

Midstate Economic Indicators

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Includes data from 4th quarter 2000

A Turning Point?

by Max Melnikov, Research Associate, BERG

There is a concept in modern mathematics called a turning point: a rising line reaches it and changes direction to descend.

Apparently the midstate and national economies reached the turning point late last year. Both the midstate and U.S. leading indices surrendered their previously strong positions in 2000's final quarter, with the midstate losing 0.4 percent and the U.S. losing 0.6 percent (Table 3). The sluggishness continued into the early months of 2001. For example, the U.S. leading indicators fell in February, the eighth of the last 10 months to register a decline. At this point, analysts do not see a recession, but leading indicators warn a precipice or turning point may be near.

The midstate weaknesses are even more visible in separate economic indicators, such as employment and residential construction, suggesting the Tennessee and midstate economies may have weakened more than the national economy in recent months.

Many consider employment growth a region's single most important summary measure. For years now, an impressive and steady growth in employment has impressed analysts and pointed to a vibrant, healthy economy, with all sectors participating in the boom. However, employment increases slowed late last year. In the eight-county Nashville Metropolitan Statistical Area (MSA), employment increased by only 0.7 percent during the last quarter of 2000, translating into 4,809 new jobs, down from a gain of 10,119 jobs in the third quarter and 11,406 in the second (Table 1). At the same time, the cool-down in U.S. employment growth was less dramatic.

While employment was weak overall last quarter, the retail sector was a distinctive leader in the midstate job growth race. Its "food" and "other" subcategories accounted for more than 50 percent of all new jobs created in the area (Table 1). Other sectors with meaningful employment included construction and mining, eating and drinking, and hotels. Manufacturing

Table 1: Change in Employment 2000Q3 to 2000Q4 (Eight-County Nashville MSA)

Sector	Nashville MSA 2000Q4	Nashville MSA Change	Nashville MSA % Change*	USA % Change*
Total	700,022	4,515	0.6%	1.8%
Construction and Mining	36,369	707	1.9%	1.9%
Manufacturing: Transportation Equipment	14,427	-531	-3.7%	0.0%
Manufacturing: Other Durable Goods	43,999	-160	-0.4%	0.0%
Manufacturing: Printing and Publishing	12,503	-313	-2.5%	-0.5%
Manufacturing: Other Nondurable Goods	23,688	-482	-2.0%	0.5%
Finance, Insurance, and Real Estate (FIRE)	42,129	-125	-0.3%	0.8%
Transportation, Communications, and Utilities	34,800	214	0.6%	2.2%
Wholesale: Total	38,519	469	1.2%	2.1%
Retail: Eating and Drinking	47,057	696	1.5%	1.1%
Retail: Food	14,629	427	2.9%	0.9%
Retail: General	20,722	230	1.1%	-0.2%
Retail: Other	55,178	2,025	3.7%	2.9%
Services: Education	16,103	20	0.1%	1.7%
Services: Health	56,477	180	0.3%	2.0%
Services: Hotel	9,910	-147	-1.5%	0.8%
Services: Other	140,531	716	0.5%	4.0%
Government: Total	92,980	589	0.6%	-0.2%

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

lost almost 1,500 jobs, primarily in transportation equipment, printing and publishing, and nondurable goods.

Unemployment in the middle Tennessee area was higher than predicted, reaching 3.3 percent in the fourth quarter (Table 2) and reflecting in part a rise of 6.8 percent in initial unemployment claims. The all-Tennessee unemployment rate has also increased to 3.7

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Analysts do not yet see a recession, but leading indicators warn a turning point may be near.

Table 2: Forecast Unemployment and Job Growth

	Actual				Forecast	
	00Q1	00Q2	00Q3	00Q4	01Q1	01Q2
Unemployment Rate						
Middle Tennessee	3.2%	3.1%	3.1%	3.3%	3.2%	3.4%
East Tennessee	3.7%	3.7%	3.7%	3.8%	3.8%	3.9%
West Tennessee	3.9%	3.8%	3.9%	4.1%	4.2%	4.2%
Tennessee	3.5%	3.5%	3.5%	3.7%	3.6%	3.7%
Job Growth: One Quarter SAAR						
Nashville MSA	1.4%	1.4%	1.5%	0.9%	0.8%	1.0%
Chattanooga MSA	-0.3%	-0.2%	-0.2%	-0.2%	-0.3%	-0.3%
Tennessee	1.1%	1.2%	1.2%	1.0%	1.2%	1.2%

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

Migration Report

by Max Melnikov, Research Associate, BERG

Davidson in-migrants have lower average income than out-migrants. Job and housing markets remain incentives for pursuing migration opportunities.

The U.S. labor market has always been characterized as very flexible relative to those of other developed countries. This is reflected in high rates of internal migration and reported in the latest IRS *Statistics on Income*, used to track year-to-year migration based on changes in the address of tax filers. The latest data, for 1999, reveal patterns similar to those reported in last spring's *Midstate Economic Indicators (MEI)*, though the magnitudes differ. Table 4 summarizes the migration patterns between 1998 and 1999 for Tennessee and the eight-county Nashville Metropolitan Statistical Area (MSA). Based on that data, some interesting observations can be made.

Tennessee is still an attractive destination; 293,659 people moved into Tennessee in 1999, exceeding out-migrants by 19,412. This net gain is more than twice the net gain reported last year in *MEI*. Of this net gain, 2,296 were foreigners.

Davidson County is losing its population to out-migration: 37,748 people moved out, while 30,748 moved into the county. Most Davidson County in-migrants have lower income than the out-migrants. It appears that after Davidson

residents establish themselves financially, they move to Williamson or Rutherford counties in search of larger and more comfortable housing.

A number of recent studies of regional income distribution have suggested growing income inequality in the U.S. during the 1990s, attributable to the effects of industrial structure, demographic, economic, educational, labor force, and other socioeconomic characteristics. Economically motivated migrants respond to wage/income differences between regions.

The data set in Table 4 supports the above theory: the larger and more diversified labor market of Davidson County attracts lower-income households from the surrounding counties of Cheatham, Dickson, Robertson, Rutherford, Sumner, Williamson, and Wilson. While Davidson is losing population in the migration process, the surrounding counties are growing. The major recipients of former Davidson residents in 1999 were Rutherford (4,297 persons), Williamson (4,012), and Wilson (2,887) counties. The difference between income levels of an average migrant from Williamson to Davidson and their counterpart moving in the opposite direction is sizeable: \$26,099 per year versus \$40,552 per year.

Results for 1999 reinforce the spring 2000 *MEI* migration report conclusions and confirm that job and housing markets remain the major incentives for migration. ■

Table 3. Data Bank for Middle Tennessee

Series (adjusted for seasonality and inflation)	Geographical Area	99Q4	00Q3	00Q4	00Q3-00Q4
COMPOSITE INDICES					
Midstate Leading Index	Midstate (41 Counties)	107.53	110.27	109.87	-0.4%
U.S. Leading Index	U.S.	112.97	114.63	113.91	-0.6%
EMPLOYMENT					
Midstate Number of Employed Persons	Midstate (41 Counties)	1,036,045	1,059,072	1,058,350	-0.1%
Midstate Unemployment Rate	Midstate (41 Counties)	3.2%	3.1%	3.3%	6.5%
Percent of Sectors with Employment Increase for Month	Nashville MSA (8 Counties)	52%	78%	65%	-16.7%
Percent of Counties with Employment Increase for Month	Midstate (41 Counties)	46%	67%	11%	-83.6%
Average Hours Worked per Week in Manufacturing	Nashville MSA (8 Counties)	40.29	40.89	40.88	0.0%
Average Pay per Hour in Manufacturing	Nashville MSA (8 Counties)	13.56	13.65	13.80	1.1%
INITIAL CLAIMS AND BANKRUPTCY					
Initial Claims for Unemployment Compensation	Midstate (41 Counties)	26,350	33,615	35,900	6.8%
Bankruptcy Case Filings	Midstate (41 Counties)	2,742	3,033	2,903	-4.3%
REAL ESTATE					
Occupancy Index	Davidson County	97.98%	98.06%	97.49%	-0.6%
New Residential Units (permits)	Midstate (41 Counties)	4,170	3,793	3,504	-7.6%
Value of New Residential Units (million \$)	Midstate (41 Counties)	388.8	401.0	345.7	-13.8%
AUTOMOBILE PRODUCTION					
Autos Assembled in U.S.	U.S.	3,289,163	3,013,589	3,113,037	3.3%
Autos Assembled in Midstate	Midstate (41 Counties)	177,091	183,035	172,733	-5.6%
Units Sold: Autos Assembled in Midstate	U.S.	141,796	141,591	135,924	-4.0%
TOURISM					
Hotel Revenue	Davidson County	97,685,900	104,613,621	106,469,871	1.8%
Air Passengers	Davidson County	2,101,001	2,211,848	2,225,004	0.6%
INCOME, EARNINGS, AND RETAIL SALES					
Retail Sales (million \$ per quarter) *	Midstate (41 Counties)	—	—	—	—
Total Personal Income (annual billion \$)	Midstate (41 Counties)	52.9	53.7	53.9 (est.)	0.4%
Earnings per Resident Worker (annual)	Midstate (41 Counties)	36,455	37,028	37,259 (est.)	0.6%

Notes: Seasonal adjustment with X11-ARIMA; not annualized; dollars converted to 2000Q4 prices with GDP implicit consumption deflator. * Insufficient data.

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

Table 4. Migration Pattern between 1998 and 1999 for Tennessee and Eight-County Nashville Metropolitan Statistical Area (MSA)

	Number of persons	Median adjusted gross income	Number of persons	Median adjusted gross income	Number of persons	Median adjusted gross income
Tennessee Total Migrants - U.S. and Foreign	274,247	21,140	293,659	20,988	-19,412	152
Tennessee Total Migrants - U.S.	271,845	21,186	288,961	21,153	-17,116	33
Tennessee Total Migrants - U.S. Same State	143,167	20,898	143,167	20,898	n/a	n/a
Tennessee Total Migrants - U.S. Different State	128,678	21,558	145,794	21,444	-17,116	114
Tennessee Total Migrants - Foreign	2,402	17,033	4,698	12,616	-2,296	4,417
Cheatham County Total Migrants - U.S. and Foreign	2,275	21,863	2,869	25,332	-594	-3,469
Cheatham County Total Migrants - Same State	1,788	22,474	2,273	25,651	-485	-3,177
Cheatham County Total Migrants - Different State	487	18,749	596	23,999	-109	-5,250
Cheatham County Non-Migrants	29,888	30,698	29,888	30,698	n/a	n/a
Davidson County	788	21,849	1,425	27,844	-637	-5,995
Dickson County	238	21,624	162	19,772	76	1,852
Davidson County Total Migrants - U.S. and Foreign	37,748	25,374	30,748	20,815	7,000	4,559
Davidson County Total Migrants - Same State	22,387	27,707	13,473	21,916	8,914	5,791
Davidson County Total Migrants - Different State	15,098	22,895	16,761	20,461	-1,663	2,434
Davidson County Non-Migrants	403,792	26,943	403,792	26,943	n/a	n/a
Rutherford County	4,297	25,702	2,054	20,984	2,243	4,718
Williamson County	4,012	40,552	1,664	26,099	2,348	14,453
Dickson County Total Migrants - U.S. and Foreign	2,091	19,456	2,478	21,495	-387	-2,039
Dickson County Total Migrants - Same State	1,527	20,482	1,655	22,795	-128	-2,313
Dickson County Total Migrants - Different State	564	16,718	823	18,874	-259	-2,156
Dickson County Non-Migrants	31,588	26,592	31,588	26,592	n/a	n/a
Davidson County	339	23,499	554	26,666	-215	-3,167
Cheatham County	162	19,772	172	21,590	-10	-1,818
Robertson Count Total Migrants - U.S. and Foreign	3,094	20,802	4,240	26,043	-1,146	-5,241
Robertson Count Total Migrants - Same State	2,004	21,737	3,126	28,088	-1,122	-6,351
Robertson Count Total Migrants - Different State	1,090	18,474	1,114	20,669	-24	-2,195
Robertson Count Non-Migrants	46,311	28,583	46,311	28,583	n/a	n/a
Davidson County	704	20,990	1,628	29,422	-924	-8,432
Sumner County	562	23,242	834	27,691	-272	-4,449
Rutherford County Total Migrants - U.S. and Foreign	9,627	21,760	12,677	22,391	-3,050	-631
Rutherford County Total Migrants - Same State	5,635	21,684	8,119	22,847	-2,484	-1,163
Rutherford County Total Migrants - Different State	3,952	21,999	4,467	21,785	-515	214
Rutherford County Non-Migrants	129,078	32,000	129,078	32,000	n/a	n/a
Davidson County	2,054	20,984	4,297	25,702	-2,243	-4,718
Williamson County	389	25,734	414	21,249	-25	4,485
Sumner County Total Migrants - U.S. and Foreign	6,935	22,089	7,986	24,677	-1,051	-2,588
Sumner County Total Migrants - Same State	4,334	22,938	4,938	25,497	-604	-2,559
Sumner County Total Migrants - Different State	2,587	20,204	3,020	23,276	-433	-3,072
Sumner County Non-Migrants	87,871	29,878	87,871	29,878	n/a	n/a
Davidson County	1,723	22,841	2,952	26,770	-1,229	-3,929
Robertson County	834	27,691	562	23,242	272	4,449
Williamson County Total Migrants - U.S. and Foreign	7,237	29,942	11,380	39,679	-4,143	-9,737
Williamson County Total Migrants - Same State	3,917	27,052	6,287	36,904	-2,370	-9,852
Williamson County Total Migrants - Different State	3,268	37,901	5,049	47,170	-1,781	-9,269
Williamson County Non-Migrants	85,357	43,031	85,357	43,031	n/a	n/a
Davidson County	1,664	26,099	4,012	40,552	-2,348	-14,453
Rutherford County	414	21,249	389	25,734	25	-4,485
Wilson County Total Migrants - U.S. and Foreign	4,560	22,652	6,375	28,141	-1,815	-5,489
Wilson County Total Migrants - Same State	3,147	22,469	4,550	28,496	-1,403	-6,027
Wilson County Total Migrants - Different State	1,413	23,332	1,825	26,980	-412	-3,648
Wilson County Non-Migrants	66,358	32,450	66,358	32,450	n/a	n/a
Davidson County	1,302	23,749	2,887	32,525	-1,585	-8,776
Rutherford County	348	23,025	334	25,207	14	-2,182

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**Both the Jennings A.
Jones College of
Business Center for
Survey Research and the
national Conference
Board index reported a
March rebound in
consumer confidence
following February's fall.**

Turning?

continued from front

percent from the last quarter's 3.5 percent. Both the statewide and midstate unemployment rates are low compared with the quarter's national average of 4.0 percent, but the increase should cause concern.

Statewide retail sales growth may have slowed more than national sales. Based on the latest available data, statewide sales and use tax collections are up about 1.5 percent from a year ago. As a rough barometer of sales growth, this rate is weak compared to the latest 12-month, year-over-year growth in retail sales nationally (2.7 percent).

In terms of key cyclical indicators, midstate residential construction continued its descent in the fourth quarter, with a 7.6 percent decrease in the number of new residential units (Table 3). Midstate automobile production slipped 5.6 percent in the last quarter of 2000, moving in the opposite direction from the national trend for the same period.

At the same time, however, there are bright spots in the region. Within the hospitality industry, hotel revenues hit a record high level. Improved facilities at the Nashville

International Airport and the completion of Opry Mills are successfully attracting more visitors to the area.

More important, the 1.5 percent cut in short-term rates since year-end 2000 may finally have the cushioning effect on economic activity the Federal Reserve sought. Nationally, sales of both existing and new homes over the first two months of the year have been running higher than last year's, and prospects may be improving for other sectors. The Jennings A. Jones College of Business Center for Survey Research reported a rebound in the local area confidence in March, following a fall in February. Similarly, the Conference Board index of consumer confidence jumped in March on the heels of February's fall. These indices suggest the national and local economies may be retreating from the precipice, but whether they reach a business turning point or not remains to be seen. ■

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