



# Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce & Industry

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## Tennessee Business Leaders' Optimism Wanes Heading into the Final Quarter of 2015

The results from the most recent Tennessee Business Barometer survey indicate that business leaders across Tennessee have become less optimistic as we head into the final quarter of 2015. Although views of current business conditions remain stable, there is growing unease regarding the future of the economy. The subject of business leaders' concerns – rising healthcare costs, difficulties finding qualified employees, political and economic uncertainty, and the possibility of increasing regulation – remain unchanged, for the most part, from July.

Even though the Overall Tennessee Business Barometer fell to 243 from 325 in July, business leaders in Tennessee maintain relatively upbeat regarding the current economy. The Current Economic Situation Index remained essentially unchanged at 172.

The decrease in the Future Economic Expectations Index to 37 from 83 indicates that Tennessee business leaders have become a bit less optimistic regarding the future of the economy. Such tempered optimism is also revealed in the decrease in the Business (Firm) Performance Index to 42 from 81.

The table below shows the results from the Tennessee Business Barometer and its index components. The current online survey of 89 business leaders from across Tennessee was conducted between October 1 and October 8. Respondents include business owners, vice presidents, senior managers, and managers at firms of various sizes. The next Tennessee Business Barometer survey is planned for January 2016.

## The Tennessee Business Barometer Index and Components

	July 2015	October 2015
<b>Overall Business Barometer</b>	<b>325</b>	<b>243<sup>1</sup></b>
<b>Current Economic Situation Index</b>	<b>173</b>	<b>172</b>
<b>Future Economic Expectations Index</b>	<b>83</b>	<b>37</b>
<b>Business (Firm) Performance Index</b>	<b>81</b>	<b>42</b>
<b>Employment Outlook Index</b>	<b>-12</b>	<b>-8</b>

### Overall U.S. Economy

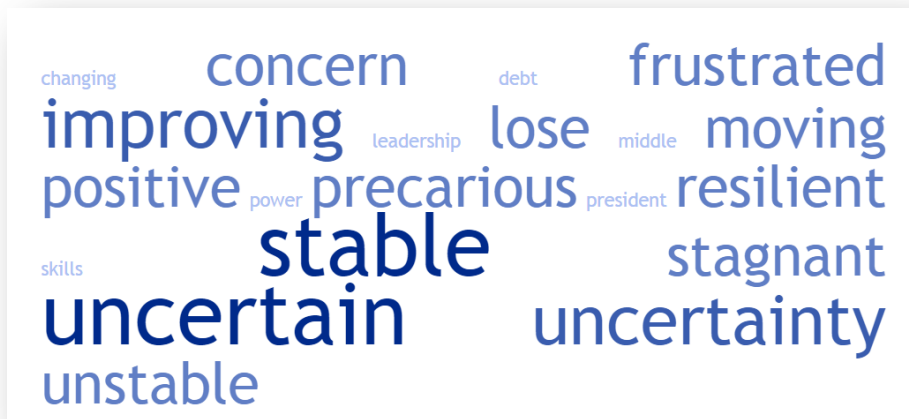
For the most part, Tennessee business leaders are slightly more upbeat about the current overall U.S. economy. The percent who said business conditions in the country as a whole are “good” rose to 30 from 25 in July. Further, the percent who said business conditions in the country as a whole are “bad” declined to 7 from 10. However, the majority of respondents remain somewhat neutral regarding the economy, with 63 percent rating it “in between.”

Conversely, when asked about the future of the U.S. economy, only 19 percent expect it to be “better,” down from 24 percent in July. And 17 percent expect it to be “worse,” up slightly from 15 in July. About two-thirds (64 percent) expect the U.S. economy to remain “about the same” as it is now.

The word cloud below shows the 20 words that were 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. While this reveals both positive and negative perceptions, it also highlights the uncertainty many business leaders are feeling right now.

<sup>1</sup> 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 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.

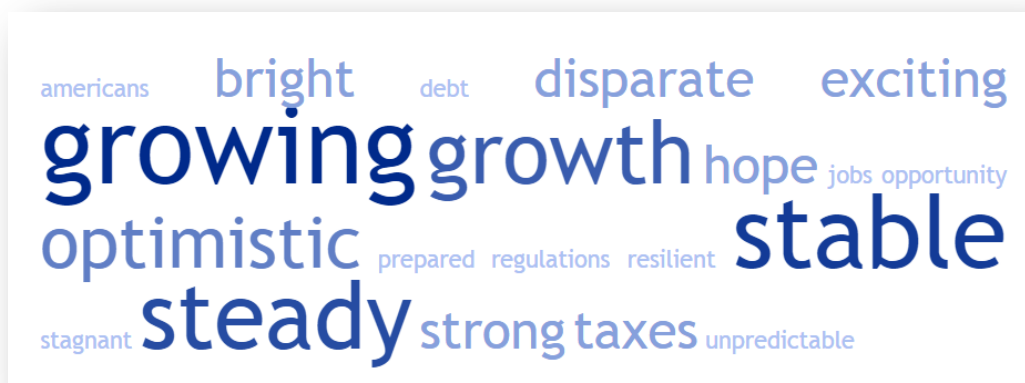
The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero would indicate the percentage of business leaders who hold negative views of the economy is equal to the percentage 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.



### Tennessee Economy

Perceptions of the current economy in Tennessee remained relatively positive and stable compared to July. Two-thirds of business leaders rated the current economy in Tennessee as “good.” However, expectations for the future of the Tennessee economy dropped noticeably. The percent who said that in 12 months economic conditions in Tennessee will be “better” fell to 25 from 40.

The word cloud below shows the 20 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.



## Industry

Amid these positive views of the current Tennessee economy, business leaders appear increasingly anxious about the economic conditions for their individual industry and firm. The percent who said economic conditions for their industry are “good” dropped to 43 from 54 in July. Further, the percent who expect that in the next 12 months economic conditions in their industry will be “better” fell to 21 from 35.

## Regulation

Business leaders have become increasingly neutral with respect to perceptions of regulatory conditions for their industry. A greater percent of business leaders said that regulatory conditions in their industry were “in between” (59 percent, compared to 44 percent in July), whereas fewer said that regulatory conditions were “good” (17 percent, down from 25 percent) as well as “bad” (18 percent, down from 28 percent). Even though very few (2 percent) believe that regulatory conditions in their industry will be “better” 12 months from now, the increase in the percent who said conditions will be “about the same” (69 percent, up from 59 percent) was due to a decrease in the percent who said conditions will be “worse” (23 percent, down from 35 percent).

## Firm Performance

Expectations for individual firm performance were also somewhat muted. The percent who said economic conditions for their firm are “good” declined to 55 from 63. Further, the percent who expect economic conditions for their firm to improve in the next 12 months also dropped to 36 from 43.

Growing concerns regarding individual firm growth and sales appear to be the main drivers behind these muted expectations. The percent who expect their firm to grow “more” than it did last year fell to 22 from 35. The percent who expect their firm’s sales to “increase” compared to last year dropped to 43 from 50.

The word cloud below shows the 20 words most often given when asked “*What one word comes to mind when you think about the future of your firm / business?*” This indicates a guarded optimism, tempered by increasing challenges for the future.



## Employment Outlook

The outlook for employment is still mixed while improving only modestly. Although slightly fewer business leaders say their firm expects to “increase” their employment in the next 12 months (40 percent, down from 42 percent in July), the percent who believe that qualified employees are “easy to find” improved marginally to 5 from 1. Overall, four in 10 firms expect to increase their employment, but very few believe it is easy to find qualified employees to fill those positions.

Tennessee Business Barometer		July 2015 (%)	October 2015 (%)	Net Change*
Overall economic conditions in the U.S. are: <sup>C</sup>	Good	25	30	+ 8
	In Between	65	63	
	Bad	10	7	
Twelve months from now, overall economic conditions in the U.S. will be: <sup>F</sup>	Better	24	19	- 7
	About same	60	64	
	Worse	15	17	
Economic conditions in TN are: <sup>C</sup>	Good	64	66	+ 4
	In Between	33	34	
	Bad	2	0	
Twelve months from now, economic conditions in TN will be: <sup>F</sup>	Better	40	25	- 18
	About same	54	69	
	Worse	4	7	
Economic conditions in your industry are: <sup>C</sup>	Good	54	43	- 7
	In Between	37	51	
	Bad	10	6	
Twelve months from now, economic conditions in your industry will be: <sup>F</sup>	Better	35	21	- 21
	About same	59	66	
	Worse	5	12	
Regulatory conditions in your industry are: <sup>C</sup>	Good	25	17	+ 2
	In Between	44	59	
	Bad	28	18	
Twelve months from now, regulatory conditions will be: <sup>F</sup>	Better	4	2	+ 10
	About same	59	69	
	Worse	35	23	
Economic Conditions for your firm / business are: <sup>C</sup>	Good	63	55	- 8
	In Between	29	37	
	Bad	8	8	
Twelve months from now, economic conditions for your firm/business will be: <sup>F</sup>	Better	43	36	- 10
	About same	53	55	
	Worse	4	7	
Compared to last year, will your firm grow: <sup>B</sup>	More	35	22	- 17
	About same	40	46	
	Less	21	25	
Compared to last year, will your firm invest: <sup>B</sup>	More	31	27	- 1
	About same	46	52	
	Less	17	14	

Compared to last year, will your firm's sales: <sup>B</sup>	Increase	50	<b>43</b>	<b>- 15</b>
	Stay the same	28	<b>33</b>	
	Decrease	11	<b>19</b>	
Compared to last year, will your firm's profitability: <sup>B</sup>	Increase	37	<b>33</b>	<b>- 5</b>
	Stay the same	40	<b>47</b>	
	Decrease	16	<b>17</b>	
Compared to last year, will your firm's inventories: <sup>B</sup>	Increase	11	<b>8</b>	<b>- 1</b>
	Stay the same	41	<b>41</b>	
	Decrease	18	<b>16</b>	
In the next 12 months, will employment at your firm/business: <sup>E</sup>	Increase	42	<b>40</b>	<b>- 4</b>
	Stay the same	48	<b>49</b>	
	Decrease	9	<b>11</b>	
Qualified employees are: <sup>E</sup>	Easy to find	1	<b>5</b>	<b>+ 8</b>
	Found with effort	51	<b>51</b>	
	Hard to find	46	<b>42</b>	

<sup>C</sup> Included in the Current Economic Situation Index

<sup>F</sup> Included in the Future Economic Expectations Index

<sup>B</sup> Included in the Business Performance Index

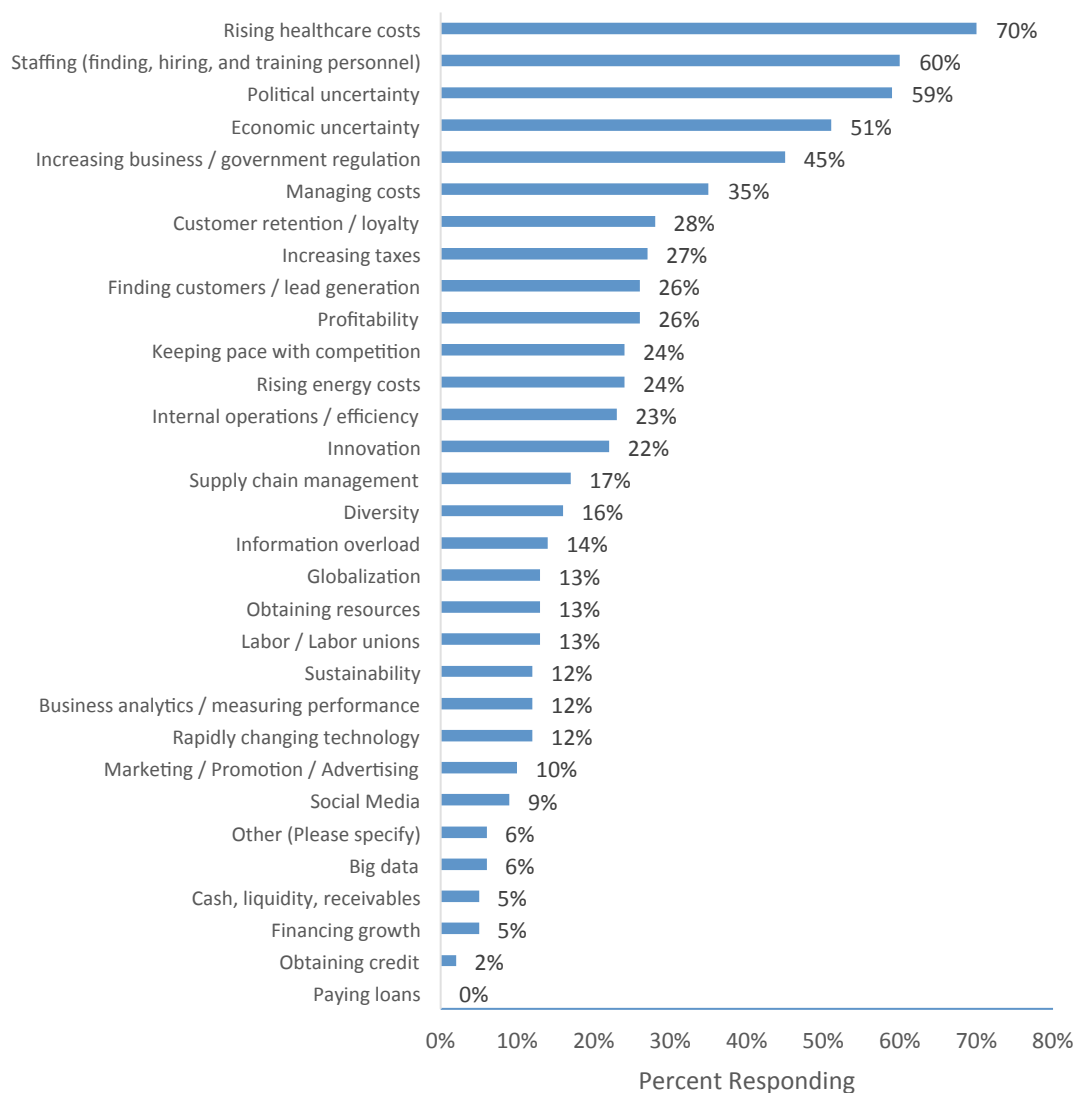
<sup>E</sup> Included in the Employment Outlook Index

\* 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 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 are foremost on the minds of business leaders.

In Which of the Following Areas Is Your Firm Currently Facing Challenges / Issues / Concerns?





## 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.

It is interesting to note that even though the most often mentioned concern was rising healthcare costs (see previous chart), staffing issues were by far the highest ranked concern—being ranked first twice as many times as rising healthcare costs.

Rank	Challenge / Issue / Concern	Total Summated Rank	Times Ranked First	Change in Rank from July
1	Staffing (finding, hiring, and training personnel)	177	20	—
2	Economic uncertainty	174	17	+3
3	Rising healthcare costs	157	9	-1
4	Political uncertainty	112	5	—
5	Increasing business / governmental regulation	103	11	-2
6	Managing costs	76	4	—
7	Customer retention / loyalty	51	1	+3
8	Increasing taxes	45	1	+1
9	Profitability	44	3	+2
10	Finding customers / Lead generation	39	3	-2
11	Keeping pace with competition	33	1	+2
12	Globalization	31	4	+4
13	Internal operations / efficiency	26	0	-6
14	Rising energy costs	21	0	—
15	Innovation	19	0	-3
16	Diversity	16	0	+12
17	Financing growth	15	1	+7
18	Labor / Labor unions	14	1	-3
19	Sustainability	14	2	+6
20	Obtaining resources	12	0	-1
21	Supply chain management	12	0	-1
22	Rapidly changing technology	11	0	-5
23	Marketing / Promotion / Advertising	9	1	-5
24	Cash, liquidity, receivables	8	1	-2
25	Information overload	6	0	-2
26	Big Data	6	0	+4
27	Social Media	5	0	-6
28	Business analytics / measuring performance	1	0	-2
29	Obtaining credit	0	0	-2
30	Paying loans	0	0	-1

## 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 & 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](http://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 October 1 and October 8. 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 question interpretation can also 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 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](mailto:tim.graeff@mtsu.edu).

For more information about the Tennessee Chamber of Commerce & Industry, visit [www.tnchamber.org](http://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]** = 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]** 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]** 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]** 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]** 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]** 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?