



Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce and Industry

Office of Consumer Research
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As Perceptions of the Future Economy Worsen, Tennessee Business Leaders Feel More Optimistic about Their Own Business's Future Performance

The Tennessee Business Barometer Index continued its improvement, gaining to 153 from 144 in April. This was due to business leaders' increasing optimism regarding their individual firm or business even though they have become more pessimistic about the future of the economy. Optimism regarding individual firms and businesses can lead to increased investments and hiring, which can have subsequent positive effects leading to growth in the overall economy.

The Tennessee Business Barometer Index and Sub-Indices

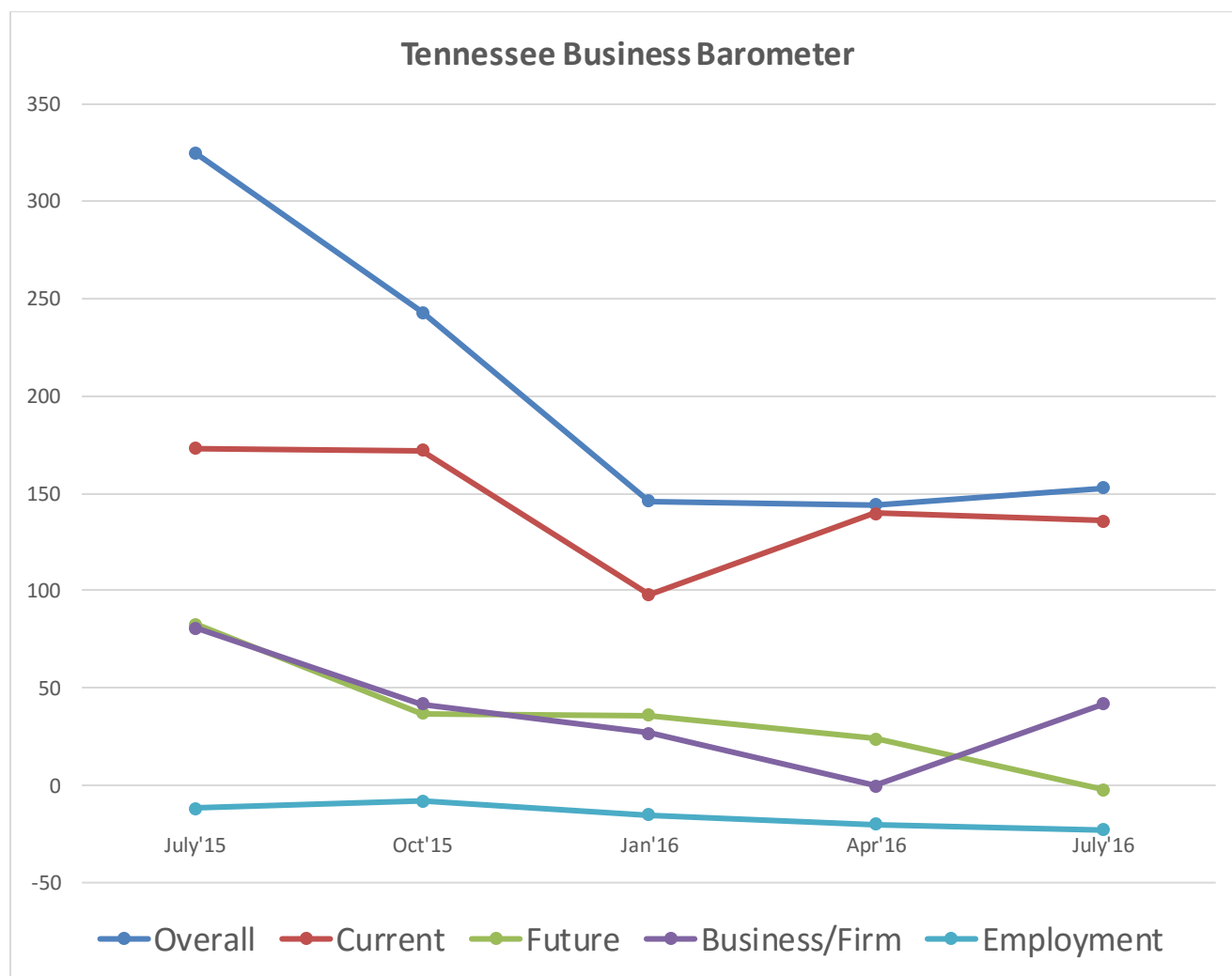
	July 2015	October 2015	January 2016	April 2016 ¹	July 2016
Overall Business Barometer	325	243	146	144	153
Current Economic Situation Index	173	172	98	140	136
Future Economic Expectations Index	83	37	36	24	-2
Business/Firm Performance Index	81	42	27	0	42
Employment Outlook Index	-12	-8	-15	-20	-23

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.

Perceptions of the current economy have leveled off. The Current Situation Index dipped slightly to 136 from 140. Also, Tennessee Business Leaders have become increasingly concerned about the future of the economy, with the Future Expectations Index dropping significantly to -2 from 24. On a positive note, business leaders are much more upbeat about the expectations for their individual firm or business. The Business/Firm Performance Index rose dramatically to 42 from 0 in April. The Employment Outlook Index remained relatively stable, dipping slightly to -23 from -20.

The current online survey of 59 business leaders from across Tennessee was conducted between July 6 and July 18. Respondents include business owners, vice presidents, senior managers, and managers at firms of various sizes. The next Tennessee Business Barometer survey is planned for October 2016.



Overall U.S. Economy

Tennessee Business leaders have become more pessimistic about the overall U.S. economy. The percent who said economic conditions in the U.S. are “good” dropped to 18 from 22, while the percent who said conditions are “bad” gained to 16 from 11. The percent who said overall economic conditions in the U.S. will be “better” 12 months from now rose to 16 from 12. However, this was more than offset by an increase in the percent who said conditions will be “worse,” up to 26 from 17.

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. The abundance of negative words (e.g., uncertainty, cautious, challenged) suggests Tennessee business leaders are still not convinced that the current economy is on a firm, positive footing.



Tennessee Economy

Comparatively, business leaders are more upbeat about the Tennessee economy than they are about the overall national economy. However, perceptions regarding the Tennessee economy also weakened. The percent who said economic conditions in Tennessee are “good” dropped to 54 from 61.

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 noticeably more positive tone to the words business leaders use to describe the Tennessee economy compared to the national economy.



Firm Performance

Tennessee business leaders are much more optimistic about the specific industry in which they operate and the performance of their individual firm or business. The percent who said economic conditions for their industry are “good” rose to 49 from 43, while the percent who said they are “bad” fell to 9 from 18. Also, the majority of business leaders still say economic conditions for their firm or business are “good.” Specifically, there was a net increase in the percent of Tennessee business leaders who expect improvements (increases) in their firm’s overall growth, investments for the future, sales, and inventories.

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 finding that “challenging” was the most often mentioned word highlights the underlying concerns business leaders have about the overall economic environment in which they operate.



Employment

The Employment Outlook Index continued its decline, dipping to -23 from -20. A negative score for an index indicates that business leaders who hold negative views outnumber those who hold positive views. On a positive note, there was a net increase in the percent who expect to increase employment in the next 12 months. However, the ability to find qualified employees is still a major concern. The percent who said qualified employees are “easy to find” dropped to zero from 4, whereas the percent who said they are “hard to find” rose to 56 from 46. 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.

Tennessee Business Barometer		Oct. 2015 (%)	Jan. 2016 (%)	Apr. 2016 (%)	July 2016 (%)	Net Change*
Overall economic conditions in the U.S. are: ^C	Good	30	18	22	18	-9
	In between	63	70	67	67	
	Bad	7	11	11	16	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	19	19	12	16	-5
	About same	64	59	64	51	
	Worse	17	17	17	26	
Economic conditions in Tennessee are: ^C	Good	66	47	61	54	-7
	In between	34	46	37	44	
	Bad	0	6	2	2	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	25	29	25	16	-15
	About same	69	60	65	68	
	Worse	7	10	6	12	
Economic conditions in your industry are: ^C	Good	43	35	43	49	15
	In between	51	44	39	40	
	Bad	6	20	18	9	
Twelve months from now economic conditions in your industry will be: ^F	Better	21	23	25	19	-3
	About same	66	61	63	70	
	Worse	12	14	12	9	
Regulatory conditions in your industry are: ^C	Good	17	23	29	27	-4
	In between	59	47	43	46	
	Bad	18	22	25	27	
Twelve months from now regulatory conditions will be: ^F	Better	2	3	6	0	-3
	About same	69	68	63	72	
	Worse	23	23	28	25	
Economic Conditions for your firm / business are: ^C	Good	55	45	54	53	1
	In Between	37	43	33	37	
	Bad	8	11	13	11	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	36	33	29	30	N/C
	About same	55	60	59	60	
	Worse	7	7	10	11	
Compared to last year will your firm grow: ^{B/F}	More	22	30	26	27	5
	About same	46	41	39	39	
	Less	25	28	34	30	
Compared to last year will your firm invest: ^{B/F}	More	27	25	22	26	13
	About same	52	44	46	46	
	Less	14	23	27	18	

Compared to last year will your firm's sales: ^{B/F}	Increase	43	41	43	46	8
	Stay the same	33	36	34	34	
	Decrease	19	17	19	14	
Compared to last year will your firm's profitability: ^{B/F}	Increase	33	31	27	30	-2
	Stay the same	47	39	49	40	
	Decrease	17	23	20	25	
Compared to last year will your firm's inventories: ^{B/F}	Increase	8	8	2	14	18
	Stay the same	41	45	47	47	
	Decrease	16	17	20	14	
In the next 12 months will employment at your firm/business: ^E	Increase	40	32	35	42	11
	Stay the same	49	55	52	47	
	Decrease	11	12	13	9	
Qualified employees are: ^E	Easy to find	5	4	4	0	-14
	Found with effort	51	53	48	42	
	Hard to find	42	39	46	56	

^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

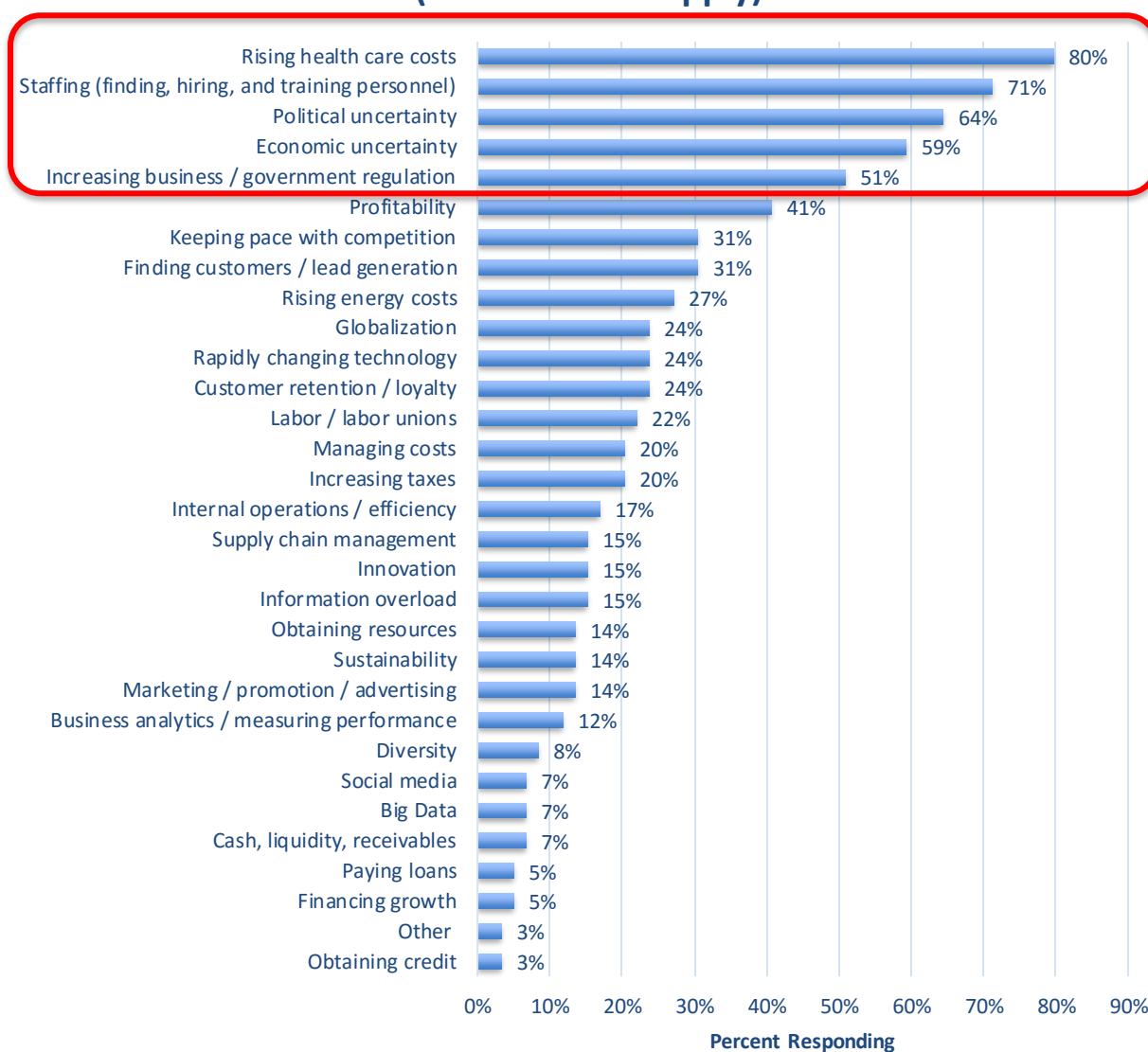
^E Included in the Employment Outlook Index

* 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 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 April. It is clear that concerns about rising healthcare costs, difficulties with finding qualified employees, political and economic uncertainty, 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, or Concerns? (Check all that apply)



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 April
1	Staffing (finding, hiring, and training personnel)	135	13	1
2	Rising health care costs	126	11	-1
3	Political uncertainty	107	9	1
4	Economic uncertainty	97	3	-1
5	Increasing business / governmental regulation	93	6	0
6	Profitability	59	5	0
7	Finding customers / lead generation	42	4	6
8	Managing costs	27	1	0
9	Increasing taxes	26	0	5
10	Rising energy costs	23	1	2
11	Customer retention / loyalty	21	1	-4
12	Labor / labor unions	17	0	3
13	Internal operations / efficiency	14	2	-4
14	Globalization	14	1	-3
15	Keeping pace with competition	13	0	-5
16	Marketing / promotion / advertising	12	0	9
17	Supply chain management	10	1	7
18	Financing growth	8	0	-1
19	Rapidly changing technology	8	0	-3
20	Obtaining credit	5	1	9
21	Cash, liquidity, receivables	5	0	-2
22	Diversity	4	0	4
23	Sustainability	4	0	-1
24	Social media	2	0	3
25	Innovation	2	0	-5
26	Paying loans	1	0	4
27	Business analytics / measuring performance	1	0	-9
28	Obtaining resources	1	0	-7
29	Information overload	0	0	-6
30	Big Data	0	0	-2

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 59 business leaders throughout the state of Tennessee. The survey was conducted between July 6 and July 18. With a sample of 59 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 $\pm 12.7\%$. 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?