



# Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce & Industry

Office of Consumer Research

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## Outlook Wanes as Fears of Inflation Grow

Outlook among Tennessee Business Leaders has waned in the last three months. Although outlook had improved earlier in the year, Tennessee business leaders have become slightly less upbeat about both the current and future economy. This is mainly due to growing fears of inflation, difficulty finding employees, and concerns regarding policies that could harm business supply chains. The Tennessee Business Barometer Index declined to 434 from 494 in April.

Even though perceptions of the current economy and expectations for the future economy both retreated from April, the Current Situation Index remains higher than it was most of last year, while the Future Expectations Index remains lower than it was most of last year. The Current Situation Index dropped to 205 from 242. The Future Expectations Index slipped to 90 from 106. The Employment Outlook Index also declined to -17 from -9. However, the outlook for individual businesses/firms remained steady.

### Tennessee Business Barometer Index and Sub-Indices

	July 2020	October 2020	January 2021	April 2021	July 2021 <sup>1</sup>
Overall Business Barometer	88	309	212	494	434
Current Economic Situation Index	68	150	150	242	205
Future Economic Expectations Index	176	188	6	106	90
Business/Firm Performance Index	-132	-24	65	155	156
Employment Outlook Index	-23	-6	-9	-9	-17

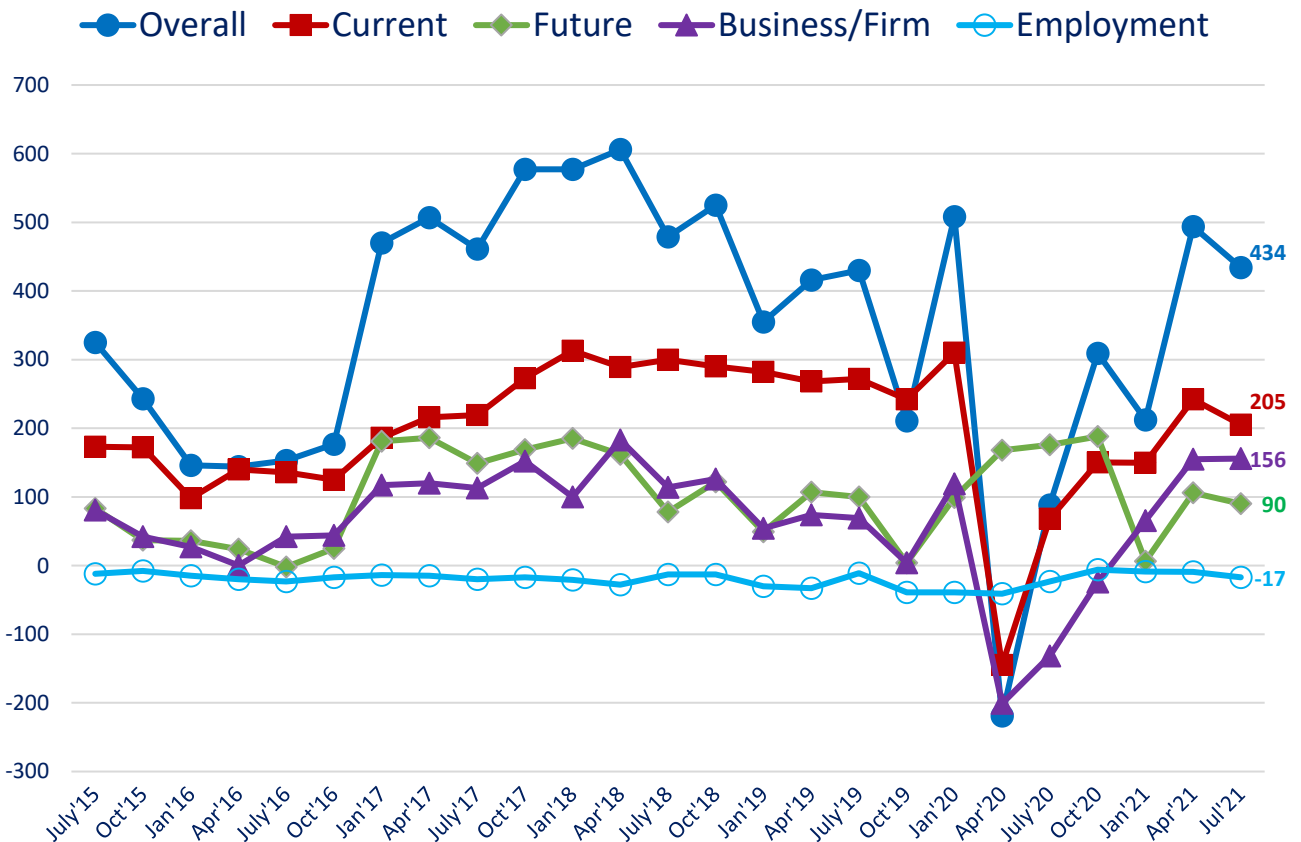
The current online survey of 139 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce & Industry between July 9 and July 17. The sample of respondents includes business owners (27%), vice presidents (13%), senior

<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.

managers (23%), and managers/others (37%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for October 2021.

## Tennessee Business Barometer



### Weakening Views of the Current Economy

After improving in April, perceptions of the current economy have declined somewhat while remaining positive compared to most of last year. The percent who said economic conditions in the country as a whole are "good" dipped to 30 from 34. The percent who said conditions are "bad" inched up to 15 from 10. There was a more considerable net decline in perceptions of the Tennessee economy. The percent who said conditions in Tennessee are "good" fell to 54 from 64, while the percentage who said they are "bad" rose to 5 from zero.

### Outlook for the Future

After improving earlier this year, outlook for the future has again receded slightly. The percent who said economic conditions in the U.S. will be "better" 12 months from now dipped to 41 from 44. The net change in outlook for the Tennessee economy was more dramatic. The

percent who said economic conditions in Tennessee will be "better" declined to 43 from 48. However, the percent who said conditions will be "worse" rose to 17 from 7.

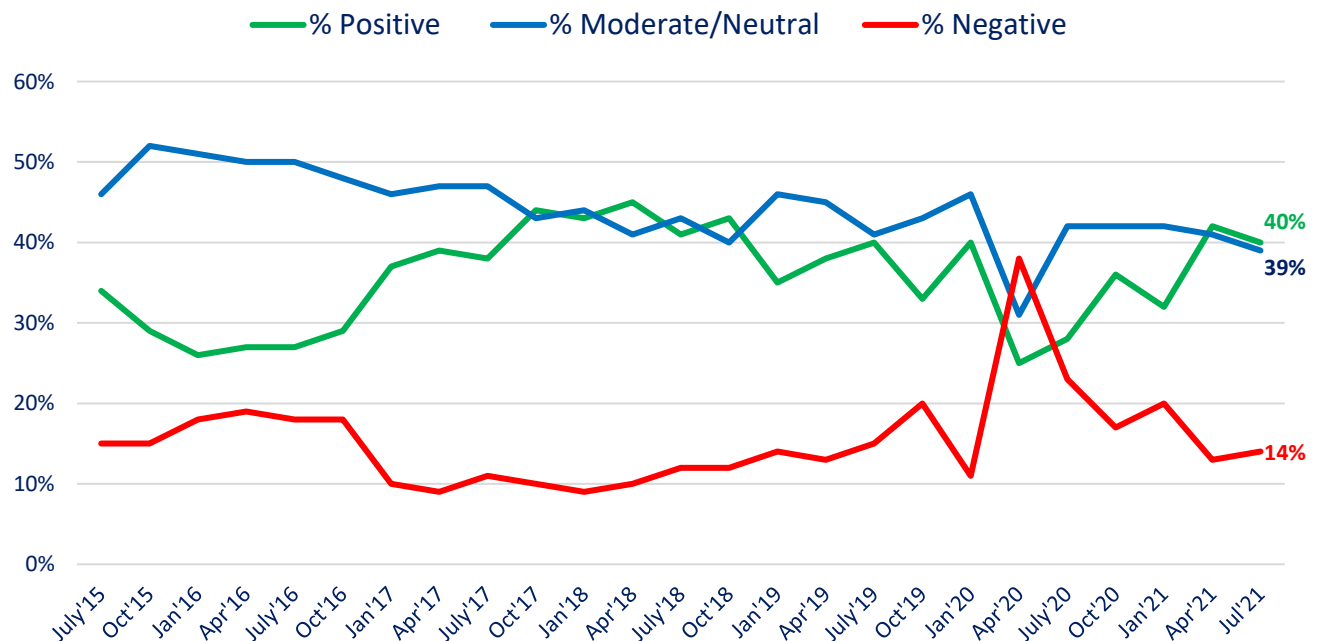
## Employment and Hiring

Many Tennessee businesses continue to struggle to find qualified employees. The Employment Outlook Index retreated further into the negative range. While the percentage of firms expecting to increase employment remained relatively unchanged, perceptions about the ease with which employees can be found remain quite negative. The percent who said qualified employees are "hard to find" rose to 62 from 58. Only 2 percent said qualified employees are "easy to find."

## Overall Positive vs. Negative Outlook

Even with the current decline in outlook, 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. 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 Declining Outlook

Respondents were asked, "*Why did you rate the future of the overall American economy as you did?*" Responses reveal that relatively pessimistic views result from concerns about inflation, difficulty finding workers, and a general unease about leadership and policies that could hinder supply chains.

**Inflation.** A growing fear of inflation is one of the main reasons for the declining outlook among business leaders. Rising inflation can make goods and services more expensive for both consumers and businesses. This is reflected in the following verbatim comments:

- *Overall indicators are positive, but inflation is having an impact on businesses and households.*
- *Unless inflationary and workforce effects are handled, and we squelch the partisan public policy dialogue, external monetary policies and priorities will overpower our economic landscape.*
- *The cost of everything is rising, and I feel that will slow the economy down due to people not having the money to afford things in the future.*
- *Inflation. Manufacturing costs are exploding (steel up 300% through Q2 2021), shortages (material & labor especially) everywhere.*

**Finding workers.** In addition to inflation fears, finding workers continues to be a problem. And, many business leaders view the recent government aid as a hindrance to their ability to find workers and as a reason for declining motivation for people to return to work. The following verbatim comments reflect this:

- *Businesses are hurting for employees. Higher prices on materials, gas and groceries.*
- *Because of forthcoming increased regulation on business and unemployment benefits that discourage people from working.*
- *Too many people continue to collect "Free Money" instead of working for it when there are jobs available that are paying well enough to support the growth of the economy.*
- *Our leaders don't know what they're doing to our country. People would rather take handouts than work, and we are dependent on imports for parts for cars/appliances.*

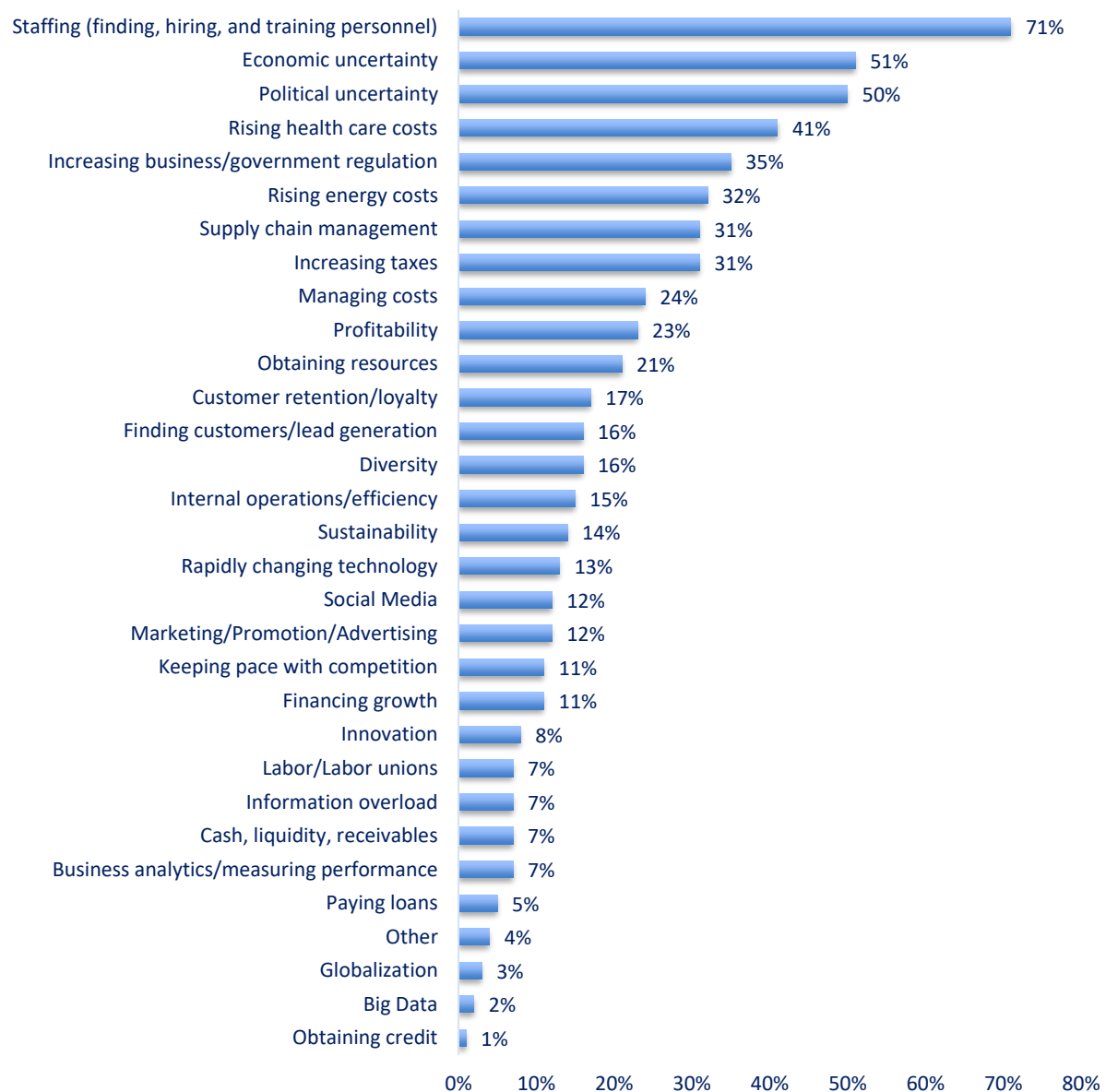
**Leadership and Policies Affecting Supply Chains.** There are also concerns about economic policies that might worsen inflation fears and harm supply chains necessary for economic recovery.

- *Poor Leadership at the Federal Level.*
- *I worry we are sitting on top of a huge bubble, ready to burst at any time.*
- *Supply chain issues and workforce availability.*
- *The government is too involved with policies that are keeping the supply chain crippled.*
- *Concern over policies that would make US businesses non-competitive.*

## 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 the most often cited concern. Concerns also exist regarding economic and political uncertainty, rising healthcare costs, and increasing regulation. Rising prices for energy and a shortage of workers can lead to restrictions in supply chains.

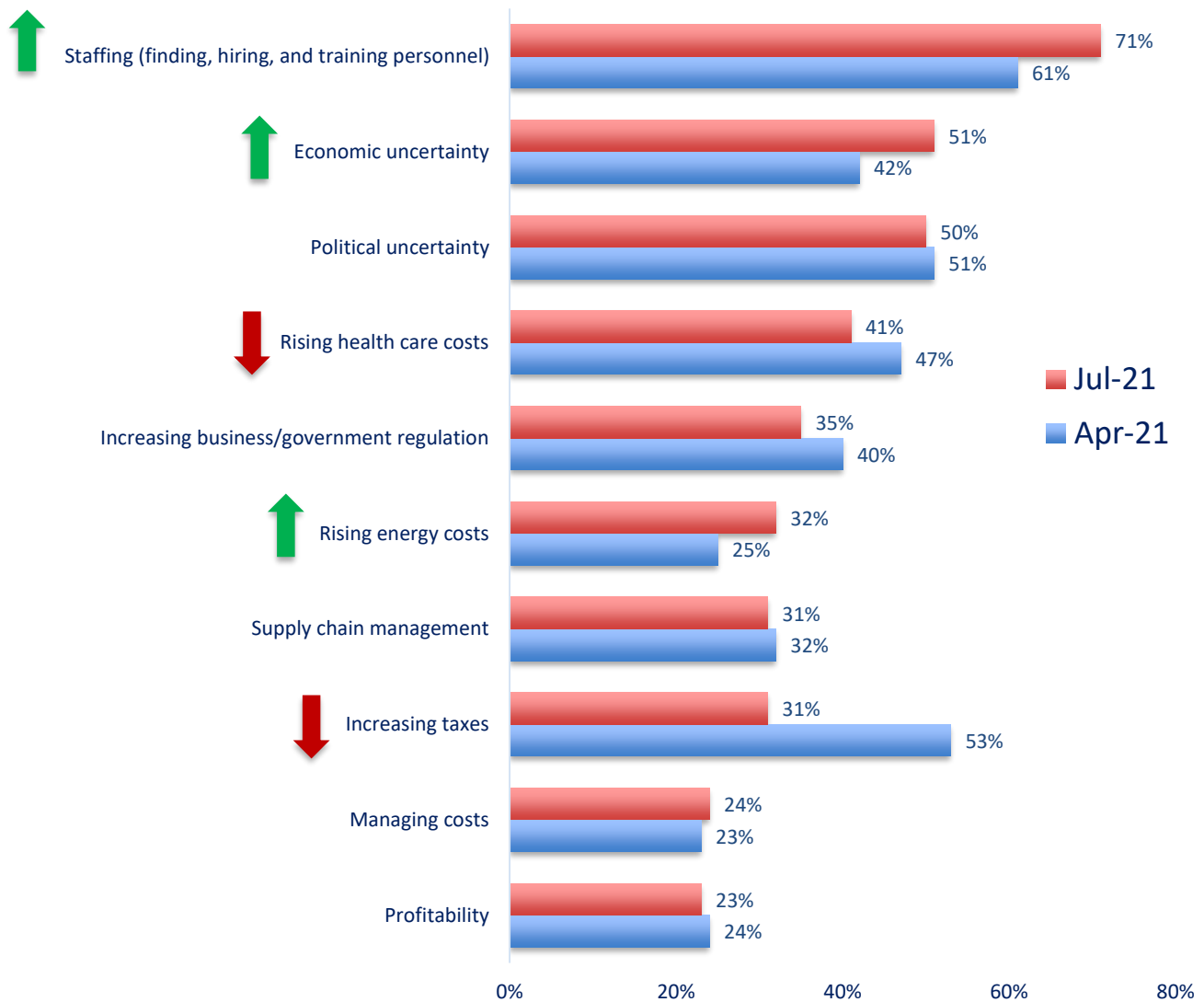
### In which of the following areas is your firm/business currently facing concerns, issues, or challenges? (Check all that apply)



## Shifting Concerns and Challenges

The chart below shows the ten challenges most often cited by business leaders in July 2021 compared to the percent who cited these same challenges in April 2021. There are significant increases in the percentage of business leaders expressing concerns about staffing and finding employees, economic uncertainty, and rising energy costs. This is offset by declines in the percent expressing concerns about healthcare costs and increasing taxes.

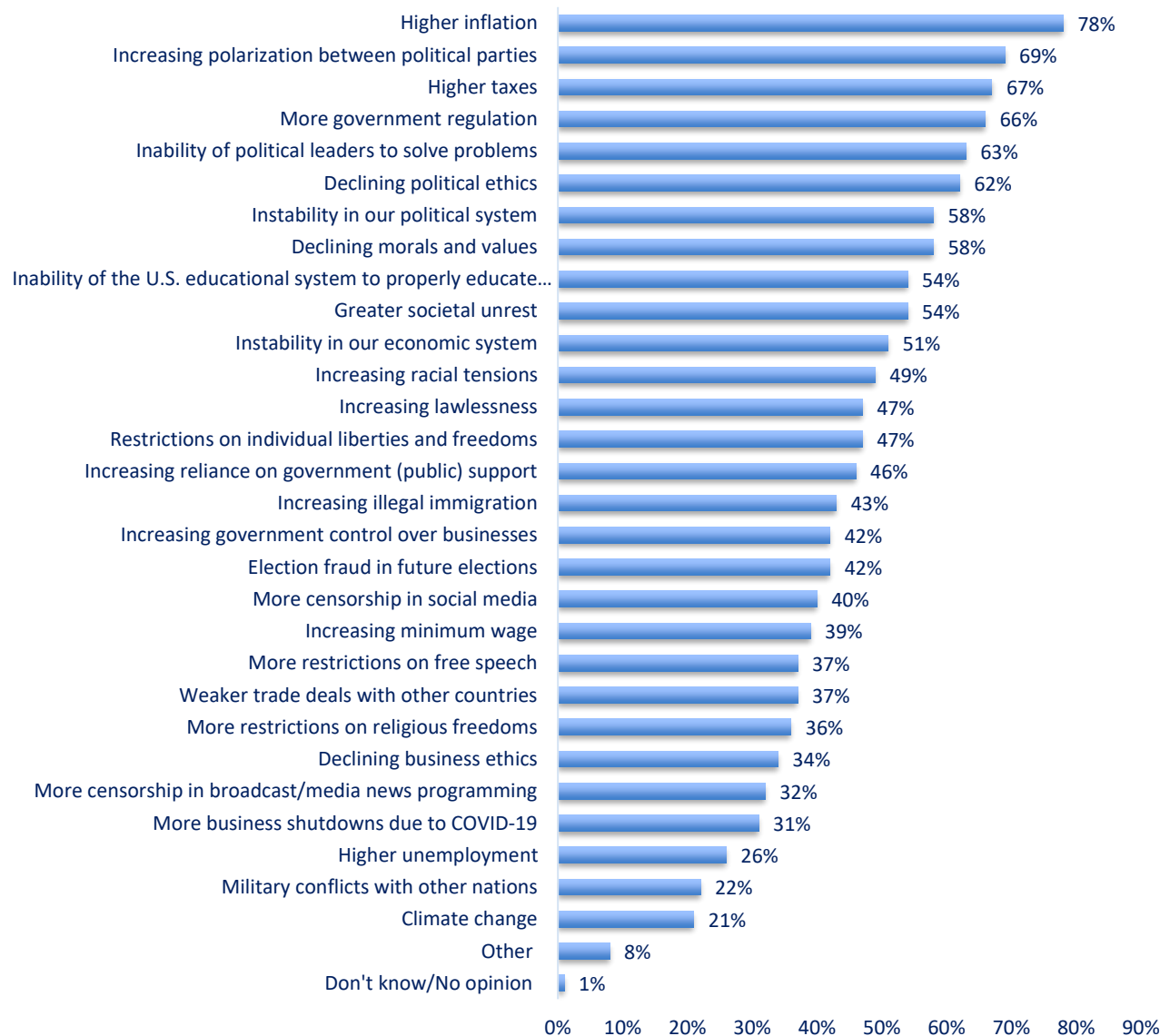
### Most Often Cited Challenges: Percent Selecting Each Challenge in July 2021 Compared to April 2021 (Greater than five percent change indicated by arrow)



## Concerns or Worries for the Future of Our Nation 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 or our economy. Higher inflation was the most often cited concern or worry. This was followed by concerns regarding increasing polarization between political parties, higher taxes, and more government regulation. Higher taxes coupled with inflation can significantly reduce consumers' desire and ability to open up their wallets and spend money.

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



Tennessee Business Barometer Results		Oct 2020 (%)	Jan 2021 (%)	April 2021 (%)	July 2021 (%)	Net Change from April 2021*
Overall economic conditions in the U.S. are: <sup>C</sup>	Good	15	10	34	30	-9
	In between	67	72	56	54	
	Bad	18	18	10	15	
Twelve months from now overall economic conditions in the U.S. will be: <sup>F</sup>	Better	60	29	44	41	+1
	About same	16	25	23	26	
	Worse	13	43	33	29	
Economic conditions in Tennessee are: <sup>C</sup>	Good	34	38	64	54	-15
	In between	58	55	36	40	
	Bad	7	6	0	5	
Twelve months from now economic conditions in Tennessee will be: <sup>F</sup>	Better	53	37	48	43	-15
	About same	36	36	45	37	
	Worse	6	23	7	17	
Economic conditions in your industry are: <sup>C</sup>	Good	54	50	61	58	-6
	In between	34	37	34	31	
	Bad	12	12	6	9	
Twelve months from now economic conditions in your industry will be: <sup>F</sup>	Better	46	35	42	41	-2
	About same	40	42	52	48	
	Worse	6	19	6	7	
Regulatory conditions in your industry are: <sup>C</sup>	Good	45	48	44	42	-4
	In between	51	33	43	43	
	Bad	3	8	6	8	
Twelve months from now regulatory conditions will be: <sup>F</sup>	Better	15	5	7	6	+6
	About same	70	47	58	64	
	Worse	9	35	28	21	
Economic Conditions for your firm/business are: <sup>C</sup>	Good	52	58	65	64	-3
	In between	37	32	30	29	
	Bad	10	11	4	6	
Twelve months from now economic conditions for your firm/business will be: <sup>F</sup>	Better	55	37	48	41	-6
	About same	34	44	42	47	
	Worse	7	17	9	8	
Compared to last year will your firm grow: <sup>B/F</sup>	More	28	40	47	52	+6
	About same	28	36	41	33	
	Less	40	19	10	9	
Compared to last year will your firm invest: <sup>B/F</sup>	More	25	22	39	35	-6
	About same	45	49	47	42	
	Less	21	24	10	12	



Tennessee Business Barometer Results		Oct 2020 (%)	Jan 2021 (%)	April 2021 (%)	July 2021 (%)	Net Change from April 2021*
Compared to last year will your firm's sales: <sup>B/F</sup>	Increase	30	48	56	54	<b>-3</b>
	Stay the same	28	31	32	28	
	Decrease	36	15	6	7	
Compared to last year will your firm's profitability: <sup>B/F</sup>	Increase	24	38	42	45	<b>0</b>
	Stay the same	37	37	42	33	
	Decrease	34	19	11	14	
Compared to last year will your firm's inventories: <sup>B/F</sup>	Increase	15	12	20	23	<b>+4</b>
	Stay the same	43	40	39	32	
	Decrease	15	17	12	11	
In the next 12 months will employment at your firm/business: <sup>E</sup>	Increase	45	37	48	45	<b>-2</b>
	Stay the same	42	47	47	49	
	Decrease	13	12	3	2	
Qualified employees are: <sup>E</sup>	Easy to find	7	8	4	2	<b>-6</b>
	Found with effort	45	45	32	31	
	Hard to find	45	42	58	62	

<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 139 business leaders throughout the state of Tennessee. The survey was conducted between July 9 and July 17. With a sample of 139 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  $\pm 8\%$ . 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?