



Tennessee Business Leaders Survey

Winter 2026 Results



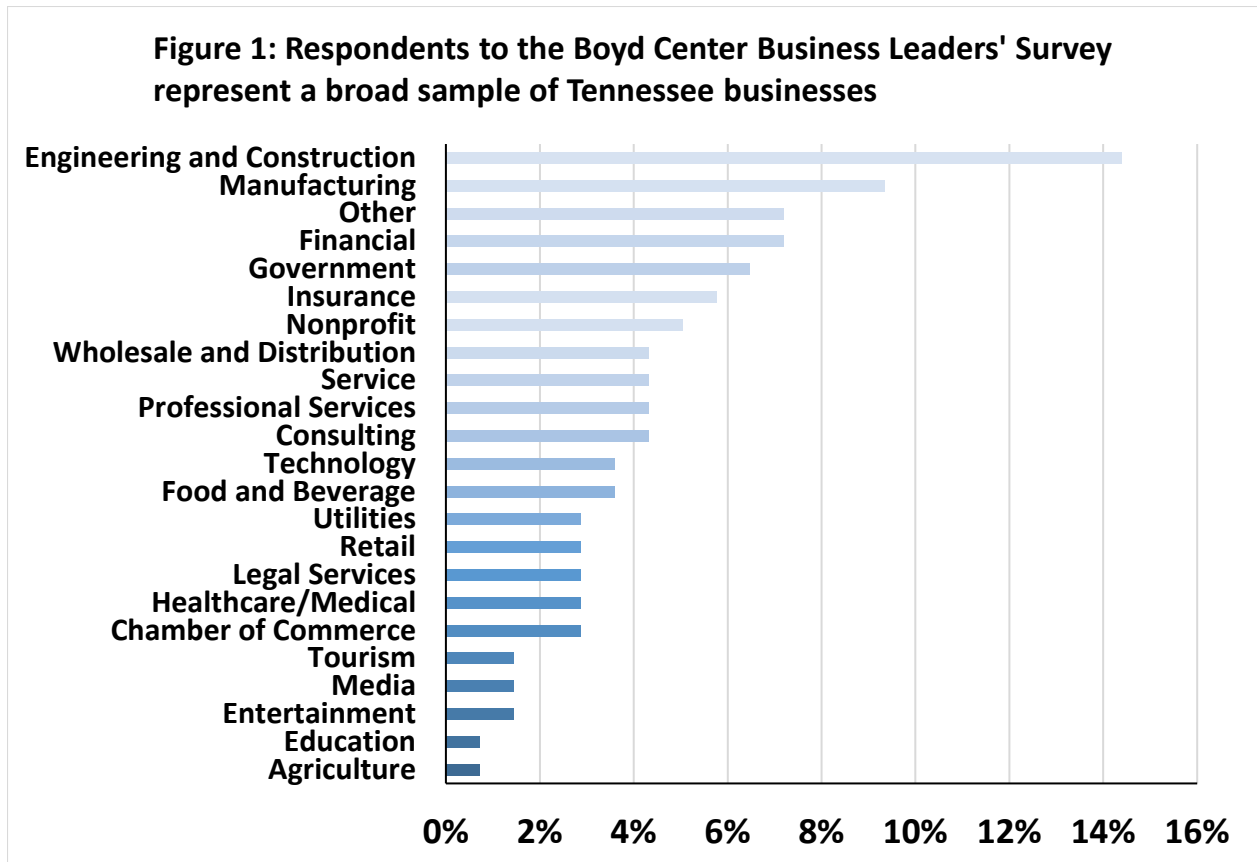
THE UNIVERSITY OF
TENNESSEE
KNOXVILLE

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 14 and February 6, 2026. 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.

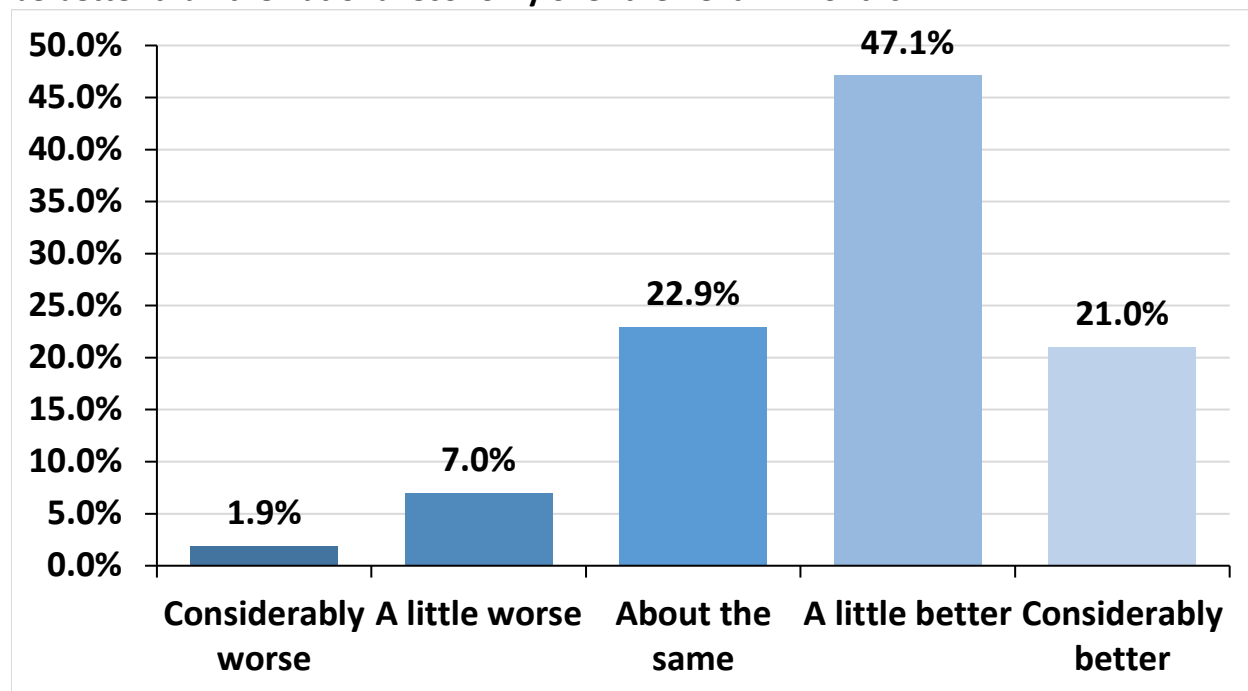


U.S. and Tennessee Economy

Business leaders are roughly evenly split in their assessments of the U.S. economy, with 36.3 percent saying conditions are better than a year ago and 37.6 percent saying they are worse. Leaders are optimistic about the future, with 46.7 percent saying the economy will be better over the next year. Furthermore, a larger share of leaders (68.1 percent) expects Tennessee’s economy to improve more rapidly than the national economy over the next year, with 8.9 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 and strong government leadership are the primary reasons they say that Tennessee will grow faster than the nation. Separately, the majority (74 percent) believe Tennessee is headed in the right direction, and 70.7 percent see Tennessee’s state government doing an

excellent or good job of creating a solid business environment, compared with only 0.6 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. Infrastructure development (64.9 percent) and enhanced workforce development (47.4 percent) led the responses, with energy infrastructure (41.6 percent), business development incentives (41.6 percent), and technology infrastructure (31.2 percent) listed by a large share of respondents as well.

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 about the effects of tariffs on their business and the extent to which costs were passed on to customers. A majority (71.9 percent) indicated that tariffs affected their business a lot or a little, while only 28.1 percent reported that tariffs had no impact on their business at all (see Figure 3a). Furthermore, 46.1 percent of business leaders reported passing at least some of the tariffs' costs on to customers, up slightly from the Summer 2025 survey results (see Figure 3b).

Almost two-thirds of business leaders said they are using artificial intelligence, but it does not affect employment levels at their companies, while about a quarter said they do not use AI. Just 10.1 percent said they have decreased employment levels due to AI, and 4.3 percent said the use of AI has led to an employment increase.

Very few leaders believe there is a high chance that the U.S. will fall into a recession in the next year. About 58.3 percent believe that there is less than a 25 percent chance, while 23.0 percent believe there is a 26 to 50 percent chance. Consistent with the last report, 15.1 percent believe the chance is higher, but still below 75 percent. Just 3.6 percent believe the chance is between 75 and 100 percent (see Figure 3c).

Figure 3a: Business Leaders' Views on the Impact of Tariffs on Their Business

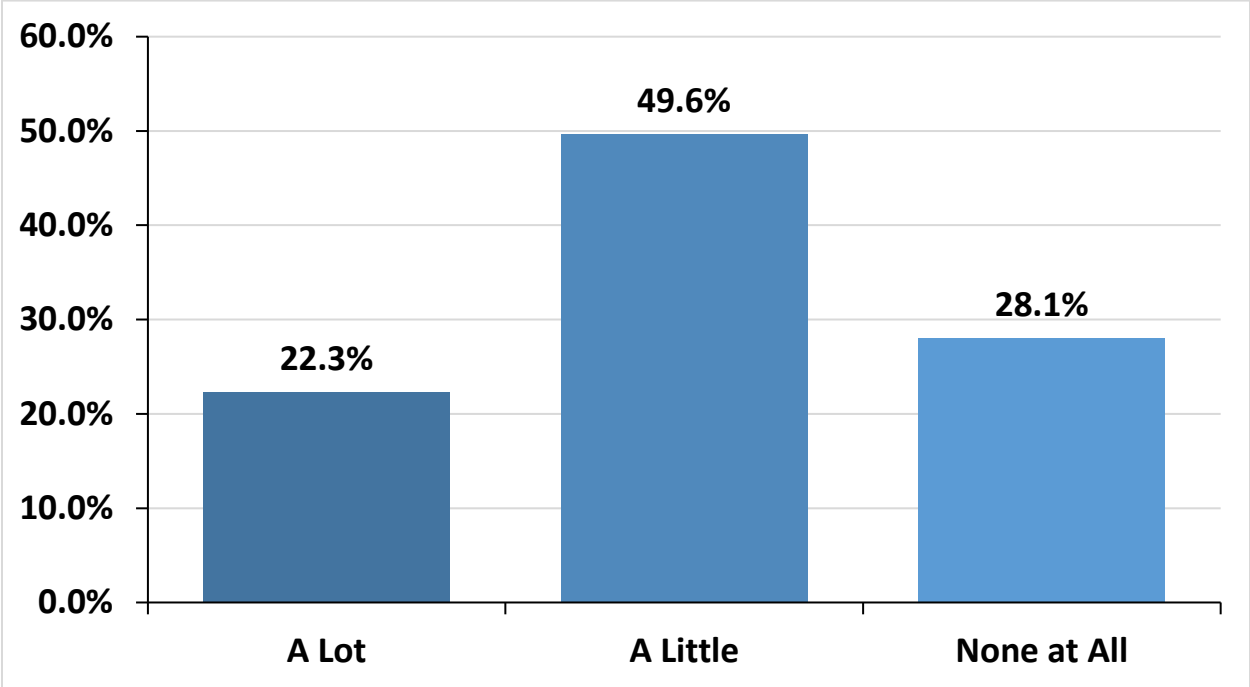


Figure 3b: Reported Pass-Through of Tariffs to Customers

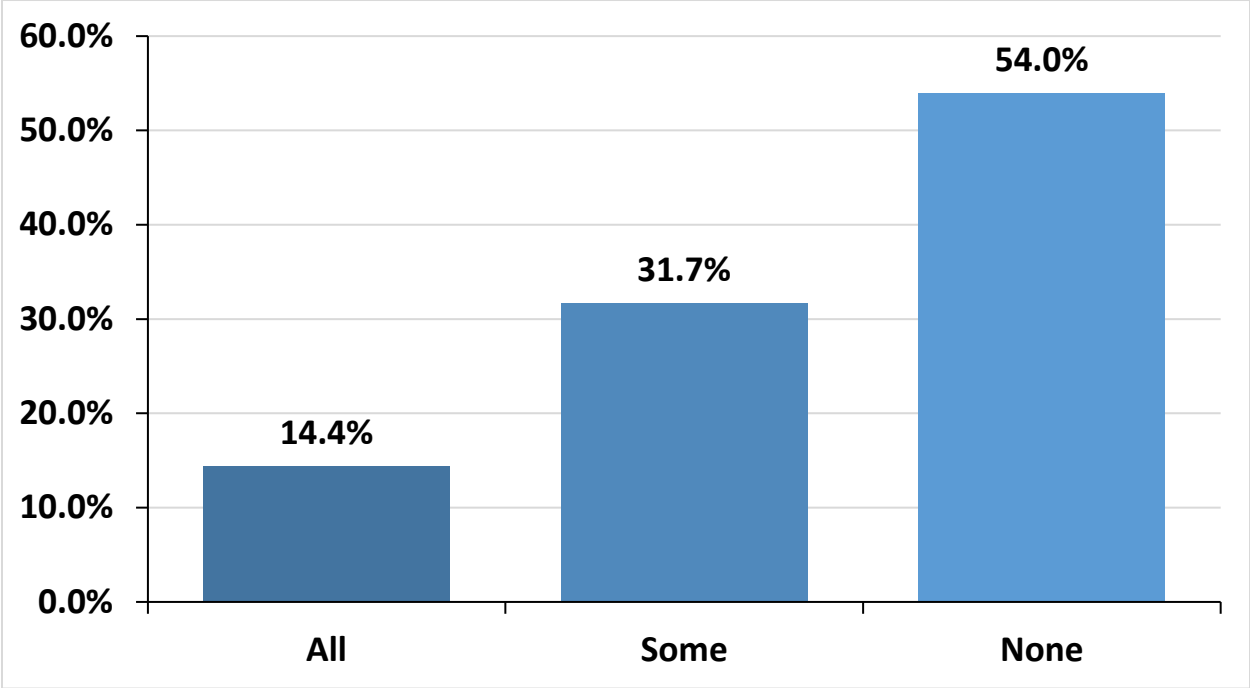
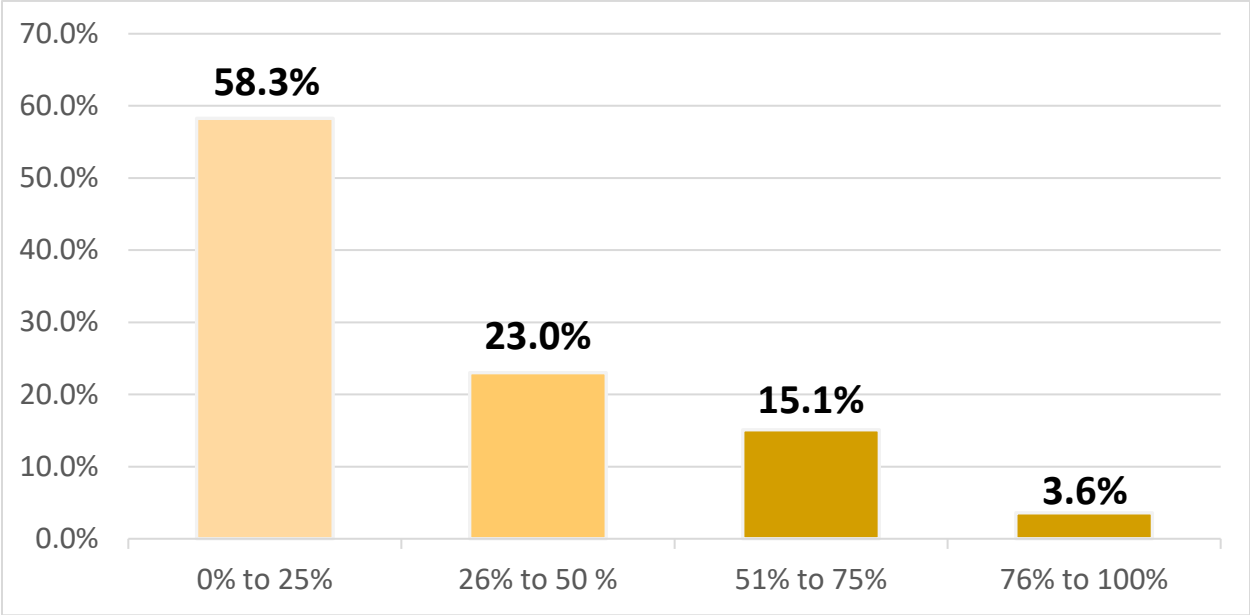


Figure 3c: Most leaders believe there is less than a 50 percent chance the U.S. economy will fall into a recession this year.



Individual Company Performance

Business leaders are slightly more optimistic about revenue than profitability over the next 12 months. About 52 percent are expecting their revenues to grow, while 43.5 percent expect profitability to grow. A vast majority of respondents believe that they will either maintain the same employment levels (55.2 percent) or experience moderate growth (29.7 percent) in employment. Similarly, they believe that capital expenditures will stay about the same (43.4 percent) or grow moderately (37.2 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 remained the leading concern (49 percent), consistent with previous surveys, but health care costs newly emerged as the second most cited issue (35.9 percent). About one-third of respondents also listed governmental regulation and global political instability.

Labor Force

Respondents were asked several questions about Tennessee’s labor force. About 51.0 percent reported that there is an insufficient supply of appropriately trained workers. Many business leaders believe that improved training and education would help expand the supply of workers. Work ethic, initiative, technical skills and workers being realistic about compensation are the largest labor supply concerns. About 36.8 percent of respondents indicated retaining workers is a challenge. Leaders had very different perspectives on what factors make it difficult to retain workers. As in previous surveys, the cost of housing and childcare services were the predominant reasons why retaining workers is challenging. The availability of both housing and childcare services were also reasons listed by more than a quarter of all respondents. East and Middle Tennessee leaders are most concerned with the cost of housing, while the availability and cost of childcare services were the most important reasons for West Tennessee leaders.