



Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce & Industry

Office of Consumer Research

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Outlook for the Future Declines

Outlook for the future has declined among Tennessee business leaders following the elections. Although outlook had surged higher in October prior to the election, optimism for a brighter future has now faded. The Tennessee Business Barometer Index declined to 212 from 309 in October.

This resulted from two contrasting trends. Expectations for individual firm/business performance continued to improve. The Business/Firm Performance Index rose to 65 from -24 in October, driven by growing optimism regarding stronger growth, higher sales, and higher profitability compared to last year. However, outlook regarding overall economic conditions fell sharply. The Future Expectations Index plummeted to 6 from 188, driven by fears of worsening conditions for the overall U.S. economy along with fears of increasing regulation and higher taxes. Perceptions of the current economic situation and the employment outlook remained steady.

Tennessee Business Barometer Index and Sub-Indices

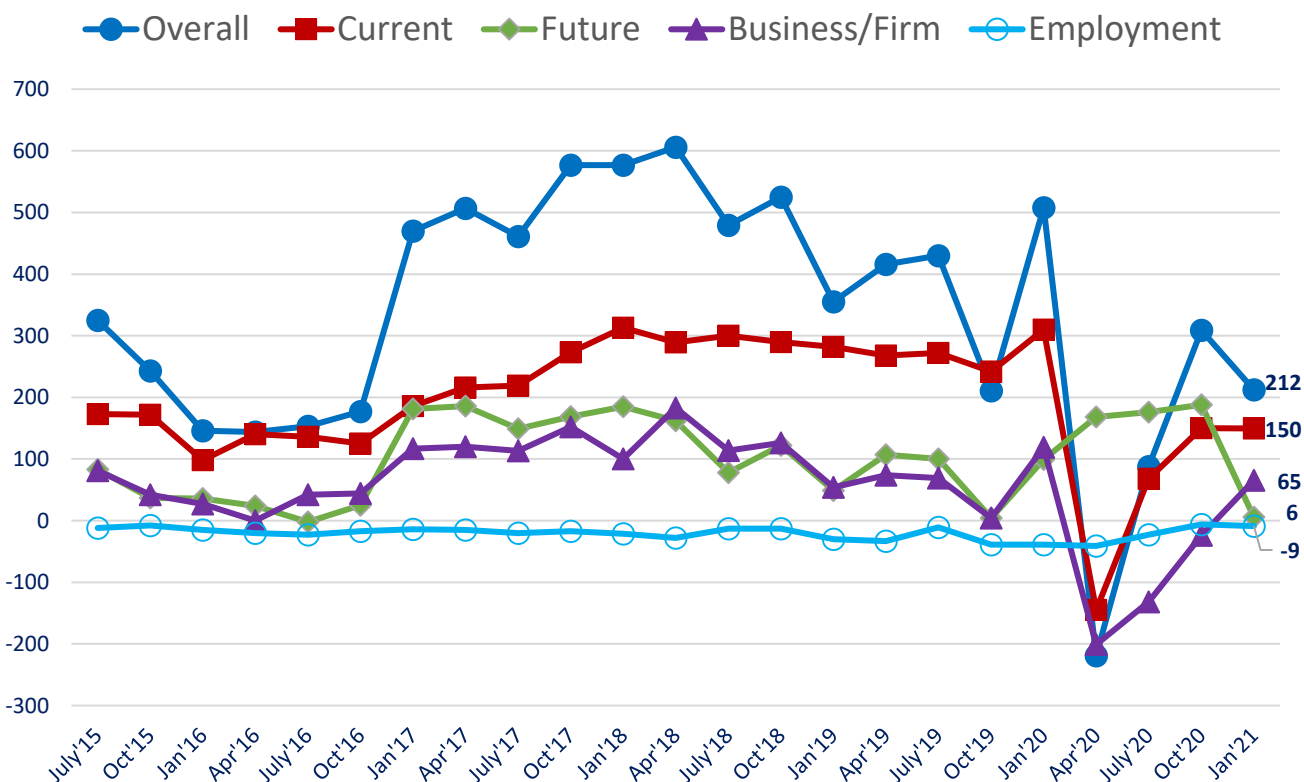
	January 2020	April 2020	July 2020	October 2020	January 2021 ¹
Overall Business Barometer	508	-219	88	309	212
Current Economic Situation Index	310	-145	68	150	150
Future Economic Expectations Index	99	168	176	188	6
Business/Firm Performance Index	119	-201	-132	-24	65
Employment Outlook Index	-39	-41	-23	-6	-9

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 125 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce & Industry between January 11 and January 18. The sample of respondents includes business owners (36%), vice presidents (7%), senior managers (31%), and managers/others (26%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for April 2021.

Tennessee Business Barometer



Declining Outlook for the U.S. Economy

Throughout the pandemic last year, Tennessee business leaders remained fervently optimistic about an improving economy. However, such optimism has waned. The percent who said economic conditions in the U.S. will be “better” 12 months from now plunged to 29 from 60. Conversely, the percent who said economic conditions in the U.S. will be “worse” rose to 43 from 13.

Optimism for the Tennessee economy also lessened. The percent who said economic conditions in Tennessee will be “better” 12 months from now dropped to 37 from 53, whereas the percent who said conditions will be “worse” increased to 23 from 6. There were also large net decreases in optimism regarding individual industries and regulatory conditions.

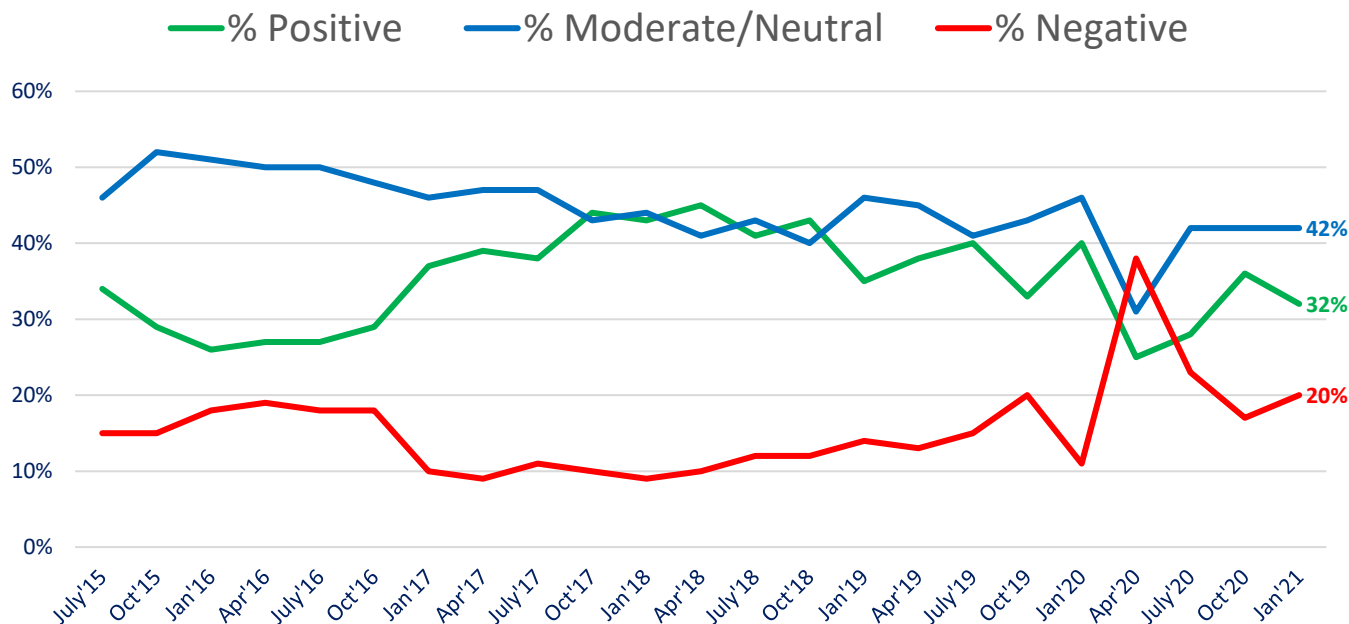
Positive Expectations for Individual Firms/Businesses

Even though there was a noticeable net decline in optimism regarding general economic conditions for individual firms/businesses, expectations for individual firm/business growth, sales, and profitability improved markedly. The percent who expect their firm/business to grow “more” than last year rose to 40 from 28. Only 19 percent expect “less” growth, down from 40 percent in October. Nearly half (48%) expect their firm’s sales to “increase” compared to last year (up from 30% in October). And, 38 percent expect their firm’s profitability to “increase” from last year, up from 24 percent in October.

Overall Positive vs. Negative 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. Since its inception in 2015, most responses have been either positive or moderate/neutral. Even with the current decline in overall outlook, the percent of business owners who hold positive views still outnumbers those who hold negative views.

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

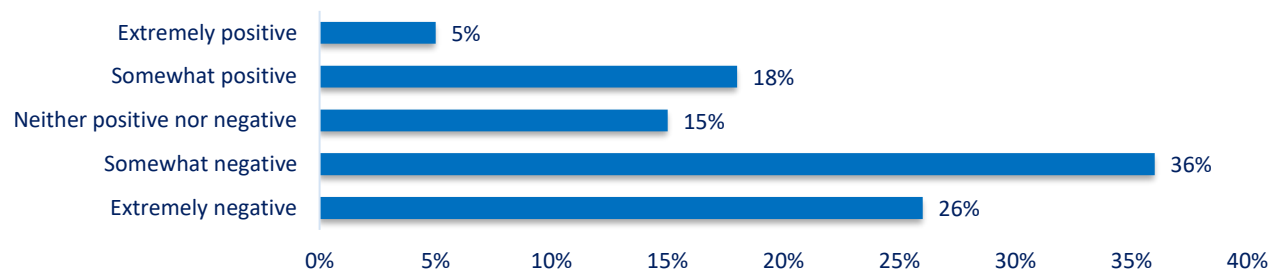


The Election, the Economy, and Future Business Shutdowns

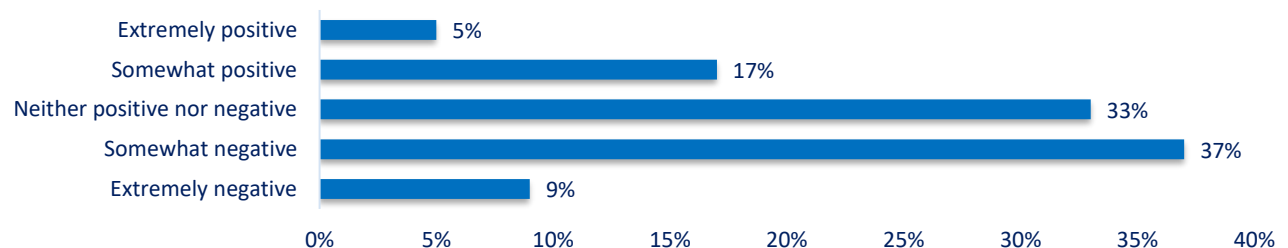
Respondents were also asked about the possible effects of the election on the economy and their firm/business. The majority of Tennessee business leaders (62%) expect the results of the recent election to have a negative effect on the overall U.S. economy. Only 23 percent expect a positive effect. However, concerns for their individual firm/business were less extreme. Slightly less than half (46%) expect the results of the election to have a negative effect on their firm/business, whereas 22 percent expect a positive effect.

When asked about dealing with COVID-19, most (64%) said it is at least somewhat likely there will be more business shutdowns, whereas only 20 percent say future shutdowns are unlikely.

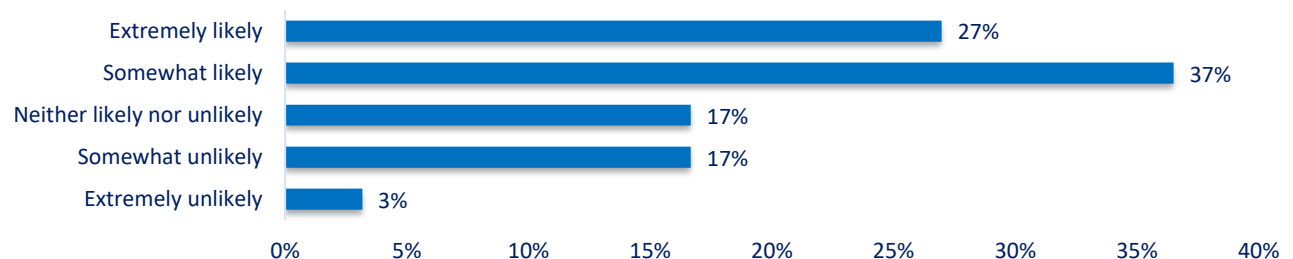
What effect will the results of the recent elections have on the overall U.S. economy?



What effect will the results of the recent elections have on your firm/business?



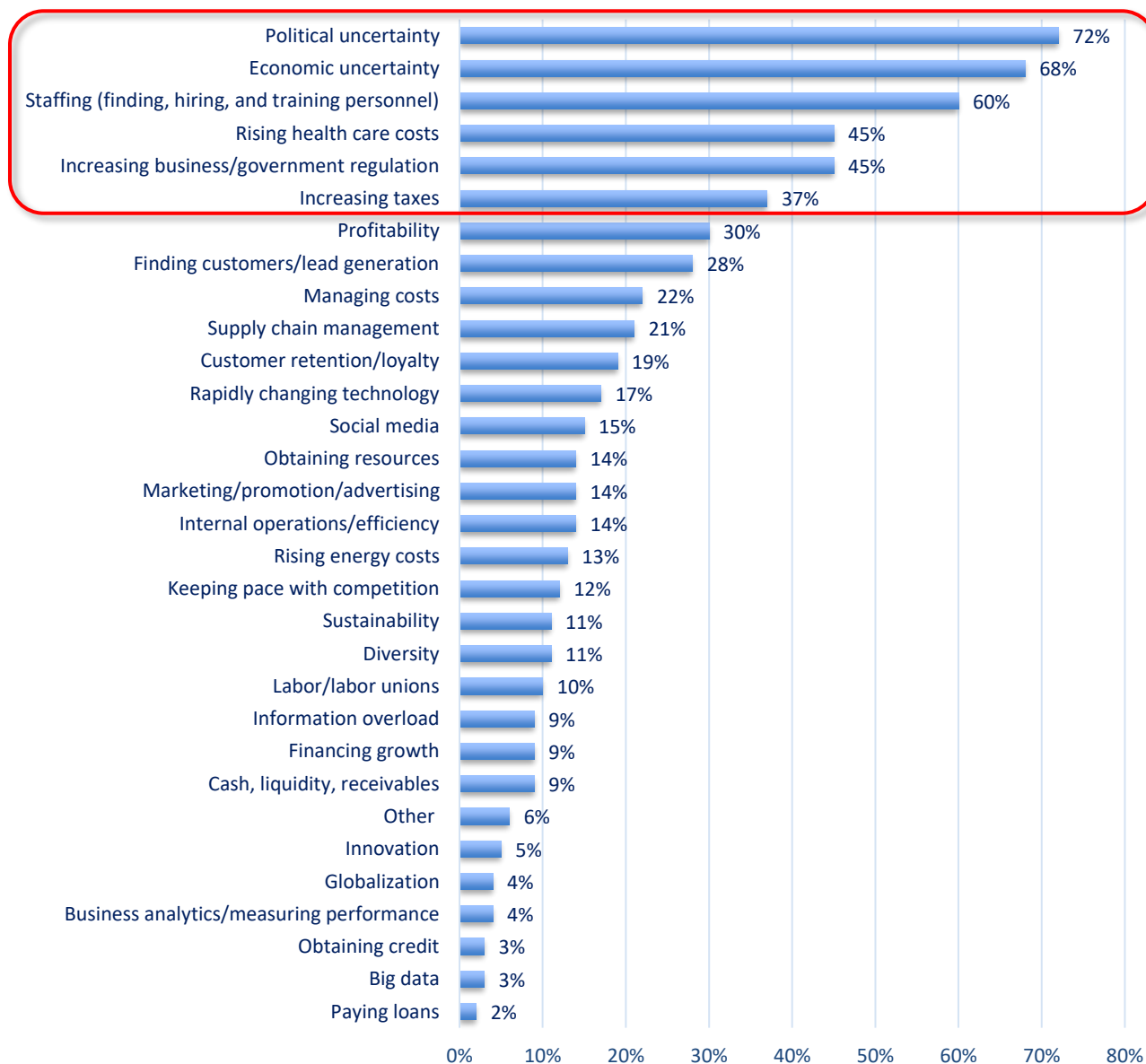
How likely is it there will be more business shutdowns to deal with COVID-19?



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. Political and economic uncertainty remain the top concerns among business leaders. These are followed by concerns related to staffing, rising health care costs, and increasing regulation and taxes.

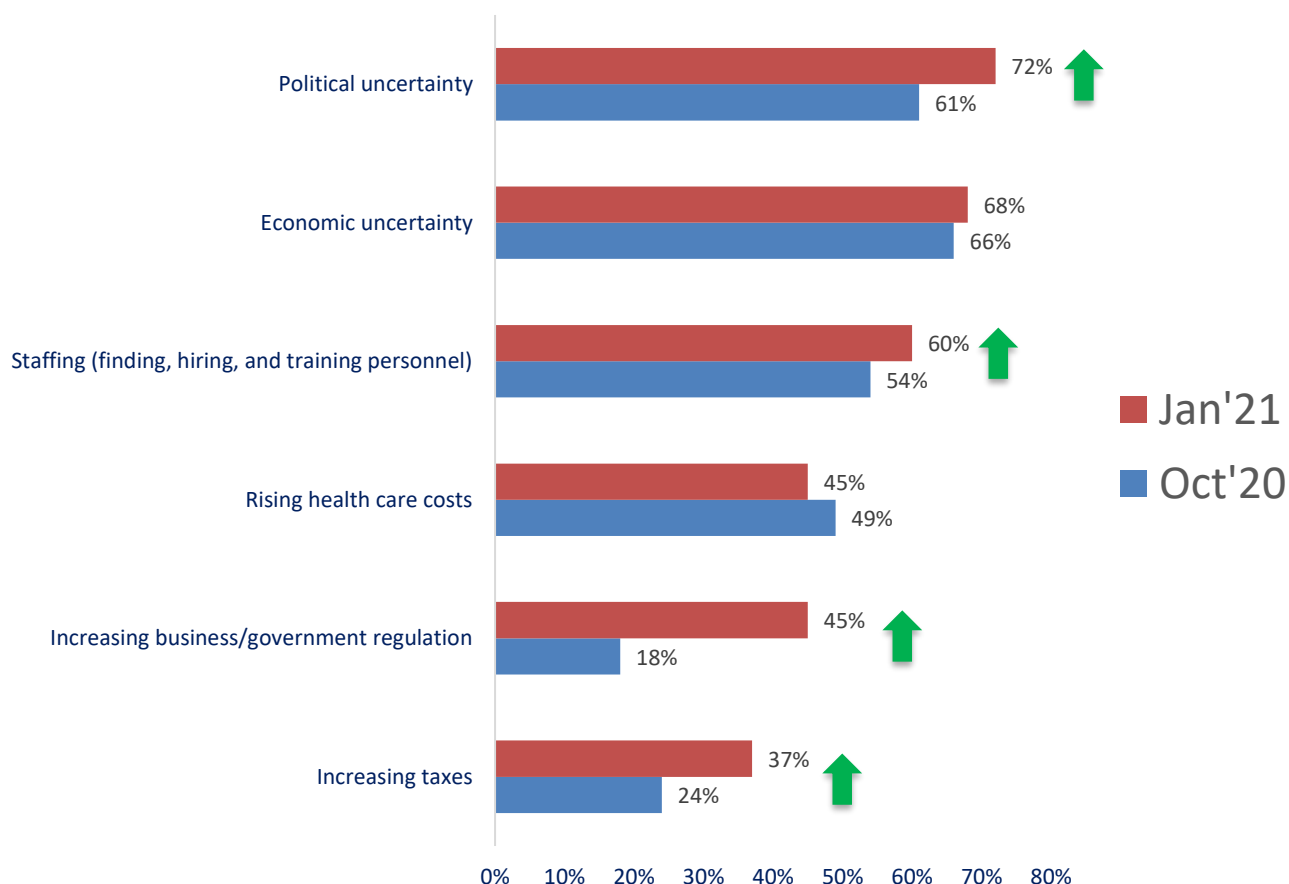
In which of the following areas is your firm currently facing concerns, issues, or challenges? (Check all that apply)



Shifting Concerns

The chart below shows the six challenges most often cited by business leaders in January 2021 compared to the percent who cited these same challenges in October 2020. The results of the election have not allayed concerns regarding political and economic uncertainty. A larger percentage of business leaders now have concerns regarding political uncertainty. There were also noticeable increases in the percent citing challenges or concerns regarding increasing regulation and higher taxes.

**Most Often Cited Challenges:
Percent Selecting Each Challenge in January 2021
Compared to October 2020**
(Greater than five percent change indicated by arrow)



Tennessee Business Barometer Results		April 2020 (%)	July 2020 (%)	Oct 2020 (%)	Jan 2021 (%)	Net Change from October 2020*
Overall economic conditions in the U.S. are: ^C	Good	3	9	15	10	-4
	In between	20	65	67	72	
	Bad	75	25	18	18	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	69	55	60	29	-61
	About same	2	24	16	25	
	Worse	27	18	13	43	
Economic conditions in Tennessee are: ^C	Good	3	23	34	38	+5
	In between	39	67	58	55	
	Bad	53	10	7	6	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	68	54	53	37	-33
	About same	7	33	36	36	
	Worse	24	10	6	23	
Economic conditions in your industry are: ^C	Good	20	32	54	50	-4
	In between	32	49	34	37	
	Bad	44	17	12	12	
Twelve months from now economic conditions in your industry will be: ^F	Better	56	51	46	35	-25
	About same	20	36	40	42	
	Worse	22	9	6	19	
Regulatory conditions in your industry are: ^C	Good	32	43	45	48	-3
	In between	47	42	51	33	
	Bad	7	9	3	8	
Twelve months from now regulatory conditions will be: ^F	Better	14	14	15	5	-36
	About same	68	71	70	47	
	Worse	8	7	9	35	
Economic Conditions for your firm/business are: ^C	Good	20	36	52	58	+5
	In between	36	49	37	32	
	Bad	44	15	10	11	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	59	54	55	37	-28
	About same	22	35	34	44	
	Worse	17	8	7	17	
Compared to last year will your firm grow: ^{B/F}	More	10	16	28	40	+32
	About same	19	27	28	36	
	Less	71	55	40	19	
Compared to last year will your firm invest: ^{B/F}	More	19	20	25	22	-6
	About same	29	30	45	49	
	Less	44	40	21	24	

Tennessee Business Barometer Results		April 2020 (%)	July 2020 (%)	Oct 2020 (%)	Jan 2021 (%)	Net Change from October 2020*
Compared to last year will your firm's sales: ^{B/F}	Increase	10	19	30	48	+39
	Stay the same	32	26	28	31	
	Decrease	54	49	36	15	
Compared to last year will your firm's profitability: ^{B/F}	Increase	7	18	24	38	+29
	Stay the same	31	29	37	37	
	Decrease	59	47	34	19	
Compared to last year will your firm's inventories: ^{B/F}	Increase	10	6	15	12	-5
	Stay the same	38	33	43	40	
	Decrease	29	20	15	17	
In the next 12 months will employment at your firm/business: ^E	Increase	22	24	45	37	-7
	Stay the same	46	54	42	47	
	Decrease	31	19	13	12	
Qualified employees are: ^E	Easy to find	10	8	7	8	+4
	Found with effort	42	49	45	45	
	Hard to find	42	36	45	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, the net change score is +14. Any differences between the net change score reported in the last column and the numbers shown in the table are due to rounding.

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 online surveys of 125 business leaders throughout the state of Tennessee. The survey was conducted between January 11 and January 18. With a sample of 125 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 $\pm 8.7\%$. Other factors such as problems with question wording and interpretation can introduce additional bias or error.

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?