



Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce and Industry

Office of Consumer Research
 Director Timothy R. Graeff, Ph.D., Tim.Graeff@mtsu.edu, 615-898-5124

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Tennessee Business Leaders Becoming More Optimistic about the Future of the Economy

After decreased optimism at the beginning of the year, Tennessee business leaders' mood has shifted to become more optimistic about the future of the economy. The Tennessee Business Barometer rose to 416 from 355 in January. Even though perceptions of the current economy continue to weaken, optimism regarding the overall U.S. economy as well as individual business/firm performance helped to buoy the overall economic outlook.

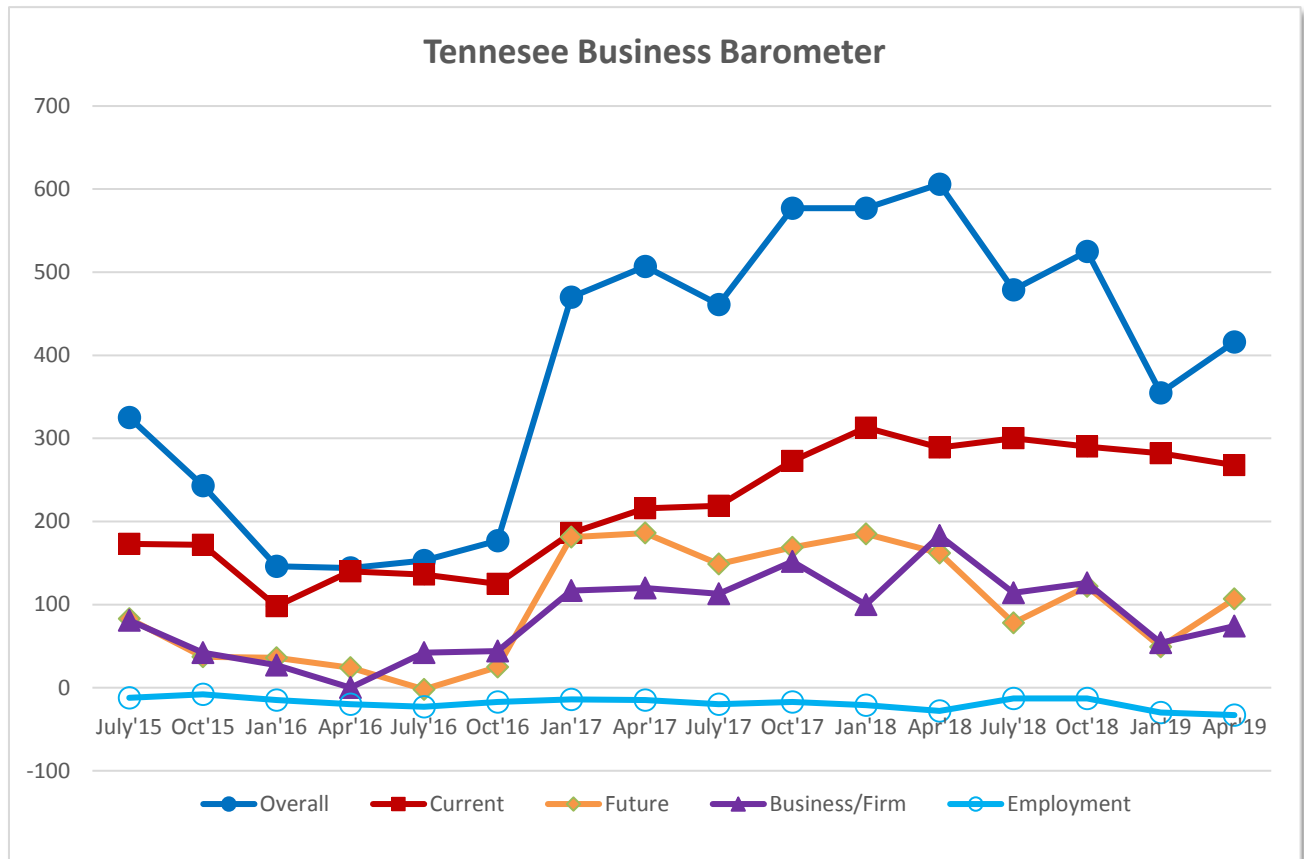
The current online survey of 63 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between April 1 and April 8. The sample of respondents includes business owners (21%), vice presidents (11%), senior managers (35%), and managers/others (33%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for July 2019.

Tennessee Business Barometer Index and Sub-Indices

	April 2018	July 2018	October 2018	January 2019	April 2019 ¹
Overall Business Barometer	606	479	525	355	416
Current Economic Situation Index	289	300	290	282	268
Future Economic Expectations Index	162	78	122	49	107
Business/Firm Performance Index	183	114	126	54	74
Employment Outlook Index	-28	-13	-13	-30	-33

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.



Declining but Still Positive Views of the Current Economy

Although views of the current economy have continued their downward trend since the beginning of 2018, perceptions remain relatively positive. For example, nearly two-thirds (65%) said economic conditions in the U.S. are “good,” and only two percent said conditions are “bad.”

There was no net change in perceptions of the current Tennessee economy, which continues to outpace those for the national economy. The percent who said economic conditions in Tennessee are “good” edged higher to 83 from 81. Conversely, only three percent said conditions in Tennessee are “bad,” a two percent increase since January.

Perceptions of current economic conditions for individual firms/businesses have moderated. The percent who said current economic conditions for their individual firm/business are “good” declined to 56 from 64. Still, however, the majority hold positive views of current conditions for their firm/business.

Increasing Optimism

The largest net increases were related to expectations for the future economy. The percent who said economic conditions in the U.S. will be “better 12 months from now” rose to 25 from 17 in January. This is accompanied by a decrease in the percent who said the U.S. economy will be “worse 12 months from now” to 16 from 25. Similarly, the percent who said economic conditions in Tennessee will be “better 12 months from now” increased to 40 from 31.

This general increase in optimism is not limited to the national and state economies. Expectations for the future of individual industries as well as individual firms/businesses were also more positive. We observed net increases in the percent of business leaders who expect their firm/business to grow, increase sales, become more profitable, and increase inventories compared to last year.

Thoughts about the Future U.S. Economy. The word cloud below shows the 10 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. Words such as *steady*, *stable*, and *improving* reflect a general positive outlook for the future of the U.S. economy, while some words suggest expectations for decreased stability. This is a marked change from January when uncertainty and instability dominated business leaders’ comments.



Thoughts about the Future Tennessee Economy. The word cloud below shows the 10 words most often given when asked, “*What one word comes to mind when you think about the future of the economy in Tennessee?*” Business leaders are noticeably hopeful about a strong, steady, improving, and growing state economy. None of the 10 most-cited words reflect negative thoughts or opinions about the state’s future economy.



Thoughts about Individual Firms/Businesses. The word cloud below shows the 10 words most often given when asked, “*What one word comes to mind when you think about the future of your firm/business?*” Business leaders remain hopeful about steady growth for their business/firm amid the possibility of challenges.



Staffing Concerns Persist

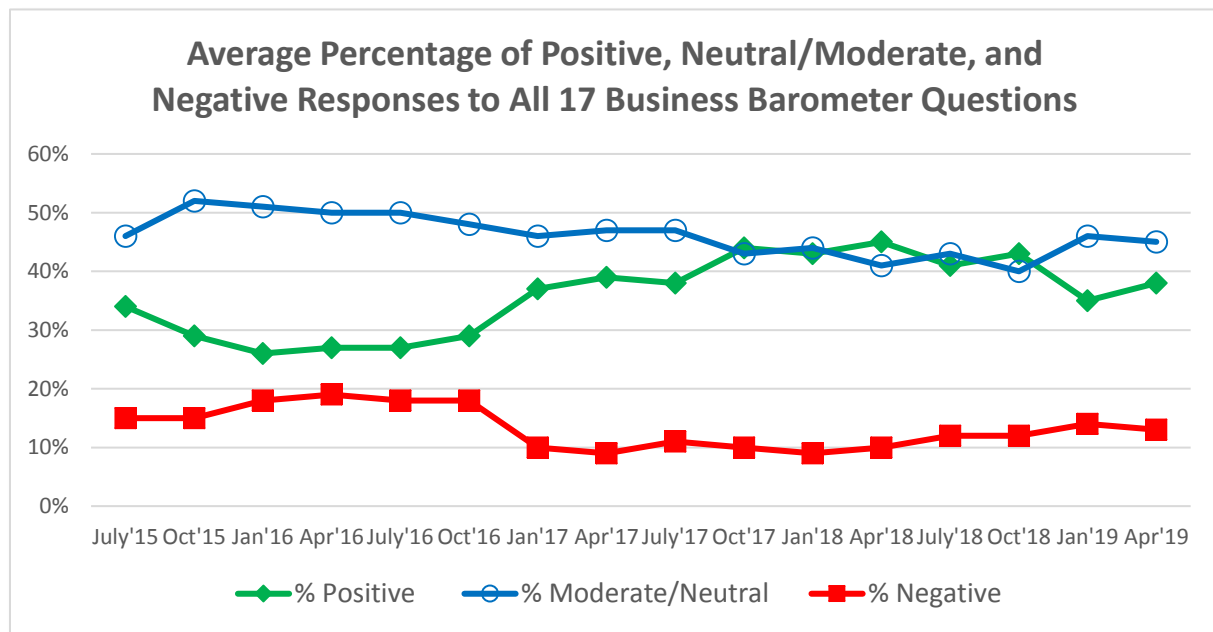
The employment index declined further into the negative range. Only two percent said qualified employees are “easy to find.” This compares to 57 percent who said qualified employees are “hard to find.” There was also a net reduction in the percent who expect to increase employment in the next 12 months. Still, however, the vast majority (86%) expect to either increase employment or keep employment levels steady. Very few (13%) expect to decrease employment.

The Final Word: Replacing Uncertainty with Increasing Optimism

Earlier this year, business leaders' outlook was less positive due to concerns about political uncertainty, economic uncertainty, and increasing regulation. Fortunately, such concerns have subsided, being replaced by greater optimism for a steadily improving economy. Although perceptions of current economic conditions remain positive, they are becoming less positive. This is offset by growing expectations for improving business conditions across the board—not just for the U.S. and state economies but also for industries and individual firms/businesses.

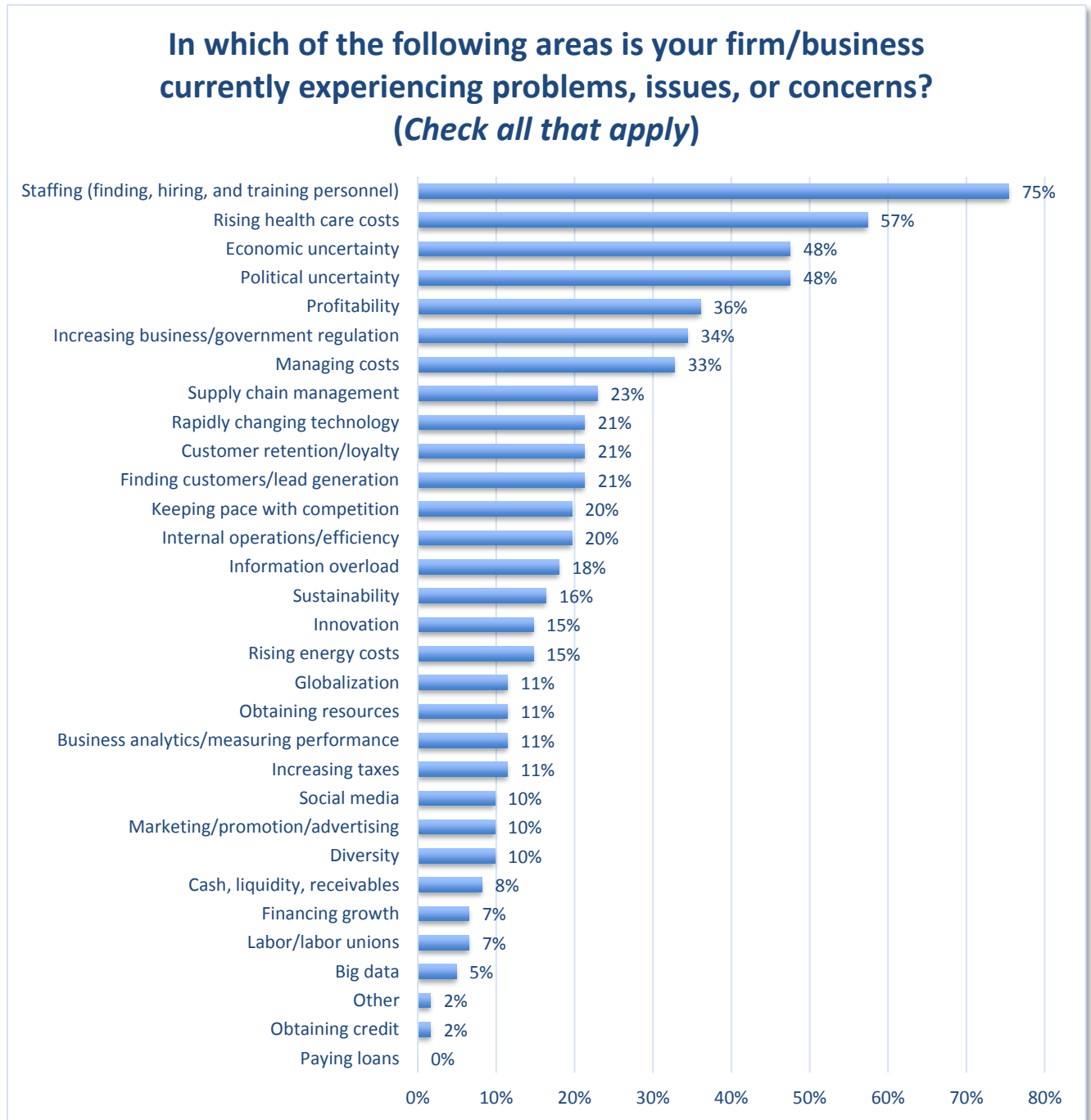
The growing economy is evidenced by jobless claims reaching their lowest level since October 1969. The U.S. unemployment rate remained at 3.8 percent for March 2019 (having averaged 5.7 percent between the end of WWII and 2019). Further, the unemployment rate for Tennessee is 3.2 percent. While such positive numbers for employment are good news for consumers, they can cause unexpected problems for employers. When the economy is doing well and jobs are relatively easy to find, employers experience increasing difficulty finding and attracting talented workers. The ease with which employees can switch jobs also makes retaining good employees even more difficult. This is why staffing concerns remain the number-one, most often cited problem or concern among Tennessee business leaders.

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 are either positive or moderate/neutral. Very few responses are negative. This means that when responding to our questions, the vast majority of business leaders think economic conditions are “good” or “in between” and think future economic conditions will be “better” or “stay the same.”

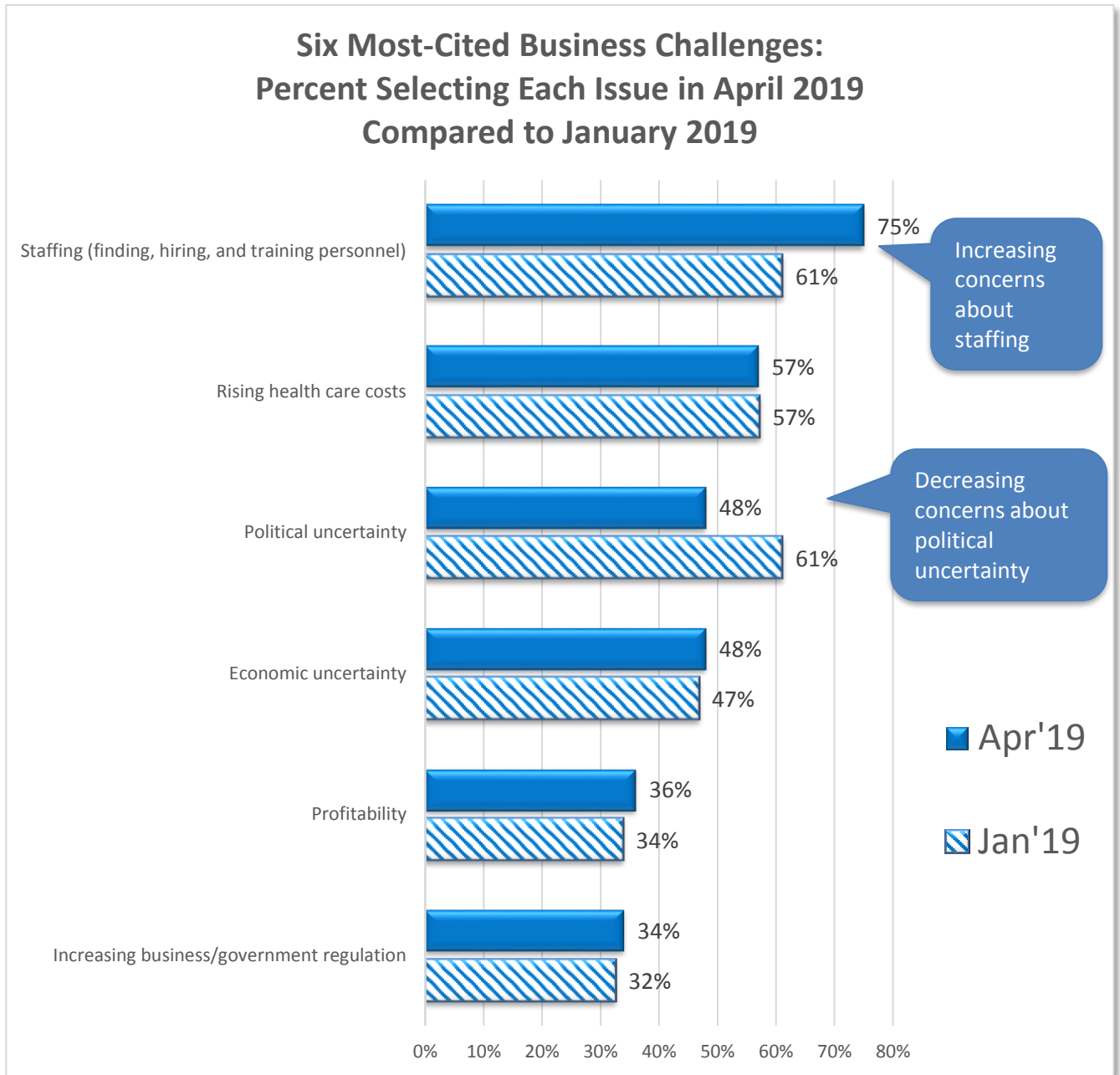


Business Challenges

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 related to finding, hiring, and training employees dominate the list as the most often cited concern.



Shifting Concerns. The chart below shows the six challenges most often cited by business leaders in April 2019. This is compared to the percentage who cited these challenges in January 2019. Since January, concerns related to political uncertainty have subsided, replaced by increasing concerns with staffing (finding, hiring, and training personnel).



Tennessee Business Barometer Results		July 2018 (%)	Oct 2018 (%)	Jan 2019 (%)	Apr 2019 (%)	Net Change from January*
Overall economic conditions in the U.S. are: ^C	Good	70	82	62	65	+2
	In between	29	18	36	33	
	Bad	1	0	1	2	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	30	35	17	25	+17
	About same	42	50	57	59	
	Worse	25	12	25	16	
Economic conditions in Tennessee are: ^C	Good	80	90	81	83	0
	In between	20	8	18	14	
	Bad	0	2	1	3	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	39	41	31	40	+9
	About same	46	48	62	56	
	Worse	13	5	5	5	
Economic conditions in your industry are: ^C	Good	65	59	57	54	-2
	In between	31	33	36	41	
	Bad	3	7	4	3	
Twelve months from now economic conditions in your industry will be: ^F	Better	25	36	22	30	+12
	About same	61	49	60	59	
	Worse	13	13	14	10	
Regulatory conditions in your industry are: ^C	Good	33	28	39	35	-3
	In between	56	57	44	47	
	Bad	6	8	12	11	
Twelve months from now regulatory conditions will be: ^F	Better	13	16	9	10	+10
	About same	68	64	72	84	
	Worse	11	10	11	2	
Economic Conditions for your firm/business are: ^C	Good	66	59	64	56	-11
	In between	27	28	34	37	
	Bad	4	11	3	6	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	40	44	37	41	+10
	About same	51	43	49	52	
	Worse	7	10	12	6	
Compared to last year will your firm grow: ^{B/F}	More	40	48	30	29	+2
	About same	45	39	42	46	
	Less	12	10	24	21	
Compared to last year will your firm invest: ^{B/F}	More	28	42	31	30	-8
	About same	51	45	45	43	
	Less	18	5	18	25	

Compared to last year will your firm's sales: ^{B/F}	Increase	62	53	48	59	+8
	Stay the same	28	27	36	22	
	Decrease	9	14	13	16	
Compared to last year will your firm's profitability: ^{B/F}	Increase	42	38	29	37	+14
	Stay the same	42	36	49	44	
	Decrease	15	16	20	14	
Compared to last year will your firm's inventories: ^{B/F}	Increase	13	10	9	14	+4
	Stay the same	40	43	42	41	
	Decrease	17	20	18	19	
In the next 12 months will employment at your firm/business: ^E	Increase	43	45	34	35	-3
	Stay the same	47	47	56	51	
	Decrease	9	7	9	13	
Qualified employees are: ^E	Easy to find	2	3	0	2	0
	Found with effort	47	41	40	40	
	Hard to find	49	54	55	57	

^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

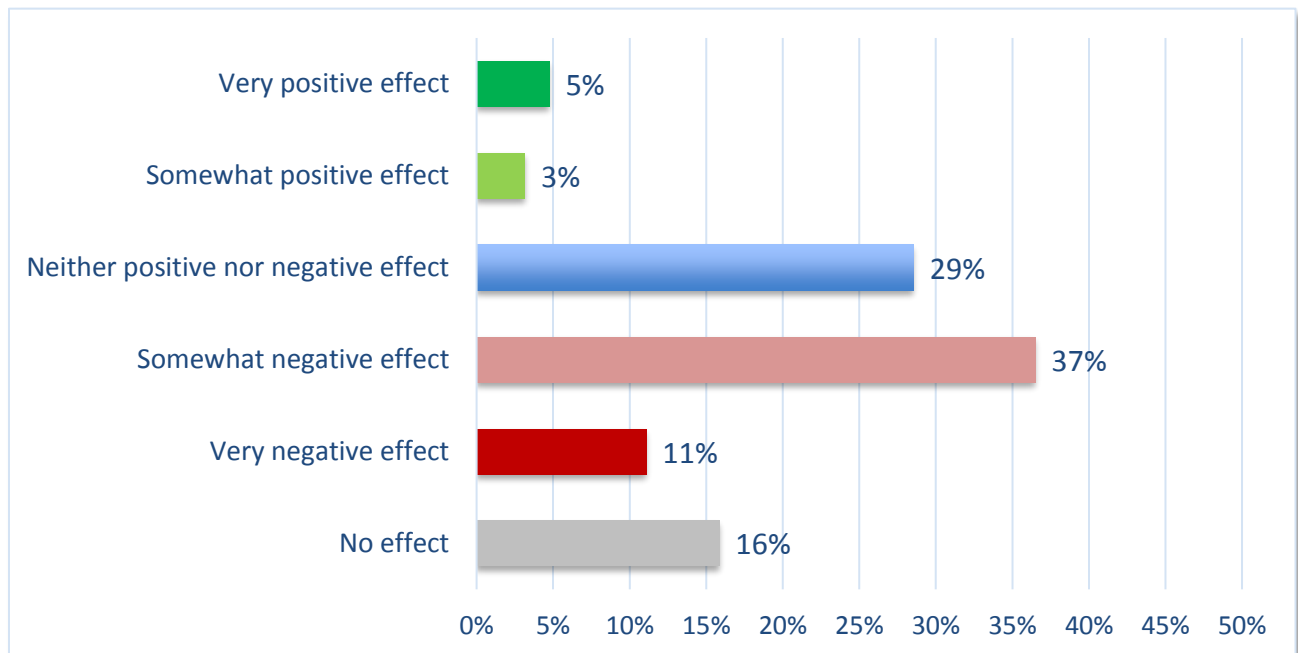
^E Included in the Employment Outlook Index

* 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.

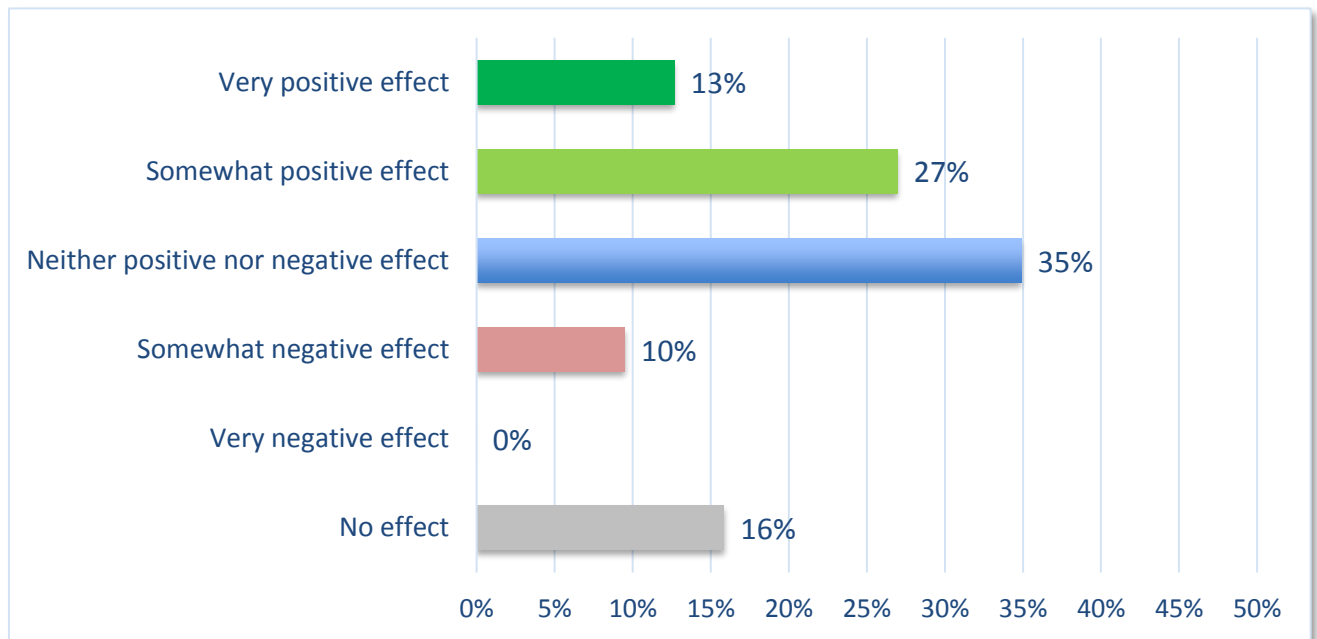
The Mueller Investigation and the Border Wall

Respondents gave their opinions regarding the recently concluded Mueller investigation. In general, a greater percentage of Tennessee business leaders said the nearly two-year investigation had a negative (48%) versus positive (8%) effect on the economy, and the majority expect any continued investigations will have further negative effects on the economy (63% negative versus 8% positive). The conclusion that President Trump did not collude with Russia during the election is expected to have a positive effect on the economy (40% positive versus 10% negative). Further, a border wall between the U.S. and Mexico is expected to have a greater effect on the overall U.S. economy (49% positive versus 29% negative) than on individual businesses in Tennessee (20% positive versus 16% negative).

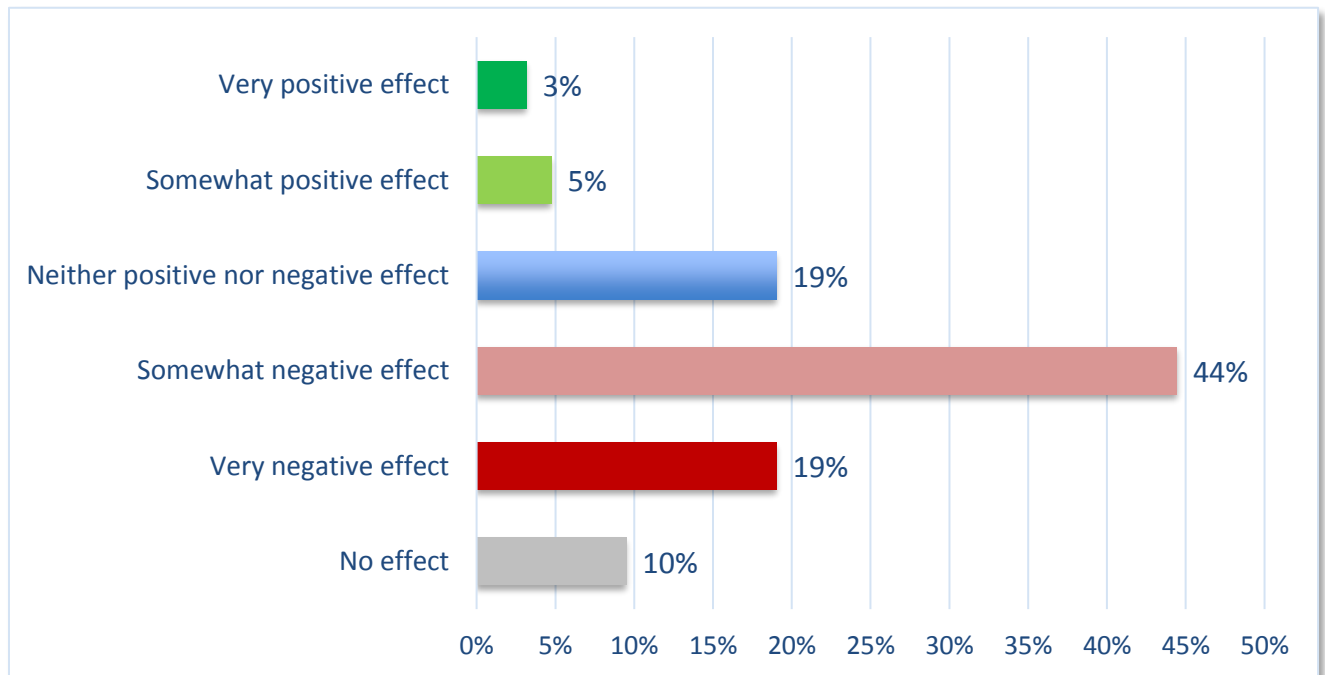
The Mueller probe recently finished its work after nearly two years of investigations. What effect do you think this investigation had on the overall U.S. economy?



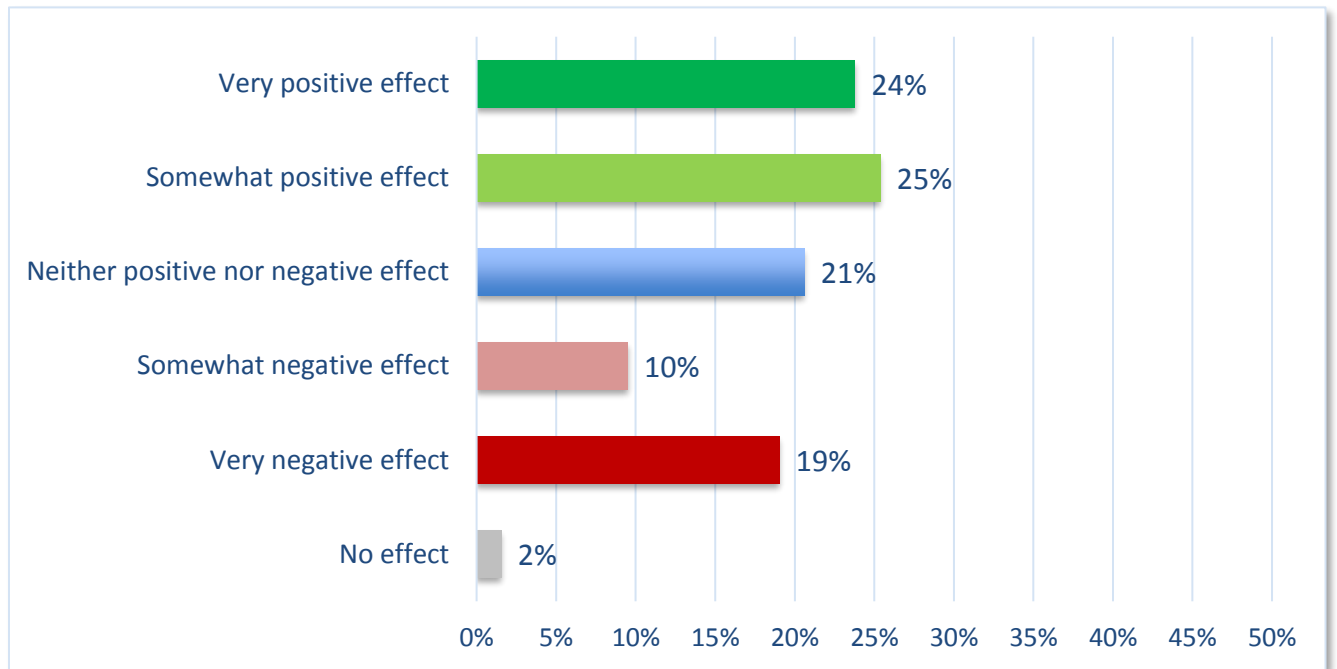
The Mueller probe concluded that there was no collusion between President Trump and Russia during the 2016 presidential election. What effect do you think this conclusion will have on the overall U.S. economy?



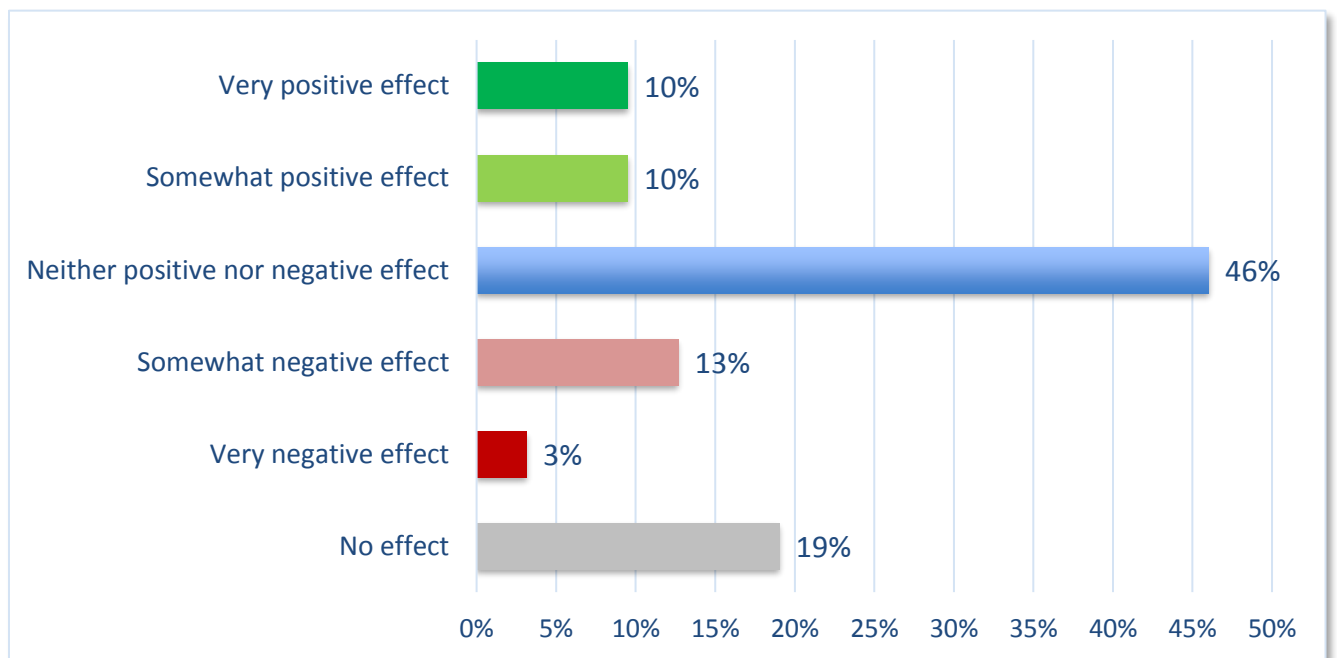
Democrats in Congress have mentioned they might continue investigating President Trump for possible obstruction of justice and other crimes. What effect do you think further investigations into President Trump will have on the overall U.S. economy?



If the border wall between the U.S. and Mexico is built, what effect do you think it will have on the overall U.S. economy?



What effect do you think a border wall between the U.S. and Mexico will have on your firm/business?



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 63 business leaders throughout the state of Tennessee. The survey was conducted between April 1 and April 8. With a sample of 63 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?