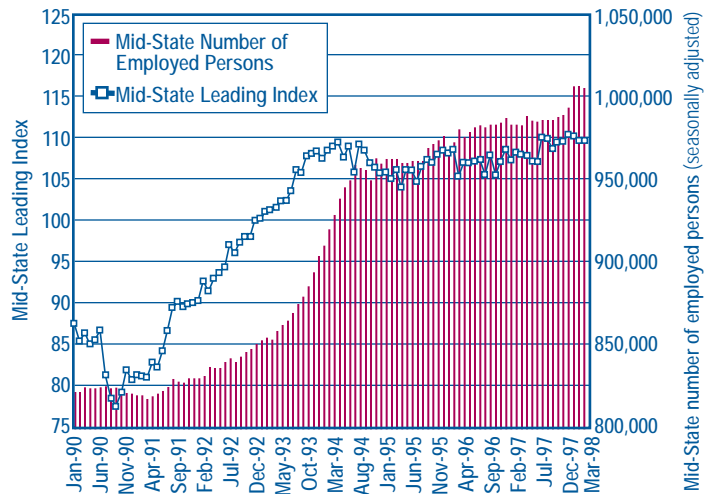


Mid-State Economic Indicators

Volume 8 No.2 Summer 1998
Includes data from 1st quarter 1998

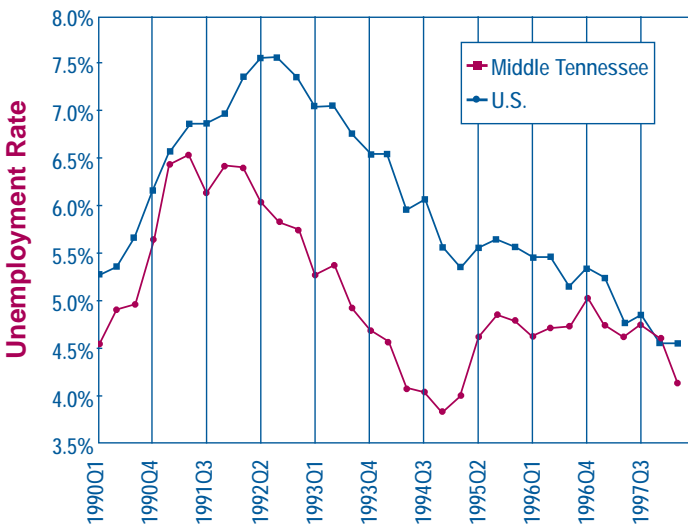
The first quarter of 1998 was a milestone for Middle Tennessee—the number of employed persons in the 41-county region exceeded one million for the first time ever (Figure 1). The unemployment rate fell to 4.2% from an already very low 4.7% at the end of 1997. With unemployment well below the national average (Figure 2), the Mid-State should continue to attract new residents, easing labor shortages and stimulating home construction.

Figure 1. Mid-State Leading Index and Number of Employed Persons



Despite cutbacks at Nissan and Saturn, the employment statistics report some job growth in transportation equipment.

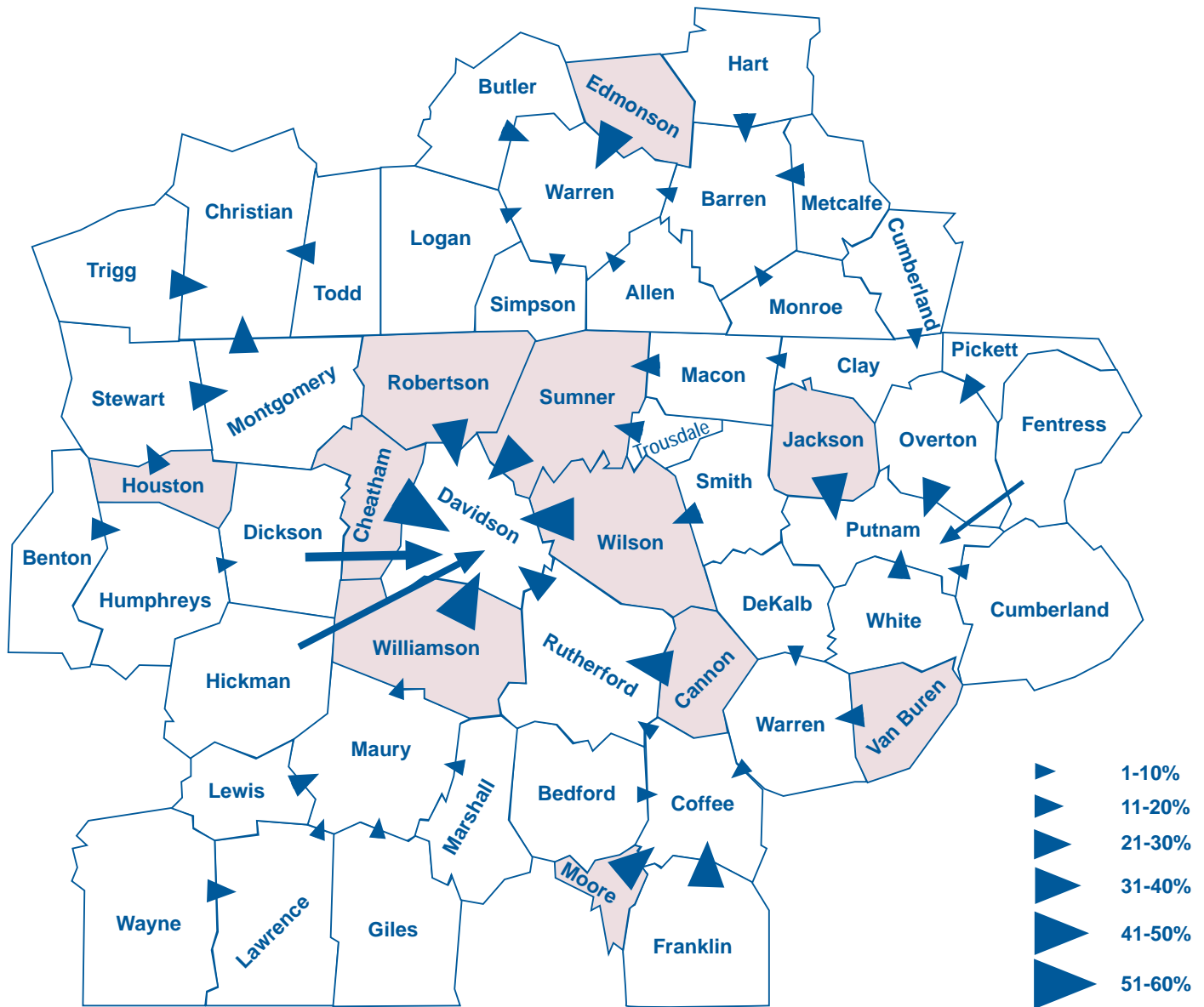
Figure 2. Unemployment Rates: Mid-State vs. U.S.



Transportation Equipment

The number of motor vehicles produced by Mid-State assemblers fell only slightly from the level of the fourth quarter of 1997. Both Nissan and Saturn have had highly publicized sales problems, discussed in the Spring 1998 issue of MEI, and both companies initiated substantial production cutbacks during late 1997. What is remarkable is that, despite these cutbacks, the employment statistics report some job growth in transportation equipment manufacturing during the past year (Table 2).

These figures show the degree to which Mid-State auto component manufacturing is far broader than the set of suppliers to Nissan and Saturn. Nevertheless, with a combined workforce of more than 14,000 high-wage workers, as well as hundreds of local supplier and support firms, the two large auto assemblers represent one of the biggest chunks of the Mid-State economy. We estimate that total income and employment in the 41-county region would be about 7% lower than their present levels were it not for the presence of the two plants.



Commuting Flows

Size of arrows represents the percentage of a county's total resident workers who work in the destination county.

Counties with more than 45% of resident workers employed outside the county

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migration patterns largely move against commuting flows. This is certainly the case in the Nashville suburban ring, where Davidson County is the largest single source of new residents for surrounding counties.

Skilled Workers

A shortage of skilled computer workers has been a perennial problem in the Mid-State. Programmers and systems analysts, like all skilled workers, generally apply for jobs on the national market, moving where the best opportunity presents itself. Unfortunately, skilled workers may not see Nashville as their best choice: new figures from the U.S. Bureau of Labor Statistics show that, of 40 areas surveyed, the Nashville MSA ranked lowest in wages paid to professional and technical workers (Table 3).

Of 40 areas surveyed, the Nashville MSA ranked lowest in wages paid to professional and technical workers.

Why so low? Part of the answer is that Nashville has lower living costs than most of the other areas surveyed, so workers here experience comparable standards of living with other cities, despite the low wages. Table 3 shows that, when corrected for variations in the cost of living, Nashville's wages rise to around the mean of comparable cities. However, low living costs are not as effective at drawing new workers as are high wages—it takes time and experience to evaluate the relative cheapness of Nashville, but any difference in wages is immediately evident.

Commuting

The map on the opposite page shows how counties are tied to each other through commuting flows within the region dominated by Nashville. The arrows show the primary destination for commuters from each county. For example, Williamson County sends residents to workplaces in many other counties, but the arrow points to Davidson, since that county receives the largest contingent of Williamson residents. The shaded counties are most heavily dependent on commuting, with over 45% of resident workers employed outside the county. Nowhere is this pattern more pronounced than in the ring of counties surrounding Davidson, where only Rutherford generates at least 55% of the employment for its residents. Migration patterns largely move against commuting flows. This is certainly the case in the Nashville suburban ring, where Davidson County is the largest single source of new residents for surrounding counties. But this is also true in rural counties; for example, the largest source of new migrants to Cannon County is Rutherford, and for Smith County, Wilson—in both cases there is movement to the head of a commuting flow. Behind the people, with a lag of a few years, come retail and service jobs. In this way growth has diffused across much of Middle Tennessee.

Table 2: Change in Employment 1997Q1 to 1998Q1 (Eight-County Nashville MSA)

Sector	Nashville MSA 1998Q1	Nashville MSA Change	Nashville MSA % Change	U.S. % Change
Total	633,892	17,650	2.9%	2.7%
Construction and Mining	31,091	1,860	6.4%	4.4%
Manufacturing: Transportation Equipment	15,661	923	6.3%	4.0%
Manufacturing: Other Durable	40,755	33	0.1%	2.0%
Manufacturing: Printing and Publishing	14,442	355	2.5%	1.4%
Manufacturing: Other Nondurable	25,740	-10	0.0%	-0.6%
Finance, Insurance, Real Estate	39,475	1,558	4.1%	2.8%
Transportation, Communications, Utilities	31,617	628	2.0%	2.8%
Wholesale: Total	38,077	913	2.5%	3.1%
Retail: Eating and Drinking	42,063	1,470	3.6%	1.8%
Retail: Food	13,064	68	0.5%	1.6%
Retail: General	19,549	1,291	7.1%	3.8%
Retail: Other	38,663	-3,326	-7.9%	2.9%
Services: Education	14,884	530	3.7%	4.2%
Services: Health	52,495	482	0.9%	2.3%
Services: Hotel	10,114	-58	-0.6%	1.5%
Services: Other	118,210	3,542	3.1%	5.0%
Government: Total	83,699	3,097	3.8%	1.3%

Source: U.S. Bureau of Labor Statistics; MTSU

When corrected for variations in the cost of living, Nashville's wages rise to around the mean of comparable cities.

Table 3: Relative Professional and Technical Salaries

MSA	U.S. = 100			Nashville = 100	
	Cost of Living	Relative Professional Salaries	Relative Technical Salaries	Adjusted* Professional	Adjusted* Technical
Nashville	94.8	90.0	94.0	100.0	100.0
Kansas City	97.9	92.0	98.0	99.0	101.0
Cleveland	105.0	95.0	95.0	95.3	91.2
Pittsburgh	108.4	95.0	99.0	92.3	92.1
Atlanta	99.5	96.0	97.0	101.6	98.3
Milwaukee	107.6	97.0	99.0	95.0	92.8
Cincinnati	98.4	99.0	98.0	106.0	100.4
Dallas	99.6	100.0	95.0	105.8	96.2
Boston	145.2	101.0	105.0	73.3	72.9
Hartford	125.4	102.0	99.0	85.7	79.6
Washington, D.C.	125.7	102.0	102.0	85.5	81.8
Philadelphia	127.1	102.0	105.0	84.5	83.3
Denver	103.8	103.0	97.0	104.5	94.2
Chicago	99.0	103.0	103.0	109.6	104.9
Los Angeles	116.7	103.0	108.0	93.0	93.3
Detroit	108.1	104.0	108.0	101.3	100.8
Houston	93.0	107.0	108.0	121.2	117.1
San Francisco	164.3	110.0	110.0	70.5	67.5

* Adjusted for cost-of-living differences, then standardized so that Nashville=100
Sources: American Chamber of Commerce Researchers Association; U.S. Bureau of Labor Statistics, Summary 98-2; MTSU



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Residential Construction

Residential construction showed a sharp increase in the first quarter, to a seasonally adjusted 4,479 new units—over 17,000 new housing units per year (Table 1). At about \$80,000 average cost per unit, that's in excess of \$1.4 billion annually. Low mortgage rates continue to drive this market. Davidson, Williamson, and Rutherford counties together account for nearly 60% of all new housing units in the Mid-State. Between the first quarter of 1997 and the present,

Davidson, Williamson, and Rutherford counties together account for nearly 60% of all new housing units in the Mid-State.

about 1,860 jobs were added in construction in the Nashville MSA (Table 2). However, most of these were added in non-residential construction; on average, about one-third of all Mid-State construction jobs are in the residential sector.

Table 1.

Series (adjusted for seasonality and inflation)	Geographical Area	97Q1	97Q4	98Q1	97Q4-98Q1
COMPOSITE INDICES					
Mid-State Leading Index	Mid-State (41 Counties)	100.00	101.12	101.29	0.2%
U.S. Leading Index	United States	100.00	101.06	101.55	0.5%
EMPLOYMENT					
Mid-State Number of Employed Persons	Mid-State (41 Counties)	984,171	989,244	1,007,501	1.8%
Mid-State Unemployment Rate	Mid-State (41 Counties)	4.8%	4.7%	4.2%	-10.1%
Percent of Sectors with Employment Increase for Month	Nashville MSA (8 Counties)	52%	37%	48%	29.7%
Percent of Counties with Employment Increase for Month	Mid-State (41 Counties)	46%	44%	46%	4.5%
Average Hours Worked per Week in Manufacturing	Nashville MSA (8 Counties)	41.07	41.54	41.47	-0.2%
Average Pay per Hour in Manufacturing	Nashville MSA (8 Counties)	12.45	13.08	12.97	-0.8%
INITIAL CLAIMS AND BANKRUPTCY					
Initial Claims for Unemployment Compensation	Mid-State (41 Counties)	30,763	30,200	34,078	12.8%
Bankruptcy Case Filings	Mid-State (41 Counties)	3,158	3,024	3,285	8.6%
REAL ESTATE					
Occupancy Index	Mid-State (41 Counties)	98.16%	98.48%	98.30%	-0.2%
New Residential Units (permits)	Mid-State (41 Counties)	4,416	3,956	4,479	13.2%
Value of New Residential Units (million \$)	Mid-State (41 Counties)	379.9	359.0	357.9	-0.3%
AUTOMOBILE PRODUCTION					
Autos Assembled in United States	United States	2,916,808	3,141,702	2,935,065	-6.6%
Autos Assembled in Mid-State	Mid-State (41 Counties)	179,030	154,967	154,090	-0.6%
Units Sold: Autos Assembled in Mid-State	United States	224,346	178,837	160,309	-10.4%
TOURISM					
Hotel Revenue	Davidson County	100,443,371	101,902,578	104,465,809	2.5%
Air Passengers	Davidson County	1,850,853	1,959,006	2,012,951	2.8%
INCOME, EARNINGS, AND RETAIL SALES					
					97Q1 - 97Q4
Retail Sales (million \$ per quarter)	Mid-State (41 Counties)	4,508	4,567		1.3%
Total Personal Income (annual billion \$)	Mid-State (41 Counties)	46.0	47.6		3.5%
Earnings per Resident Worker (annual)	Mid-State (41 Counties)	33,030	34,181		3.5%