



# Tennessee Business Barometer

In partnership with the Tennessee Chamber of Commerce and Industry

Office of Consumer Research  
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## Outlook Among Tennessee Business Leaders Plummet

Outlook among Tennessee Business Leaders has fallen sharply. The Tennessee Business Barometer fell to 211 from 428 in July. Although Tennessee business leaders remain relatively positive about the current economy, expectations for the future economy and their individual firms declined. Increasing uneasiness regarding economic and political uncertainty contributed to this decline. However, even with this sharp decline outlook among Tennessee business leaders remains relatively positive.

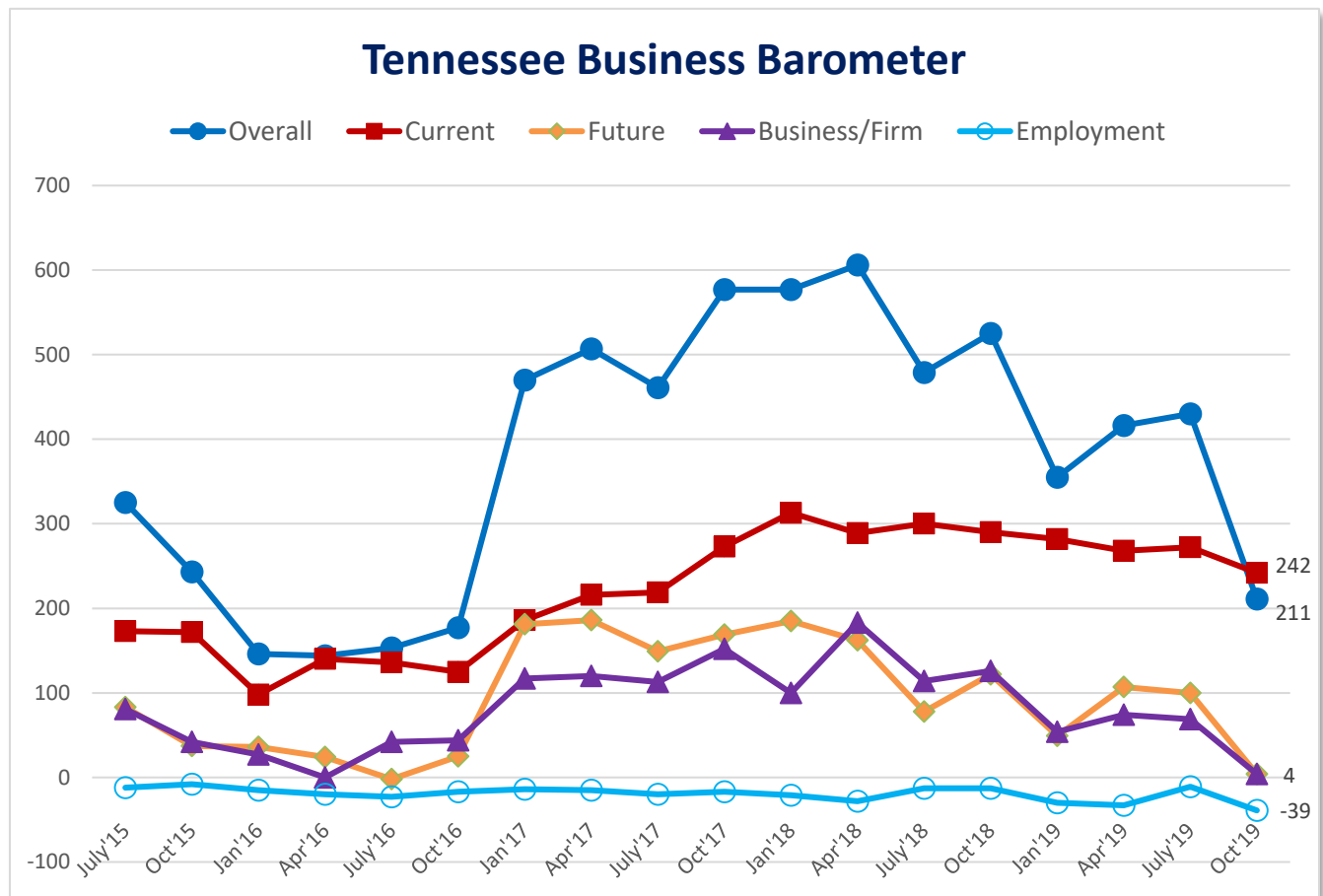
The current online survey of 65 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce and Industry between October 3 and October 9. The sample of respondents includes business owners (32%), vice presidents (8%), senior managers (23%), and managers/others (37%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for January 2020.

## Tennessee Business Barometer Index and Sub-Indices

	October 2018	January 2019	April 2019 <sup>1</sup>	July 2019	October 2019
<b>Overall Business Barometer</b>	<b>525</b>	<b>355</b>	<b>416</b>	<b>428</b>	<b>211</b>
<b>Current Economic Situation Index</b>	<b>290</b>	<b>282</b>	<b>268</b>	<b>273</b>	<b>242</b>
<b>Future Economic Expectations Index</b>	<b>122</b>	<b>49</b>	<b>107</b>	<b>91</b>	<b>4</b>
<b>Business/Firm Performance Index</b>	<b>126</b>	<b>54</b>	<b>74</b>	<b>76</b>	<b>4</b>
<b>Employment Outlook Index</b>	<b>-13</b>	<b>-30</b>	<b>-33</b>	<b>-12</b>	<b>-39</b>

<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.



## Declining Outlook

**U.S. Economy.** Perceptions of the national economy declined significantly. The percent who said business conditions in the U.S. are “good” fell to 54 from 77 in July. However, the number who said conditions are “bad” remained nominal at only three percent. Apparently, some of those who had positive views of the economy in July have moderated their outlook and now perceive the overall U.S. economy as “in between.”

Expectations for the future U.S. economy also weakened. The percent who said twelve months from now economic conditions in the U.S. will be “better” dropped to 15 from 25. Further, nearly twice this number (29 percent) expect conditions to be “worse.”

**Tennessee Economy.** Views of the Tennessee economy remain positive, dipping only slightly. The percent who said business conditions in Tennessee are “good” declined to 80 from 85 in July. Only three percent said conditions in Tennessee are “bad.”

As with the U.S. economy, expectations for the Tennessee economy were also less optimistic. The percent who said twelve months from now business conditions in Tennessee will be “better” fell to 22 from 47. However, this is still more than the percent who expect conditions in Tennessee to be “worse” (16 percent). There were also large net decreases in the percent who expect business conditions for their industry and firm to improve in the next 12 months.

### What Explains this Decline in Outlook?

No single issue explains this sharp decline in outlook. This general decline in expectations seems to result from growing concerns regarding economic and political uncertainty. With no clear and definitive agreement with China regarding trade, continued unease regarding tariffs and their effects on the economy continue to weigh on the minds of Tennessee business leaders. This decline in outlook mirrors the drop in the Conference Board’s national measure of confidence among CEO’s. Their Measure of CEO Confidence™ fell to its lowest level since 2009.<sup>2</sup>

The word clouds below show the 10 words most often given when asked to report the one word that comes to mind when thinking about the future of the overall U.S. economy, the Tennessee economy, and individual firms. The size of each word reflects the relative frequency with which it was mentioned.

**Future of the overall U.S. economy.** Any expectations for continued growth in the economy are accompanied by uncertainty and volatility associated with trade and tariffs. Interestingly, there was no mention of impeachment, and only two respondents mentioned Donald Trump.



<sup>2</sup> Source: October 2, 2019, “CEO Confidence Declines to Lowest Level in a Decade” (<https://conference-board.org/data/ceoconfidence.cfm>)

**Future of the Tennessee economy.** Business leaders are decidedly more positive and optimistic about the future of the state's economy. Although views have moderated somewhat, the general expectation is still for positive growth. Only one respondent mentioned recession.



**Future of Individual Firms/Businesses.** With respect to their individual firm, business leaders remain guardedly optimistic amid uncertainty, challenges, and potential change. More results related to the challenges business leaders are currently experiencing are on page 6 of this report.



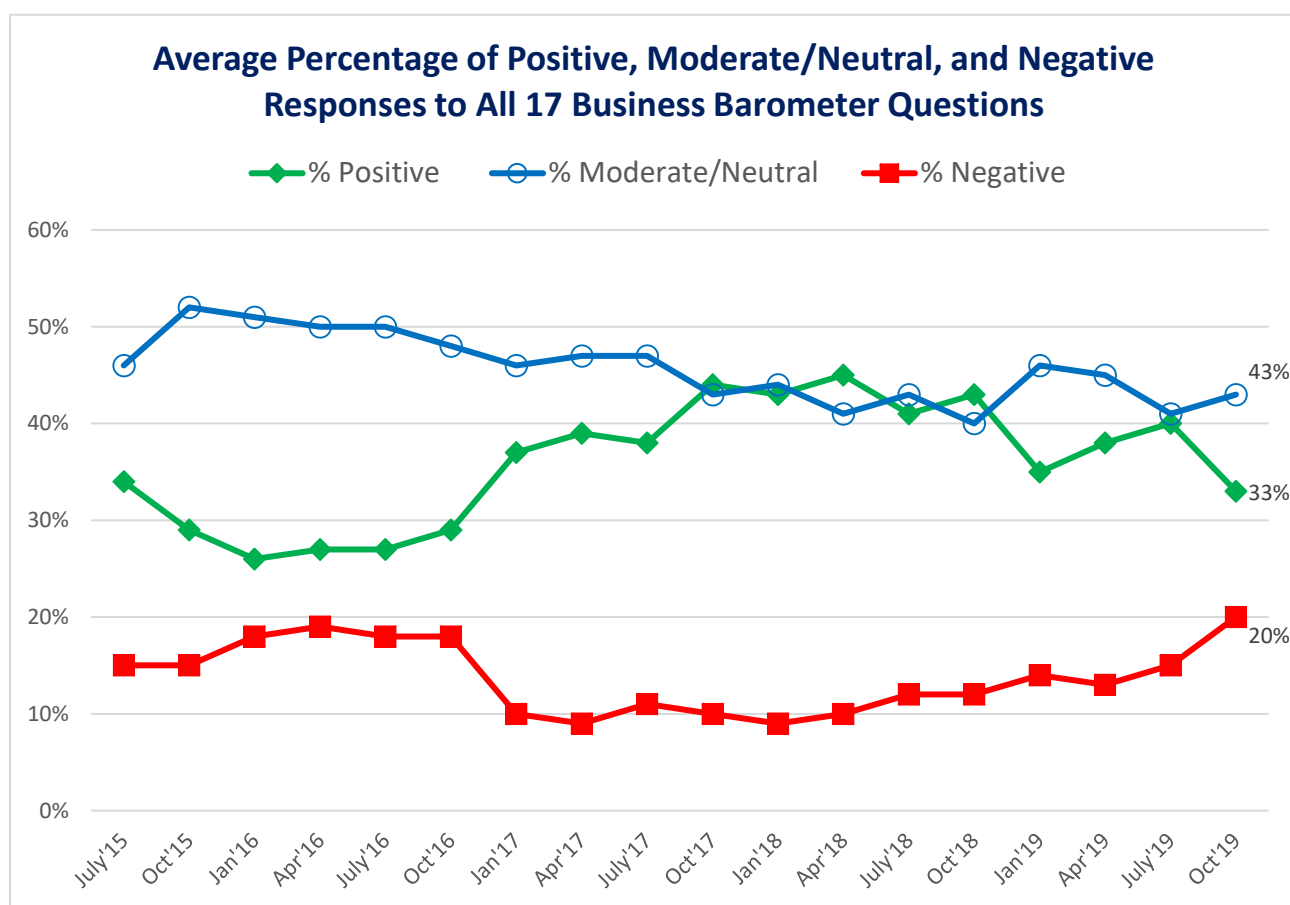
## Employment and Staffing

Concerns about the future of the economy can inhibit hiring and staffing increases. The Employment Outlook Index fell further into the negative range, slipping to -39 from -12 in July. The percent who expect to “increase” employment in the next 12 months dropped to 35 from 41. Further, the percent who expect to “decrease” employment rose to 18 from 4. Moreover, finding qualified employees remains a significant challenge. The percent who said qualified employees are “hard to find” rose to 58 from 52.

## The Final Word

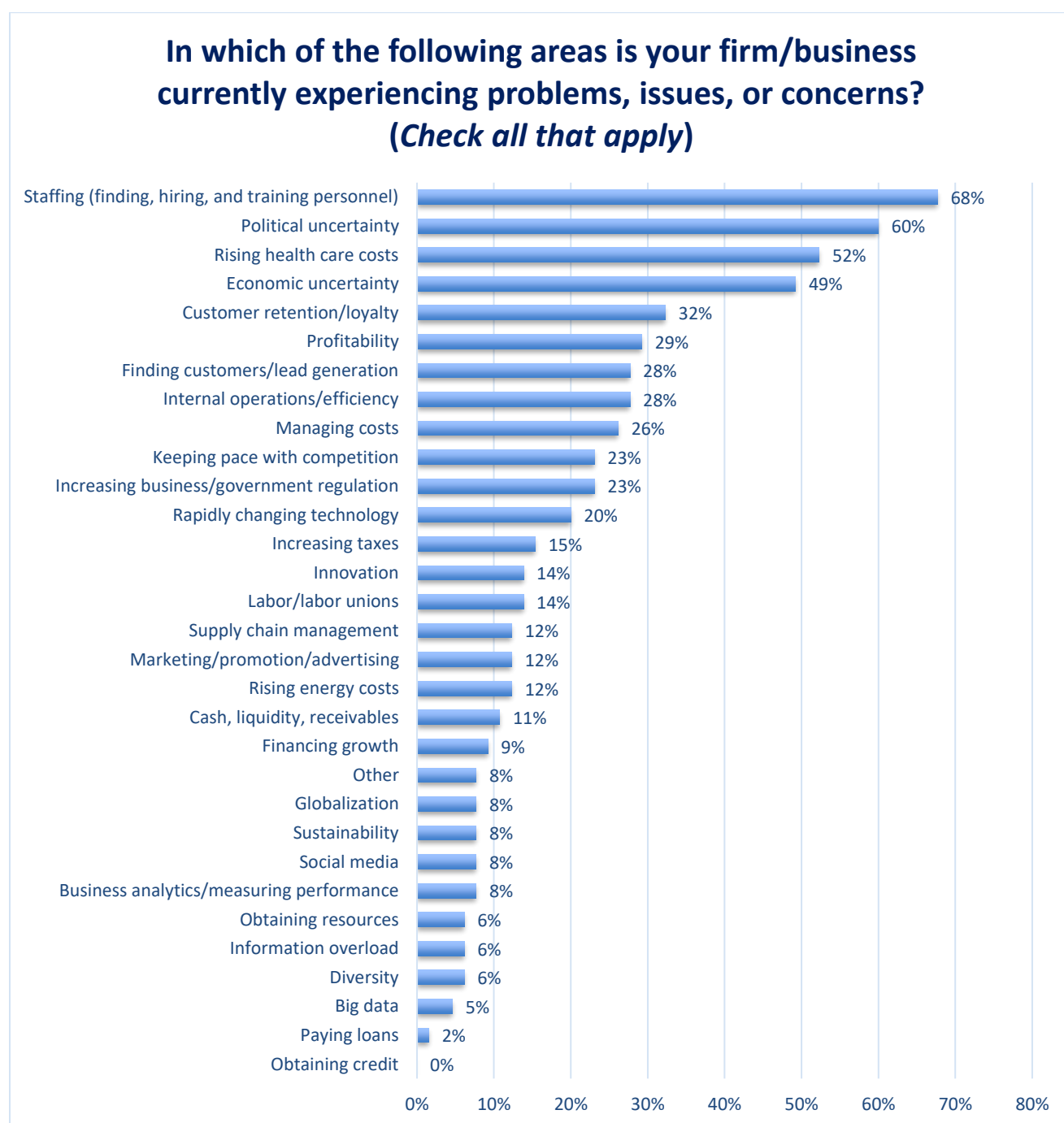
Even though perceptions of the overall economy declined, the overall mood of Tennessee business leaders remains relatively positive. The percent of business leaders who hold positive views of the economy still outnumbers those with negative views. Any decrease in business activity could signal an economic slowdown. However, consumer outlook remains strong. Since consumer spending accounts for two-thirds of overall U.S. economic activity, such consumer spending could help keep the economy growing.

**Overall Positive Perceptions.** 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. Most responses remain either positive or moderate/neutral. Relatively few responses are negative. This means that when responding to our questions, the majority of business leaders think economic conditions are “good” or “in between” and think future economic conditions will be “better” or “stay the same.”



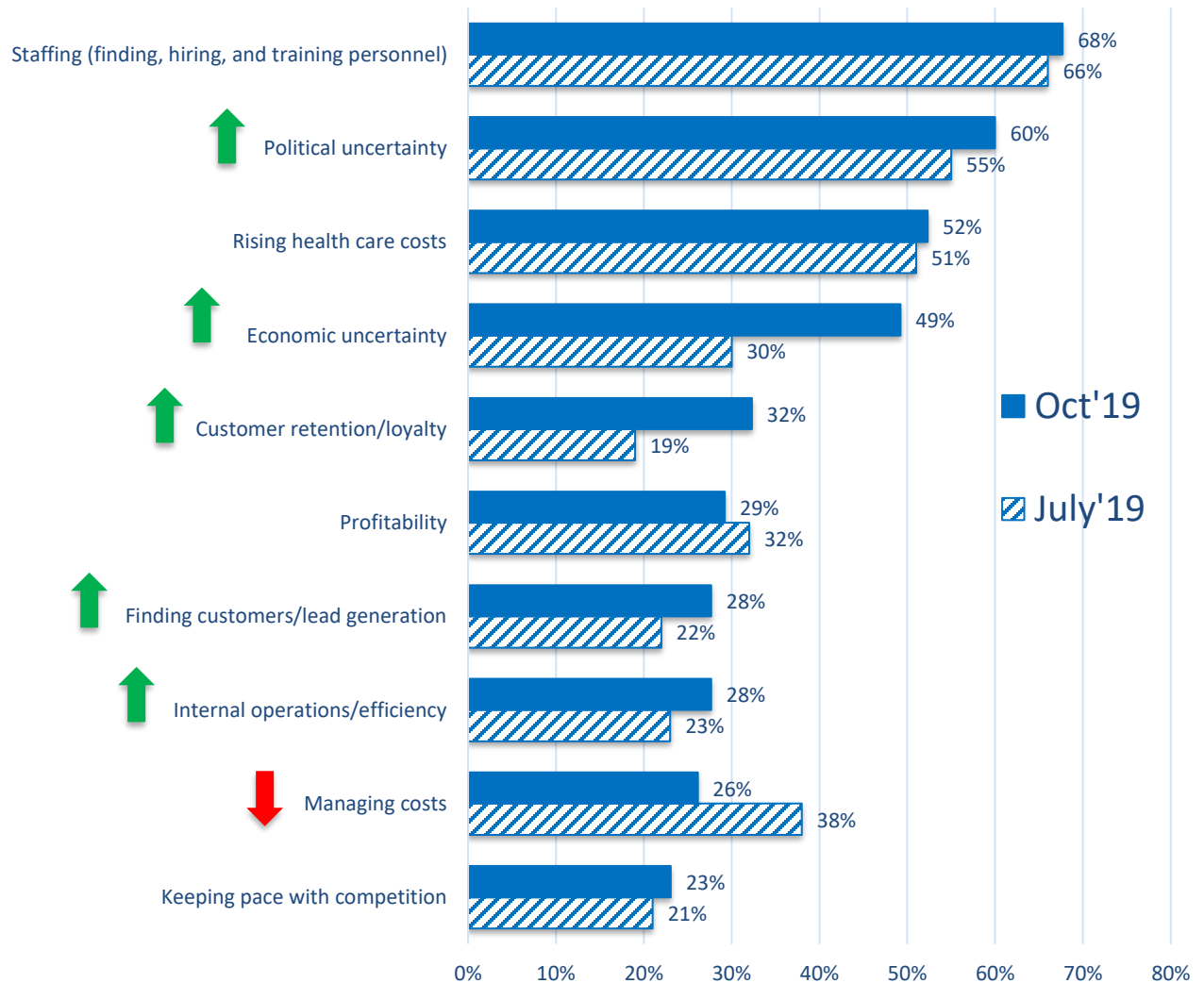
## Business Challenges

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. Staffing concerns followed by political uncertainty, rising health care costs, and economic uncertainty dominate the list as the most often cited concerns.



**Shifting Concerns.** The chart below shows the ten challenges most often cited by business leaders in October 2019. This is compared to the percent who cited these challenges in July 2019. There are growing concerns regarding political and economic uncertainty accompanied by increasing concerns regarding finding and retaining customers and internal operations. Concerns regarding managing costs declined significantly since July.

### Six Most Often Cited Challenges: Percent Selecting Each Challenge in October 2019, Compared to July 2019



Tennessee Business Barometer Results		Jan 2019 (%)	Apr 2019 (%)	July 2019 (%)	Oct 2019 (%)	Net Change from July 2019*
Overall economic conditions in the U.S. are: <sup>C</sup>	Good	62	65	77	<b>54</b>	<b>-23</b>
	In between	36	33	18	<b>43</b>	
	Bad	1	2	3	<b>3</b>	
Twelve months from now overall economic conditions in the U.S. will be: <sup>F</sup>	Better	17	25	25	<b>15</b>	<b>-16</b>
	About same	57	59	51	<b>55</b>	
	Worse	25	16	23	<b>29</b>	
Economic conditions in Tennessee are: <sup>C</sup>	Good	81	83	85	<b>80</b>	<b>-5</b>
	In between	18	14	13	<b>17</b>	
	Bad	1	3	3	<b>3</b>	
Twelve months from now economic conditions in Tennessee will be: <sup>F</sup>	Better	31	40	47	<b>22</b>	<b>-30</b>
	About same	62	56	39	<b>63</b>	
	Worse	5	5	11	<b>16</b>	
Economic conditions in your industry are: <sup>C</sup>	Good	57	54	51	<b>48</b>	<b>-3</b>
	In between	36	41	40	<b>42</b>	
	Bad	4	3	9	<b>9</b>	
Twelve months from now economic conditions in your industry will be: <sup>F</sup>	Better	22	30	37	<b>17</b>	<b>-26</b>
	About same	60	59	48	<b>62</b>	
	Worse	14	10	14	<b>20</b>	
Regulatory conditions in your industry are: <sup>C</sup>	Good	39	35	42	<b>45</b>	<b>-3</b>
	In between	44	47	44	<b>37</b>	
	Bad	12	11	8	<b>14</b>	
Twelve months from now regulatory conditions will be: <sup>F</sup>	Better	9	10	6	<b>15</b>	<b>+2</b>
	About same	72	84	83	<b>68</b>	
	Worse	11	2	4	<b>11</b>	
Economic Conditions for your firm/business are: <sup>C</sup>	Good	64	56	54	<b>52</b>	<b>+3</b>
	In between	34	37	34	<b>40</b>	
	Bad	3	6	13	<b>8</b>	
Twelve months from now economic conditions for your firm/business will be: <sup>F</sup>	Better	37	41	39	<b>28</b>	<b>-17</b>
	About same	49	52	48	<b>55</b>	
	Worse	12	6	11	<b>17</b>	
Compared to last year will your firm grow: <sup>B/F</sup>	More	30	29	31	<b>32</b>	<b>-8</b>
	About same	42	46	44	<b>31</b>	
	Less	24	21	25	<b>34</b>	
Compared to last year will your firm invest: <sup>B/F</sup>	More	31	30	38	<b>29</b>	<b>-22</b>
	About same	45	43	45	<b>38</b>	
	Less	18	25	15	<b>28</b>	

<b>Tennessee Business Barometer Results</b>		<b>Jan 2019</b> (%)	<b>Apr 2019</b> (%)	<b>July 2019</b> (%)	<b>Oct 2019</b> (%)	<b>Net Change from July 2019*</b>
Compared to last year will your firm's sales: <sup>B/F</sup>	Increase	48	59	51	<b>45</b>	<b>-14</b>
	Stay the same	36	22	28	<b>26</b>	
	Decrease	13	16	15	<b>23</b>	
Compared to last year will your firm's profitability: <sup>B/F</sup>	Increase	29	37	39	<b>29</b>	<b>-11</b>
	Stay the same	49	44	32	<b>38</b>	
	Decrease	20	14	25	<b>26</b>	
Compared to last year will your firm's inventories: <sup>B/F</sup>	Increase	9	14	14	<b>11</b>	<b>-17</b>
	Stay the same	42	41	48	<b>34</b>	
	Decrease	18	19	17	<b>31</b>	
In the next 12 months will employment at your firm/business: <sup>E</sup>	Increase	34	35	41	<b>35</b>	<b>-20</b>
	Stay the same	56	51	55	<b>46</b>	
	Decrease	9	13	4	<b>18</b>	
Qualified employees are: <sup>E</sup>	Easy to find	0	2	3	<b>2</b>	<b>-7</b>
	Found with effort	40	40	42	<b>37</b>	
	Hard to find	55	57	52	<b>58</b>	

<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 and 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 an online survey of 65 business leaders throughout the state of Tennessee. The survey was conducted between October 3 and October 9. With a sample of 65 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  $\pm 12\%$ . 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?