



# Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce and Industry

Office of Consumer Research  
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## Tennessee Business Leaders' Outlook Continues to Improve

The Tennessee Business Barometer Index continued to improve, gaining to 507 from 470 in January. The largest gain was seen in the Current Situation Index, improving to 216 from 186. Perceptions of the future economy and perceptions of business/firm performance saw only modest improvements. However, business leaders remain pessimistic regarding the employment outlook.

Overall, business leaders are growing in their optimism regarding the current and future economy. Expectations for short-term sales and profitability are positive, tempered by concerns regarding long-term growth due to decreasing expectations for business investment. Moreover, while many firms seek to grow and expand their employment base, it is clear that business leaders are becoming increasingly frustrated at the difficulty associated with finding qualified employees.

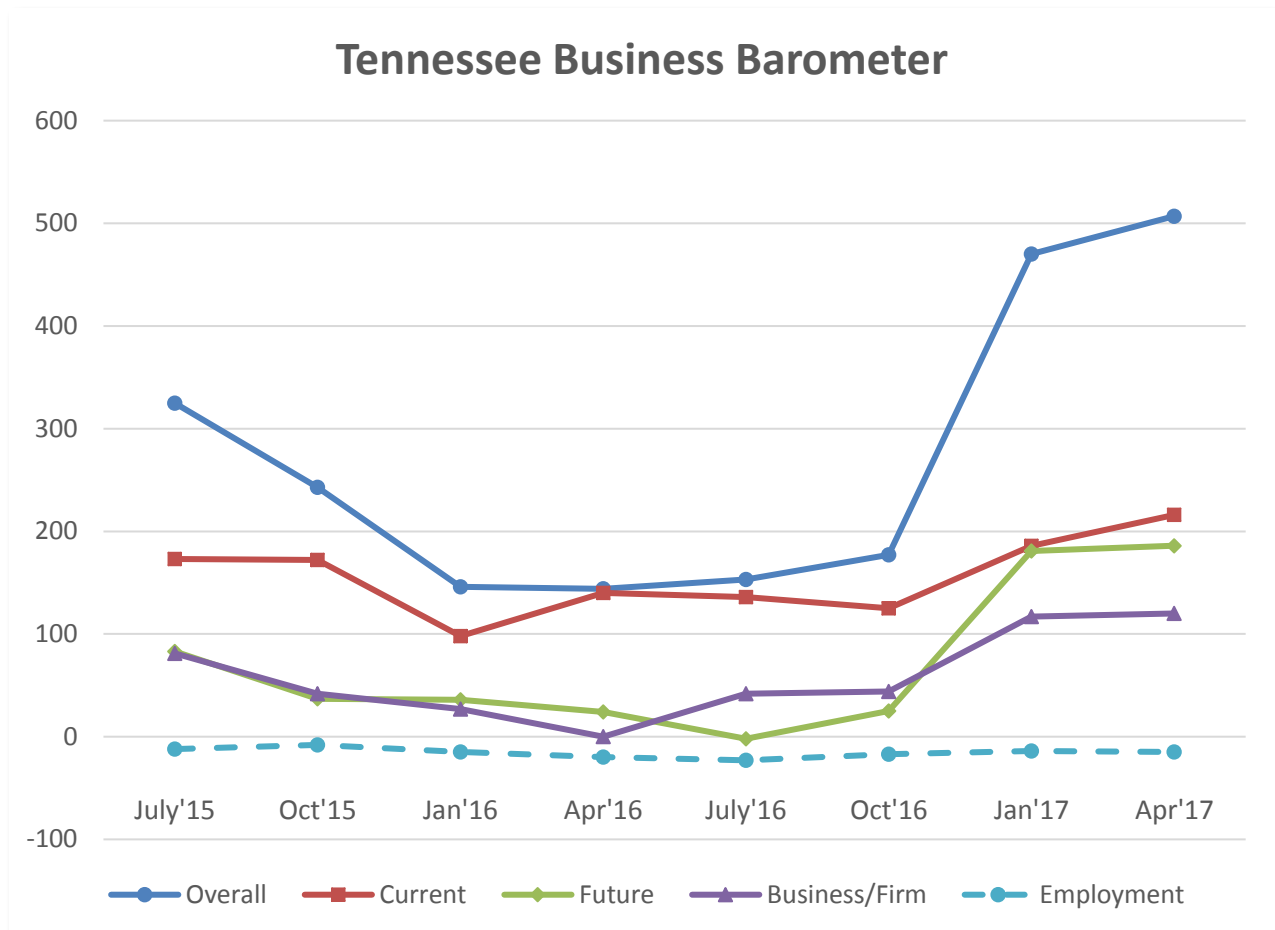
### Tennessee Business Barometer Index and Sub-Indices

	April 2016	July 2016	Oct 2016	January 2017	April 2017 <sup>1</sup>
<b>Overall Business Barometer</b>	144	153	177	470	<b>507</b>
<b>Current Economic Situation Index</b>	140	136	125	186	<b>216</b>
<b>Future Economic Expectations Index</b>	24	-2	25	181	<b>186</b>
<b>Business/Firm Performance Index</b>	0	42	44	117	<b>120</b>
<b>Employment Outlook Index</b>	-20	-23	-17	-14	<b>-15</b>

<sup>1</sup> 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.

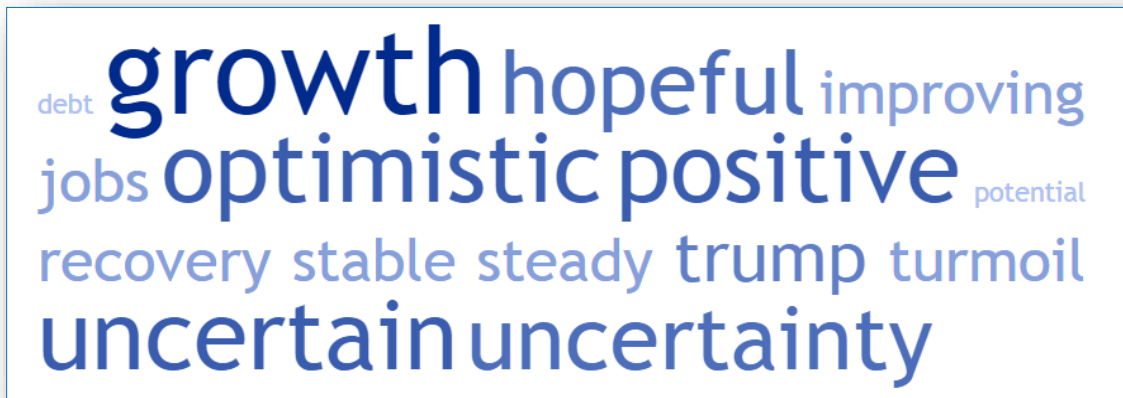
The current online survey of 97 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between April 3 and April 13. Respondents included business owners, vice presidents, senior managers, and managers at firms of various sizes. The next Tennessee Business Barometer survey is planned for July 2017.



**Current Economy.** Gains in the Current Situation Index were driven mostly by more positive views of the current national economy. The percent who said business conditions in the U.S. are “good” rose significantly to 46 from 29. Further, only 2 percent said business conditions in the U.S. are “bad.” Business leaders also see improving economic conditions for their individual firm/business. The percent who said economic conditions for their firm/business are “good” improved to 60 from 47. Only 3 percent said economic conditions for their firm/business are “bad.” As views of the current economic situation improve, decreasing concerns about economic difficulties can help to spur on future economic and business growth.

**Future Economy.** Tennessee business leaders maintained their optimism regarding the future economy. Half (50 percent) said business conditions in the U.S. will be “better 12 months from now,” while only 6 percent expect business conditions will be “worse 12 months from now.”

The word cloud below shows the 15 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 majority of positive words (e.g., growth, optimistic, hopeful) reflects a growing optimism and outlook among Tennessee business leaders.



**Tennessee Economy.** There was also a small net positive increase in views regarding the future of the Tennessee economy. The percent who said business conditions in Tennessee will be “better 12 months from now” gained to 47 from 44 in January. The percent who said business conditions in Tennessee will be “worse 12 months from now” remained in single digits.

The word cloud below shows the 15 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 slightly more measured tone to the words business leaders use to describe the Tennessee economy compared to the national economy.



***Business and Firm Performance.*** The Business/Firm Performance Index also improved, rising modestly to 120 from 117. Tennessee business leaders are slightly more optimistic regarding their firm’s growth, sales and profitability. This was offset by a net decrease in expectations regarding future business investments. Increased expectations for growth, sales and profitability can reflect growing consumer demand in the short term. However, long-term growth can be slowed by decreases in business investments.

The word cloud below shows the 15 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 words reflect that business leaders perceive challenges ahead but are optimistic about the future for their firms.



***Employment.*** The Employment Outlook Index remained in the negative range, decreasing by one point to -15 from -14. The fact that this index is still in the negative range means respondents with negative responses continue to outnumber those with positive responses.

This sub-index is clearly the result of two counteracting trends. On the positive side, there was a net increase in the percent who expect to increase employment at their firm/business. However, this was offset by a similar net decrease in the percent who are able to find qualified employees. The percent who said qualified employees are “easy to find” dropped to 3 from 6. Moreover, the percent who said qualified employees are “hard to find” rose to 53 from 47.

Clearly, many business leaders have growth on their minds. Unfortunately, such growth can be stymied by the inability to find qualified employees.

## Business Challenges

Respondents were also 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. It is clear that concerns about rising health care costs and difficulties finding qualified employees are foremost on the minds of Tennessee business leaders.



## 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. Clearly, personnel related issues (staffing and rising health care costs) are of most importance to Tennessee business leaders.

Rank	Challenge / Issue / Concern	Total Summated Rank	Times Ranked First	Change in Rank from January
1	Staffing (finding, hiring, and training personnel)	209	21	No Change
2	Rising health care costs	197	20	No Change
3	Political uncertainty	114	9	No Change
4	Economic uncertainty	100	5	No Change
5	Increasing business / governmental regulation	93	5	No Change
6	Profitability	89	8	No Change
7	Finding customers / lead generation	71	6	No Change
8	Managing costs	62	0	+3
9	Increasing taxes	49	4	+9
10	Customer retention / loyalty	44	3	-2
11	Rising energy costs	43	1	-2
12	Rapidly changing technology	41	3	+2
13	Keeping pace with competition	41	1	-1
14	Labor / labor unions	23	2	-1
15	Obtaining resources	22	1	+10
16	Globalization	21	0	+1
17	Marketing / promotion / advertising	20	1	-2
18	Financing growth	17	0	+2
19	Internal operations / efficiency	15	0	-9
20	Innovation	15	0	-4
21	Cash, liquidity, receivables	12	0	No Change
22	Social media	11	0	+7
23	Diversity	10	0	-1
24	Supply chain management	10	1	+6
25	Sustainability	8	1	-2
26	Obtaining credit	6	1	+1
27	Information overload	5	0	-8
28	Business analytics / measuring performance	5	0	-4
29	Big data	4	0	-3
30	Paying loans	2	0	-2

Tennessee Business Barometer		July 2016 (%)	Oct 2016 (%)	Jan. 2017 (%)	April 2017 (%)	Net Change from January*
Overall economic conditions in the U.S. are: <sup>C</sup>	Good	18	27	29	<b>46</b>	<b>+17</b>
	In between	67	59	70	<b>52</b>	
	Bad	16	14	2	<b>2</b>	
Twelve months from now overall economic conditions in the U.S. will be: <sup>F</sup>	Better	16	13	53	<b>50</b>	<b>+6</b>
	About same	51	49	26	<b>41</b>	
	Worse	26	23	15	<b>6</b>	
Economic conditions in Tennessee are: <sup>C</sup>	Good	54	62	65	<b>62</b>	<b>0</b>
	In between	44	34	30	<b>38</b>	
	Bad	2	4	3	<b>0</b>	
Twelve months from now economic conditions in Tennessee will be: <sup>F</sup>	Better	16	27	44	<b>47</b>	<b>+4</b>
	About same	68	64	52	<b>48</b>	
	Worse	12	4	5	<b>4</b>	
Economic conditions in your industry are: <sup>C</sup>	Good	49	49	48	<b>53</b>	<b>+3</b>
	In between	40	38	44	<b>42</b>	
	Bad	9	12	3	<b>5</b>	
Twelve months from now economic conditions in your industry will be: <sup>F</sup>	Better	19	21	39	<b>39</b>	<b>+1</b>
	About same	70	67	50	<b>55</b>	
	Worse	9	6	6	<b>5</b>	
Regulatory conditions in your industry are: <sup>C</sup>	Good	27	15	23	<b>23</b>	<b>0</b>
	In between	46	43	52	<b>53</b>	
	Bad	27	42	18	<b>18</b>	
Twelve months from now regulatory conditions will be: <sup>F</sup>	Better	0	4	32	<b>29</b>	<b>-1</b>
	About same	72	58	53	<b>59</b>	
	Worse	25	33	8	<b>6</b>	
Economic Conditions for your firm/business are: <sup>C</sup>	Good	53	52	47	<b>60</b>	<b>+10</b>
	In between	37	40	50	<b>36</b>	
	Bad	11	8	0	<b>3</b>	
Twelve months from now economic conditions for your firm/business will be: <sup>F</sup>	Better	30	30	52	<b>47</b>	<b>-5</b>
	About same	60	60	42	<b>46</b>	
	Worse	11	4	5	<b>5</b>	
Compared to last year will your firm grow: <sup>B/F</sup>	More	27	29	32	<b>34</b>	<b>+3</b>
	About same	39	45	47	<b>51</b>	
	Less	30	23	14	<b>13</b>	
Compared to last year will your firm invest: <sup>B/F</sup>	More	26	32	35	<b>33</b>	<b>-8</b>
	About same	46	44	48	<b>46</b>	
	Less	18	21	6	<b>12</b>	

Compared to last year will your firm's sales: <sup>B/F</sup>	Increase	46	47	51	<b>53</b>	<b>+4</b>
	Stay the same	34	33	28	<b>39</b>	
	Decrease	14	15	6	<b>4</b>	
Compared to last year will your firm's profitability: <sup>B/F</sup>	Increase	30	32	39	<b>39</b>	<b>+4</b>
	Stay the same	40	35	38	<b>49</b>	
	Decrease	25	26	12	<b>8</b>	
Compared to last year will your firm's inventories: <sup>B/F</sup>	Increase	14	7	6	<b>12</b>	<b>0</b>
	Stay the same	47	47	50	<b>49</b>	
	Decrease	14	18	8	<b>14</b>	
In the next 12 months will employment at your firm/business: <sup>E</sup>	Increase	42	38	35	<b>36</b>	<b>+8</b>
	Stay the same	47	53	56	<b>60</b>	
	Decrease	9	8	8	<b>1</b>	
Qualified employees are: <sup>E</sup>	Easy to find	0	5	6	<b>3</b>	<b>-9</b>
	Found with effort	42	42	44	<b>40</b>	
	Hard to find	56	52	47	<b>53</b>	

<sup>C</sup> Included in the Current Economic Situation Index

<sup>F</sup> Included in the Future Economic Expectations Index

<sup>B/F</sup> Included in the Business/Firm Performance Index

<sup>E</sup> 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](http://www.mtsu.edu/consumer)).

The results reported here are based on an online survey of 97 business leaders throughout the state of Tennessee. The survey was conducted between April 3 and April 13. With a sample of 97 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  $\pm 9.9\%$ . 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](mailto:tim.graeff@mtsu.edu).

For more information about the Tennessee Chamber of Commerce and Industry, visit [www.tnchamber.org](http://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?