

Midstate Economic Indicators

Volume 9 No.1 Spring 1999
Includes data from 4th quarter 1998

It was a turn-around quarter, with job growth kicking back up into positive digits (Table 2), just as we had forecast in the last issue of *Midstate Economic Indicators (MEI)*. The unemployment rate dipped further, to an incredible 3.6 percent, and renewed strength was seen in both the Nashville tourism and hospitality industry and the midstate auto assembly sector. The midstate leading index (Table 1) and our job growth forecasts (Table 2) indicate continued growth throughout the first half of 1999.

The best news is that midstate auto producers have pushed their bloated inventories back into line (Figure 1), allowing production to pick up again. Overall, though, Middle Tennessee produces about a third fewer cars and trucks per month than it did two years ago. The main problem has been the focus of Saturn and Nissan on slow-selling small cars in an economy characterized by cheap gas and high incomes. Both plants are first-class production facilities, and at both plants workers and executives have lobbied headquarters for permission to build larger vehicles. Nissan has been the first to get that permission, and it should roll out its first locally-produced SUV later this year, using the space freed up by moving Sentra production to Mexico. The new Xterra is based on the Frontier pickup and should give the plant a chance to break into the hot SUV market.

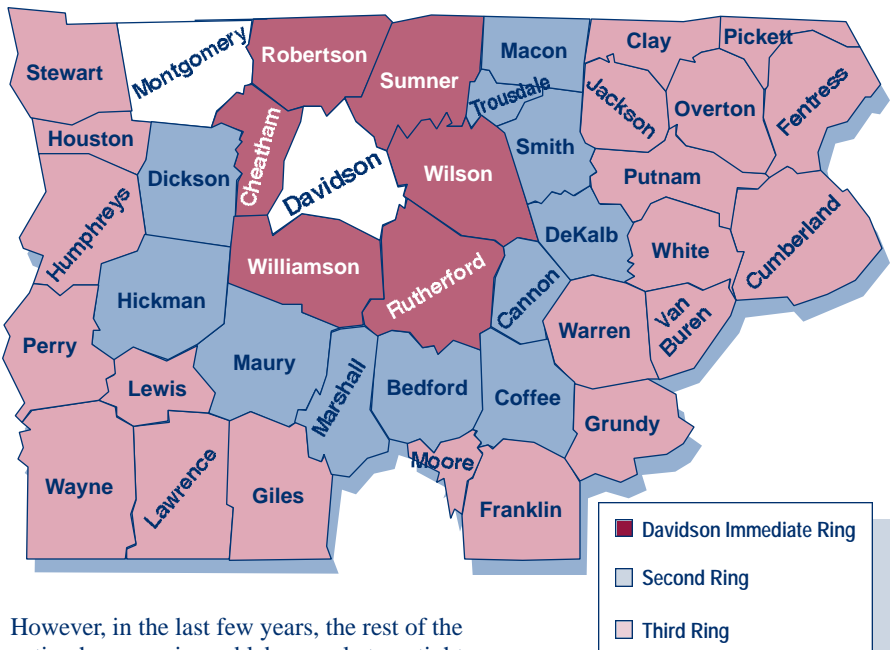
As we go to press, Renault indicates its intention to purchase more than a third of Nissan. For Renault, Nissan offers access to the U.S. market. The production facility here in Smyrna is a key element in that access, and reports suggest that Renault is impressed by the plant. One can only hope that the French are sympathetic to Smyrna's long-standing plea that it be allowed to produce the Maxima.

Business travel and tourism also recovered in the fourth quarter, as Nashville hotel revenue jumped by more than 13 percent (Table 1). The data show travel weakness to be confined to the warm months of 1998, confirming that the summer doldrums were almost entirely due to the closing of Opryland. Other reassuring figures: air travel increased slightly (Table 1); the number of restaurant and bar employees grew (Table 3); and hotel employment registered the first increase in several quarters (Table 3).

Construction employment also grew (Table

3), and the quarter also saw a hefty increase in the number of newly permitted residential units (Table 1). Residential construction is a vigorous force in the local economy, though the number of new residential units built per month lies nearly 20 percent below the level at the peak, in mid-1996 (Figure 2). The U.S. as a whole, however, has experienced a steady increase over most of the past two years, an increase fueled by low mortgage rates.

The number of homes built in Middle Tennessee is a function both of low mortgage rates and in-migration. Throughout the mid-1990s, the Mid-State had much tighter labor markets than the rest of the nation. As a result, new residents were attracted here by the prospect of employment, and home construction boomed to meet the increased demand for housing.

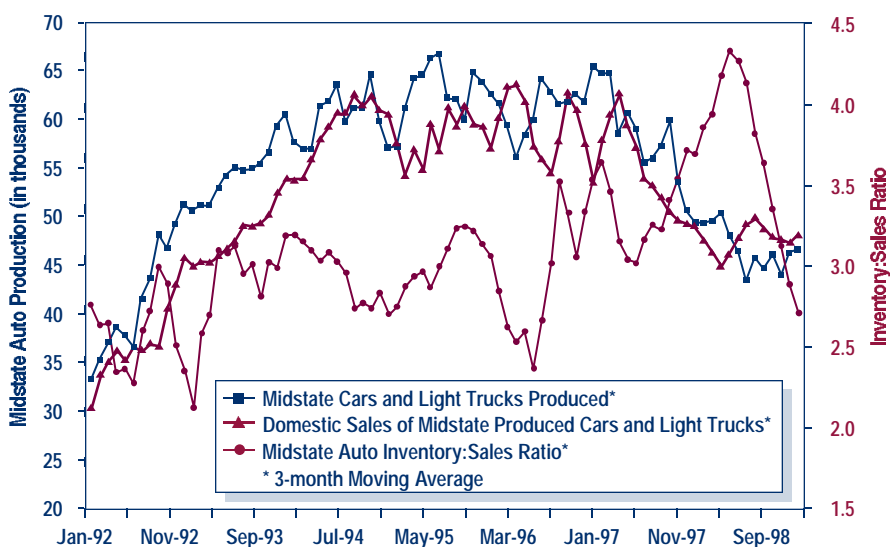


However, in the last few years, the rest of the nation has experienced labor markets as tight as our own, reducing the motivation for workers to move to Middle Tennessee. Accordingly, home construction has abated somewhat.

Within Middle Tennessee there is a constant rearranging of population, as persons move from one county to another, and much of the current pattern of homebuilding reflects increased housing demand in counties attracting large numbers of new residents. Table 4

continued

Figure 1: Midstate Auto Production and Inventory:Sales Ratio



continued

presents the latest figures on midstate migration, based on IRS returns for tax years 1996 and 1997. Each cell gives the net number of households migrating from the row area to the column area: thus, for example, 910 more households migrated from Davidson to Rutherford than from Rutherford to Davidson.

The counties immediately adjacent to Davidson are separately identified, while the remaining midstate counties are lumped together in two concentric rings (see map and Table 5 for details). An Excel workbook containing detailed data for Middle Tennessee is available for downloading from the MEI Web site (www.mtsu.edu/~berc/msei/pdfs/migration_9697.xls).

The table shows that net migration is outward: Davidson sends migrants out to its immediate neighbors, who send migrants out to the second ring, who send migrants to the third ring. It also shows that Davidson receives most of the migrants who arrive from outside the region, and especially foreign immigrants. Davidson “feeds” the population of outlying counties and in turn is “fed” by arrivals from outside Middle Tennessee.

In a few instances, migration among the outlying counties can be significant. For example, the recent growth in homebuilding in Robertson county is in part fed by in-migration from Sumner County. Williamson County sends a large number of migrants both to the second ring (primarily Maury, Marshall, and Hickman) and to Rutherford County. This migration consists mainly of households dismayed at prices in the Williamson housing market; finding cheaper homes elsewhere, they presumably commute to work in Franklin or Cool Springs.

continued

Table 1. Data Bank for Middle Tennessee

Series (adjusted for seasonality and inflation)	Geographical Area	'97Q4	'98Q3	'98Q4	'98Q3-'98Q4
COMPOSITE INDICES					
Midstate Leading Index	Midstate (41 Counties)	100.00	101.29	102.58	1.3%
U.S. Leading Index	U.S.	100.00	105.58	107.98	2.3%
EMPLOYMENT					
Midstate Number of Employed Persons	Midstate (41 Counties)	984,812	1,013,693	1,012,941	-0.1%
Midstate Unemployment Rate	Midstate (41 Counties)	5.0%	3.8%	3.6%	-4.0%
Percent of Sectors with Employment Increase for Month	Nashville MSA(8 Counties)	37%	56%	44%	-21.4%
Percent of Counties with Employment Increase for Month	Midstate (41 Counties)	80%	49%	59%	20.4%
Average Hours Worked per Week in Manufacturing	Nashville MSA(8 Counties)	41.49	40.53	41.38	2.1%
Average Pay per Hour in Manufacturing	Nashville MSA(8 Counties)	13.16	12.97	12.98	0.1%
INITIAL CLAIMS AND BANKRUPTCY					
Initial Claims for Unemployment Compensation	Midstate (41 Counties)	30,942	34,382	32,596	-5.2%
Bankruptcy Case Filings	Midstate (41 Counties)	3,057	3,019	2,753	-8.8%
REALESTATE					
Occupancy Index	Davidson County	98.49%	98.10%	98.10%	0.0%
New Residential Units (permits)	Midstate (41 Counties)	4,023	4,181	4,353	4.1%
Value of New Residential Units (million \$)	Midstate (41 Counties)	365.6	344.6	362.4	5.2%
AUTOMOBILE PRODUCTION					
Autos Assembled in U.S.	U.S.	3,109,190	2,847,974	3,170,211	11.3%
Autos Assembled in Midstate	Midstate (41 Counties)	148,549	138,609	140,317	1.2%
Units Sold: Autos Assembled in Midstate	U.S.	147,963	144,334	145,215	0.6%
TOURISM					
Hotel Revenue	Davidson County	100,616,963	90,519,547	102,736,639	13.5%
Air Passengers	Davidson County	1,955,200	2,000,437	2,018,315	0.9%
INCOME, EARNINGS, AND RETAIL SALES					
Retail Sales (million \$ per quarter)	Midstate (41 Counties)	5,044	5,264	5,297 (est)	0.6%
Total Personal Income (annual billion \$)	Midstate (41 Counties)	48.0	49.8	50.0 (est)	0.4%
Earnings per Resident Worker (annual)	Midstate (41 Counties)	34,425	35,068	34,866 (est)	-0.6%

Notes: Seasonal adjustment with X11-ARIMA; dollars converted to '98Q4 prices with GDP implicit consumption deflator.

Sources: U.S. Department of Labor, Bureau of Labor Statistics; Tennessee Department of Employment Security; Nashville Electrical Service; U.S. Bureau of the Census; *Automotive Weekly*; Metropolitan Nashville Government; Nashville Airport Authority; Tennessee Department of Revenue; U.S. Bureau of Economic Analysis

Figure 2: Number of New Housing Units Permitted: U.S. vs. Middle Tennessee

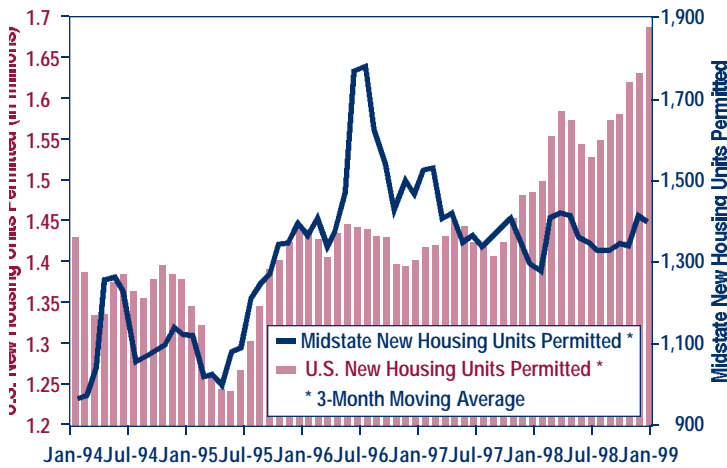


Table 2: Forecast Unemployment and Job Growth

	Actual				Forecast	
	'98Q1	'98Q2	'98Q3	'98Q4	'99Q1	'99Q2
Unemployment Rate						
Middle Tennessee	4.2%	4.3%	3.8%	3.6%	3.5%	3.8%
East Tennessee	5.0%	4.7%	4.1%	4.2%	4.1%	4.3%
West Tennessee	5.1%	5.2%	4.6%	4.5%	4.4%	5.0%
Tennessee	4.7%	4.7%	4.1%	4.0%	3.9%	4.3%
Job Growth: One Quarter SAAR						
Nashville MSA	3.1%	0.6%	-0.3%	1.5%	4.6%	2.7%
Chattanooga MSA	2.7%	-0.7%	-0.1%	2.1%	4.2%	1.7%
Tennessee	3.8%	0.2%	0.2%	1.7%	4.8%	1.5%
Job Growth: Four Quarter SAAR						
Nashville MSA	2.8%	2.4%	1.3%	1.2%	1.6%	2.1%
Chattanooga MSA	0.8%	0.3%	0.6%	1.0%	1.3%	1.9%
Tennessee	2.5%	2.0%	1.2%	1.5%	1.7%	2.0%

Sources: Bureau of Labor Statistics; MTSU
SAAR=Seasonally Adjusted Annual Rate



A Tennessee Board of Regents Institution

MTSU is an equal opportunity, non-racially identifiable educational institution that does not discriminate against individuals with disabilities.

Midstate Economic Indicators is published quarterly by the Business and Economic Research Center in the College of Business at Middle Tennessee State University. MEI is available free or on-line at: www.mtsu.edu/~berc

Editor: Tony Eff

Director, BERC:

Reuben Kyle

Dean, College of Business:

Rick Elam

Publications Editor,

College of Business:

Sally Ham Govan

Research:

Ransom Gustafson

BERC phone: 615-898-2610

Table 5: Migration's Effects on Income per Household

County	% 1997 Households Also in County in 1996	Income per Household		
		If No Migration Had Occurred	With Migration as Occurred	Migration-Induced % Change
Montgomery	86%	\$32,929	\$32,631	-0.91%
Davidson	91%	\$42,919	\$42,439	-1.12%
Davidson Immediate Ring				
Cheatham	89%	\$35,104	\$35,464	1.03%
Robertson	91%	\$34,256	\$34,574	0.93%
Rutherford	89%	\$40,726	\$40,550	-0.43%
Sumner	91%	\$42,026	\$42,119	0.22%
Williamson	88%	\$72,736	\$73,094	0.49%
Wilson	91%	\$42,345	\$42,741	0.94%
Second Ring				
Bedford	94%	\$32,115	\$32,338	0.70%
Cannon	92%	\$28,313	\$28,353	0.14%
Coffee	93%	\$33,257	\$33,232	-0.08%
DeKalb	93%	\$29,250	\$29,469	0.75%
Dickson	91%	\$34,114	\$34,142	0.08%
Hickman	91%	\$28,592	\$28,637	0.16%
Macon	93%	\$26,707	\$26,636	-0.26%
Marshall	93%	\$34,325	\$34,631	0.89%
Maury	92%	\$40,046	\$40,158	0.28%
Smith	92%	\$31,076	\$30,938	-0.44%
Trousdale	92%	\$28,559	\$28,433	-0.44%
Third Ring				
Clay	95%	\$21,916	\$22,409	2.25%
Cumberland	92%	\$29,206	\$29,791	2.00%
Fentress	95%	\$21,450	\$21,567	0.55%
Franklin	94%	\$32,448	\$32,666	0.67%
Giles	94%	\$31,327	\$31,582	0.81%
Grundy	95%	\$22,681	\$22,782	0.45%
Houston	93%	\$26,653	\$26,662	0.03%
Humphreys	93%	\$31,507	\$31,448	-0.19%
Jackson	92%	\$26,757	\$26,772	0.06%
Lawrence	95%	\$29,392	\$29,459	0.23%
Lewis	92%	\$26,300	\$26,361	0.23%
Lincoln	94%	\$30,489	\$30,600	0.36%
Moore	93%	\$33,220	\$33,548	0.99%
Overton	92%	\$25,419	\$25,576	0.62%
Perry	92%	\$28,351	\$28,286	-0.23%
Pickett	93%	\$22,991	\$23,951	4.18%
Putnam	91%	\$36,983	\$36,882	-0.27%
Stewart	91%	\$28,254	\$28,435	0.64%
VanBuren	93%	\$25,073	\$25,191	0.47%
Warren	94%	\$31,080	\$31,075	-0.02%
Wayne	95%	\$24,964	\$24,885	-0.32%
White	94%	\$25,931	\$26,261	1.27%

Sources: IRS 1996-97 County-to-County Migration Files, MTSU

Table 4: Net Number of Households Moving from Row Area to Column Area

Source Area	Montgomery	Davidson	Davidson Immediate Ring						Second Ring	Third Ring
			Cheatham	Robertson	Rutherford	Sumner	Williamson	Wilson		
Montgomery	0	115	10	13	3	1	4	-24	21	9
Davidson	-115	0	335	292	910	327	560	374	342	6
Davidson Immediate Ring										
Cheatham	-10	-335	0	20	-7	-1	9	-6	13	0
Robertson	-13	-292	-20	0	23	-139	-3	-16	10	0
Rutherford	-3	-910	7	-23	0	-33	-65	-7	40	6
Sumner	-1	-327	1	139	33	0	23	23	45	-1
Williamson	-4	-560	-9	3	65	-23	0	5	265	-33
Wilson	24	-374	6	16	7	-23	-5	0	92	25
Second Ring	-21	-342	-13	-10	-40	-45	-265	-92	0	29
Third Ring	-9	-6	0	0	-6	1	33	-25	-29	0
U.S. not Mid-TN	633	3,433	79	125	579	339	836	196	842	1,700
Foreign	288	1,033	0	0	39	5	8	0	12	52
Total	769	1,435	396	575	1,606	409	1,135	428	1,653	1,793

Sources: IRS 1996-97 County-to-County Migration Files; MTSU



Business and Economic Research Center

Middle Tennessee State University
 P.O. Box 102
 Murfreesboro, TN 37132
 615-898-2610

Non-Profit
 Organization
 U.S. POSTAGE
 PAID
 Permit No. 169
 Murfreesboro, TN

Table 3: Change in Employment 1998Q3 to 1998Q4 (Eight-County Nashville MSA)

Sector	Nashville MSA 1998Q4	Nashville MSA Change	Nashville MSA % Change*	USA % Change*
Total	638,943	2,305	1.5%	2.0%
Construction and Mining	34,347	620	7.6%	1.6%
Manufacturing: Transportation Equipment	15,106	136	3.7%	15.1%
Manufacturing: Other Durable	41,041	39	0.1%	-0.5%
Manufacturing: Printing and Publishing	14,279	55	1.6%	-0.6%
Manufacturing: Other Nondurable	25,081	-94	-0.4%	-0.5%
Finance, Insurance, and Real Estate	39,482	-51	-0.5%	2.9%
Transportation, Communications, and Utilities	31,560	-82	-1.0%	2.8%
Wholesale: Total	37,963	46	0.5%	2.4%
Retail: Eating and Drinking	43,049	21	0.2%	1.5%
Retail: Food	13,755	-55	-1.6%	1.3%
Retail: General	18,889	186	4.0%	2.5%
Retail: Other	42,823	48	0.4%	1.5%
Services: Education	14,730	155	4.3%	4.7%
Services: Health	52,492	-128	-1.0%	1.6%
Services: Hotel	10,734	176	6.8%	1.2%
Services: Other	120,357	-83	-0.3%	3.5%
Government: Total	83,781	970	4.8%	2.6%

Sources: U.S. Bureau of Labor Statistics; MTSU
 *Seasonally adjusted annual rate

continued

Migration can change a county's average household income, as it brings in persons of one income class and sends out persons of another. Table 5 shows the effect of migration on income per household in each of the midstate counties. Davidson County is the big loser from migration: in just that one year between 1996 and 1997, migration rearranged its population so that income per household declined by more than one percent. The reasons for this decline are simple: higher income households tend to migrate to the surrounding counties, while arriving migrants tend to be low income. The biggest winners are Pickett, Clay, and Cumberland counties, which appear to be attracting retirees who are more affluent than long-time residents.

Table 5 also shows the rate of population stability, expressed as the percent of the 1997 population that was also in the county in 1996. Montgomery County has the least stable population of any county in the midstate—the expected result of hosting a large military base. Williamson, Rutherford, and Cheatham counties, however, are not far behind, with at least 11 percent of their households new arrivals within the past year. The most stable counties are found at the perimeter of Middle Tennessee, far removed from the effects of Davidson county; even here, though, at least five percent of all households are new each year.

Migration has brought diversity to Middle Tennessee. Table 6 shows, however, that the proportion of Hispanics and Asians in our population lies well below the national average. Recent news reports suggest that 40,000 Hispanics now live in Davidson county. However, these census data suggest that the true figure is closer to 8,000. The most diverse counties are Montgomery, Davidson, and Rutherford. ■

Table 6: Middle Tennessee Population by Racial and Hispanic Status, 1997

Area	Total Population	As Percent of Total Population				
		White, Non-Hispanic	Black	Asian	Native American	Hispanic: All Races
Middle Tennessee	1,965,255	85.3%	12.2%	1.1%	0.2%	1.3%
Montgomery	124,252	74.2%	18.7%	2.6%	0.4%	4.9%
Davidson	533,689	71.7%	24.9%	1.9%	0.2%	1.4%
Davidson Immediate Ring						
Cheatham	34,405	96.4%	2.2%	0.2%	0.4%	0.9%
Robertson	51,482	87.3%	11.8%	0.2%	0.2%	0.7%
Rutherford	159,543	87.2%	9.5%	2.0%	0.2%	1.2%
Sumner	121,836	92.5%	5.9%	0.5%	0.2%	0.9%
Williamson	111,373	90.8%	7.2%	0.8%	0.2%	1.1%
Wilson	81,172	90.7%	7.6%	0.6%	0.3%	0.9%
Second Ring	302,872	90.3%	8.3%	0.4%	0.2%	0.8%
Third Ring	444,631	95.2%	3.5%	0.4%	0.2%	0.8%
East Tennessee	1,964,419	91.7%	6.6%	0.7%	0.2%	0.8%
West Tennessee	1,438,524	62.3%	35.8%	0.9%	0.2%	1.1%
USA Outside of Tennessee	259,673,023	72.4%	12.7%	3.8%	0.9%	11.2%

Sources: http://www.census.gov/population/www/estimates/co_casrh.html; MTSU