



Tennessee Business Leaders Survey

Summer 2023 Results



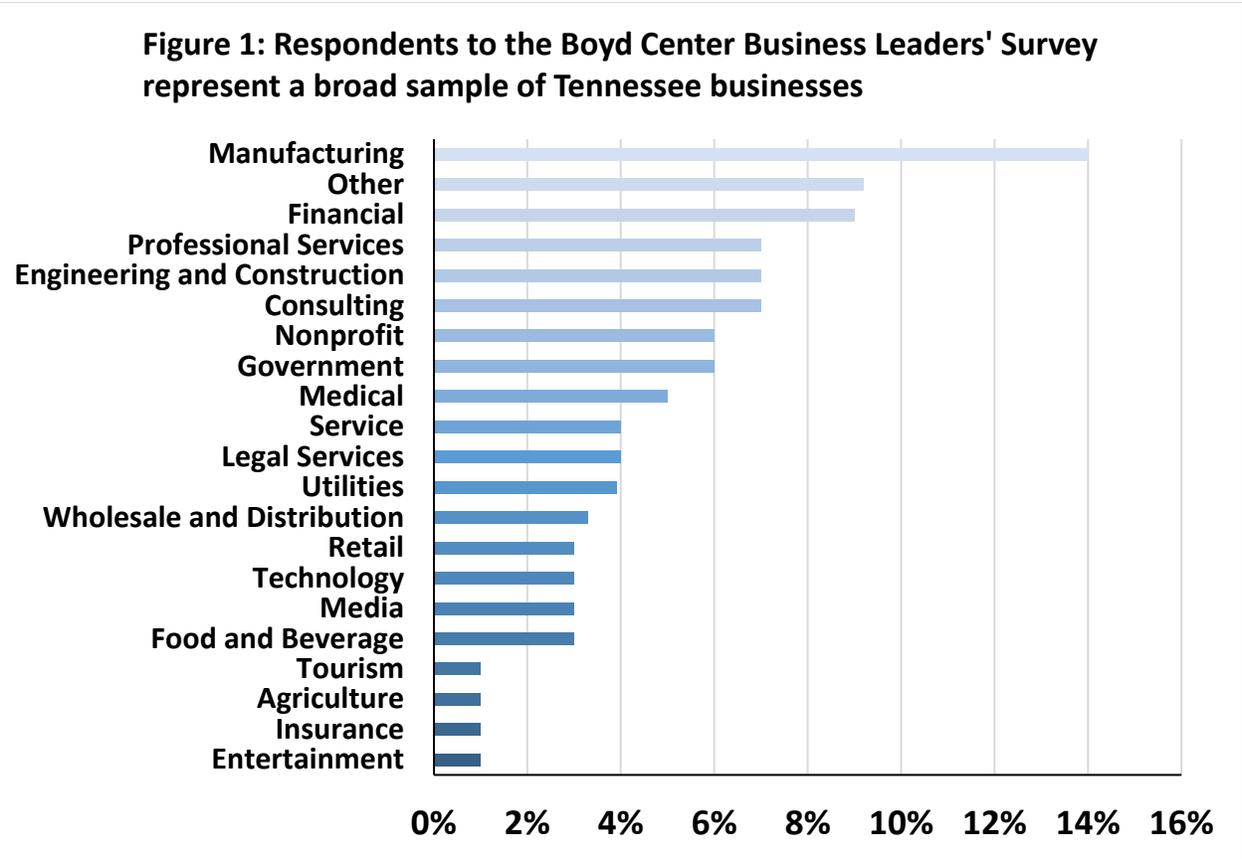
THE UNIVERSITY OF
TENNESSEE
KNOXVILLE

BOYD CENTER FOR BUSINESS
AND ECONOMIC RESEARCH

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Introduction

Many business leaders from across Tennessee responded to the Boyd Center’s semi-annual Business Leaders Survey, providing a unique perspective on the Tennessee and US economies. Responses were provided between August 1, 2023 and August 23, 2023. Respondents represent a broad sample of Tennessee’s businesses, both by size and by industry. Responses were received from firms ranging in size from less than 50 to over 5,000 employees with representation from leaders across all industries (see Figure 1). Business leaders have somewhat divergent views on economic issues, likely because they come from different industries and parts of the state. In this brief report, we summarize key themes that emerge from the survey data.

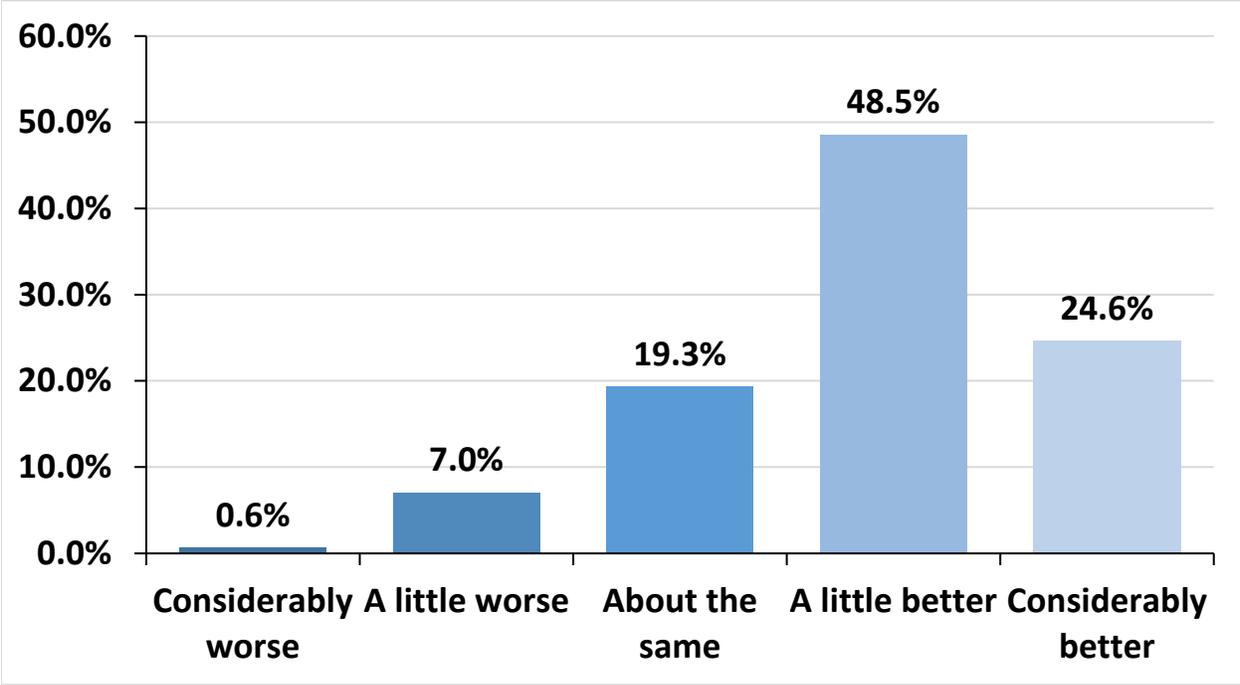


U.S. and Tennessee Economy

Business leaders are divided over how the U.S. economy is now compared to the last year with 38 percent believing that it is worse and 34 percent thinking it is better. Leaders do not believe that things will improve, with 44 percent saying the economy will worsen over the next year and less than one-third believing the economy will improve. However, 73 percent of respondents expect Tennessee’s economy to improve more rapidly than the national economy over the next year, with only 7.6 percent seeing the U.S. doing better (see Figure 2). The perspective on Tennessee’s relative economic strength is very similar to that expressed in previous surveys. Good business investment is the primary reason that Tennessee will grow faster than the nation. Separately, a majority (72.9 percent) believe Tennessee is headed in the right direction, and 69.4 percent see Tennessee’s state government doing an excellent or

good job of creating a solid business environment, compared with only about 7.7 percent seeing the state doing poorly. These demonstrate a consistently positive perspective on the state. Respondents were permitted to identify up to three areas where Tennessee could improve its business climate. Enhanced workforce development (62.3 percent) and infrastructure development (62.3 percent) strongly led the responses with technology infrastructure (38.9 percent) listed by a large share of respondents as well. More than a quarter of respondents listed business development incentives, while energy infrastructure was listed by 24 percent of respondents. Business leaders in West Tennessee were more likely to identify business development incentives as an area that needs improvement compared to leaders from Middle and East Tennessee.

Figure 2: A majority of Tennessee business leaders expect the Tennessee economy to be better than the national economy over the next 12 months.



Respondents were asked their perspective on inflation and the possibility of a recession. In response to inflation over the past year, many companies have offered higher wages (85 percent), charged higher prices (66 percent), and sought lower costs by looking for new supply chain opportunities (66 percent). Inflation has caused many companies to increase the use of artificial intelligence (51 percent) while others have reorganized their business (31 percent). Few have laid off employees (10 percent) or closed stores or offices (9 percent) in response to inflation (see Figure 3a).

Compared to this past winter, fewer leaders believe there is a high chance that the U.S. will fall into a recession in the next year. About 40 percent believe that there is less than a 25% chance while 37 percent believe there is a 26% to 50% chance. Only 17 percent believe the chance is higher, but still below 75%. Very few believe the chance is between 75 and 100% (see Figure 3b). Leaders from East Tennessee are more likely to believe that the economy will fall into a recession with about a quarter believing that there is more than a 50% chance.

Figure 3a: Companies have increased wages and charged higher prices over the past year due to inflation.

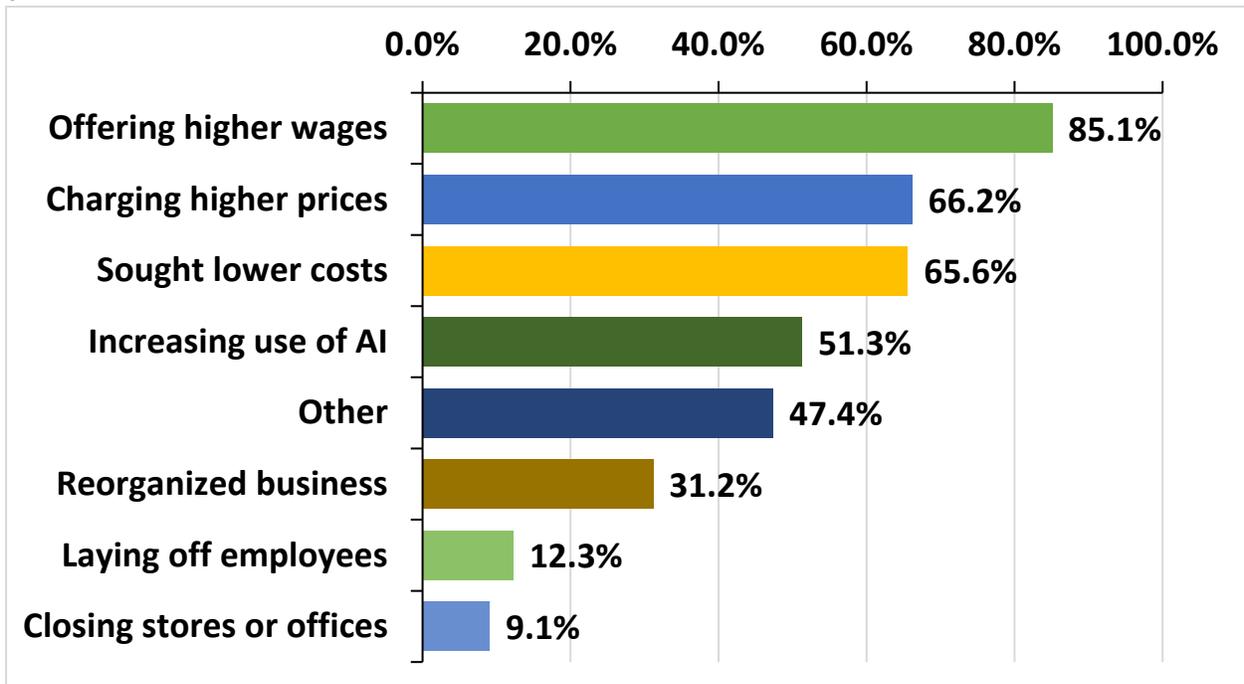
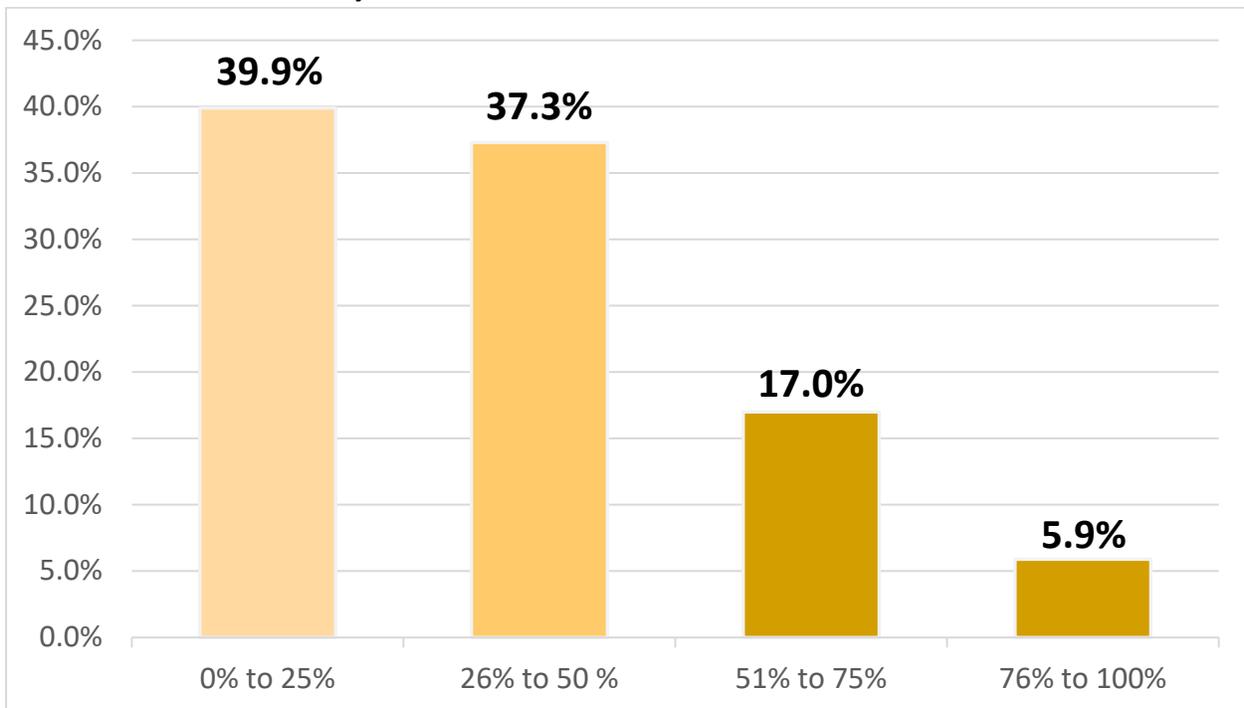


Figure 3b: Many leaders believe there is less than a 50% chance the U.S. economy will fall into a recession this year.



Individual Company Performance

Business leaders are slightly more optimistic about revenue than profitability over the next 12 months. About half are expecting their revenues to grow while 42 percent expect profitability to grow. A vast majority of respondents believe that they will either maintain the same employment levels (53 percent) or experience moderate growth (33 percent) in employment. Similarly, they believe that capital expenditures will stay about the same (41 percent) or grow moderately (39 percent). Stronger market demand is the primary hope by far for expecting greater profitability.

Respondents were asked about the challenges that their businesses face and were permitted to identify up to three. Adverse economic conditions was listed by 51 percent of respondents, followed by governmental regulation which was listed by 43 percent of respondents. About one-third of respondents listed human resources as a concern and more than one-quarter listed global political instability as a concern.

Labor Force

Respondents were asked several questions about Tennessee's labor force. Seven out of ten respondents reported that there is an insufficient supply of appropriately trained workers. Many business leaders believe that improved training and education (58 percent) would help expand the supply of workers. Work ethic and initiative continue to be big labor supply concerns. Respondents also believe workers need to be more realistic about compensation and improve their technical skills. A little more than half of all respondents indicated retaining workers is a challenge. Leaders had very different perspectives on what factors make it difficult to retain workers. Housing related issues (both the cost and availability) were the predominant reasons why retaining workers is challenging. The cost of childcare services and the availability of childcare services were also concerns for more than 20 percent of respondents. East and Middle Tennessee leaders are most concerned about the cost of housing while West Tennessee leaders are more concerned about the quality of local schools.