



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 Remain Optimistic About the Economy

The Tennessee Business Barometer remained steady, reflecting an unchanged outlook regarding the economy compared to last October. The overall index held constant at 577. However, this was the net effect of two offsetting trends.

Current perceptions and future expectations for the overall macroeconomic environment have improved. The Current Situation Index rose to 313 from 273 in October. Similarly, the Future Expectations Index gained to 185 from 169. Tennessee business leaders increasingly feel optimistic regarding the direction of the economy. The newly passed Tax Cut and Jobs Act has helped to boost expectations. The majority of respondents (79%) expect the new tax law to have a positive effect on the overall U.S. economy, the economy in Tennessee (76%), their industry (70%), and their individual firm/business (72%).

Tennessee Business Barometer Index and Sub-Indices

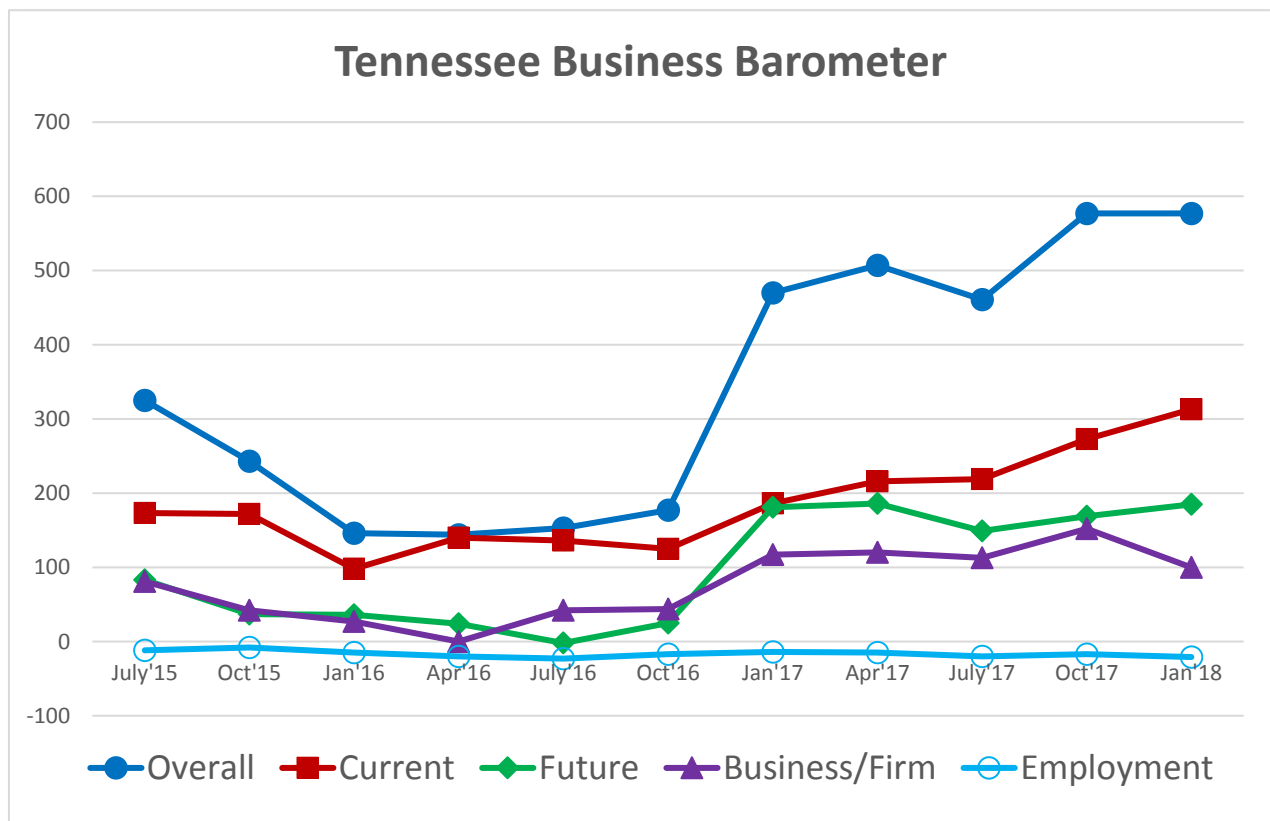
	January 2017	April 2017	July 2017	October 2017	January 2018 ¹
Overall Business Barometer	470	507	461	577	577
Current Economic Situation Index	186	216	219	273	313
Future Economic Expectations Index	181	186	149	169	185
Business/Firm Performance Index	117	120	113	152	100
Employment Outlook Index	-14	-15	-20	-17	-21

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.

However, the outlook for microeconomic individual firm/business performance declined. The Business/Firm Performance Index fell to 100 from 152. This resulted from decreased expectations for individual firm/business growth, investments, sales, profitability, and inventories. Although business leaders expect the new tax law to significantly improve overall economic conditions, relatively few Tennessee business leaders plan to offer extra bonuses or increased compensation to their employees (9%) or increase hiring (11%) in response to the new law. One in three (33%) expect to increase capital expenditures and/or investments in response to the new tax law.

The current online survey of 46 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between January 10 and January 22. The sample of respondents includes business owners (28%), vice presidents (7%), senior managers (39%), and managers/others (26%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for April 2018.



Current Economy. Tennessee Business leaders increasingly believe economic conditions are improving. The vast majority (83%) said economic conditions in the U.S. are “good.” Perceptions of the Tennessee economy are similarly positive, but the percent who said economic conditions in Tennessee are “good” slipped to 78 from 83 in October.

Perceptions of the regulatory environment continue to improve. The percent who said regulatory conditions for their industry are “good” rose to 35 from 20.

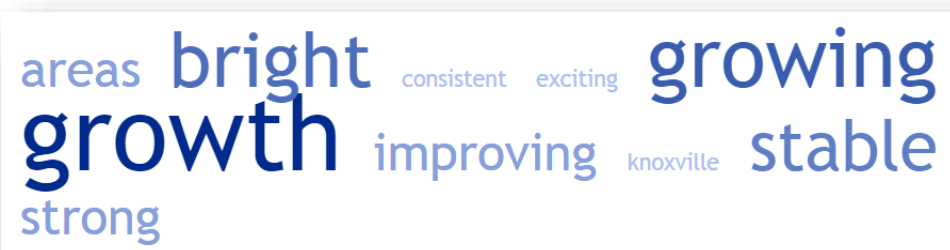
Future Economy. Tennessee business leaders have also become more optimistic regarding the future of the economy. The percent who said 12 months from now the overall U.S. economy will be “better” rose to 57 from 38 in October. The percent who said 12 months from now economic conditions for their industry will be “better” increased to 48 from 34.

Employment. The Employment Outlook Index sank further into the negative range to -21 from -17. Fewer firms expect to increase employment, down to 36 percent from 42 percent. Moreover, only two percent said qualified employees are “easy to find.” Half (50%) said qualified employees are “hard to find.”

Describing the 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. There is an optimistic tone to the words business leaders use to describe the overall American economy (growing, hopeful, improving, promising, stable, strong, success).



Describing the Tennessee Economy. The word cloud below shows the 10 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 similarly upbeat tone to words business leaders use to describe the Tennessee economy (growth, growing, bright, stable).

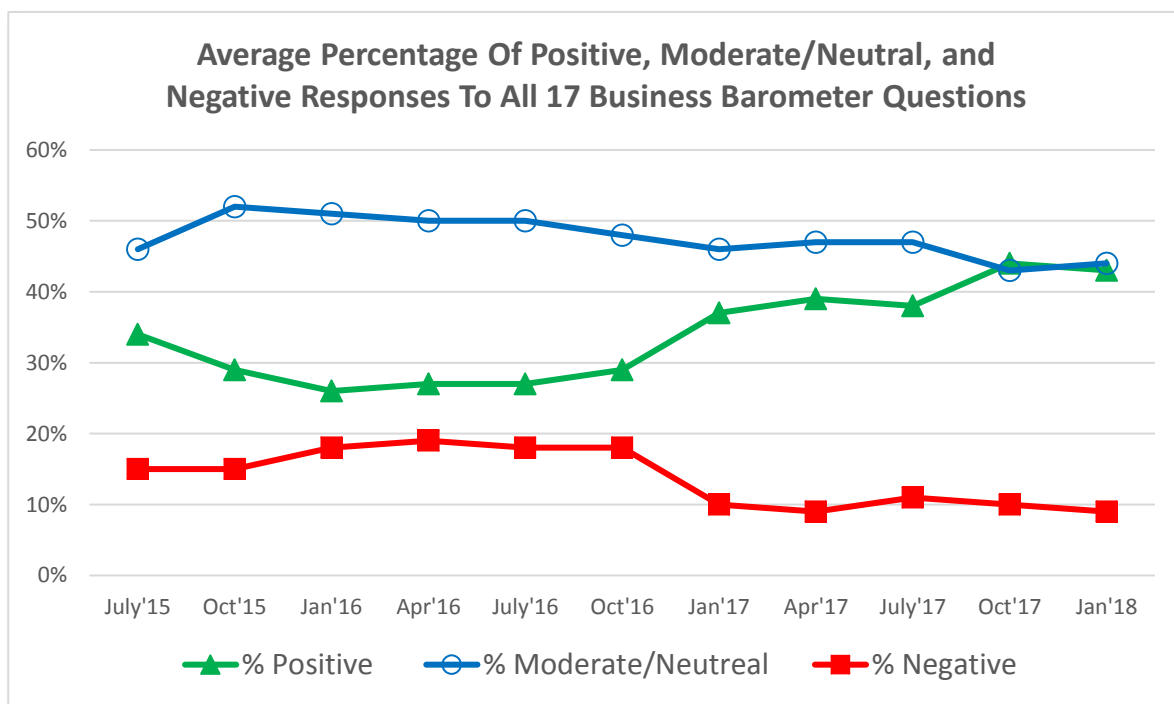


Business and Firm Performance. The Business/Firm Performance Index declined. The word cloud below shows the 10 words most often given when respondents were asked, “**What one word comes to mind when you think about the future of your firm/business?**” The words reflect optimism tempered by challenges.



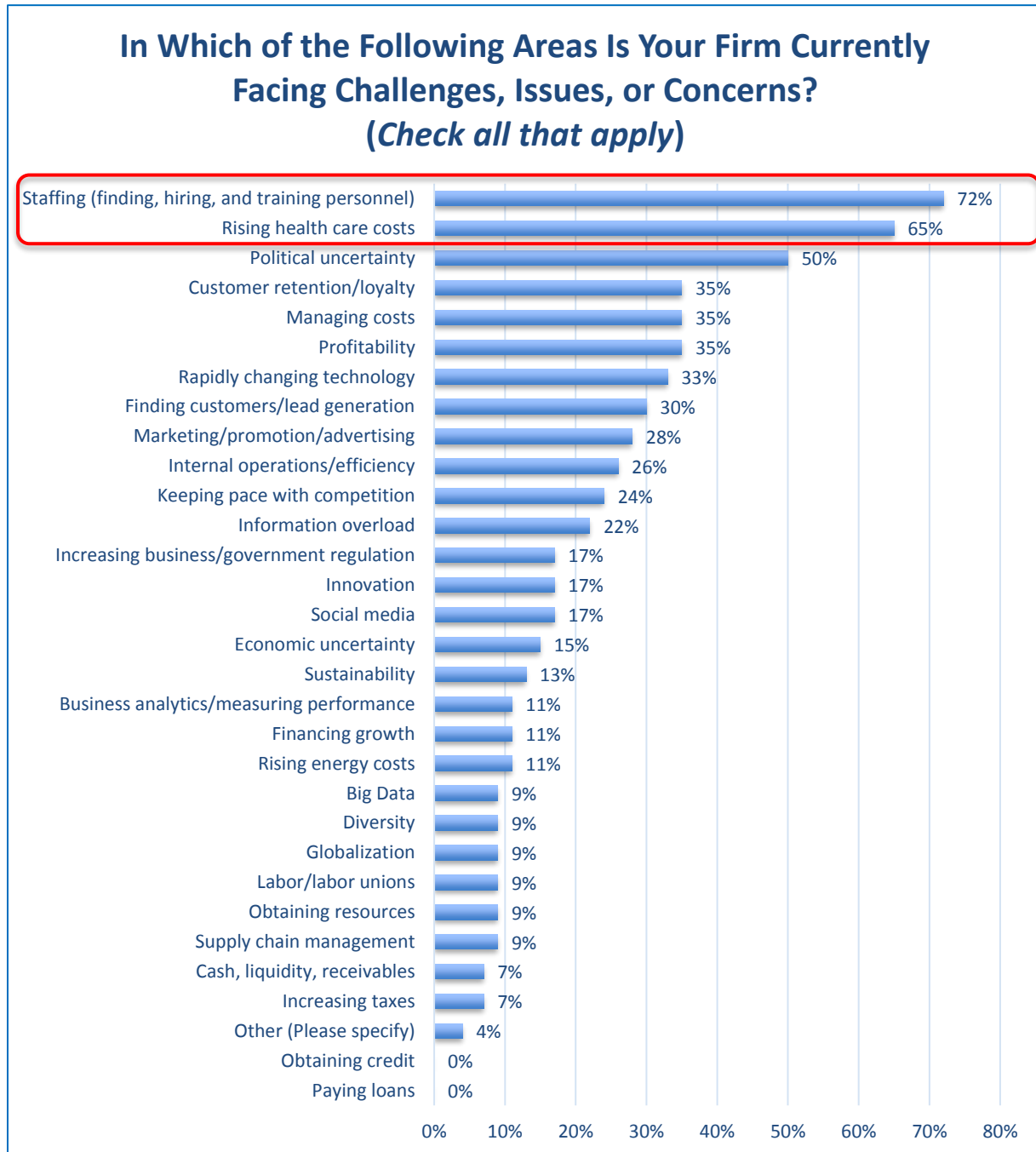
Average Attitude

The general attitude of Tennessee business leaders has remained positive and steady. 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. This shows that 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 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. Difficulties finding qualified employees and rising health care costs continue to be foremost on the minds of most Tennessee business leaders.



Business Challenges—Summated Rankings

Respondents were asked to rank the top five challenges faced by their firm/business. The table below shows the summated rankings for these business challenges.² Personnel-related issues (staffing and rising health care costs), along with political uncertainty, continue to be of most concern to Tennessee business leaders. Concerns about regulations have diminished, as have concerns about taxes because of the new tax law.

Rank	Challenge/Issue/Concern	Total summated rank	Times ranked first	Change in rank from October
1	Staffing (finding, hiring, and training personnel)	130	16	0
2	Rising health care costs	81	6	0
3	Political uncertainty	50	7	0
4	Profitability	36	2	+3
5	Managing costs	34	0	+5
6	Finding customers/lead generation	34	2	-1
7	Customer retention/loyalty	34	1	-1
8	Internal operations/efficiency	32	1	+1
9	Economic uncertainty	27	1	-1
10	Marketing/promotion/advertising	20	0	+13
11	Keeping pace with competition	19	1	+3
12	Rapidly changing technology	18	0	0
13	Sustainability	18	0	+4
14	Innovation	17	1	+4
15	Financing growth	16	2	0
16	Increasing business/governmental regulation	15	1	-12
17	Information overload	15	0	+5
18	Supply chain management	13	1	-2
19	Labor/labor unions	12	1	+2
20	Cash, liquidity, receivables	12	1	0
21	Rising energy costs	10	0	-10
22	Obtaining resources	9	1	+2
23	Globalization	9	1	+2
24	Diversity	4	0	+4
25	Business analytics/measuring performance	3	0	-6
26	Increasing taxes	2	0	-13
27	Big data	2	0	+3
28	Obtaining credit	0	0	+1
29	Paying loans	0	0	-2
30	Social media	0	0	-4

² The rankings are compiled the same way sports teams are ranked. 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.

Tennessee Business Barometer		April 2017 (%)	July 2017 (%)	Oct 2017 (%)	Jan 2018 (%)	Net Change from October*
Overall economic conditions in the U.S. are: ^C	Good	46	52	66	83	+16
	In between	52	44	33	15	
	Bad	2	4	1	2	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	50	40	38	57	+20
	About same	41	50	54	39	
	Worse	6	8	5	4	
Economic conditions in Tennessee are: ^C	Good	62	73	83	78	-5
	In between	38	25	18	22	
	Bad	0	2	0	0	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	47	43	48	43	-9
	About same	48	51	51	52	
	Worse	4	6	0	4	
Economic conditions in your industry are: ^C	Good	53	52	57	57	-2
	In between	42	40	41	41	
	Bad	5	6	0	2	
Twelve months from now economic conditions in your industry will be: ^F	Better	39	32	34	48	+11
	About same	55	56	59	46	
	Worse	5	7	4	7	
Regulatory conditions in your industry are: ^C	Good	23	21	20	35	+32
	In between	53	59	56	61	
	Bad	18	13	19	2	
Twelve months from now regulatory conditions will be: ^F	Better	29	19	19	24	+9
	About same	59	69	68	72	
	Worse	6	5	6	2	
Economic Conditions for your firm/business are: ^C	Good	60	51	70	70	-1
	In between	36	43	28	26	
	Bad	3	5	3	4	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	47	47	51	37	-15
	About same	46	44	43	57	
	Worse	5	6	6	7	
Compared to last year will your firm grow: ^{B/F}	More	34	38	41	39	-7
	About same	51	46	41	39	
	Less	13	12	15	20	
Compared to last year will your firm invest: ^{B/F}	More	33	28	38	33	-6
	About same	46	50	51	50	
	Less	12	19	10	11	

Compared to last year will your firm's sales: ^{B/F}	Increase	53	54	65	52	-13
	Stay the same	39	35	19	30	
	Decrease	4	8	11	11	
Compared to last year will your firm's profitability: ^{B/F}	Increase	39	46	57	33	-18
	Stay the same	49	40	23	52	
	Decrease	8	12	15	9	
Compared to last year will your firm's inventories: ^{B/F}	Increase	12	10	11	11	-8
	Stay the same	49	50	52	46	
	Decrease	14	12	9	17	
In the next 12 months will employment at your firm/business: ^E	Increase	36	36	42	36	-5
	Stay the same	60	56	47	53	
	Decrease	1	6	10	9	
Qualified employees are: ^E	Easy to find	3	3	4	2	+1
	Found with effort	40	41	41	46	
	Hard to find	53	53	53	50	

^C Included in the Current Economic Situation Index

^F Included in the Future Economic Expectations Index

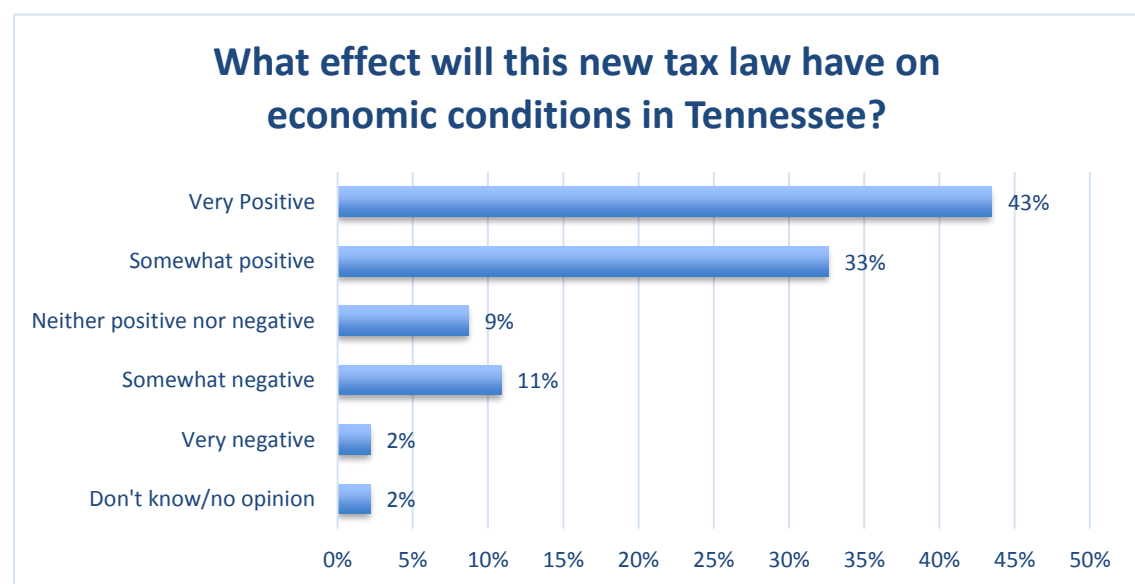
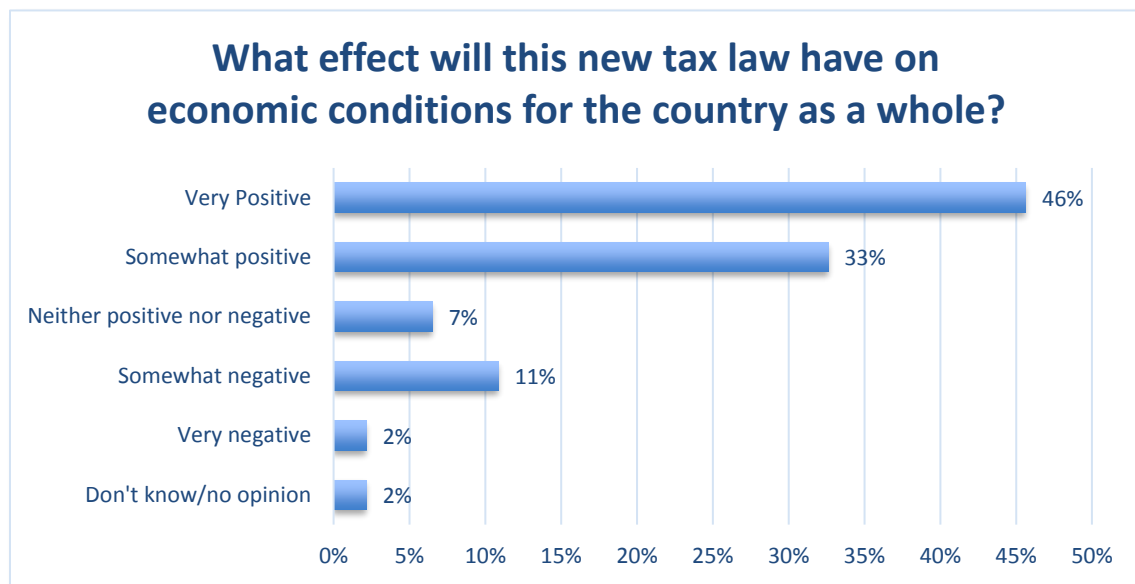
^{B/F} Included in the Business/Firm Performance Index

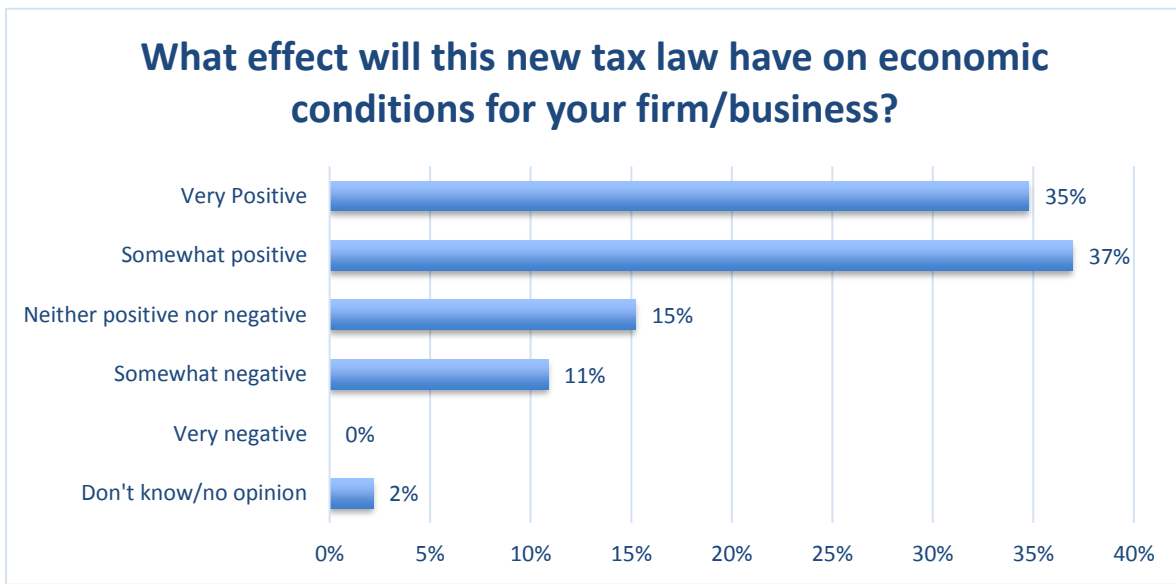
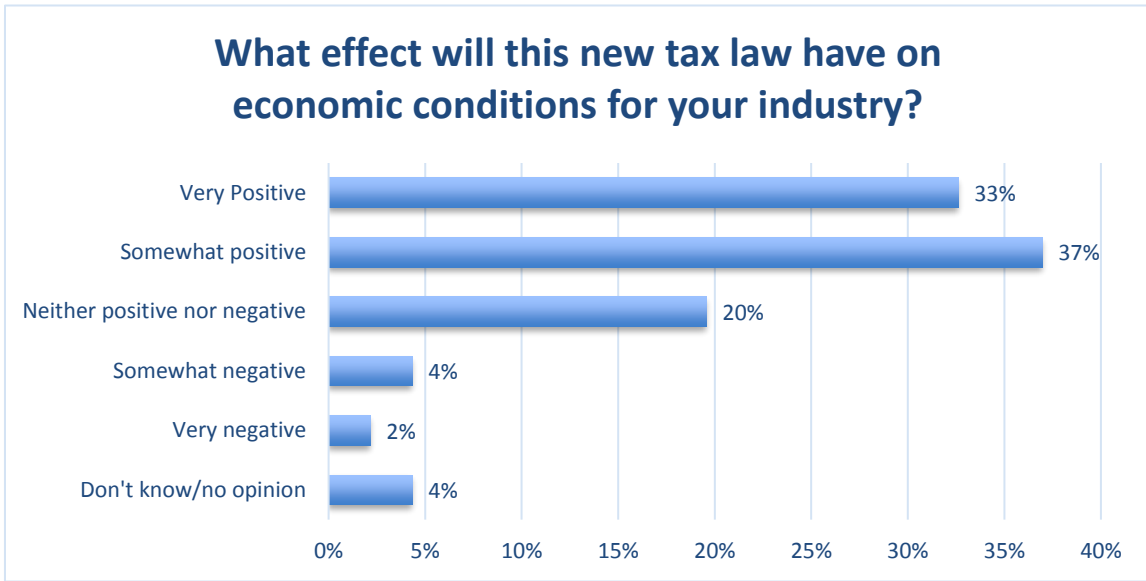
^E Included in the Employment Outlook Index

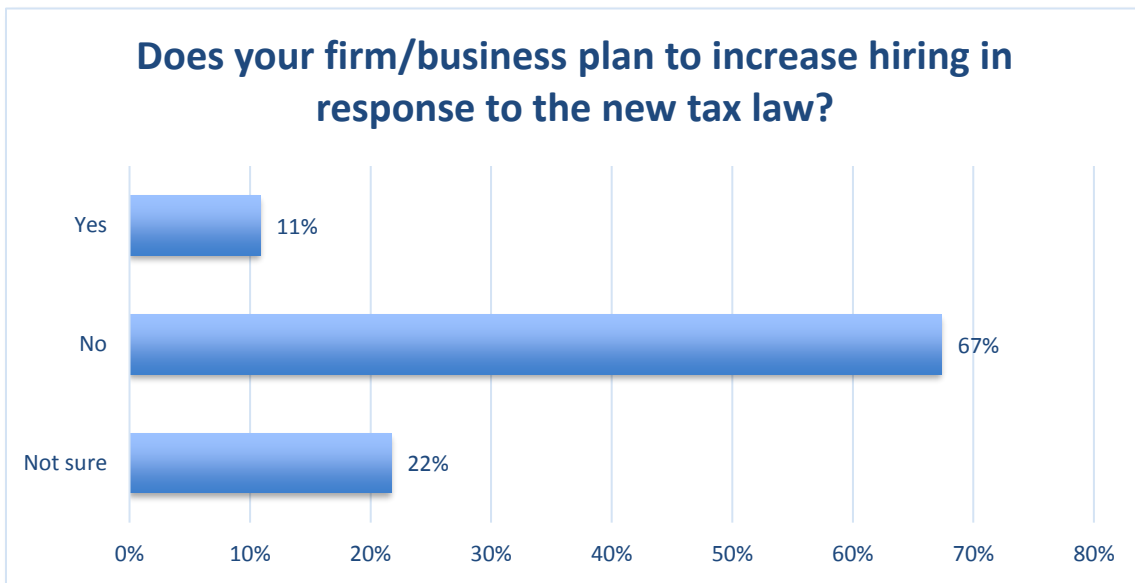
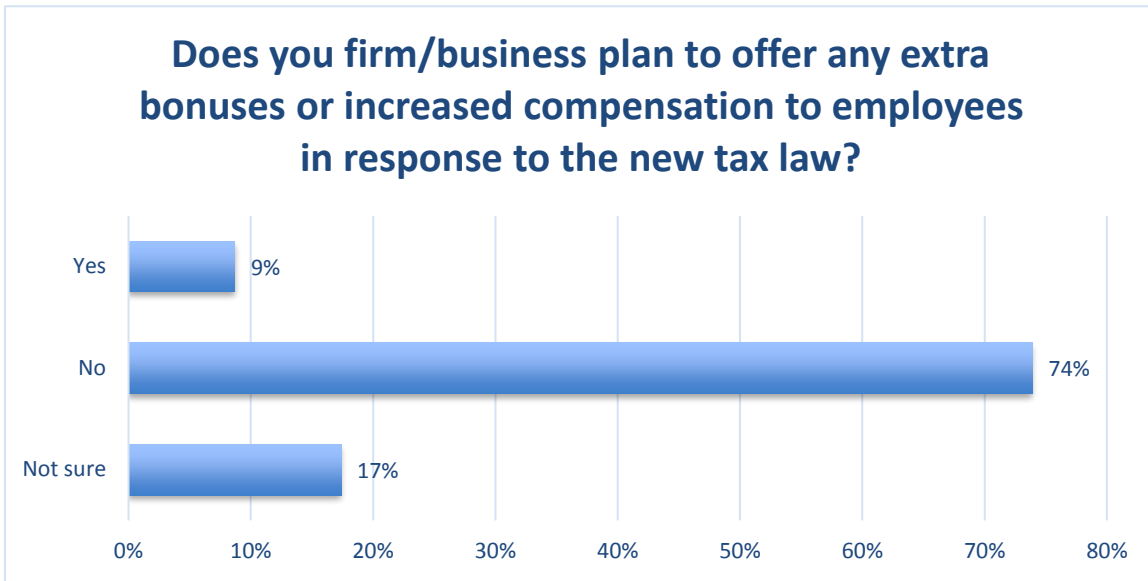
* The Net Change score for each question is calculated based on the change in percent of both positive and negative responses to a question. The Net Change score increases when there are more positive responses as well as when there are fewer negative responses. For example, if there are 10 percent more 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.

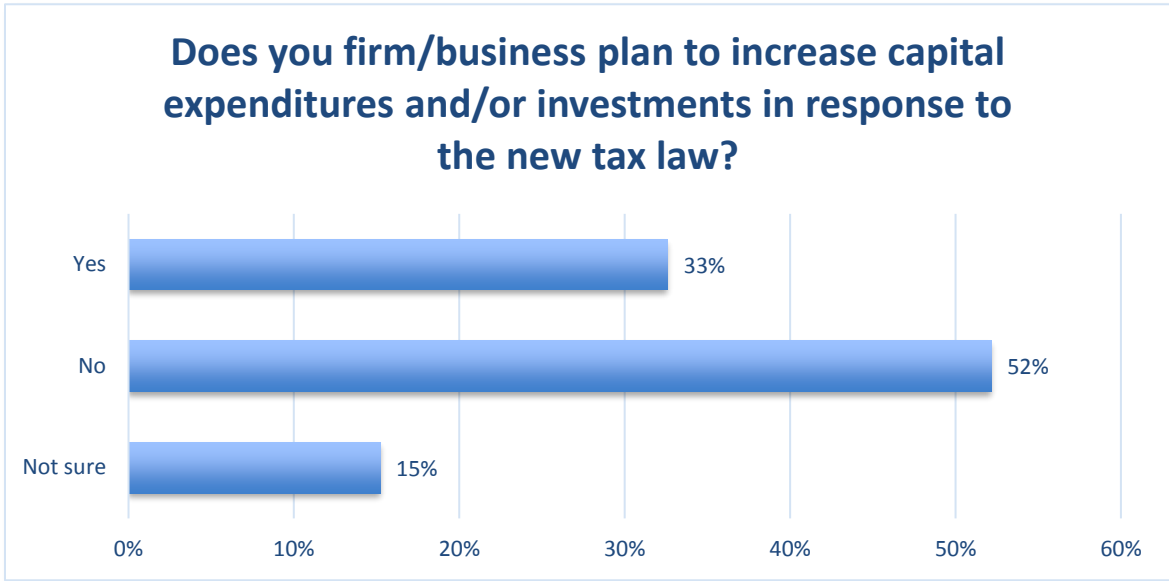
Taxes and the Economy

Respondents were asked to indicate their attitudes and perceptions regarding the Tax Cut and Jobs Act that was recently passed by Congress and signed by President Trump. The vast majority of respondents expect the new tax law to have positive effects on the economy as well as their industry and individual firm/business. Only a small percent expect to increase bonuses or compensation for employees (9%) or increase hiring (11%) because of the new tax law. However, one-third (33%) expect to increase capital spending and/or investments because of the new tax law.









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 46 business leaders throughout the state of Tennessee. The survey was conducted between January 10 and January 22. With a sample of 46 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 $\pm 14\%$. 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?