

Midstate Economic Indicators

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Cautious Optimism for Midstate Recovery

F. Kathleen Vinlove, BERC Associate Director

Although signs of improvement are neither dramatic nor definitive, the middle Tennessee economy may have begun to recover from recession in the first quarter of 2002. MTSU's Midstate Leading Index, an indicator of future regional growth, increased to 105.6 in the first quarter from 103.8 in the previous quarter (Table 1), yet a closer look at monthly figures reveals signs of persistent weakness as a few key industries weigh down overall growth.

Area unemployment followed an uneven

ascend at the outset of the year but may have topped out in March. Both the Tennessee and Nashville MSA unemployment rates increased in that month after holding steady for the first two months of the quarter. However, preliminary estimates show both rates declining in April, with unemployment in Nashville now standing at 3.8 percent and in the state at 5.3 percent. For all 41 middle Tennessee counties, the unemployment rate increased 2.3 percent during the quarter.

Two industries in the Nashville economy continue to have negative employment growth compared to 2001: manufacturing, which declined by two percent, and construction/mining, whose slowdown tapered off to 0.3 percent. All other major sectors experienced increases, and total non-farm employment rose by half of a percentage point during the quarter as compared with last year. Wholesale trade registered the strongest growth, with

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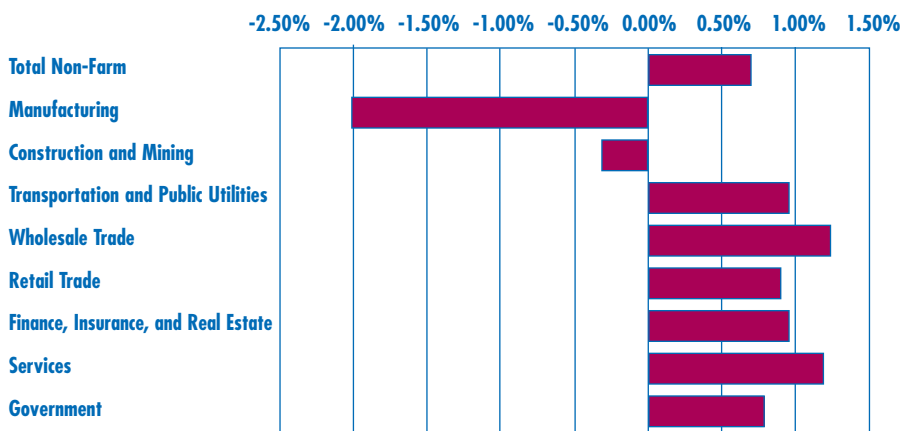
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Table 1. Data Bank for Middle Tennessee

Series (adjusted for seasonality and inflation)	Geographical Area	01Q3	01Q4	02Q1	Change from 01Q4-02Q1
Midstate Leading Index	Midstate (41 Counties)	104.3	103.8	105.6	1.8%
EMPLOYMENT					
Midstate Number of Employed Persons	Midstate (41 Counties)	1,055,601	1,054,430	1,057,224	0.3%
Midstate Unemployment Rate	Midstate (41 Counties)	3.8%	4.4%	4.5%	2.3%
Average Hours Worked per Week in Manufacturing	Nashville MSA (8 Counties)	40.62	38.09	38.90	2.1%
Average Pay per Hour in Manufacturing	Nashville MSA (8 Counties)	14.51	14.52	15.06	3.7%
INITIAL CLAIMS AND BANKRUPTCY					
Initial Claims for Unemployment Compensation	Midstate (41 Counties)	42,972	48,946	36,727	-25.0%
Bankruptcy Case Filings	Midstate (41 Counties)	3,369	3,915	3,837	-2.0%
REAL ESTATE					
Occupancy Index	Davidson County	98.0%	97.9%	97.9%	0.0%
New Residential Units (permits)	Midstate (41 Counties)	3,784	3,229	3,819	18.3%
Value of New Residential Units (million \$)	Midstate (41 Counties)	398.7	383.4	414.7	8.2%
AUTOMOBILE PRODUCTION					
Autos Assembled in United States	United States	2,956,444	2,896,793	3,041,236	5.0%
Autos Assembled in Midstate	Midstate (41 Counties)	143,991	159,396	186,211	16.8%
Units Sold: Autos Assembled in Midstate	United States	129,022	176,131	155,284	-11.8%
TOURISM					
Hotel Revenue	Davidson County	92,029,991	91,699,978	91,346,739	-0.4%
Total Air Passengers, Nashville International Airport	Davidson County	2,053,352	1,952,452	1,970,194	0.9%
INCOME AND EARNINGS					
Total Personal Income (annual billion \$)	Midstate (41 Counties)	60.6	61.1	61.6 (est.)	0.7%
Earnings per Resident Worker (annual)	Midstate (41 Counties)	40,513	40,933	41,055 (est.)	0.3%

Notes: Seasonal adjustment with X11-ARIMA; dollars converted to 2001-Q1 prices with GDP implicit consumption deflator. Sources: U.S. Department of Labor, Bureau of Labor Statistics; U.S. Bureau of the Census; U.S. Bureau of Economic Analysis; Tennessee Department of Labor and Workforce Development; Davidson County Clerk's office; Metropolitan Nashville Airport Authority; Nashville Electric Service; *Automotive Weekly*; *economagic.com*; U.S. Bankruptcy Court, Middle Tennessee District; BellSouth

Figure 1. Percent Change in Nonagricultural Employment, Nashville MSA, 2001-02



About the Consumer Confidence Index

The Consumer Confidence Index represents the sum of the Present Situation, Future Expectations, and Purchasing Indexes. It is derived from an MTSU Office of Consumer Research survey in which telephone interviews are given to 442 randomly selected adults from Davidson, Rutherford, and Williamson counties. There is 95 percent confidence that the survey error is ± 4.7 percent. For more information, contact the office's director, Dr. Timothy Graeff, 898-5124.

Table 2. Consumer Confidence Index

	April 2002	February 2001	November 2001
Consumer Confidence Index	325.8	328.2	368
Present Situation Index ¹	53.3	46.8	55.8
Future Expectations Index ²	117.6	138.7	136
Purchasing Index ³	154.9	142.7	176.2

Source: MTSU Office of Consumer Research (898-5124)

¹ Based on four questions regarding the current outlook of national and local business conditions, the availability of jobs in middle Tennessee, and survey participants' financial situation
² Based on four questions regarding future expectations for national and local business conditions, the availability of jobs in middle Tennessee, and survey participants' financial situation
³ Based on three questions regarding the current outlook for purchasing major household items, houses, and automobiles

Recovery continued from front

nondurable goods employment particularly robust, indicating that future strength in the retail sector may be imminent.

Service sector growth also remains strong. Unscathed by cyclical factors, health services employment increased by a strong 2.9 percent over last year. On the other hand, hotels and other lodging, perhaps not fully recovered from tourism and convention declines related to September 11, employed only 0.3 percent more workers in the first quarter. In fact, hotel revenue declined by 0.4 percent during the period.

Local consumer confidence in the economy held steady in April, as the Consumer Confidence Index produced by MTSU's Office of Consumer Research shows in Table 2. Both the Present Situation and the Purchasing Indexes rose, reflecting job seekers' optimism and buyers' willingness to spend on large ticket items. This was tempered by a decrease in the Future Expectations Index, with most survey respondents feeling that economic forces will remain "about the same" in the months ahead.

Although only 42 percent of local consumers believe that now is a good time to buy a house, and despite slight increases in mortgage interest rates, single-family home sales continued to expand in the Nashville area in 2002. Construction contracts have dwindled largely from a dearth of nonresidential development as the market for commercial and manufacturing buildings remains soft. A good sign is that the real estate occupancy index for Davidson County shows no change between the last two quarters.

The local economy's somewhat bumpy ride may continue through the summer, depending on expectations influencing business investment, inflationary pressure from those sectors whose growth has been revived, and the degree of inevitable increases in interest rates. For now, the road at least appears to lead upward. ■

Except for Davidson, all counties in the region experienced net positive in-migration in tax year 1999-2000.

Migration Report

F. Kathleen Vinlove, BERCC Associate Director

The trend of migration from the Nashville urban area to surrounding suburbs continues, as confirmed by the most recent data on county-to-county migration from the *Internal Revenue Service*. In tax year 1999-2000, over 1,000 more U.S. households moved out of Davidson County than moved in, as Table A shows. After accounting for positive inflows from other states and foreign countries, the net difference in local moves is 794 households leaving the county.

Except for Davidson, all counties in the region experienced net positive in-migration. In the eight-county Nashville Metropolitan Statistical Area (MSA), Rutherford County received the greatest positive net change of 1,602 households. When measured in persons, Williamson County's net in-migration of 3,567 total residents was the largest in the region.

The data also reveal that households moving to the suburbs have higher income in general than those moving into the city. For U.S. residents, the differential is \$5,212 less for those moving into Metro Nashville than those moving out. This mirrors Tennessee's influx of lower income households relative to those

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Table A: Migration Patterns in the Nashville Area, 1999-2000

	In-Migration			Out-Migration			Net Change		
	Number of Households Migrating In	Number of Persons Migrating In	Median Adjusted Gross Income	Number of Households Migrating Out	Number of Persons Migrating Out	Median Adjusted Gross Income	Net Change in Households Migrating	Net Change in Persons Migrating	Difference in Median Income
TENNESSEE									
U.S. and Foreign	148,781	296,231	21,408	140,245	278,579	21,851	8,536	17,652	(443)
U.S.	146,232	291,816	21,586	138,921	276,043	21,909	7,311	15,773	(323)
U.S., Different State	71,768	144,527	21,686	64,457	128,754	22,462	7,311	15,773	(776)
Foreign	2,549	4,415	12,172	1,324	2,536	16,736	1,225	1,879	(4,564)
CHEATHAM									
U.S. and Foreign	1,439	3,023	25,332	1,230	2,479	22,499	209	544	2,833
U.S.	1,439	3,023	25,332	1,230	2,479	22,499	209	544	2,833
Within Tennessee	1,143	2,424	26,842	994	1,984	22,543	149	440	4,299
Different State	296	599	20,546	236	495	22,327	60	104	(1,781)
Foreign	0	0	0	0	0	0	0	0	0
DAVIDSON									
U.S. and Foreign	19,568	31,989	20,917	20,362	37,431	26,374	(794)	(5,442)	(5,457)
U.S.	19,147	31,475	21,296	20,183	37,153	26,508	(1,036)	(5,678)	(5,212)
Within Tennessee	8,811	14,538	21,842	11,090	21,825	28,221	(2,279)	(7,287)	(6,379)
Different State	10,336	16,937	20,704	9,093	15,328	24,252	1,243	1,609	(3,548)
Foreign	421	514	4,129	179	278	12,960	242	236	(8,831)
DICKSON									
U.S. and Foreign	1,164	2,488	22,195	1,001	2,025	21,178	163	463	1,017
U.S.	1,164	2,488	22,195	1,001	2,025	21,178	163	463	1,017
Within Tennessee	836	1,794	23,378	700	1,410	22,030	136	384	1,348
Different State	328	694	18,829	301	615	18,985	27	79	(156)
Foreign	0	0	0	0	0	0	0	0	0
ROBERTSON									
U.S. and Foreign	1,996	4,286	27,411	1,585	3,264	22,109	411	1,022	5,302
U.S.	1,986	4,255	27,469	1,585	3,264	22,109	401	991	5,360
Within Tennessee	1,484	3,188	29,555	1,145	2,316	22,405	339	872	7,150
Different State	502	1,067	22,499	440	948	21,124	62	119	1,375
Foreign	10	31	14,999	0	0	0	10	31	NA
RUTHERFORD									
U.S. and Foreign	6,814	13,251	23,127	5,212	10,196	23,049	1,602	3,055	78
U.S.	6,762	13,170	23,251	5,174	10,122	23,140	1,588	3,048	111
Within Tennessee	4,436	8,266	23,229	3,237	6,187	22,998	1,199	2,079	231
Different State	2,326	4,904	23,297	1,937	3,935	23,503	389	969	(206)
Foreign	52	81	4,999	38	74	14,230	14	7	(9,231)
SUMNER									
U.S. and Foreign	4,017	8,302	24,845	3,491	6,908	22,795	526	1,394	2,050
U.S.	4,006	8,283	24,881	3,473	6,867	22,802	533	1,416	2,079
Within Tennessee	2,480	5,043	24,773	2,313	4,408	23,108	167	635	1,665
Different State	1,526	3,240	25,138	1,160	2,459	21,994	366	781	3,144
Foreign	11	19	14,999	18	41	19,999	(7)	(22)	(5,000)
WILLIAMSON									
U.S. and Foreign	5,161	11,383	40,310	3,900	7,816	30,010	1,261	3,567	10,300
U.S.	5,134	11,330	40,393	3,881	7,774	30,042	1,253	3,556	10,351
Within Tennessee	2,865	5,882	36,781	2,291	4,272	26,853	574	1,610	9,928
Different State	2,269	5,448	47,691	1,590	3,502	40,384	679	1,946	7,307
Foreign	27	53	21,249	19	42	22,499	8	11	(1,250)
WILSON									
U.S. and Foreign	3,025	6,264	27,798	2,599	5,099	22,633	426	1,165	5,165
U.S.	3,025	6,264	27,798	2,588	5,083	22,728	437	1,181	5,070
Within Tennessee	2,253	4,636	28,389	1,849	3,491	21,930	404	1,145	6,459
Different State	772	1,628	25,555	739	1,592	26,049	33	36	(494)
Foreign	0	0	0	11	16	9,999	(11)	(16)	NA

The greatest number of urban to suburban moves occurred between Davidson and those counties to the east and south: Rutherford, Sumner, Williamson, and Wilson

Source: Internal Revenue Service, Statistics of Income

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Table B. Cross-Migration Between Nashville Area Counties, Number of Households 1999-2000

	In-Migration (Columns)							
	Cheatham	Davidson	Dickson	Robertson	Rutherford	Sumner	Williamson	Wilson
Out-Migration (Rows)								
Cheatham	13,003	456	102	80	43	44	46	21
Davidson	702	207,529	258	758	2,243	1,393	1,807	1,367
Dickson	80	195	14,063	12	21	12	44	< 10
Robertson	58	472	< 10	20,108	41	303	16	33
Rutherford	34	1,337	21	29	58,051	92	162	220
Sumner	37	1,090	10	366	109	39,355	63	116
Williamson	46	1,177	54	19	220	44	36,092	38
Wilson	36	882	11	25	234	131	41	29,453

Notes: ¹Diagonal values represent non-migrants or those not changing residence. Source: Internal Revenue Service, Statistics of Income.

Migration

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departing the state. The opposite is true for more affluent areas such as Williamson County, whose median adjusted gross income was the highest of all eight counties. There, those U.S. residents migrating in earned \$10,351 more than those migrating out.

The differential in median income is even higher for foreign immigrants, who earned \$8,831 less in median income when moving into Nashville than when moving out. Most relocation of residents from other countries was centered in Davidson County, with a positive

net in-migration of 242 foreign households. Other counties experienced negligible migration of foreigners. In fact, no foreign residents moved into or out of Cheatham and Dickson, none moved into Wilson, and none left Robertson. The greatest gap in their median income occurred in Rutherford, where foreigners moving out received \$9,231 more than those moving in.

Table B presents the cross-migration between Nashville MSA counties, where rows represent out-migration and columns in-migration; on the diagonal are non-migrants or those whose residence did not change. Most cross-migration obviously occurs between neighboring counties, as attested by a large amount of changes in residence between Sumner and Robertson counties and virtually no moves between distant counties Dickson and Wilson.

The greatest number of urban to suburban moves occurred between Davidson and those counties to the east and south: Rutherford, Sumner, Williamson, and Wilson. A relatively small level of migratory activity occurred to the west of the city. Having imposed large impact fees, Cheatham welcomed few new residents except from Davidson. With only 258 households migrating from Nashville, Dickson had even less. However, these counties also have the fewest non-migrants in the area. ■