

Midstate Economic Indicators

Volume 10 No. 4 Winter 2000
Includes data from 3rd quarter 2000

A Soft Landing? Or Something More Bumpy?

by Max Melnikov, Research Associate, BERCC

Talk is now surfacing over the possibility of a recession. At this point, however, the situation is probably best described as “mixed” both nationwide and in middle Tennessee. There is obviously substantial resiliency in the economy: the July-September quarter saw an actual decline in many closely watched variables.

The U.S. Leading Index slipped 0.9 percent, pointing to further slowing for the national economy. Forecasters watch this index closely because it gives an indication of where the overall U.S. economy is headed in the next three to six months. The slower growth pattern is translated into our near-term forecast of local area unemployment: our model predicts a slight increase to 3.2 percent for the midstate in the year’s final quarter (Table 2).

The number of employed persons in the midstate area inched up 0.8 percent in the third quarter (Table 3), a marked slowing from 1.3 percent in the second quarter. Separately, Nashville remained strong, creating 17 new jobs for each existing 1,000 (Table 1). Among the separate sectors, retailing continues to lead the job creation process with impressive rates of 4.3 and 3.9 percent in the “other retail” and “general retail” categories, respectively. Other big gainers included “construction and mining” and “other services.” The lagging sectors are “hotels,” “manufacturing of nondurables,” and “printing and publishing.”

The third quarter’s two most interesting stories were housing and auto production. To the surprise of analysts, the number of building permits issued in the midstate area grew 3.7 percent despite all recent interest rate increases; in contrast, the supply and demand for automobiles assembled in the area moved in the opposite direction. The latter, however, is consistent with nationwide development.

Table 1: Change in Employment 2000Q2 to 2000Q3 (Eight-County Nashville MSA)

Sector	Nashville MSA 2000Q3	Nashville MSA Change	Nashville MSA % Change*	USA % Change*
Total	694,162	11,406	1.7%	1.8%
Construction and Mining	35,662	1,395	3.9%	2.9%
Manufacturing: Transportation Equipment	14,958	284	1.9%	0.0%
Manufacturing: Other Durable Goods	44,159	314	0.7%	0.1%
Manufacturing: Printing and Publishing	12,816	-189	-1.5%	-0.6%
Manufacturing: Other Nondurable Goods	24,170	-259	-1.1%	0.5%
Finance, Insurance, and Real Estate (FIRE)	42,254	-111	-0.3%	1.0%
Transportation, Communications, and Utilities	34,586	501	1.4%	2.4%
Wholesale: Total	38,050	250	0.7%	2.5%
Retail: Eating and Drinking	46,361	724	1.6%	1.2%
Retail: Food	14,202	182	1.3%	0.8%
Retail: General	20,492	801	3.9%	-0.2%
Retail: Other	53,153	2,285	4.3%	3.3%
Services: Education	16,083	359	2.2%	2.9%
Services: Health	56,297	452	0.8%	2.0%
Services: Hotel	10,057	-155	-1.5%	0.6%
Services: Other	139,815	4,361	3.1%	3.9%
Government: Total	92,391	212	0.2%	0.5%

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

On a national scale, the U.S. Gross Domestic Product, a measure of the nation’s total output of goods and services, expanded at an annual rate of 2.4 percent in the third quarter, less than half the 5.2 percent rate posted for the year’s first half. This slowdown came on the heels of six hikes in short-term interest rates between June 1999 and May 2000. It is hoped that the recent indicators point to a soft landing and not something more bumpy. ■

The situation is probably best described as “mixed” both nationwide and in middle Tennessee.

Table 2: Forecast Unemployment and Job Growth

	Actual			Forecast		
	99Q4	00Q1	00Q2	00Q3	00Q4	01Q1
Unemployment Rate						
Middle Tennessee	3.2%	3.2%	3.1%	3.1%	3.2%	3.2%
East Tennessee	3.6%	3.7%	3.7%	3.7%	3.8%	3.8%
West Tennessee	3.9%	3.9%	3.8%	3.9%	4.0%	4.0%
Tennessee	3.5%	3.5%	3.5%	3.5%	3.6%	3.6%
Job Growth: One Quarter SAAR						
Nashville MSA	1.4%	1.4%	1.4%	1.5%	1.4%	1.3%
Chattanooga MSA	-0.4%	-0.3%	-0.2%	-0.2%	-0.2%	-0.3%
Tennessee	1.0%	1.1%	1.2%	1.2%	1.2%	1.3%

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

Consumer Confidence in Middle Tennessee Is High

by Timothy R. Graeff, Director
Consumer Market Research Center, MTSU

In spite of recent reports of a slowing economy, consumers in the telephone poll exhibited confidence in current business conditions as well as future expectations.

The National and Local Economy

Based on the results from a recent telephone poll of 480 randomly selected residents, consumers in middle Tennessee are very confident in the local economy. In spite of recent reports of a slowing economy, consumers in the telephone poll exhibited confidence in current business conditions as well as future expectations. The majority of middle Tennessee consumers (63.8 percent) rated business conditions in the country as a whole “good,” with only 2.5 percent rating business conditions in the country as “bad.” Consumers showed even more confidence in the local economy. Almost three-fourths of consumers (71.7 percent) rated business conditions in middle Tennessee as “good,” with only 1.9 percent rating business conditions in middle Tennessee as “bad.”

Consumers were also optimistic about the short-term outlook. In terms of the overall

economy, 16.8 percent of consumers expected business conditions in the country as a whole to be “better” six months from now. Almost as many (13.7 percent) expected business conditions in the country to be “worse” six months from now. As with the current situation, consumers were more confident in the short-term outlook for the local economy. Almost one-fourth of consumers (23.7 percent) expected that in the next six months the economy in middle Tennessee will be “better,” compared to only 5.8 percent expecting the local economy to be worse.

Jobs and Employment

Perceptions of the availability of jobs also contributed to high consumer confidence. More than half (55.0 percent) of consumers felt that jobs in middle Tennessee were “easy to find,” whereas only 6.5 percent rated jobs as “hard to find.” In addition, 23.9 percent expected “more job openings” in the next six months, compared to 10.8 percent who expected “fewer job openings.”

Personal Finance

Consumers also felt positively about their personal financial situations. More than one-third (36.3 percent) of consumers felt that they were “better off financially” than they were a year ago. Far fewer (12.7 percent) felt they were “worse off financially.” Expectations for

Table 3. Data Bank for Middle Tennessee

Series (adjusted for seasonality and inflation)	Geographical Area	99Q3	00Q2	00Q3	00Q2-00Q3
COMPOSITE INDICES					
Midstate Leading Index	Midstate (41 Counties)	106.35	110.18	110.27	0.1%
U.S. Leading Index	U.S.	111.73	115.65	114.63	-0.9%
EMPLOYMENT					
Midstate Number of Employed Persons	Midstate (41 Counties)	1,035,702	1,050,284	1,059,072	0.8%
Midstate Unemployment Rate	Midstate (41 Counties)	3.1%	3.1%	3.1%	0.0%
Percent of Sectors with Employment Increase for Month	Nashville MSA (8 Counties)	52%	65%	78%	20.0%
Percent of Counties with Employment Increase for Month	Midstate (41 Counties)	54%	53%	67%	26.4%
Average Hours Worked per Week in Manufacturing	Nashville MSA (8 Counties)	40.19	40.50	40.89	1.0%
Average Pay per Hour in Manufacturing	Nashville MSA (8 Counties)	13.44	13.78	13.65	-0.9%
INITIAL CLAIMS AND BANKRUPTCY					
Initial Claims for Unemployment Compensation	Midstate (41 Counties)	28,242	22,436	33,615	49.8%
Bankruptcy Case Filings	Midstate (41 Counties)	2,709	2,939	3,033	3.2%
REAL ESTATE					
Occupancy Index	Davidson County	98.01%	97.84%	98.06%	0.2%
New Residential Units (permits)	Midstate (41 Counties)	3,576	3,658	3,793	3.7%
Value of New Residential Units (million \$)	Midstate (41 Counties)	386.7	358.7	401.0	11.8%
AUTOMOBILE PRODUCTION					
Autos Assembled in U.S.	U.S.	3,307,629	2,860,163	3,013,589	5.4%
Autos Assembled in Midstate	Midstate (41 Counties)	153,173	163,116	183,035	12.2%
Units Sold: Autos Assembled in Midstate	U.S.	131,389	144,195	141,591	-1.8%
TOURISM					
Hotel Revenue	Davidson County	92,784,136	104,959,576	104,613,621	-0.3%
Air Passengers	Davidson County	2,146,250	2,304,149	2,211,848	-4.0%
INCOME, EARNINGS, AND RETAIL SALES					
Retail Sales (million \$ per quarter) *	Midstate (41 Counties)	—	—	—	—
Total Personal Income (annual billion \$)	Midstate (41 Counties)	52.6	53.6	53.7 (est.)	0.2%
Earnings per Resident Worker (annual)	Midstate (41 Counties)	36,553	36,985	37,028 (est.)	0.1%

Notes: Seasonal adjustment with X11-ARIMA; not annualized; dollars converted to 2000Q3 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

personal finances also fueled the high consumer confidence. Over 44 percent expected to be “better off” financially 12 months from now, whereas only 5.2 percent expected to be “worse off.”

Buying

With respect to the big things people buy for their homes, such as furniture and televisions, 39.7 percent of consumers felt that now was a “good time” to buy major household items. Only 13.4 percent felt it was a “bad time” to make such purchases. Additionally, 42.4 percent felt that now was a “good time” to buy a house, and 48.6 percent felt that now was a good time to buy a car. Significantly fewer felt that now was a “bad time” to buy a house (19.4 percent) or a car (13.8 percent).

Consumers in middle Tennessee displayed more confidence in the national economy than did consumers in a recent national survey of consumer confidence reported by the Conference Board. In its November 28, 2000, bulletin, the Conference Board reported decreased consumer confidence. In its nationwide survey, 42.1 percent of consumers felt that business conditions in the country were “good,” and 8.8 percent felt that business conditions were “bad.” Further, only 27.6

percent of the nationwide sample expected their personal income to increase in the next 12 months.

Purchasing on the Internet

The survey also included questions about access to and purchasing on the Internet. Approximately eight out of 10 consumers have access to the Internet. Most consumers can access the Internet at home and work (39.1 percent). Fewer (30.3 percent) can access the Internet from only their home, and even fewer (9.0 percent) can access the Internet only at work. Less than half (48.3 percent) of middle Tennessee consumers reported ever purchasing anything using the Internet. Slightly fewer (41.8 percent) plan to purchase something using the Internet in the next six months, and 24.3 percent planned to purchase any Christmas presents using the Internet.

The Survey

The results reported here are based on telephone interviews with 480 randomly selected adult residents, 18 years and older, from Davidson, Rutherford, and Williamson counties (Table 4). Phone interviews were

Table 4. Sample Demographics

Residence (County)	
Davidson	33.3%
Rutherford	38.1%
Williamson	26.8%
Other	1.5%
Refused	0.4%
Racial Background	
White	83.3%
Black/African American	10.9%
Hispanic	1.5%
Asian/Pacific Islands	1.0%
Other	2.1%
Refused	1.2%
Annual Income 1999	
Less than \$10,000	6.7%
\$10,000 to \$30,000	17.6%
\$30,001 to \$50,000	19.9%
\$50,001 to \$70,000	15.7%
More than \$70,000	24.7%
Refused	15.5%
Sex	
Male	43.4%
Female	56.6%

continued on back

Table 5. Consumer Confidence Survey Results (Middle Tennessee, November 2000)

	Good	In Between	Bad	Don't Know/ Refused (DK/R)	
Would you say that business conditions in the country as a whole are good, bad, or somewhere in between?	63.8 %	31.1 %	2.5 %	2.7 %	
	Better	About the Same	Worse	DK/R	
Six months from now, do you expect that in the country as a whole business conditions will be better than they are today, worse, or just about the same?	16.8 %	53.3 %	13.7 %	16.2 %	
	Good	In Between	Bad	DK/R	
Would you say that business conditions in middle Tennessee are good, bad, or somewhere in between?	71.7 %	25.4 %	1.9 %	1.0 %	
	Better	About the Same	Worse	DK/R	
Six months from now, do you expect that in middle Tennessee business conditions will be better than they are today, worse, or just about the same?	23.7 %	62.9 %	5.8 %	7.5 %	
	Easy	Effort	Hard	DK/R	
In middle Tennessee, would you say that jobs are easy to find, can be found with effort, or hard to find?	55.0 %	33.7 %	6.5 %	4.8 %	
	More	About the Same	Fewer	DK/R	
In the next six months, do you expect that in middle Tennessee there will be more job openings than there are now, fewer job openings, or about the same number of job openings?	23.9 %	59.6 %	10.8 %	5.6 %	
	Better off	About the Same	Worse Off	DK/R	
Would you say that you, and any family members living with you, are better off financially than you were a year ago, worse off, or about the same?	36.3 %	48.0 %	12.7 %	2.9 %	
Do you think that 12 months from now you, and any family members living with you, will be better off financially, worse off, or about the same?	44.9 %	43.4 %	5.2 %	6.5 %	
	Good Time	In Between (Good/Bad)	Bad Time	DK/R	
Generally speaking, do you think now is a good time for people to buy major household items (such as furniture, refrigerator, stove, television), a bad time, or somewhere in between?	39.7 %	39.0 %	13.4 %	7.9 %	
Is now a good time to buy a house, a bad time, or somewhere in between?	42.4 %	32.8 %	19.4 %	5.4 %	
Is now a good time to buy a car, a bad time, or somewhere in between?	48.6 %	32.8 %	13.8 %	4.8 %	
	Home	Work	Both	Neither	DK/R
Do you have access to the Internet at home and/or at work?	30.3 %	9.0 %	39.1 %	21.3 %	0.2 %
	Yes	No	DK/R		
Have you ever purchased anything using the Internet?	48.3 %	51.5 %	0.2 %		
In the next 6 months, do you plan to purchase anything using the Internet?	41.8 %	54.6 %	3.6 %		
Do you plan to purchase any Christmas presents this year using the Internet?	24.3 %	73.2 %	2.5 %		

Midstate Economic Indicators, published quarterly by the Business and Economic Research Center, Jennings A. Jones College of Business, Middle Tennessee State University, is available free by mail or at: <http://www.mtsu.edu/~berc>

Director, BERC:
Albert E. DePrince, Jr.
Research Associate:
Maxim Melnikov
Dean, Jennings A. Jones
College of Business:
E. James Burton
Publications Editor/Designer,
College of Business:
Sally Ham Govan
Graduate Research Assistant:
George Darko
Phone: 615-898-2610
mailto: kkulp@mtsu.edu



AA145-1200
A Tennessee Board of Regents
Institution

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



Business and Economic Research Center

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

Change Service Requested

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

**The Management and
Marketing Department
at MTSU recently
received funding to
create a telephone
survey research lab and
the new Consumer
Market Research Center.**

Confidence *continued from inside*

conducted from 4 p.m. to 8 p.m. on Wednesday, November 15, and Friday, November 17. With a sample of 480 people, we can say with 95 percent confidence that the amount of survey error due to taking a random sample instead of surveying all members of the population is \pm 4.5 percent. Factors such as problems with question wording and interpretation can lead to additional bias or error being introduced into the results. Results from the middle Tennessee consumer confidence surveys can be compared to national consumer confidence surveys published monthly by the Conference Board (www.conference-board.org). Table 5 lists the questions asked on the consumer confidence survey, along with the percentage of the people in the sample responding with each answer. Future surveys will allow for tracking changes in the level of consumer confidence in middle Tennessee.

The Consumer Market Research Center

The Management and Marketing Department at Middle Tennessee State University recently received funding from an MTSU Technology Access Fee grant to create a telephone survey research lab and the new Consumer Market Research Center (CMRC) to

be housed in the department. The CMRC will use the telephone survey lab to conduct quarterly surveys of consumer confidence in middle Tennessee. The surveys measure consumers' perceptions of economic conditions in the country as a whole as well as in middle Tennessee. Similar consumer confidence surveys conducted by the Conference Board and the Survey Research Center at the University of Michigan have proven to be very predictive of key economic indicators such as inflation, interest rates, and consumer spending.

Students in Professor Timothy R. Graeff's marketing research courses conduct the telephone surveys. This gives students experience using state-of-the-art CATI (computer assisted telephone interviewing) software. The CMRC provides significant benefits to students, faculty, and local business managers. ■

For further information contact Professor Timothy R. Graeff (615-898-5124; tgraeff@mtsu.edu).

Subscription List Update

If you have not told us that you would like to continue receiving *Midstate Economic Indicators*, please email kkulp@mtsu.edu or call 615-898-2610.