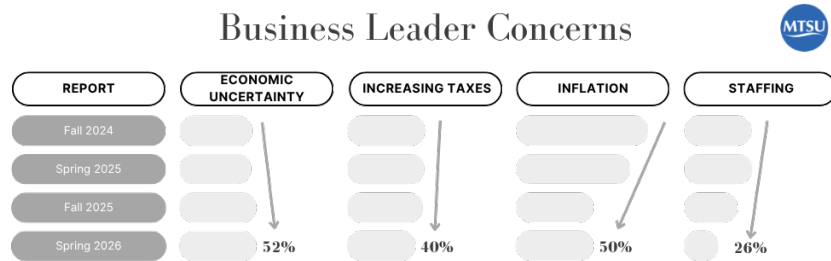


Economic Uncertainty Still a Concern for Business Leaders

Tennessee business leaders also provided feedback highlighting several key challenges and indicators that may influence future economic growth, particularly those related to inflation, labor market conditions, and broader economic uncertainty. Overall uncertainty remains elevated, with 52% of business leaders expressing concern about the current environment.

While inflation has eased from its peak, it remains above long-term targets in many categories, creating uncertainty around pricing power, input costs, and future Federal Reserve policy. This makes planning and long-term investment more difficult for firms, particularly those sensitive to interest rate changes. Another major concern is the softening of the labor market and rising costs. Although employment levels remain relatively strong, job growth has cooled, and some firms are beginning to see slower hiring momentum.

This uncertainty also raises caution regarding near-term consumer behavior. With households remaining sensitive to higher prices and financial strain, there is a risk of more conservative spending patterns in the months ahead, which could limit revenue growth and soften demand across key industries. As a result, business leaders remain attentive to both macroeconomic risks and consumer signals as they assess future sales and investment outlooks.



Collaborate with us

The Consumer Research Institute (CRI) frequently collects data to report insights on the Tennessee housing market (Market Report), Tennessee consumers (Consumer Outlook Index), and Tennessee business leaders (Business Barometer), all of which are available at mtsu.edu/consumer. Please contact Dr. Michael Peasley for more information.

Michael Peasley, Ph.D.

Director, MTSU Consumer Research Institute
Email: michael.peasley@mtsu.edu



Business Barometer SPRING 2026

**MIDDLE
TENNESSEE**
STATE UNIVERSITY

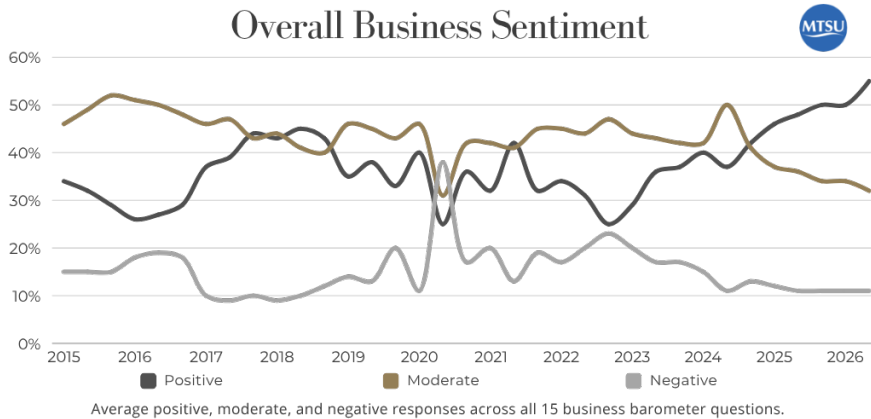
Jones College of Business
Consumer Research Institute

Positive Sentiment at an All-time High

Positive sentiment continues to strengthen, reaching an all-time high of 55% in the Tennessee Business Barometer, while negative sentiment remains low at just 11%. This sustained improvement reflects two key drivers underpinning growing confidence among Tennessee business leaders, beginning with the labor market.

Tennessee maintains a low unemployment rate of 3.4% and a tight labor market, with fewer than one unemployed worker per job opening, clear signals of sustained labor demand and ongoing business activity. While job growth has moderated, it has not contracted, reinforcing the perception that the economy is stabilizing rather than weakening. At the national level, data from the ADP Research Institute show that U.S. job growth modestly exceeded expectations in March 2026, with 62,000 new private-sector jobs and steady wage gains of 4.5% for job-stayers. Against this backdrop, Tennessee continues to outperform in several key areas, with steady wage growth, though not fully catching pace with inflation over the last five years, still supporting a baseline level of consumer spending and contributing to rising business optimism.

Second, many leaders anticipate improving macroeconomic conditions. Expectations of potential interest rate cuts, easing inflation pressures, and supply chain stabilization contribute to a more favorable outlook for borrowing, investment, and planning. Even if these improvements are gradual, the perception that conditions will be *less restrictive* in the near future is enough to support optimism.

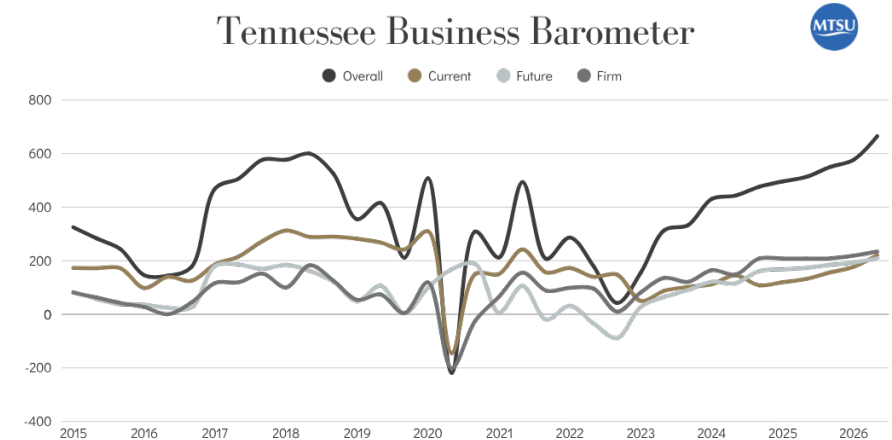


An Overview of the Tennessee Business Barometer Results

The Overall Business Barometer¹ has risen steadily and now stands at an all-time high, with the latest reading increasing by 116 points. This surge reflects a forward-looking optimism among Tennessee business leaders, who tend to emphasize future economic conditions over current sentiment. While consumers remain cautious, executives increasingly view the current environment as a transitional phase. Many are positioning their organizations to capitalize on anticipated demand improvements as confidence rebounds.

This optimism is evident across multiple dimensions of the business environment. Nearly 47% of leaders report that current economic conditions are favorable, and 57% expect further improvement over the next 12 months. Confidence is similarly strong at the industry level, with 58% describing current conditions as strong and the same share expecting continued gains. Regulatory sentiment has also improved, with 58% indicating favorable conditions today and 48% anticipating additional improvements in the year ahead.

Importantly, this confidence is translating into tangible business actions. Nearly half (49%) of executives plan to increase investment in their firms this year, compared to just 8% who expect to scale back. Growth expectations are also robust, with 62% of leaders projecting higher sales and 50% anticipating employment growth. Together, these indicators suggest that Tennessee businesses are not only optimistic but actively preparing for expansion.



¹ The Tennessee Business Barometer scores are based on business leaders' responses to 15 questions measuring their perceptions of the current economy, future economy, regulatory conditions, and economic conditions related to their firm and business industry. Five questions make up the Current Economic Situation Index, five questions make up the Future Expectations Index, and five questions make up the Firm Performance Index. The Overall Outlook Index is based on all 15 questions combined. 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 positive score indicates business leaders who hold positive views of the economy outnumber those who hold negative views of the economy (vice versa for a net negative score).