



# Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce & Industry

Office of Consumer Research

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## Outlook Among Tennessee Business Leaders Improves as Businesses Reopen

As businesses begin the process or reopening from the coronavirus/COVID-19 economic shutdown, outlook among Tennessee business leaders has improved. The Tennessee Business Barometer rose to 88 from -219 in April. This increase was due mainly to substantial improvements in perceptions of the current economy, validating previous gains in the future expectations index and business leaders' belief that the economy would recover once businesses reopen and consumers resume shopping and spending on entertainment, dining out, and other activities that make up a majority of our economy.

The Business/Firm Performance Index also rose, indicating business leaders expect improvements in their firm's growth, sales, and profitability. The fact that this sub-index is still negative indicates there is still room for significant improvement. Outlook for the future economy continued to improve, but only marginally.

### Tennessee Business Barometer Index and Sub-Indices

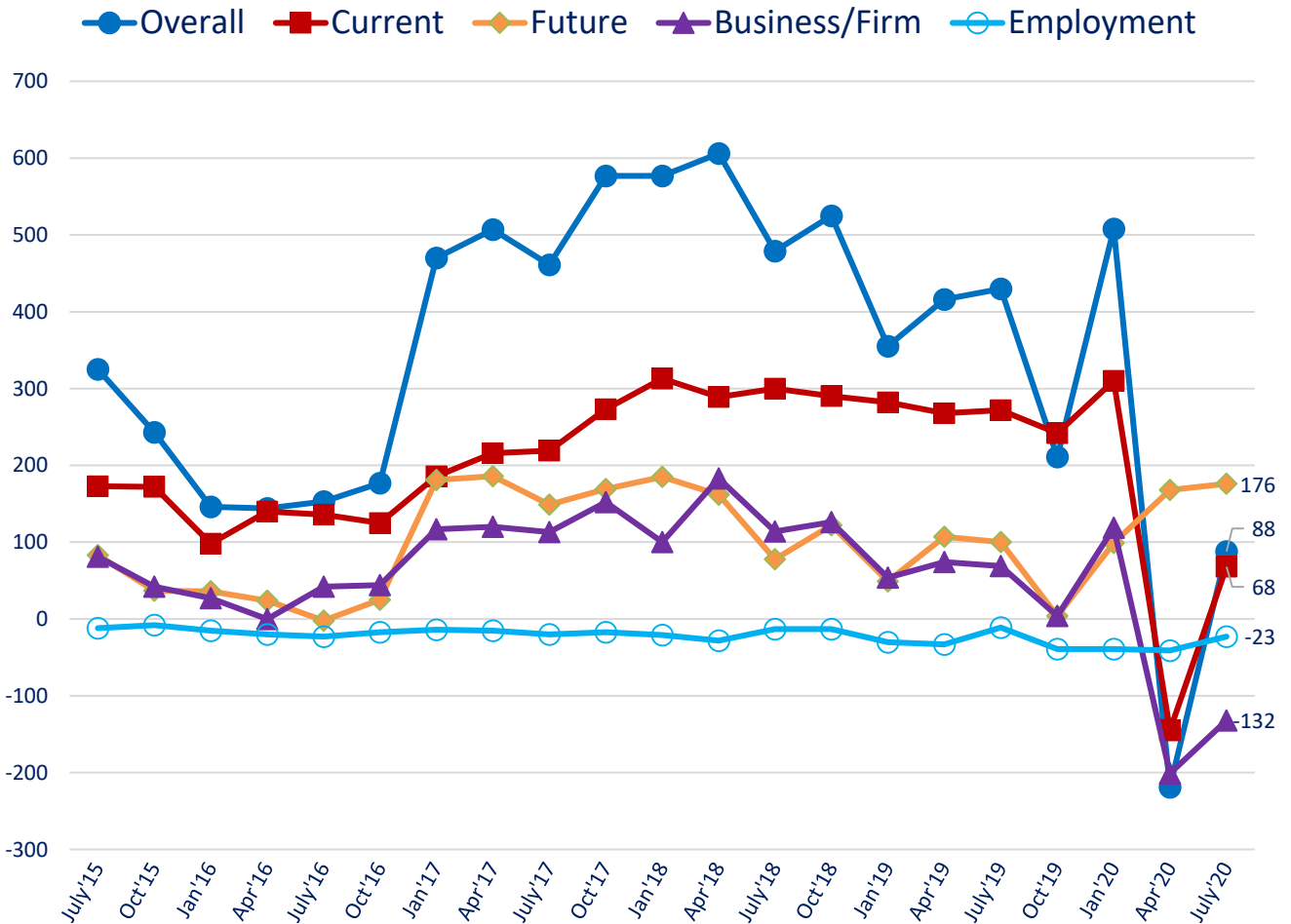
	July 2019	October 2019	January 2020	April 2020	July 2020 <sup>1</sup>
Overall Business Barometer	428	211	508	-219	88
Current Economic Situation Index	273	242	310	-145	68
Future Economic Expectations Index	91	4	99	168	176
Business/Firm Performance Index	76	4	119	-201	-132
Employment Outlook Index	-33	-12	-39	-41	-23

<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 175 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce & Industry between July 6 and July 12. The sample of respondents includes business owners (32%), vice presidents (13%), senior managers (21%), and managers/others (34%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for October 2020.

## Tennessee Business Barometer



### Improving Perceptions of the Current Economy

Perceptions of the current economic situation rebounded from April. Although the percent who said economic conditions in the U.S. are “good” gained only modestly to 9 from 3 in April, the percent who said conditions are “bad” dropped significantly to 25 from 75.

There were similar net gains regarding perceptions of current conditions for the Tennessee economy and individual industries. The percent who said economic conditions in Tennessee are “good” rose to 23 from 3, while the percent who said conditions in Tennessee are “bad” fell

to 10 from 53. The percent who said economic conditions for their industry are “good” gained to 32 from 20, while the percent who said conditions for their industry are “bad” declined to 17 from 44.

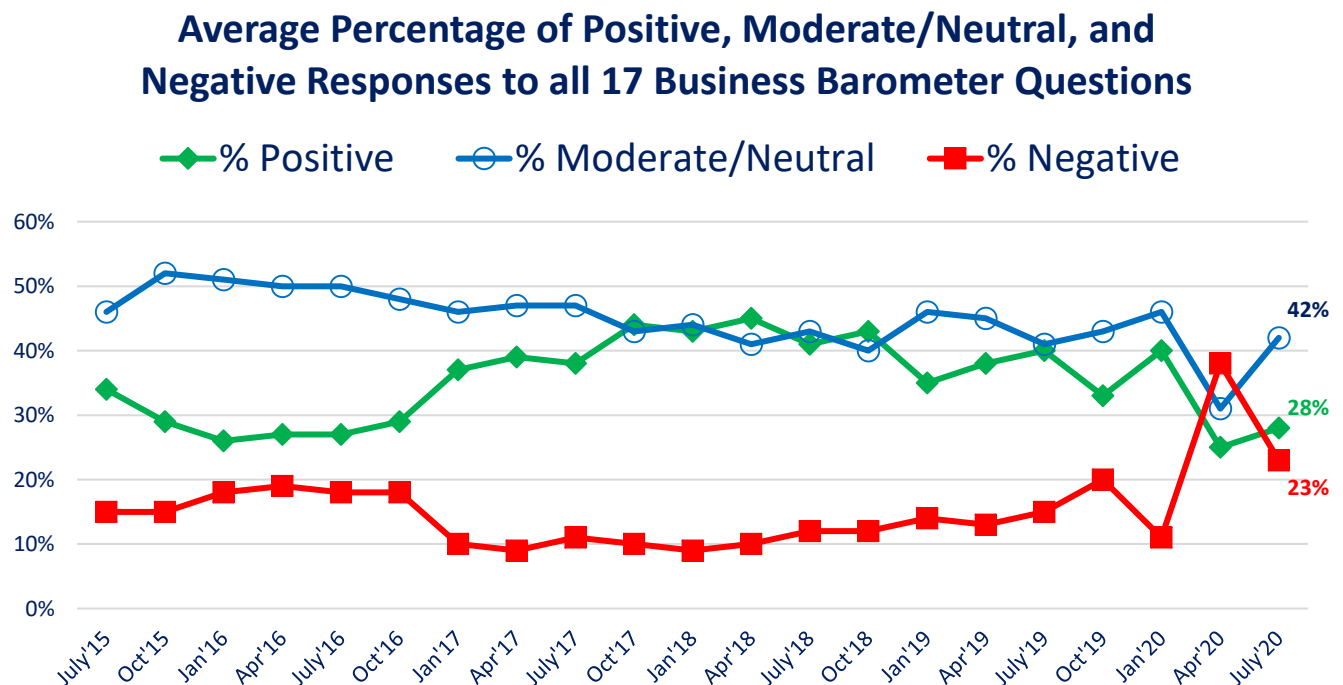
Positive effects of reopening the economy are being felt at the individual business level. The percent who said economic conditions for their firm/business are “good” rose to 36 from 20 in April. The percent who said conditions are “bad” fell to 15 from 44. Specifically, there are large net improvements in perceptions related to individual firm/business growth, sales, and profitability. Reopening is having substantial positive effects across many different industries and businesses.

## Improving Optimism

As perceptions of the current economy recover, outlook for the future economy continues to improve. Although some expect the economy to continue to decline, the majority continue to expect improvements in the overall U.S. economy, the Tennessee economy, and economic conditions for their individual industry as well as their firm/business.

## Reversing 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. This pattern reversed in April amid the economic shutdown, but has reversed back again in July as businesses reopen.



## What is on Business Leaders' Minds?

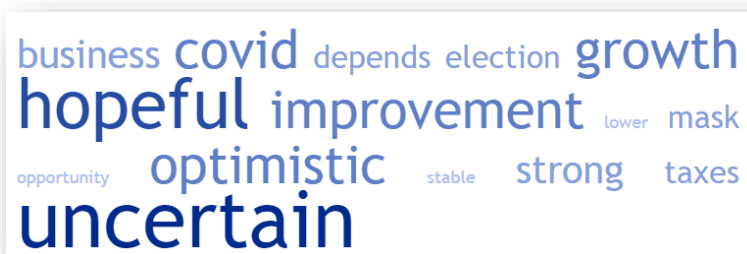
The word clouds below show the 15 words most often given when asked to report what came to mind when thinking about the future of the overall U.S. economy, the Tennessee economy, and their individual firm/business. The size of each word reflects the relative frequency with which it was mentioned.

Uncertainties about the economy, politics and the upcoming elections, and the possibility of a second wave of coronavirus/COVID-19 weigh heavily on the minds of Tennessee business leaders. However, thoughts become more hopeful and optimistic regarding future improvement, growth, and stability as business leaders think about the local Tennessee economy and their individual firm/business. More results related to the challenges business leaders are currently experiencing are on pages 12 and 13 of this report.

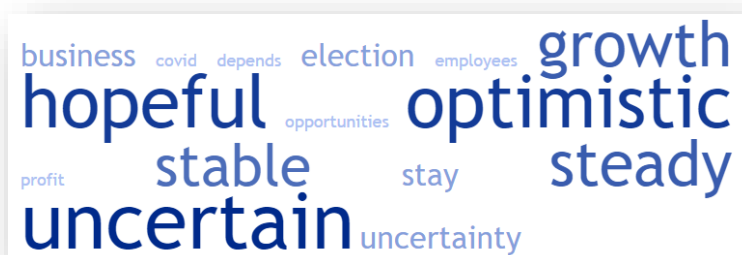
What word(s) come to mind when you think about the future of the overall U.S. economy?



What word(s) come to mind when you think about the future of the Tennessee economy?



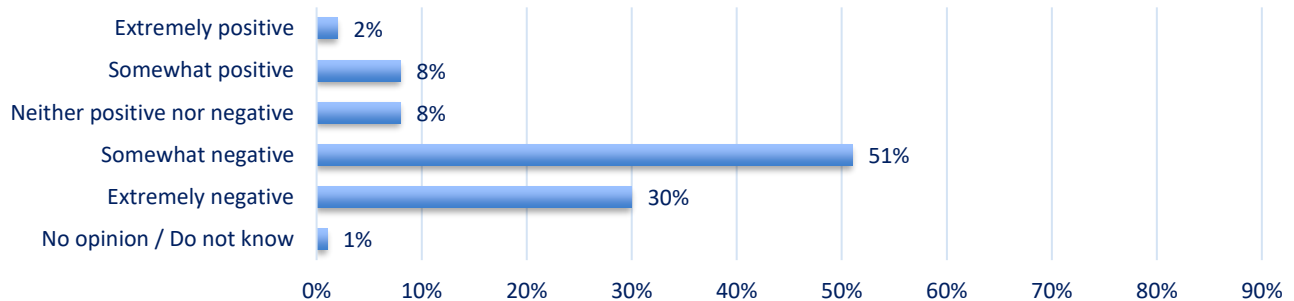
What word(s) come to mind when you think about the future of your firm/business?



## Coronavirus/COVID-19 and the Economy

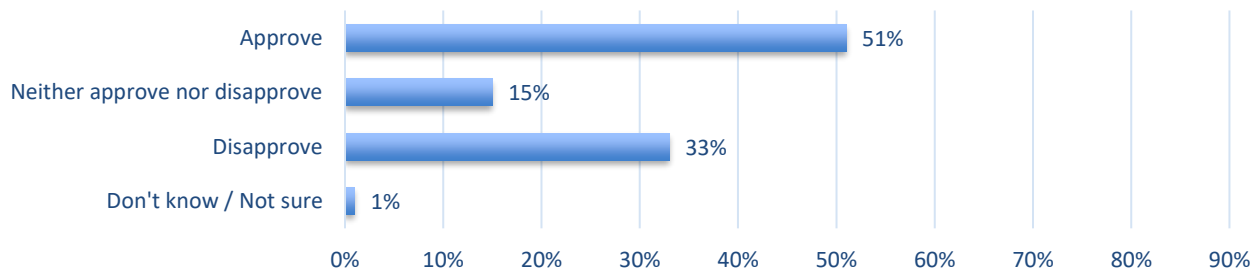
As expected, most business leaders report coronavirus/COVID-19 has negatively impacted their firm/business. However, it has not been completely devastating. While almost one-third said it has had an extremely negative effect, the majority said its effects were only somewhat negative. Further, one in ten said it had a positive effect on their business.

### As of today, what effect has the coronavirus/COVID-19 had on your firm/business?

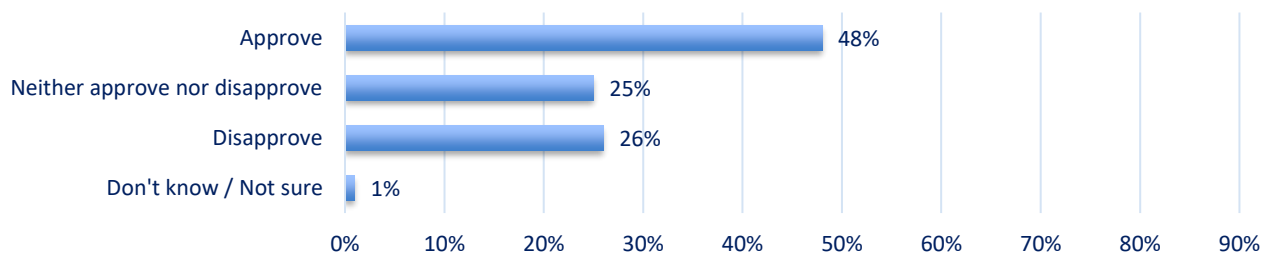


One reason for the improved outlook among business leaders is their continued support for both the Trump administration at the federal level and the Lee administration at the state level.

### Do you approve or disapprove of the way President Trump is handling the situation with the coronavirus/COVID-19?

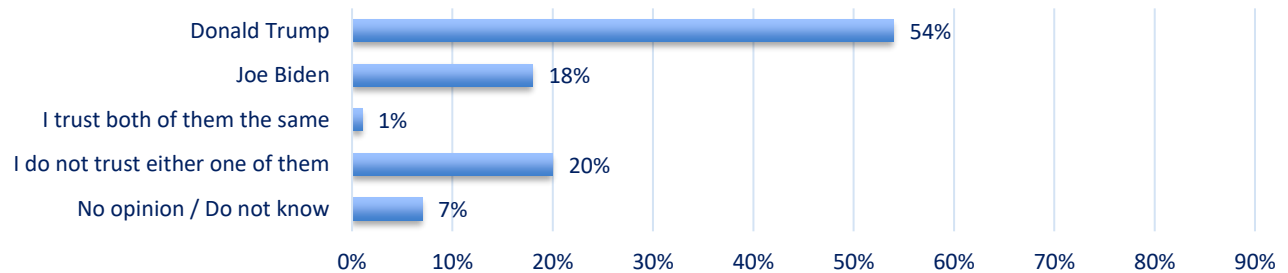


### Do you approve or disapprove of the way Governor Bill Lee is handling the situation with the coronavirus/COVID-19?

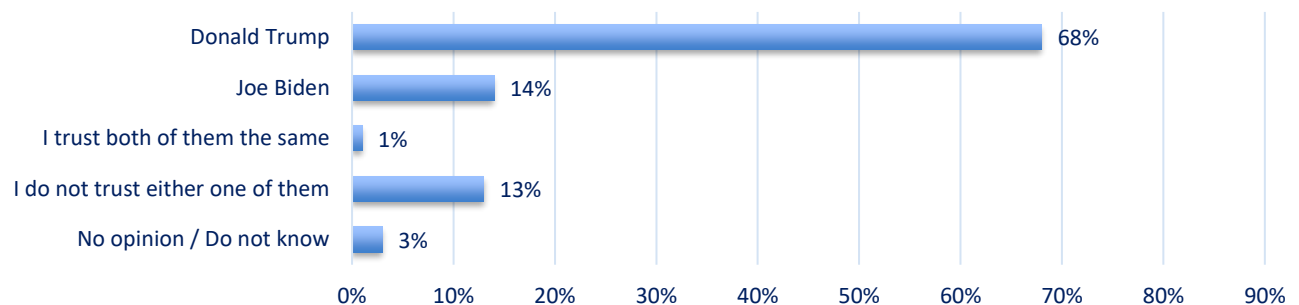


Further, when asked which presidential candidate they trust the most with respect to handling the situation with coronavirus/COVID-19 as well as the overall U.S. economy, President Trump enjoys strong support from Tennessee business leaders.

**Which of the following presidential candidates do you trust the most with respect to handling the situation with the coronavirus/COVID-19?**



**Which of the following presidential candidates do you trust the most with respect to handling the U.S. economy?**



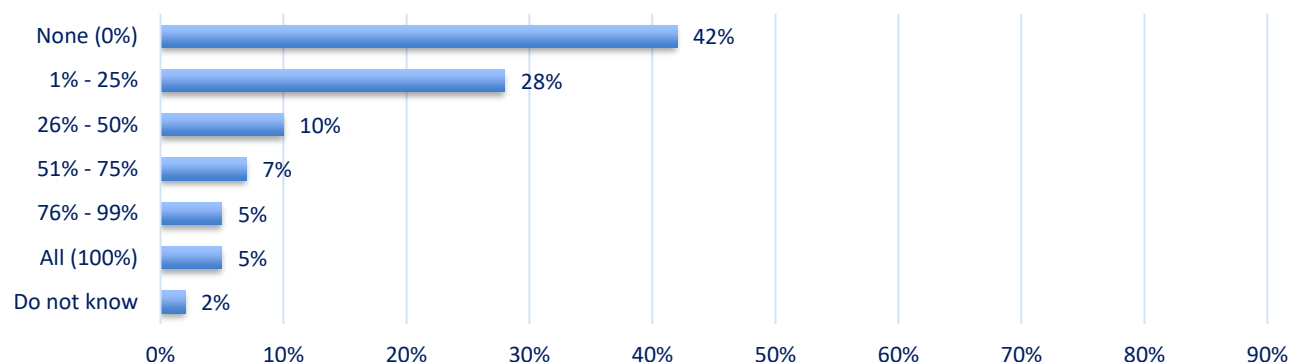
## Reopening and Returning to Work

As part of the economic shutdown, many businesses asked employees to work remotely from home. As businesses reopen, many are allowing employees to return back to work instead of working remotely. However, significant increases in staffing are yet to be seen.

**With respect to reopening, which of the following actions related to your employees has your firm/business taken?  
(check all that apply)**



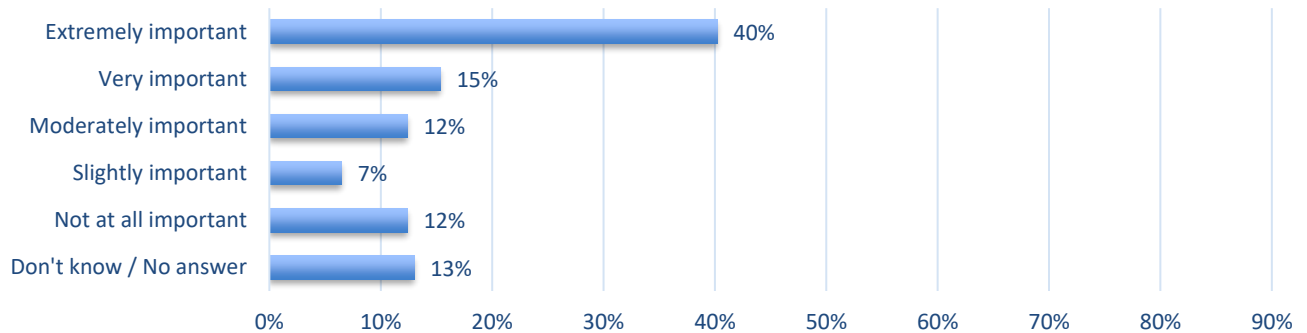
**Approximately, what percent of your employees are currently working from home (remotely) due to the coronavirus/COVID-19?**



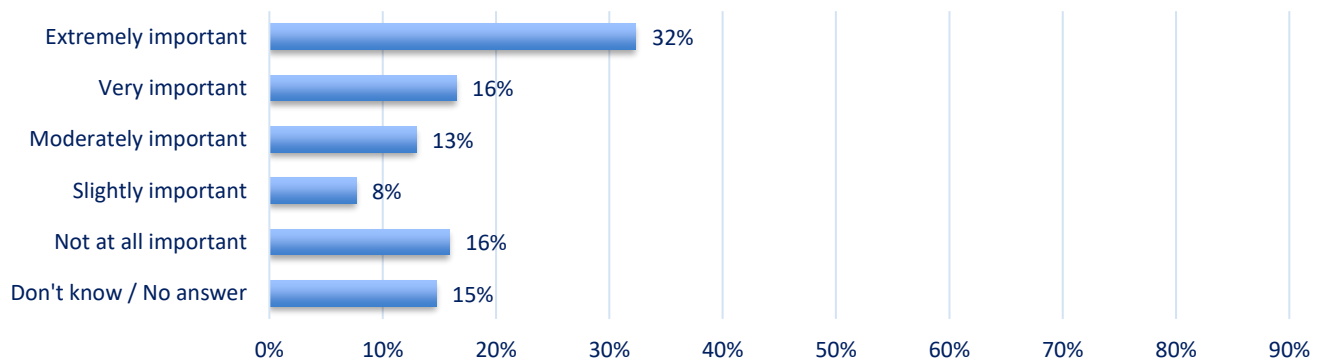
## Reopening and Wearing Masks

Requiring employees to wear masks is a common trend. Further, customer safety is of utmost importance. It is seen as more important for employees to wear masks when interacting with customers than for customers to wear masks when interacting with employees.

**How important is it that your employees wear masks when interacting with your customers?**



**How important is it that your customers wear masks when interacting with your employees?**

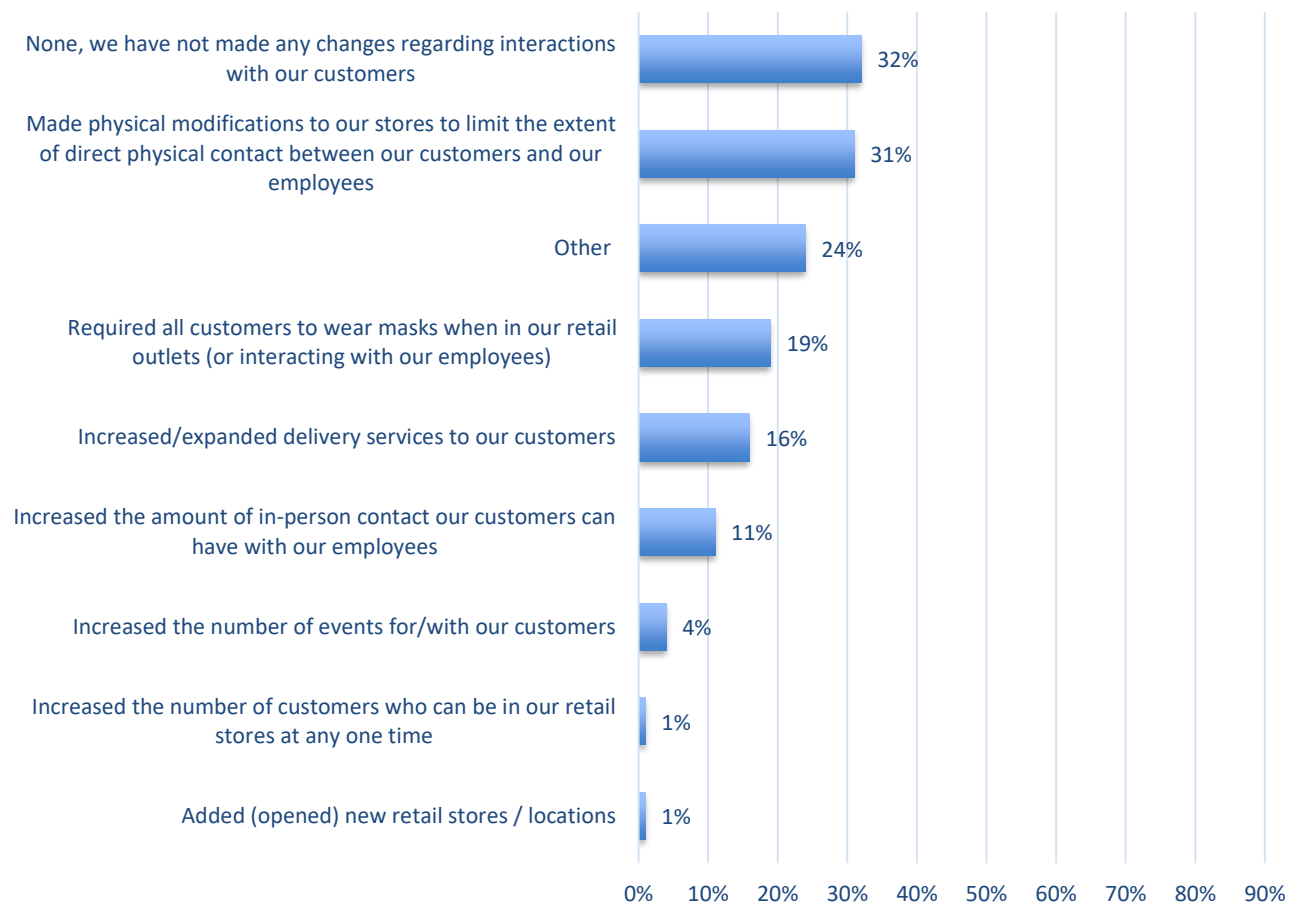




## Reopening and Customers

As businesses reopen, many have not made any changes regarding interactions with their customers. Of those businesses that have made changes, most made physical modifications to limit the extent of direct physical contact between customers and employees. Some businesses are now requiring customers to wear masks when in a retail outlet or interacting with employees.

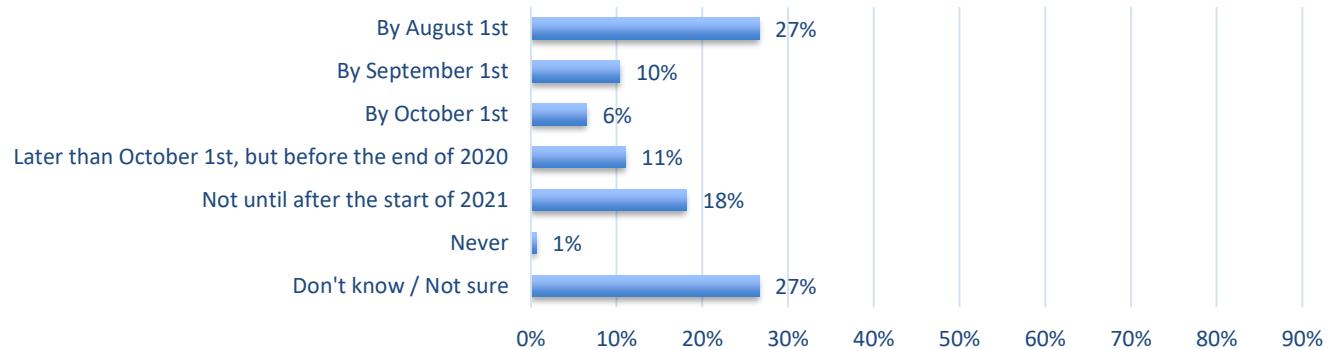
**With respect to reopening, which of the following actions related to your customers has your firm/business taken?**  
*(check all that apply)*



## Returning to Normal

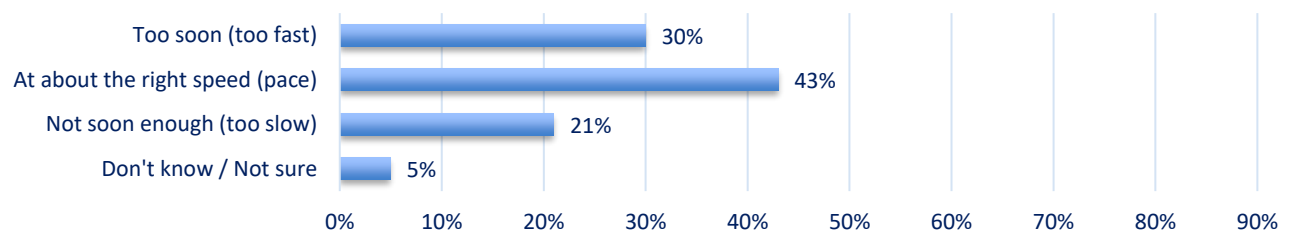
There is no consensus regarding the date when businesses will be able to return to normal after the situation with coronavirus/COVID-19 is resolved. Approximately one-fourth are optimistic they will be able to return to normal by August 1<sup>st</sup>. An equal number are uncertain when they will return to normal. The remainder hold varying opinions about the date for returning to normal.

**Approximately, when do you expect your firm/business will be able to return to normal, or go back to business as usual after this situation with the coronavirus/COVID-19 is resolved?**

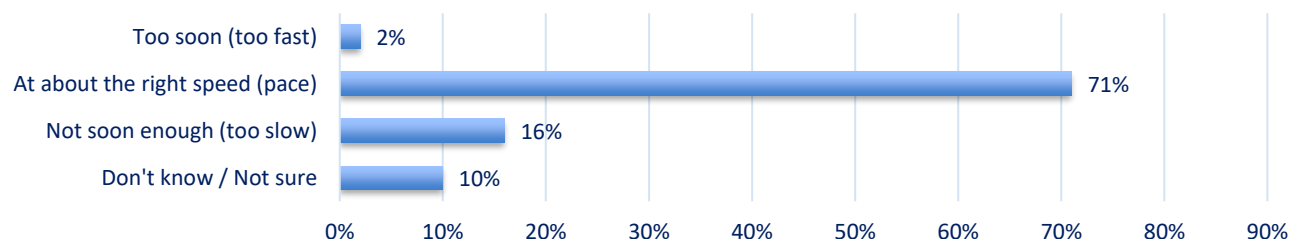


With respect to the speed with which businesses are reopening, almost two-thirds say businesses in Tennessee are reopening at about the right speed or not soon enough (too slow). Almost one-third are concerned businesses are reopening too soon (too fast). However, when asked about their own business, almost all (87%) say their firm/business is reopening at about the right speed or not soon enough. Very few (2%) say their firm/business is reopening too soon (too fast).

**With respect to the speed with which businesses in Tennessee are reopening, would you say Tennessee businesses are reopening too soon, at about the right speed, or not soon enough?**



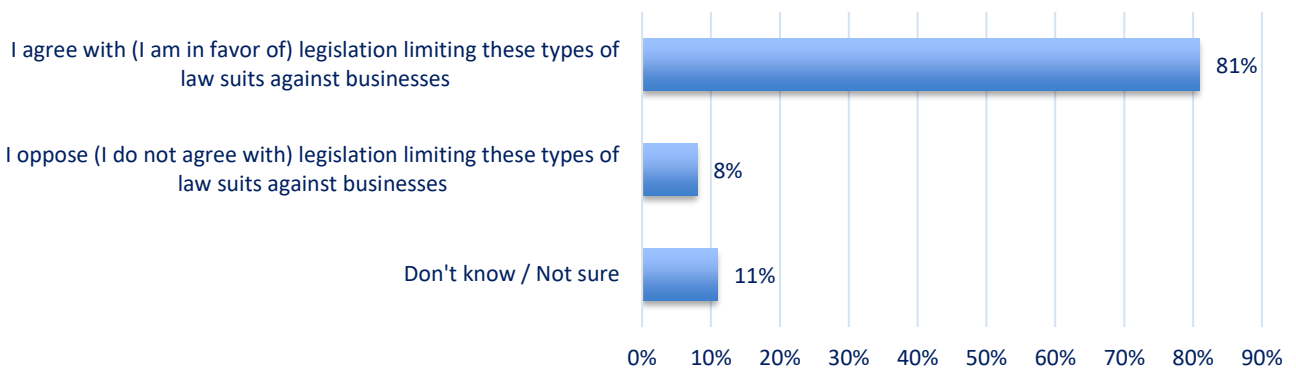
**With respect to the speed with which businesses in Tennessee are reopening, would you say your firm/business is reopening too soon, at about the right speed, or not soon enough?**



## Reopening and Consumer Litigation

As businesses reopen, many business leaders are concerned about the negative impact of consumers suing them for personal injuries associated with exposure to coronavirus/COVID-19. The vast majority support legislation that would limit these types of law suits.

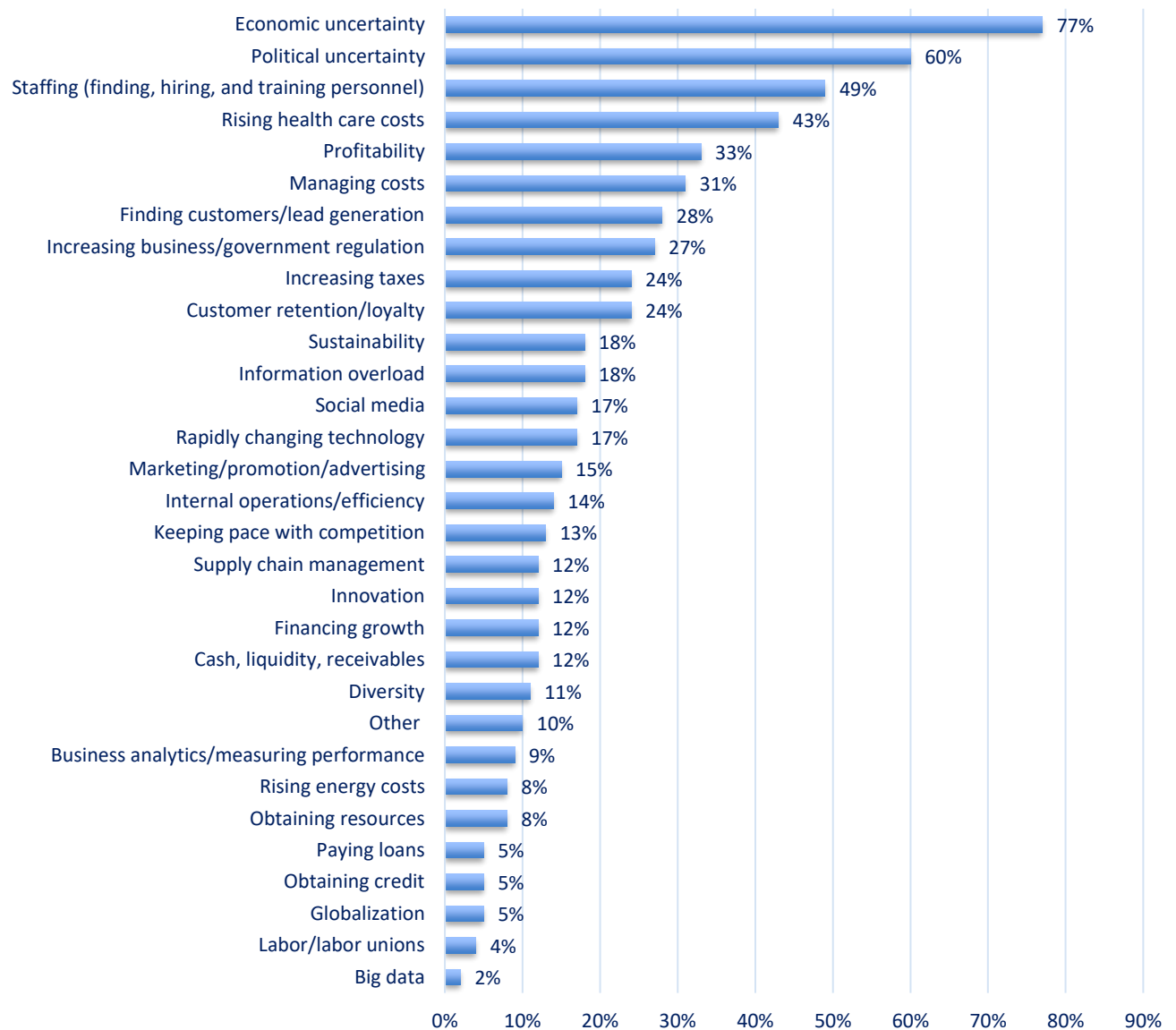
**Some lawmakers are considering legislation that would limit the ability of a person (consumer) to sue a business for personal injuries associated with exposure to coronavirus/COVID-19. Do you agree with, or oppose such legislation?**



## Business Challenges

Respondents identified the areas in which their firm/business is currently facing challenges. The chart below shows the percent of respondents who selected each issue. Economic and political uncertainty are the most often cited challenges and concerns for Tennessee business leaders.

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

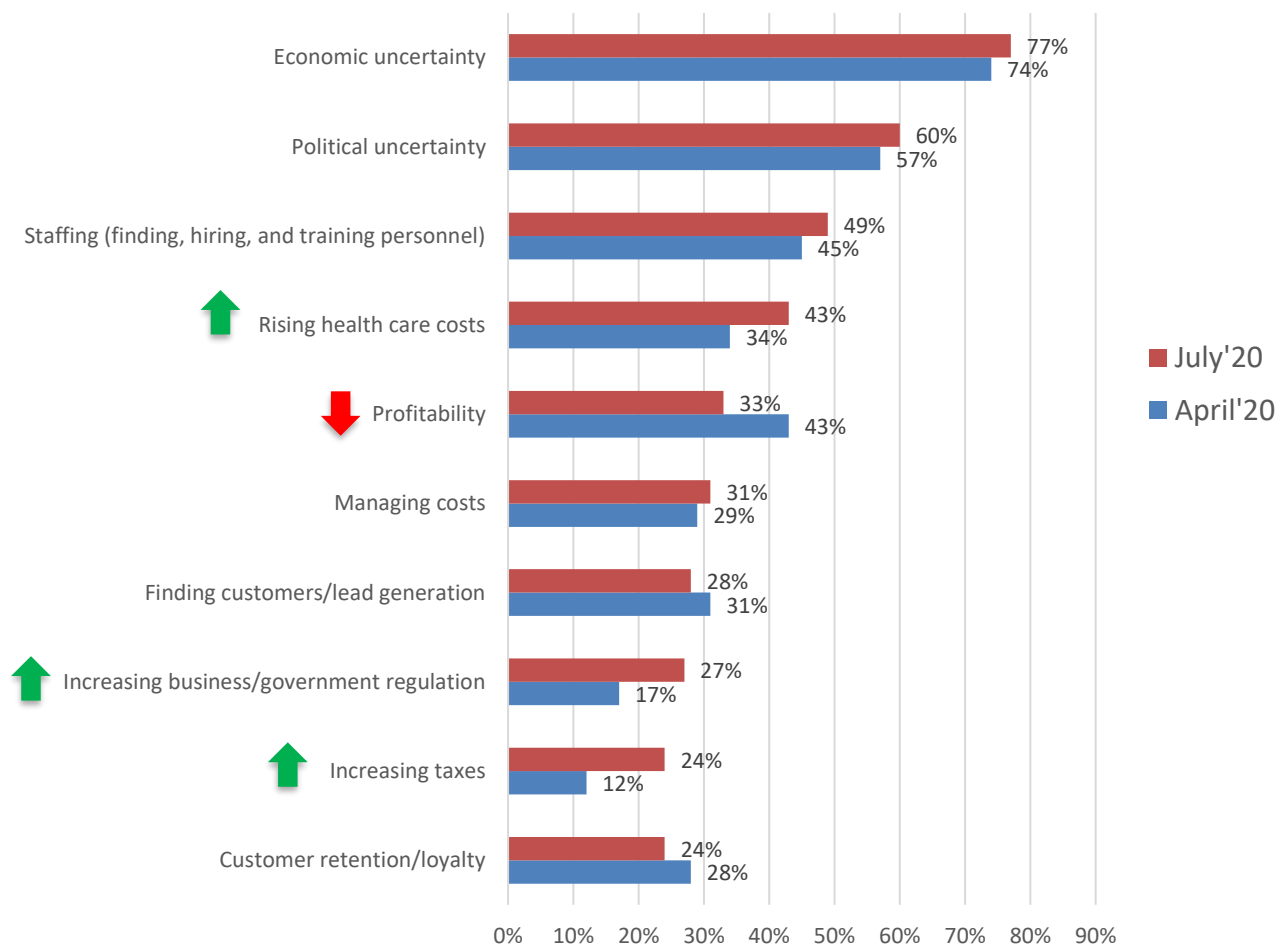


## Shifting Concerns

The chart below shows the ten challenges most often cited by business leaders in July 2020. This is compared to the percent who cited these same challenges in April 2020.

Staffing and rising health care costs have historically been two of the most often cited concerns for business leaders. However, these concerns took a back seat during the economic shutdown related to coronavirus/COVID-19. The fact that these concerns are now increasing marks a slight returning to normal for business leaders and managers. Increasing concerns regarding regulation and taxes is also a sign of returning to normal. Further, reducing concerns regarding profitability is a positive sign as businesses transition from shutdown to reopening.

**Most Often Cited Challenges:**  
**Percent Selecting Each Challenge in July 2020**  
**Compared to April 2020**  
*(Percent change greater than five percent indicated by arrow)*



Tennessee Business Barometer Results		Oct 2019 (%)	Jan 2020 (%)	April 2020 (%)	July 2020 (%)	Net Change from April 2020*
Overall economic conditions in the U.S. are: <sup>C</sup>	Good	54	86	3	9	+56
	In between	43	13	20	65	
	Bad	3	2	75	25	
Twelve months from now overall economic conditions in the U.S. will be: <sup>F</sup>	Better	15	19	69	55	-5
	About same	55	68	2	24	
	Worse	29	11	27	18	
Economic conditions in Tennessee are: <sup>C</sup>	Good	80	83	3	23	+63
	In between	17	14	39	67	
	Bad	3	3	53	10	
Twelve months from now economic conditions in Tennessee will be: <sup>F</sup>	Better	22	30	68	54	0
	About same	63	63	7	33	
	Worse	16	7	24	10	
Economic conditions in your industry are: <sup>C</sup>	Good	48	54	20	32	+39
	In between	42	40	32	49	
	Bad	9	4	44	17	
Twelve months from now economic conditions in your industry will be: <sup>F</sup>	Better	17	30	56	51	+8
	About same	62	62	20	36	
	Worse	20	8	22	9	
Regulatory conditions in your industry are: <sup>C</sup>	Good	45	45	32	43	+9
	In between	37	42	47	42	
	Bad	14	7	7	9	
Twelve months from now regulatory conditions will be: <sup>F</sup>	Better	15	13	14	14	+1
	About same	68	75	68	71	
	Worse	11	5	8	7	
Economic Conditions for your firm/business are: <sup>C</sup>	Good	52	61	20	36	+46
	In between	40	37	36	49	
	Bad	8	3	44	15	
Twelve months from now economic conditions for your firm/business will be: <sup>F</sup>	Better	28	41	59	54	+5
	About same	55	53	22	35	
	Worse	17	4	17	8	
Compared to last year will your firm grow: <sup>B/F</sup>	More	32	39	10	16	+21
	About same	31	41	19	27	
	Less	34	18	71	55	
Compared to last year will your firm invest: <sup>B/F</sup>	More	29	36	19	20	+5
	About same	38	48	29	30	
	Less	28	14	44	40	

Tennessee Business Barometer Results		Oct 2019 (%)	Jan 2020 (%)	April 2020 (%)	July 2020 (%)	Net Change from April 2020*
Compared to last year will your firm's sales: <sup>B/F</sup>	Increase	45	52	10	19	+15
	Stay the same	26	34	32	26	
	Decrease	23	13	54	49	
Compared to last year will your firm's profitability: <sup>B/F</sup>	Increase	29	47	7	18	+23
	Stay the same	38	42	31	29	
	Decrease	26	8	59	47	
Compared to last year will your firm's inventories: <sup>B/F</sup>	Increase	11	12	10	6	+5
	Stay the same	34	50	38	33	
	Decrease	31	14	29	20	
In the next 12 months will employment at your firm/business: <sup>E</sup>	Increase	35	39	22	24	+14
	Stay the same	46	49	46	54	
	Decrease	18	8	31	19	
Qualified employees are: <sup>E</sup>	Easy to find	2	2	10	8	+4
	Found with effort	37	43	42	49	
	Hard to find	58	53	42	36	

<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, then the net change score is +14.

## 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 175 business leaders throughout the state of Tennessee. The survey was conducted between July 6 and July 12. With a sample of 175 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  $\pm 7.4\%$ . 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](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?