Midstate Economic Indicators

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An Entirely Forgettable Quarter

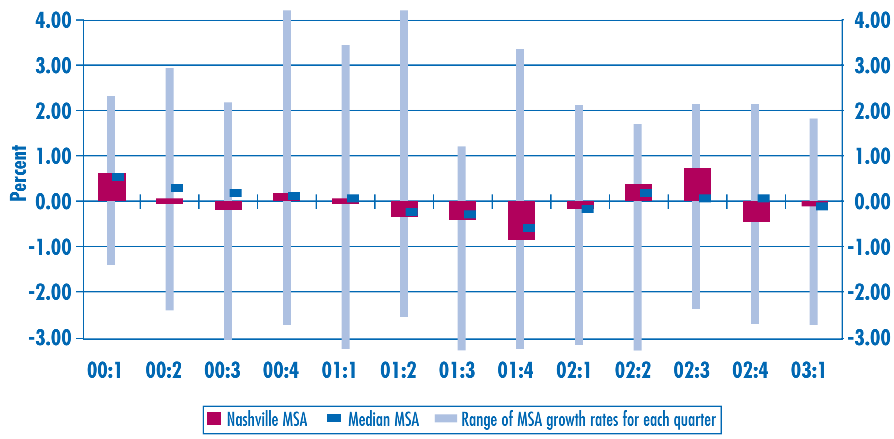
David A. Penn, BERC director

High hopes for modest growth in the midstate economy fizzled during the first quarter of 2003 as economic conditions worsened. The most positive light that can be shed on the first three months of 2003 is that not all the news was bad. A positive sign came from the travel sector: revenue from the Davidson County hotel tax was up 7.6 percent as more travelers visited the Nashville area. Fewer initial claims for unemployment insurance were filed in the midstate counties (down 3.6 percent from the previous quarter), suggesting that the labor market probably will not get even weaker (Table 1). Non-farm employment in the Nashville Metropolitan Statistical Area (MSA) was unchanged—not good news, but not bad news, either. Compared with 238 other metropolitan areas, the Nashville MSA ranked right at the middle in terms of first-quarter job growth (Figure 1), an improvement from the fourth quarter when the Nashville MSA lost more jobs than the median MSA. Employment gains for the Nashville MSA occurred in services-producing sectors such as education and health care, offsetting job losses in manufacturing, construction, and trade (Table 2).

The best news for the local economy came from the Conference Board's Help Wanted Index (HWI) for Nashville; the HWI tracks the number of newspaper ads placed by local employers. The HWI rose a whopping 11.6 percent in the first quarter, suggesting that local employers may be beginning to hire again.

Negative signals abound for the local economy during the first quarter. Total employment declined 1.3 percent, the average number of hours worked by manufacturing employees fell, the number of filings for bankruptcy rose, and local residential construction activity declined. Fewer than half of the 41 counties in the midstate area posted an employment increase, compared with 61 percent in the previous quarter. The Midstate Leading Index dropped 0.4 percent, suggesting that the long-awaited turnaround will probably not occur until the second half of 2003. All in all, it was an entirely forgettable quarter for the midstate area.

Figure 1. Growth Rates for Non-farm Employment, All U.S. Metropolitan Areas, Seasonally Adjusted, Quarterly



The national economy offers a somewhat more positive picture. The U.S. financial markets are in the midst of a mini-recovery with the major stock indexes all on the mend since mid-March. Consumer confidence posted recent increases, rebounding from declines attributable to the war in Iraq. First quarter earnings of companies reported by First Call were up 11.6 percent from the previous year. Earnings reports, if followed by favorable earnings reports for the second quarter, may well lead companies to expand production and hire more workers in anticipation of higher earnings in coming months.

Some good news actually came out of the manufacturing sector, of all places: new orders for manufactured goods reached $330.0 billion, the highest level since May 2001. Compared with the same period of 2002, new orders were up by 3.6 percent for the year through March, according to the Census Bureau. Increases in new orders were especially strong for consumer goods (up 5.4 percent from 2002), information technology (up 6.6 percent), and capital goods (up 5.1 percent), but considerably weaker for construction materials and supplies (up 2.1 percent) and motor vehicles and parts (up 2.4 percent).

While new orders for manufactured goods rose 3.6 percent, the value of current shipments

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The Midstate Leading Index dropped 0.4 percent, suggesting that the long-awaited turnaround will probably not occur until the second half of 2003.

Table 1. Economic Indicators for Middle Tennessee

Series (seasonally adjusted)	Geographical Area	2002Q1	2002Q2	2002Q3	2002Q4	2003Q1	Percentage Change 2002Q4-2003Q1
Midstate Leading Index	Midstate (41 Counties)	105.6	105.2	105.7	106.2	105.8	-0.4%
EMPLOYMENT							
Midstate Number of Employed Persons	Midstate (41 Counties)	1,055,834	1,068,478	1,074,244	1,072,967	1,058,554	-1.3%
Midstate Labor Force	Midstate (41 Counties)	1,112,608	1,123,152	1,124,958	1,125,490	1,108,827	-1.5%
Midstate Unemployment Rate	Midstate (41 Counties)	5.1%	4.9%	4.5%	4.7%	4.5%	-2.8%
Average Hours Worked per Week in Manufacturing	Nashville MSA (8 Counties)	39.6	39.7	39.3	40.5	38.1	-6.0%
Counties with Increased Employment (percent)	Midstate (41 Counties)	82.9%	78.0%	58.5%	61.0%	46.3%	-24.0%
Counties with Increased Labor Force (percent)	Midstate (41 Counties)	85.4%	53.7%	36.6%	63.4%	36.6%	-42.3%
Help Wanted Index	Nashville MSA (8 Counties)	72.6	68.3	73.0	71.4	79.7	11.6%
INITIAL CLAIMS AND BANKRUPTCY							
Initial Claims for Unemployment Compensation	Midstate (41 Counties)	12,265	14,428	12,577	12,712	12,255	-3.6%
Bankruptcy Case Filings	Midstate (41 Counties)	1,270	1,225	1,312	1,360	1,416	4.2%
HOUSING CONSTRUCTION							
New Residential Units (permits)	Midstate (41 Counties)	1,250	1,253	1,309	1,390	1,223	-12.1%
Value of New Residential Units (million $)	Midstate (41 Counties)	139.2	144.8	151.7	154.6	145.7	-5.8%
TOURISM							
Hotel Tax Revenue (million $)	Davidson County	4.59	4.72	4.58	4.78	5.14	7.6%
Total Air Passengers, Nashville International Airport	Davidson County	1,973,984	1,992,446	2,039,541	2,030,567	1,990,649	-2.0%

Notes: Seasonal adjustment with X11-ARIMA.

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

Forgettable

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from manufacturing rose just 3.2 percent. Most of the strength in current shipments was in consumer goods (up 5.3 percent) and construction materials and supplies (up 2.9 percent). Current production of capital goods was much weaker, down 0.3 percent from last year.

When new orders grow faster than current shipments, manufacturers will eventually use plant and equipment inventory that has been left idle. With a historically low current utilization rate of plant and equipment inventory of just 74 percent, much potential exists to increase manufacturing production rates.

The Institute for Supply Management (ISM) offers more recent information regarding the manufacturing sector. The ISM Purchasing Manager Index (PMI) rose in May to 49.4, up from 45.4 in April. A value below 50.0 for the PMI indicates that the manufacturing sector is declining, while a value above 50.0 suggests an expanding manufacturing sector. According to the PMI, manufacturing declined in May but not as much as in April. Two components of the index, new orders and current production, registered increases in May: new orders rose to 51.9 and current production increased to 51.5, both indicating increasing levels of manufacturing activity. Unfortunately, the employment component of the PMI remained below 50.0 for the 32nd consecutive month, suggesting continued employment contraction in manufacturing. The rate of contraction slowed, however, from April.

The ISM reports that manufacturers expect improving business conditions during the second half of 2003. An ISM survey shows that 53 percent of its members expect better business conditions for the rest of 2003, just 11 percent believe conditions will worsen, and 35 percent expect no change. Plans for capital investments are minimal this year, and employment is expected to continue to decline, although by only 0.5 percent for the rest of the year.

Primary factors of concern are weak demand, higher costs of employee benefits, and higher energy costs. A weakening dollar should improve manufacturing conditions, however, as a lower dollar reduces the price of U.S. goods sold to foreign markets. ■

Table 2. Nashville MSA Quarterly Payroll Employment (thousands, seasonally adjusted)

Sector	2002Q4	2003Q1	% Change
Total Non-farm	673.9	673.7	0.0%
Construction	31.5	30.8	-2.1%
Manufacturing	78.2	76.9	-1.7%
Durable Goods	53.5	52.3	-2.2%
Computer and Electronic Product Manufacturing	5.3	5.2	-3.2%
Electrical Equipment, Appliance, and Components	6.1	5.9	-2.4%
Transportation Equipment Manufacturing	17.0	17.1	0.6%
Nondurable Goods	24.7	24.7	0.1%
Trade, Transportation, and Utilities	130.6	129.1	-1.1%
Wholesale Trade	31.9	31.2	-2.2%
Retail Trade	74.5	73.8	-1.0%
Transportation and Utilities	24.1	24.2	0.3%
Information	22.2	21.7	-2.3%
Financial Activities	42.9	42.8	-0.5%
Professional and Business Services	92.8	94.3	1.7%
Educational and Health Services	88.9	90.5	1.7%
Educational Services	18.6	18.8	1.5%
Health Care and Social Assistance	70.3	71.6	1.7%
Leisure and Hospitality	68.6	69.3	1.0%
Accommodation and Food Services	59.9	59.5	-0.6%
Accommodation	12.4	12.2	-1.5%
Food Services and Drinking Places	47.5	47.4	-0.2%
Other Services	29.2	29.4	0.7%
Government	88.6	88.2	-0.4%

Migration Report

F. Kathleen Vinlove, BERC associate director

The Nashville metropolitan area continued to act as a magnet for residents from other states and Tennessee regions during tax year 2000-01, according to recent Internal Revenue Service county-to-county migration data summarized in Table 3. All counties but Davidson experienced positive net in-migration of U.S. and foreign residents, meaning that more people with previous addresses in the U.S. or abroad moved into the area than moved out. Rutherford County tops the list of growing counties in absolute terms, netting 1,517 new households arriving mainly from other Tennessee counties.

Although Davidson had the largest net out-migration of Tennessee households, losing residents primarily to Rutherford, Williamson, Sumner, and Wilson counties, it also had the greatest in-migration from other states. These statistics reflect the trend of population movement from the city's core to outlying areas with more available space, newer development, and generally lower property values. At the same time, Metro Davidson continues to attract

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Table 3. Migration Patterns in the Nashville Area, 2000-01

	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	144,808	285,007	$21,648	140,476	276,374	$22,151	4,332	8,633	($503)
U.S.	142,361	280,839	$21,819	139,087	273,601	$22,192	3,274	7,238	($373)
U.S., Different State	69,108	137,995	$22,166	65,834	130,757	$23,052	3,274	7,238	($886)
Foreign	2,447	4,168	$11,723	1,389	2,773	$18,815	1,058	1,395	($7,092)
CHEATHAM									
U.S. and Foreign	1,264	2,591	$25,863	1,218	2,360	$22,721	46	231	$3,142
U.S.	1,264	2,591	$25,863	1,208	2,345	$22,869	56	246	$2,994
Within Tennessee	994	2,020	$26,579	909	1,751	$23,408	85	269	$3,171
Different State	270	571	$23,713	299	594	$21,388	(29)	(23)	$2,325
Foreign	0	0	0	10	15	$13,749	(10)	(15)	($13,749)
DAVIDSON									
U.S. and Foreign	19,362	30,986	$21,915	19,930	36,232	$26,935	(568)	(5,246)	($5,020)
U.S.	18,983	30,494	$22,234	19,771	35,941	$27,053	(788)	(5,447)	($4,819)
Within Tennessee	8,788	14,162	$22,729	10,469	20,344	$28,267	(1,681)	(6,182)	($5,538)
Different State	10,195	16,332	$21,716	9,302	15,597	$25,569	893	735	($3,853)
Foreign	379	492	$4,347	159	291	$14,895	220	201	($10,548)
DICKSON									
U.S. and Foreign	1,155	2,393	$22,401	1,085	2,203	$20,772	70	190	$1,629
U.S.	1,155	2,393	$22,401	1,075	2,187	$20,879	80	206	$1,522
Within Tennessee	831	1,689	$22,703	776	1,556	$21,354	55	133	$1,349
Different State	324	704	$21,378	299	631	$19,484	25	73	$1,894
Foreign	0	0	0	10	16	$13,332	(10)	(16)	($13,332)
ROBERTSON									
U.S. and Foreign	1,891	4,030	$26,708	1,628	3,275	$22,104	263	755	$4,604
U.S.	1,876	4,005	$26,767	1,628	3,275	$22,104	248	730	$4,663
Within Tennessee	1,374	2,936	$27,658	1,177	2,292	$22,266	197	644	$5,392
Different State	502	1,069	$23,849	451	983	$21,606	51	86	$2,243
Foreign	15	25	$21,249	0	0	0	15	25	$21,249
RUTHERFORD									
U.S. and Foreign	6,715	13,126	$22,984	5,198	9,902	$22,655	1,517	3,224	$329
U.S.	6,649	13,028	$23,146	5,167	9,850	$22,729	1,482	3,178	$417
Within Tennessee	4,479	8,503	$23,386	3,227	5,911	$22,445	1,252	2,592	$941
Different State	2,170	4,525	$22,433	1,940	3,939	$23,328	230	586	($895)
Foreign	66	98	$4,249	31	52	$14,166	35	46	($9,917)
SUMNER									
U.S. and Foreign	3,970	7,967	$24,873	3,415	6,644	$22,625	555	1,323	$2,248
U.S.	3,951	7,937	$24,939	3,399	6,619	$22,646	552	1,318	$2,293
Within Tennessee	2,586	5,073	$24,955	2,166	4,028	$22,609	420	1,045	$2,346
Different State	1,365	2,864	$24,906	1,233	2,591	$22,737	132	273	$2,169
Foreign	19	30	$12,499	16	25	$17,499	3	5	($5,000)
WILLIAMSON									
U.S. and Foreign	4,839	10,517	$39,493	4,059	8,044	$31,465	780	2,473	$8,028
U.S.	4,822	10,476	$39,544	4,039	8,000	$31,439	783	2,476	$8,105
Within Tennessee	2,680	5,382	$35,803	2,289	4,136	$27,560	391	1,246	$8,243
Different State	2,142	5,094	$46,012	1,750	3,864	$42,350	392	1,230	$3,662
Foreign	17	41	$18,499	20	44	$34,999	(3)	(3)	($16,500)
WILSON									
U.S. and Foreign	2,979	6,248	$28,080	2,630	5,135	$23,880	349	1,113	$4,200
U.S.	2,979	6,248	$28,080	2,613	5,098	$23,901	366	1,150	$4,179
Within Tennessee	2,126	4,399	$28,332	1,838	3,521	$23,315	288	878	$5,017
Different State	853	1,849	$27,055	775	1,577	$25,845	78	272	$1,210
Foreign	0	0	0	17	37	$21,249	(17)	(37)	($21,249)

Source: Internal Revenue Service, Statistics of Income

Rutherford County tops the list of growing counties in absolute terms, netting 1,517 new households arriving mainly from other Tennessee counties.

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BERC Director: David A. Penn
Associate BERC Director:
F. Kathleen Vinlove
Dean, Jennings A. Jones College of Business:
E. James Burton
Publications Editor/Designer:
Sally Ham Govan
Graduate Research Assistant:
Xiaojuan Wang
Phone: 615-898-2610
e-mail: kkulp@mtsu.edu
http://www.mtsu.edu/~berc

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Business and Economic Research Center
Middle Tennessee State University
P.O. Box 102
Murfreesboro, TN 37132
615-898-2610

The greatest number of households migrated from Davidson to Rutherford and Williamson counties.

Migration

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new workers from other parts of the country to fill jobs in its growing service industries.

In terms of income changes, Williamson experienced the largest difference in median income of U.S. migrants from both Tennessee and other states: those moving into Williamson earned $8,105 more than those moving out. In general, households moving out of the Nashville area to foreign countries earned a higher median income than those moving in from foreign lands.

Comparing the 2000-01 with the 1999-2000 data, Cheatham County experienced the most radical negative changes with the largest net percentage decrease of all households, 354 percent. The greatest decline in net migration of households from other Tennessee counties was experienced by Dickson, with a 147 percent drop between years. For household migration from other states, Sumner's 177 percent decline was the greatest; at the same time, Sumner had a 60 percent increase in Tennessee migrants, the largest of all area counties.

Patterns in the area's cross-migration are revealed in Table 4, where rows represent out-migration and columns represent in-migration. Although in absolute terms, the greatest number of households migrated from Davidson to Rutherford and Williamson counties, that moving pattern experienced a decline between 1999-2000 and 2000-01. Rutherford, center of much of the area's migratory activity, experienced year-over-year increases from all counties except Cheatham, with a 9.3 percent decline, Davidson with a two percent decline, and Wilson with no change.

Two counties experienced an overall negative trend between 1999-2000 and 2000-01. Cheatham had percentage declines in net in-migration from all counties in the MSA, yet it also had the largest increase in net migration from other states: 307 percent. Williamson County's net in-migration declined from all counties except Rutherford, whose migration to Williamson increased three percent from the previous year. ■

Table 4: Cross-Migration between Nashville Area Counties, Number of Households 2000-01*

Out-Migration (Rows): / In-Migration (Columns):	Cheatham	Davidson	Dickson	Robertson	Rutherford	Sumner	Williamson	Wilson
Cheatham	*13,434*	434	91	68	39	45	35	21
Davidson	581	*209,442*	260	682	2,202	1,420	1,645	1,241
Dickson	72	214	*14,357*	<10	39	11	43	<10
Robertson	69	455	16	*20,708*	43	342	12	30
Rutherford	31	1,427	24	46	*60,411*	87	167	191
Sumner	29	1,004	23	347	129	*40,658*	45	122
Williamson	31	1,127	68	15	268	38	*37,561*	34
Wilson	16	874	<10	36	234	128	37	*30,359*

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