



Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce & Industry

Office of Consumer Research

Director Timothy R. Graeff, Ph.D., Tim.Graeff@mtsu.edu, 615-898-5124

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Outlook Declines Amid Growing Pessimism and Fears for the Future Economy

Outlook among Tennessee Business Leaders declined in the last three months. In addition to continuing concerns about staffing and finding qualified employees, business leaders are increasingly worried about rising costs, economic and political uncertainty, and a potential recession. The Tennessee Business Barometer declined to 180 from 287 in January 2022.

Business leaders' views on the current economy dropped, with the Current Situation Index declining to 140 from 173. However, the most significant driver of the declining outlook was the drop in the Future Expectations Index, which sank to -34 from 32. The Future Expectations Index is now at its lowest level since these surveys began in 2015.

The current online survey of 83 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce & Industry between April 5 and April 13. The sample of respondents includes business owners (35%), vice presidents (14%), senior managers (29%), and managers/others (22%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for July 2022.

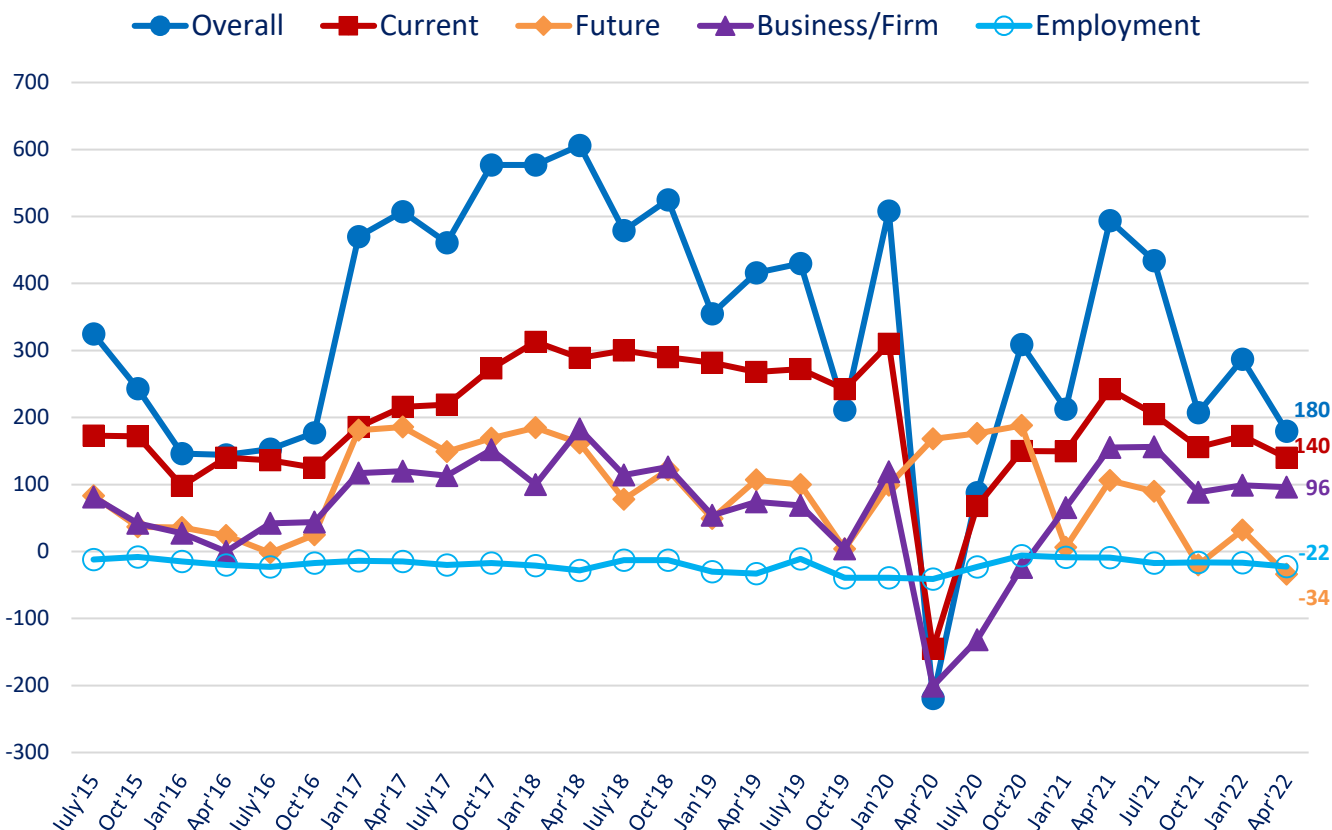
Tennessee Business Barometer Index and Sub-Indices

	April 2021	July 2021	Oct. 2021	Jan. 2022 ¹	April 2022	Change from Jan
Overall Business Barometer	494	434	207	287	180	-107
Current Economic Situation Index	242	205	156	173	140	-33
Future Economic Expectations Index	106	90	-20	32	-34	-66
Business/Firm Performance Index	155	156	88	99	96	-3
Employment Outlook Index	-9	-17	-16	-17	-22	-5

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.

Tennessee Business Barometer



Views of the Overall Economy

Perceptions of the current U.S. economy continue to decline. The percentage who said economic conditions in the country as a whole are “good” declined to 17 from 24. The percentage who said conditions are “bad” rose to 32 from 29. Nearly twice as many business leaders now view the current economy negatively versus positively. Perceptions of the Tennessee economy also declined. The percent who said conditions in Tennessee are “good” dipped to 46 from 50, while the percentage who said they are “bad” inched up to 9 from 5. However, Tennessee business leaders remain much more upbeat about the Tennessee economy than the overall U.S. economy.

Outlook for the Future

Outlook for the future fell significantly. The percent who expect economic conditions in the U.S. to be “better” 12 months from now dropped to 12 from 24, while the percent who said conditions will be “worse” rose to 57 from 37. The majority of business leaders now expect the future of the U.S. economy to be “worse.” The percent who expect economic conditions in

Tennessee to be “better” also fell to 17 from 30, while the percent who expect conditions will be “worse” rose to 25 from 15.

Industry, Regulatory Conditions, and Business/Firm Performance

In addition to the declining outlook for the overall economy, there were significant net declines in outlook regarding future economic conditions and current regulatory conditions for specific industries in which businesses operate. However, the outlook for specific firm performance remained relatively steady. There were minimal net improvements in the percent of business leaders who expect to see their firms grow and invest more this year. There were minimal net declines in the percent who expect to see their firms increase sales, be more profitable, and increase inventories.

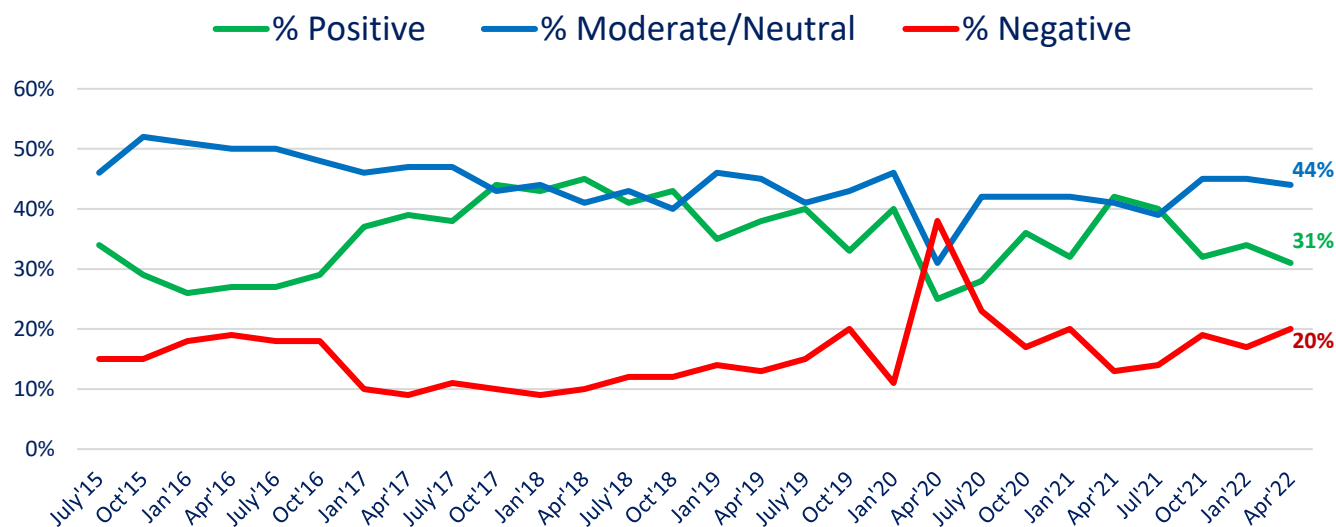
Employment and Hiring

Tennessee businesses continue to struggle to find qualified employees. Even though the percentage of firms expecting to increase employment remained unchanged from January, only 1 percent said qualified employees are “easy to find.” The vast majority (61%) said qualified employees are “hard to find.”

Overall Positive vs. Negative Outlook

Even with these declines in overall outlook and expectations for the economy’s future, perceptions of Tennessee business leaders remain relatively 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. Since its inception in 2015, most responses have been either positive or moderate/neutral. Overall, business leaders hold more positive views (31%) than negative views (20%). However, the largest percentage (44%) currently has relatively moderate or neutral views of the economy.

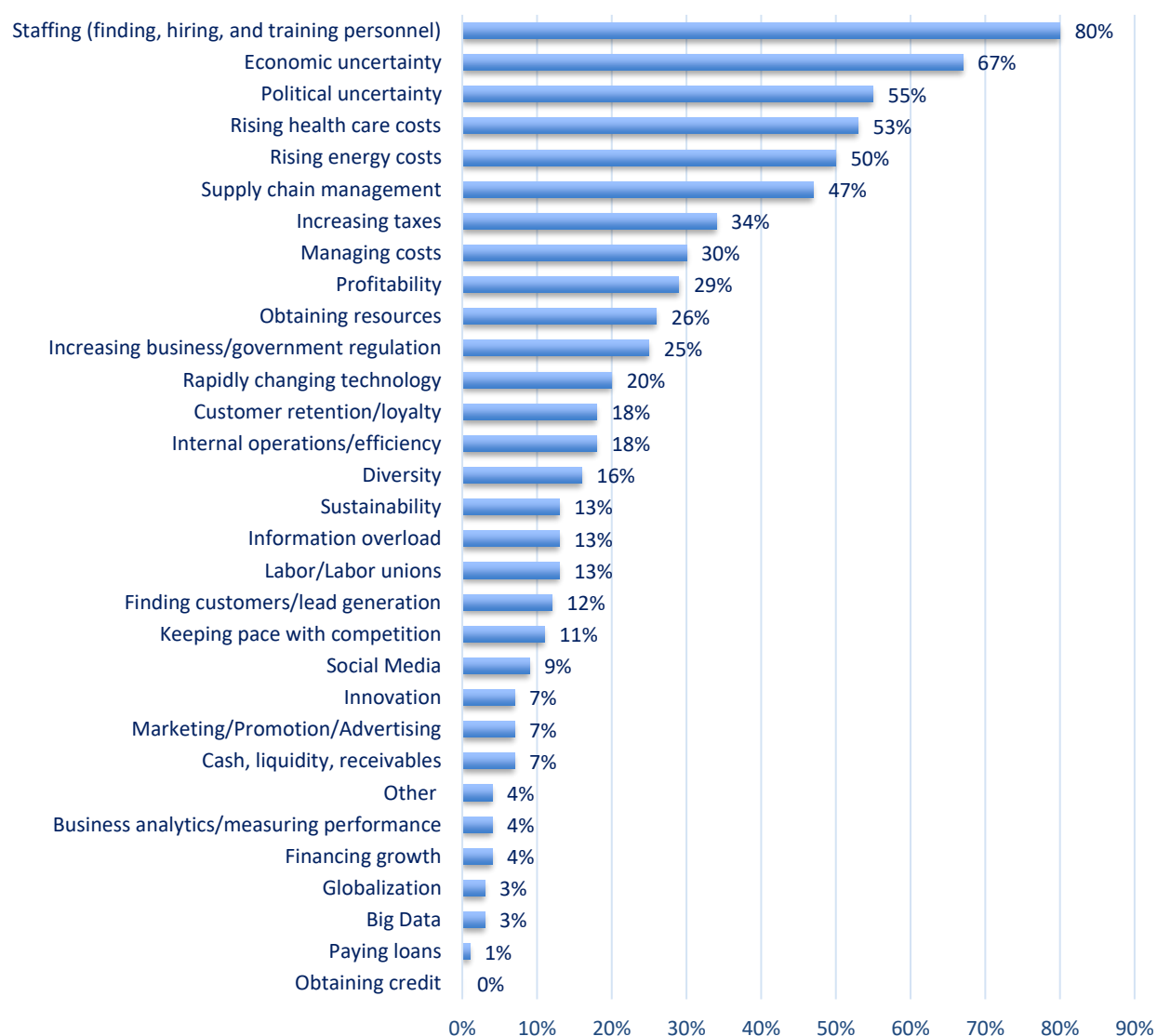
Average Percentage of Positive, Moderate/Neutral, and Negative Responses to all 17 Business Barometer Questions



Business 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. Labor and staffing remain the most often cited concern (80%), followed by economic (67%) and political uncertainty (55%). Concerns related to rising costs for healthcare (53%), energy (50%), and taxes (34%) are also on the minds of business leaders. Supply chain management (47%) remains a concern. Difficulty finding qualified employees, economic and political uncertainty, supply chain disruptions, and rising costs can put a damper on future spending and investments by businesses. Such declines in spending can further hinder economic recovery and growth.

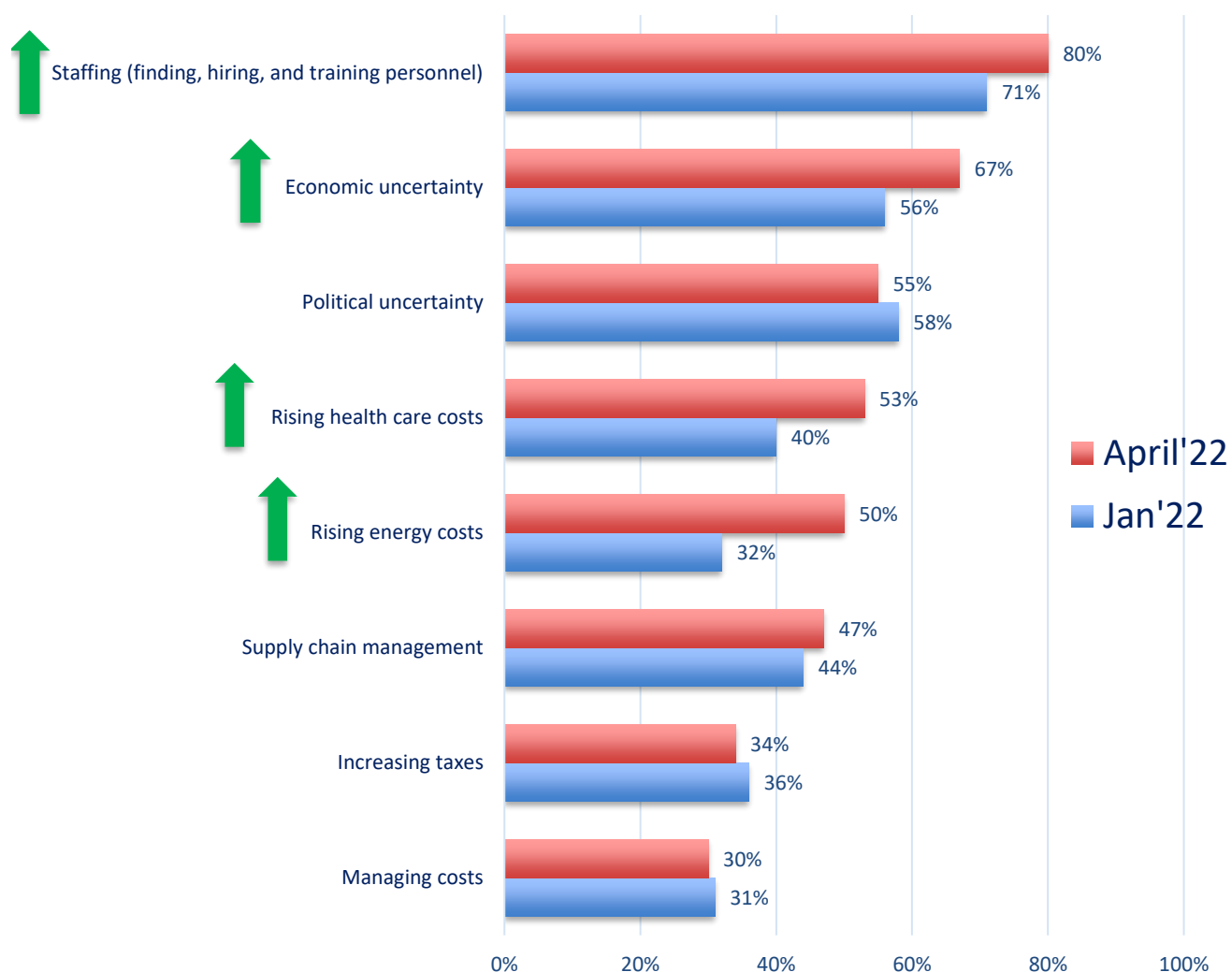
In which of the following areas is your firm/business currently facing concerns, issues, or challenges? (Check all that apply)



Shifting Challenges

The chart below shows the eight challenges most often cited by business leaders in April 2022 compared to the percent who cited these same challenges in January 2022. There are notable increases in the percentage of business leaders expressing concerns about staffing, economic uncertainty, and rising costs for health care and energy.

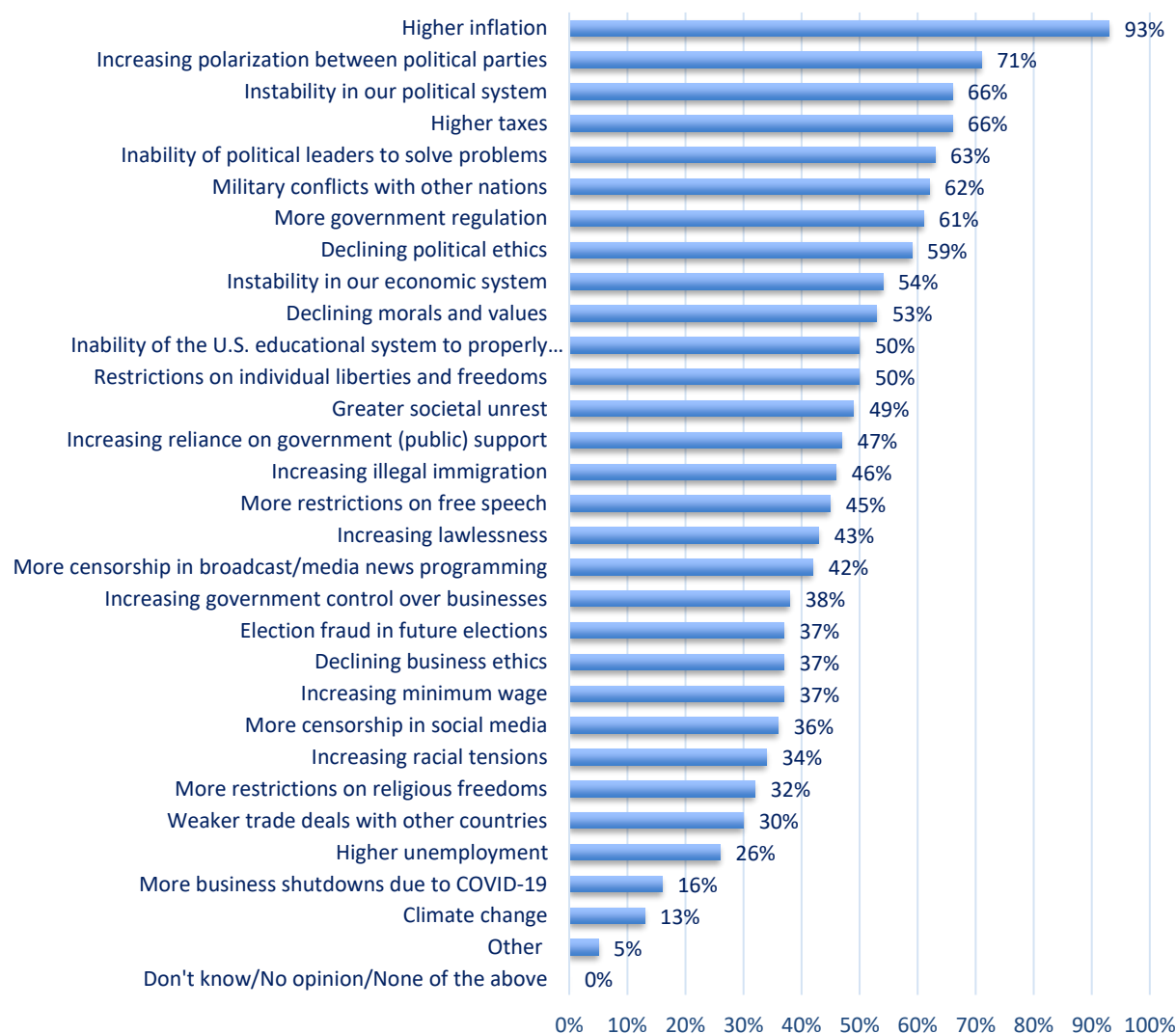
Most Often Cited Challenges: Percent Selecting Each Challenge in April 2022 Compared to January 2022 (Greater than five percent change indicated by arrow)



Concerns or Worries for the Future of Our Nation or Our Economy

In addition to citing challenges facing their firm or business, respondents indicated any concerns or worries they have for the future of our nation or our economy. Nearly all respondents (93%) cited higher inflation as a concern or worry. This was followed by concerns regarding increasing polarization between political parties (71%), instability in our political system (66%), higher taxes (66%), and the inability of political leaders to solve problems (63%). Aside from rising inflation, political-related issues are of most concern for Tennessee business leaders. Even though the conflict in Ukraine dominates much of the news coverage, concerns about military conflicts with other nations (62%) were not the most often cited.

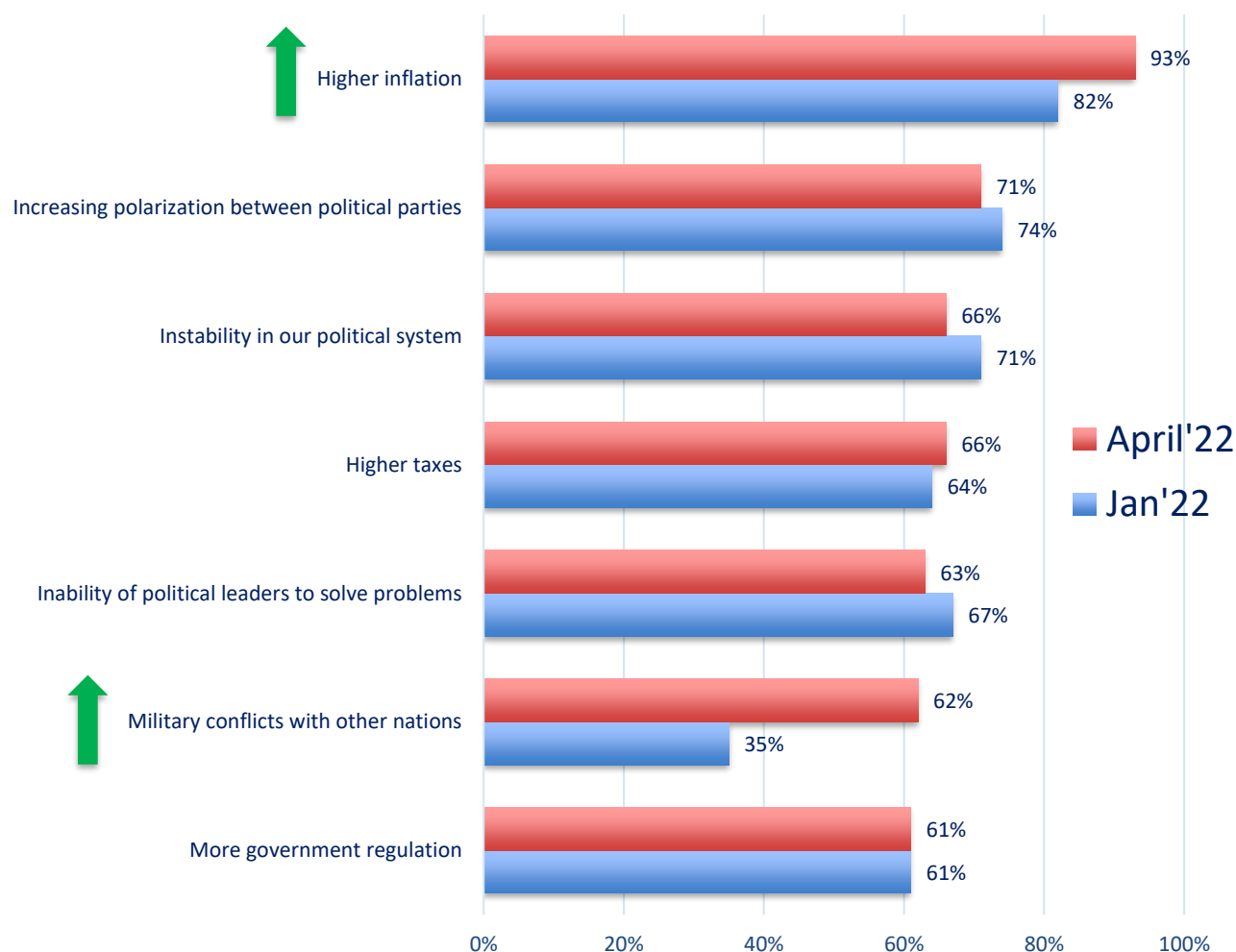
Which of the following concerns or worries do you have for the future of our nation or our economy? (Check all that apply)



Shifting Concerns or Worries for the Future

The chart below shows the seven concerns most often cited by business leaders in April 2022 compared to the percent who cited these same concerns in January 2022. There are notable increases in the percentage of business leaders expressing concerns about inflation and potential military conflicts with other nations. However, inflation remains the most often cited concern.

Most Often Cited Concerns: Percent Selecting Each Concern in April 2022 Compared to January 2022 (Greater than five percent change indicated by arrow)



In Their Own Words

Respondents were asked to indicate why they evaluated the economy as they did. The verbatim comments below illustrate Tennessee business leaders' concerns in their own words. Most comments centered around inflation and fears of a potential recession, political and leadership concerns, and external forces such as the conflict in Ukraine. However, not all comments were negative. Some respondents offered positive and optimistic comments.

Inflation:

- *Inflation is a hard thing to stop in a short time frame. A likely recession is definitely in our future. We must attack oil production immediately. Rates will go up and people will feel the pinch. Just hope we don't have to go Paul Volcker route of 20%!*
- *Inflation, believe unemployment will increase as we remain uncompetitive with the world*
- *Current inflation could have a negative effect on continued growth.*
- *Inflation is going to impact how much extra income consumers can spend on non-essential items.*
- *I think we have a recession in the future to break the inflation we are in. Plus, Ukraine is going to upset many supply changes.*

Politics and Leadership:

- *Lack of Federal Leadership*
- *Large problems are being ignored*
- *Failed federal policies driving up inflation, core inflation numbers are only going to increase, lack of support for American energy production, runaway federal spending, open U.S./Mexican border adding cost and undercutting labor market with illegals, COVID restrictions still haven't gone completely away, over 1 million American workers have not re-entered the workforce*
- *No one seems to be trying to make things better even though there are solutions.*
- *No changes until midterm elections*
- *Inflation, poor energy policy, and a totally inept federal administration*
- *Political uncertainty in united states and worldwide*
- *Price of fuel, continued shortages and war in Ukraine + little effort from D.C. to make course corrections and deliver solutions.*
- *Inflation, and bad national leadership*
- *Washington does not like prosperity*

External Forces:

- *I think the Russians are messing up the global market*
- *Our economy is too dependent on import/exports and other countries. Our gas prices and insurance rates are so high that soon no one will be able to afford to leave their homes to work.*

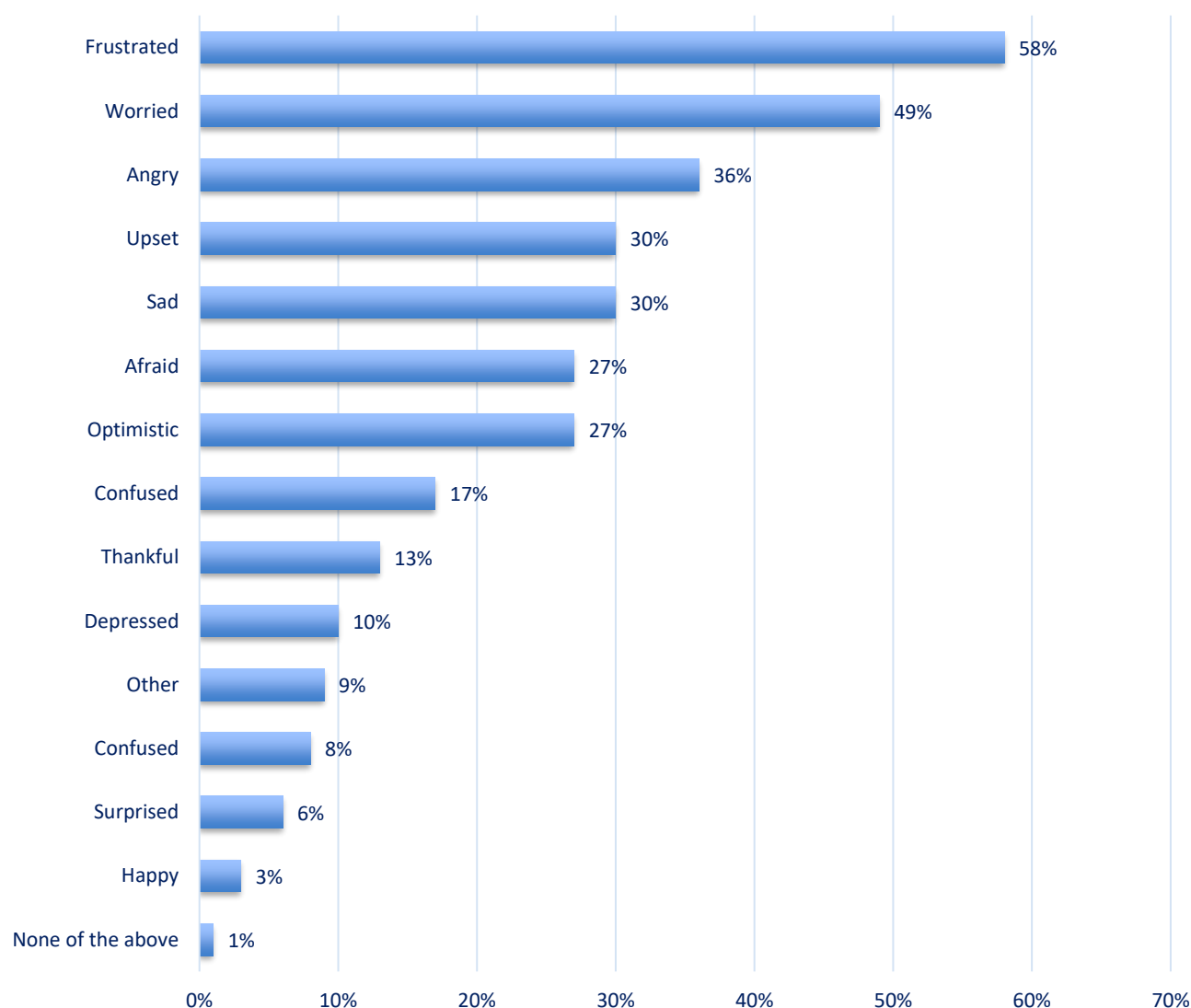
Positive Views:

- *Everything I hear on the news and experience in my community seems good. Additionally, my business is doing well and the clients we work for are doing well.*
- *Private sector remains solid*
- *It will be good*
- *Demand remains strong amid global turmoil*

Economic Outlook and Emotions

Respondents were also asked to indicate the words that best describe how they feel when thinking about the future of our nation or our economy. Tennessee business leaders feel frustrated (58%) and worried (49%) about the economy's future. Further, more than one-third feel angry (36%), and nearly one-third feel upset (30%) or sad (30%). Only 27 percent said they feel optimistic and only 3 percent feel happy. Only 6 percent said they were surprised.

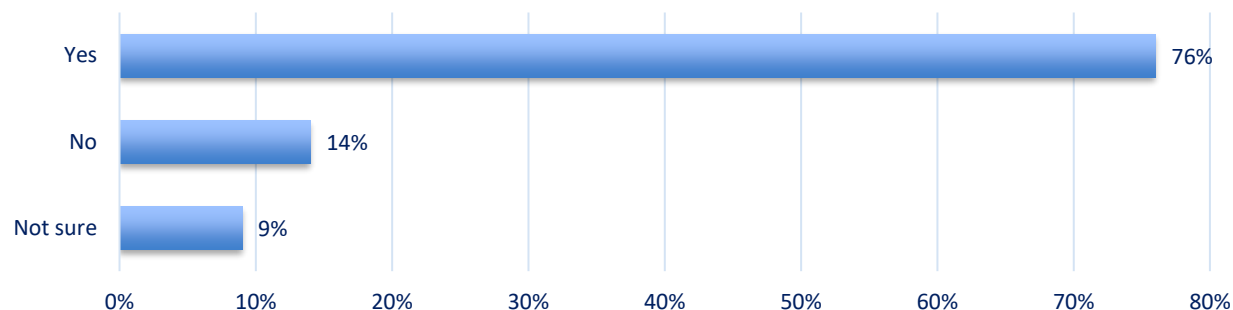
Which of the following words describe how you feel when you think about the future of our nation or our economy? (Check all that apply)



Interaction with The Tennessee Chamber of Commerce and Industry

In addition to questions about the economy, respondents were asked questions related to their interaction with the Tennessee Chamber of Commerce. Most of the respondents to this survey (76%) are current members of the Tennessee Chamber of Commerce.

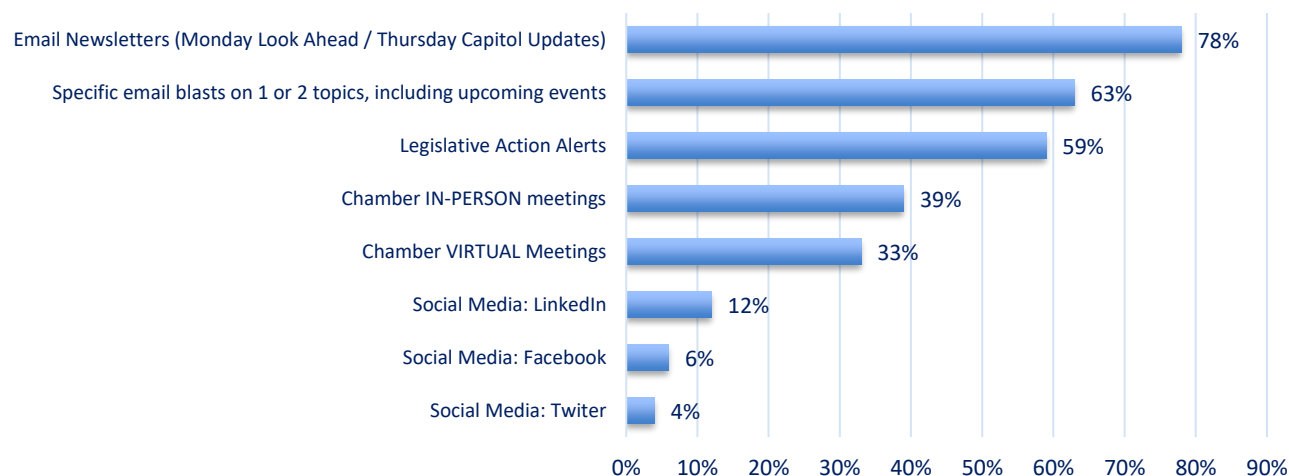
Are you currently a member of the Tennessee Chamber of Commerce and Industry?



Members of the Tennessee Chamber of Commerce were then asked to indicate the types of Chamber communications they find more helpful. Email newsletters are seen as the most helpful (78%), followed by specific email blasts about a few topics or upcoming events (63%) and legislative action alerts (59%).

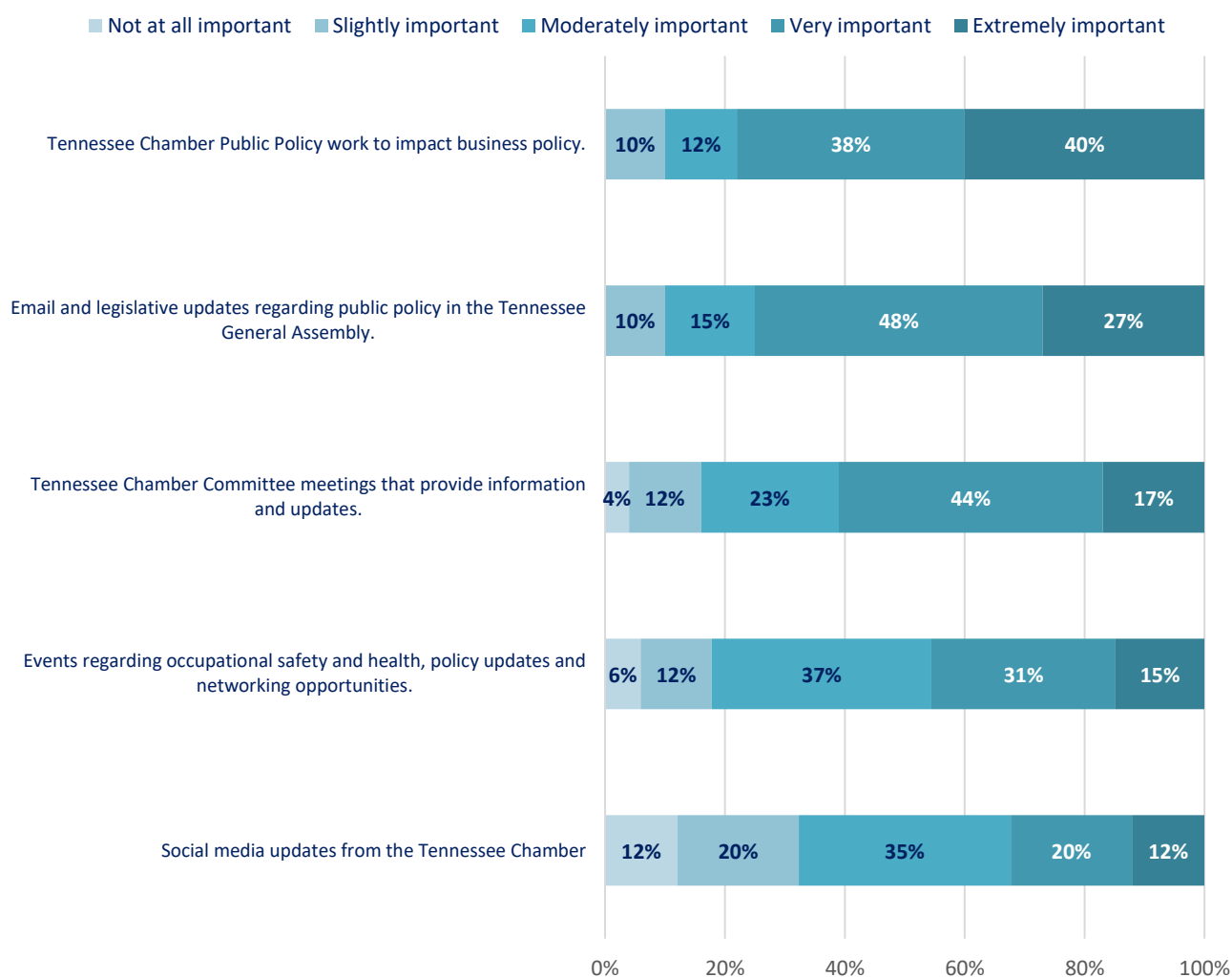
Which of the following communication efforts by the Tennessee Chamber of Commerce do you find most helpful?

(Check all those that you find helpful)



Chamber members also indicated the importance of various Chamber activities. Tennessee Chamber's public policy work to impact business policy was seen as the most important (78% responded either "very important" or "extremely important"). This was followed closely by email and legislative updates regarding public policy in the Tennessee General Assembly (75% responded either "very important" or "extremely important").

**As a member of the Tennessee Chamber of Commerce,
please indicate how important each of the following are
to you.**



Tennessee Business Barometer Results		July 2021 (%)	Oct 2021 (%)	Jan 2022 (%)	April 2022 (%)	Net Change from Jan 2022*
Overall economic conditions in the US are: ^C	Good	30	18	24	17	-10
	In between	54	57	48	51	
	Bad	15	23	29	32	
Twelve months from now overall economic conditions in the U.S. will be: ^F	Better	41	21	24	12	-32
	About same	26	29	37	30	
	Worse	29	46	37	57	
Economic conditions in Tennessee are: ^C	Good	54	48	50	46	-8
	In between	40	47	45	43	
	Bad	5	5	5	9	
Twelve months from now economic conditions in Tennessee will be: ^F	Better	43	28	30	17	-22
	About same	37	39	52	55	
	Worse	17	29	15	25	
Economic conditions in your industry are: ^C	Good	58	51	51	52	+2
	In between	31	38	39	39	
	Bad	9	12	10	8	
Twelve months from now economic conditions in your industry will be: ^F	Better	41	28	25	24	-10
	About same	48	58	62	56	
	Worse	7	13	10	19	
Regulatory conditions in your industry are: ^C	Good	42	42	46	33	-13
	In between	43	40	40	50	
	Bad	8	10	10	9	
Twelve months from now regulatory conditions will be: ^F	Better	6	3	6	7	+2
	About same	64	62	74	71	
	Worse	21	28	14	13	
Economic Conditions for your firm/business are: ^C	Good	64	51	60	55	-4
	In between	29	44	35	38	
	Bad	6	5	6	5	
Twelve months from now economic conditions for your firm/business will be: ^F	Better	41	26	33	29	-4
	About same	47	62	55	62	
	Worse	8	11	10	9	
Compared to last year will your firm grow: ^{B/F}	More	52	38	32	34	+2
	About same	33	43	42	42	
	Less	9	15	23	22	
Compared to last year will your firm invest: ^{B/F}	More	35	29	38	45	+1
	About same	42	46	48	34	
	Less	12	17	7	13	

Tennessee Business Barometer Results		July 2021 (%)	Oct 2021 (%)	Jan 2022 (%)	April 2022 (%)	Net Change from Jan 2022*
Compared to last year will your firm's sales: ^{B/F}	Increase	54	50	56	55	-3
	Stay the same	28	36	30	26	
	Decrease	7	11	10	12	
Compared to last year will your firm's profitability: ^{B/F}	Increase	45	31	30	32	-1
	Stay the same	33	49	36	37	
	Decrease	14	17	25	28	
Compared to last year will your firm's inventories: ^{B/F}	Increase	23	20	18	18	-2
	Stay the same	32	37	46	33	
	Decrease	11	19	11	13	
In the next 12 months will employment at your firm/business: ^E	Increase	45	53	46	46	-7
	Stay the same	49	42	50	42	
	Decrease	2	3	2	9	
Qualified employees are: ^E	Easy to find	2	1	2	1	+2
	Found with effort	31	30	30	36	
	Hard to find	62	67	63	61	

^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, 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).

The results reported here are based on online surveys of 83 business leaders throughout the state of Tennessee. The survey was conducted between April 5 and April 13. With a sample of 83 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 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.

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?