



Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce & Industry

Office of Consumer Research
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April 14, 2020

Outlook Among Tennessee Business Leaders Plummets Amid Coronavirus/COVID-19 Pandemic

As expected, outlook among Tennessee Business Leaders has fallen dramatically because of the recent coronavirus/COVID-19 pandemic and economic shutdown. The Tennessee Business Barometer plunged to -219 from 508 just three months ago in January 2020. This marks the first time the overall Business Barometer Index has been in the negative range. Business leaders' negative views of the current economic situation clearly reflect the results of shutting down a large part of the economy, quarantining consumers, and the unemployment that comes with it.

Conversely, the Future Expectations Index rose significantly to 168 from 99 in January. This is the highest level for the Future Expectations Index since this time two years ago. This suggests business leaders expect the economy to recover quickly once businesses are allowed to open and consumers resume shopping and spending on travel, entertainment, dining out, and other activities that make up a majority of our economy.

Tennessee Business Barometer Index and Sub-Indices

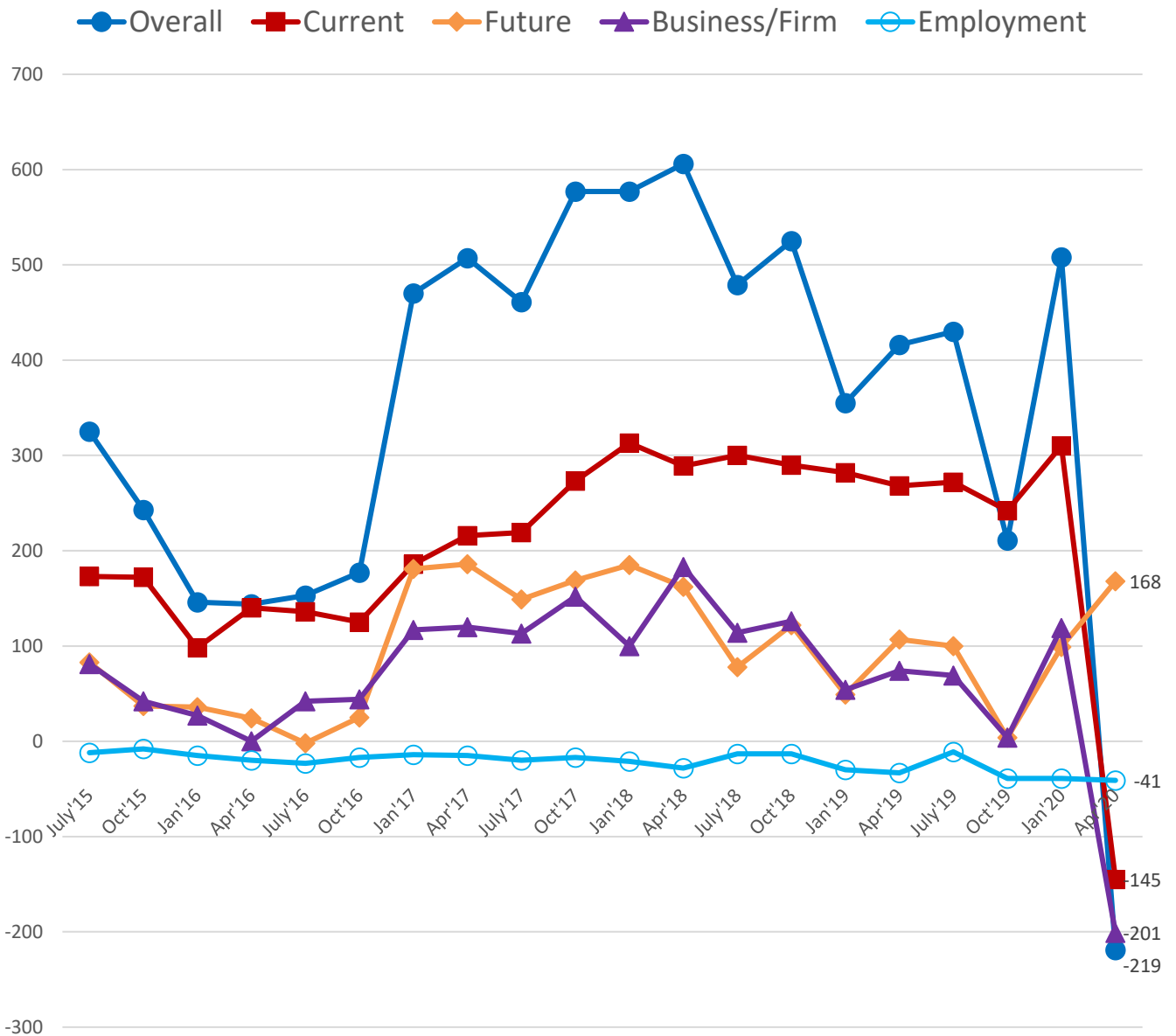
	April 2019	July 2019	October 2019	January 2020	April 2020 ¹
Overall Business Barometer	416	428	211	508	-219
Current Economic Situation Index	268	273	242	310	-145
Future Economic Expectations Index	107	91	4	99	168
Business/Firm Performance Index	74	76	4	119	-201
Employment Outlook Index	-30	-33	-12	-39	-41

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.

The current online survey of 60 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce & Industry between April 6 and April 10. The sample of respondents includes business owners (41%), vice presidents (7%), senior managers (27%), and managers/others (26%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for July 2020.

Tennessee Business Barometer



Reversing Outlook

Perceptions of the current economic situation have completely inverted from January. Just three months ago the percentage of positive perceptions far outnumbered the percentage of negative perceptions. This has now completely reversed. Only three percent said business conditions in the U.S. are “good,” down from 86 percent in January. Conversely, the percent who said business conditions are bad rose to 75 from 2. A similar reversal of outlook was found for perceptions of current conditions for the Tennessee economy and individual industries.

Negative effects of the business and economic shutdown are being felt at the individual business level. The percent who said economic conditions for their firm/business are “good” dropped to 20 from 61 in January. The percent who said conditions are “bad” rose to 44 from 3. Specifically, we see large net decreases in perceptions related to individual firm/business growth, investment, sales, and profitability. Clearly, this economic shutdown is having far-reaching and significant negative effects across many different industries and businesses.

Improving Optimism

As perceptions of the current economy falter, outlook for the future economy actually improved significantly. Although some expect the economy to continue to decline, the majority expect it to improve in the next 12 months. The percent who expect economic conditions in the U.S. to be “better” 12 months from now rose markedly to 69 from 19. The percent who expect the Tennessee economy to improve in the next 12 months also gained, to 68 from 30. Similar improvements in optimism were found for individual industries and firms/businesses.

One could argue that this is merely a result of the sharp and sudden decline, i.e., it cannot get much worse, so there is nowhere else to go but up. But, instead of reporting that the economy will continue the same as it is now, business leaders expect it to reverse course and improve.

Coronavirus/COVID-19

Clearly, the recent downturn in economic activity is due to the coronavirus and COVID-19. Nearly three-fourths (74%) said they are very concerned the coronavirus/COVID-19 will have significant negative effects on the overall U.S. economy. Further, slightly more than half (53%) are very concerned the coronavirus/COVID-19 will have significant negative effects on their firm/business.

The artificially imposed shutdown in economic activity has forced many businesses to close stores, lay off employees, slow down production, and eliminate operations. The increased number of unemployed workers and the restrictions on consumer activity might even force some businesses to close their doors permanently.

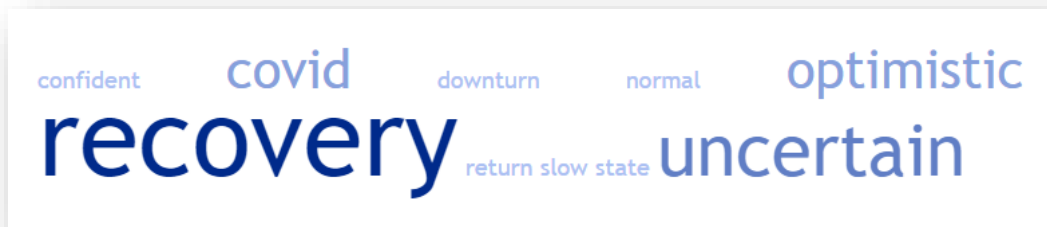
What Was on Business Leaders' Minds?

The word clouds below show the 10 words most often given when asked to report the word, or words, that came 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. Even though COVID-19 and the accompanying economic uncertainty was on their minds, business leaders also reported optimistic thoughts of a recovery.



Future of the Tennessee economy. Business leaders had similar thoughts with respect to the Tennessee economy, including equally optimistic thoughts about a state-wide recovery.



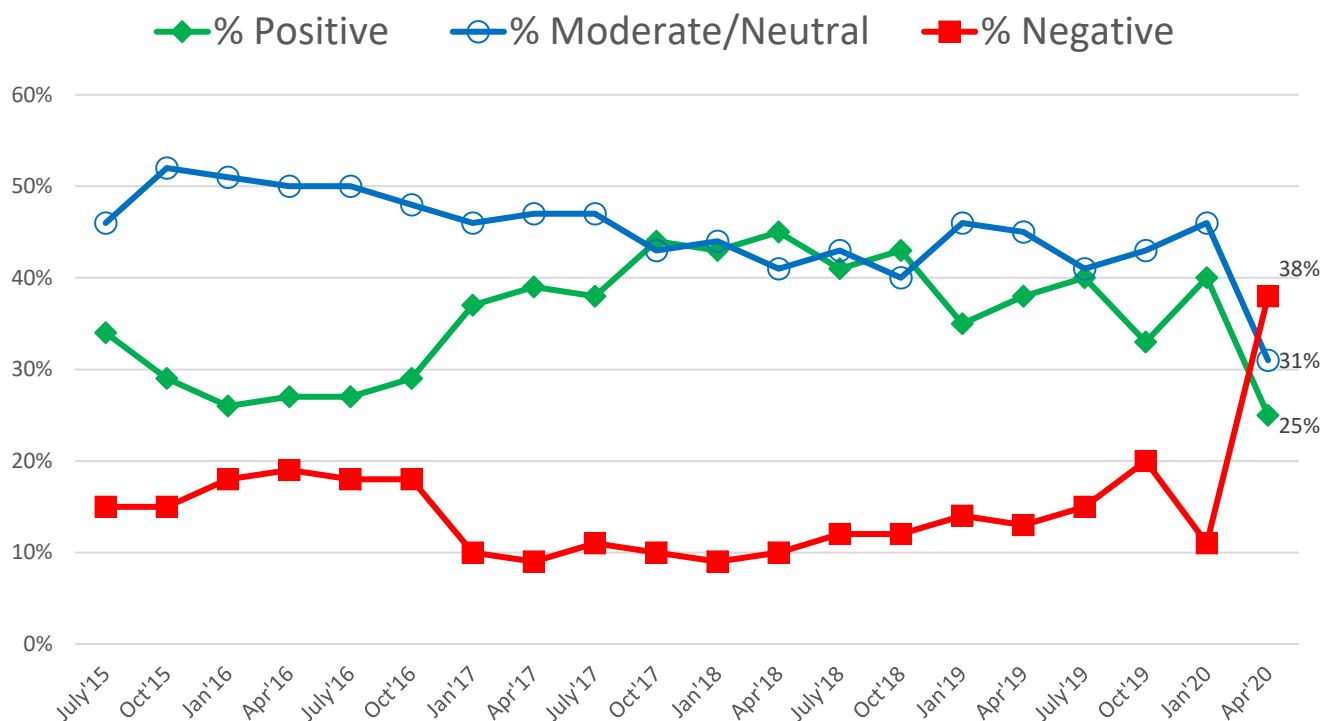
Future of Individual Firms/Businesses. With respect to individual firms, business leaders see opportunities for recovery amid the uncertain challenges that accompany the coronavirus/COVID-19 pandemic. More results related to the challenges business leaders are currently experiencing are on pages 8 and 9 of this report.



Reversing Outlook

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. This clearly shows the reversing outlook among Tennessee business leaders. Prior to the coronavirus/COVID-19 pandemic most responses were either positive or moderate/neutral. Relatively few responses were negative. However, that pattern has now completed reversed. For the first time in conducting these surveys, more responses are negative.

Average Percentage of Positive, Moderate/Neutral, and Negative Responses to all 17 Business Barometer Questions



Pandemics and the Fragile Economy

Our Service Economy. The recent events surrounding the coronavirus/COVID-19 pandemic reveal how fragile a national economy can be. This is especially true for post-industrialized economies such as the U.S. that rely on the service sector. Eighty percent of U.S. GDP comes from services, as opposed to manufacturing or agriculture. And, many services, such as entertainment, recreation, retail, travel, education, professional services, hospitality, dining out, etc., still rely on people to perform and deliver the service. As these service businesses are forced to close their doors to consumers, or even shutdown permanently, many of those service employees will be laid off, causing further shock waves through the economy as these laid off employees have less money to spend.

Perishable Revenues and the Service Economy. The perishable nature of intangible services is also exasperating these negative economic effects. Tangible goods manufacturers can hold their goods in inventory for future sale. For example, if fewer consumers purchase cars this month, those cars can still be sold in the future when the economy opens up again. The potential revenue from those cars can be recouped. However, intangible services, such as hospitality, travel, haircuts, and dining out at restaurants cannot be inventoried for later sale. A restaurant that closes for one month cannot recoup the lost revenue from those days the restaurant was closed. That revenue is lost forever. And, the majority of our economy is based on services that can never recover the lost revenue from this economic shutdown. This is why an economic shutdown such as this can have such devastating effects on an economy such as ours.

The Personal Nature of Our Economy. This also illustrates the importance of the personal nature of our economy. While some goods and services can be purchased online, our economy cannot survive entirely based on online e-commerce. The services that make up the majority of our economy require in-person interaction between businesses and consumers.

Changing Business Practices. Many businesses have already taken steps to change their business practices to deal with the coronavirus/COVID-19 situation.

- 72% have limited, reduced, or cancelled travel for their employees.
- 57% have asked at least some of their employees to work from home (remotely).
- Although 24% have reduced staffing by temporarily laying off some of their employees, only, 5% have reduced staffing by permanently reducing their number of employees.
- While 41% report limiting the amount of in-person contact their customers have with employees, 24% report the current situation has not had any effect on interactions with their customers.

Donating to Charities. Many Tennessee businesses have also offered to help with the crisis. More than half (59%) have already donated time and/or money to charities or other groups to help fight the coronavirus/COVID-19. Further, an additional 19% are considering donating time and/or money in the future.

Why the Optimism Amid the Current Crisis?

Federal Support. Business leaders recognize the efforts from the federal government to help them stay solvent during these tough times. For example, the Paycheck Protection Program through the Small Business Administration provides small businesses with money to fund up to eight weeks of payroll costs, including benefits, and hire back employees who have been laid off. This money can also be used to pay overhead such as utilities, rent, or interest on mortgages.

Adapting. As time passes, business leaders are able to adapt to the current crisis and make contingency plans. The ability to better understand a situation and adapt to it can significantly reduce uncertainty.

Strong Economic Fundamentals. Fundamentals of the economy remain strong. Many business leaders see this as a relatively short-term, one-time event. Once businesses are able to open up again, consumer spending and economic activity should return to previous levels.

Confidence in the Current Administration. Even though business leaders recognize the substantial negative impact coronavirus/COVID-19 has had on the economy and their businesses, confidence in the current administration's ability to handle the situation remains high (see pages 10 through 14 of this report). Specifically, with respect to Tennessee business leaders' views regarding coronavirus/COVID-19:

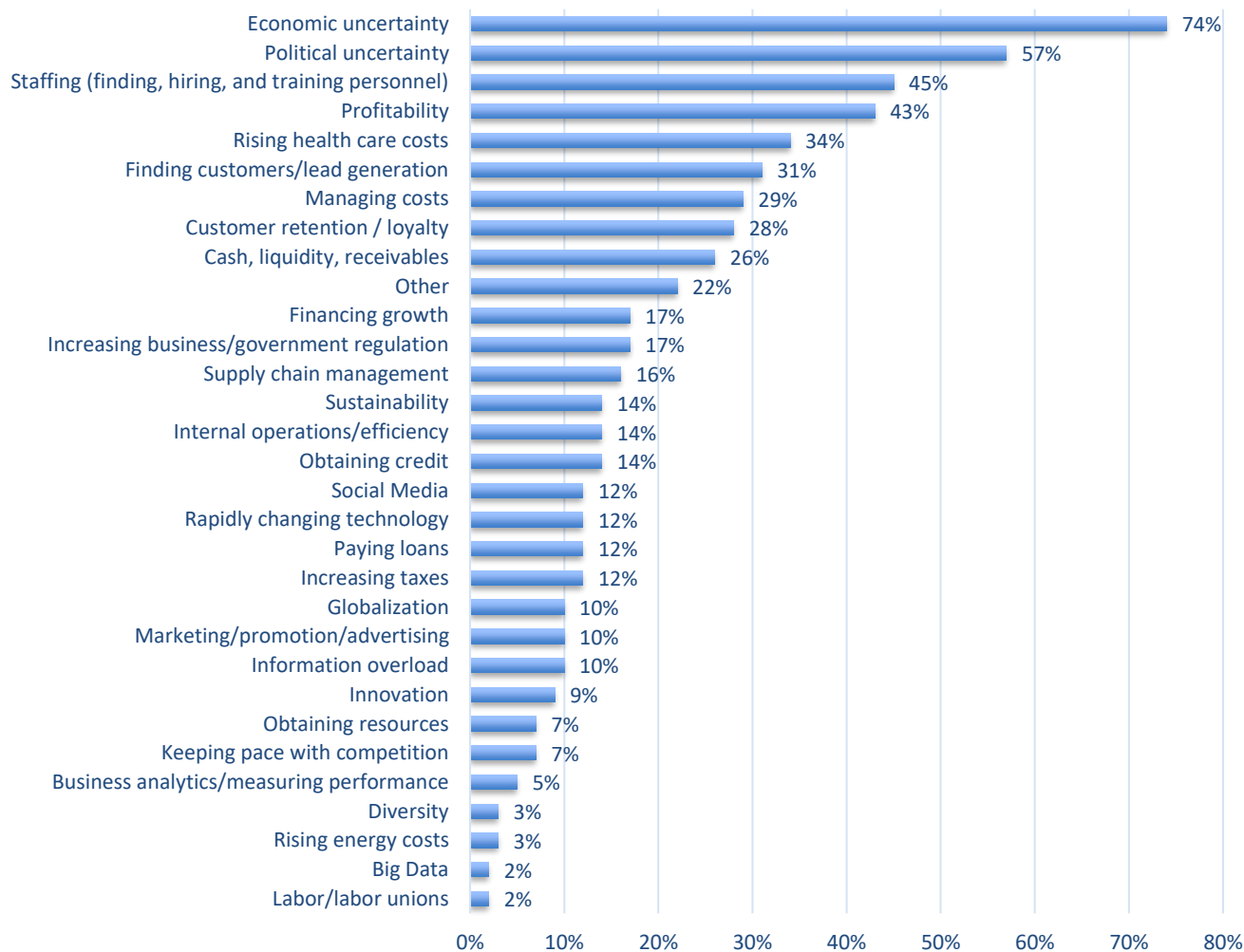
- 73% approve of the way President Trump is handling the situation.
- 68% believe President Trump has done everything in his power to protect U.S. citizens from an outbreak of the coronavirus/COVID-19
- 79% believe President Trump has done everything in his power to protect the U.S. economy from any negative effects of the coronavirus/COVID-19.
- 73% trust President Trump with respect to handling the situation.
- When asked to identify the presidential candidate(s) they trust to handle the coronavirus/COVID-19 situation, 75% identified President Trump, 14% identified Joe Biden, and only 5% identified Bernie Sanders.
- Only 24% believe the U.S. Congress has done everything in its power to protect U.S. citizens from an outbreak of the coronavirus/COVID-19.
- Only 37% believe the U.S. Congress has done everything in its power to protect the U.S. economy from any negative effects of the coronavirus/COVID-19.
- 58% approve of the way Governor Bill Lee has handled the situation with the coronavirus/COVID-19.

The Light at the End of the Tunnel. Although no one knows the exact date when the economy will open up again and things will return to normal, most business leaders expect it to be sooner than later. While relatively few (10%) expect things will return to normal by May 1st, the majority (55%) expect to be able to get back to "business as usual" by July 1st.

Business Challenges

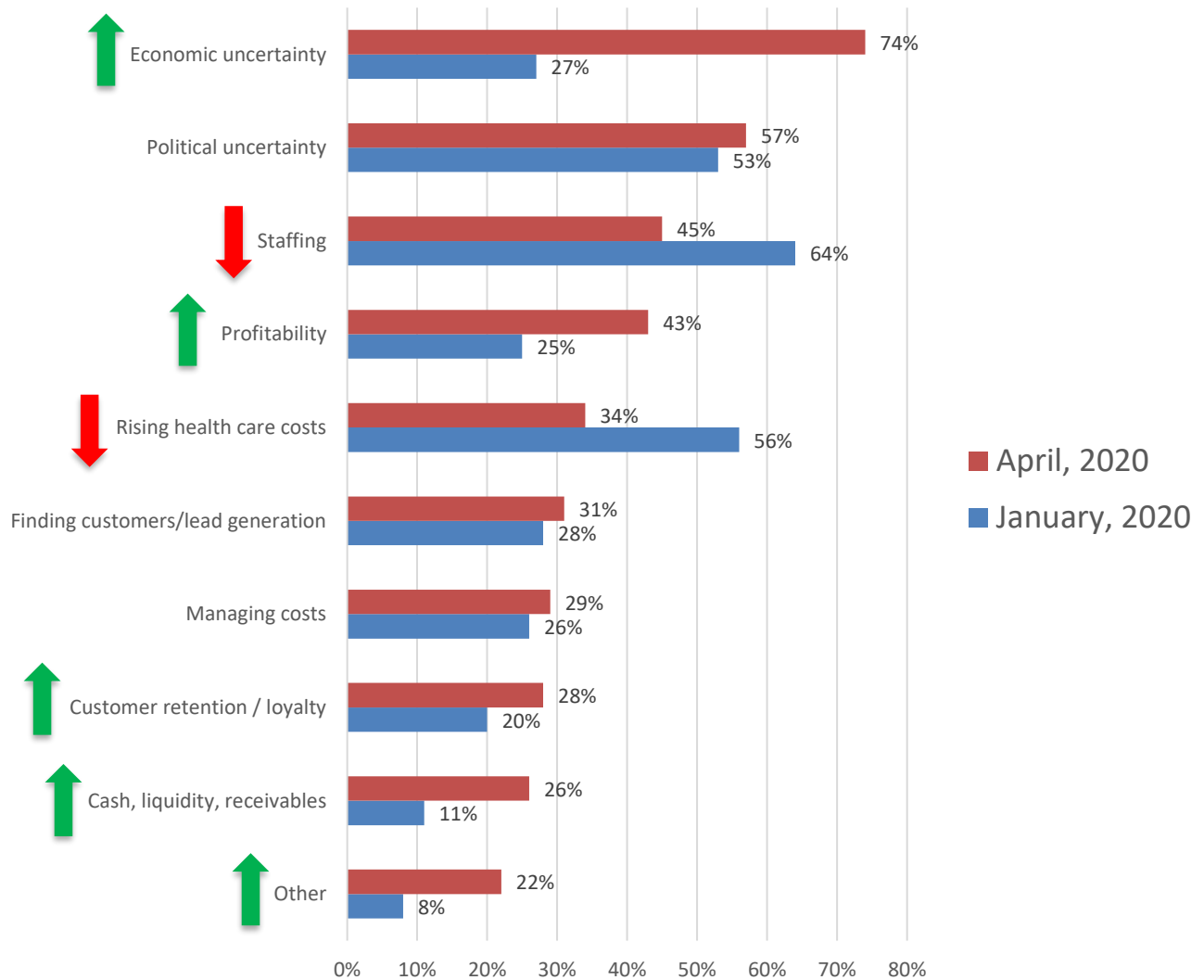
Respondents identified the areas in which their firm/business is currently facing challenges. The chart below shows the percent of respondents who selected each issue. Economic uncertainty associated with the current pandemic has taken over as the most often mentioned concern.

In which of the following areas is your firm currently facing challenges, issues, or concerns? (Check all that apply)



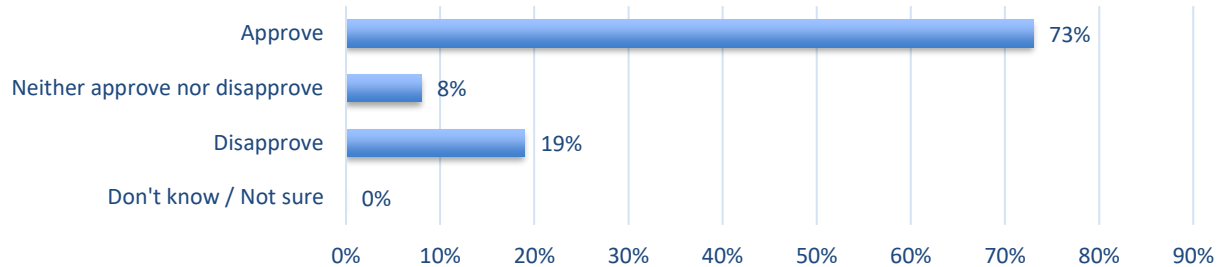
Shifting Concerns. The chart below shows the ten challenges most often cited by business leaders in April 2020. This is compared to the percent who cited these same challenges in January 2020. Concerns related to economic uncertainty arising from the pandemic crisis and the accompanying concerns related to profitability, customer retention, and liquidity made large increases. Staffing and healthcare costs, which traditionally top the list in more typical economic times, took a back seat to other concerns related to COVID-19. Most respondents who chose “other” indicated concerns related to COVID-19.

**Most Often Cited Challenges:
Percent Selecting Each Challenge in April 2020
compared to January 2020.
(Percent change greater than five percent indicated by arrow)**

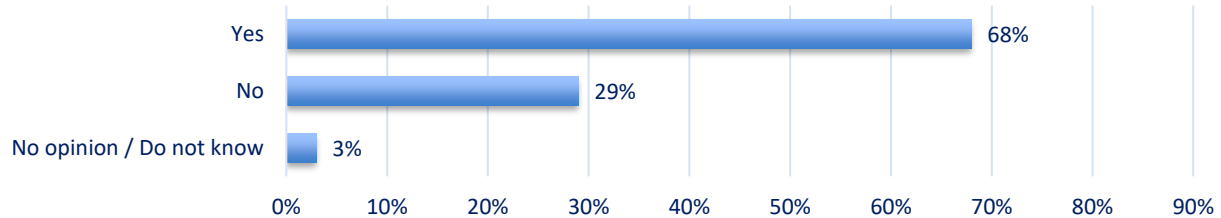


Coronavirus, COVID-19 and the Economy

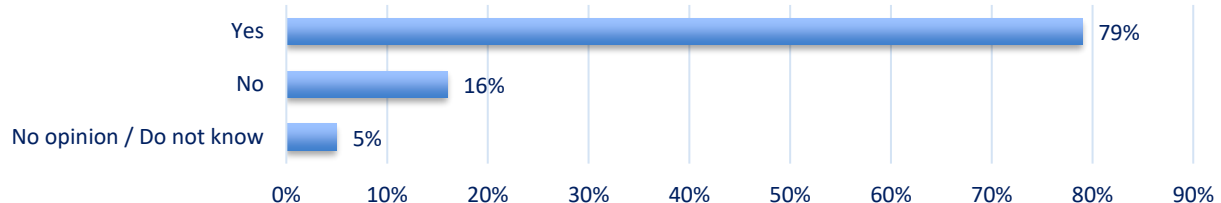
Do you approve or disapprove of the way President Trump is handling the situation with the coronavirus/COVID-19?



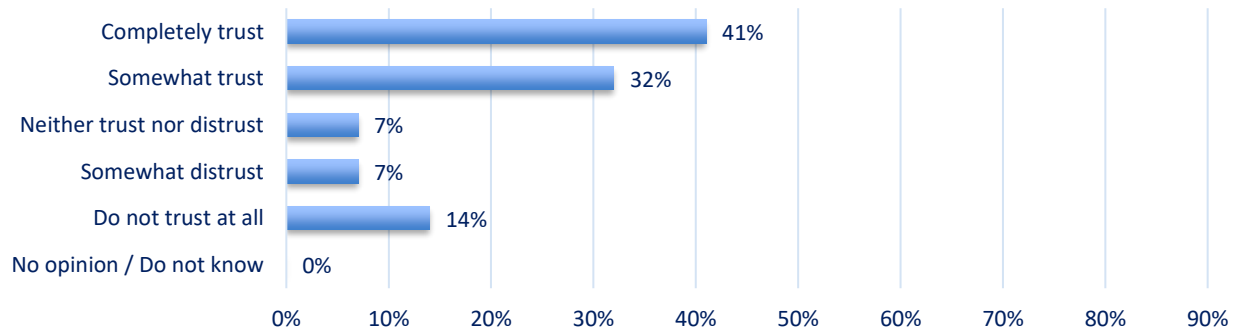
Do you believe President Trump has done everything in his power to protect U.S. citizens from an outbreak of the coronavirus/COVID-19?



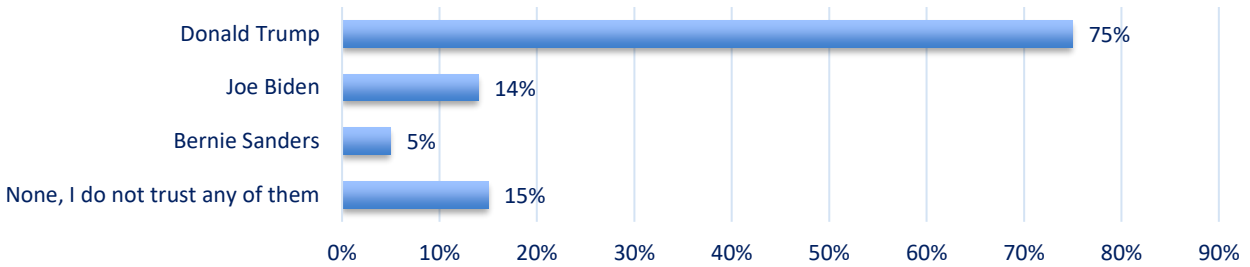
Do you believe President Trump has done everything in his power to protect the U.S. economy from any negative effects of the coronavirus/COVID-19?



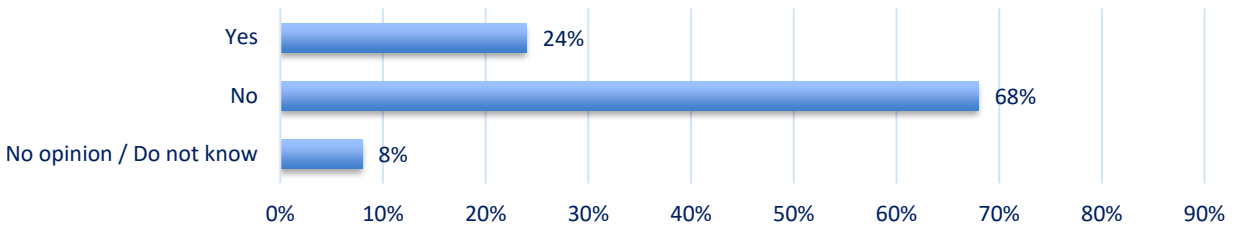
To what extent do you trust President Trump with respect to handling the situation with the coronavirus/COVID-19?



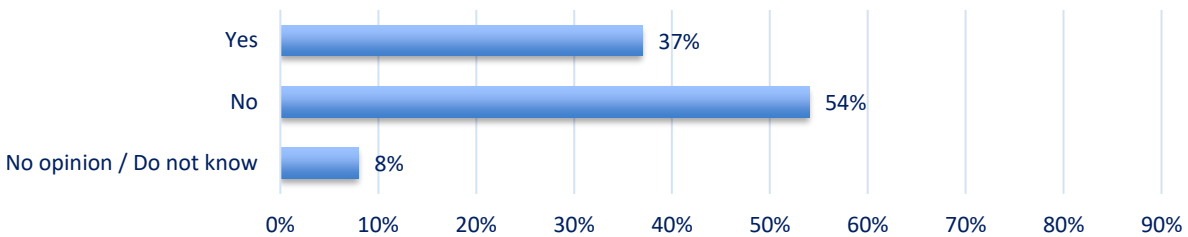
Which of the following presidential candidates do you trust with respect to handling the situation with the coronavirus/COVID-19? (select all those you trust)



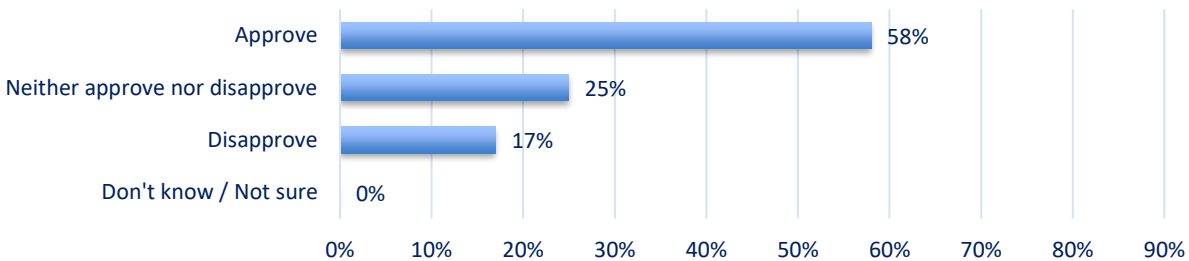
Do you believe the U.S. Congress has done everything in its power to protect U.S. citizens from an outbreak of the coronavirus/COVID-19?



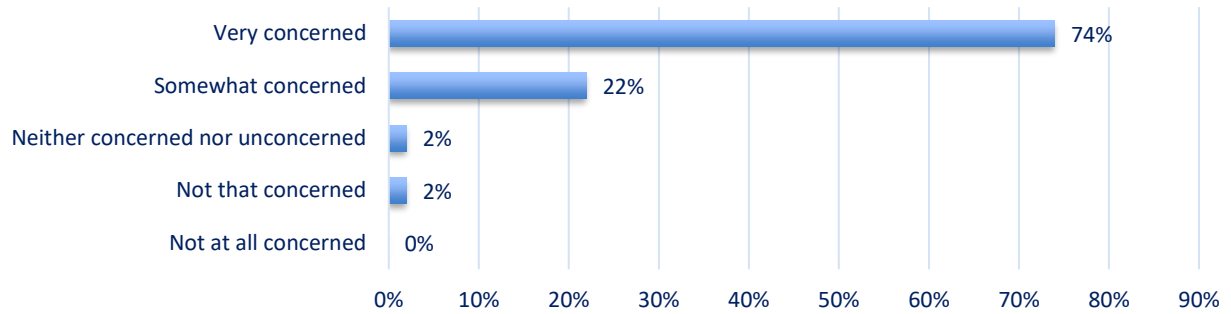
Do you believe the U.S. Congress has done everything in its power to protect the U.S. economy from any negative effects of the coronavirus/COVID-19?



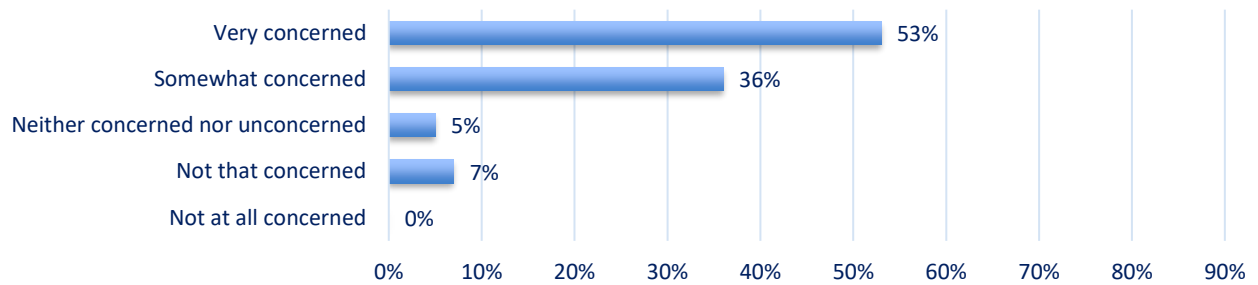
Do you approve or disapprove of the way Governor Bill Lee is handling the situation with the coronavirus/COVID-19?



How concerned are you that the coronavirus/COVID-19 will have a significant negative effect on the overall U.S. economy?



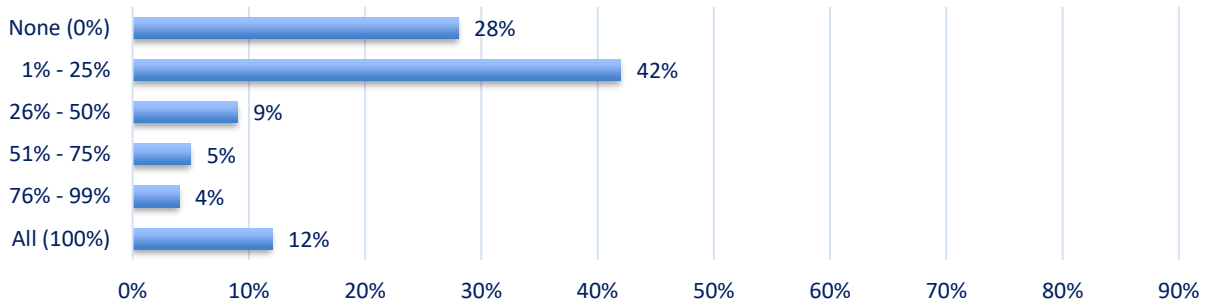
How concerned are you that the coronavirus/COVID-19 will have a significant negative effect on your firm/business?



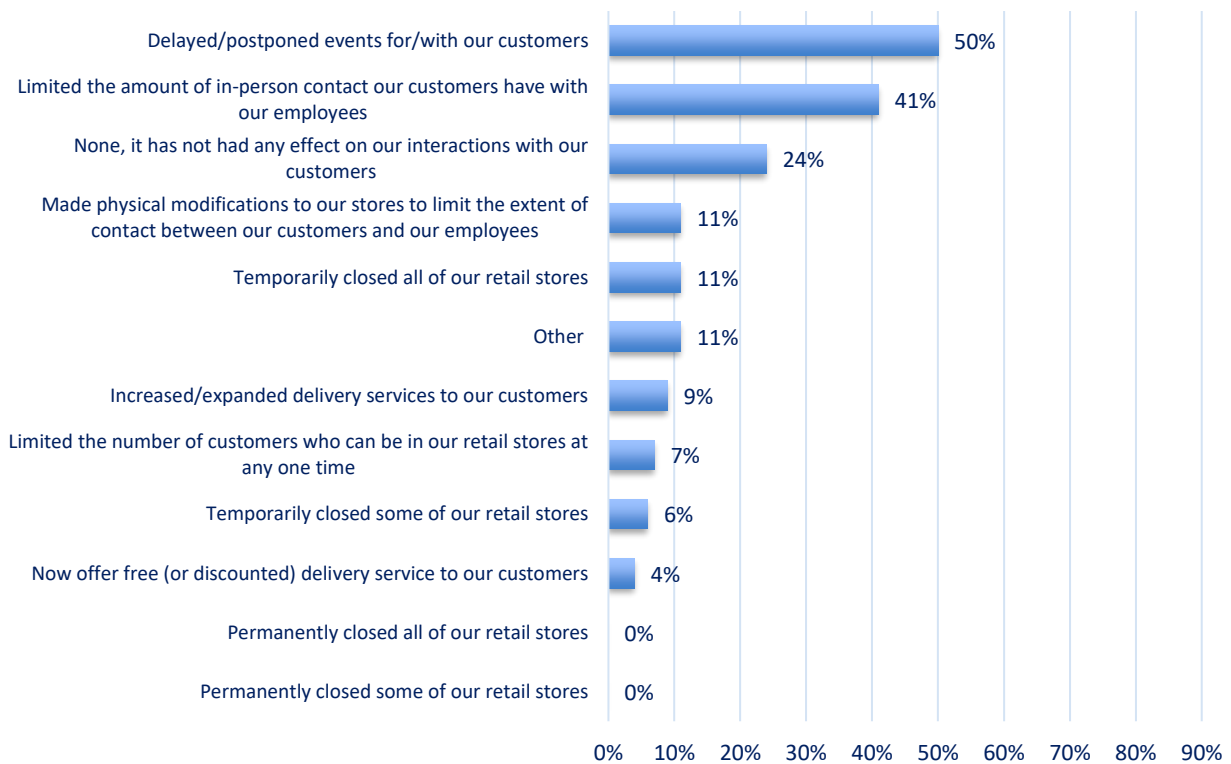
With respect to staffing and your employees, which of the following actions has your firm/business taken in response to the coronavirus/COVID-19? (check all those that apply)



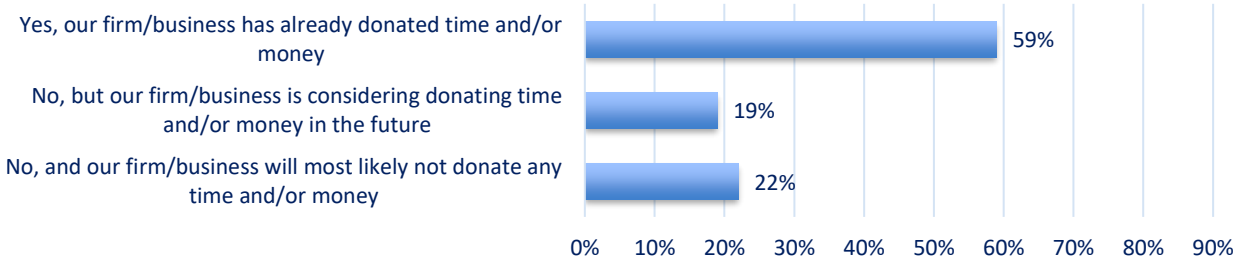
If your firm/business has asked employees to work from home (remotely), approximately what percent of your employees are working from home (remotely) due to the coronavirus/COVID-19?



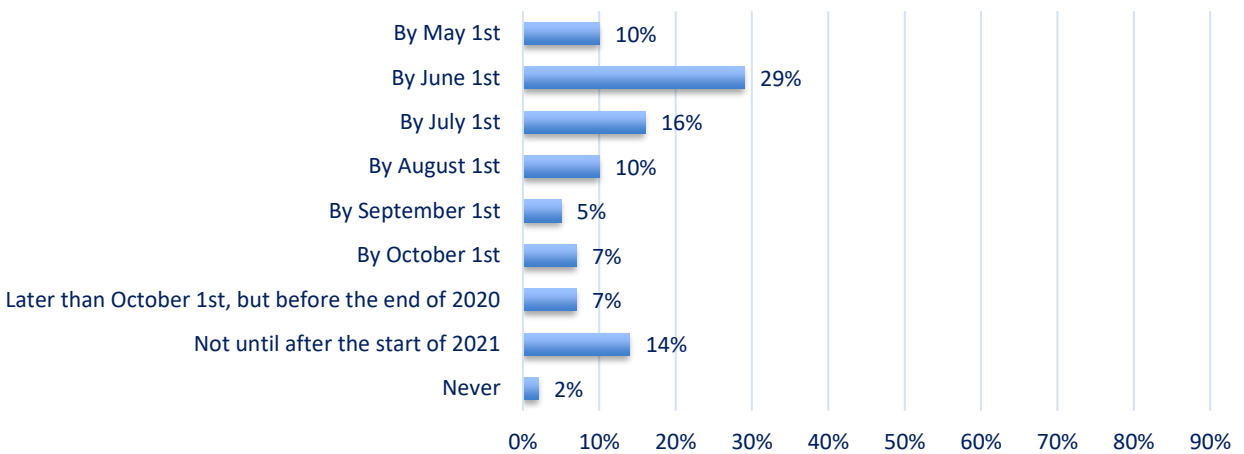
With respect to interactions with your customers, which of the following actions has your firm/business taken in response to the coronavirus/COVID-19? (check all that apply)



A number of individuals/organizations have donated time and/or money to charities or other groups to help fight the coronavirus/COVID-19. Has your firm/business donated any time and/or money to help fight the coronavirus/COVID-19?



Approximately, when do you expect your firm/business will be able to "return to normal," or go back to "business as usual" after this situation with the coronavirus/COVID-19 is resolved?



Tennessee Business Barometer Results		July 2019 (%)	Oct 2019 (%)	Jan 2020 (%)	April 2020 (%)	Net Change from January 2020*
Overall economic conditions in the U.S. are: ^C	Good	77	54	86	3	-156
	In between	18	43	13	20	
	Bad	3	3	2	75	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	25	15	19	69	+34
	About same	51	55	68	2	
	Worse	23	29	11	27	
Economic conditions in Tennessee are: ^C	Good	85	80	83	3	-130
	In between	13	17	14	39	
	Bad	3	3	3	53	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	47	22	30	68	+21
	About same	39	63	63	7	
	Worse	11	16	7	24	
Economic conditions in your industry are: ^C	Good	51	48	54	20	-74
	In between	40	42	40	32	
	Bad	9	9	4	44	
Twelve months from now economic conditions in your industry will be: ^F	Better	37	17	30	56	+12
	About same	48	62	62	20	
	Worse	14	20	8	22	
Regulatory conditions in your industry are: ^C	Good	42	45	45	32	-13
	In between	44	37	42	47	
	Bad	8	14	7	7	
Twelve months from now regulatory conditions will be: ^F	Better	6	15	13	14	-2
	About same	83	68	75	68	
	Worse	4	11	5	8	
Economic Conditions for your firm/business are: ^C	Good	54	52	61	20	-82
	In between	34	40	37	36	
	Bad	13	8	3	44	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	39	28	41	59	+5
	About same	48	55	53	22	
	Worse	11	17	4	17	
Compared to last year will your firm grow: ^{B/F}	More	31	32	39	10	-82
	About same	44	31	41	19	
	Less	25	34	18	71	
Compared to last year will your firm invest: ^{B/F}	More	38	29	36	19	-47
	About same	45	38	48	29	
	Less	15	28	14	44	

Tennessee Business Barometer Results		July 2019 (%)	Oct 2019 (%)	Jan 2020 (%)	April 2020 (%)	Net Change from January 2020*
Compared to last year will your firm's sales: ^{B/F}	Increase	51	45	52	10	-83
	Stay the same	28	26	34	32	
	Decrease	15	23	13	54	
Compared to last year will your firm's profitability: ^{B/F}	Increase	39	29	47	7	-91
	Stay the same	32	38	42	31	
	Decrease	25	26	8	59	
Compared to last year will your firm's inventories: ^{B/F}	Increase	14	11	12	10	-17
	Stay the same	48	34	50	38	
	Decrease	17	31	14	29	
In the next 12 months will employment at your firm/business: ^E	Increase	41	35	39	22	-40
	Stay the same	55	46	49	46	
	Decrease	4	18	8	31	
Qualified employees are: ^E	Easy to find	3	2	2	10	+19
	Found with effort	42	37	43	42	
	Hard to find	52	58	53	42	

^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 & 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 60 business leaders throughout the state of Tennessee. The survey was conducted between April 6 and April 10. With a sample of 60 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 $\pm 12\%$. 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?