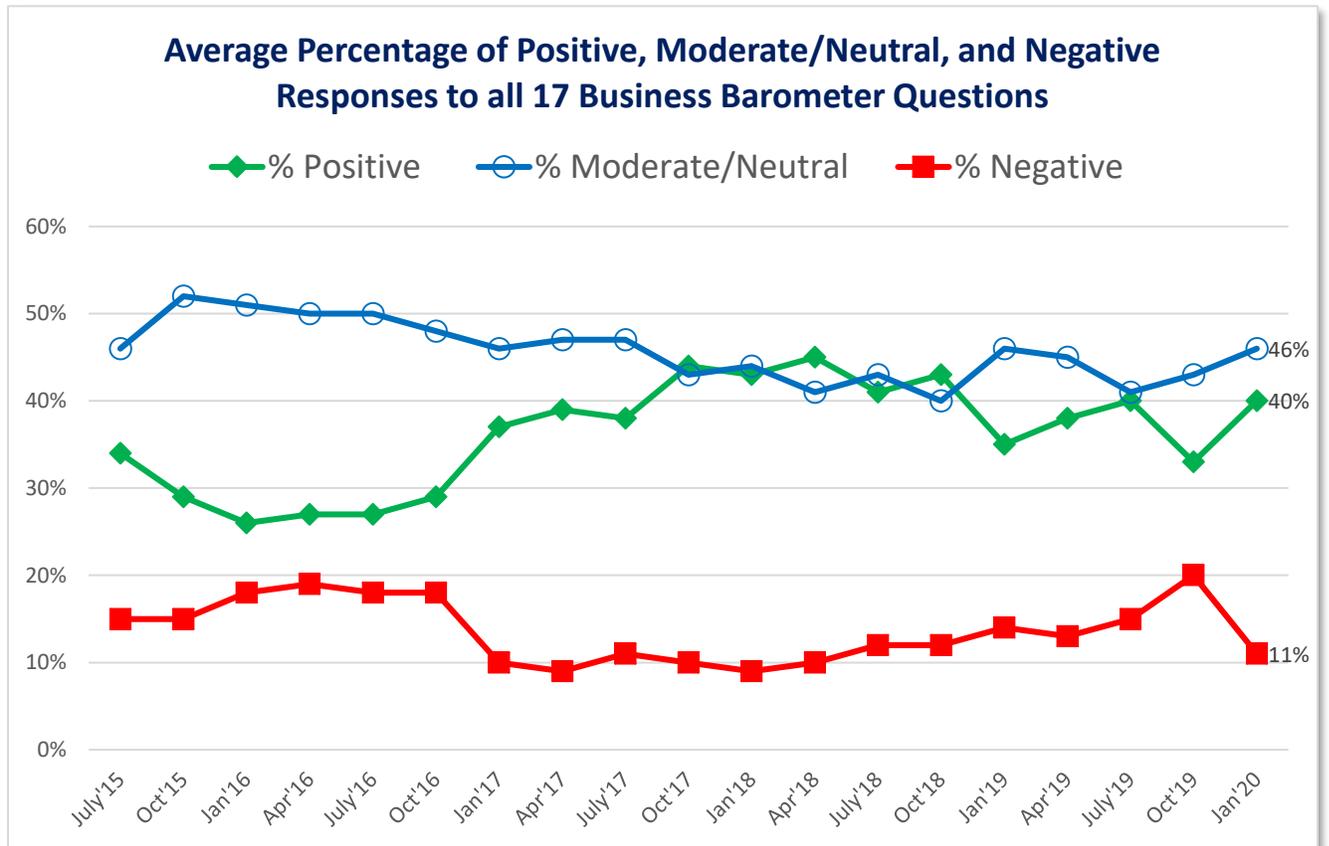


Employment and Staffing

Optimism regarding the future of the economy can lead to increases in employment as businesses grow and expand. The Employment Outlook Index, although still in the negative range, gained to -20 from -39 in October 2019. Although the percent who expect to “increase” employment gained only modestly to 39 from 35, the percent who expect to “decrease” employment dropped to 8 from 18. However, finding qualified employees remains a significant challenge. The percent who said qualified employees are “hard to find” declined to 53 from 58.

Overall Positive Perceptions

The chart below shows the average percentage of positive, moderate/neutral, and negative responses to all 17 questions that make up the Tennessee Business Barometer Index. Most responses remain either positive or moderate/neutral. Relatively few responses are negative. In fact, more than four times as many hold positive views (46%) versus negative views (11%). This means that when responding to our questions, the majority of business leaders think economic conditions are “good” or “in between” and think future economic conditions will be “better” or “stay the same.”

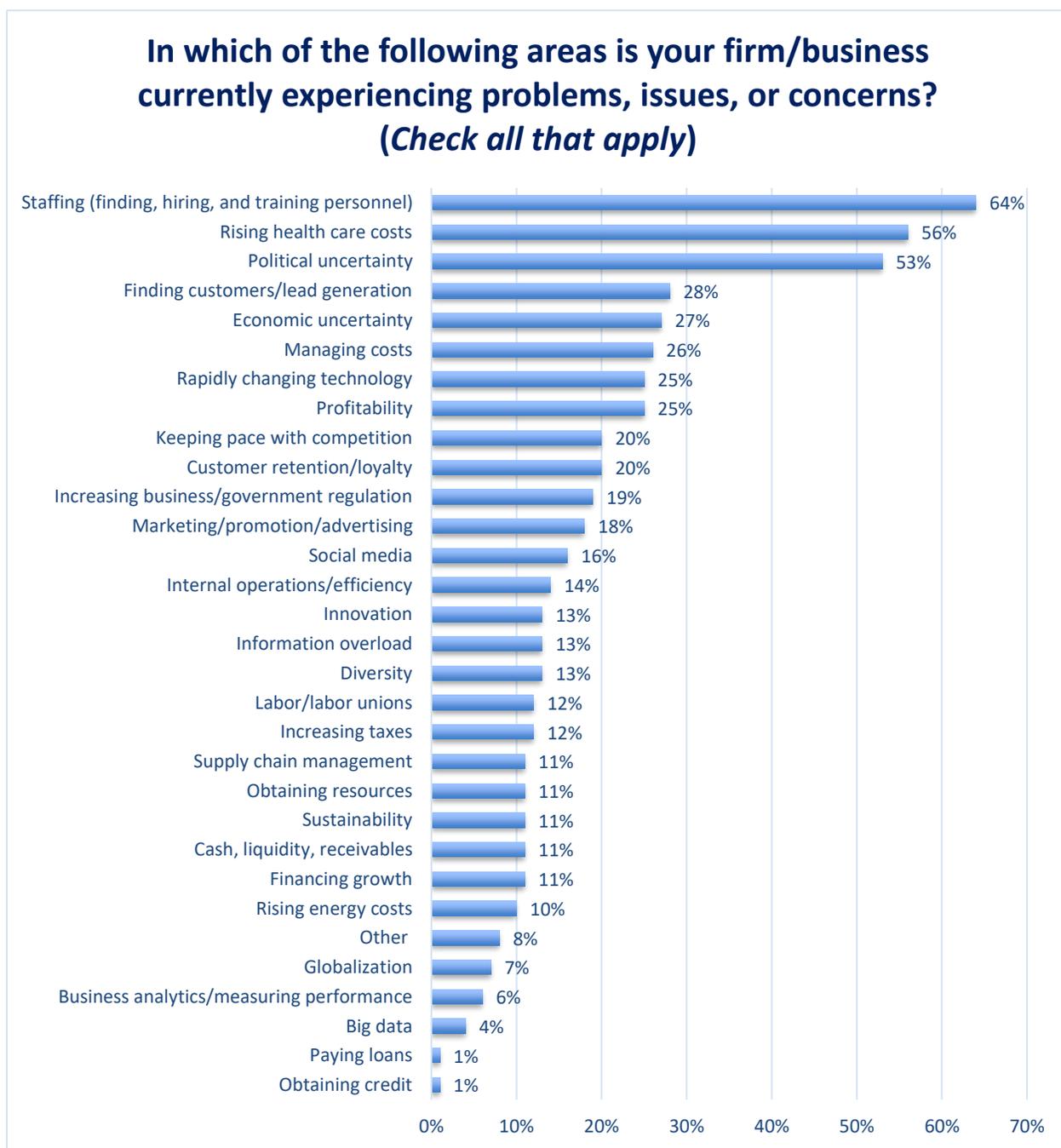


The Final Word

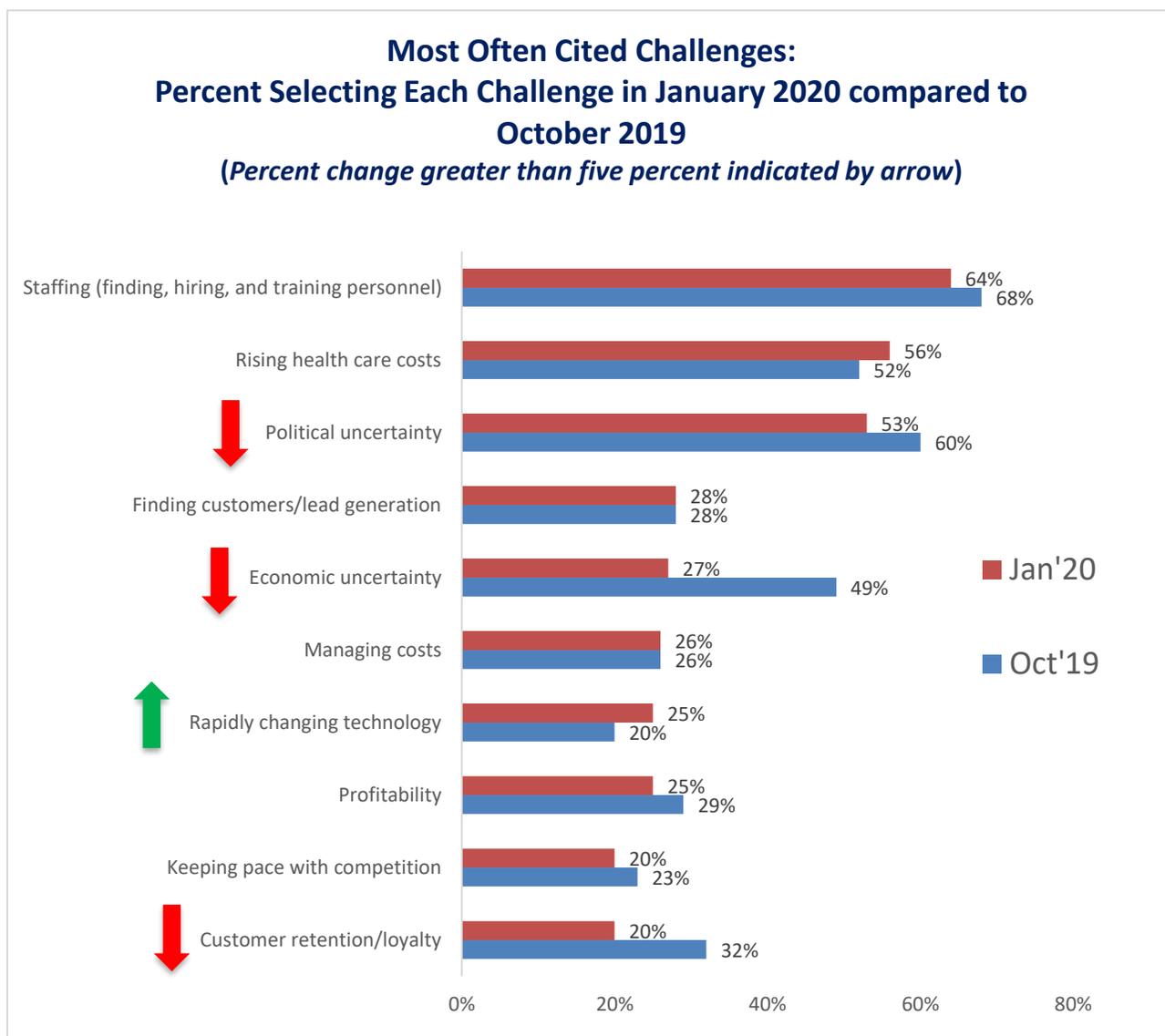
Tennessee business leaders have become increasingly positive about the current economy and increasingly optimistic about the future of the economy and their individual firms/businesses. This bodes well for the Tennessee economy, Tennessee consumers, and for Tennessee workers. As businesses invest to grow and expand, they stimulate even further growth in the economy by hiring more workers. Also, when businesses spend money to expand operations and to make purchases from suppliers, this provides those other businesses with more money to hire more workers and grow their own businesses. This, coupled with increasing consumer confidence, can lead to even more economic growth.

Business Challenges

Respondents identified the areas in which their firm/business is currently facing challenges. The chart below shows the percent of respondents who selected each issue. Staffing concerns, followed by rising health care costs and political uncertainty dominate the list as the most often cited concerns.



Shifting Concerns. The chart below shows the ten challenges most often cited by business leaders in January 2020. This is compared to the percent who cited these same challenges in October 2019. Even with the current impeachment trial in the U.S. Senate, the percent who are concerned about political uncertainty actually declined to 53 from 60 last October. Further, the percent who are concerned with economic uncertainty fell significantly to 27 from 49. As consumer confidence remains strong, the percent who are concerned with customer retention and loyalty also fell significantly. With decreasing political and economic concerns, business leaders can focus their attention on other matters, such as keeping pace with rapidly changing technology.



Tennessee Business Barometer Results		Apr 2019 (%)	July 2019 (%)	Oct 2019 (%)	Jan 2020 (%)	Net Change from October 2019*
Overall economic conditions in the U.S. are: ^C	Good	65	77	54	86	+33
	In between	33	18	43	13	
	Bad	2	3	3	2	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	25	25	15	19	+22
	About same	59	51	55	68	
	Worse	16	23	29	11	
Economic conditions in Tennessee are: ^C	Good	83	85	80	83	+3
	In between	14	13	17	14	
	Bad	3	3	3	3	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	40	47	22	30	+17
	About same	56	39	63	63	
	Worse	5	11	16	7	
Economic conditions in your industry are: ^C	Good	54	51	48	54	+11
	In between	41	40	42	40	
	Bad	3	9	9	4	
Twelve months from now economic conditions in your industry will be: ^F	Better	30	37	17	30	+25
	About same	59	48	62	62	
	Worse	10	14	20	8	
Regulatory conditions in your industry are: ^C	Good	35	42	45	45	+7
	In between	47	44	37	42	
	Bad	11	8	14	7	
Twelve months from now regulatory conditions will be: ^F	Better	10	6	15	13	+4
	About same	84	83	68	75	
	Worse	2	4	11	5	
Economic Conditions for your firm/business are: ^C	Good	56	54	52	61	+14
	In between	37	34	40	37	
	Bad	6	13	8	3	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	41	39	28	41	+26
	About same	52	48	55	53	
	Worse	6	11	17	4	
Compared to last year will your firm grow: ^{B/F}	More	29	31	32	39	+23
	About same	46	44	31	41	
	Less	21	25	34	18	
Compared to last year will your firm invest: ^{B/F}	More	30	38	29	36	+21
	About same	43	45	38	48	
	Less	25	15	28	14	

Tennessee Business Barometer Results		Apr 2019 (%)	July 2019 (%)	Oct 2019 (%)	Jan 2020 (%)	Net Change from October 2019*
Compared to last year will your firm's sales: ^{B/F}	Increase	59	51	45	52	+17
	Stay the same	22	28	26	34	
	Decrease	16	15	23	13	
Compared to last year will your firm's profitability: ^{B/F}	Increase	37	39	29	47	+36
	Stay the same	44	32	38	42	
	Decrease	14	25	26	8	
Compared to last year will your firm's inventories: ^{B/F}	Increase	14	14	11	12	+18
	Stay the same	41	48	34	50	
	Decrease	19	17	31	14	
In the next 12 months will employment at your firm/business: ^E	Increase	35	41	35	39	+14
	Stay the same	51	55	46	49	
	Decrease	13	4	18	8	
Qualified employees are: ^E	Easy to find	2	3	2	2	+5
	Found with effort	40	42	37	43	
	Hard to find	57	52	58	53	

^C Included in the Current Economic Situation Index

^F Included in the Future Economic Expectations Index

^{B/F} Included in the Business/Firm Performance Index

^E Included in the Employment Outlook Index

* The Net Change score for each question is calculated based on the change in percent of both positive and negative 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.

About the Tennessee Business Barometer Survey

The Tennessee Business Barometer survey is a collaborative effort between Jones College of Business at Middle Tennessee State University and the Tennessee Chamber of Commerce and Industry. The survey measures the mood and outlook of business leaders statewide through online surveys. This report is also available on the MTSU Office of Consumer Research website (www.mtsu.edu/consumer).

The results reported here are based on an online survey of 104 business leaders throughout the state of Tennessee. The survey was conducted between January 10 and January 18. With a sample of 104 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 $\pm 10\%$. Other factors such as problems with question wording and interpretation can introduce additional bias or error into the results.

The Tennessee Business Barometer Index is based on all 17 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 Economic Situation Index is based on questions 1, 3, 5, 7, and 9. The Future Economic Expectations Index is based on questions 2, 4, 6, 8, and 10. The Business/Firm Performance Index is based on questions 11, 12, 13, 14, and 15. The Employment Outlook Index is based on questions 16 and 17.

For more information about the Tennessee Business Barometer, contact Dr. Timothy Graeff, director of the Office of Consumer Research, at 615-898-5124 or tim.graeff@mtsu.edu.

For more information about the Tennessee Chamber of Commerce and Industry, visit www.tnchamber.org or call 615-256-5141.

The Tennessee Business Barometer

[C] = included in the Current Economic Situation Index

[F] = included in the Future Economic Expectations Index

[B/F] = included in the Business (Firm) Performance Index

[E] = included in the Employment Outlook Index

1. **[C]** The current overall economic conditions in the COUNTRY AS A WHOLE are good, somewhere in between, or bad?
2. **[F]** In the next 12 months, do you expect the overall economic conditions in the COUNTRY AS A WHOLE to be better, stay about the same as they are today, or be worse?
3. **[C]** The current economic conditions in TENNESSEE are good, somewhere in between, or bad?
4. **[F]** In the next 12 months, do you expect the economic conditions in TENNESSEE to be better, stay about the same as they are today, or be worse?
5. **[C]** The current economic conditions for your INDUSTRY are good, somewhere in between, or bad?
6. **[F]** In the next 12 months, do you expect the economic conditions for your INDUSTRY to be better, stay about the same as they are today, or be worse?
7. **[C]** The current regulatory conditions for your industry are good, somewhere in between, or bad?
8. **[F]** In the next 12 months, do you expect the regulatory conditions for your industry to be better, stay about the same as they are today, or be worse?
9. **[C]** The current economic conditions for your FIRM/BUSINESS are good, somewhere in between, or bad?
10. **[F]** In the next 12 months, do you expect the economic conditions for your FIRM/BUSINESS to be better, stay about the same as they are today, or be worse?
11. **[B/F]** With respect to growth, compared to last year do you expect that your FIRM/BUSINESS will grow more than it did last year, grow about the same as it did last year, or grow less than it did last year?
12. **[B/F]** With respect to investing in your business, do you expect that compared to last year your FIRM/BUSINESS will invest more, about the same as last year, or less?
13. **[B/F]** With respect to sales revenues, compared to last year do you expect that your FIRM'S/BUSINESS'S sales revenues will increase, stay about the same as last year, or decrease?

14. **[B/F]** With respect to profitability, compared to last year do you expect that your FIRM'S/BUSINESS'S profitability will increase, stay about the same as last year, or decrease?
15. **[B/F]** With respect to inventories, in the next 12 months, do you expect that your FIRM/BUSINESS will increase inventories, keep inventories the same, or decrease inventories?
16. **[E]** With respect to employment, in the next 12 months, do you expect that your FIRM/BUSINESS will increase employment, keep employment at about the same level as it is today, or decrease employment?
17. **[E]** With respect to your FIRM/BUSINESS being able to find qualified employees in the local labor force, qualified employees are easy to find, can be found with effort, or are hard to find?