



Tennessee Business Leaders Survey

Winter 2024 Results



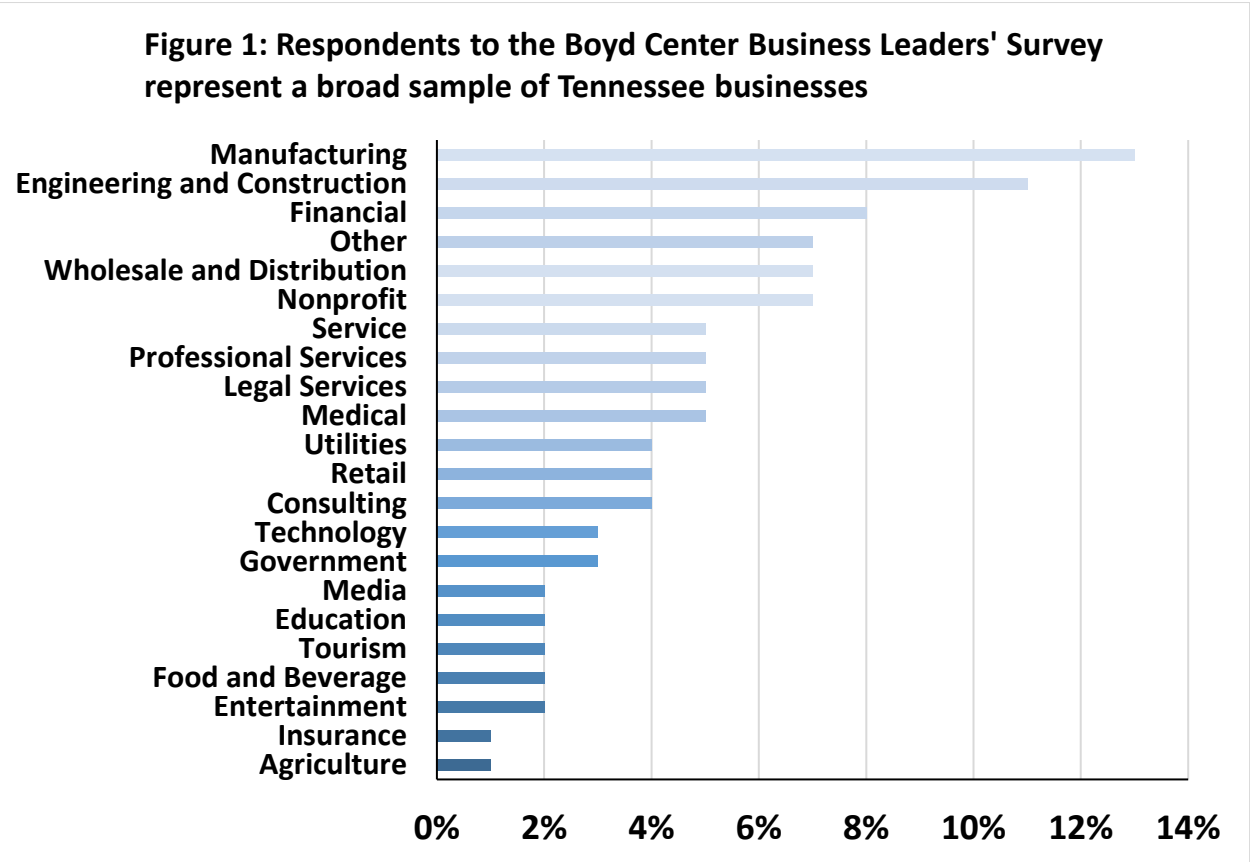
THE UNIVERSITY OF
TENNESSEE
KNOXVILLE

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 January 10, 2024, and January 31, 2024. 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.

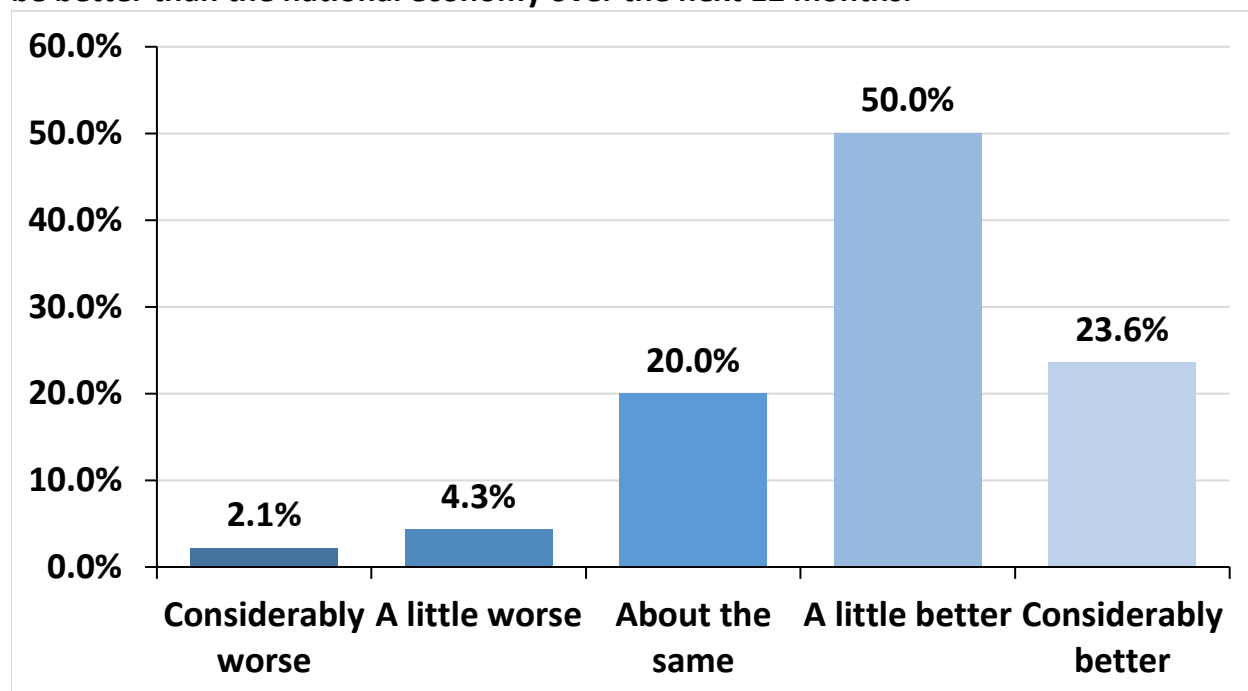


U.S. and Tennessee Economy

Business leaders are divided over how the U.S. economy is now compared to the last year with 30.0 percent believing that it is worse and 31.4 percent thinking it is better. Leaders believe that things will get better, with 41 percent saying the economy will improve over the next year and about one-fourth believing the economy will worsen. A majority of respondents (73.6 percent) expect Tennessee’s economy to improve more rapidly than the national economy over the next year, with only 6.4 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, most respondents (79.9 percent) believe Tennessee is headed in the right direction, and 71.9 percent see Tennessee’s state government doing an

excellent or good job of creating a solid business environment, compared with only about 5.8 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 (62.6 percent) and infrastructure development (59.0 percent) strongly led the responses with technology infrastructure (42.4 percent) listed by a large share of respondents as well. About one-third listed business development incentives, while energy infrastructure was listed by 23.0 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 (81.5 percent), charged higher prices (73.3 percent), and sought lower costs by looking for new supply chain opportunities (63.7 percent). Inflation has caused many companies to increase the use of artificial intelligence (49.6 percent) while others have reorganized their business (33.3 percent). Few have closed stores or offices (10.4 percent) or laid off employees (7.4 percent) in response to inflation (see Figure 3a).

Compared to this past summer, fewer leaders believe there is a high chance that the U.S. will fall into a recession in the next year. Half of respondents believe that there is less than a 25% chance while 33.6 percent believe there is a 26% to 50% chance. Only 14.9 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 West Tennessee are more likely to believe that the economy will fall into a recession with more than a third 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.

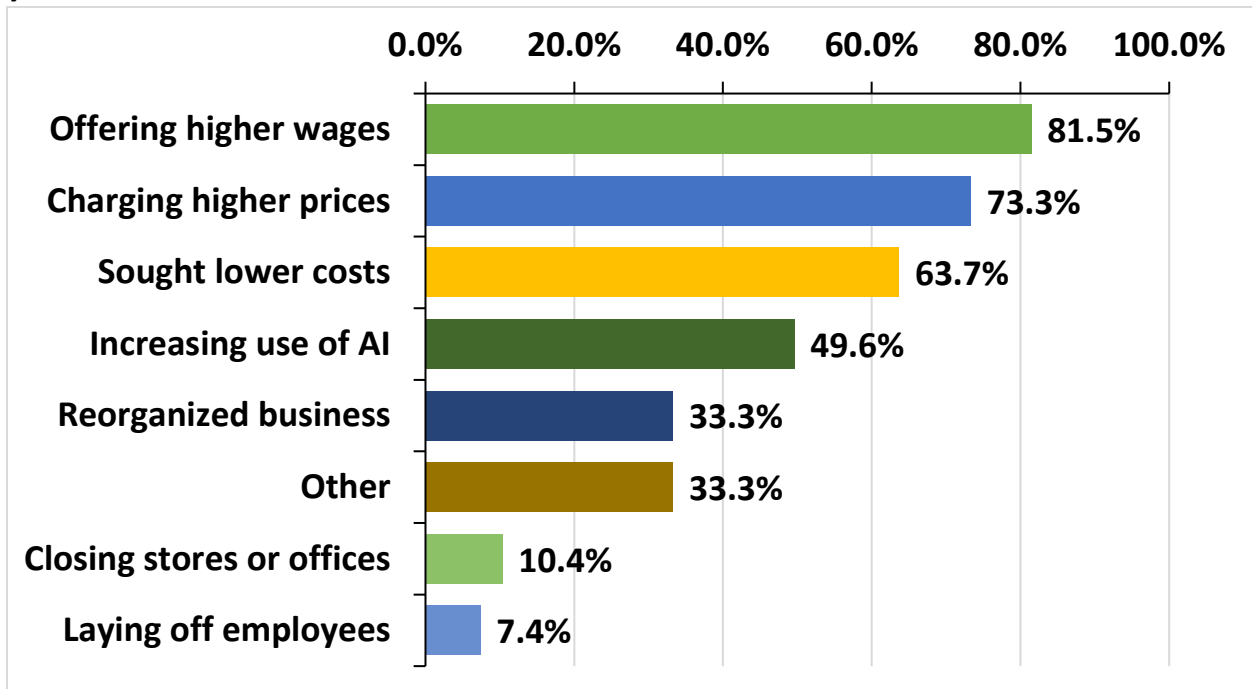
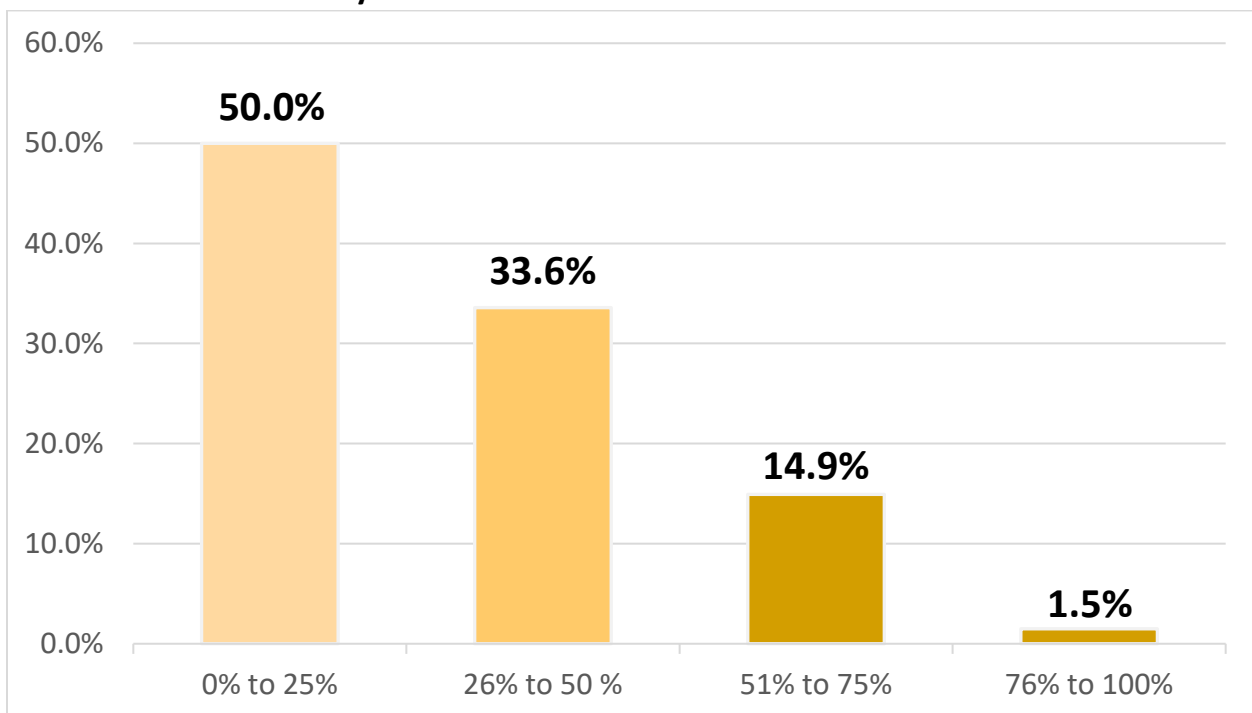


Figure 3b: Many leaders believe there is less than a 50% chance the U.S. economy will fall into a recession this year.



Individual Company Performance

Business leaders are slightly more optimistic about revenue than profitability over the next 12 months. More than half (55.4 percent) are expecting their revenues to grow while slightly less than half (47.1 percent) expect profitability to grow. A vast majority of respondents believe that they will either maintain the same employment levels (55.8 percent) or experience moderate growth (32.6 percent) in employment. Similarly, they believe that capital expenditures will stay about the same (42.0 percent) or grow moderately (40.6 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 51.4 percent of respondents, followed by governmental regulation which was listed by 43.5 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. About half of respondents believe that improved training and education would help expand the supply of workers. Work ethic and initiative continue to be big labor supply concerns. Respondents also believe workers need to improve their technical skills and be more realistic about compensation.

Compared to last summer, fewer respondents indicated retaining workers is a challenge. However, 45.3 percent of respondents reported that their business does struggle with attracting and retaining workers. Leaders had very different perspectives on what factors make it difficult to retain workers. The cost of housing continued to be the predominant reason why retaining workers is challenging. More than one-quarter of respondents identified the cost of child care services, the availability of housing, and the quality of local schools as factors impacting the ability of their business to attract and retain workers. 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.

Business leaders were asked about the use of flexible work arrangements to recruit and retain workers. Slightly more than one-third of respondents reported that their business is 100 percent in person. About one-third responded that they have always allowed some flexibility and have not changed this policy. Slightly less than one-third of respondents reported expanding opportunities for remote work in recent years.