



Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce & Industry

Office of Consumer Research
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Tennessee Business Leaders Feeling Better about the Current Economy While Losing Confidence in Their Own Business's Future Performance

Since July of last year, optimism among Tennessee business leaders has seen a steady decline. However, the results from the most recent Tennessee Business Barometer survey indicate that perceptions of the economy have leveled off. The Tennessee Business Barometer remained relatively unchanged, dipping only slightly to 144 from 146 in January of this year. This was the result of two off-setting trends.

The Tennessee Business Barometer Index and Sub-Indices

	July 2015	October 2015	January 2016	April 2016 ¹
Overall Business Barometer	325	243	146	144
Current Economic Situation Index	173	172	98	140
Future Economic Expectations Index	83	37	36	24
Business/Firm Performance Index	81	42	27	0
Employment Outlook Index	-12	-8	-15	-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.

Feeling Better about the Current Situation. First, perceptions on the current economy improved significantly, as the Current Situation Index rose to 140 from 98. Business leaders hold a more positive view of the overall national economy, and especially the local Tennessee economy. The percent who said economic conditions in Tennessee are “good” jumped to 61 from 47. Further, the percent who said business conditions in Tennessee are “bad” dipped to 2 from 6.

There was also a positive net change in perceptions of the economic conditions for individual industries in which business leaders operate as well as for their specific firms. The percent who said economic conditions in their industry are “good” gained to 43 from 35. Similarly, the percent who said economic conditions for their specific firm/business are “good” rose to 54 from 45. Such results indicate Tennessee business leaders are becoming increasingly comfortable with the environment in which their firm operates.

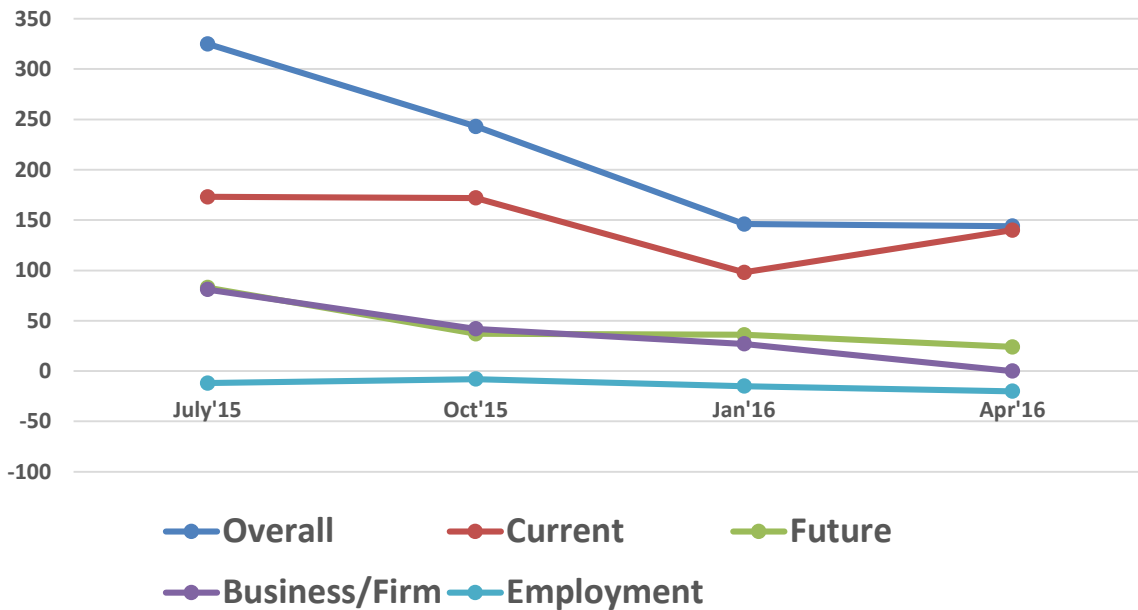
Losing Confidence in the Future. However, Tennessee business leaders have lost some confidence in the future economy as well as the ability for their own firm/business to prosper and grow. The Future Economic Expectations Index dropped to 24 from 36. There was a net decrease in the percent of positive perceptions regarding the future of the national economy. Further, the percent who said that in the next 12 months economic conditions for their firm/business will be “better” slid to 29 from 33, while the percent who said economic conditions will be “worse” edged up to 10 from 7. Business leaders’ concerns—rising healthcare costs, political and economic uncertainty, difficulties finding qualified employees, and the possibility of increasing regulation—remain unchanged, for the most part, from January.

The Business/Firm Performance Index also fell to 0 from 27. A score of zero for an index indicates that business leaders who hold positive views equal those who hold negative views. There was a net decrease in the percent of positive responses regarding future growth, investments, and levels of inventories. Decreasing growth, decreasing business investments, and shrinking inventories are all indicators of a possible slowdown in the economy.

The Employment Outlook Index also dropped to -20 from -15. A negative score for an index indicates that business leaders who hold negative views outnumber those who hold positive views. The percent who said that qualified employees were “easy to find” remained unchanged at 4, whereas the percent who said qualified employees are “hard to find” gained to 46 from 39. Given that staffing and the ability to find qualified personnel are crucial to the growth of any business, a negative Employment Outlook Index is significant.

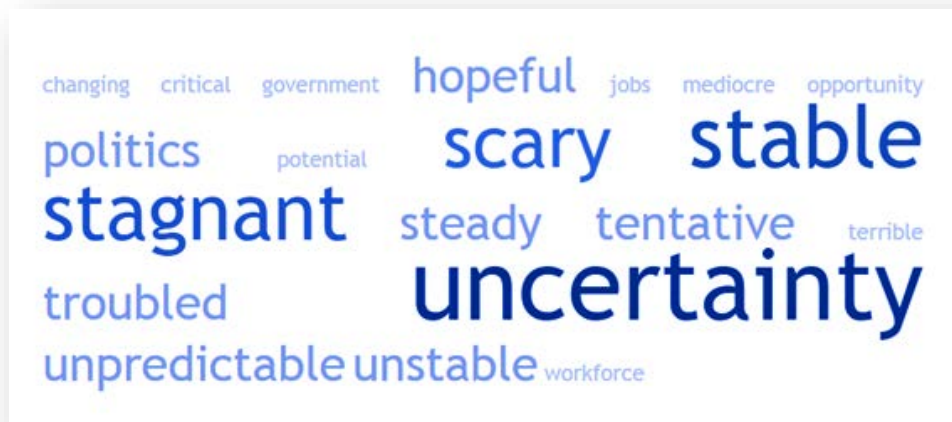
The current online survey of 83 business leaders from across Tennessee was conducted between April 1 and April 16. Respondents include business owners, vice presidents, senior managers, and managers at firms of various sizes. The next Tennessee Business Barometer survey is planned for July 2016.

Tennessee Business Barometer



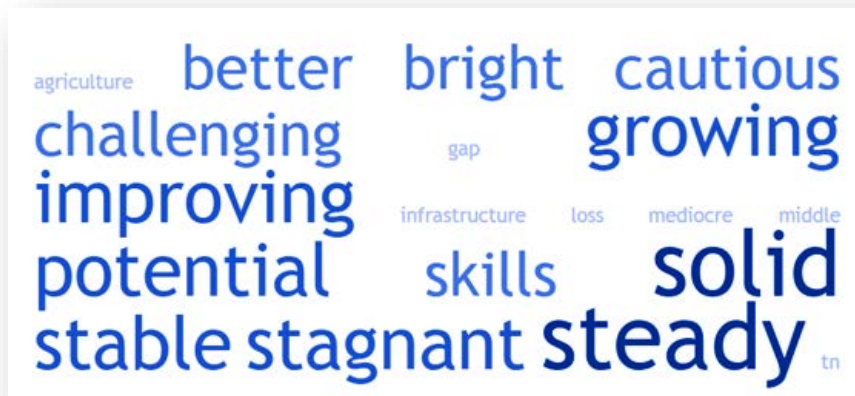
Overall U.S. Economy

The word cloud below shows the 20 words most often given when asked “*What one word comes to mind when you think about the future of the overall American economy?*” The size of each word reflects the relative frequency with which it was mentioned. The abundance of negative words (e.g., uncertainty, stagnant, scary, troubled) suggests that Tennessee business leaders are still not convinced that the current economy is on a firm, positive footing.



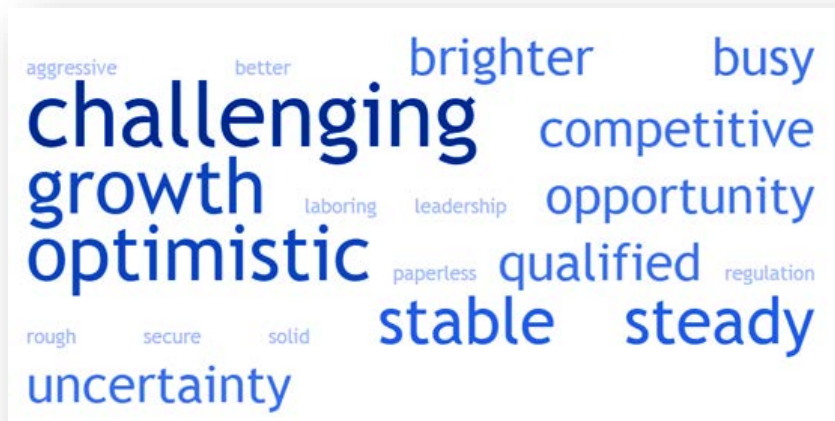
Tennessee Economy

Comparatively, business leaders are more upbeat about the Tennessee economy than they are about the overall national economy. The word cloud below shows the 20 words most often given when respondents were asked “*What one word comes to mind when you think about the future of the economy in Tennessee?*” There is a noticeably more positive tone to the words business leaders use to describe the Tennessee economy compared to the national economy.



Firm Performance

The word cloud below shows the 20 words most often given when respondents were asked “*What one word comes to mind when you think about the future of your firm/business?*” The finding that “challenging” was the most often mentioned word among more positive words underscores the concerns that business leaders have about the future for their individual firm/business even though they have somewhat positive views of the economic environment in which they operate.



Tennessee Business Barometer		July 2015 (%)	October 2015 (%)	January 2016 (%)	Apr 2016 (%)	Net Change*
Overall economic conditions in the U.S. are: ^C	Good	25	30	18	22	+4
	In between	65	63	70	67	
	Bad	10	7	11	11	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	24	19	19	12	-7
	About same	60	64	59	64	
	Worse	15	17	17	17	
Economic conditions in TN are: ^C	Good	64	66	47	61	+18
	In between	33	34	46	37	
	Bad	2	0	6	2	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	40	25	29	25	No Change
	About same	54	69	60	65	
	Worse	4	7	10	6	
Economic conditions in your industry are: ^C	Good	54	43	35	43	+10
	In between	37	51	44	39	
	Bad	10	6	20	18	
Twelve months from now economic conditions in your industry will be: ^F	Better	35	21	23	25	+4
	About same	59	66	61	63	
	Worse	5	12	14	12	
Regulatory conditions in your industry are: ^C	Good	25	17	23	29	+3
	In between	44	59	47	43	
	Bad	28	18	22	25	
Twelve months from now regulatory conditions will be: ^F	Better	4	2	3	6	-2
	About same	59	69	68	63	
	Worse	35	23	23	28	
Economic Conditions for your firm / business are: ^C	Good	63	55	45	54	+7
	In Between	29	37	43	33	
	Bad	8	8	11	13	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	43	36	33	29	-7
	About same	53	55	60	59	
	Worse	4	7	7	10	
Compared to last year will your firm grow: ^{B/F}	More	35	22	30	26	-10
	About same	40	46	41	39	
	Less	21	25	28	34	

Compared to last year will your firm invest: ^{B/F}	More	31	27	25	22	-7
	About the same	46	52	44	46	
	Less	17	14	23	27	
Compared to last year will your firm's sales: ^{B/F}	Increase	50	43	41	43	No Change
	Stay the same	28	33	36	34	
	Decrease	11	19	17	19	
Compared to last year will your firm's profitability: ^{B/F}	Increase	37	33	31	27	-1
	Stay the same	40	47	39	49	
	Decrease	16	17	23	20	
Compared to last year will your firm's inventories: ^{B/F}	Increase	11	8	8	2	-9
	Stay the same	41	41	45	47	
	Decrease	18	16	17	20	
In the next 12 months will employment at your firm/business: ^E	Increase	42	40	32	35	+2
	Stay the same	48	49	55	52	
	Decrease	9	11	12	13	
Qualified employees are: ^E	Easy to find	1	5	4	4	-7
	Found with effort	51	51	53	48	
	Hard to find	46	42	39	46	

^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.

Business Challenges

Respondents were asked to identify the areas in which their firm/business is currently facing challenges. The chart below shows the percent of respondents who selected each issue. The five most-often selected areas remain unchanged from January. It is clear that concerns about rising healthcare costs, political and economic uncertainty, difficulties with finding qualified employees, and the potential for increasing regulation remain foremost on the minds of business leaders.

In Which of the Following Areas Is Your Firm Currently Facing Challenges / Issues / Concerns?



Business Challenges—Summated Rankings

The table below shows the summated rankings for these business challenges. The rankings are compiled in the same way sports teams are ranked. Given that each respondent was asked to rank his or her top five challenges, the issue ranked first was assigned a score of 5, the second-ranked issue was assigned a score of 4, and so on. The summated rank reflects the ordinal ranking of all issues.

Rank	Challenge / Issue / Concern	Total Summated Rank	Times Ranked First	Change in Rank from January
1	Rising health care costs	178	15	0
2	Staffing (finding, hiring, and training personnel)	137	15	+1
3	Economic uncertainty	115	9	-1
4	Political uncertainty	112	8	0
5	Increasing business / governmental regulation	111	8	0
6	Profitability	57	3	0
7	Customer retention / loyalty	50	3	+2
8	Managing costs	45	1	-1
9	Internal operations / efficiency	42	3	+3
10	Keeping pace with competition	36	2	+1
11	Globalization	35	3	+9
12	Rising energy costs	34	0	+10
13	Finding customers / lead generation	27	1	-5
14	Increasing taxes	24	2	-4
15	Labor / labor unions	22	1	+2
16	Rapidly changing technology	15	1	-1
17	Financing growth	14	1	-4
18	Business analytics / measuring performance	14	0	+7
19	Cash, liquidity, receivables	13	1	-5
20	Innovation	13	0	-4
21	Obtaining resources	13	1	-3
22	Sustainability	12	0	-3
23	Information overload	11	0	-2
24	Supply chain management	10	0	+2
25	Marketing / promotion / advertising	7	1	-1
26	Diversity	3	0	+3
27	Social media	3	0	+1
28	Big Data	2	0	+2
29	Obtaining credit	1	0	-2
30	Paying loans	1	0	-7

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 83 business leaders throughout the state of Tennessee. The survey was conducted between April 1 and April 15. With a sample of 83 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 $\pm 10.7\%$. Other factors such as problems with question wording and question 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?