



Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce and Industry

Office of Consumer Research
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Business Leaders' Outlook Improves Heading into the Fall Months

The Tennessee Business Barometer rebounded from its brief decline earlier this summer. The Business Barometer Index now stands at 525, up from 479 in July. While this is an improvement in outlook, the index is below where it was this same time last year. Even though perceptions of the current economic situation dipped slightly and perceptions regarding employment and staffing remained unchanged, business leaders were noticeably more upbeat about the future of the economy and the outlook for their individual firms/businesses.

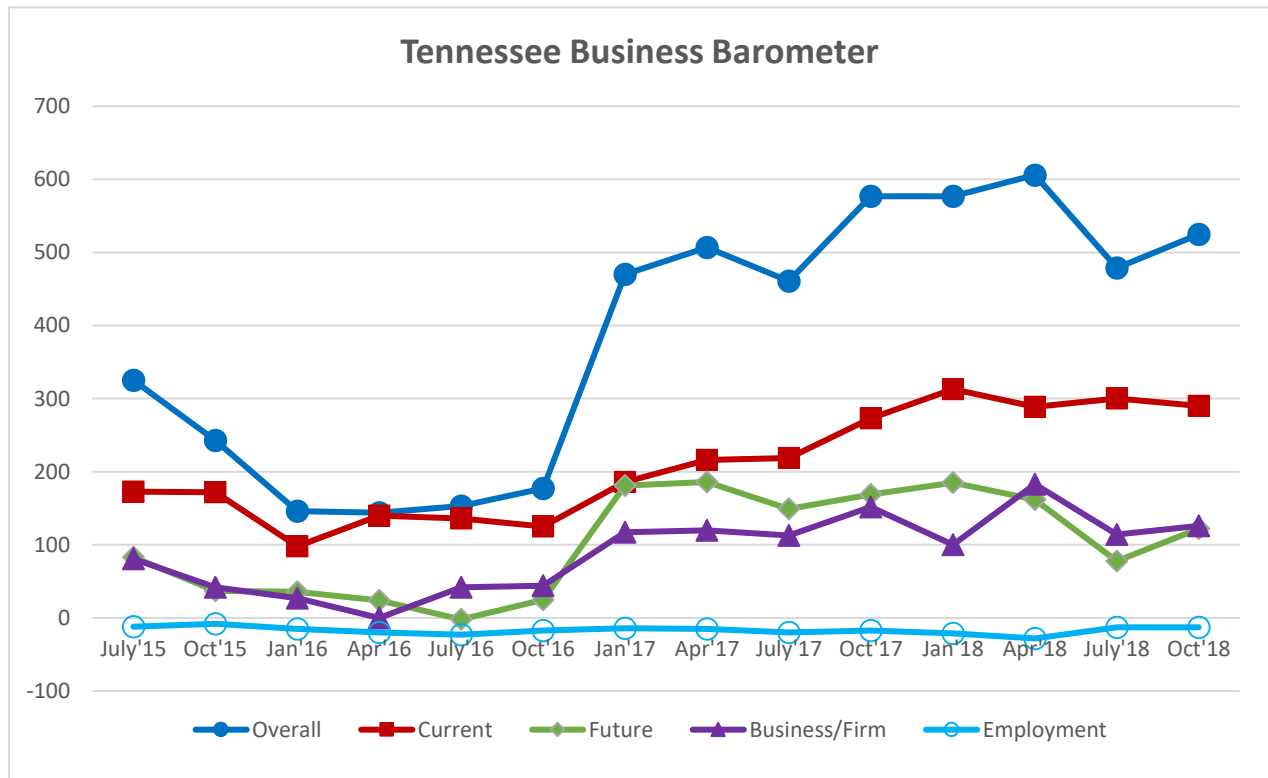
The current online survey of 62 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between October 4 and October 15. The sample of respondents includes business owners (18%), vice presidents (9%), senior managers (35%), and managers/others (39%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for January 2019.

Tennessee Business Barometer Index and Sub-Indices

	October 2017	January 2018	April 2018	July 2018	October 2018 ¹
Overall Business Barometer	577	577	606	479	525
Current Economic Situation Index	273	313	289	300	290
Future Economic Expectations Index	169	185	162	78	122
Business/Firm Performance Index	152	100	183	114	126
Employment Outlook Index	-17	-21	-28	-13	-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.



Renewed Optimism for the U.S. and Tennessee Economies

Perceptions of the U.S. and Tennessee economy have improved. Fully 82 percent said economic conditions in the U.S. are “good,” whereas none said they are “bad.” Moreover, 90 percent said economic conditions in Tennessee are “good,” while only two percent said they are “bad.” Further, most expect economic conditions in the country as a whole to be “better” (35 percent) or “about the same” (50 percent) twelve months from now. Only 12 percent expect economic conditions in the U.S. to be “worse” 12 months from now. Likewise, only five percent expect economic conditions in Tennessee to be “worse” one year from now. Almost all expect Tennessee’s future economy to be “better” (41 percent) or “about the same” (48 percent).

Unease Regarding Individual Industries and Firms/Businesses

Although perceptions of current industry level economic conditions declined somewhat, this was offset by renewed optimism that industry level conditions will improve in the future. A slight eroding of perceptions regarding business regulations has led to a comparable decline in outlook for specific firms/businesses. A significant increase in expectations regarding individual firm/business growth and investment was offset only somewhat by decreasing expectations regarding sales, profitability, and inventories. On balance, however, Tennessee business

leaders are significantly more positive than negative when it comes to their outlook for the future.

Employment Remains a Stumbling Block for Tennessee Businesses

The employment index remains mired in the negative range. Even with a small increase in the number of respondents saying they expect to increase hiring in the next 12 months, an increasing number report difficulty finding qualified employees. Only three percent said qualified employees are “easy to find.” Conversely, 54 percent said qualified employees are “hard to find.”

Describing the U.S. Economy

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. Optimism regarding future growth is accompanied by apprehension regarding possible negative impacts of tariffs.



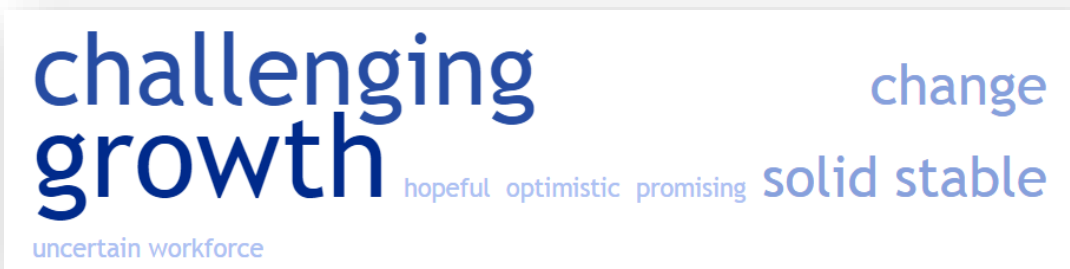
Describing the Tennessee Economy

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?**” Expectations for growth and stability help to buoy business leaders’ optimism.



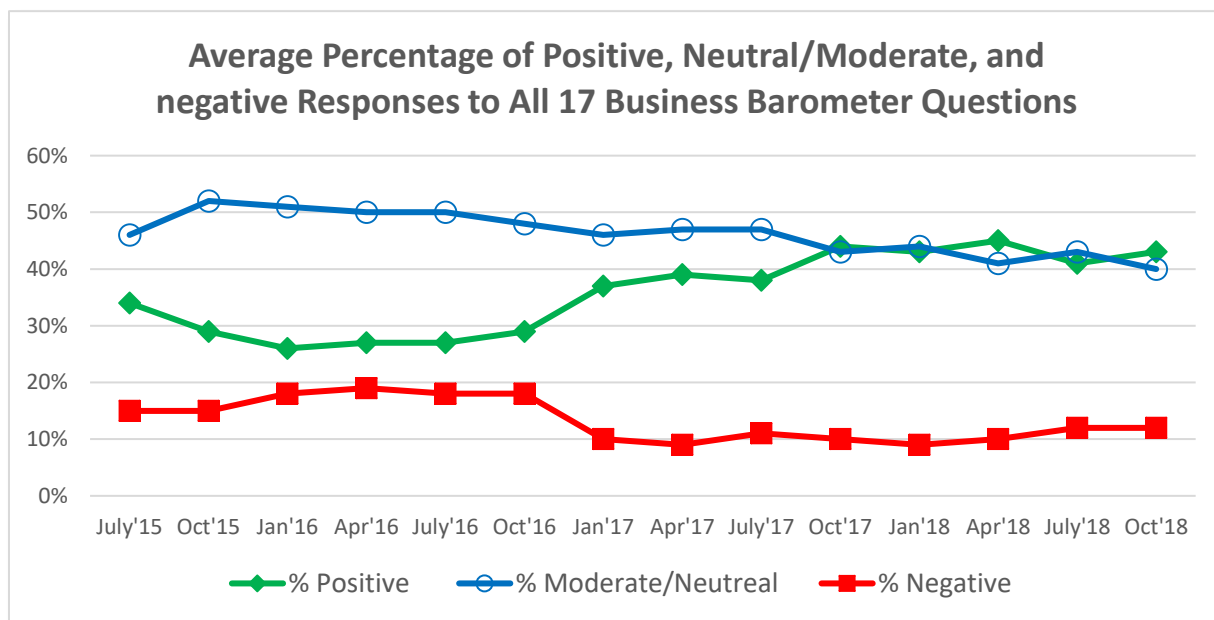
Business and Firm Performance

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?”*** While acknowledging challenges ahead, business leaders are optimistic regarding growth for their firms/businesses.



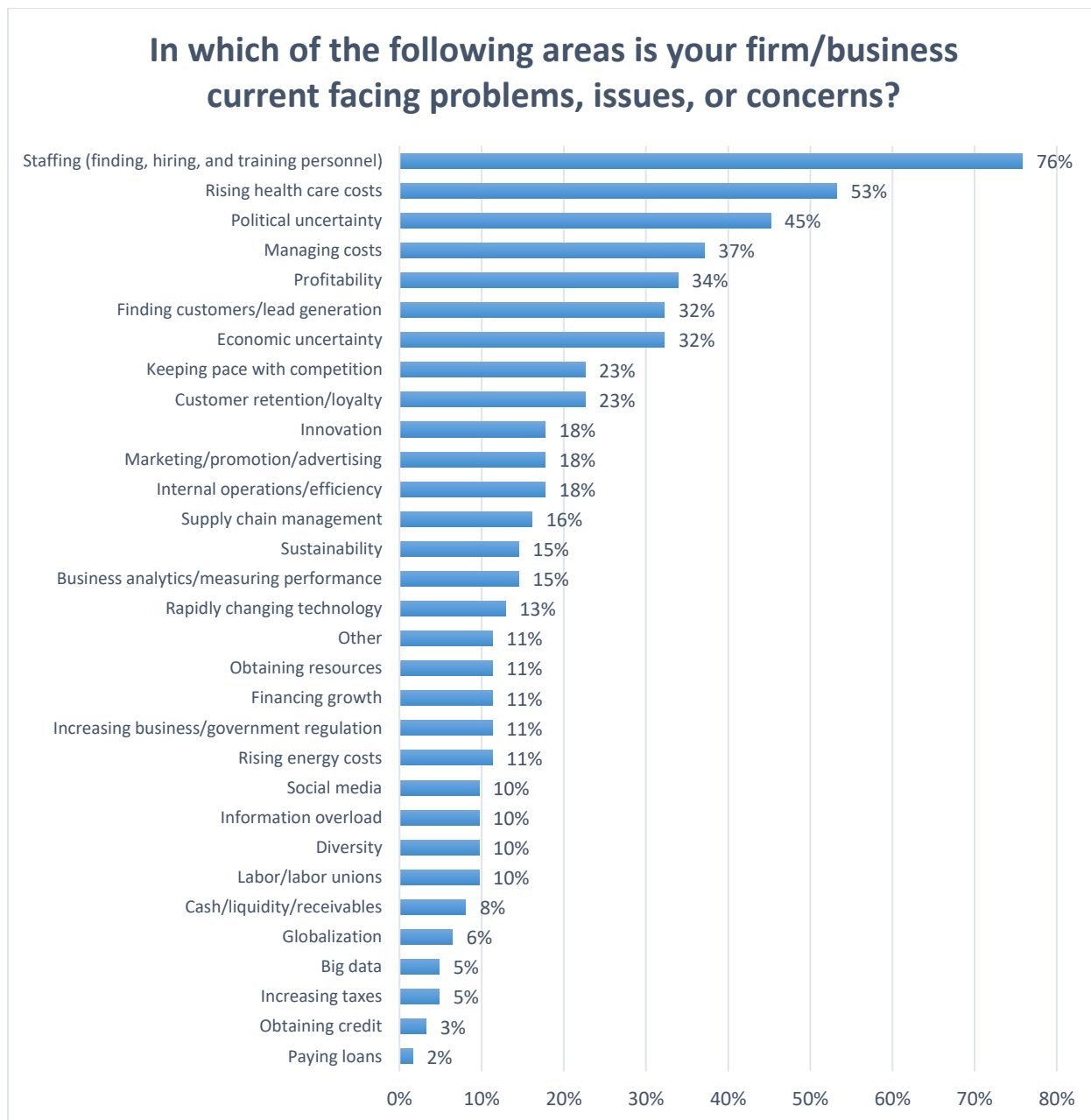
The Final Word: An Overall Positive Attitude

The general attitude of Tennessee business leaders remains solidly positive. 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 dominate the concerns of Tennessee business leaders.



Tennessee Business Barometer Results		Jan 2018 (%)	April 2018 (%)	July 2018 (%)	Oct 2018 (%)	Net Change from July*
Overall economic conditions in the U.S. are: ^C	Good	83	58	70	82	+13
	In between	15	40	29	18	
	Bad	2	2	1	0	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	57	36	30	35	+18
	About same	39	58	42	50	
	Worse	4	6	25	12	
Economic conditions in Tennessee are: ^C	Good	78	70	80	90	+8
	In between	22	28	20	8	
	Bad	0	2	0	2	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	43	47	39	41	+10
	About same	52	47	46	48	
	Worse	4	6	13	5	
Economic conditions in your industry are: ^C	Good	57	64	65	59	-10
	In between	41	32	31	33	
	Bad	2	4	3	7	
Twelve months from now economic conditions in your industry will be: ^F	Better	48	42	25	36	+11
	About same	46	49	61	49	
	Worse	7	8	13	13	
Regulatory conditions in your industry are: ^C	Good	35	28	33	28	-7
	In between	61	57	56	57	
	Bad	2	0	6	8	
Twelve months from now regulatory conditions will be: ^F	Better	24	9	13	16	+4
	About same	72	70	68	64	
	Worse	2	6	11	10	
Economic Conditions for your firm/business are: ^C	Good	70	83	66	59	-14
	In between	26	12	27	28	
	Bad	4	6	4	11	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	37	58	40	44	+1
	About same	57	38	51	43	
	Worse	7	4	7	10	
Compared to last year will your firm grow: ^{B/F}	More	39	51	40	48	+10
	About same	39	34	45	39	
	Less	20	11	12	10	
Compared to last year will your firm invest: ^{B/F}	More	33	43	28	42	+27
	About same	50	42	51	45	
	Less	11	9	18	5	

Compared to last year will your firm's sales: ^{B/F}	Increase	52	63	62	53	-14
	Stay the same	30	25	28	27	
	Decrease	11	8	9	14	
Compared to last year will your firm's profitability: ^{B/F}	Increase	33	55	42	38	-5
	Stay the same	52	30	42	36	
	Decrease	9	11	15	16	
Compared to last year will your firm's inventories: ^{B/F}	Increase	11	19	13	10	-6
	Stay the same	46	43	40	43	
	Decrease	17	9	17	20	
In the next 12 months will employment at your firm/business: ^E	Increase	36	44	43	45	+4
	Stay the same	53	50	47	47	
	Decrease	9	6	9	7	
Qualified employees are: ^E	Easy to find	2	0	2	3	-4
	Found with effort	46	34	47	41	
	Hard to find	50	66	49	54	

^C Included in the Current Economic Situation Index

^F Included in the Future Economic Expectations Index

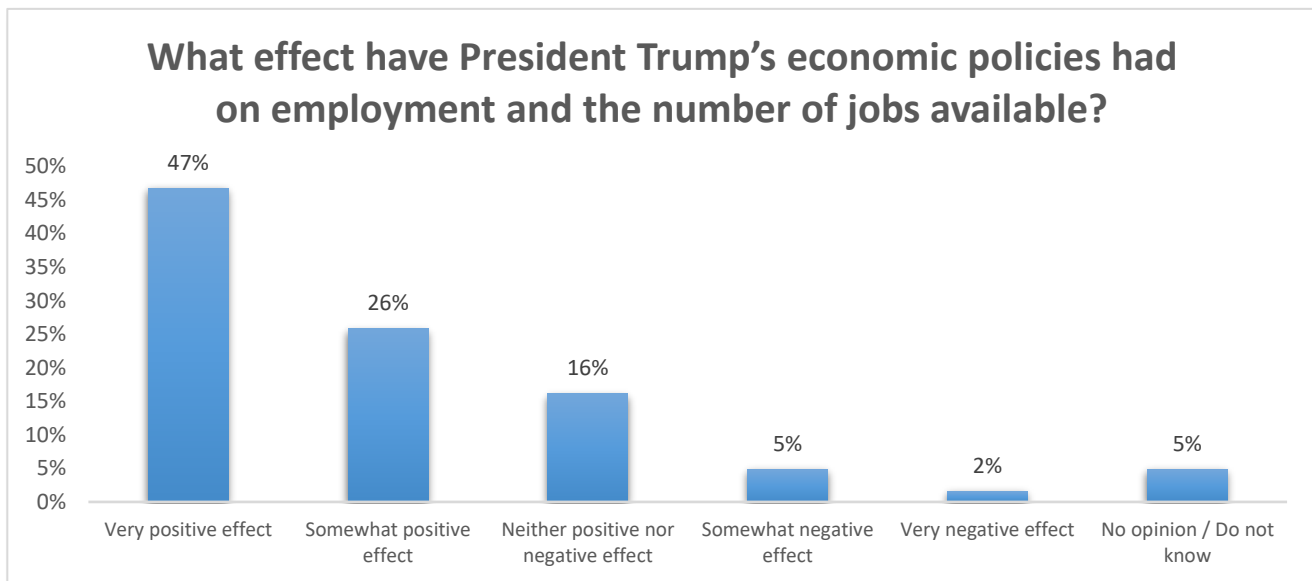
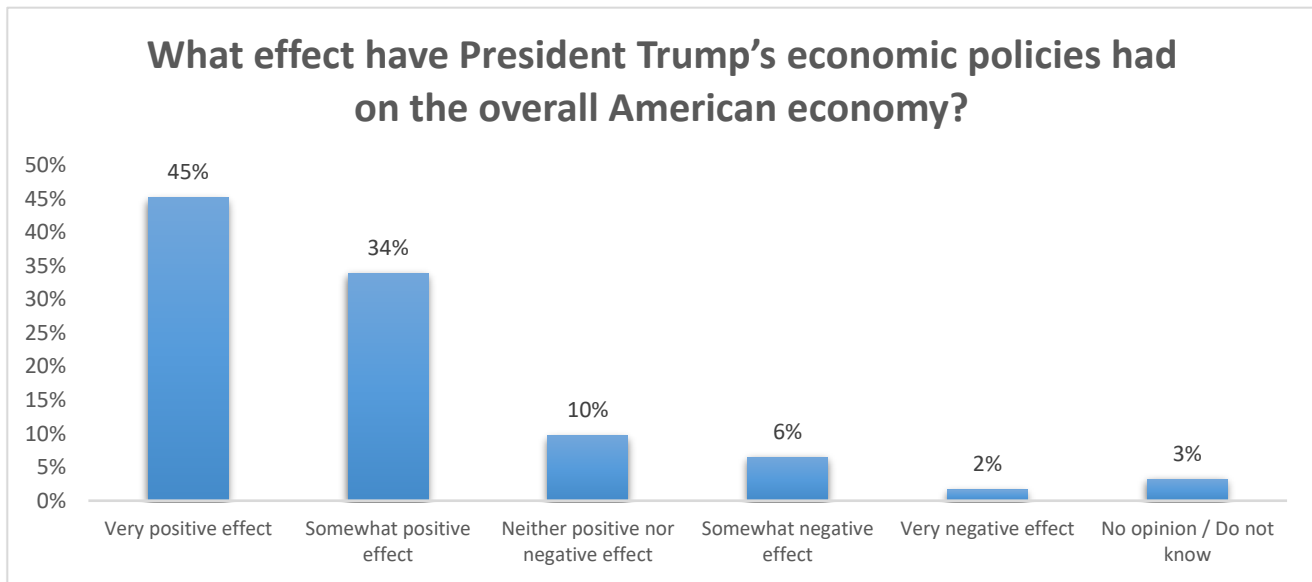
^{B/F} Included in the Business/Firm Performance Index

^E Included in the Employment Outlook Index

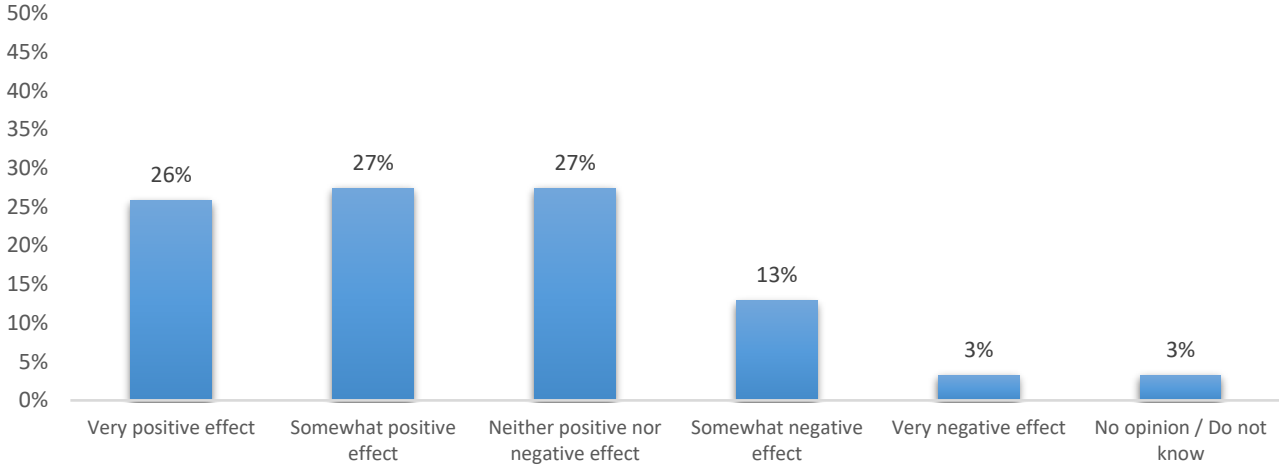
* The Net Change score for each question is calculated based on the change in percent of both positive and negative responses to a question. The Net Change score increases when there are more positive responses as well as when there are fewer negative responses. For example, if there are 10 percent more 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.

President Trump’s Economic Policies and the Economy

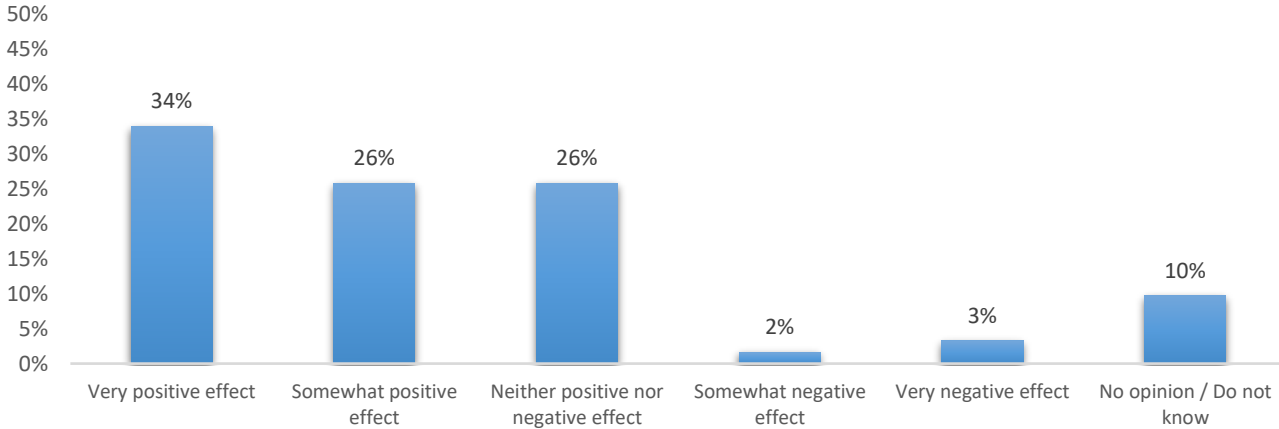
Respondents were also asked for their perceptions of recent economic policies. In general, the majority of Tennessee business leaders believe President Trump’s economic policies have had positive effects on the U.S. economy, the job market, and their firm/business. Although almost one in five are undecided about the recent trade deal with Mexico and Canada (USMCA), the majority still expect it will have positive effects on the U.S. economy.

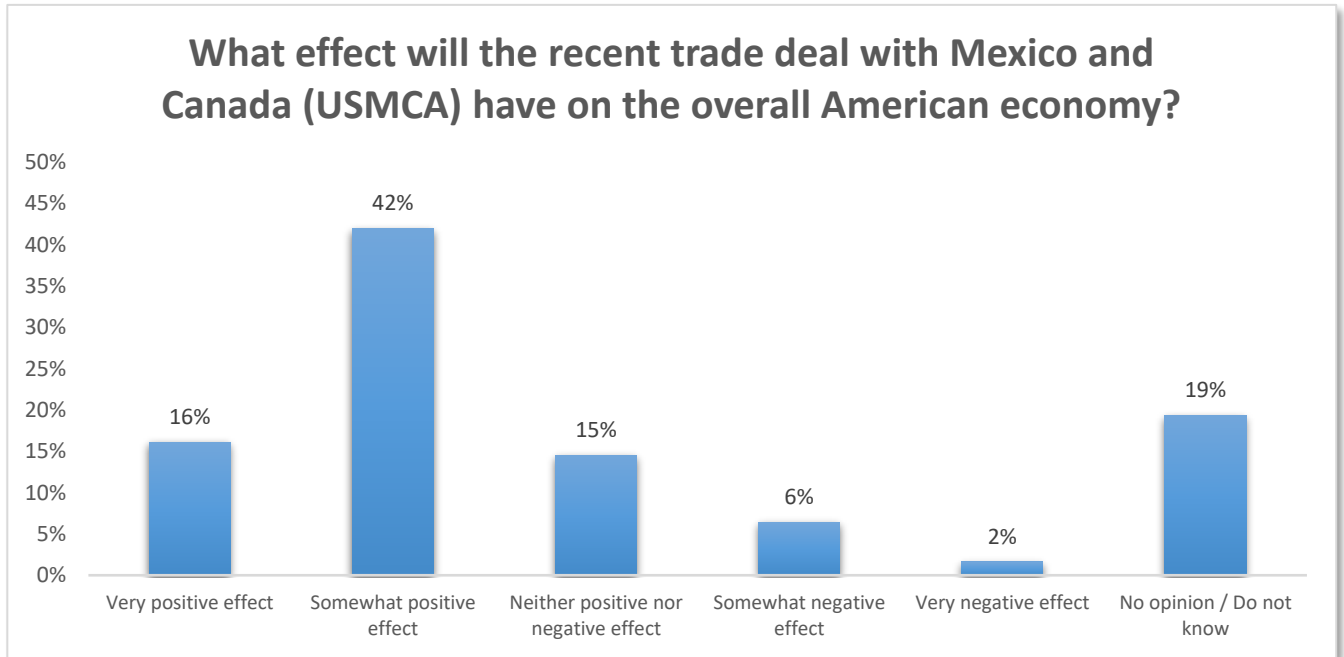


What effect have President Trump's economic policies had on your firm/business?



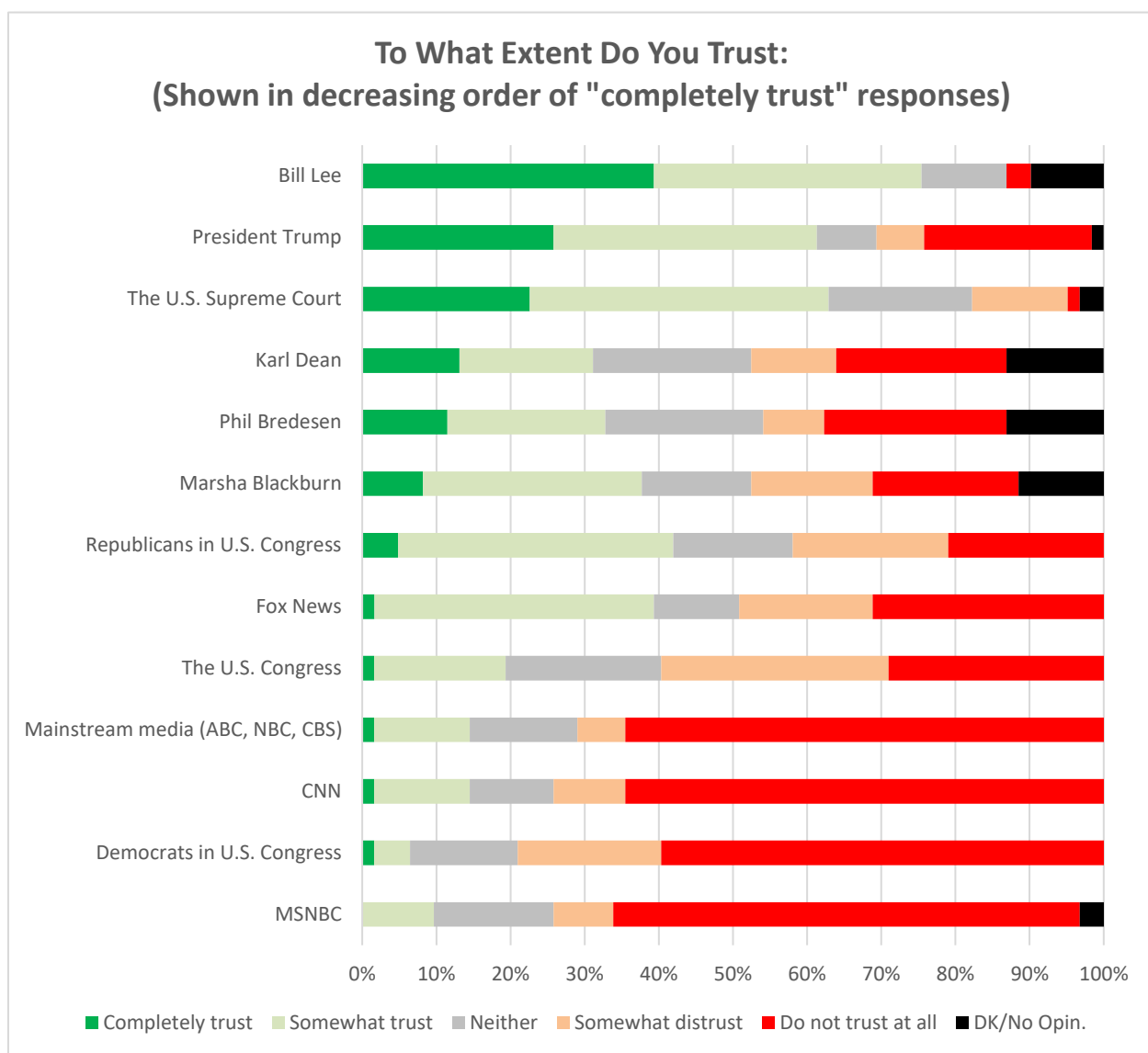
What effect have President Trump's tax cuts had on your firm/business?





Tennessee Business Leaders' Trust in Various People/Institutions

Respondents were also asked the extent to which they trusted various people/institutions. The results shown below indicate the majority of Tennessee business leaders have a high level of trust (responding either “completely trust” or “somewhat trust”) in Bill Lee (Republican candidate for governor), President Trump, and the U.S. Supreme Court. Congress, Democrats in Congress, and mainstream media outlets garnered the least trust. While Phil Bredesen received slightly more “completely trust” responses, Marsha Blackburn received more combined responses of either “completely trust” or “somewhat trust.” It should be noted that these surveys were conducted prior to the release of the Project Veritas video on Bredesen campaign staff members.



To what extent do you trust:
(Shown in decreasing order of “completely trust” responses)

	Completely trust	Somewhat trust	Neither	Somewhat distrust	Do not trust at all	DK/No Opinion
Bill Lee	39%	36%	11%	0%	3%	10%
President Trump	26%	35%	8%	6%	23%	2%
The U.S. Supreme Court	23%	40%	19%	13%	2%	3%
Karl Dean	13%	18%	21%	11%	23%	13%
Phil Bredesen	11%	21%	21%	8%	25%	13%
Marsha Blackburn	8%	30%	15%	16%	20%	11%
Republicans in U.S. Congress	5%	37%	16%	21%	21%	0%
Fox News	2%	38%	11%	18%	31%	0%
The U.S. Congress	2%	18%	21%	31%	29%	0%
Mainstream media (ABC, NBC, CBS)	2%	13%	15%	6%	65%	0%
CNN	2%	13%	11%	10%	65%	0%
Democrats in U.S. Congress	2%	5%	15%	19%	60%	0%
MSNBC	0%	10%	16%	8%	63%	3%

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 62 business leaders throughout the state of Tennessee. The survey was conducted between October 4 and October 15. With a sample of 62 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?