



Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce & Industry

Office of Consumer Research
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Tennessee Business Leaders Begin the Year with Growing Anxiety

The results from the most recent Tennessee Business Barometer survey indicate that optimism among business leaders across Tennessee continues to wane as we begin the new year. The Tennessee Business Barometer declined significantly to 146 from 243 in October of 2015.

Although expectations for the future of the overall American economy remained relatively unchanged, all other sub-indices declined. 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 October, 2015.

Business leaders in Tennessee have become increasingly concerned about the current economy. The Current Situation Index fell substantially to 98 from 172. This decline was due to growing worries regarding both the overall U.S. economy and the Tennessee economy. Further, economic unease is beginning to hit even closer to home as business leaders have also become more anxious about the economic conditions for their industry and their individual firm. This is coupled with continued pessimism regarding the employment outlook.

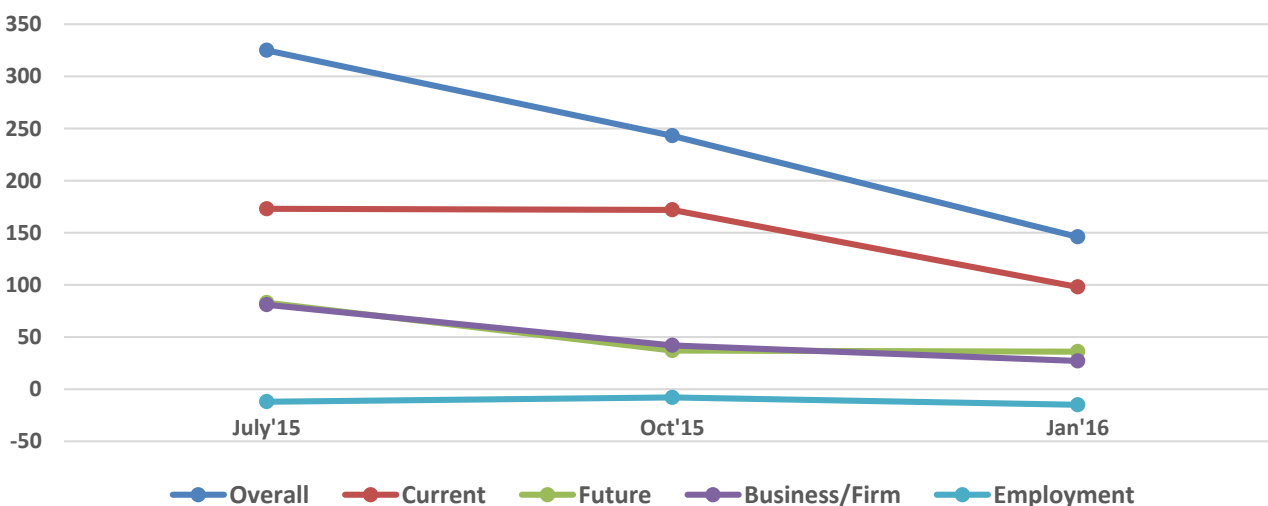
The Business/Firm Performance Index declined to 27 from 42 in October and the Employment Outlook Index dropped to -15 from -8. A negative score for an index indicates that business leaders who hold negative views outnumber those who hold positive views. Given that staffing and the ability to find qualified personnel are crucial to the growth of any business, a negative Employment Outlook Index is significant.

The table below shows the results from the Tennessee Business Barometer and its sub-index components. The current online survey of 115 business leaders from across Tennessee was conducted between January 12 and January 19. Respondents include business owners, vice presidents, senior managers, and managers at firms of various sizes. The next Tennessee Business Barometer survey is planned for April 2016.

The Tennessee Business Barometer Index and Sub-Indices

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

Tennessee Business Barometer



Overall U.S. Economy

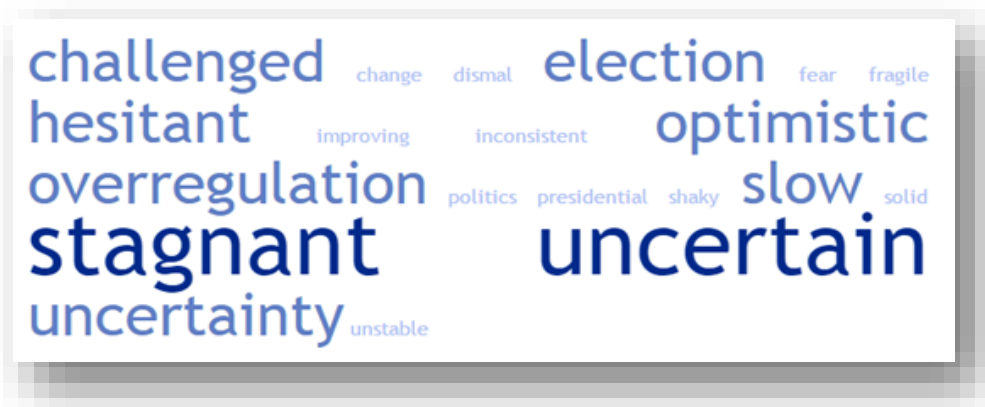
¹ The Tennessee Business Barometer Index scores are based on business leaders' responses to 17 questions measuring their perceptions of the current and future economic and regulatory conditions for the country as a whole, Tennessee, their industry, and their individual firm/business. Five questions make 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.

Across Tennessee there is growing unease regarding the current national economy. The percent who said that business conditions in the country as a whole are “good” dropped to 18 from 30 in October. Further, the percent who said that business conditions in the country as a whole are “bad” gained to 11 from 7. However, the majority of respondents remain somewhat neutral regarding the economy, with 70 percent rating it “in between.”

Conversely, when asked about the future of the U.S. economy, there was no net change in the percent of either positive or negative opinions. However, the percent who expect the American economy to improve in the next 12 months remains relatively low at 19 percent.

The word cloud below shows the 20 words that were 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. While this reveals both positive and negative perceptions, it also highlights the apprehension that many business leaders are feeling right now. Uncertainty, worries about overregulation and a stagnant economy, and thoughts of the upcoming election were on the minds of business leaders.



Tennessee Economy

Comparatively, business leaders are more upbeat about the Tennessee economy than they are about the overall national economy. However, perceptions about the Tennessee economy also saw a decline. The percent who said that economic conditions in Tennessee are “good” dropped to 47 from 66 in October. Further, the percent who said economic conditions in Tennessee are “bad” increased to 6 from 0.

However, expectations for the future of the Tennessee economy remained stable with the small increase in positive perceptions being offset by a similar increase in negative perceptions.

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. Tennessee business leaders are hopeful and optimistic that the Tennessee economy will continue to grow.



Industry and Firm

Concerns are not limited to just the overall economies for the U.S. and Tennessee. Business leaders are becoming more anxious about the economic conditions for their specific industry as well as their individual firm. The percent who said that economic conditions for their industry are “good” fell to 35 from 43 in October. Similarly, the percent who said that economic conditions for their industry are “bad” rose to 20 from 6.

Similarly, the percent who said that economic conditions for their individual firm/business are “good” dropped to 45 from 55, with the percent who said that they are “bad” edging up to 11 from 8.

Regulation

Perceptions of the regulatory environment remained relatively unchanged from October. Although there was an increase in the number of respondents who had positive perceptions, this was offset by a similar increase in the number of respondents who had negative perceptions. However, pessimistic views of the future regulatory environment continue to dominate positive views. Only three percent expect regulatory conditions to improve, whereas 23 percent expect them to worsen.

Firm Performance

Although there was a small net gain in expectations regarding firm growth, there were also net decreases in expectations regarding investment and profitability. Expectations related to sales and inventories remained relatively unchanged from October.

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 your firm/business?*” This indicates a cautiously optimistic view of potential future growth, amidst challenges and uncertainty.



Employment Outlook

With respect to employment, there was a net decline in the percent who expect to increase employment at their firm. The percent who said their firm expects to increase employment declined to 32 from 40. This is not good news for the labor market, as many workers (consumers) continue to be concerned about the ease with which jobs can be found. Further, perceptions about the ease with which qualified employees can be found remain negative. Only 4 percent of business leaders said qualified employees are “easy to find,” compared to 39 percent who said they are “hard to find.”

Tennessee Business Barometer		July 2015 (%)	October 2015 (%)	January 2016 (%)	Net Change*
Overall economic conditions in the U.S. are: ^C	Good	25	30	18	-16
	In between	65	63	70	
	Bad	10	7	11	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	24	19	19	No change
	About same	60	64	59	
	Worse	15	17	17	
Economic conditions in TN are: ^C	Good	64	66	47	-25
	In between	33	34	46	
	Bad	2	0	6	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	40	25	29	+1
	About same	54	69	60	
	Worse	4	7	10	
Economic conditions in your industry are: ^C	Good	54	43	35	-22
	In between	37	51	44	
	Bad	10	6	20	
Twelve months from now economic conditions in your industry will be: ^F	Better	35	21	23	No change
	About same	59	66	61	
	Worse	5	12	14	
Regulatory conditions in your industry are: ^C	Good	25	17	23	+2
	In between	44	59	47	
	Bad	28	18	22	
Twelve months from now regulatory conditions will be: ^F	Better	4	2	3	+1
	About same	59	69	68	
	Worse	35	23	23	
Economic Conditions for your firm / business are: ^C	Good	63	55	45	-13
	In Between	29	37	43	
	Bad	8	8	11	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	43	36	33	-3
	About same	53	55	60	
	Worse	4	7	7	
Compared to last year will your firm grow: ^{B/F}	More	35	22	30	+5
	About same	40	46	41	
	Less	21	25	28	
Compared to last year will your firm invest: ^{B/F}	More	31	27	25	-11
	About same	46	52	44	
	Less	17	14	23	

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

^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

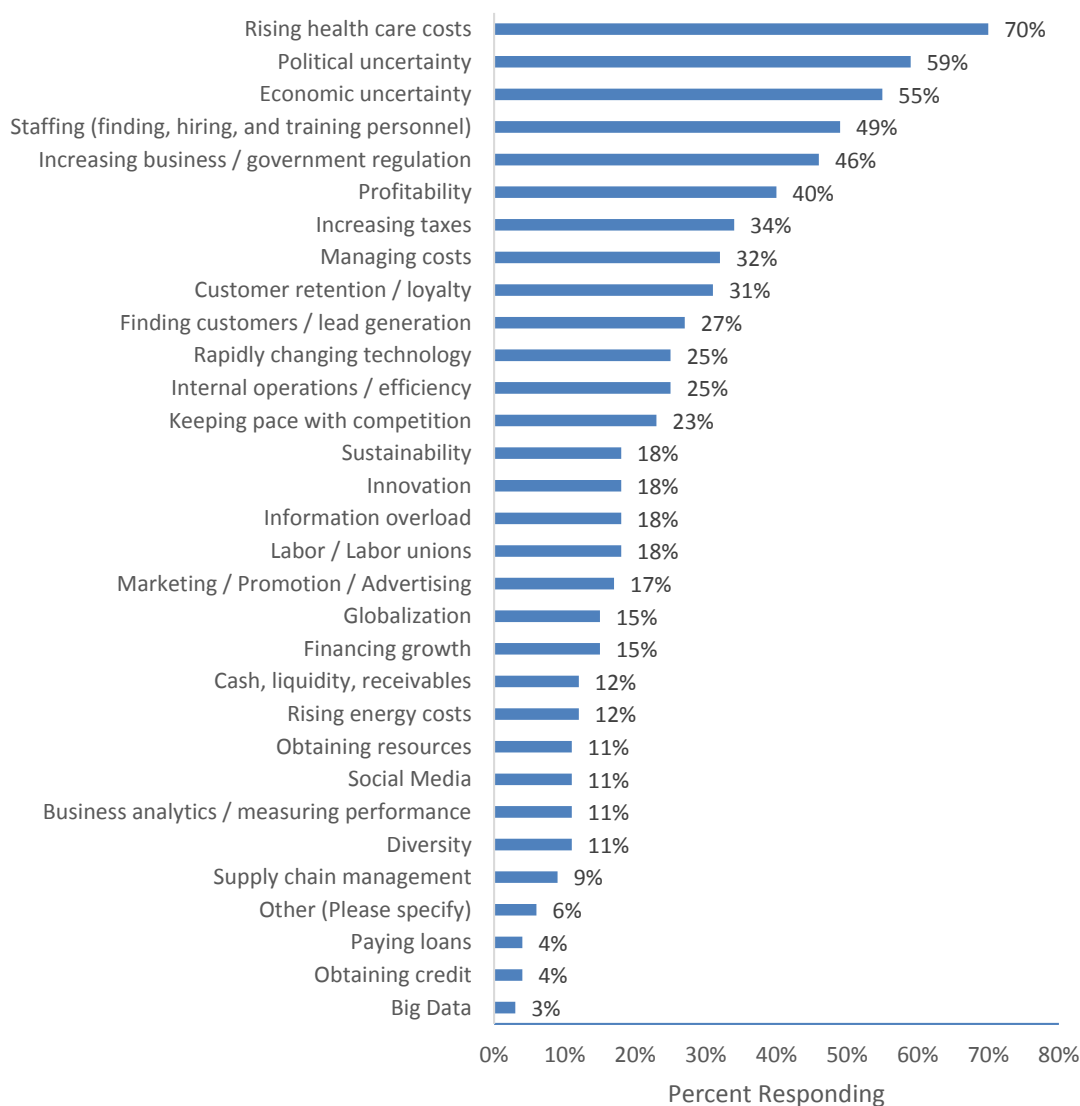
^E Included in the Employment Outlook Index

* 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 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. The five most-often selected areas remain unchanged from October. 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 October
1	Rising health care costs	224	20	+2
2	Economic uncertainty	202	20	—
3	Staffing (finding, hiring, and training personnel)	177	19	-2
4	Political uncertainty	154	12	—
5	Increasing business / governmental regulation	135	11	—
6	Profitability	111	7	+3
7	Managing costs	80	3	-1
8	Finding customers / Lead generation	72	5	+2
9	Customer retention / loyalty	57	2	-2
10	Increasing taxes	52	1	-2
11	Keeping pace with competition	51	1	—
12	Internal operations / efficiency	45	2	+1
13	Financing growth	39	5	+4
14	Cash, liquidity, receivables	33	1	+10
15	Rapidly changing technology	33	0	+7
16	Innovation	25	0	-1
17	Labor / Labor unions	24	0	+1
18	Obtaining resources	20	1	+2
19	Sustainability	19	0	—
20	Globalization	19	2	-8
21	Information overload	18	1	+4
22	Rising energy costs	17	0	-8
23	Paying loans	15	0	+7
24	Marketing / Promotion / Advertising	12	0	-1
25	Business analytics / measuring performance	11	0	+3
26	Supply chain management	11	0	-5
27	Obtaining credit	7	0	+2
28	Social Media	7	0	-1
29	Diversity	1	0	-13
30	Big Data	0	0	-4

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 115 business leaders throughout the state of Tennessee. The survey was conducted between January 12 and January 19. With a sample of 115 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 $\pm 9.1\%$. Other factors such as problems with question wording and question interpretation can also 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 & 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?