



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

July 18, 2018

Concerns about the Future Economy Grow as Perceptions of the Current Economy Improve

The Tennessee Business Barometer fell sharply to 479 from a previous high of 606 in April. Almost all recent gains in the index have disappeared, as the index now stands at a level similar to this time last year.

Even though the Current Situation Index gained moderately to 300 from 289 in April, Tennessee business leaders have become increasingly concerned about the future of the economy. The Future Expectations Index dropped sharply to 78 from 162. Specifically, Tennessee business leaders are less optimistic about the growth and profitability of their individual businesses/firms. The Business/Firm Performance Index fell to 114 from 183. Although finding and retaining qualified employees remains a concern, the Employment Outlook Index rose modestly to -13 from -28.

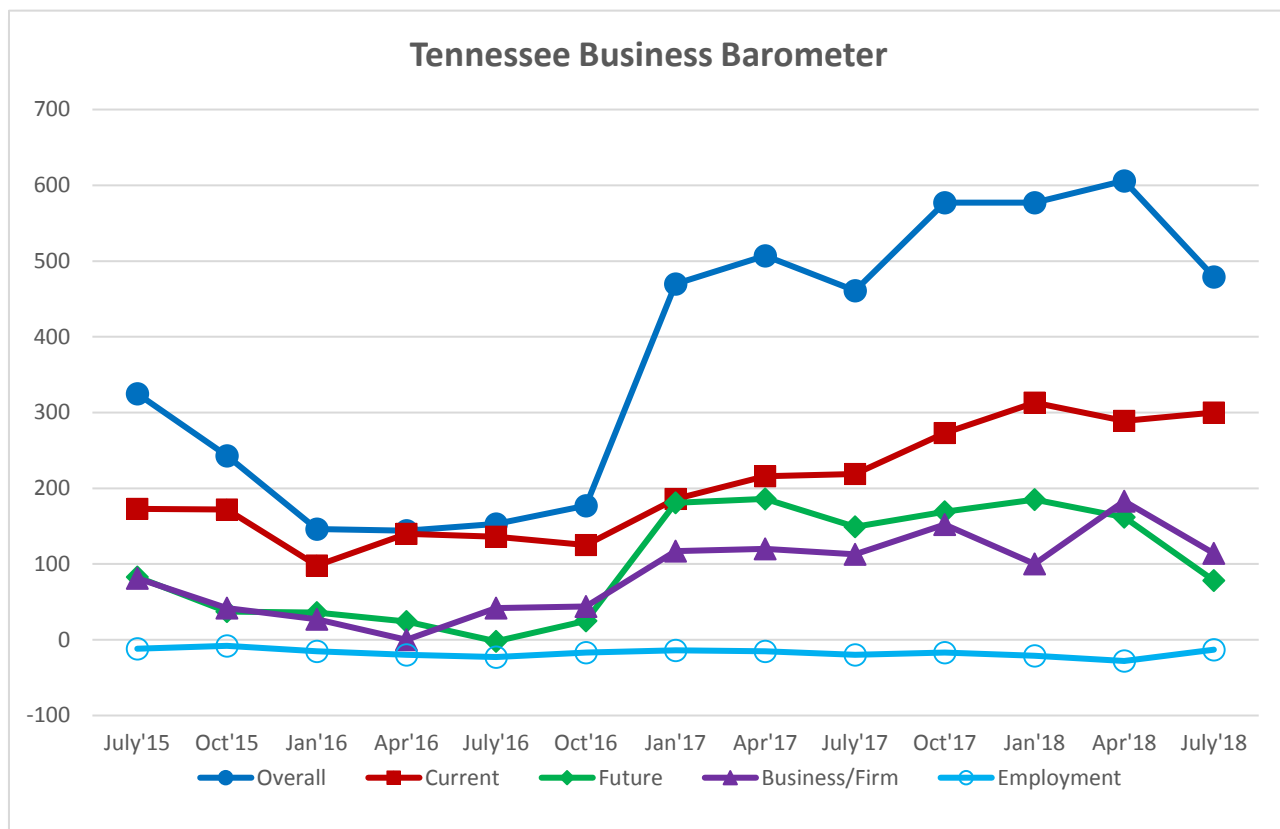
Tennessee Business Barometer Index and Sub-Indices

	July 2017	October 2017	January 2018	April 2018	July 2018 ¹
Overall Business Barometer	461	577	577	606	479
Current Economic Situation Index	219	273	313	289	300
Future Economic Expectations Index	149	169	185	162	78
Business/Firm Performance Index	113	152	100	183	114
Employment Outlook Index	-20	-17	-21	-28	-13

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 89 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between July 9 and July 16. The sample of respondents includes business owners (24%), vice presidents (11%), senior managers (28%), and managers/others (37%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for October 2018.



The Improved Economy

This decline in overall outlook is the result of two offsetting factors. On a positive note, Tennessee business leaders have steadily come to believe the overall economy has improved in the past two years. Although the Overall Outlook Index has dipped to nearly where it stood one year ago, it is still well above where it was two years ago prior to the presidential election.

The percent who said business conditions in the U.S. are “good” gained to 70 from 58 in April. Only one percent said business conditions are “bad.” Similarly, the percent who said business conditions in Tennessee are “good” rose to 80 from 70. No respondent said business conditions in Tennessee are “bad.”

The employment index also saw modest gains. The percent who expect to increase employment remained relatively steady. However, perceptions regarding the ability to find qualified employees improved slightly. Even though only two percent said qualified employees are “easy to find,” the percent who said they are “hard to find” dropped to 49 from 66.

Concerns for the Future

While Tennessee business leaders who are optimistic about the economy continue to outnumber those who are pessimistic, this general level of optimism has waned. Amid beliefs that the economy has improved, concerns are beginning to emerge that this pace of economic growth cannot be sustained.

The percent who said the U.S. economy will be “better 12 months from now” fell to 30 from 36. Further, the percent who expect the economy to be “worse 12 months from now” rose markedly to 25 from 6.

Similarly, the percent who said the Tennessee economy will be “better 12 months from now” declined to 39 from 47. Conversely, the percent who expect the Tennessee economy to be “worse 12 months from now” rose to 13 from 6.

Firm/Business Performance. In a similar trend, concerns are growing about the economic performance of individual firms. Noticeably, we see declines in the percent of business leaders who are optimistic about their individual firm/business’s growth, investments, and profitability in the next 12 months.

The Final Word

Even though the decline in the Tennessee Business Barometer appears significant, it is not a cause for alarm. Tennessee business leaders have increasingly come to believe the economy has improved. Although a growing number have concerns for the future of the economy, the outlook among business leaders remains solidly positive. Most have either positive (optimistic) or neutral views of the economy. Relatively few have negative views or believe the economy will get worse in the next 12 months.

Describing the U.S. Economy. 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. Expectations for further growth are tempered by uncertainty.

booming concern fragile growing
growth improving
 opportunity progressive promising questionable
 recession strong **uncertain**
 uncertainty volatile

Describing the Tennessee Economy. 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 economy in Tennessee?**” There is much less uncertainty when it comes to perceptions of the Tennessee economy.

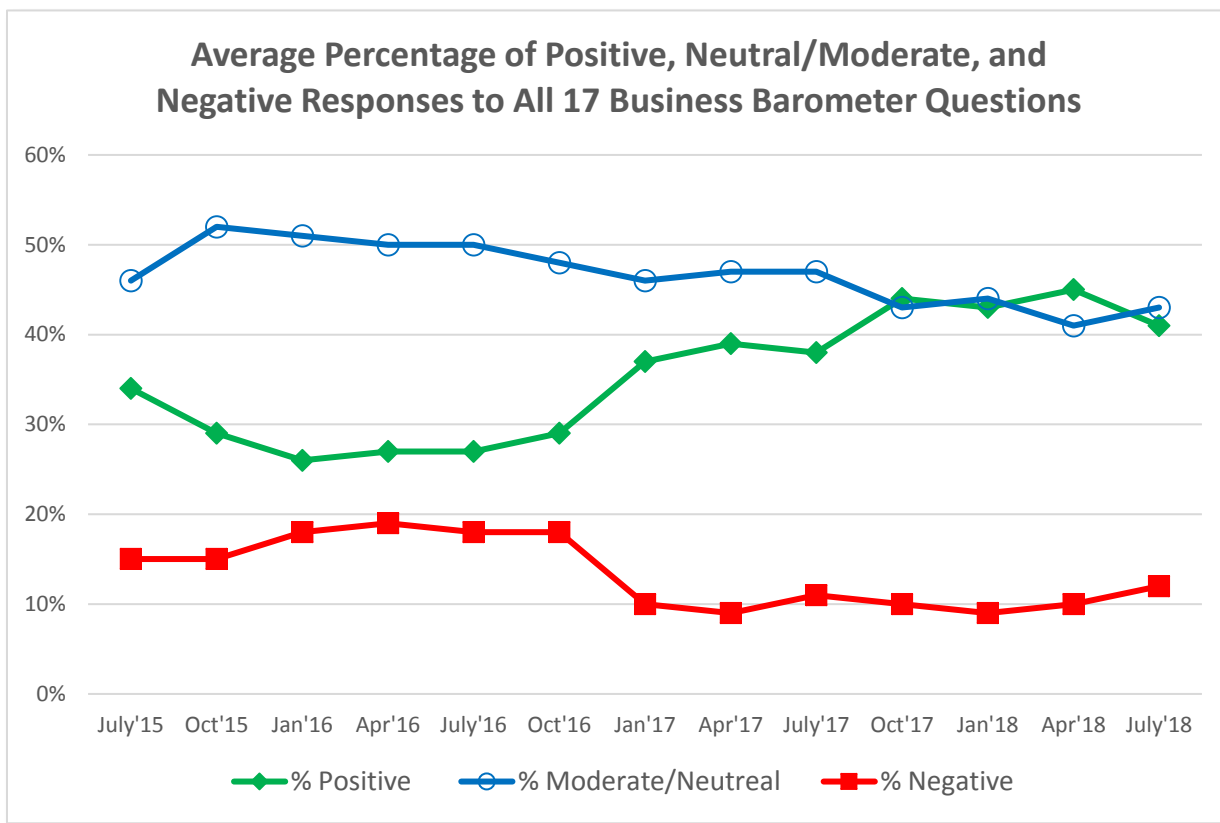
booming encouraging **growing growth**
 hopeful improving opportunity optimistic politics solid
stable strong tariffs uncertain uncertainty

Business and Firm Performance. 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 your firm/business?**” Challenges to growth and profitability are offset by opportunities for growth amid competition.

challenging competitive exciting
 growing **growth** hopeful innovative opportunity
optimistic positive promising stable success tariff uncertain

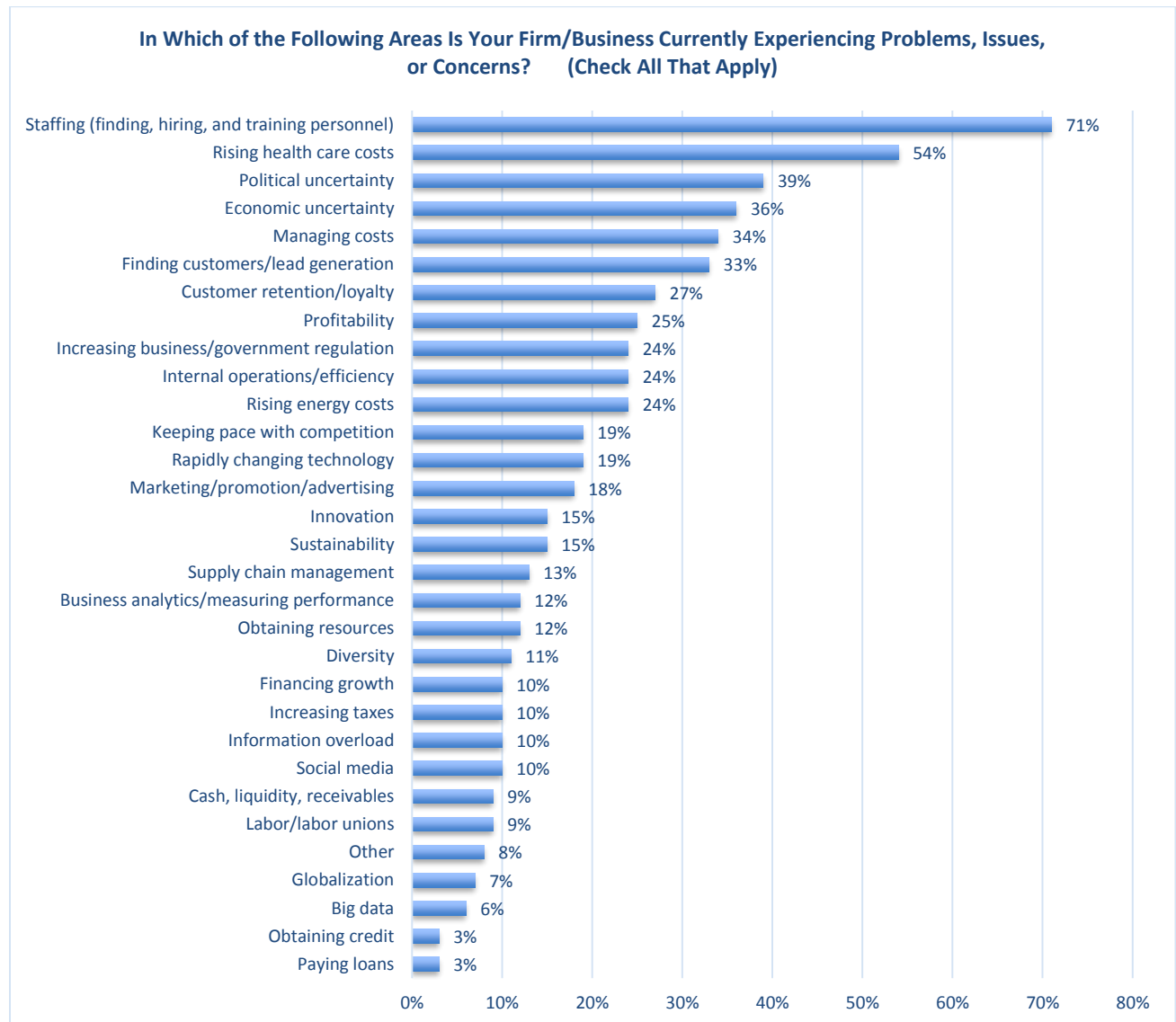
Average Attitude

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 the most often cited concerns for Tennessee business leaders.



“Other” challenges mentioned by respondents include:

- Bad policies—state and federal
- Increased transportation costs and unreliability of trucks
- Labor costs, staffing
- Tariffs, tariffs on solar panels
- Worsening international trade and tariffs

Tennessee Business Barometer Results		Oct 2017 (%)	Jan 2018 (%)	April 2018 (%)	July 2018 (%)	Net Change from April*
Overall economic conditions in the U.S. are: ^C	Good	66	83	58	70	+13
	In between	33	15	40	29	
	Bad	1	2	2	1	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	38	57	36	30	-25
	About same	54	39	58	42	
	Worse	5	4	6	25	
Economic conditions in Tennessee are: ^C	Good	83	78	70	80	+12
	In between	18	22	28	20	
	Bad	0	0	2	0	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	48	43	47	39	-15
	About same	51	52	47	46	
	Worse	0	4	6	13	
Economic conditions in your industry are: ^C	Good	57	57	64	65	+2
	In between	41	41	32	31	
	Bad	0	2	4	3	
Twelve months from now economic conditions in your industry will be: ^F	Better	34	48	42	25	-22
	About same	59	46	49	61	
	Worse	4	7	8	13	
Regulatory conditions in your industry are: ^C	Good	20	35	28	33	-1
	In between	56	61	57	56	
	Bad	19	2	0	6	
Twelve months from now regulatory conditions will be: ^F	Better	19	24	9	13	-1
	About same	68	72	70	68	
	Worse	6	2	6	11	
Economic Conditions for your firm/business are: ^C	Good	70	70	83	66	-15
	In between	28	26	12	27	
	Bad	3	4	6	4	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	51	37	58	40	-21
	About same	43	57	38	51	
	Worse	6	7	4	7	
Compared to last year will your firm grow: ^{B/F}	More	41	39	51	40	-12
	About same	41	39	34	45	
	Less	15	20	11	12	
Compared to last year will your firm invest: ^{B/F}	More	38	33	43	28	-24
	About same	51	50	42	51	
	Less	10	11	9	18	

Compared to last year will your firm's sales: ^{B/F}	Increase	65	52	63	62	-2
	Stay the same	19	30	25	28	
	Decrease	11	11	8	9	
Compared to last year will your firm's profitability: ^{B/F}	Increase	57	33	55	42	-17
	Stay the same	23	52	30	42	
	Decrease	15	9	11	15	
Compared to last year will your firm's inventories: ^{B/F}	Increase	11	11	19	13	-14
	Stay the same	52	46	43	40	
	Decrease	9	17	9	17	
In the next 12 months will employment at your firm/business: ^E	Increase	42	36	44	43	-4
	Stay the same	47	53	50	47	
	Decrease	10	9	6	9	
Qualified employees are: ^E	Easy to find	4	2	0	2	+19
	Found with effort	41	46	34	47	
	Hard to find	53	50	66	49	

^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

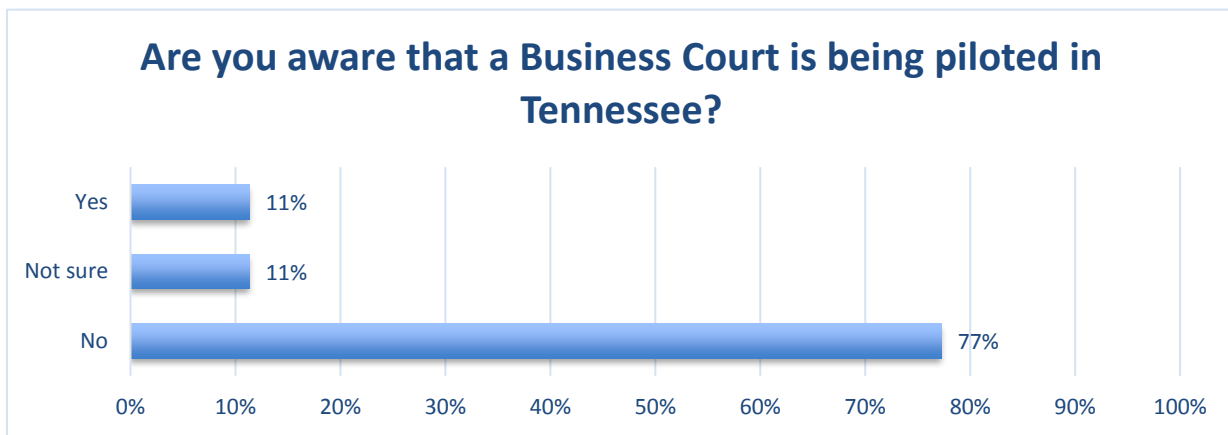
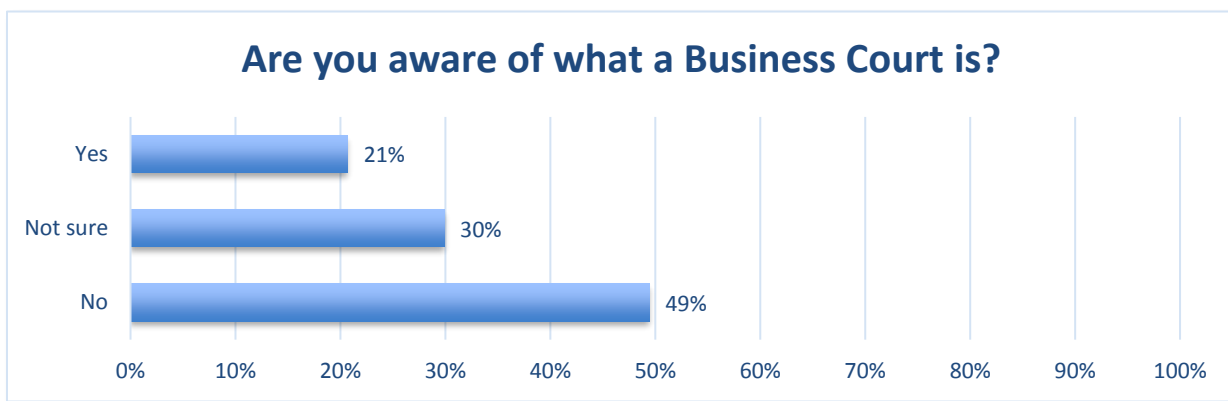
^E Included in the Employment Outlook Index

* 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.

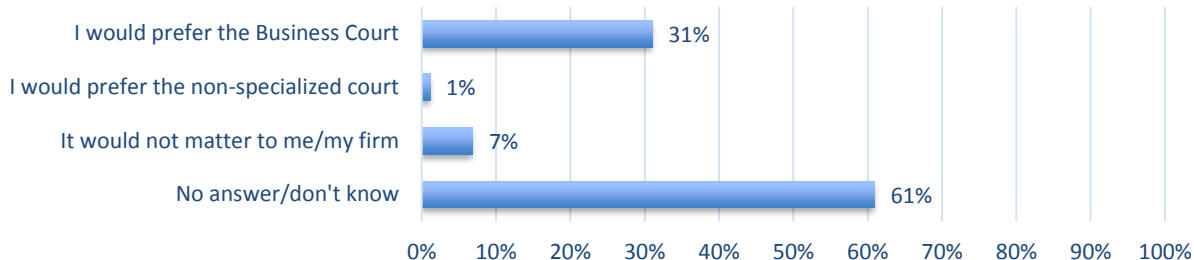
Business Courts

Respondents were also asked for their perceptions of business courts, which are designed to provide a structure for facilitating timely, effective, and predictable resolutions to cases involving business or commercial disputes. Such specialized courts are intended to improve efficiency for litigants.

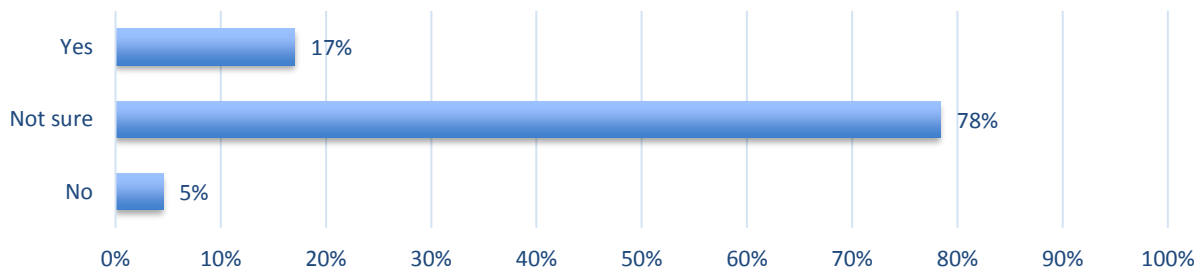
As the charts below indicate, relatively few business leaders are aware of business courts or that a business court is being piloted in Tennessee. While beliefs about the impact of business courts on economic development and business retention in Tennessee are mostly undecided, a greater number of business leaders would choose to have a case involving their business litigated before a business court versus a non-specialized court.



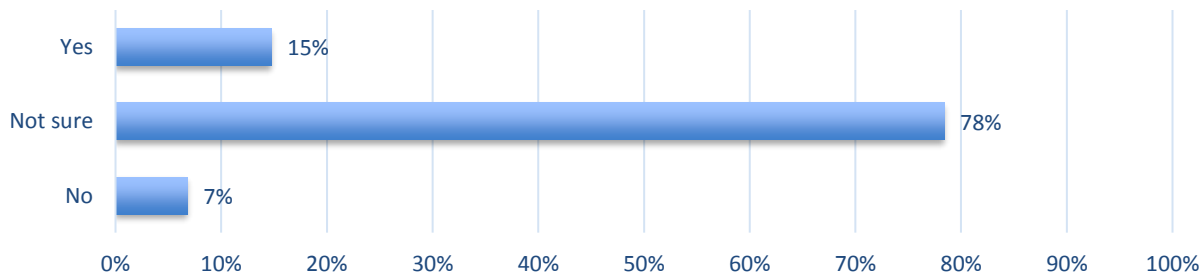
If your firm/business were involved in litigation, would you prefer to choose a Business Court over a non-specialized court, if that option were available?



Do you think the establishment of a Business Court will improve economic development in Tennessee?



Do you think the establishment of a Business Court will improve business retention in Tennessee?



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 89 business leaders throughout the state of Tennessee. The survey was conducted between July 9 and July 16. With a sample of 89 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 $\pm 10\%$. 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?