



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

October 14, 2016

Tennessee Business Leaders Become More Hopeful About the Economy, Prefer Donald Trump on Issues Related to the Economy

The Tennessee Business Barometer Index continued its steady improvement, gaining to 177 from 153 in July. This was due to business leaders' increasing optimism regarding the future of the economy. Optimism about the future of the economy can lead to increased investments and hiring, which can have subsequent positive effects leading to growth in the overall economy.

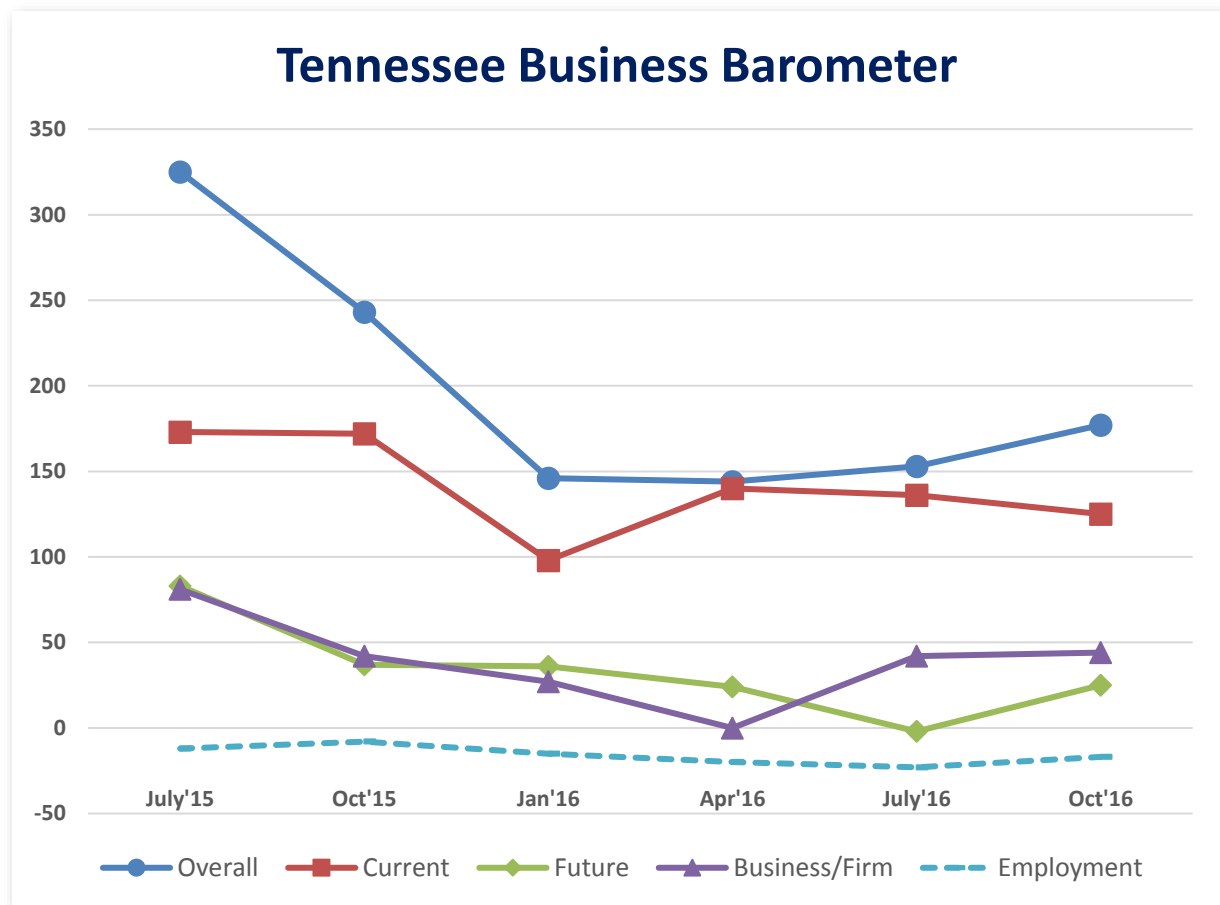
The Tennessee Business Barometer Index and Sub-Indices

	October 2015	January 2016	April 2016 ¹	July 2016	Oct 2016
Overall Business Barometer	243	146	144	153	177
Current Economic Situation Index	172	98	140	136	125
Future Economic Expectations Index	37	36	24	-2	25
Business/Firm Performance Index	42	27	0	42	44
Employment Outlook Index	-8	-15	-20	-23	-17

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 73 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between October 1 and October 10. Respondents included business owners, vice presidents, senior managers, and managers at firms of various sizes. The next Tennessee Business Barometer survey is planned for January 2017.



Current Economy. The Current Situation Index declined slightly to 125 from 136. This decline was the net result of two offsetting views. On the positive side, there was a net increase in business leaders' perceptions of the current U.S. economy. The percent who said economic conditions in the U.S. are "good" rose to 27 from 18 in July. Further, the percent who said economic conditions are "bad" dipped to 14 from 16. However, there was also a sharp net decrease in perceptions regarding business regulations. Only 15 percent of respondents said regulatory conditions in their industry are "good," down from 27 in July. Further, 42 percent said regulatory conditions in their industry are "bad," up from 27 in July. Although views of the current economy might be improving, concerns about economic difficulties caused by increased regulation can stifle business growth.

Future Economy. Tennessee business leaders have become increasingly more hopeful about the future of the economy. The Future Expectations Index rose to 25 from -2 in July. The fact that this index improved to a positive score from a negative score indicates that those who are optimistic about the economy now outnumber those who are pessimistic about the 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. The variety of words (both positive and negative) suggests that even though some business leaders see improvement in the economy, others are still not convinced that the economy is on a firm, positive footing.



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 27 from 16 in July. Additionally, the percent who said business conditions in Tennessee will be “worse 12 months from now” dropped to 4 from 12.

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 remained relatively steady, inching up only slightly to 44 from 42 in July. This was also the result of offsetting views. While Tennessee business leaders are a bit more optimistic about their individual firms' growth and level of investment, expectations regarding inventories declined. Reduced inventories can signal reduced consumer demand or can also be a cost cutting strategy for dealing with economic difficulties such as those brought about by increasing 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 number of positive words reflects a general positive feeling regarding individual firms and their futures.

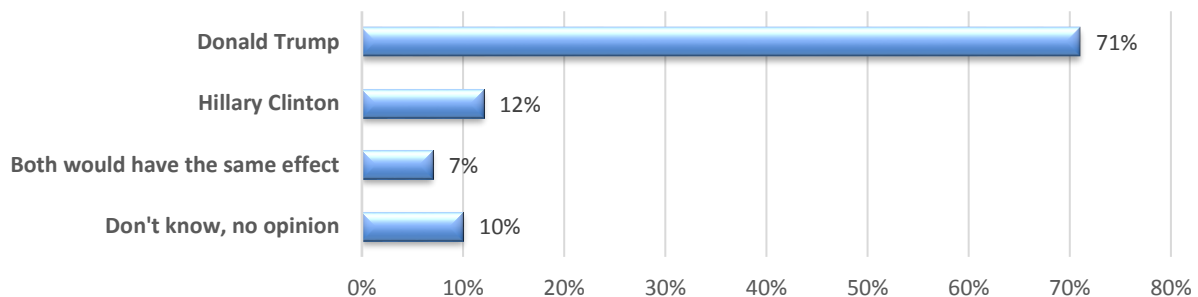


Employment. The Employment Outlook Index improved to -17 from -23. The fact that this index is still in the negative range means that respondents with negative responses continue to outnumber those with positive responses. The percent who said that they expect employment at their firm to "increase in the next 12 months" dipped to 38 from 42. However, 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 five percent said qualified employees were "easy to find." This compares very unfavorably with the 52 percent who said they were "hard to find."

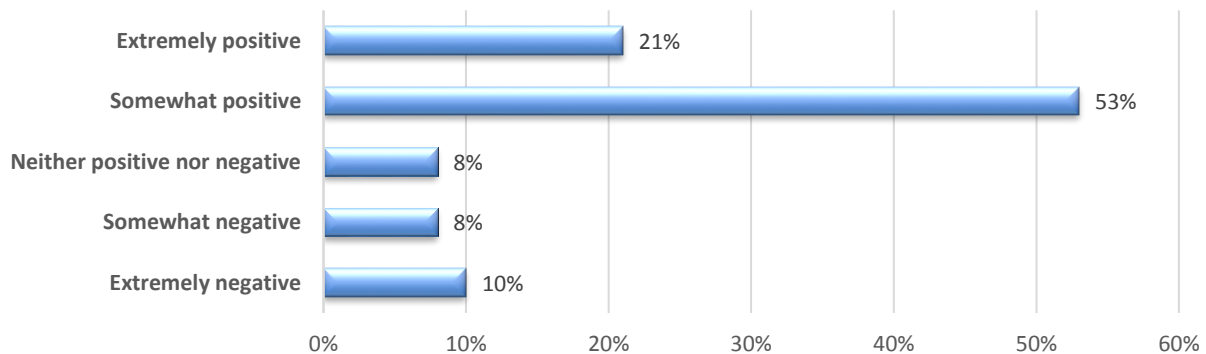
The Upcoming Presidential Election and Economic Attitudes

Respondents were also asked a series of questions relating the two major party presidential candidates (Donald Trump and Hillary Clinton) to economic attitudes. Tennessee business leaders overwhelmingly favor Donald Trump to Hillary Clinton when it comes to issues related to the economy.

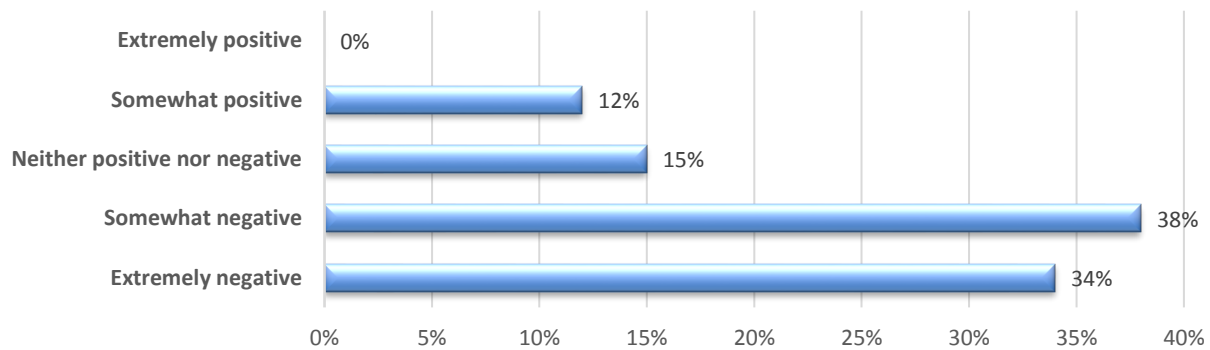
Which of the two major party candidates, if elected, do you think will have the most positive effect on the future of the overall American economy?



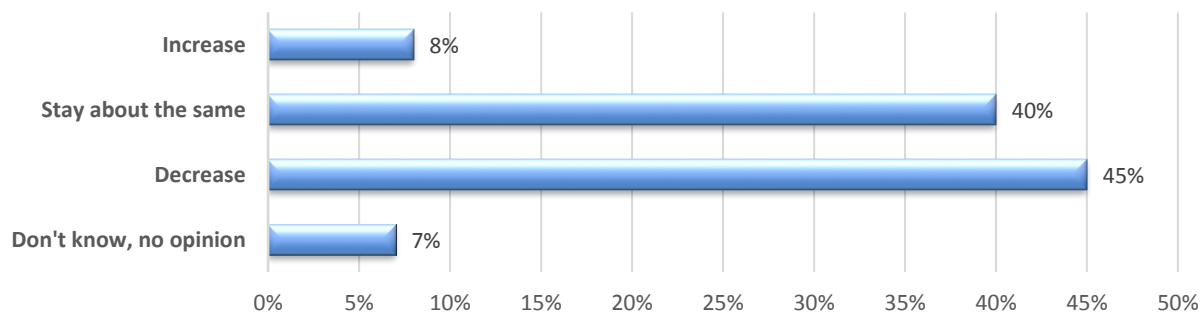
If Donald Trump is elected, what effect will his election have on the future of the overall American economy?



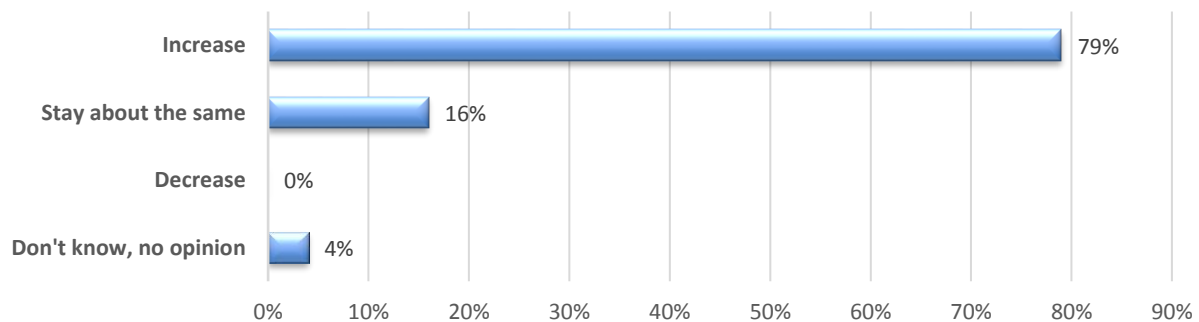
If Hillary Clinton is elected, what effect will her election have on the future of the overall American economy?



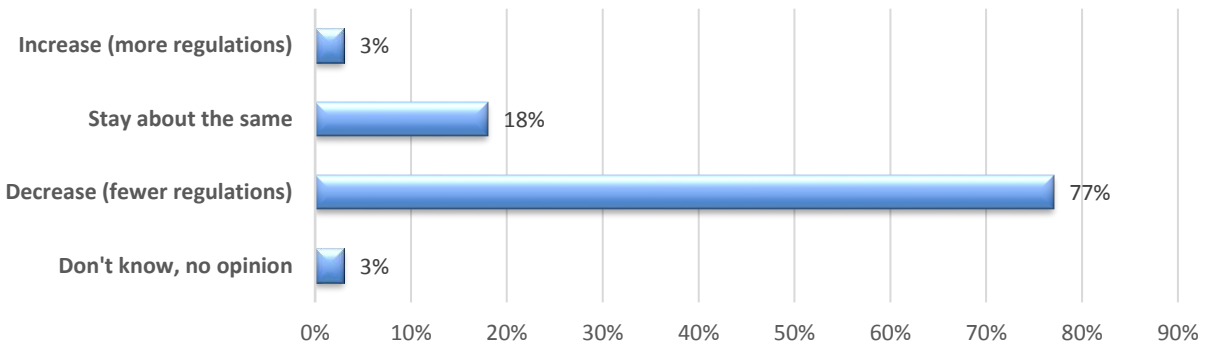
If Donald Trump is elected, do you think that taxes will:



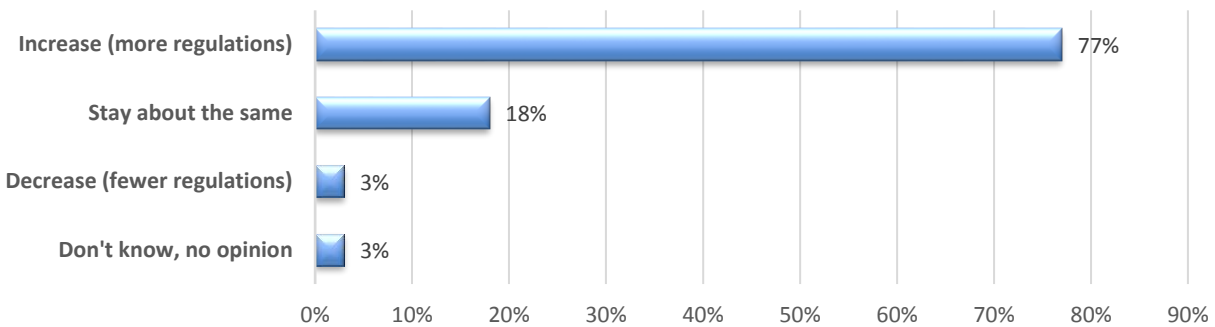
If Hillary Clinton is elected, do you think that taxes will:



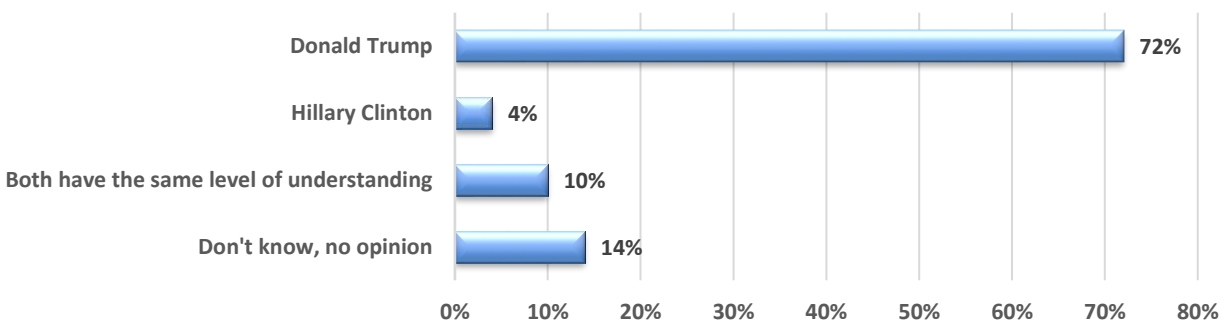
If Donald Trump is elected, do you think that business regulation will:



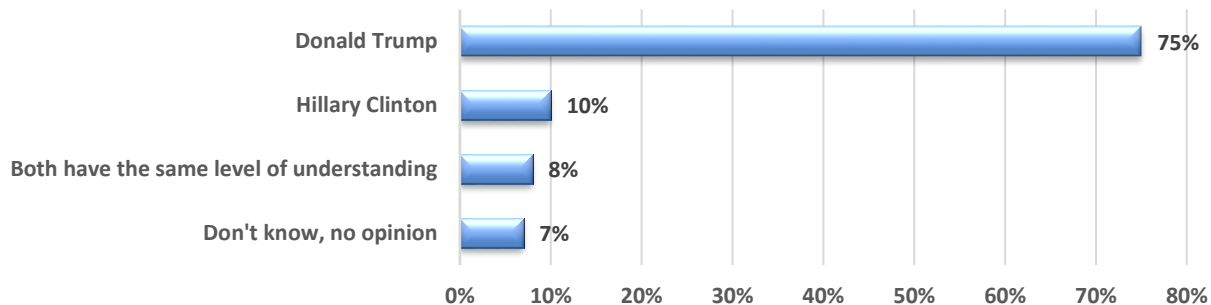
If Hillary Clinton is elected, do you think that business regulation will:



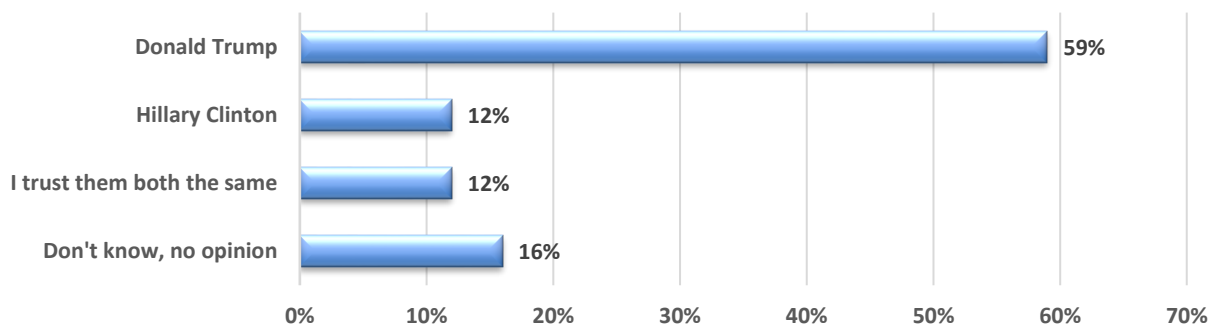
Which of the two major party candidates for President cares more about your business's financial situation (e.g., your business's financial problems and concerns)?



Which of the two major party candidates for President has the best understanding of your business's financial situation (e.g., your business's financial problems and concerns)?

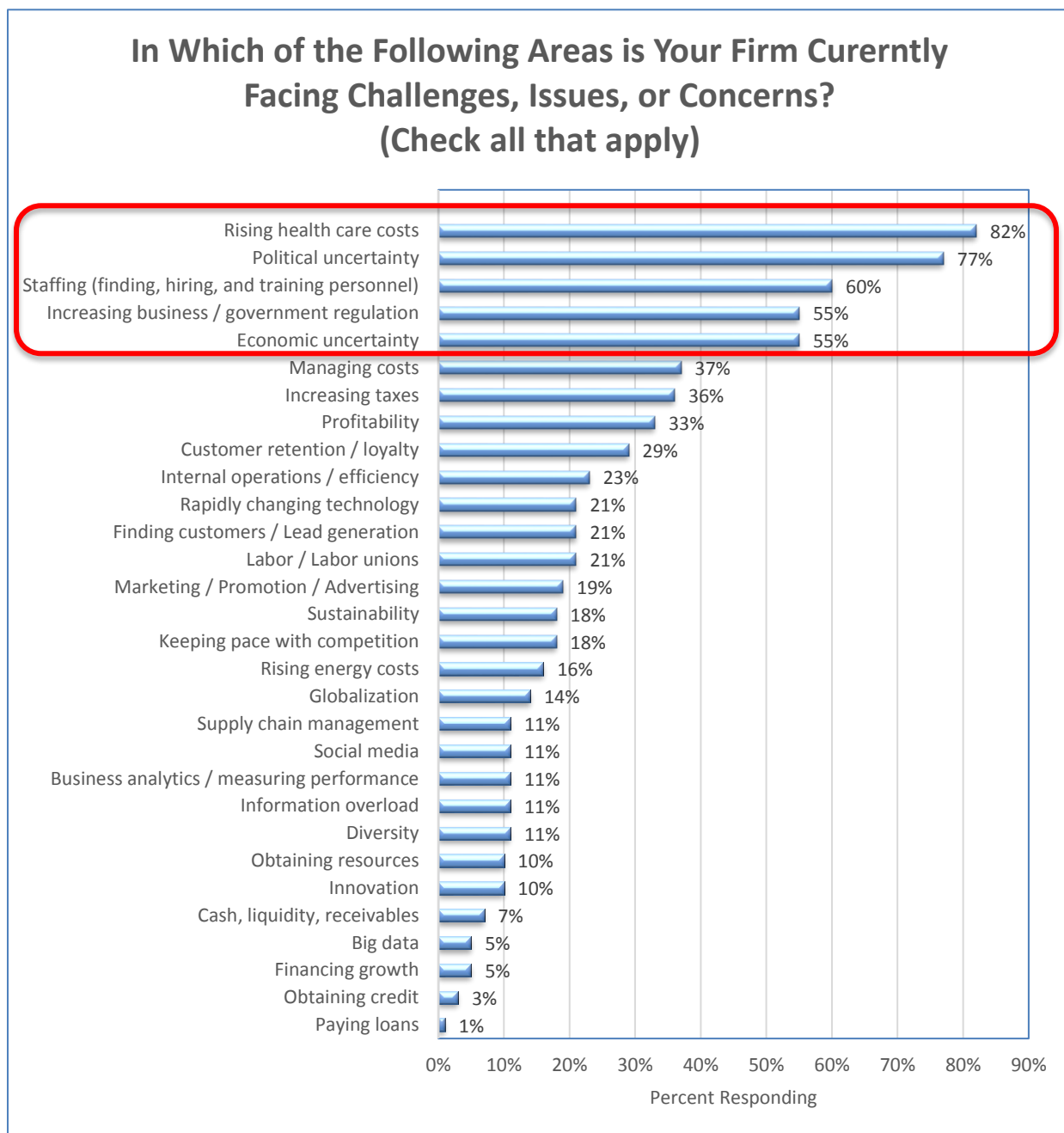


Which of the two major party candidates for President do you trust most with the future of American economy?



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 five most-often selected areas remain unchanged from July. 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.



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 July
1	Rising health care costs	165	12	+1
2	Staffing (finding, hiring, and training personnel)	136	13	-1
3	Political uncertainty	123	11	No Change
4	Increasing business / governmental regulation	119	9	+1
5	Economic uncertainty	113	9	-1
6	Managing costs	53	4	+2
7	Profitability	51	0	-1
8	Customer retention / loyalty	31	2	+3
9	Rising energy costs	29	2	+1
10	Internal operations / efficiency	28	1	+3
11	Labor / labor unions	25	1	+1
12	Finding customers / lead generation	23	0	-5
13	Globalization	23	0	+1
14	Increasing taxes	23	2	-5
15	Keeping pace with competition	23	2	No Change
16	Marketing / promotion / advertising	17	1	No Change
17	Financing growth	14	0	+1
18	Rapidly changing technology	10	0	+1
19	Sustainability	10	0	+4
20	Business analytics / measuring performance	8	1	+7
21	Cash, liquidity, receivables	8	0	No Change
22	Supply chain management	7	1	-5
23	Innovation	4	0	+2
24	Obtaining credit	3	0	-4
25	Information overload	2	0	+4
26	Social media	2	0	-2
27	Diversity	1	0	-5
28	Big data	0	0	+2
29	Obtaining resources	0	0	-1
30	Paying loans	0	0	-4

Tennessee Business Barometer		Jan. 2016 (%)	Apr. 2016 (%)	July 2016 (%)	Oct 2016 (%)	Net Change from July*
Overall economic conditions in the U.S. are: ^C	Good	18	22	18	27	+11
	In between	70	67	67	59	
	Bad	11	11	16	14	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	19	12	16	13	0
	About same	59	64	51	49	
	Worse	17	17	26	23	
Economic conditions in Tennessee are: ^C	Good	47	61	54	62	+6
	In between	46	37	44	34	
	Bad	6	2	2	4	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	29	25	16	27	+19
	About same	60	65	68	64	
	Worse	10	6	12	4	
Economic conditions in your industry are: ^C	Good	35	43	49	49	-3
	In between	44	39	40	38	
	Bad	20	18	9	12	
Twelve months from now economic conditions in your industry will be: ^F	Better	23	25	19	21	+5
	About same	61	63	70	67	
	Worse	14	12	9	6	
Regulatory conditions in your industry are: ^C	Good	23	29	27	15	-27
	In between	47	43	46	43	
	Bad	22	25	27	42	
Twelve months from now regulatory conditions will be: ^F	Better	3	6	0	4	-4
	About same	68	63	72	58	
	Worse	23	28	25	33	
Economic Conditions for your firm/business are: ^C	Good	45	54	53	52	+2
	In Between	43	33	37	40	
	Bad	11	13	11	8	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	33	29	30	30	+7
	About same	60	59	60	60	
	Worse	7	10	11	4	
Compared to last year will your firm grow: ^{B/F}	More	30	26	27	29	+9
	About same	41	39	39	45	
	Less	28	34	30	23	
Compared to last year will your firm invest: ^{B/F}	More	25	22	26	32	+3
	About same	44	46	46	44	
	Less	23	27	18	21	

Compared to last year will your firm's sales: ^{B/F}	Increase	41	43	46	47	0
	Stay the same	36	34	34	33	
	Decrease	17	19	14	15	
Compared to last year will your firm's profitability: ^{B/F}	Increase	31	27	30	32	+1
	Stay the same	39	49	40	35	
	Decrease	23	20	25	26	
Compared to last year will your firm's inventories: ^{B/F}	Increase	8	2	14	7	-11
	Stay the same	45	47	47	47	
	Decrease	17	20	14	18	
In the next 12 months will employment at your firm/business: ^E	Increase	32	35	42	38	-3
	Stay the same	55	52	47	53	
	Decrease	12	13	9	8	
Qualified employees are: ^E	Easy to find	4	4	0	5	+9
	Found with effort	53	48	42	42	
	Hard to find	39	46	56	52	

^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 73 business leaders throughout the state of Tennessee. The survey was conducted between October 1 and October 10. With a sample of 73 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 $\pm 11.4\%$. 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?