



# Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce & Industry

Office of Consumer Research

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April 19, 2021

## Outlook Improves Dramatically as Vaccinations Increase and Economic Activity Accelerates

Outlook for the future has improved dramatically in the last three months. Although outlook had declined earlier in the year, Tennessee business leaders have become increasingly optimistic about the future of the economy. This is due in part to increasing vaccinations and the accompanying economic activity resulting from businesses opening up and consumers spending. The Tennessee Business Barometer Index rose to 494 from 212 in January.

Along with growing optimism for an improving economy, perceptions of the current economy improved significantly. The Current Situation Index gained to 242 from 150. This is accompanied by a more favorable outlook for individual business/firm performance. However, perceptions regarding employment outlook remained negative and unchanged.

This improving optimism is tempered by fears of higher taxes, more government regulation, and an inability of government, political parties, and political leaders to solve problems.

### Tennessee Business Barometer Index and Sub-Indices

	April 2020	July 2020	October 2020	January 2021	April 2021 <sup>1</sup>
Overall Business Barometer	-219	88	309	212	494
Current Economic Situation Index	-145	68	150	150	242
Future Economic Expectations Index	168	176	188	6	106
Business/Firm Performance Index	-201	-132	-24	65	155
Employment Outlook Index	-41	-23	-6	-9	-9

<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/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.

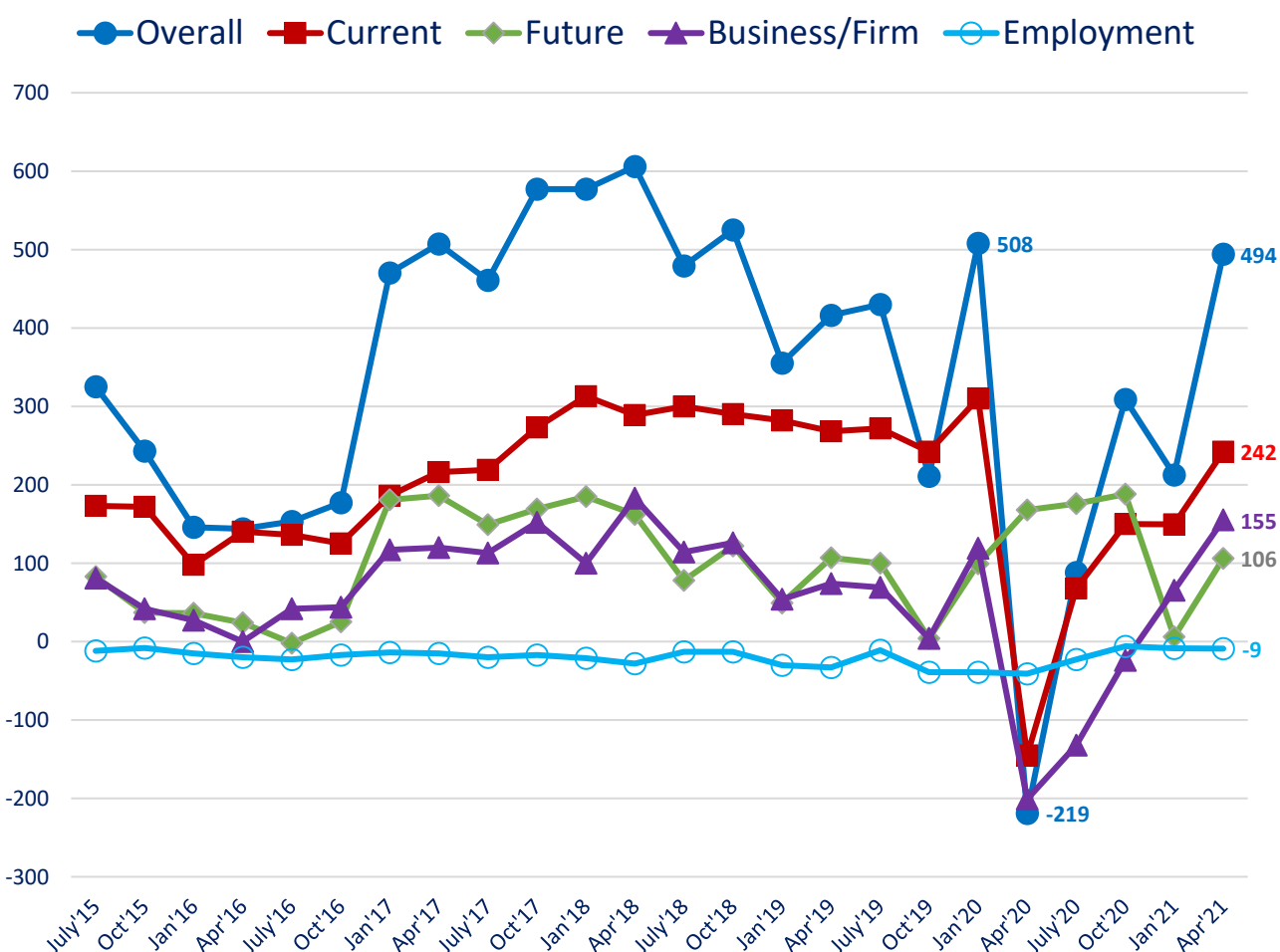
The scores for each index are computed by adding the percentage of favorable responses to each question and subtracting the percentage of negative responses to each question. A net score of zero would indicate the percentage of business leaders who hold negative views of the economy is equal to the percentage 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 114 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce & Industry between April 8 and April 16. The sample of respondents includes business owners (28%), vice presidents (13%), senior managers (31%), and managers/others (28%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for July 2021.

### Approaching Pre-Pandemic Optimism

The Overall Business Barometer and the Future Expectations Index are now close to where they were in January 2020, prior to the outbreak of COVID-19. Further, outlook regarding individual firm performance is now higher than it was in January 2020. Aside from a slight decrease in perceptions of the current regulatory environment and growing frustrations with an inability to find qualified employees, all other aspects of the index improved from January.

## Tennessee Business Barometer



## More Positive Views of the Current Economy

Perceptions of the current economy improved significantly from January. The percent who said economic conditions in the country as a whole are “good” rose to 34 from 10. More dramatically, the percent who said conditions in Tennessee are “good” improved to 64 from 38.

## Improving Outlook for the Future

Throughout the pandemic last year, Tennessee business leaders remained fervently optimistic about an improving economy. Although such optimism waned earlier this year, hope for a brighter economic future has returned. The percent who said economic conditions in the U.S. will be “better” 12 months from now rose to 44 from 29. Conversely, the percent who said economic conditions in the U.S. will be “worse” declined to 33 from 43.

Growing optimism for the Tennessee economy was equally substantial. The percent who said economic conditions in Tennessee will be “better” 12 months from now gained to 48 from 37, whereas the percent who said conditions will be “worse” fell to 7 from 23. There were also large net increases in optimism regarding economic conditions for industries in which businesses operate as well as economic conditions for those specific businesses.

## Growing Firms and Businesses

Tennessee business leaders have become much more bullish on the prospects for their individual firms and businesses. There were significant net gains in the percent who expect their businesses to grow, invest more, achieve higher sales, increase profitability, and increase inventories. As sales and revenues grow and firms invest more and purchase more inventory, this can spur on even greater economic growth.

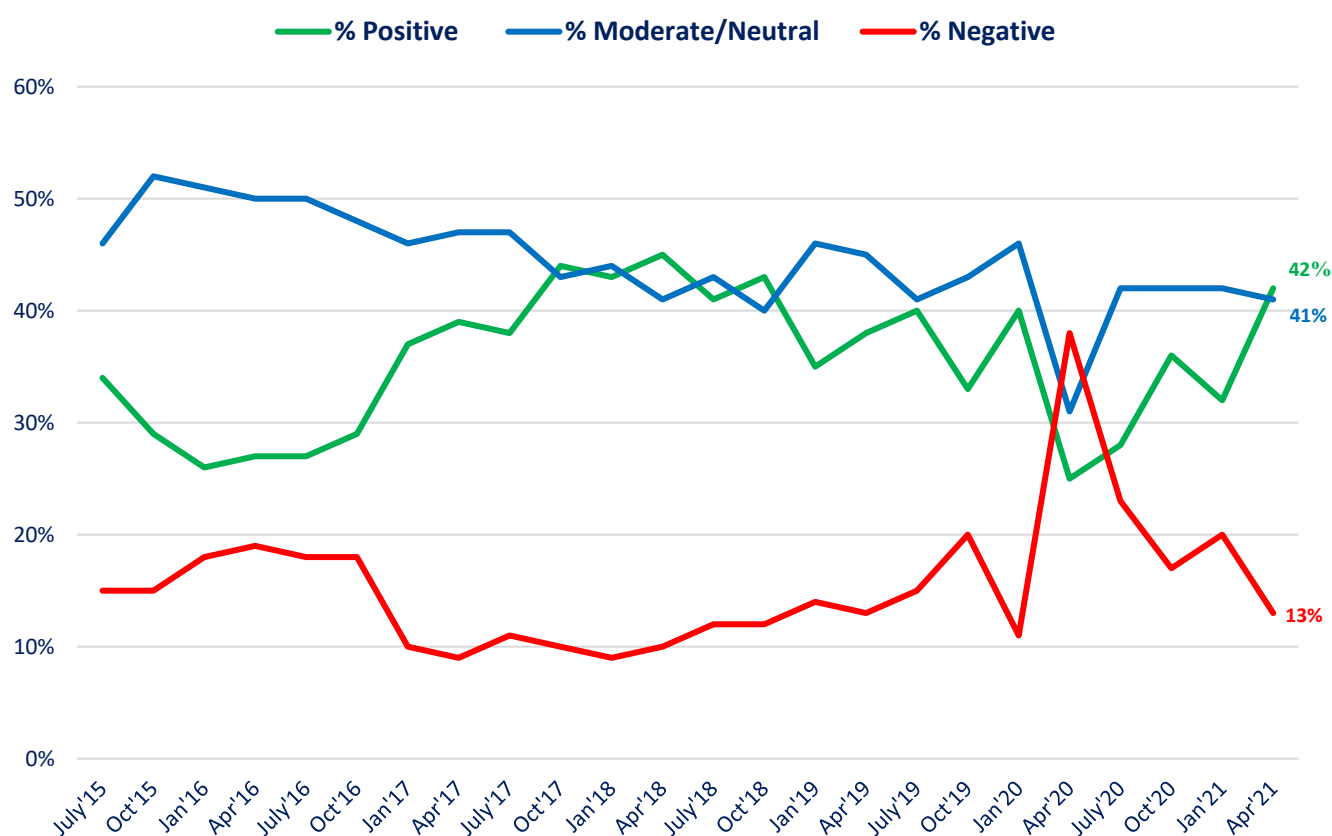
## Employment and Hiring

The Employment Outlook Index remained negative and unchanged. However, this was the result of two offsetting trends. As economic activity regains momentum, a growing number of firms expect to hire more employees. The percent who said they expect to “increase” employment in the next 12 months rose to 48 from 37. However, finding those qualified employees remains difficult. The percent who said qualified employees are “easy to find” fell to 4 from 8. Further, the percent who said they are “hard to find” increased to 58 from 42.

## Overall Positive vs. Negative Outlook

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. Since its inception in 2015, most responses have been either positive or moderate/neutral. The percentage of positive responses increased to 42 from 32 in January. The percentage of negative responses declined to 13 from 20. This shows that overall, business leaders hold significantly more positive views compared to negative views.

**Average Percentage of Positive, Moderate/Neutral, and Negative Responses to all 17 Business Barometer Questions**



## Reasons for the Improving Outlook

Respondents were also asked, “Why did you rate the future of the overall American economy as you did?” Those who expect the economy to improve in the near future were buoyed by positive signs seen as the economy emerges from COVID-19, the number of vaccinations increases, and consumers return to more normal shopping patterns and other activities. Such positive sentiments are illustrated by the following comments made by these more optimistic business leaders.

- *Rapidly increasing activity across almost all sectors.*
- *Population will be vaccinated which will allow businesses to re-open creating jobs and income.*
- *Vaccines should enable most if not all of the economy to open back up.*
- *As the impact of Covid-19 shutdowns diminish, we believe the economy will continue to improve. The biggest obstacle to that growth could be the pending Biden Administration policies on taxes if enacted as discussed, they will have a chilling impact on economic growth.*
- *The stimulus money and pent up demand from the covid lockdowns.*
- *Significant amount of stimulus hitting the economy. Vaccination roll-out is progressing, and lock-downs are being eased.*
- *Every indicator including our business is looking positive. I do not expect, even a fourth wave of the pandemic, to de-rail the comeback.*
- *States that opened early in 2020 are doing well, while states that are just now reopening are doing poorly. As the late reopeners resume activity, the country as a whole will improve.*
- *I see growth and expansion in businesses as we move out of 2020.*
- *I expect the economy to improve as the pandemic subsides and more areas of the country reopen fully.*

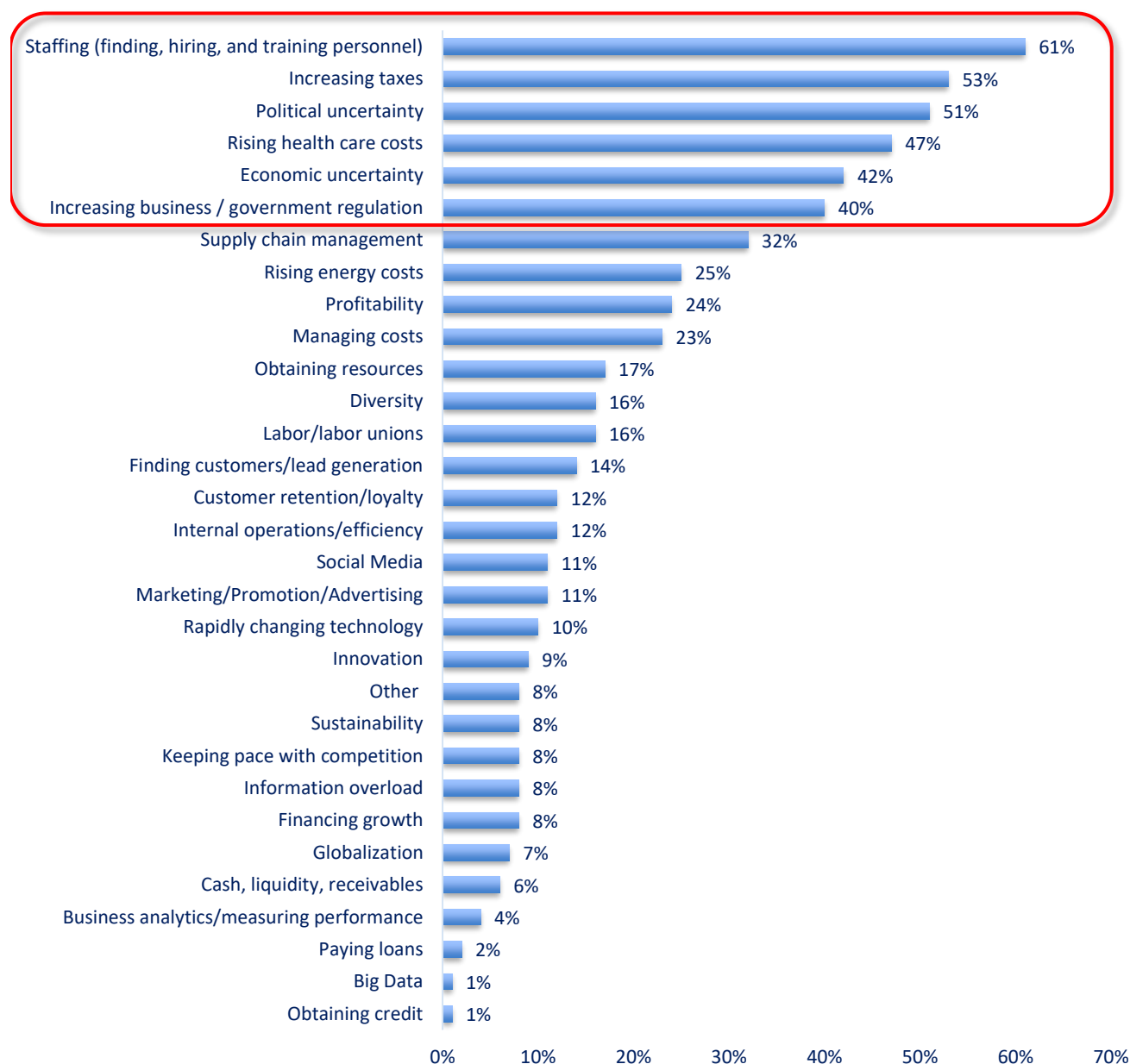
This trend toward increased optimism is tempered by concerns regarding federal policies that could negatively impact businesses, and thus, the overall economy. These concerns are illustrated by the following comments made by relatively pessimistic business leaders who expect the economy to worsen in the near future.

- *Concern for the workforce declining as stimulus money and unemployment benefits continue to rise.*
- *Closing pipeline; not focusing on American businesses.*
- *Federal Government excessive spending.*
- *I do not feel the economy is secure with the leadership that is currently in place.*
- *US Tax and Spending Policy.*
- *Excessive debt.*
- *Current leadership and regulatory compliance are negatively impacting US commerce resulting in cost increases and inflation. It is expected to continue to worsen.*

## Business Concerns and Challenges

Respondents identified the areas in which their firm/business is currently facing challenges. The chart below shows the percentage of respondents who selected each issue. Staffing remains high on the list of concerns. However, many business leaders are also concerned about the negative effects of increasing taxes on their firm/business. Concerns also exist regarding political and economic uncertainty, rising healthcare costs, and increasing regulation.

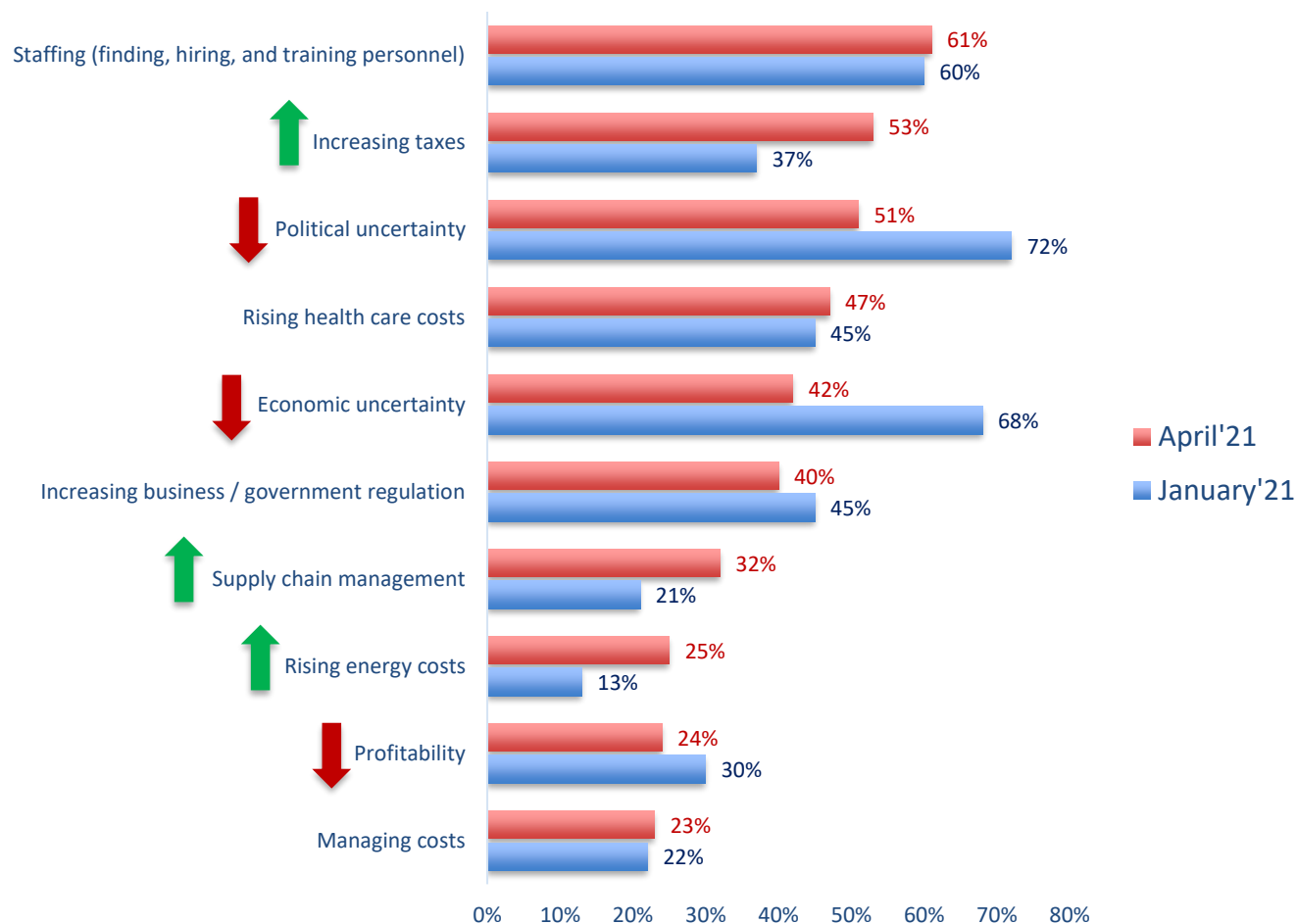
### In which of the following areas is your firm/business currently facing concerns, issues, or challenges? (check all that apply)



## Shifting Concerns and Challenges

The chart below shows the 10 challenges most often cited by business leaders in April 2021 compared to the percent who cited these same challenges in January 2021. There are significant increases in the percentage of business leaders concerned about the potential negative effects of increasing taxes, rising energy costs, and issues related to supply chain management on their firm/business. Conversely, as the percentage of business leaders who are concerned about political and economic uncertainty declined, so too did the percentage who were concerned with profitability of their firm/business.

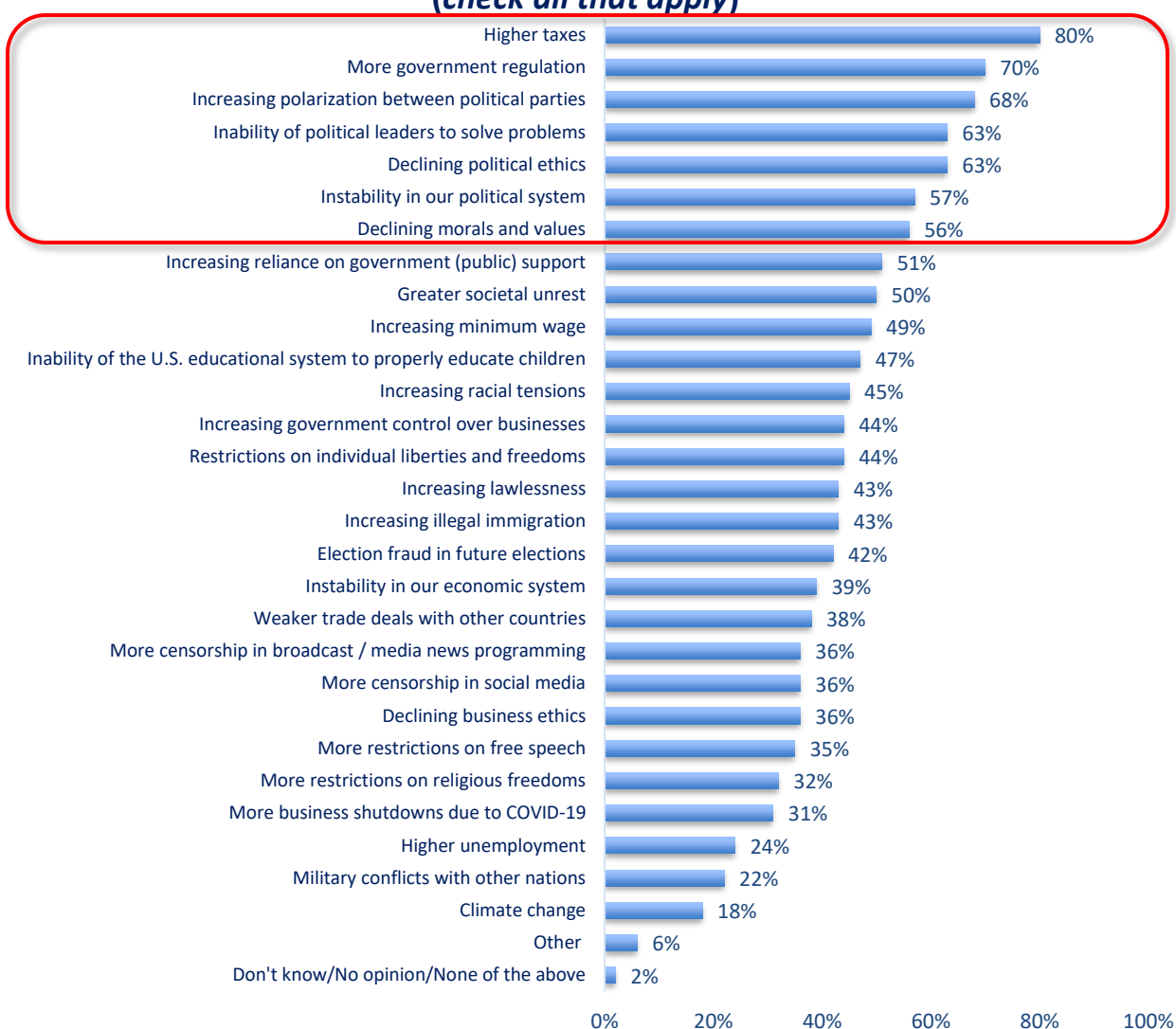
### Most Often Cited Challenges: Percent Selecting Each Challenge in April 2021 Compared to January 2021 (Greater than five percent change indicated by arrow)



## Concerns or Worries for the Future of Our Nation and/or Our Economy

In addition to citing concerns or challenges facing their individual firm or business, respondents indicated any concerns or worries they have for the future of our nation and/or our economy. Higher taxes was the most often cited concern or worry. This was followed by concerns regarding more governmental regulation and an inability of political parties and leaders to solve problems. Declining political ethics and an overall decline in morals and values were also frequently cited.

### Which of the following concerns or worries do you have for the future of our nation and/or our economy? (check all that apply)

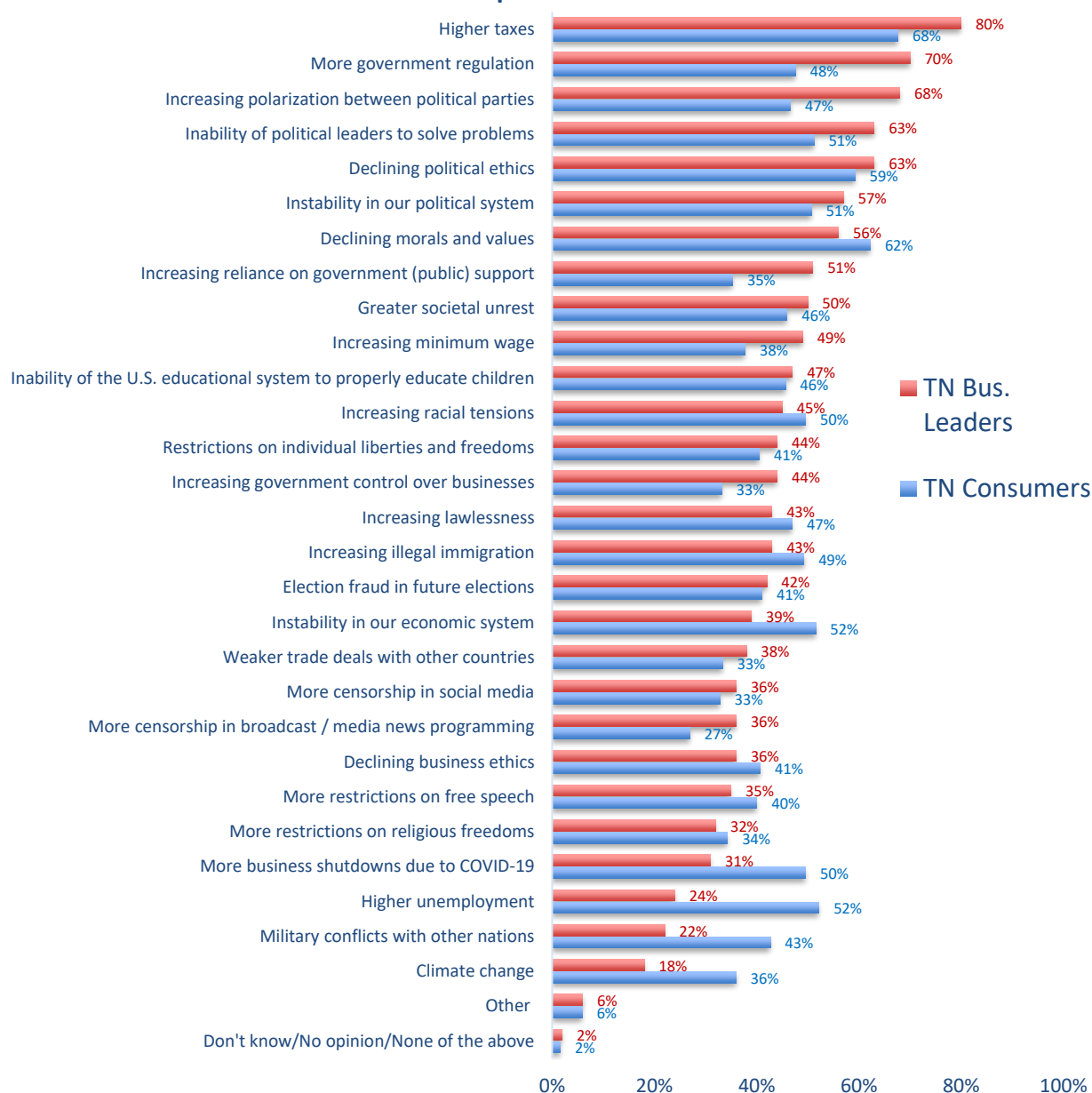




## Comparing the Concerns or Worries of Business Leaders to Those of Consumers

The most recent Tennessee Consumer Outlook Index Survey conducted in March 2021 asked 600 Tennessee consumers to indicate their concerns or worries for the future of our nation and/or our economy. The chart below shows how consumers responded compared to the current sample of Tennessee business leaders. Higher taxes was the most often cited concern among both groups. Interestingly, business leaders are more concerned with government regulation and polarization of political parties, whereas consumers were more concerned with declining morals and values, instability in our economic system, business shutdowns, higher unemployment, and military conflicts.

**Concerns or Worries for Our Nation and/or Our Economy**  
**TN Business Leaders compared to TN Consumers**



Tennessee Business Barometer Results		July 2020 (%)	Oct 2020 (%)	Jan 2021 (%)	April 2021 (%)	Net Change from January 2021*
Overall economic conditions in the U.S. are: <sup>C</sup>	Good	9	15	10	34	+32
	In between	65	67	72	56	
	Bad	25	18	18	10	
Twelve months from now overall economic conditions in the U.S. will be: <sup>F</sup>	Better	55	60	29	44	+25
	About same	24	16	25	23	
	Worse	18	13	43	33	
Economic conditions in Tennessee are: <sup>C</sup>	Good	23	34	38	64	+32
	In between	67	58	55	36	
	Bad	10	7	6	0	
Twelve months from now economic conditions in Tennessee will be: <sup>F</sup>	Better	54	53	37	48	+27
	About same	33	36	36	45	
	Worse	10	6	23	7	
Economic conditions in your industry are: <sup>C</sup>	Good	32	54	50	61	+17
	In between	49	34	37	34	
	Bad	17	12	12	6	
Twelve months from now economic conditions in your industry will be: <sup>F</sup>	Better	51	46	35	42	+20
	About same	36	40	42	52	
	Worse	9	6	19	6	
Regulatory conditions in your industry are: <sup>C</sup>	Good	43	45	48	44	-2
	In between	42	51	33	43	
	Bad	9	3	8	6	
Twelve months from now regulatory conditions will be: <sup>F</sup>	Better	14	15	5	7	+9
	About same	71	70	47	58	
	Worse	7	9	35	28	
Economic Conditions for your firm/business are: <sup>C</sup>	Good	36	52	58	65	+14
	In between	49	37	32	30	
	Bad	15	10	11	4	
Twelve months from now economic conditions for your firm/business will be: <sup>F</sup>	Better	54	55	37	48	+19
	About same	35	34	44	42	
	Worse	8	7	17	9	
Compared to last year will your firm grow: <sup>B/F</sup>	More	16	28	40	47	+16
	About same	27	28	36	41	
	Less	55	40	19	10	
Compared to last year will your firm invest: <sup>B/F</sup>	More	20	25	22	39	+31
	About same	30	45	49	47	
	Less	40	21	24	10	

Tennessee Business Barometer Results		July 2020 (%)	Oct 2020 (%)	Jan 2021 (%)	April 2021 (%)	Net Change from January 2021*
Compared to last year will your firm's sales: <sup>B/F</sup>	Increase	19	30	48	56	+17
	Stay the same	26	28	31	32	
	Decrease	49	36	15	6	
Compared to last year will your firm's profitability: <sup>B/F</sup>	Increase	18	24	38	42	+12
	Stay the same	29	37	37	42	
	Decrease	47	34	19	11	
Compared to last year will your firm's inventories: <sup>B/F</sup>	Increase	6	15	12	20	+13
	Stay the same	33	43	40	39	
	Decrease	20	15	17	12	
In the next 12 months will employment at your firm/business: <sup>E</sup>	Increase	24	45	37	48	+20
	Stay the same	54	42	47	47	
	Decrease	19	13	12	3	
Qualified employees are: <sup>E</sup>	Easy to find	8	7	8	4	-20
	Found with effort	49	45	45	32	
	Hard to find	36	45	42	58	

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

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

<sup>B/F</sup> Included in the Business/Firm 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, the net change score is +14. Any differences between the net change score reported in the last column and the numbers shown in the table are due to rounding.

## 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 online surveys of 114 business leaders throughout the state of Tennessee. The survey was conducted between April 8 and April 16. With a sample of 114 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  $\pm 9\%$ . Other factors such as problems with question wording and interpretation can introduce additional bias or error.

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](mailto:tim.graeff@mtsu.edu).

For more information about the Tennessee Chamber of Commerce and 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/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?