



# Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce and Industry

Office of Consumer Research  
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## Uncertainty Leads to a Decline in Business Leaders' Outlook

The Tennessee Business Barometer dropped sharply from the end of last year. The Business Barometer Index now stands at 355, down from 525 in October 2018. The index is now at its lowest level since before the presidential election in 2016. Even though perceptions of the current economy remain relatively steady, expectations for the future economy as well as for individual firms/businesses have fallen. The reason for this drop can be summed up in one word—uncertainty.

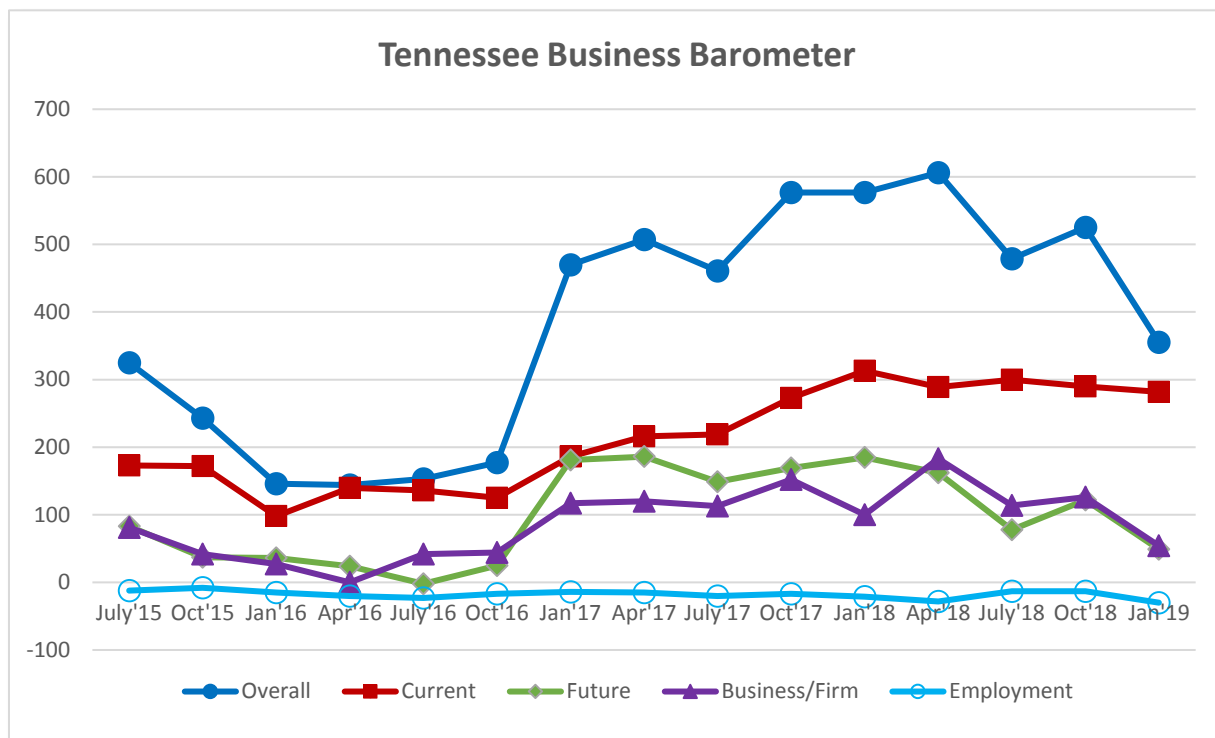
The current online survey of 77 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between January 14 and January 25. The sample of respondents includes business owners (23%), vice presidents (9%), senior managers (22%), and managers/others (45%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for April 2019.

### Tennessee Business Barometer Index and Sub-Indices

	January 2018	April 2018	July 2018	October 2018	January 2019 <sup>1</sup>
<b>Overall Business Barometer</b>	<b>577</b>	<b>606</b>	<b>479</b>	<b>525</b>	<b>355</b>
<b>Current Economic Situation Index</b>	313	289	300	290	<b>282</b>
<b>Future Economic Expectations Index</b>	185	162	78	122	<b>49</b>
<b>Business/Firm Performance Index</b>	100	183	114	126	<b>54</b>
<b>Employment Outlook Index</b>	-21	-28	-13	-13	<b>-30</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.



### Increasing Uncertainty and Diminished Outlook for the U.S. Economy

Perceptions of the overall U.S. economy fell significantly. The percent who said business conditions in the U.S. are “good” declined to 62 from 82 in October. Further, the percent who expect the U.S. economy to improve in the next 12 months dropped to 17 from 35.

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. Uncertainty and instability dominate business leaders’ comments. Political uncertainty accompanying the new Congress, apprehension about potential tax increases and legislation reversing the policies that have led to such strong economic growth in the past two years, and fears of greater governmental regulation all contribute to unease among business leaders. The partial government shutdown also added to business leaders’ apprehension (see page 9).



## Subdued Optimism for Tennessee

Although optimism about the state's economy subsided somewhat, perceptions remain generally positive. Outlook for the state's economy is more positive than for the overall U.S. economy. The percent who said business conditions in Tennessee are "good" slipped to 81 from 90 in October. The percent who expect the Tennessee economy to be "better" in the next 12 months also declined to 31 from 41. However, only five percent expect the state's economy will be "worse" in the next 12 months.

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 expect stable growth in the state's economy.



## Unease Regarding Individual Businesses and Firms

The Business/Firm Performance Index also dropped to 54 from 126. This reflects diminished expectations for business/firm growth, investment, and profitability. On balance, however, the percent of business leaders with positive expectations for their business/firm still outnumbers those with negative expectations.

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, although they acknowledge challenges that can accompany uncertainty.



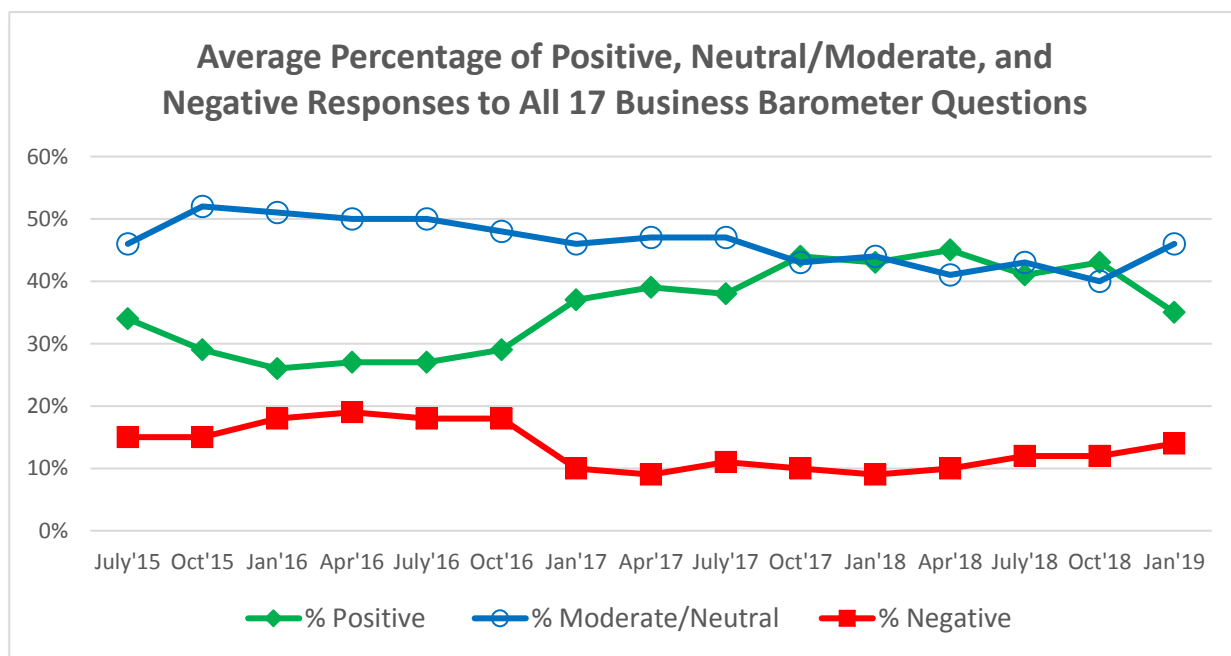
## Employment Remains a Stumbling Block for Tennessee Businesses

The employment index remains firmly stuck in the negative range. None of the respondents said qualified employees are “easy to find.” This compares to 55 percent who said qualified employees are “hard to find.” There was also a net reduction in the percent of employers who expect to increase employment in the next 12 months.

## The Final Word: Uncertainty

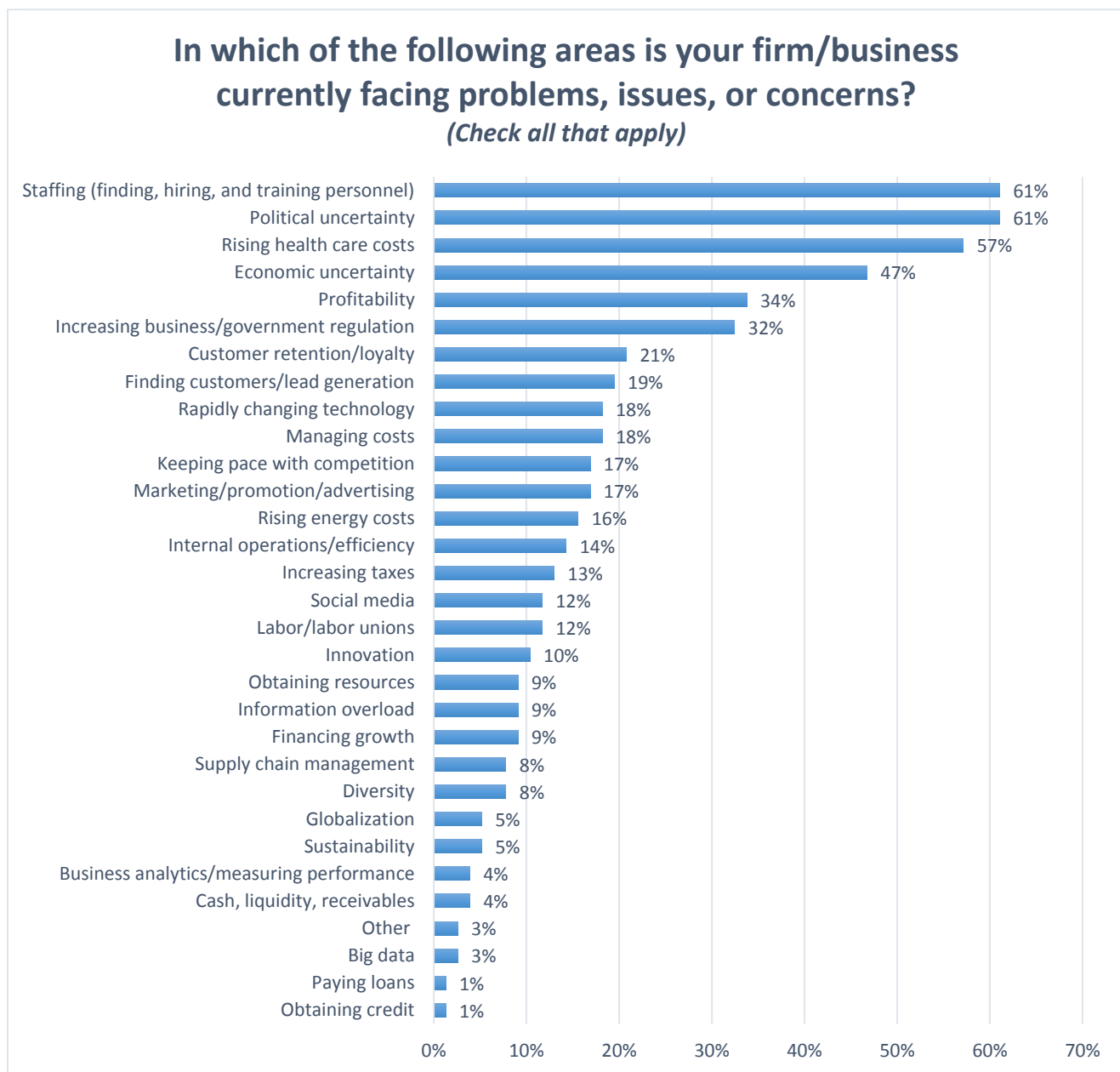
Difficulty finding qualified employees and rising healthcare costs remain high on the list of concerns for Tennessee business leaders (see page 5). However, an increasing number have become concerned about political uncertainty, economic uncertainty, and increasing regulation. Such concerns and uncertainty give rise to the decreasing expectations for the future.

Even though the overall index fell dramatically, the percent of business leaders with positive views of the economy still more than doubles the number who have negative views. 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.”

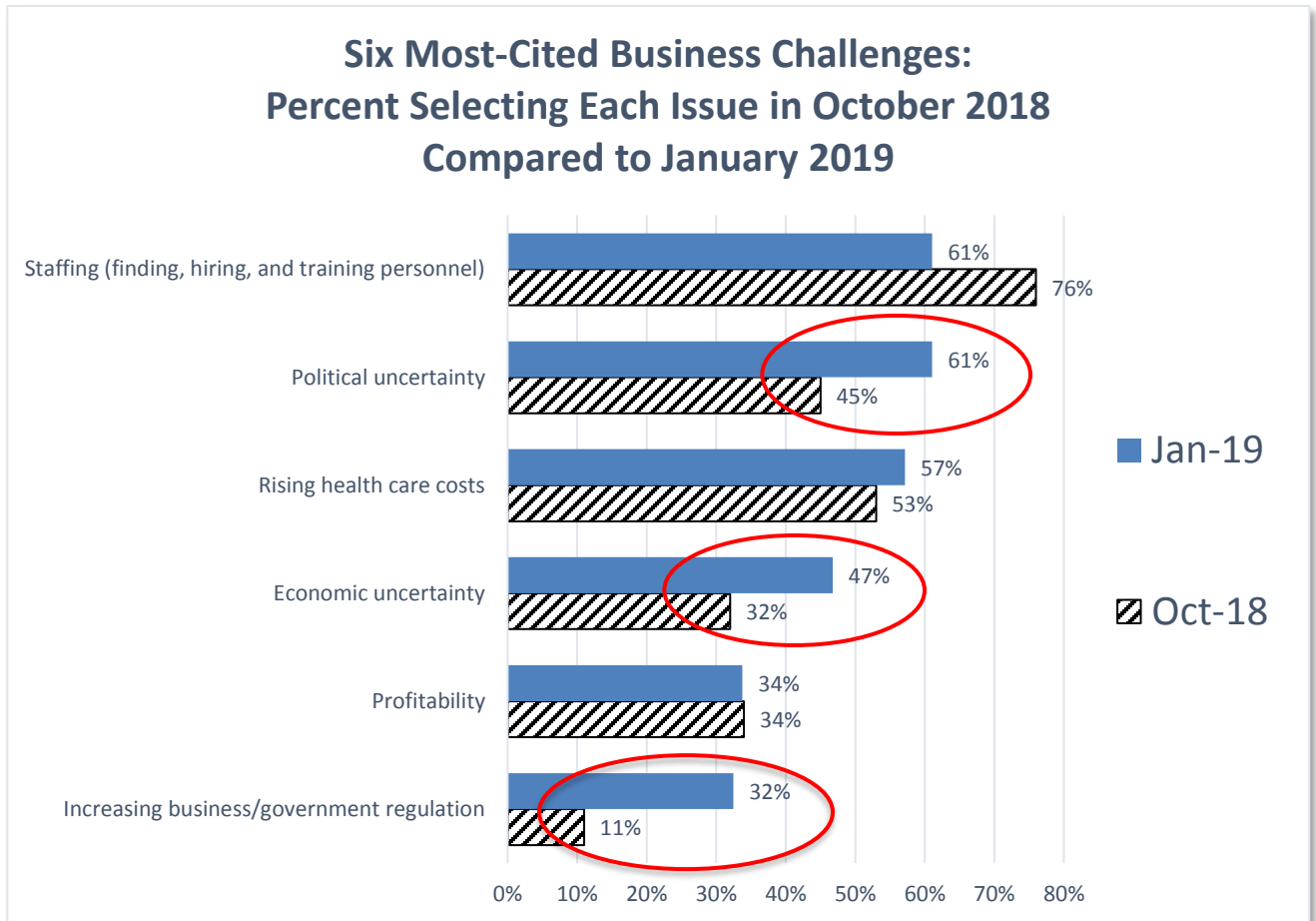


## Business Challenges

Respondents identified 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, political uncertainty, rising health care costs, and economic uncertainty dominate the concerns of Tennessee business leaders.



The chart below shows the six challenges cited by the largest percentage of business leaders in January 2019. This is compared to the percentage who cited these challenges in October 2018. Compared to last October, concerns related to political uncertainty, economic uncertainty, and increasing business/government regulation have risen dramatically.



Tennessee Business Barometer Results		April 2018 (%)	July 2018 (%)	Oct 2018 (%)	Jan 2019 (%)	Net Change from October*
Overall economic conditions in the U.S. are: <sup>C</sup>	Good	58	70	82	62	<b>-21</b>
	In between	40	29	18	36	
	Bad	2	1	0	1	
Twelve months from now overall economic conditions in the U.S. will be: <sup>F</sup>	Better	36	30	35	17	<b>-31</b>
	About same	58	42	50	57	
	Worse	6	25	12	25	
Economic conditions in Tennessee are: <sup>C</sup>	Good	70	80	90	81	<b>-8</b>
	In between	28	20	8	18	
	Bad	2	0	2	1	
Twelve months from now economic conditions in Tennessee will be: <sup>F</sup>	Better	47	39	41	31	<b>-10</b>
	About same	47	46	48	62	
	Worse	6	13	5	5	
Economic conditions in your industry are: <sup>C</sup>	Good	64	65	59	57	<b>+1</b>
	In between	32	31	33	36	
	Bad	4	3	7	4	
Twelve months from now economic conditions in your industry will be: <sup>F</sup>	Better	42	25	36	22	<b>-15</b>
	About same	49	61	49	60	
	Worse	8	13	13	14	
Regulatory conditions in your industry are: <sup>C</sup>	Good	28	33	28	39	<b>+7</b>
	In between	57	56	57	44	
	Bad	0	6	8	12	
Twelve months from now regulatory conditions will be: <sup>F</sup>	Better	9	13	16	9	<b>-8</b>
	About same	70	68	64	72	
	Worse	6	11	10	11	
Economic Conditions for your firm/business are: <sup>C</sup>	Good	83	66	59	64	<b>+13</b>
	In between	12	27	28	34	
	Bad	6	4	11	3	
Twelve months from now economic conditions for your firm/business will be: <sup>F</sup>	Better	58	40	44	37	<b>-9</b>
	About same	38	51	43	49	
	Worse	4	7	10	12	
Compared to last year will your firm grow: <sup>B/F</sup>	More	51	40	48	30	<b>-32</b>
	About same	34	45	39	42	
	Less	11	12	10	24	
Compared to last year will your firm invest: <sup>B/F</sup>	More	43	28	42	31	<b>-24</b>
	About same	42	51	45	45	
	Less	9	18	5	18	

Compared to last year will your firm's sales: <sup>B/F</sup>	Increase	63	62	53	<b>48</b>	<b>-4</b>
	Stay the same	25	28	27	<b>36</b>	
	Decrease	8	9	14	<b>13</b>	
Compared to last year will your firm's profitability: <sup>B/F</sup>	Increase	55	42	38	<b>29</b>	<b>-13</b>
	Stay the same	30	42	36	<b>49</b>	
	Decrease	11	15	16	<b>20</b>	
Compared to last year will your firm's inventories: <sup>B/F</sup>	Increase	19	13	10	<b>9</b>	<b>+1</b>
	Stay the same	43	40	43	<b>42</b>	
	Decrease	9	17	20	<b>18</b>	
In the next 12 months will employment at your firm/business: <sup>E</sup>	Increase	44	43	45	<b>34</b>	<b>-13</b>
	Stay the same	50	47	47	<b>56</b>	
	Decrease	6	9	7	<b>9</b>	
Qualified employees are: <sup>E</sup>	Easy to find	0	2	3	<b>0</b>	<b>-4</b>
	Found with effort	34	47	41	<b>40</b>	
	Hard to find	66	49	54	<b>55</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

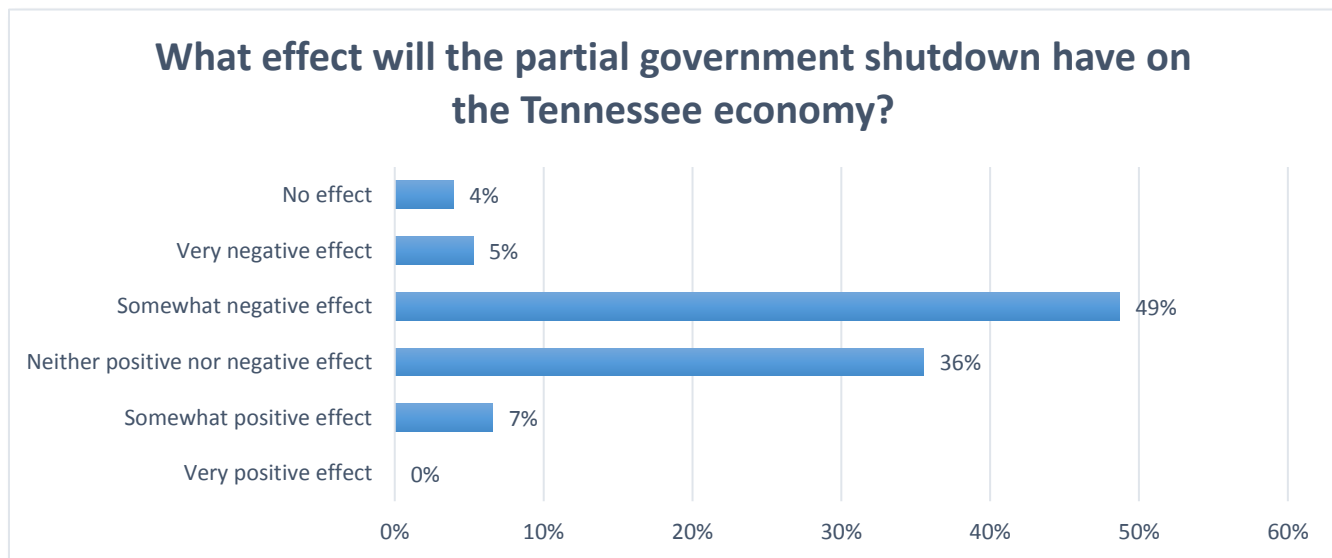
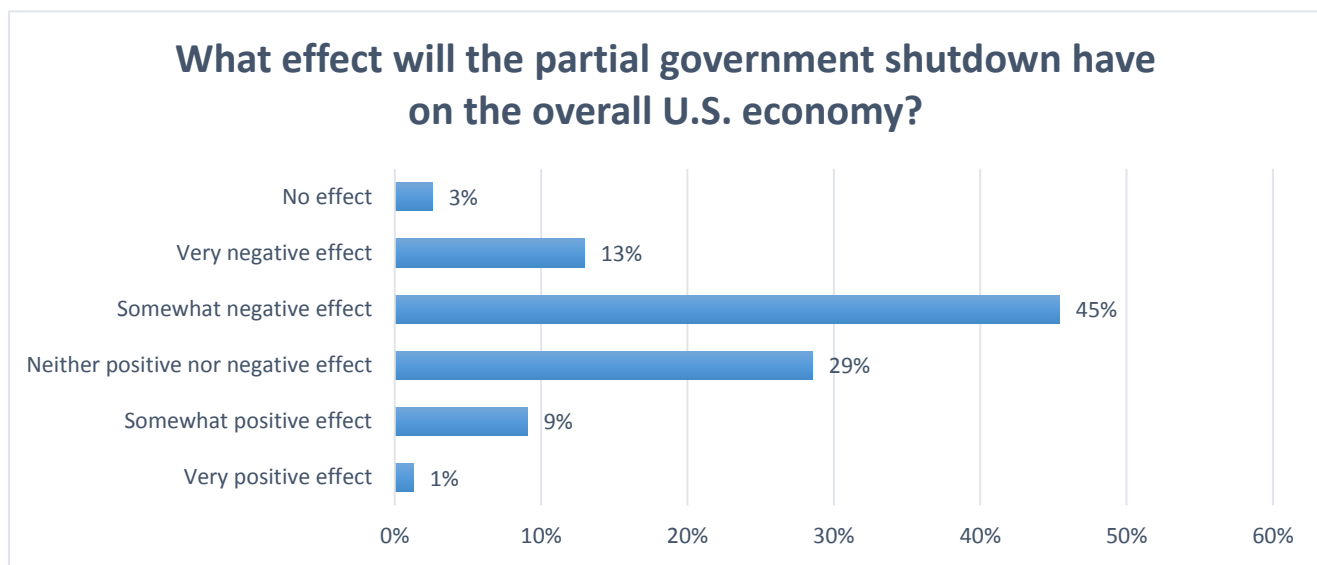
<sup>E</sup> Included in the Employment Outlook Index

\* 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.

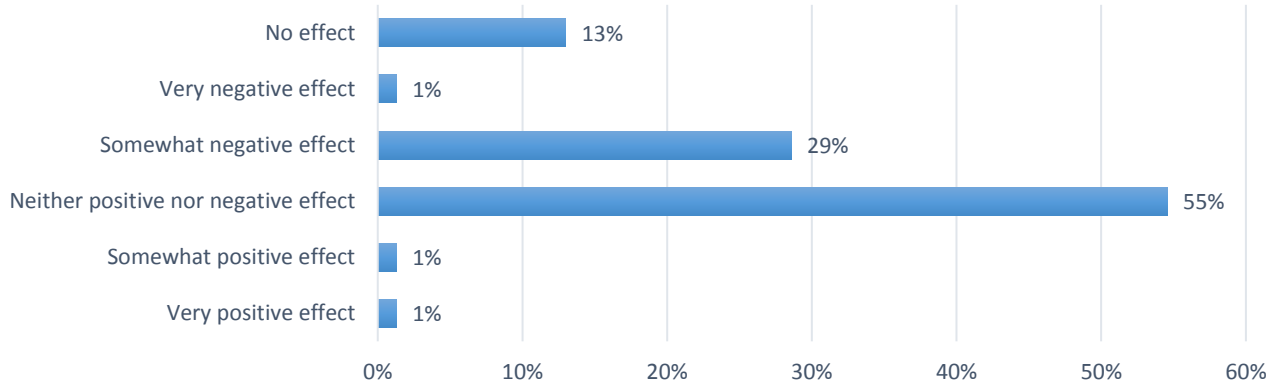


## The Partial Government Shutdown and the Economy

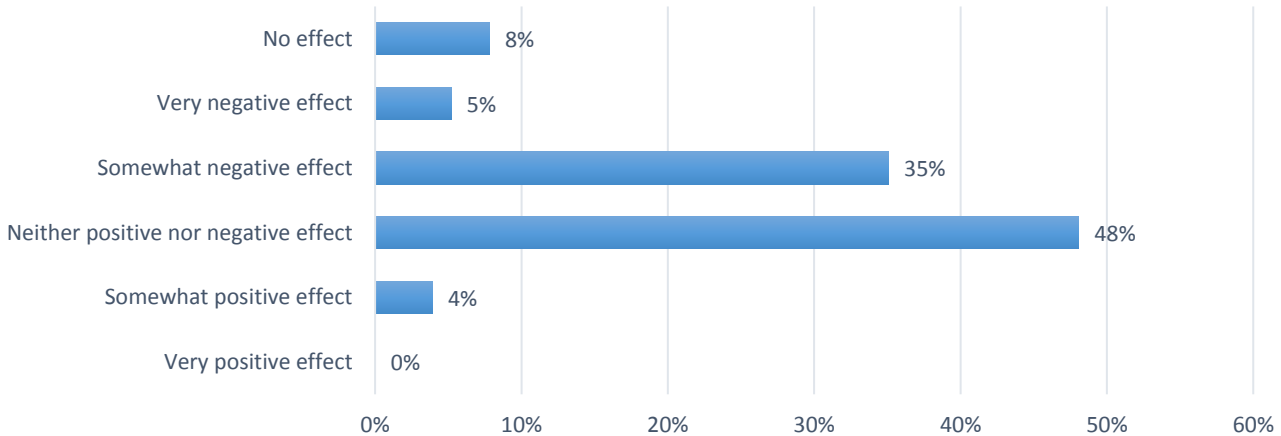
Respondents gave their opinions regarding the partial government shutdown. As expected, more respondents believe the shutdown will have a negative versus positive effect on the economy. However, even though more than half expect it to have a negative effect on the overall U.S. economy (58%) and the Tennessee economy (54%), fewer than one in three (30%) expect it to have a negative effect on their firm/business. Even with a tentative resolution, concerns about another shutdown occurring on February 15 add to business leaders' apprehension when it comes to predicting the future.



### What effect will the partial government shutdown have on your firm/business?



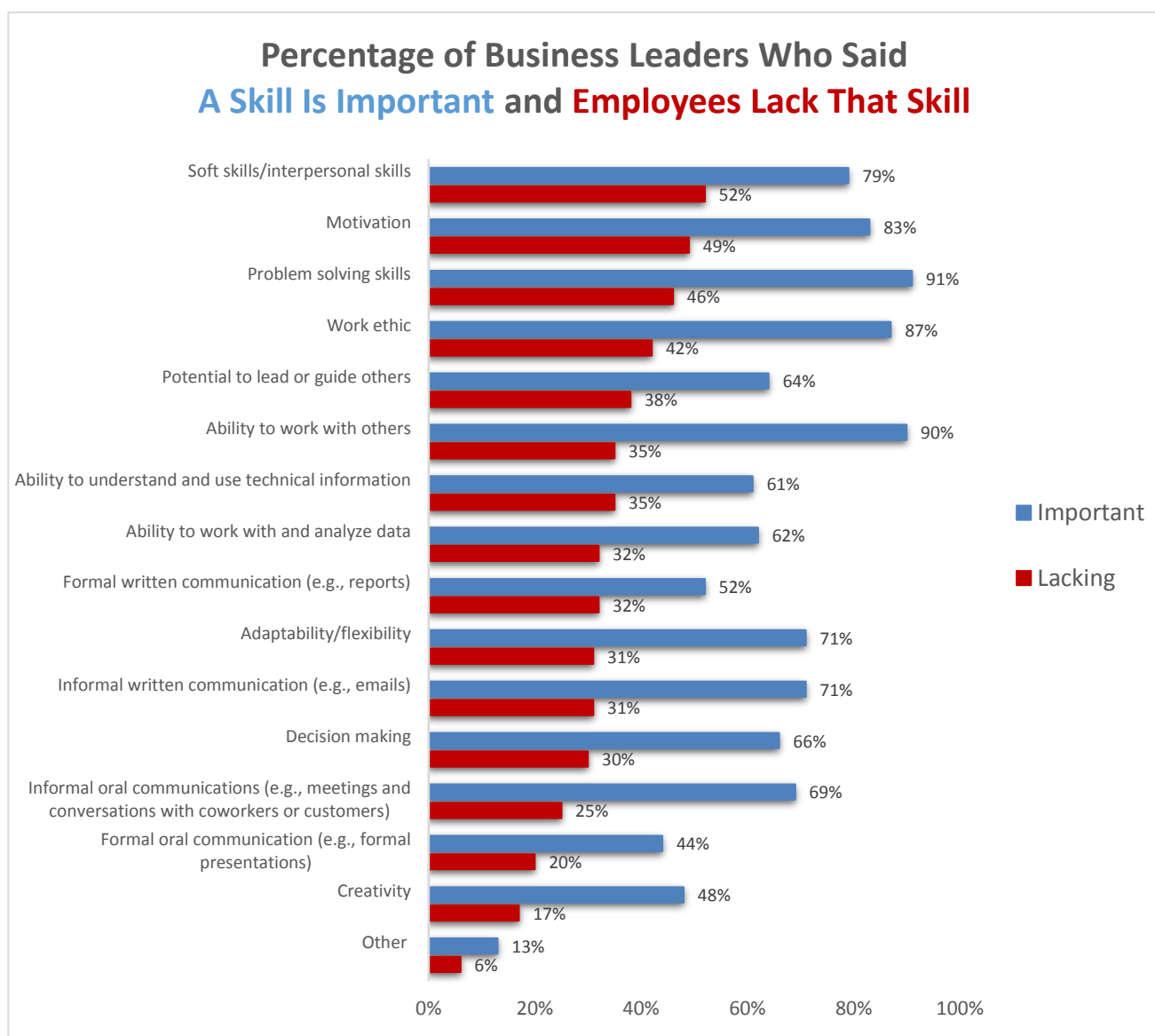
### What effect will the partial government shutdown have on your firm's/business's customers?



## Employee Skills

Respondents indicated the skills employees (at either their firm/business or in general) need to be successful. They also indicated which of these skills are most lacking in employees (i.e., are skills for which employees need further training or development).

As the chart below indicates, many of the skills employers say are important are also those that many of today’s employees are lacking. This is especially true for soft skills, such as interpersonal skills, motivation, work ethic, and the ability to work with others. The ability to solve problems is also a highly valued skill that is lacking in today’s employees. This gap between what employers need and what employees lack can lead to significant frustrations in terms of staffing and growing a 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](http://www.mtsu.edu/consumer)).

The results reported here are based on an online survey of 77 business leaders throughout the state of Tennessee. The survey was conducted between January 14 and January 25. With a sample of 77 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  $\pm 11\%$ . 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?