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First Quarter Indicators Positive

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First quarter economic indicators for the midstate are very positive: employment increases are widespread, unemployment is down, taxable sales are up, and housing construction continues to grow unabated. According to Census Bureau figures, for example, permits for single-family structures climbed to 4,400 during the first quarter, an all-time high for the midstate (Figure 1) and 34 percent higher than a year ago. The value of single-family permits is even more robust, up 51 percent from the first quarter of 2003.

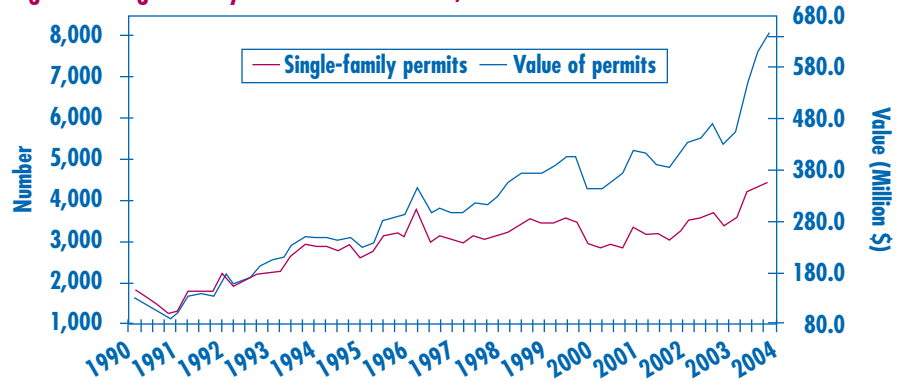
As predicted in the *Midstate Economic Indicators* winter issue, the midstate labor market improved significantly during the first quarter in terms of both employment and unemployment. The number of unemployed workers fell 13,000 from the previous quarter, pulling down the midstate unemployment rate to 4.5 percent from 5.7 percent. A leading indicator of unemployment, initial unemployment claims are at their lowest level since 1999. As shown in Figure 2, declines in initial claims anticipate unemployment declines by one to two quarters.

Improvements in the labor force were widespread in the 41 midstate counties: only Pickett County experienced more unemployment in the first quarter than in the fourth quarter, seasonally adjusted. Compare this with unemployment increases in 20 counties last quarter.

Employment also showed broad-based improvements during the first quarter among both industries and counties. Employment gains in the midstate occurred in eight of 10 counties, a much more broad-based employment performance than we have seen in several quarters. During the second half of 2003 only about six of 10 counties posted job gains.

Recently benchmarked and revised Bureau of Labor Statistics data show fairly robust and widespread job gains in the Nashville MSA during the first quarter: total seasonally adjusted nonfarm employment increased 1.4 percent from a year ago, following a smaller 1.0 percent gain in the fourth quarter of 2003.

Figure 1. Single-Family Construction Permits, Midstate Counties



Both goods-producing and service-providing industries posted gains of more than one percent during the first quarter over a year ago. The greatest number of new jobs, however, occurred in the services-producing industries, accounting for about nine of every 10 jobs created. Of the major sectors, government created the most jobs, up 1,600 from the fourth quarter. Healthcare and social assistance created 1,300 net new jobs, food services and drinking places 1,000, and construction and mining 700. The largest job declines occurred in the information sector (down 500 jobs), computer and electronic product manufacturing (down 300), and the accommodation sector (down 200 jobs).

After slowing in the fourth quarter, year-over-year growth of taxable sales rose dramatically in the first quarter (Figure 3). Sales sub-

continued inside

Table 2. First Quarter Employment Changes

Gains	
Construction and Mining	
Wholesale Trade	
Retail Trade	
Transportation and Utilities	
Financial Activities	
Educational and Health Services	
Leisure and Hospitality	
Accommodation and Food Services	
Government	
Losses	
Information	
Professional/Business Services	
Other Services	
No change	
Manufacturing	

Figure 2. Unemployment and Initial Claims for Unemployment Insurance in the Midstate Counties, 1999Q1-2004Q1

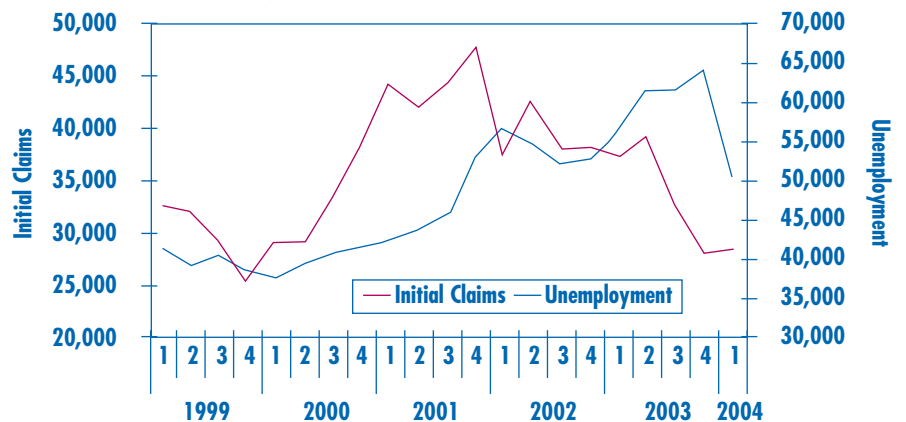


Table 1. Economic Indicators for Middle Tennessee

Series (seasonally adjusted)	Geographical Area	2002Q4	2003Q1	2003Q2	2003Q3	2003Q4	2004Q1	% Change 03Q4-04Q1	% Change 03Q1-04Q1
Midstate Leading Index	Midstate*	108.9	106.5	106.2	107.9	108.5	112.8	4.0%	6.0%
EMPLOYMENT									
Midstate Total Employment	Midstate	1,071,578	1,061,462	1,056,569	1,054,009	1,054,114	1,078,721	2.3%	1.6%
Midstate Labor Force	Midstate	1,124,183	1,117,225	1,117,692	1,115,294	1,117,834	1,129,010	1.0%	1.1%
Midstate Unemployed	Midstate	52,605	55,763	61,123	61,285	63,720	50,289	-21.1%	-9.8%
Midstate Unemployment Rate	Midstate	4.7%	5.0%	5.5%	5.5%	5.7%	4.5%	-21.9%	-10.8%
Average Hours Worked per Week in Manufacturing	Nashville MSA**	40.3	38.3	38.8	39.1	39.7	39.7	0.2%	3.8%
Counties with Increased Employment (percent)	Midstate	51.2%	41.5%	34.1%	61.0%	63.4%	80.5%	26.9%	94.1%
Counties with Increased Unemployment (percent)	Midstate	58.5%	75.6%	90.2%	53.7%	48.8%	2.4%	-95.0%	-96.8%
INITIAL CLAIMS AND BANKRUPTCY									
Initial Claims for Unemployment Compensation	Midstate	37,974	37,145	39,236	32,549	28,013	28,204	0.7%	-24.1%
Bankruptcy Case Filings	Midstate	4,058	4,221	4,210	4,006	4,032	-	-	-
HOUSING CONSTRUCTION									
New Residential Permits	Midstate								
Single-Family		3,644	3,313	3,604	4,154	4,293	4,440	3.4%	34.0%
Total		4,156	3,724	4,027	4,837	5,299	5,832	10.1%	56.6%
Value of New Residential Units (million \$)	Midstate								
Single-Family		462.4	424.0	451.5	540.3	600.4	639.9	6.6%	50.9%
Total		495.5	443.7	474.4	590.5	651.3	667.0	2.4%	50.3%
MarketGraphics: Single-Family Construction	6 NMSA Counties***	2,823	2,724	2,925	3,297	3,287	3,466	5.4%	27.2%
TOURISM									
Hotel Tax Revenue (million \$)	Davidson County	4.80	5.07	4.69	4.76	4.70	4.74	0.8%	-6.5%
Total Air Passengers, Nashville International Airport	Davidson County	2,021,783	1,992,327	1,944,060	2,032,810	2,005,566	2,049,727	2.2%	2.9%
TAXABLE SALES (estimates)									
Nashville MSA (million \$)	Nashville MSA	5,492	5,468	5,600	5,834	5,838	5,985	2.5%	9.5%
Midstate (million \$)	Midstate	7,657	7,628	7,812	8,098	8,118	8,381	3.2%	9.9%

Notes: Seasonal adjustment with X11. * Midstate is a 41-county area. ** Nashville MSA includes 8 counties. *** NMSA is Nashville MSA. Sources: U.S. Department of Labor, Bureau of Labor Statistics; U.S. Bureau of the Census; Davidson County Clerk's office; Metropolitan Nashville Airport Authority; U.S. Bankruptcy Court, Middle Tennessee District; MarketGraphics, Brentwood, Tennessee

Correction

The winter issue of *MEI* incorrectly reported 2,776 single-family permits for the fourth quarter of 2003. The proper figure is 4,293 single-family units, as shown in Table 1. We regret the error.

Positive *continued from front*

ject to the state sales tax were up 9.9 percent in the midstate counties and 9.5 percent in the Nashville MSA. Of the 41 midstate counties, only DeKalb and Pickett experienced declines in taxable sales over the 12-month period, and 24 counties generated double-digit gains including Rutherford (16.5 percent), Williamson (15.2 percent), and Wilson (12.9 percent).

On the national economic scene, more indicators turned positive in the first four months of 2004. Real GDP increased 4.4 percent in the first quarter, driven by higher spending by businesses for equipment and software and by consumers. Industrial production improved by 4.8 percent in April from a year

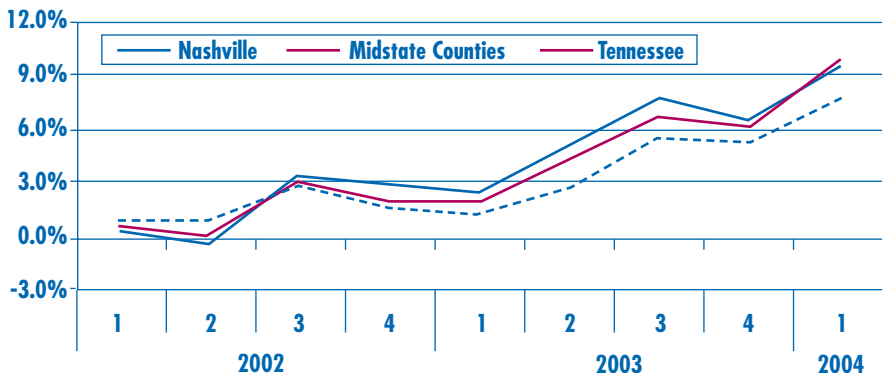
before with strong increases in business equipment (+7.2 percent), construction supplies (+5.0 percent), and other materials (+5.4 percent). Factory capacity utilization increased 1.2 percent from April 2003 to April 2004, suggesting increased demand for manufactured products. Building permits for housing construction roared ahead in April, up 11.2 percent from a year ago.

Employment growth for the national economy perked up recently from a slow January and February. Payroll employment increased 668,000 year to year in March and rose 1,194,000 in April and 1,394,000 in May. Job losses in manufacturing continue, however, with May manufacturing employment down 163,000 from May 2003. The rate of job loss has slowed considerably, however, from the first three months of the year.

Continued moderate growth of the national and midstate economies can be expected for the rest of 2004—in fact, our newly revised Midstate Leading Index is 4.0 percent higher from last quarter, suggesting relatively robust growth.

Three factors could well reduce growth in the midstate but will not likely have critical impacts. Interest rates, particularly mortgage rates, will probably rise, slowing housing growth, but will not have much impact on business investment plans. High fuel prices will affect household vacation and auto spending plans. Higher construction materials prices and shortages may result in slower residential and commercial construction activity. ■

Figure 3. Year-to-Year Growth of Quarterly Taxable Sales



Source: Tennessee Department of Revenue and MTSU

Migration Report

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Recent Internal Revenue Service county-to-county migration data indicate that the Nashville Metropolitan Statistical Area (MSA) continued to act as a magnet for residents from other states and Tennessee during tax year 2002-03. The data also indicate that the trend of migration from Davidson County to the surrounding suburbs continues but at a slower pace. In tax year 2002-03, a little over 1,000 more U.S. resident households moved out of Davidson County than moved in, compared to about 1,700 in tax year 2001-02. After accounting for all in-migration and out-migration from other regions of Tennessee, other states, and other countries, the net households lost totaled 789.

Apart from Davidson County, all other counties within the region experienced positive net in-migration of U.S. and foreign residents: more households with addresses in the United States or abroad moved into the area than moved out. Within the Nashville MSA, Rutherford County once again received the greatest positive net change of 1,769 households followed by Williamson County with a net gain of 878 households. When measured in terms of people, again Rutherford County tops the region with a net in-migration of 3,768 as against Williamson County's second place net in-migration of 2,871.

The data also indicate that households moving into the suburbs have higher incomes than those moving into Davidson County. For Davidson County there was an income differential of \$4,620 between U.S. resident households moving in and those moving out. This indicates the continued trend of the influx of lower income households vis-à-vis those moving out. For more affluent counties, however, the situation is quite different. A good example is Williamson County, whose mean adjusted gross income was the highest in the Nashville MSA; U.S. residents who migrated to this county earned \$8,086 more than those migrating out.

For foreign immigrants, the differential in median income is even higher between in- and out-migrants. For Davidson County, which attracts most of the foreign immigrants with a positive net in-migration of 248 households, immigrants moving into the area earned \$11,963 less than those moving out. Some counties in the area, including Cheatham, Dickson, and Robertson, did not experience any flows of foreign migration whereas the other counties, including Rutherford, Sumner, Williamson, and Wilson, experienced negligible net foreign in-migration.

Table 3 presents household cross-migration among Nashville MSA counties for tax year

continued on back

Table 2. Migration Patterns in the Nashville Area, 2000-01

	In-Migration			Out-Migration			Net Change		
	Households	Persons	Median Income \$	Households	Persons	Median Income \$	Households	Persons	Median Income \$
TENNESSEE									
U.S. and Foreign	143,661	284,225	21,430	135,061	265,356	21,503	8,600	18,869	(73)
U.S.	141,196	280,049	21,596	133,755	262,949	21,527	7,441	17,100	69
Other State	68,018	136,836	21,683	60,577	119,736	21,527	7,441	17,100	156
Foreign	2,465	4,176	9,939	1,306	2,407	19,600	1,159	1,769	(9,661)
CHEATHAM									
U.S. and Foreign	1,189	2,447	23,777	1,231	2,416	22,407	-42	31	1,370
U.S.	1,189	2,447	23,777	1,231	2,416	22,407	-42	31	1,370
Within State	951	1,953	24,019	959	1,875	23,124	-8	78	895
Other State	238	494	23,029	272	541	18,560	-34	-47	4,469
Foreign	0	0	0	0	0	0	0	0	0
DAVIDSON									
U.S. and Foreign	18,435	29,974	21,051	19,224	34,968	25,671	-789	-4,994	(4,620)
U.S.	18,019	29,470	21,460	19,056	34,718	25,780	-1,037	-5,248	(4,320)
Within State	8,543	14,012	22,544	10,872	21,062	27,845	-2,329	-7,050	(5,301)
Other State	9,476	15,458	20,313	8,184	13,656	22,851	1,292	1,802	(2,538)
Foreign	416	504	4,236	168	250	16,199	248	254	(11,963)
DICKSON									
U.S. and Foreign	1,150	2,402	20,347	1,010	1,967	19,491	140	435	856
U.S.	1,150	2,402	20,347	1,010	1,967	19,491	140	435	856
Within State	832	1,709	21,179	721	1,371	20,226	111	338	953
Other State	318	693	18,724	289	596	17,499	29	97	1,225
Foreign	0	0	0	0	0	0	0	0	0
ROBERTSON									
U.S. and Foreign	1,835	3,809	24,627	1,645	3,320	21,773	190	489	2,854
U.S.	1,835	3,809	24,627	1,645	3,320	21,773	190	489	2,854
Within State	1,355	2,800	25,979	1,203	2,373	21,943	152	427	4,036
Other State	480	1,009	20,937	442	947	21,249	38	62	(312)
Foreign	0	0	0	0	0	0	0	0	0
RUTHERFORD									
U.S. and Foreign	7,215	14,242	23,117	5,446	10,474	22,827	1,769	3,768	290
U.S.	7,156	14,140	23,167	5,419	10,431	22,879	1,737	3,709	288
Within State	4,779	9,122	23,706	3,463	6,497	22,841	1,316	2,625	865
Other State	2,377	5,018	21,610	1,956	3,934	22,961	421	1,084	(1,351)
Foreign	59	102	18,332	27	43	16,249	32	59	2,083
SUMNER									
U.S. and Foreign	3,897	7,819	24,640	3,482	6,555	22,330	415	1,264	2,310
U.S.	3,875	7,780	24,671	3,472	6,540	22,351	403	1,240	2,320
Within State	2,540	5,003	24,799	2,259	4,174	23,102	281	829	1,697
Other State	1,335	2,777	24,306	1,213	2,366	20,265	122	411	4,041
Foreign	22	39	18,124	10	15	16,249	12	24	1,875
WILLIAMSON									
U.S. and Foreign	5,132	11,229	38,462	4,254	8,358	30,607	878	2,871	7,855
U.S.	5,102	11,172	38,668	4,239	8,316	30,582	863	2,856	8,086
Within State	2,875	5,915	36,183	2,595	4,665	28,642	280	1,250	7,541
Other State	2,227	5,257	43,837	1,644	3,651	37,797	583	1,606	6,040
Foreign	30	57	11,249	15	42	47,499	15	15	(36,250)
WILSON									
U.S. and Foreign	2,968	6,074	28,051	2,519	4,803	23,179	449	1,271	4,872
U.S.	2,955	6,047	28,077	2,519	4,803	23,179	436	1,244	4,898
Within State	2,193	4,419	28,639	1,786	3,314	23,320	407	1,105	5,319
Other State	762	1,628	25,611	733	1,489	22,597	29	139	3,014
Foreign	13	27	25,832	0	0	0	13	27	25,832

Note: Median Adjusted Gross Income. Source: Internal Revenue Service, Statistics of Income.

Table 3. Cross-Migration between Nashville Area Counties, Households 2002-03

	In-Migration (Columns)							
	Cheatham	Davidson	Dickson	Robertson	Rutherford	Sumner	Williamson	Wilson
Cheatham	13,721	440	99	84	49	41	39	19
Davidson	584	208,893	223	647	2,448	1,354	1,779	1,263
Dickson	49	180	14,667	0	43	18	53	16
Robertson	54	466	10	21,084	46	355	19	38
Rutherford	36	1,445	28	41	64,662	105	220	217
Sumner	33	1,078	16	339	141	42,257	57	125
Williamson	25	1,235	54	20	278	50	40,441	125
Wilson	16	820	14	37	225	137	42	30,739

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

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Migration *continued from inside*

2002-03. The rows show out-migration, the columns in-migration, and the diagonals non-migrants for each county. The cross-migration patterns shown in Table 2 indicate that most cross-migration occurs between neighboring counties, as evidenced by the high changes in residence between Robertson and Sumner and between Williamson and Rutherford counties and virtually no moves between Robertson and Dickson counties and between Wilson and Dickson counties.

The data indicate that the largest urban to suburban migration occurred between Davidson

and the counties that lie to the east and south, including Rutherford, Sumner, Wilson, and Williamson. Rutherford County attracted the largest number of migrant households from Davidson County, followed by Williamson County. All the counties except Davidson experienced a positive net in-migration. Rutherford County experienced the greatest positive net in-migration (1,095 households) from the other Nashville MSA counties.

Figure 4 at left presents a three-year trend of within-MSA county-to-county migration patterns. The data indicate that between fiscal years 2000 and 2003 Rutherford County experienced the largest net in-migration from the surrounding counties and that among all the counties in the region only Rutherford and Wilson experienced sustained growth in net migrants. It is interesting to note that between 2002 and 2003 the number of households that Davidson County lost to its surrounding counties decreased.

Overall the Nashville MSA counties continue to attract migrants from different Tennessee counties and different states. However, Cheatham County experienced a small net loss household migration for the first time in three years. Davidson County continued to experience a net loss in household migration from 2002 to 2003, although the pace slowed somewhat in 2003. ■

Figure 4. Three-Year MSA County-to-County Net Migration Trend

