



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' Optimism Skyrockets Following Donald Trump's Election

The Tennessee Business Barometer Index skyrocketed to a new high, increasing to 470 from 177 in October of last year. The largest gain was seen in the outlook for the future of the economy. This follows Donald Trump's election in the presidential election and signals newfound optimism among business leaders. The vast majority (73 percent) of Tennessee business leaders expect Donald Trump's election to have a positive effect on the American economy resulting from reduced taxes and decreased regulation. Such upturns in optimism can lead to increased investments and hiring, which can have subsequent positive effects leading to growth in the overall economy.

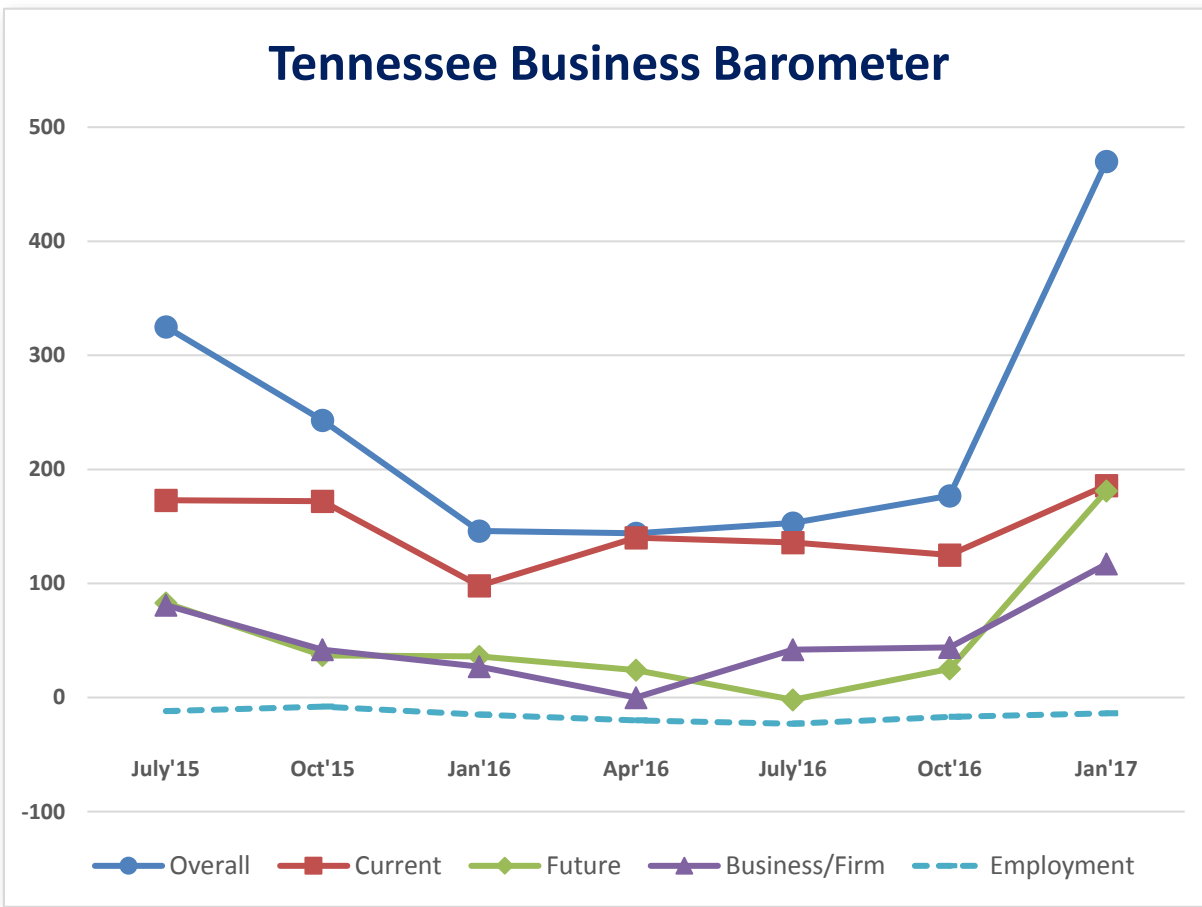
Tennessee Business Barometer Index and Sub-Indices

	January 2016	April 2016	July 2016	Oct 2016	January 2017 ¹
Overall Business Barometer	146	144	153	177	470
Current Economic Situation Index	98	140	136	125	186
Future Economic Expectations Index	36	24	-2	25	181
Business/Firm Performance Index	27	0	42	44	117
Employment Outlook Index	-15	-20	-23	-17	-14

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.

The current online survey of 66 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between January 17 and January 27. Respondents included business owners, vice presidents, senior managers, and managers at firms of various sizes. The next Tennessee Business Barometer survey is planned for April 2017.

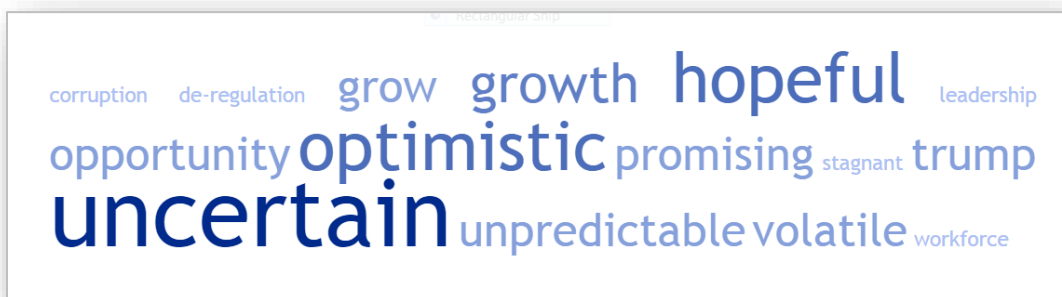


Current Economy. Tennessee business leaders are feeling better about the current economy. The Current Situation Index gained to 186 from 125. This increase was driven mostly by the net increase in business leaders' perceptions of the current national economy as well as their perceptions of the current regulatory environment for their businesses. As views of the current economy improve, decreasing concerns about economic difficulties caused by increased regulation can help to spur on future economic and business growth.

Future Economy. Tennessee business leaders have also become increasingly more hopeful about the future of the economy. The Future Expectations Index rose significantly to 181 from

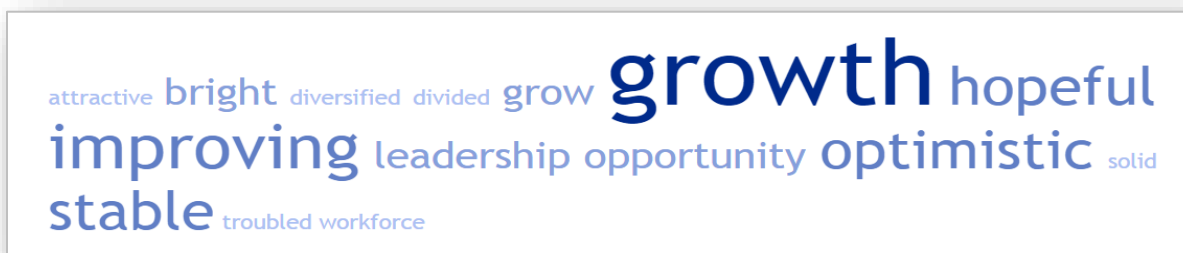
25 in October. More than half (53 percent) said business conditions in the U.S. will be “better 12 months from now,” whereas only 15 percent expect business conditions will be “worse 12 months from now.” Further, expectations regarding future business regulations have completely flipped from last October. The percent who said regulatory conditions will be “better 12 months from now” rose significantly to 32 from 4. Additionally, the percent who said regulatory conditions will be “worse 12 months from now” fell to 8 from 33. This is significant given that the regulatory environment is consistently ranked as one of the top five challenges facing business leaders.

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. Although many business leaders remain uncertain about the future of the American economy, optimism and a hopeful outlook are growing among Tennessee business leaders.



Tennessee Economy. There was also a substantial 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 44 from 27 in October. 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 noticeably more positive 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 to 117 from 44 in October. This was the result of net improvements in all five areas of business performance measured. In general, Tennessee business leaders are increasingly optimistic in terms of their firm’s growth, investments for the future, sales, profitability, and inventories. Increased expectations for growth, sales, profitability, and inventories can signal growing consumer demand and can also result from freed-up capacity and resources brought about by reducing business regulations.

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.

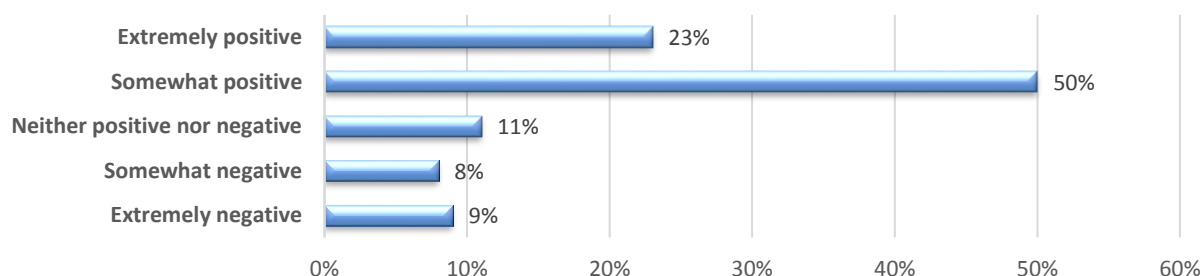


Employment. The Employment Outlook Index remained in the negative range but gained slightly to -14 from -17. The fact that this index is still in the negative range means that respondents with negative responses continue to outnumber those with positive responses. The percent who said they expect employment at their firm to “increase in the next 12 months” slipped to 35 from 38. Finding qualified employees remains a problem in the eyes of Tennessee business leaders. Even though there was a net increase in the percent who said it was easy to find qualified employees, still only six percent said qualified employees are “easy to find.” This compares unfavorably with the 47 percent who said qualified employees are “hard to find.”

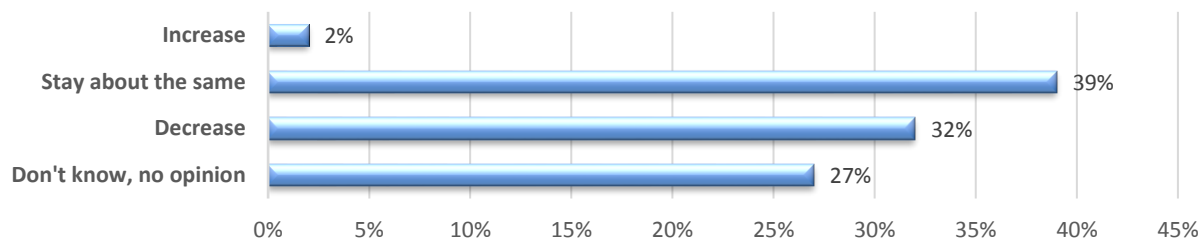
Donald Trump's Election and Economic Attitudes

Respondents were also asked a series of questions relating to Donald Trump's victory in the presidential election. It is clear that Tennessee business leaders hold high hopes for the new administration in terms of economic growth. The vast majority (73 percent) of Tennessee business leaders expect Donald Trump's election to have a positive effect on the American economy. They also expect that under the new administration taxes and business regulations will decrease. Further, business leaders are more likely to say consumer confidence as well as their own confidence in the economy and their firm will improve under the new administration.

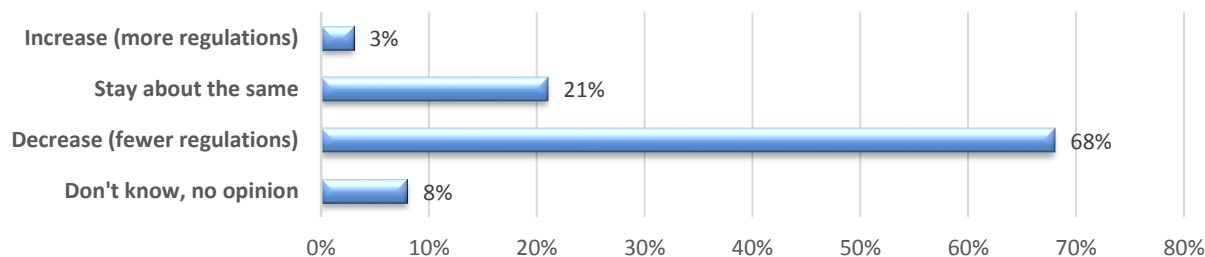
What effect will Donald Trump's victory in the presidential election have on the future of the overall American Economy?



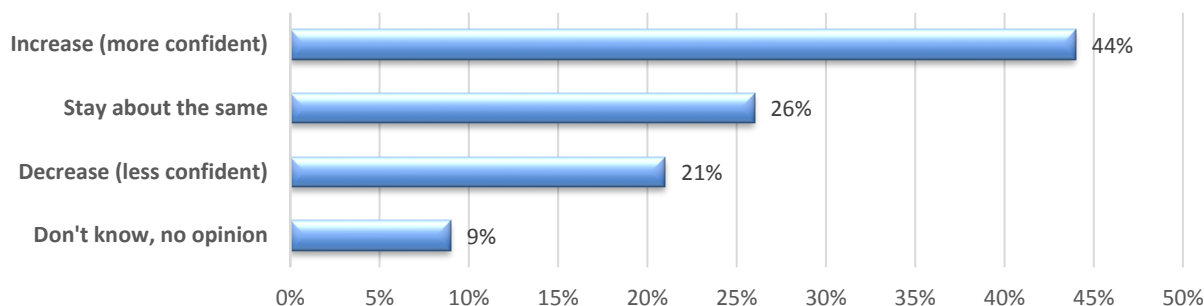
What effect will Donald Trump's victory in the presidential election have on the amount of taxes that your firm/business must pay?



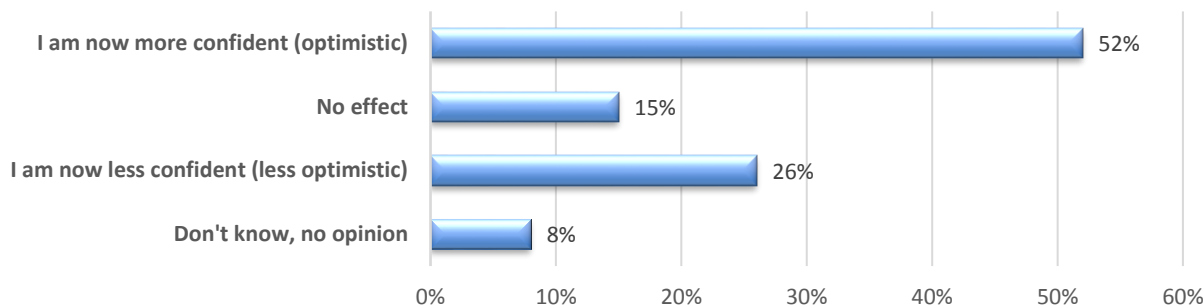
What effect will Donald Trump's victory in the presidential election have on business regulations?



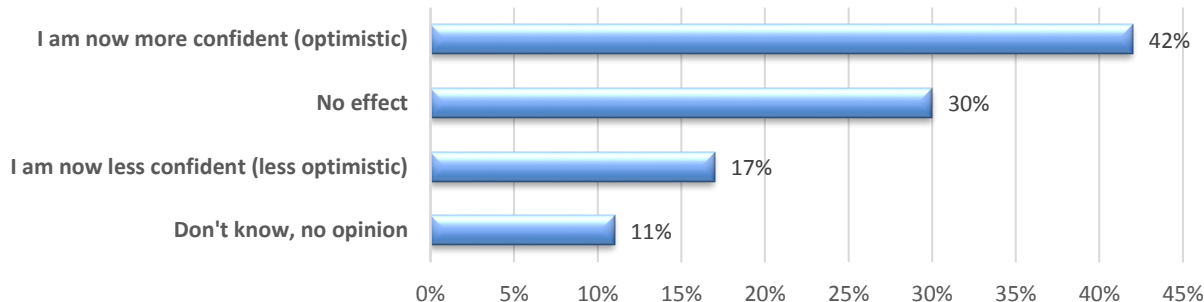
What effect will Donald Trump's victory in the presidential election have on consumer confidence?



What effect has Donald Trump's victory in the presidential election had on your perceptions of the future of the overall American economy?

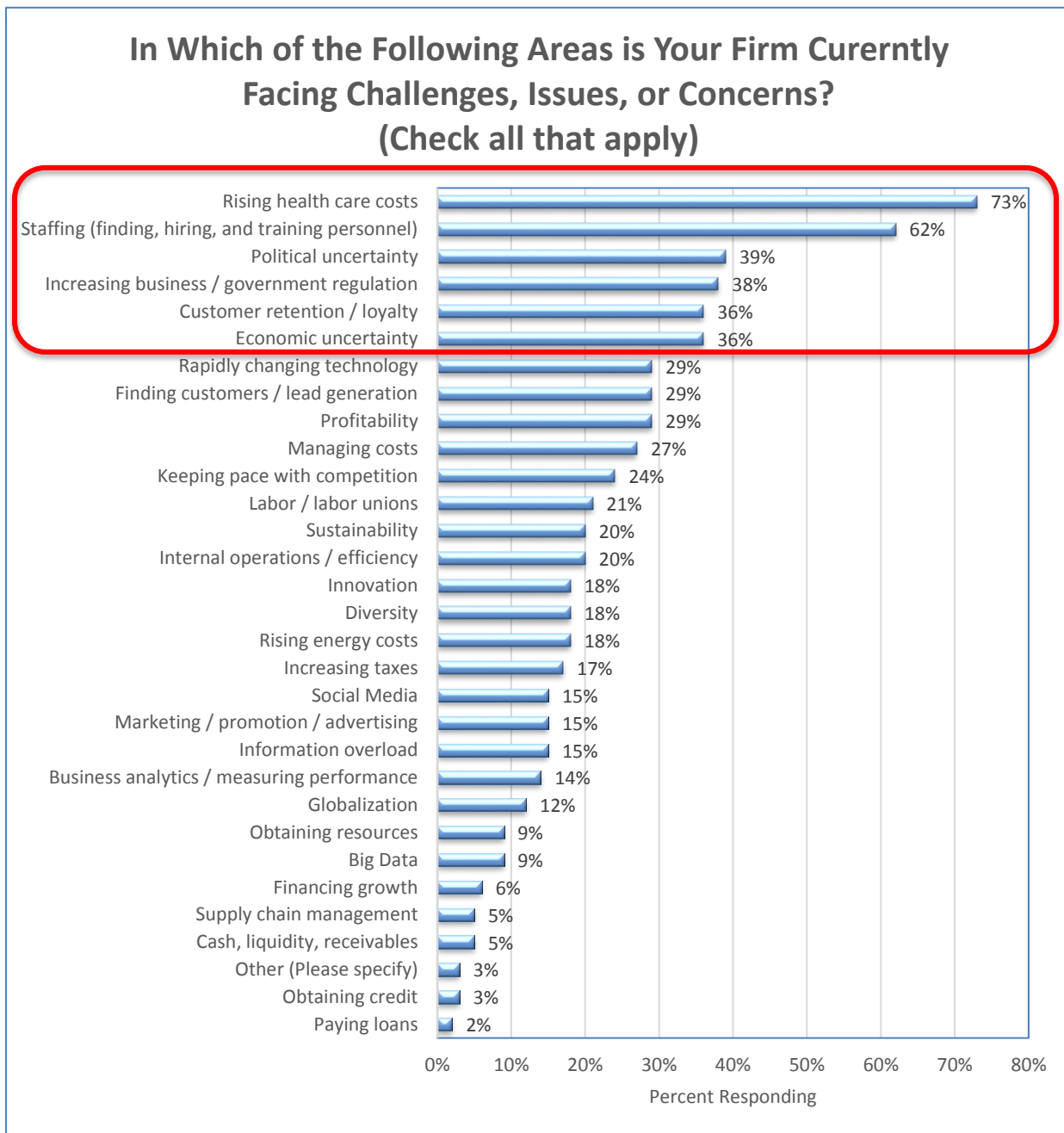


What effect has Donald Trump's victory in the presidential election had on your perceptions of the future for your firm/business?



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 most-often-selected areas remain relatively unchanged from October. It is clear that concerns about rising healthcare costs, difficulties with finding qualified employees, political and economic uncertainty, the regulatory environment, and problems with finding and retaining loyal customers remain foremost on the minds of 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.

Rank	Challenge / Issue / Concern	Total Summated Rank	Times Ranked First	Change in Rank from October
1	Staffing (finding, hiring, and training personnel)	136	12	+1
2	Rising health care costs	116	6	-1
3	Political uncertainty	78	10	No Change
4	Economic uncertainty	74	9	+1
5	Increasing business / governmental regulation	67	4	-1
6	Profitability	63	4	+1
7	Finding customers / lead generation	56	6	+5
8	Customer retention / loyalty	39	3	No Change
9	Rising energy costs	33	3	No Change
10	Internal operations / efficiency	33	1	No Change
11	Managing costs	31	0	-5
12	Keeping pace with competition	26	0	+3
13	Labor / labor unions	20	1	-2
14	Rapidly changing technology	19	0	+4
15	Marketing / promotion / advertising	17	0	+1
16	Innovation	16	0	+7
17	Globalization	14	0	-4
18	Increasing taxes	13	1	-4
19	Information overload	13	1	+6
20	Financing growth	12	0	-3
21	Cash, liquidity, receivables	12	2	No Change
22	Diversity	10	0	+5
23	Sustainability	9	1	-4
24	Business analytics / measuring performance	7	0	-4
25	Obtaining resources	7	0	+4
26	Big Data	6	0	+2
27	Obtaining credit	5	0	-3
28	Paying loans	2	0	+2
29	Social media	1	0	-3
30	Supply chain management	0	0	-8

Tennessee Business Barometer		Apr. 2016 (%)	July 2016 (%)	Oct 2016 (%)	Jan. 2017 (%)	Net Change from Oct*
Overall economic conditions in the U.S. are: ^C	Good	22	18	27	29	14
	In between	67	67	59	70	
	Bad	11	16	14	2	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	12	16	13	53	48
	About same	64	51	49	26	
	Worse	17	26	23	15	
Economic conditions in Tennessee are: ^C	Good	61	54	62	65	4
	In between	37	44	34	30	
	Bad	2	2	4	3	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	25	16	27	44	16
	About same	65	68	64	52	
	Worse	6	12	4	5	
Economic conditions in your industry are: ^C	Good	43	49	49	48	8
	In between	39	40	38	44	
	Bad	18	9	12	3	
Twelve months from now economic conditions in your industry will be: ^F	Better	25	19	21	39	18
	About same	63	70	67	50	
	Worse	12	9	6	6	
Regulatory conditions in your industry are: ^C	Good	29	27	15	23	32
	In between	43	46	43	52	
	Bad	25	27	42	18	
Twelve months from now regulatory conditions will be: ^F	Better	6	0	4	32	53
	About same	63	72	58	53	
	Worse	28	25	33	8	
Economic Conditions for your firm/business are: ^C	Good	54	53	52	47	3
	In between	33	37	40	50	
	Bad	13	11	8	0	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	29	30	30	52	21
	About same	59	60	60	42	
	Worse	10	11	4	5	
Compared to last year will your firm grow: ^{B/F}	More	26	27	29	32	12
	About same	39	39	45	47	
	Less	34	30	23	14	
Compared to last year will your firm invest: ^{B/F}	More	22	26	32	35	18
	About same	46	46	44	48	
	Less	27	18	21	6	

Compared to last year will your firm's sales: ^{B/F}	Increase	43	46	47	51	13
	Stay the same	34	34	33	28	
	Decrease	19	14	15	6	
Compared to last year will your firm's profitability: ^{B/F}	Increase	27	30	32	39	21
	Stay the same	49	40	35	38	
	Decrease	20	25	26	12	
Compared to last year will your firm's inventories: ^{B/F}	Increase	2	14	7	6	9
	Stay the same	47	47	47	50	
	Decrease	20	14	18	8	
In the next 12 months will employment at your firm/business: ^E	Increase	35	42	38	35	-3
	Stay the same	52	47	53	56	
	Decrease	13	9	8	8	
Qualified employees are: ^E	Easy to find	4	0	5	6	6
	Found with effort	48	42	42	44	
	Hard to find	46	56	52	47	

^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.

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 66 business leaders throughout the state of Tennessee. The survey was conducted between January 17 and January 27. With a sample of 66 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?