Frustrations and Worries Drive Down Business Leaders' Outlook for the Economy

Outlook among Tennessee Business Leaders retreated significantly in the last three months. Although outlook had improved earlier this year, Tennessee business leaders have become increasingly pessimistic about the current and future economy. Frustrations and worries about the overall economy, and inflation in particular, have driven down the Tennessee Business Barometer Index which is a measure of business leaders' perceptions of the current and future economy. The Tennessee Business Barometer Index declined to 207 from 434 in July.

The Current Situation Index dropped to 156 from 205. The Future Expectations Index fell significantly to -20 from 90. Further, concerns about the effects of a softening economy and supply chain disruptions on individual firm performance caused the Business/Firm Performance Index to drop to 88 from 156. The Employment Situation Index remained relatively unchanged in the negative range at -16. However, this was the result of offsetting trends. Even though there was a small net increase in the percent of firms likely to increase hiring, there was a similar net decrease in the percent who said it is easy to find qualified employees.

### Tennessee Business Barometer Index and Sub-Indices

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<td>-9</td>
<td>-17</td>
<td>-16</td>
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<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 107 business leaders from across Tennessee was conducted in partnership with the Tennessee Chamber of Commerce & Industry between October 5 and October 18. The sample of respondents includes business owners (31%), vice presidents (14%), senior managers (29%), and managers/others (26%) at firms of various sizes. The next Tennessee Business Barometer survey is scheduled for January 2022.
Weakening Views of the Economy

Perceptions of the overall American economy continued to decline. The percent who said economic conditions in the country as a whole are "good" fell to 18 from 30. Further, the percent who said conditions are "bad" rose to 23 from 15. This decline in perceptions of the overall economy mirrors a similar decline in the Conference Board's nationwide measure of CEO Confidence.\(^2\) Perceptions of the Tennessee economy also declined, but not as significantly. The percent who said conditions in Tennessee are "good" dropped to 48 from 54, while the percentage who said they are "bad" remained at 5.

Outlook for the Future

Outlook for the future saw the most drastic net declines. The percent who said economic conditions in the US will be "better" 12 months from now fell to 21 from 41, while the percent who said conditions would be "worse" rose to 46 from 29. The percent who said economic conditions in Tennessee would be "better" dropped to 28 from 43. In contrast, the percent who said conditions would be "worse" gained to 29 from 17.

Industry, Regulatory Conditions, and Business/Firm Performance

In addition to these declining perceptions of the overall economy, there were significant net decreases in perceptions of individual industries and business/firm performance. Further, the largest net declines in perceptions were for the future outlook regarding economic conditions for industries, regulatory conditions for industries, and economic conditions for individual firms/businesses. More specifically, there were net decreases in the percent of business leaders who expect their firm to grow more, invest more, increase sales, increase profitability, and increase inventories compared to last year.

Employment and Hiring

Many Tennessee businesses continue to struggle to find qualified employees. Even though the percentage of firms expecting to increase employment rose to 53 from 45, the percent who said qualified employees are "hard to find" increased to 67 from 62. Only 1 percent said qualified employees are "easy to find."

\(^2\) CEO Confidence Retreated in Q3, But CEOs Remain Optimistic, October, 7, 2021, [www.confERENCE-board.org](http://www.confERENCE-board.org).
Overall Positive vs. Negative Outlook

Even with this continuing 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. Overall, business leaders hold more positive views compared to negative views. However, the positive gap between positive and negative views has narrowed considerably since July.

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

- % Positive
- % Moderate/Neutral
- % Negative

Since July 2021, the percentage of positive responses has decreased from 45% to 42%, while negative responses have increased from 19% to 41%.
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, followed closely by political uncertainty. Concerns also exist regarding economic uncertainty, rising healthcare costs, supply chain management, and increasing taxes. Rising prices and a shortage of workers can lead to restrictions in supply chains which can further stifle economic activity and growth.

<table>
<thead>
<tr>
<th>In which of the following areas is your firm/business currently facing concerns, issues, or challenges? (Check all that apply)</th>
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<tbody>
<tr>
<td>Staffing (finding, hiring, and training personnel)</td>
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<td>Political uncertainty</td>
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<tr>
<td>Economic uncertainty</td>
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<td>Rising health care costs</td>
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<td>Supply chain management</td>
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<td>Increasing taxes</td>
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<tr>
<td>Increasing business/government regulation</td>
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<td>Managing costs</td>
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<td>Rising energy costs</td>
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<td>Profitability</td>
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<tr>
<td>Obtaining resources</td>
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<td>Labor/Labor unions</td>
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<tr>
<td>Sustainability</td>
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<tr>
<td>Customer retention/loyalty</td>
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<td>Finding customers/lead generation</td>
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<td>Internal operations/efficiency</td>
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<td>Keeping pace with competition</td>
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<td>Innovation</td>
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<td>Rapidly changing technology</td>
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<td>Diversity</td>
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<td>Social Media</td>
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<tr>
<td>Other</td>
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<td>Information overload</td>
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<tr>
<td>Marketing/Promotion/Advertising</td>
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<tr>
<td>Cash, liquidity, receivables</td>
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<td>Globalization</td>
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<td>Business analytics/measuring performance</td>
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<td>Financing growth</td>
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<td>Big Data</td>
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<td>Paying loans</td>
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<td>Obtaining credit</td>
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</tbody>
</table>
Shifting Concerns and Challenges

The chart below shows the seven challenges most often cited by business leaders in October 2021 compared to the percent who cited these same challenges in July 2021. There are significant increases in the percentage of business leaders expressing concerns about political uncertainty, rising health care costs, supply chain management, and higher taxes.

Most Often Cited Challenges:
Percent Selecting Each Challenge in October 2021
Compared to July 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 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, the inability of political leaders to solve problems, more governmental regulation, and higher taxes.

Which of the following concerns or worries do you have for the future of our nation or our economy?

*(Check all that apply)*

- Higher inflation: 84%
- Increasing polarization between political parties: 74%
- Inability of political leaders to solve problems: 74%
- More government regulation: 73%
- Higher taxes: 69%
- Instability in our political system: 67%
- Declining political ethics: 67%
- Inability of the U.S. educational system to properly educate children: 61%
- Increasing reliance on government (public) support: 59%
- Declining morals and values: 59%
- Instability in our economic system: 58%
- Increasing government control over businesses: 54%
- Increasing lawlessness: 51%
- Restrictions on individual liberties and freedoms: 49%
- Greater societal unrest: 48%
- More restrictions on free speech: 40%
- Election fraud in future elections: 38%
- Increasing illegal immigration: 38%
- More business shutdowns due to COVID-19: 38%
- Increasing racial tensions: 37%
- More restrictions on religious freedoms: 37%
- More censorship in broadcast/media news programming: 35%
- More censorship in social media: 35%
- Declining business ethics: 35%
- Weaker trade deals with other countries: 35%
- Increasing minimum wage: 32%
- Higher unemployment: 32%
- Military conflicts with other nations: 22%
- Climate change: 18%
- Other: 9%
- Don't kno /No opinion/None of the above: 1%
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.

Political Uncertainty and Frustrations

Many business leaders have concerns about and are frustrated with the current political situation and the inability of political leaders to find effective solutions to economic problems.

- Current administration and Congress are not leading and don't seem to have a plan for helping Americans.
- Trillion Dollar Tax Debt and irresponsible spending by the current administration.
- The policies in place and the legislation points to a dire economic future.
- Does anyone know what the Federal response to Covid and vaccine mandates will truly be or what impact that will have on a workforce?
- Anti-American and anti-business leadership in charge of the country.
- American leadership is spiraling out of control and leadership is making decisions that are not favorable for our economy.
- Increased national debt, poor trade policies, lack of transparency.
- Because the United States cannot continue to print money, add debt, more welfare and more taxes for the people that drive the Economy. All either party wants to do is remain in power and throw money at problems instead of fixing them with hard work, not money.

Supply Chain Concerns and Difficulty Finding Employees

Business leaders also expressed concerns regarding shortages, disruptions in supply chains, and an inability to find motivated employees to fill positions to help with economic growth and recovery.

- Demand side for products, but supply chains are being stretched and finding employees is very difficult.
- We will continue to see a high unemployment, employers struggling to hire people and inflation will skyrocket.
- Supply chain issues and broken leadership in DC.
- Concerns over the infrastructure bill and overall state of nation. Also concerns about not have enough people willing to come back to work. Higher wages help but some still won't come.
- Concerns about the uneven recovery and our supply chain disruptions. Additionally, inflation is not going away.
- No one wants to work and those that do, have mandates placed on them - that is not right.
- Too many supply chain issues and incentives not to work.
**Inflation and Taxes**

Inflation and higher taxes were also on the minds of Tennessee business leaders.

- Inflation, irresponsible spending by Federal govt.
- More Federal spending = inflation.
- Inflation, irresponsible spending by Federal govt.
- Inflation is out of check.
- Business improvement countered by expected inflation.
- Inflation, lack of workers, government handouts.
- Political uncertainty, likely higher taxes.
- Demand seems relatively strong across many areas. Concerns are inflation and Washington, DC.
- Rising costs of products and services and the unwillingness of people to go to work.
- Concerned about increased inflation and tax increases that will stifle investments.

**Diminishing Concerns Regarding COVID**

Some respondents noted decreased concerns regarding COVID and a more optimistic outlook for the nation’s response to the pandemic.

- We seem to be recovering from the pandemic.
- Pandemic will be over or in decline.
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 (70%) and worried (53%) about the future of the economy. Further, nearly one-third expressed anger and sadness. No respondent reported feeling happy, and only 14 percent reported feeling thankful. Interestingly, any problems with the economy as recognized by these respondents were not unexpected. Only 3 percent said they were surprised.

Which of the following words describes how you feel when you think about the future of our nation or our economy?

(Check all that apply)
Salespeople and Customer Interactions

In difficult economic times, providing excellent service from salespeople who have direct contact with customers is of paramount importance to making and keeping customers. A firm's salespeople can have significant effects on that firm's ability to remain profitable and grow in a service-dominant economy. Respondents were asked a series of questions measuring how their salespeople interact with customers.

Customer Satisfaction

The majority of respondents said their firm's salespeople are more interested in making their customers happy and satisfied (51%), than they are in making money for themselves (17%) or in making money for their firm (11%). Such devotion to customer satisfaction can significantly improve a firm's ability to make and keep customers. Further, focusing on customer satisfaction can lead to increased profitability and financial performance, given that it is 6-7 times more expensive to make a new customer than it is to create a new one.

If you have to select only one answer, are the salespeople (sales reps) at your firm/business more interested in making money for themselves, making money for your firm/business, or making your customers happy and satisfied?

- Making our customers happy and satisfied: 51%
- Not sure: 20%
- Making money for themselves: 17%
- Making money for our firm/business: 11%
Professional Sales Training

With respect to professional sales training, more than one-third (39%) said the interactions between their salespeople and their customers would be better if their salespeople received professional training (or additional training) in sales. One-fourth (25%) do not see the value of professional sales training in improving interactions between salespeople and customers.

Do you think the interactions between your salespeople (sales reps) and your customers would be better if your salespeople (sales reps) received professional training in sales (or more professional training in sales if they have already received some training?)

- Yes: 39%
- Not sure / Don't Know: 36%
- No: 25%
Interactions Between Salespeople and Customers

Respondents were also asked to indicate the words that best describe their salespeople as they interact with their customers. Business leaders in Tennessee hold very positive views of their salespeople and how they interact with their customers. Professional was the most often cited description (75%) followed helpful (65%), supportive (58%), ethical (56%), and committed (56%). Very few reported negative descriptions of their salespeople, such as aggressive (9%), arrogant (2%), or pushy (1%).

Which of the following words best describe your salespeople (sales reps) when you think about how they interact with your customers?

(Check all that apply)
<table>
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<tr>
<th>Tennessee Business Barometer Results</th>
<th>Jan 2021 (%)</th>
<th>April 2021 (%)</th>
<th>July 2021 (%)</th>
<th>Oct 2021 (%)</th>
<th>Net Change from July 2021 *</th>
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<td>10</td>
<td>34</td>
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<td></td>
<td>In between</td>
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<td></td>
<td>About same</td>
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<td></td>
<td>Worse</td>
<td>43</td>
<td>33</td>
<td>29</td>
<td>46</td>
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<td></td>
<td>In between</td>
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<td>6</td>
<td>9</td>
<td>12</td>
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<tr>
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<td>Worse</td>
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<td>Worse</td>
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<td>28</td>
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<td>Economic Conditions for your firm/business are:</td>
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<td>About same</td>
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<td>Compared to last year will your firm grow:</td>
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<td>Less</td>
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<td>15</td>
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<td>Compared to last year will your firm invest:</td>
<td>More</td>
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<td>Less</td>
<td>24</td>
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### Tennessee Business Barometer October 2021

**Office of Consumer Research, Jones College of Business, Middle Tennessee State University:**

<table>
<thead>
<tr>
<th>Tennessee Business Barometer Results</th>
<th>Jan 2021 (%)</th>
<th>April 2021 (%)</th>
<th>July 2021 (%)</th>
<th>Oct 2021 (%)</th>
<th>Net Change from July 2021*</th>
</tr>
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<tbody>
<tr>
<td>Compared to last year</td>
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<tr>
<td>will your firm’s sales: <em>(^{n/p})</em></td>
<td>Increase</td>
<td>48</td>
<td>56</td>
<td>54</td>
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<td>Stay the same</td>
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<td></td>
<td>Decrease</td>
<td>15</td>
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<td>Compared to last year</td>
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<td>will your firm’s profitability: <em>(^{n/p})</em></td>
<td>Increase</td>
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<td>Compared to last year</td>
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<tr>
<td>will your firm’s inventories: <em>(^{n/p})</em></td>
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<td>12</td>
<td>20</td>
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<tr>
<td></td>
<td>Stay the same</td>
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<td>Decrease</td>
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<td>In the next 12 months</td>
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<td>will employment at your firm/business: <em>(^{f})</em></td>
<td>Increase</td>
<td>37</td>
<td>48</td>
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<td>53</td>
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<td>12</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Qualified employees are: <em>(^{e})</em></td>
<td>Easy to find</td>
<td>8</td>
<td>4</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Found with effort</td>
<td>45</td>
<td>32</td>
<td>31</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Hard to find</td>
<td>42</td>
<td>58</td>
<td>62</td>
<td>67</td>
</tr>
</tbody>
</table>

*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.*

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**Included in the Current Economic Situation Index**

**Included in the Future Economic Expectations Index**

**Included in the Business/Firm Performance Index**

**Included in the Employment Outlook Index**
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 107 business leaders throughout the state of Tennessee. The survey was conducted between October 5 and October 18. With a sample of 107 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 ± 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.

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?