

Expectations for the Middle Tennessee Economy
Middle Tennessee Industrial Development
Association
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National Economic Conditions

- GDP growing, but needs to grow more quickly
- Employment increasing moderately
- Unemployment rate falling, but...
- Household balance sheet repairs improving
- Housing showing real improvement

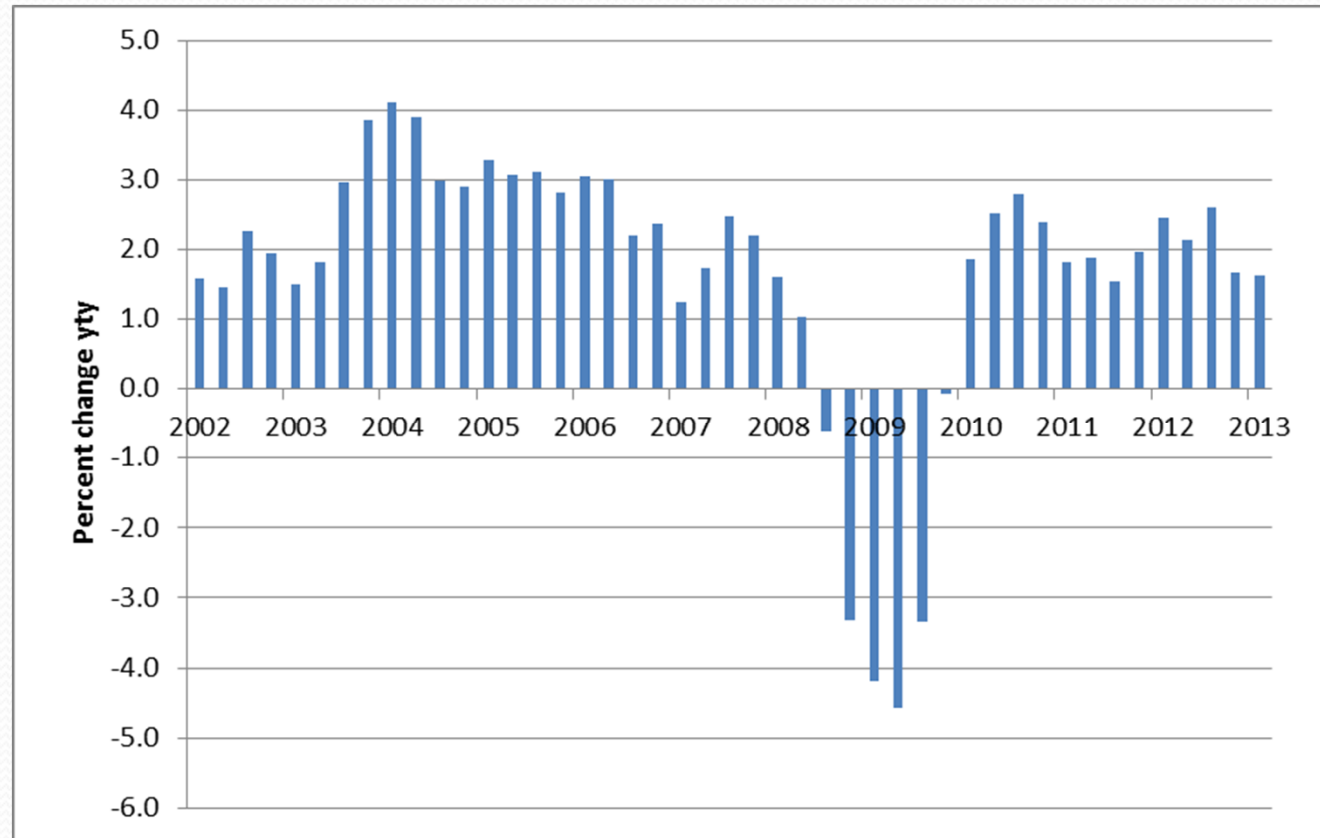


Concerns

- U.S. trading partners weakening
 - Euro zone very weak
 - China slowing down
 - Export growth is weakening
- Policy may tighten too quickly
 - Inflation not remotely an issue
 - Deficit falling rapidly
 - Sequester managed, but could have been avoided

Growth of GDP

- GDP growth somewhat lower than pre-recession
- Problem: climbing out of a big hole

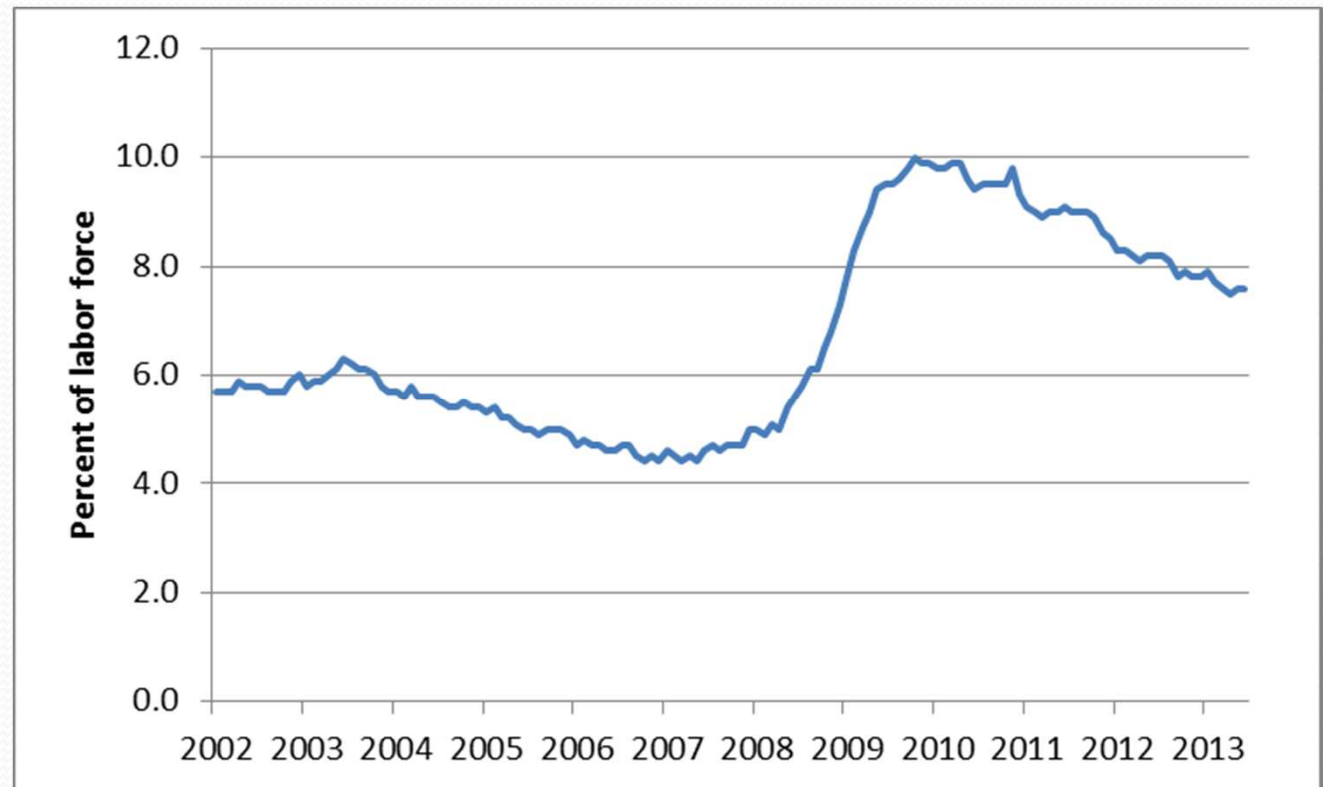


Shares of growth before and after the recession

- Household spending ↓
- Investment spending
 - Equipment and software ↑
 - Housing construction ↑
- Exports ↑
- Government spending ↓

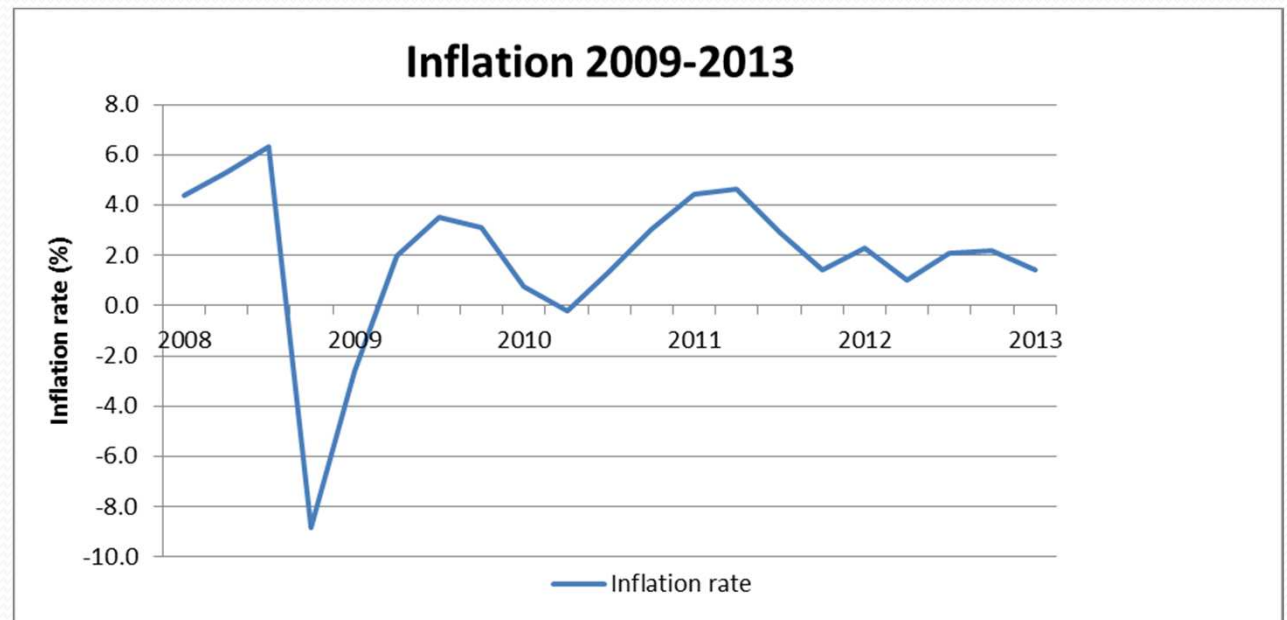
U.S. unemployment rate

- 7.6% June 2013
- Still elevated
- Down just 0.6 points from one year ago
- Does not include discouraged workers

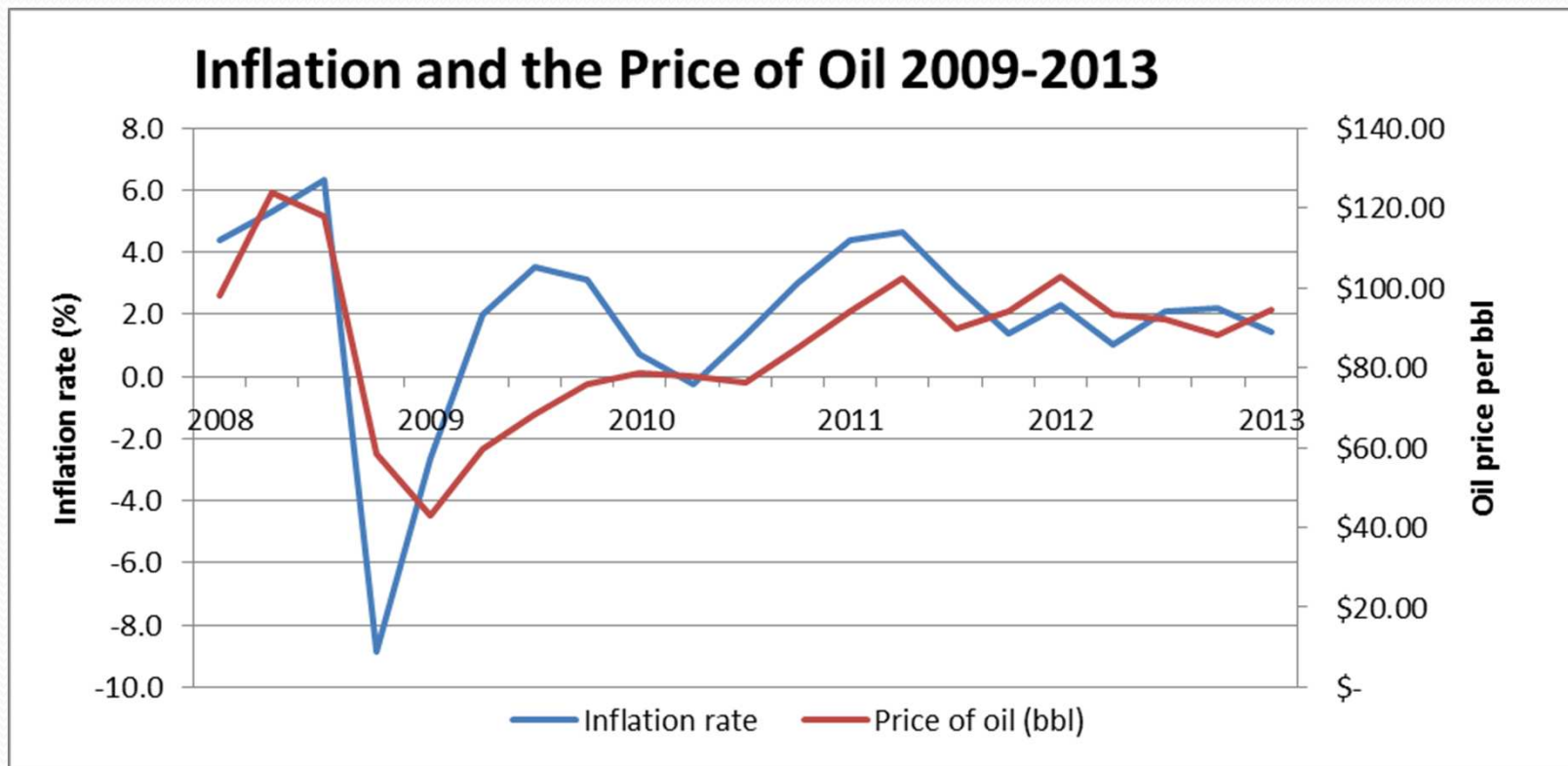


Inflation (CPI)

- 1.4% in May
- No evidence of sustained inflation
- Gives monetary policy some wiggle room

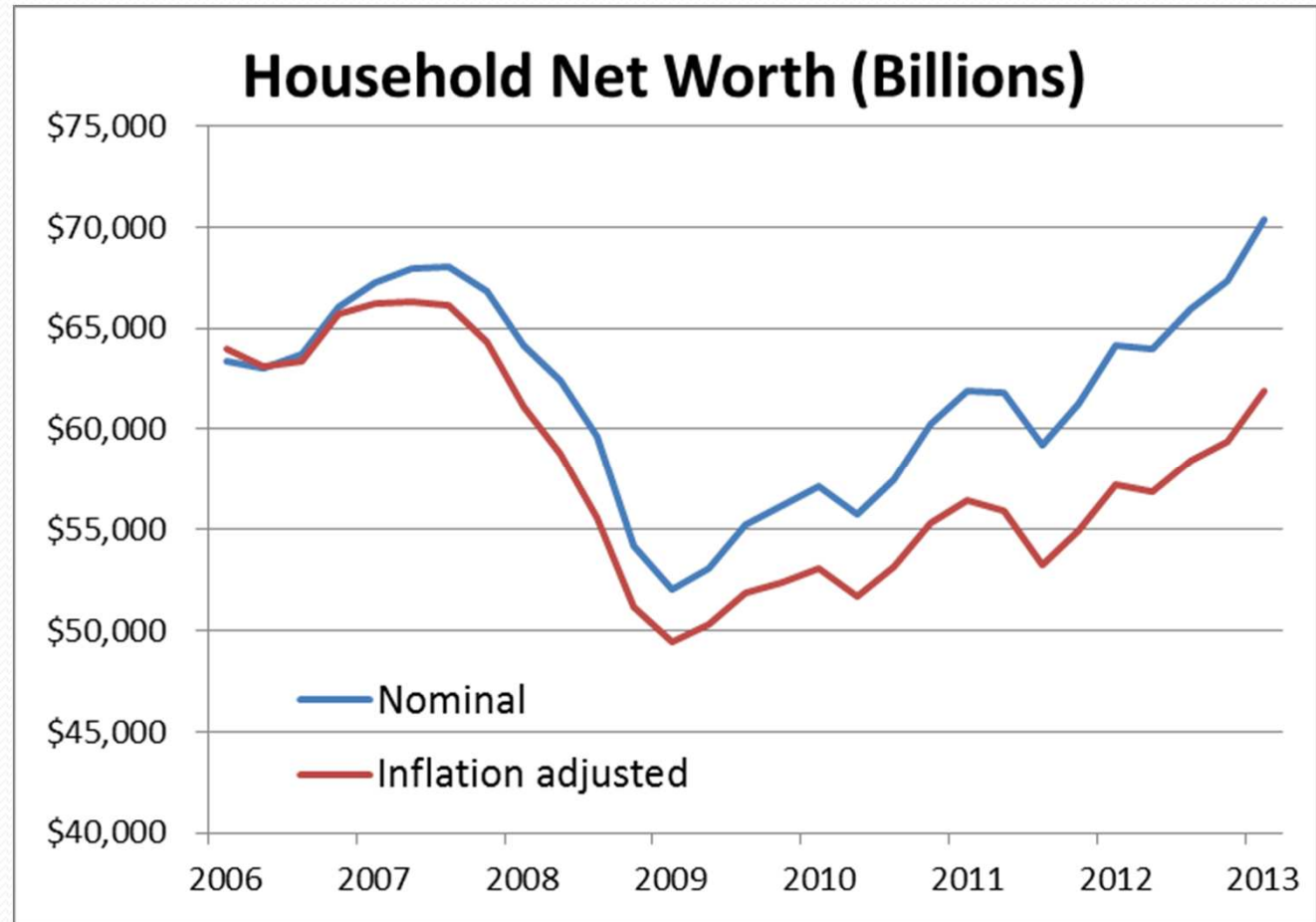


Inflation since 2008 due to oil price fluctuations



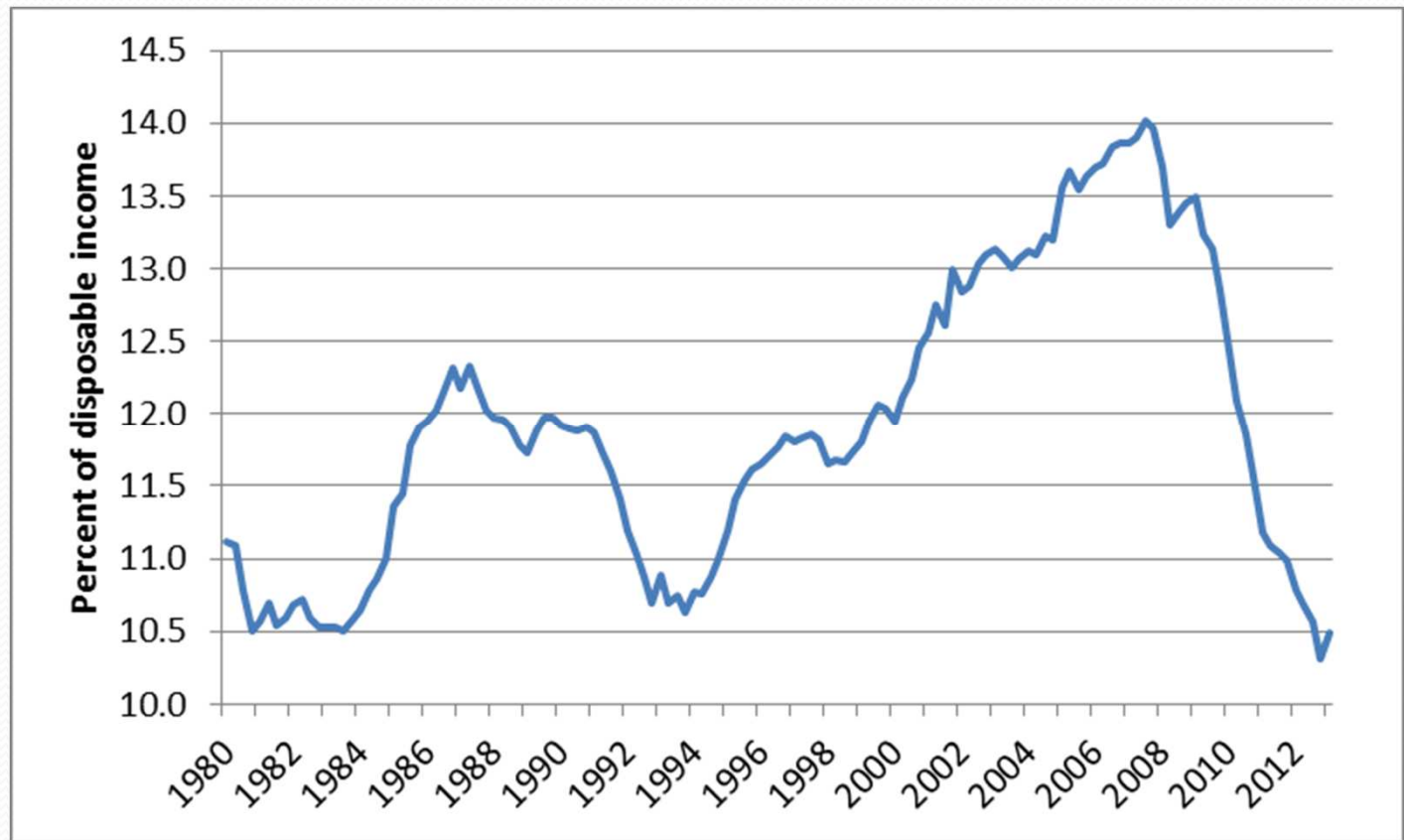
Balance Sheet Recession

- Net worth continues to repair, but still lower than 2007 peak after inflation
- Could reach recovery within 18 months



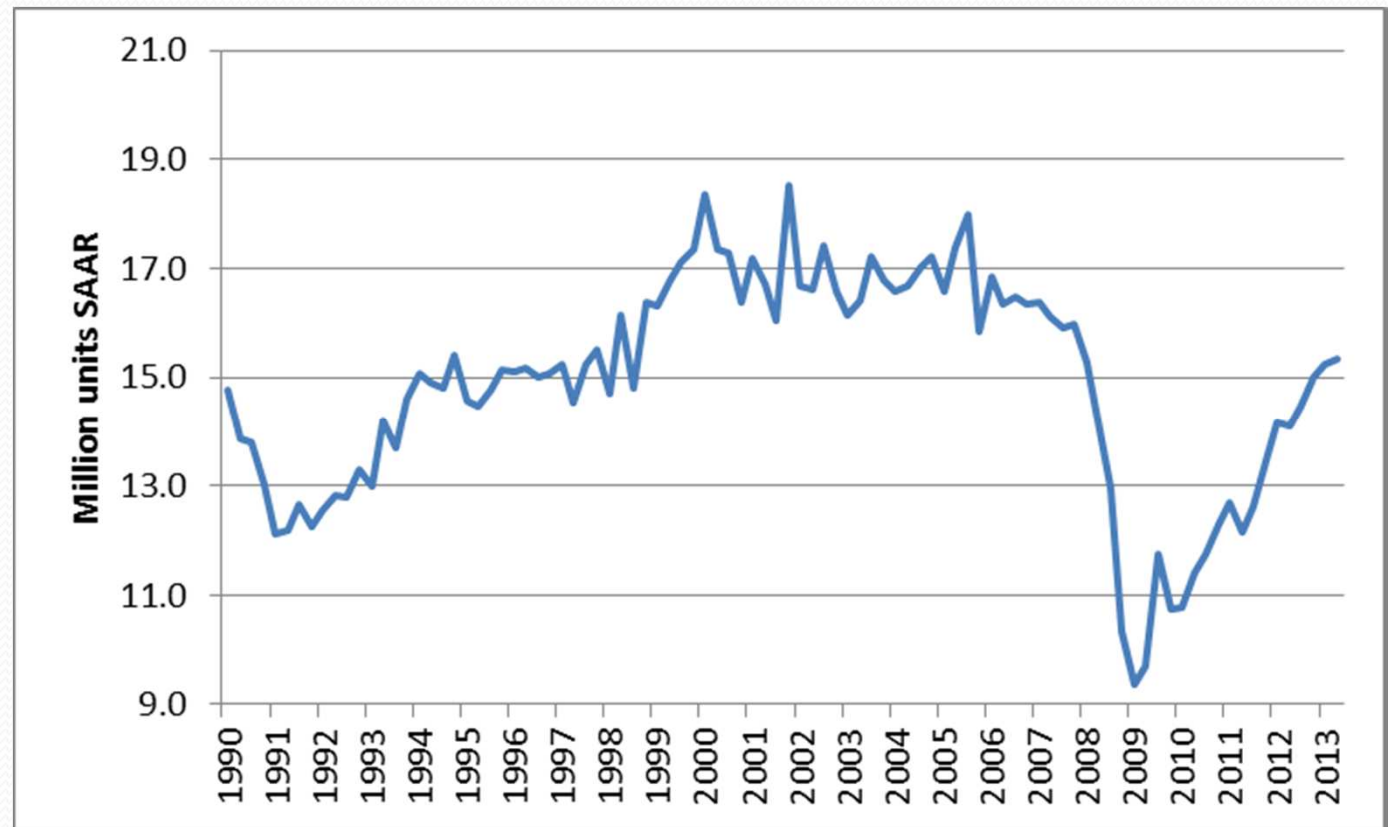
Household debt service

- 10.5% of disposable income
- At a 30-year low



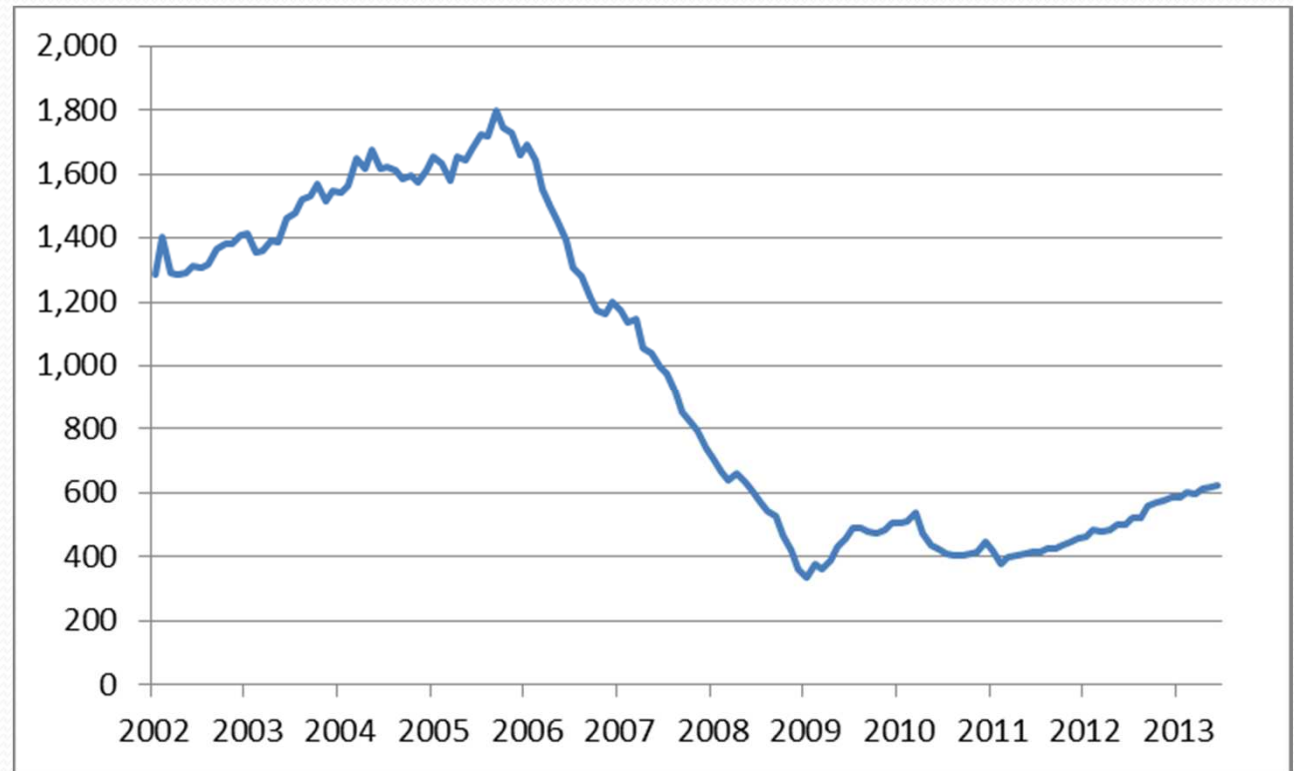
New vehicle sales

- Sales climbed above 15 million vehicles in 2012
- Still lower than pre-recession levels
- But growth rate is impressive



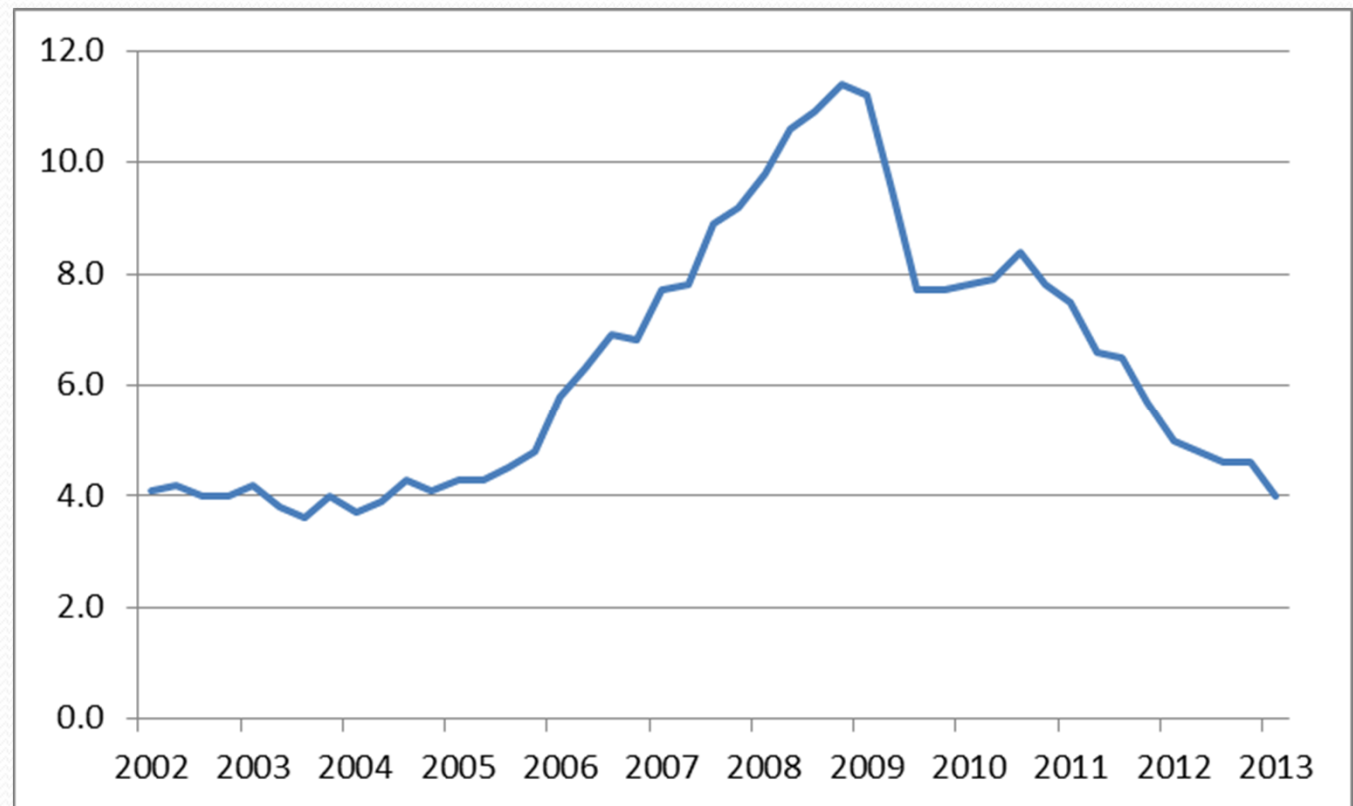
Housing construction

- Single family permits on the rise since 2011



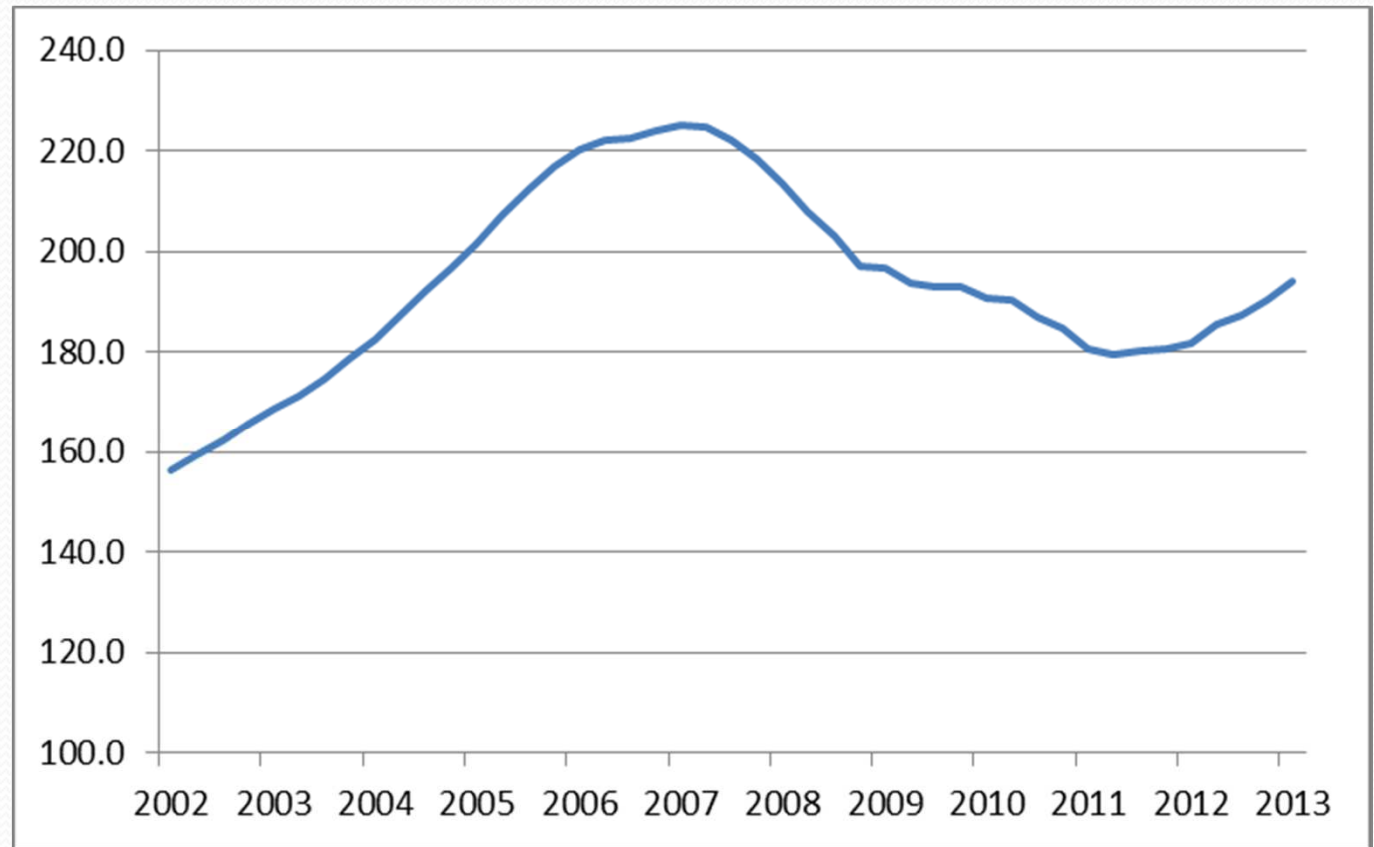
Monthly supply of new homes

- Just 4 months supply on-hand.
- Explains rising housing construction and firming prices



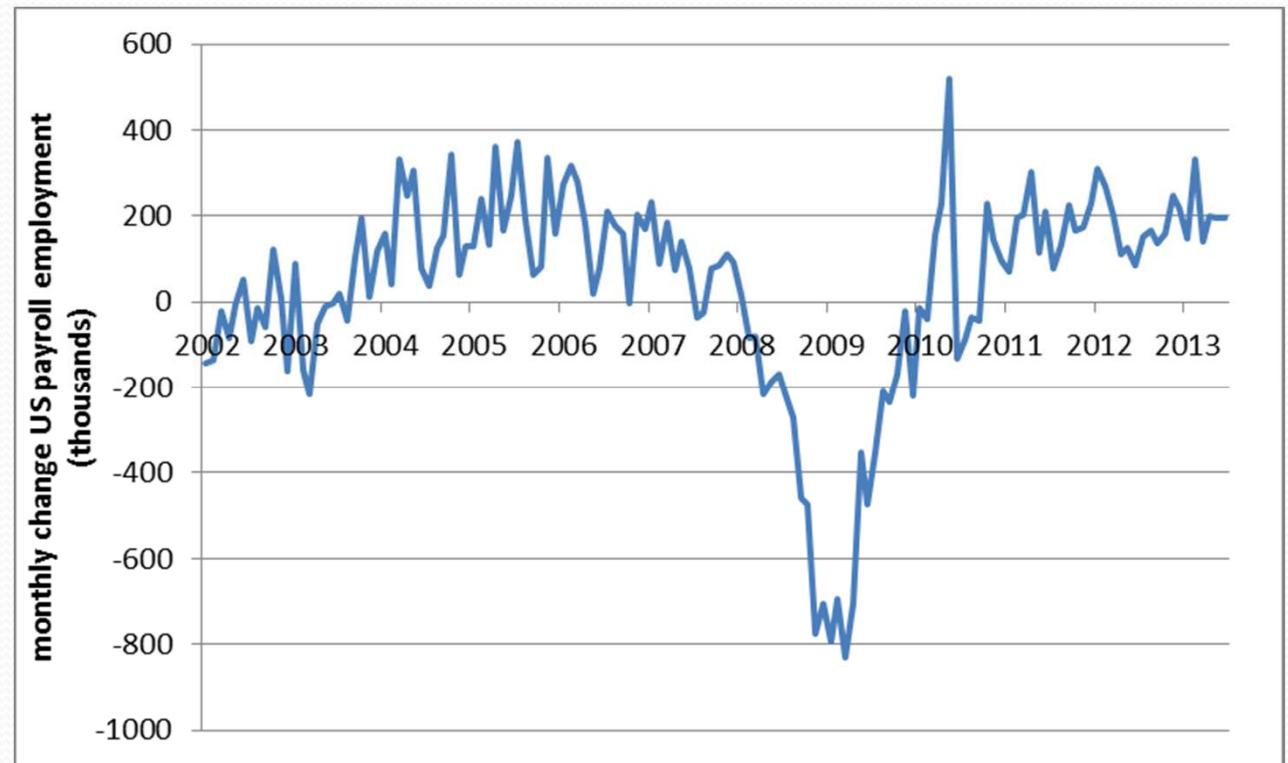
Home Prices

- Rising from the low in 2011



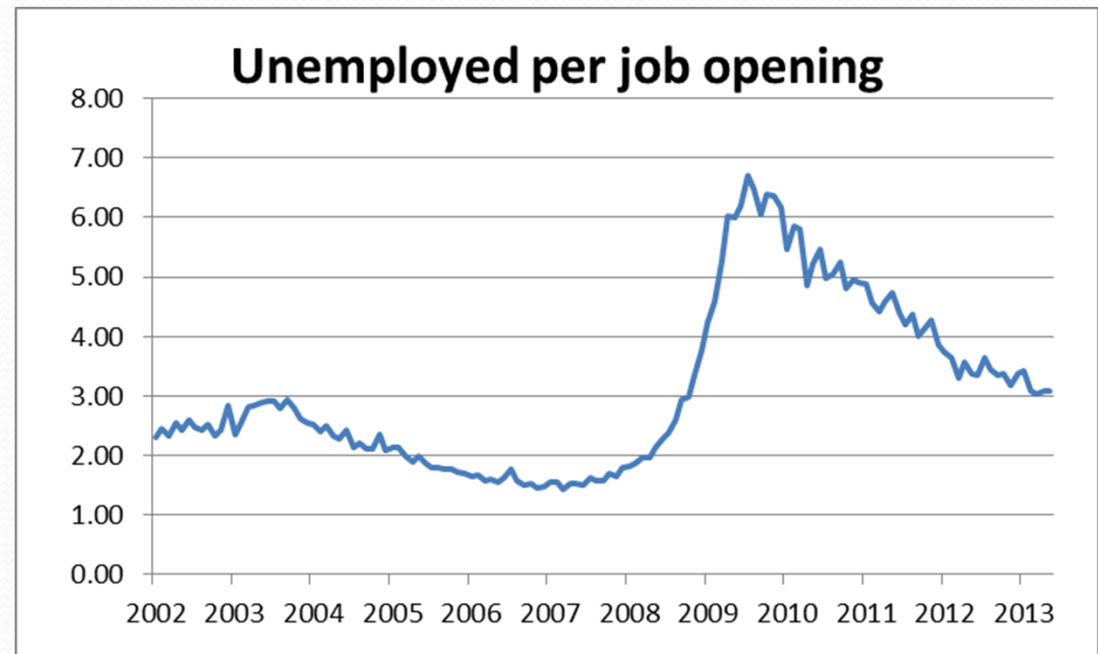
US payroll employment

- Employers are hiring at about the same pace as pre-recession
- But climbing out of a big hole



Job Openings and Unemployed

- 3.1 unemployed per job opening at present
- Down from 6.5 during the recession
- But much higher than 1.8 before the recession
- Not enough jobs to go around





What does the U.S. economy need?

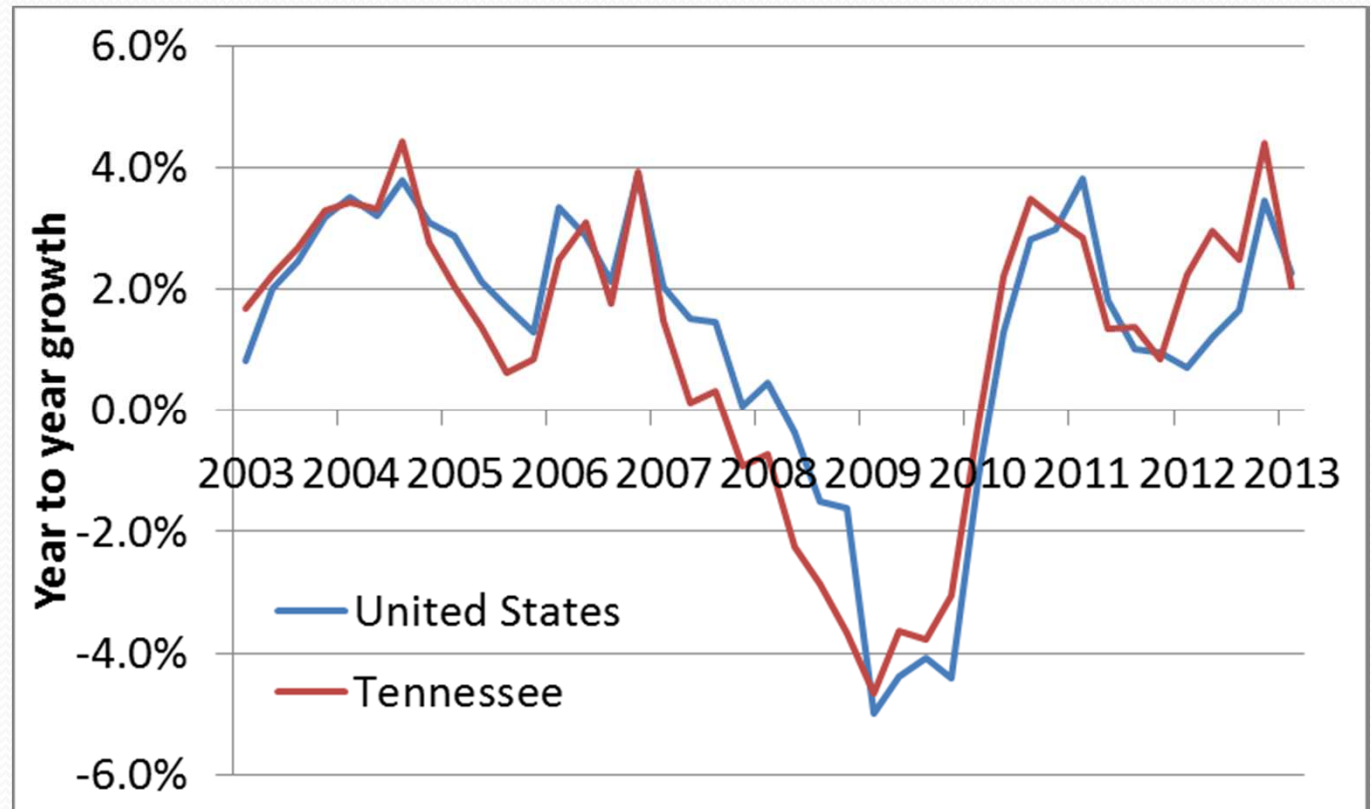
- Demand
 - #1 constraint on business hiring: lack of demand for goods and services
- Stable fiscal policy
 - Sequester cuts are undermining the recovery
 - Tax hike earlier this year also not helpful
- More certainty about health care costs
 - Lots of speculation about hiring plans

Tennessee at a Glance (June 2012)

Indicator	Year Ago	This Month	Year to Year % Change
Nonfarm Employment (thousand)	2,707,900	2,749,800	1.5
Labor Force (thousand)	3,151,840	3,143,344	-0.3
Unemployed (thousand)	271,623	277,533	2.2
Unemployment Rate (percent)	8.6	8.8	0.2
State Sales Tax Collections (million \$)	589,616.3	596,579.7	1.2
Single Family Unit Housing Permits	1,191	1,752	47.1
Total Housing Permits	1,722	2,486	44.4

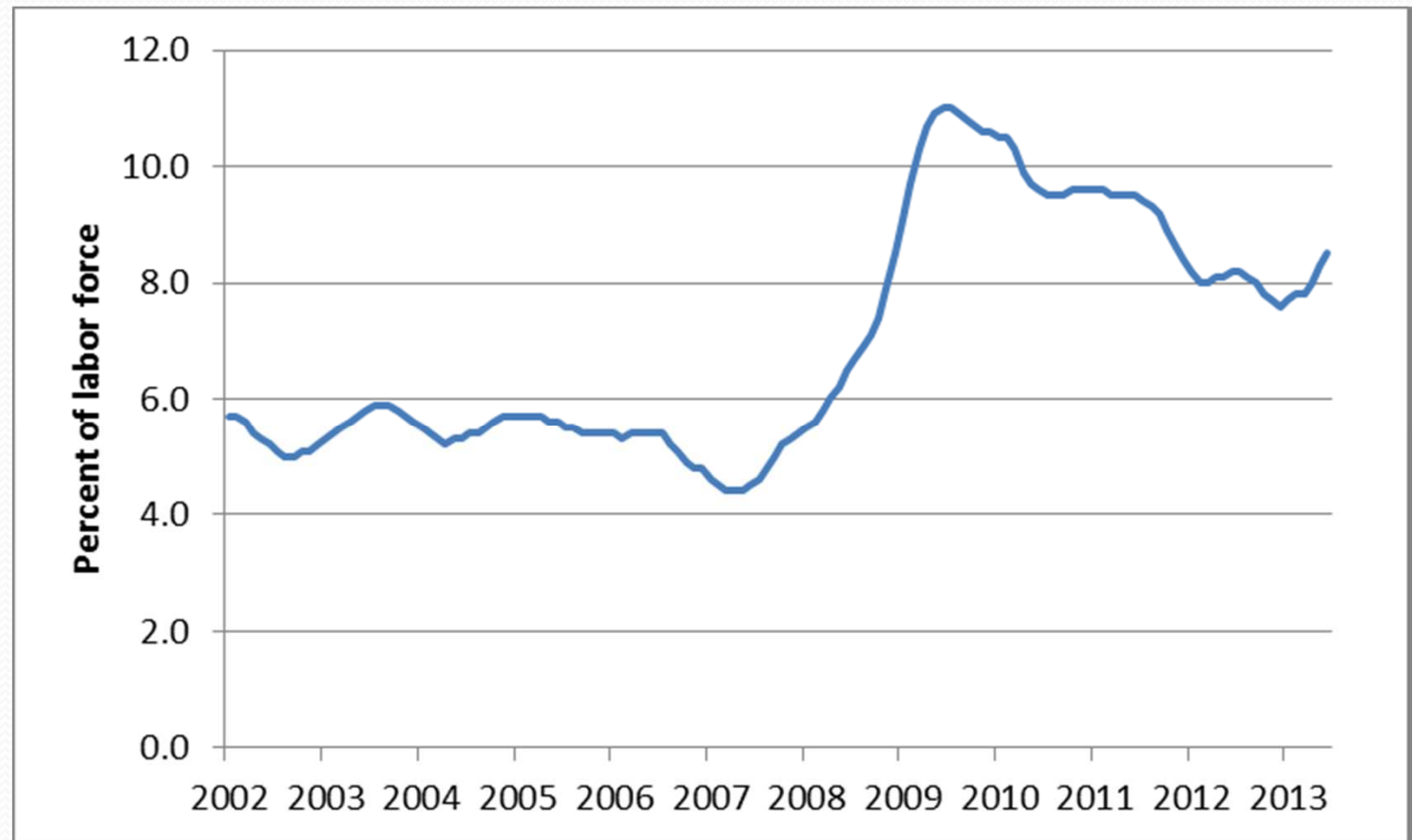
Growth of real earned income

- Purchasing power of income growth
- Accelerating since early 2012

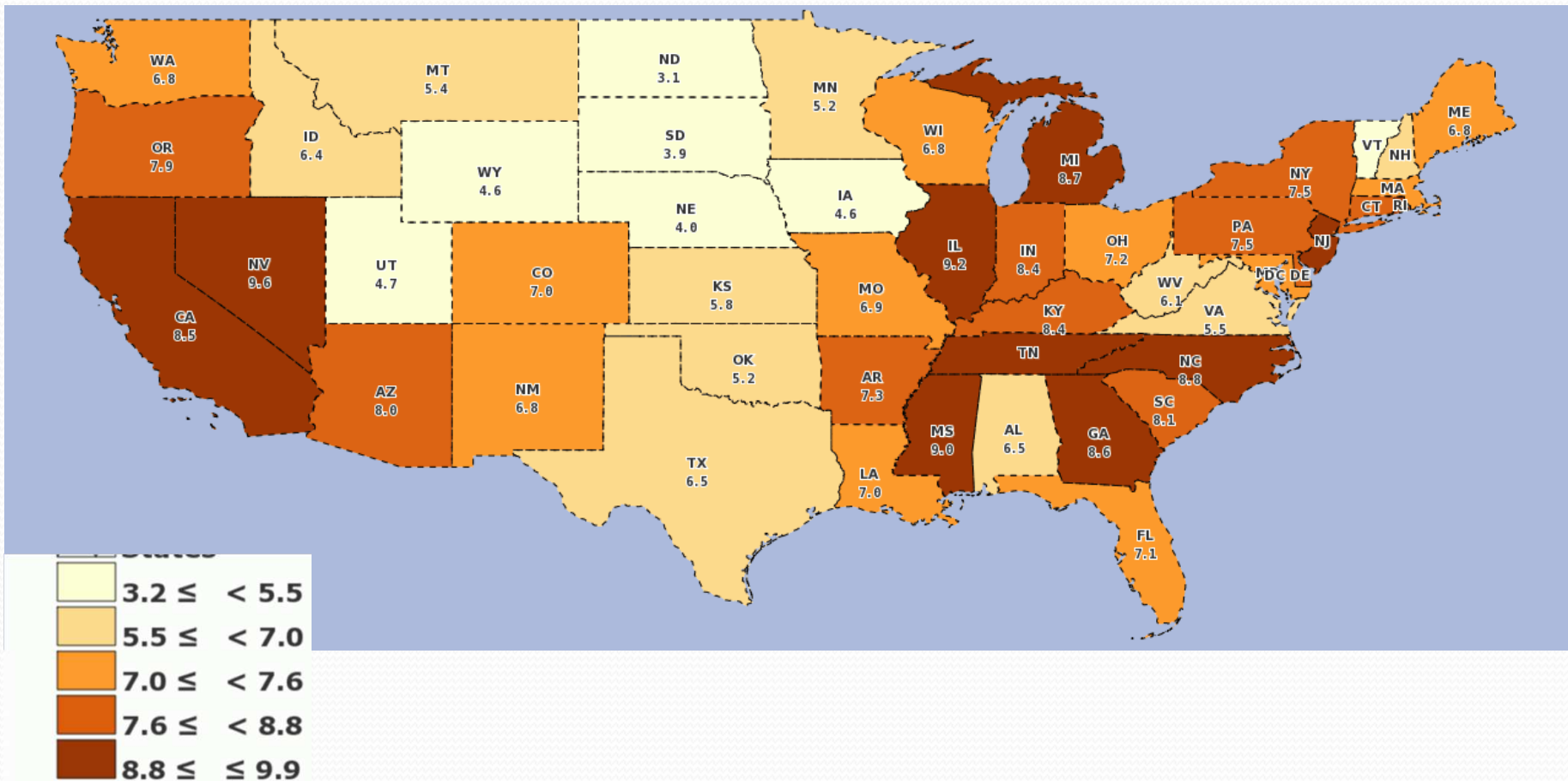


Tennessee unemployment rate

- Rise this year difficult to explain

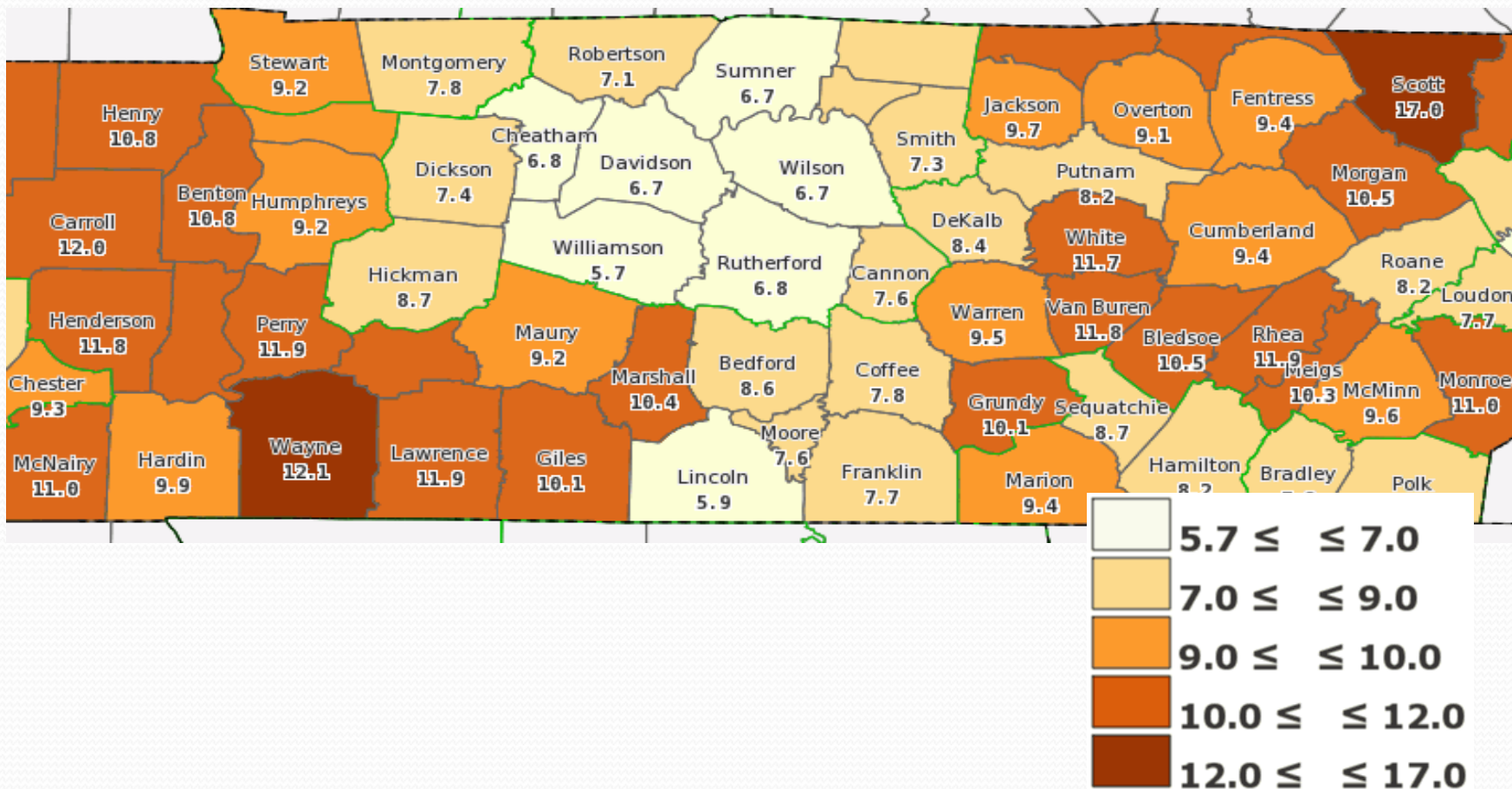


Unemployment rate June 2013

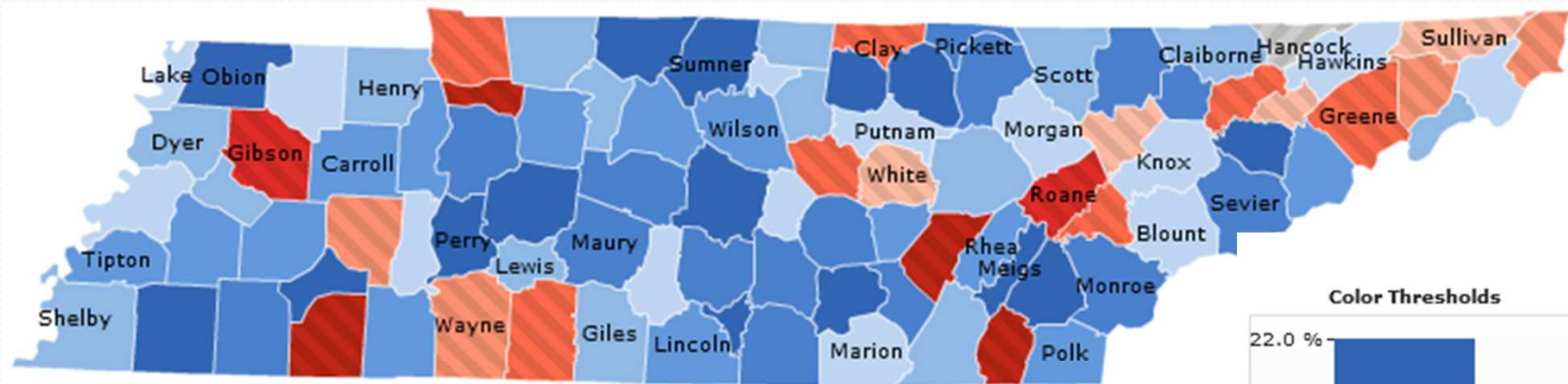


Middle Tennessee unemployment rates

May 2013



Private sector employment growth rate Dec 2011-Dec 2012



Middle Tennessee Job Growth

Private Sector Job Growth 2011-2012 Dec.		
Area	New Jobs	Growth Rate (%)
Davidson County	15,711	4.2
Rutherford County	7,780	8.5
Williamson County	5,627	6.2
Sumner County	3,081	8.1
Robertson County	1,242	8.5
Coffee County	1,164	5.6
Maury County	1,081	4.9
Wilson County	933	3.0
Montgomery County	910	2.4
Bedford County	776	5.1
Warren County	517	5.0
Middle Tennessee	41,230	4.8
Tennessee	59,559	4.7

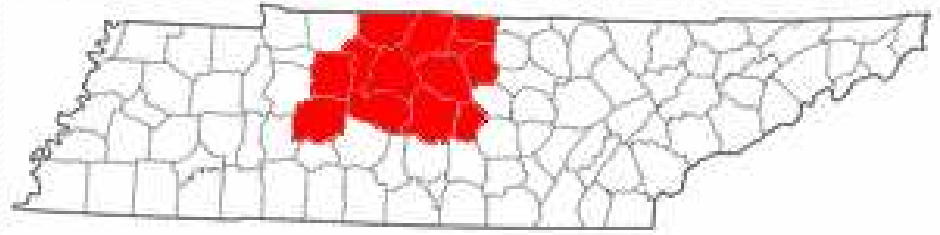
Source: Bureau of Labor Statistics QCEW series.

Fastest job growth in the U.S.

- Among the 329 largest counties in the U.S.
- Davidson, Williamson rank high for wage growth

County	Percent increase in employment Dec 2011-2012	Rank
Elkhart, IN	7.4	1
Lexington, SC	6.9	2
Rutherford, TN	6.4	3
Utah, UT	6.0	4
Montgomery, TX	5.7	5
Williamson, TN	4.0	17
Davidson, TN	3.0	52
Source: BLS QCEW series		

Nashville MSA



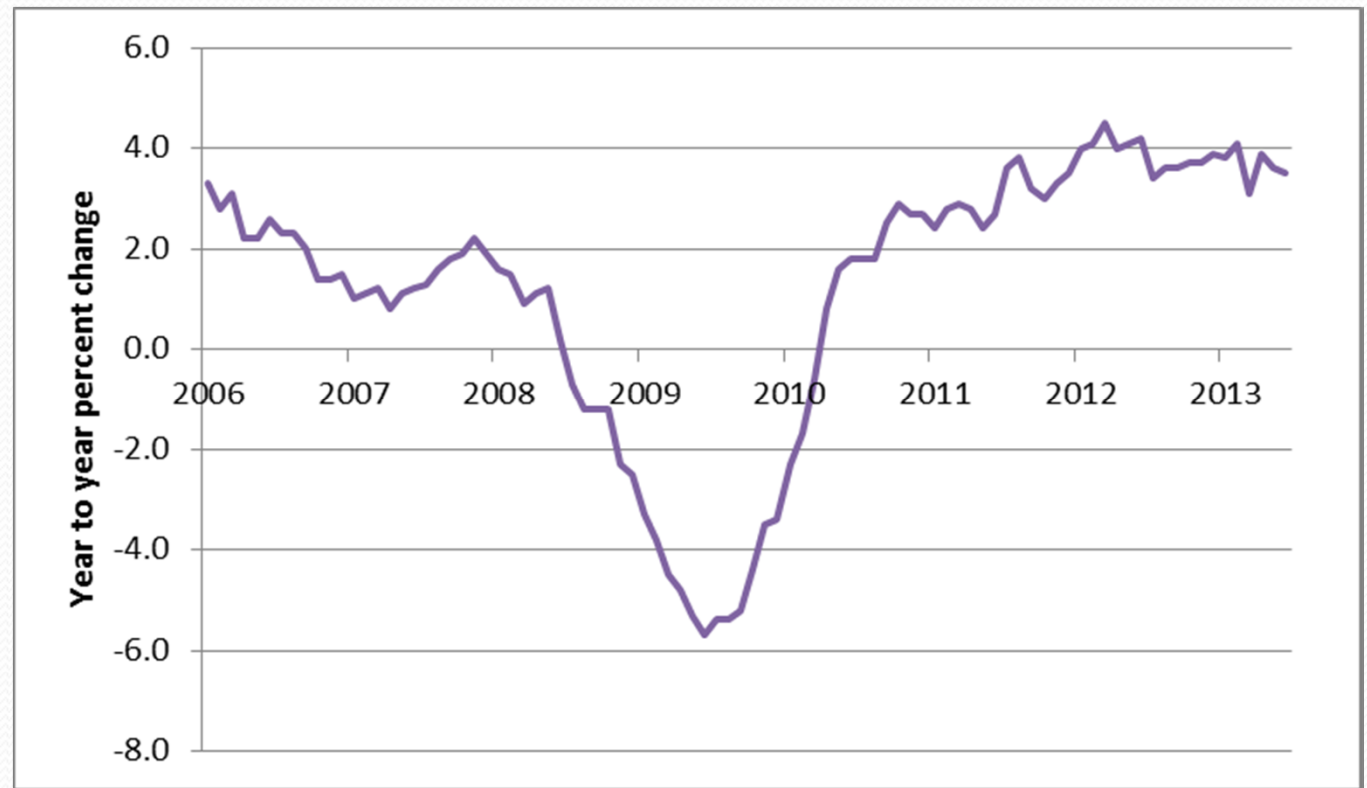
- Job creation booming
- Unemployment rate slow to improve
- Housing construction improving significantly
- Home price growth positive
- Consumer spending growth positive but slowing
- Most sectors adding jobs

Nashville MSA at a Glance (May 2012)

Indicator	Year Ago	This Month	Year to Year % Change
Nonfarm Employment (thousand)	783,500	812,400	3.7
Labor Force (thousand)	847,729	863,942	1.9
Unemployed (thousand)	57,198	59,070	3.3
Unemployment Rate (percent)	6.7	6.8	0.1
State Sales Tax Collections (million \$)	149,612	156,588	4.7
Single Family Unit Housing Permits	433	573	32.3
Total Housing Permits	872	968	11.0

Nonfarm employment Nashville MSA

- Growth rate very strong
- Leveling out lately



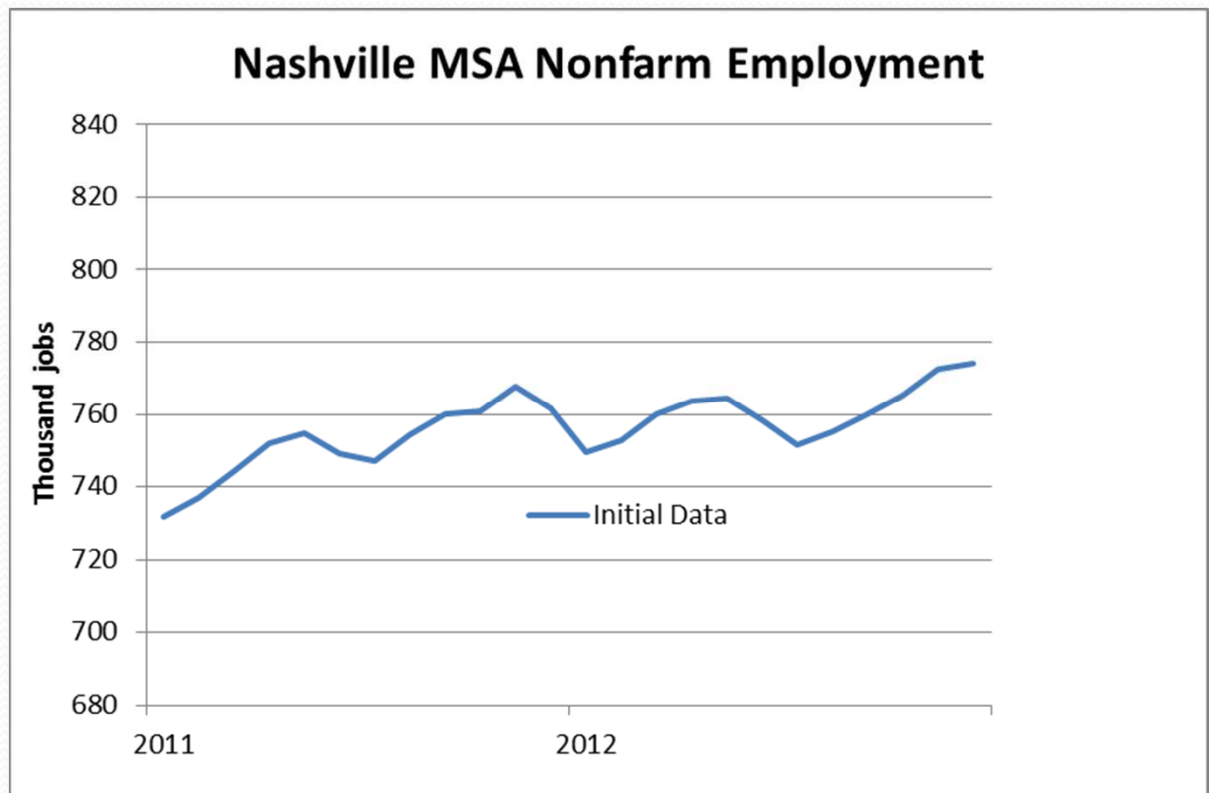
Ranking of Job Growth in Largest MSAs

Metropolitan Area	Job Growth Rate	Ranking	New Jobs
Austin-Round Rock-San Marcos, TX	4.15%	1	27,117
Salt Lake City, UT	4.14%	2	22,200
Nashville-Davidson--Murfreesboro--Franklin, TN	4.06%	3	27,633
Dallas-Fort Worth-Arlington, TX	3.55%	4	93,150
Tampa-St. Petersburg-Clearwater, FL	3.52%	5	35,317
Houston-Sugar Land-Baytown, TX	3.45%	6	80,067
Jacksonville, FL	3.20%	7	16,633
Phoenix-Mesa-Glendale, AZ	2.88%	8	43,800
San Jose-Sunnyvale-Santa Clara, CA	2.85%	9	23,050
Louisville-Jefferson County, KY-IN	2.54%	10	13,417

2nd quarter over the year growth rate among the 55 largest employing metropolitan areas.

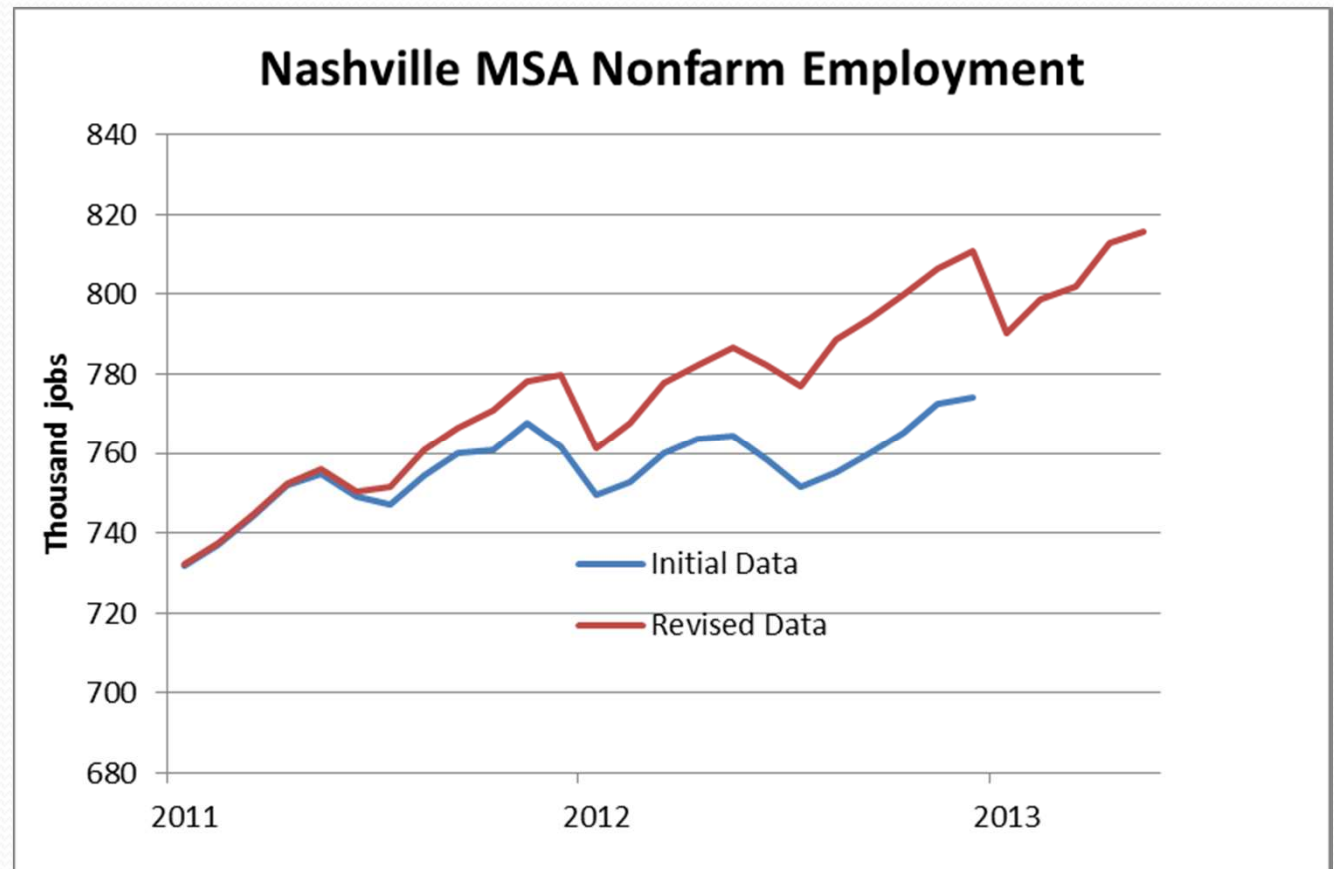
Initial Employment Data

- Modest growth
- Dec 2012:
 - 12,700 new jobs over the year
 - 1.7% growth



Employment after revision

- Rapid growth!
- Dec 2012:
 - 30,800 new jobs
 - 3.9% growth





Nashville Job Growth by Industry

- Positives
 - More growing sectors than declining sectors
 - Manufacturing adding jobs very quickly
 - Big gains in professional services
 - Retail jobs growing
 - Government improving to neutral



Nashville Job Growth by Industry

- Negatives
 - Information losing jobs
 - Financial sector employment losing again

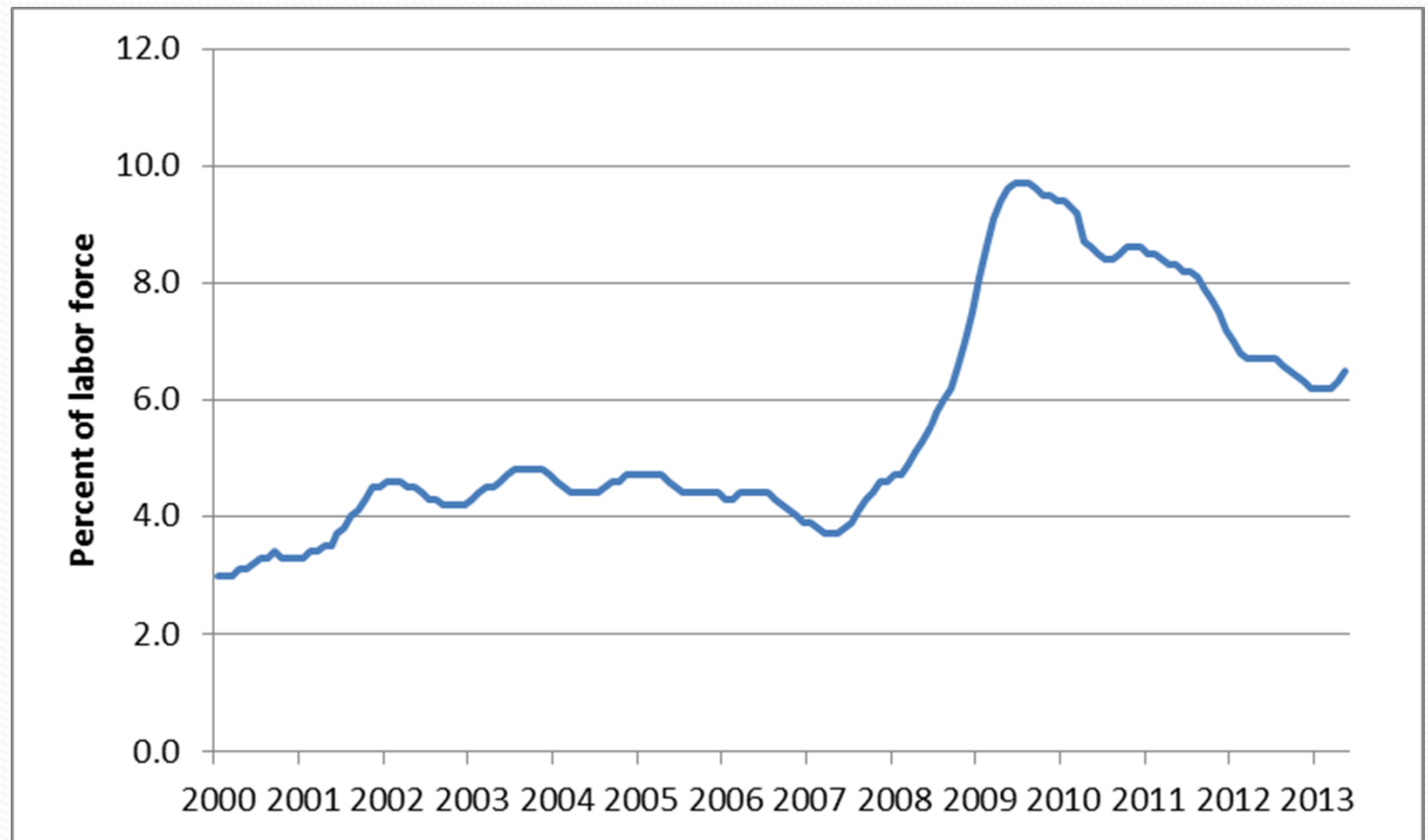
Nashville MSA Job Growth by Industry

Industry	2012		2013		Job Growth (1,000)
	May	Sep	Jan	May	
Total Nonfarm	4.1	3.6	3.8	3.7	29.0
Mining, Logging, and Construction	1.3	-0.6	-1.0	5.0	1.6
Manufacturing	6.4	8.9	9.5	6.5	4.3
Durable Goods	11.0	13.1	13.9	9.1	4.1
Non-Durable Goods	-2.3	0.5	0.5	1.0	0.2
Wholesale Trade	4.6	5.1	2.7	1.3	0.5
Retail Trade	2.1	1.9	5.4	2.1	1.8
Transportation and Utilities	8.8	10.9	7.1	4.3	1.4
Information	9.4	4.2	2.0	-2.9	(0.6)
Financial Activities	2.1	2.1	0.6	-0.8	(0.4)
Professional and Business Services	7.5	6.5	8.6	10.5	11.8
Education and Health Services	3.2	2.9	2.5	3.8	4.8
Leisure and Hospitality	7.3	4.7	2.8	4.9	4.2
Other Services	2.2	1.9	0.6	-1.2	(0.4)
Government	-0.7	-1.7	-0.1	0.0	-

Over the year percent change

Nashville unemployment rate

- Steadily lower over time
- Higher since January

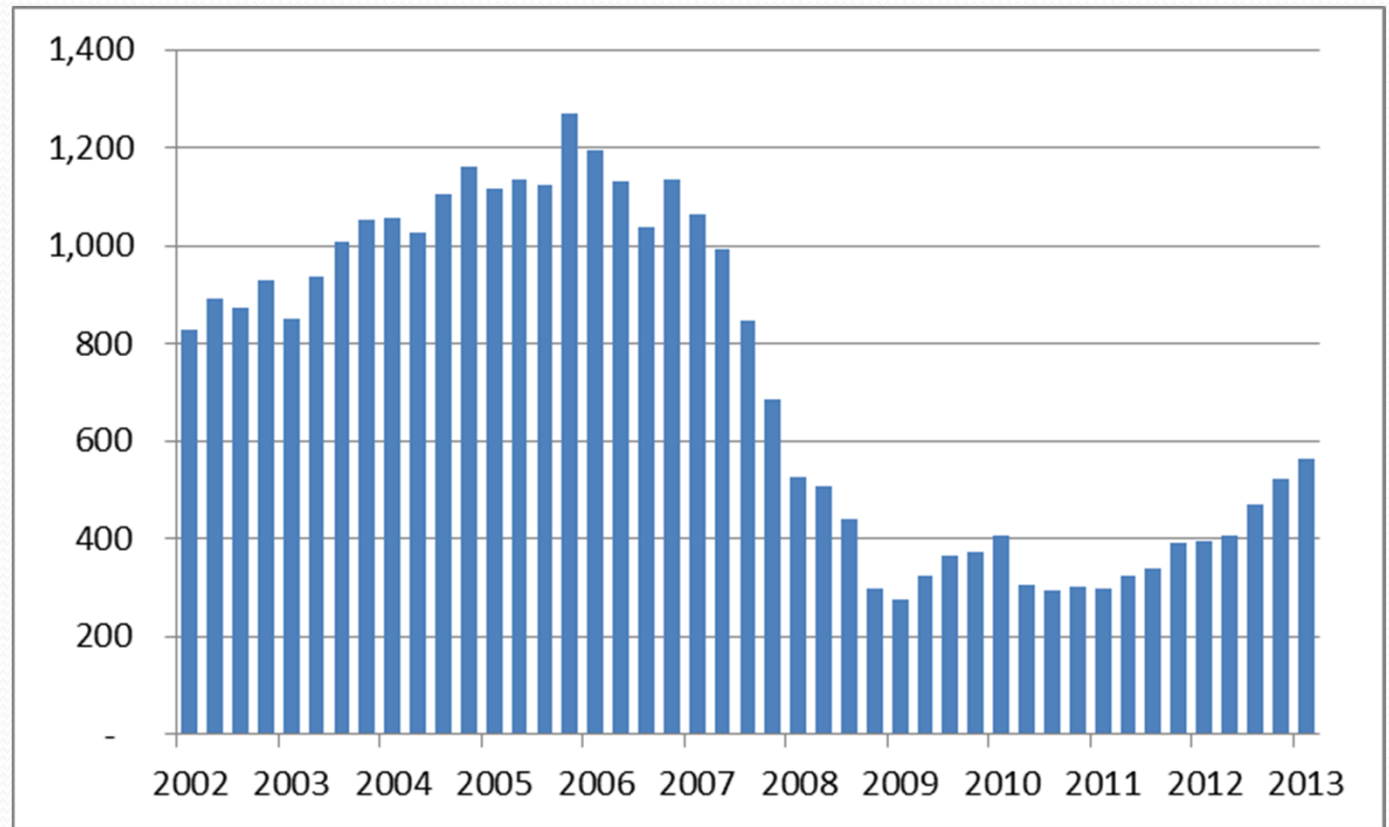


Consumer spending mostly strong

- Sales tax collections for May 2013 (yty)
 - Nashville: +4.7%
 - Memphis: +5.0
 - Chattanooga: - 1.1
 - Knoxville: +3.4
 - Tennessee: +3.9

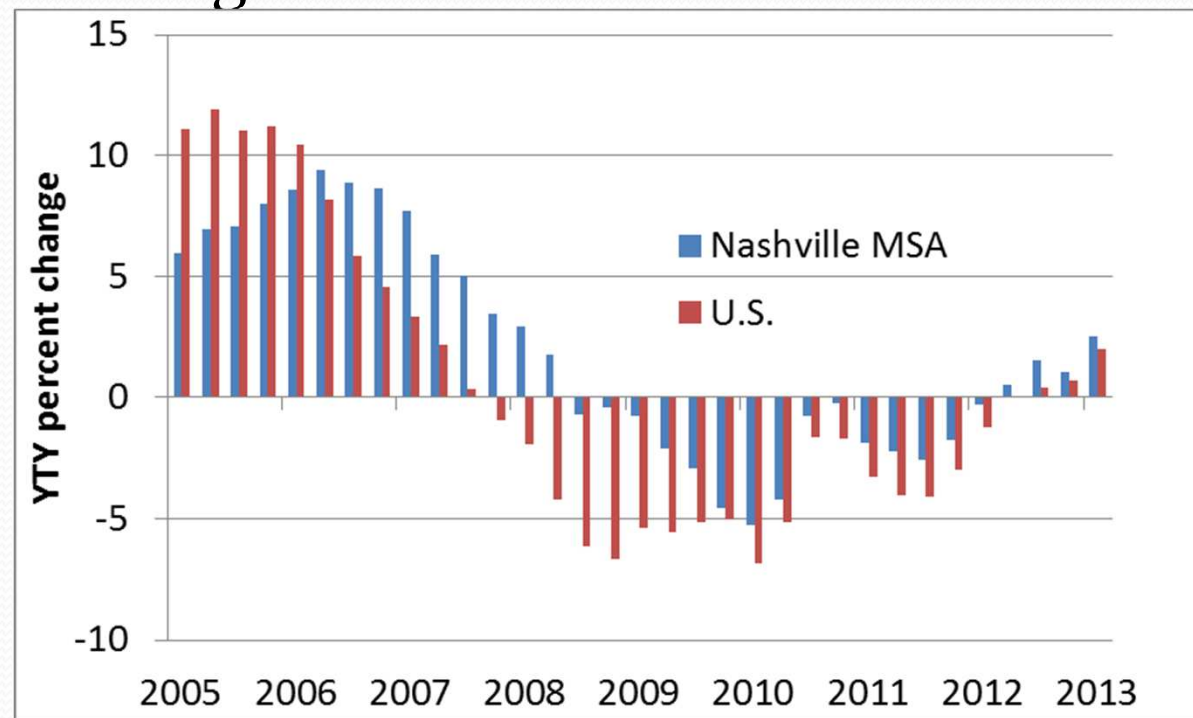
Single family home construction Nashville MSA

- Accelerating growth rate
- Level remains low, but growing fast



Tennessee home prices 2013Q1

- Tennessee: 0.9% higher over the year
- Nashville MSA: 2.6% higher
- United States: 2.0% higher



Going Forward 12 Months

- Nashville economy
 - Job growth 3.5% over the year
 - Unemployment rate 6.1% (6.8% now).
 - Home prices rising, could accelerate
 - Construction growth continues
 - Manufacturing continues to grow



Summary

- Middle Tennessee and the Nashville MSA are experiencing solid growth
 - Payroll employment
 - Housing construction
 - Taxable sales



Headwinds

- Export markets (especially China)
- Payroll growth
- Willingness to take on more debt
- Congress


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- TACIR economic recovery website
 - www.mtsu.edu/berc/tacir/tacir.html

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Tracking Tennessee's Economic Recovery




County Data

- Tennessee
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- Cleveland MSA
- Jackson MSA
- Johnson City MSA
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Nashville MSA

- Single-Family Permits
- Labor Force since 2000
- Unemployment Rate
- Sales Tax Collections
- Nonfarm Employment
- Nonfarm Employment Growth


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Summary

- Latest Nashville MSA Economic Indicators
- Indicator History (.xls, since Jan. 2004)

Employment

- Employment Growth by Industry Summary Table
- Jobs Heat Chart



Housing

- Tennessee Housing Market (newsletter)
- Housing Price Index (summary table)
- Graph: Nashville MSA

