

MIDSTATE

ECONOMIC INDICATORS

Q209

Business and Economic Research Center | Jennings A. Jones College of Business | Middle Tennessee State University

Second Quarter Not as Bad as First

Perhaps the only good thing about the second quarter for the middle Tennessee economy is that it was not as bad as the first quarter. Faint praise indeed, given the difficult economic conditions we experienced in the first quarter. In all, economic activity continued to decline at a slower pace, with one notable exception: housing construction appears to have finally turned the corner.

The more comprehensive indicators of economic activity, however, continue to signal contraction (Table 1). More jobs were lost, with total employment dropping to its lowest level since the second quarter of 2005. The unemployment rate rose to 10.3 percent in the midstate and 9.4 percent for the Nashville metropolitan area, but

the increase was somewhat lower than in the first quarter. An encouraging sign is found in initial claims for unemployment insurance, which fell to an average of 13,770 per week. Initial claims peaked during the first quarter and now appear to be on the decline. The level of initial claims, however, remains very high by historical standards and almost double that of a year ago. By contrast, continued unemployment insurance claims rose substantially, suggesting little relief for unemployment rates in the near future.

continued inside

by David A. Penn

Table 1. Economic Indicators for Middle Tennessee

Series (seasonally adjusted)	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	% Change 09Q1-09Q2	% Change 08Q2-09Q2
Labor Force and Employment							
Midstate							
Total Employment	1,133,107	1,125,887	1,112,183	1,085,924	1,072,292	-1.3%	-5.4%
Labor Force	1,203,339	1,202,253	1,196,112	1,195,389	1,195,276	0.0%	-0.7%
Unemployed	70,232	76,366	83,929	109,465	122,985	12.4%	75.1%
Unemployment Rate	5.8%	6.4%	7.0%	9.2%	10.3%		
Nashville MSA							
Total Employment	757,508	751,902	744,261	729,280	718,842	-1.4%	-5.1%
Labor Force	799,091	798,212	794,182	794,172	793,154	-0.1%	-0.7%
Unemployed	41,583	46,310	49,922	64,892	74,312	14.5%	78.7%
Unemployment Rate	5.2%	5.8%	6.3%	8.2%	9.4%		
Nonfarm employment	762,900	756,100	749,500	740,500	733,300	-1.0%	-3.9%
Tennessee Unemployment Compensation, Weekly Average							
Initial Claims	6,904	7,863	10,707	14,546	13,770	-5.3%	99.5%
Continued Claims	47,313	54,089	70,114	100,879	117,279	16.3%	147.9%
Nashville MSA Housing Construction							
New Residential Permits							
Single-Family	1,521	1,321	900	837	968	15.7%	-36.4%
Multi-Family	281	358	975	139	178	27.5%	-36.8%
Total	1,802	1,679	1,875	976	1,145	17.4%	-36.4%
Value of New Residential Units (million \$)							
Single-Family	280.6	244.3	166.1	159.9	182.5	14.1%	-35.0%
Multi-Family	22.6	20.5	72.6	11.9	14.8	24.3%	-34.6%
Total	303.2	264.8	238.7	171.8	197.3	14.8%	-34.9%
Davidson County Tourism							
Total Air Passengers, Nashville International Airport	2,378,362	2,304,449	2,269,854	2,116,357	2,207,663	4.3%	-7.2%
Taxable Sales (estimates, million \$)							
Nashville MSA	7,364	7,171	6,811	6,621	6,367	-3.8%	-13.5%
Midstate	10,003	9,753	9,312	9,113	8,816	-3.3%	-11.9%

Notes: Seasonal adjustment with X11. *Nashville MSA includes 13 counties. **Midstate is a 41-county area. 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.

Not as Bad

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Job losses in the goods-producing sectors of construction and manufacturing accelerated in the Nashville MSA, with construction employment down 4.2 percent and manufacturing down 3.9 percent from the previous quarter (Table 2). Job gains seem to be distant for these

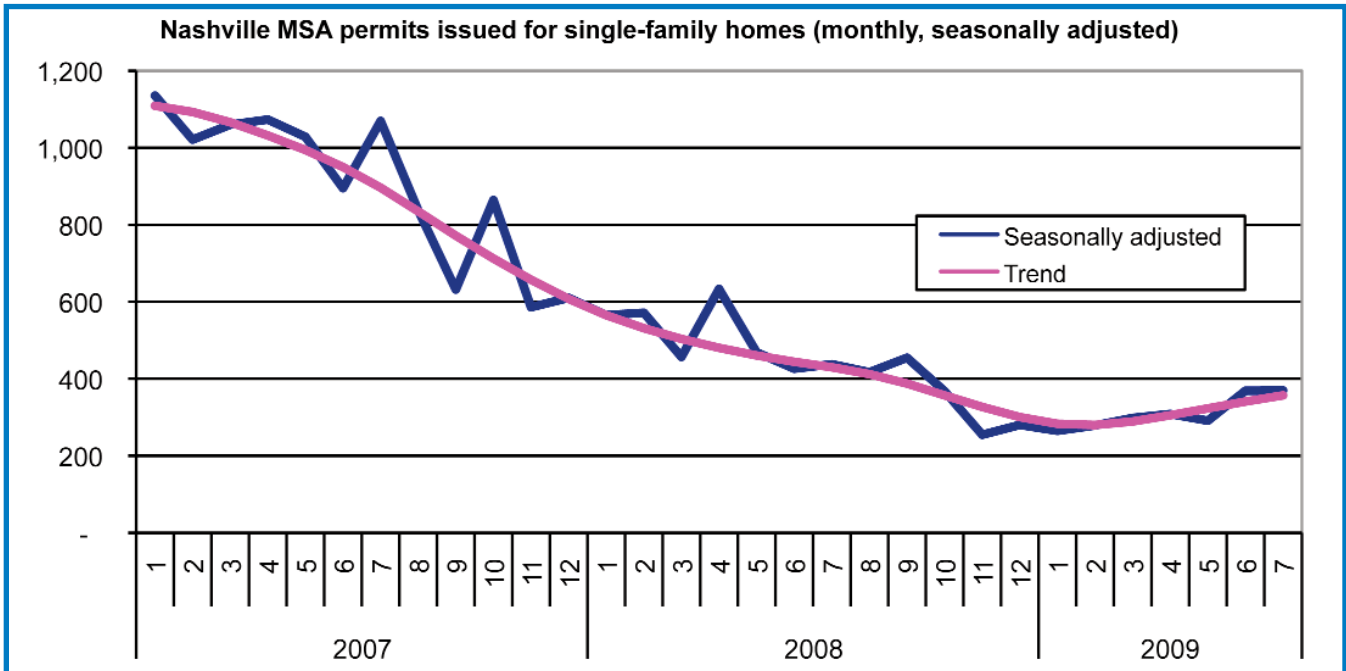


Table 2. Quarterly Nonfarm Employment, Nashville MSA (seasonally adjusted, thousands)

Sector	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	% Change 09Q1-09Q2	% Change 08Q2-09Q2
Total Nonfarm	763.0	756.1	749.5	740.5	733.3	-1.0%	-3.9%
Total Private	660.1	654.0	646.7	638.3	630.1	-1.3%	-4.6%
Goods Producing	115.4	112.7	108.8	104.4	101.0	-4.1%	-12.5%
Service Providing	647.5	643.6	640.5	636.0	632.3	-0.7%	-2.3%
Private Service Providing	544.5	541.4	537.9	533.9	529.0	-0.7%	-2.9%
Natural Resources, Mining, & Construction	39.9	39.1	38.3	36.7	35.1	-4.2%	-12.2%
Manufacturing	75.4	73.6	70.6	67.8	65.8	-3.9%	-12.7%
Durable Goods	51.1	49.4	46.8	44.7	43.2	-4.5%	-15.4%
Nondurable Goods	24.3	24.1	23.8	23.1	22.6	-3.0%	-7.1%
Trade, Transportation, and Utilities	154.3	153.6	151.5	149.8	149.2	-1.2%	-3.3%
Wholesale Trade	37.1	37.1	36.9	36.7	36.3	-0.4%	-2.1%
Retail Trade	87.2	86.9	85.5	84.2	84.4	-1.5%	-3.3%
Transportation and Utilities	29.9	29.6	29.2	28.9	28.4	-0.9%	-4.7%
Information	21.2	21.2	21.2	20.8	20.6	-1.6%	-2.7%
Financial Activities	46.1	46.1	45.9	45.7	45.4	-0.6%	-1.5%
Finance and Insurance	35.6	35.5	35.3	35.2	35.1	-0.4%	-1.4%
Real Estate and Rental and Leasing	10.5	10.6	10.6	10.5	10.3	-1.4%	-1.9%
Professional and Business Services	101.7	99.3	97.4	96.4	94.2	-1.0%	-7.3%
Professional, Scientific, and Technical Services	38.5	38.2	37.8	37.2	36.6	-1.6%	-4.9%
Management of Companies and Enterprises	9.8	9.7	9.7	9.8	9.8	1.1%	0.4%
Administrative & Support & Waste Management & Remediation Services	53.3	51.5	50.0	49.3	47.7	-1.4%	-10.6%
Educational and Health Services	110.9	111.1	111.9	112.5	111.9	0.6%	1.0%
Educational Services	18.6	18.6	18.9	19.1	18.4	1.1%	-0.8%
Health Care and Social Assistance	92.3	92.5	93.0	93.5	93.5	0.5%	1.3%
Leisure and Hospitality	80.1	79.7	79.8	79.0	78.4	-1.0%	-2.1%
Arts, Entertainment, and Recreation	9.9	9.6	9.6	9.4	9.5	-1.7%	-3.7%
Accommodation and Food Services	70.1	70.1	70.3	69.6	68.8	-0.9%	-1.9%
Accommodation	12.2	11.9	12.0	11.8	11.6	-1.5%	-4.4%
Food Services and Drinking Places	58.0	58.2	58.3	57.8	57.1	-1.0%	-1.4%
Other Services	30.6	30.4	30.0	29.5	29.4	-1.6%	-3.9%
Government	102.9	102.3	102.6	102.0	103.4	-0.6%	0.5%

two sectors, although the losses should become less severe in the coming months for two reasons. First, as mentioned earlier, housing construction is showing improvement as more permits are being issued for construction of single-family homes (Figure 1). But a building permit essentially indicates an intention to build; the economic impact will not be felt until construction gets underway. Second, manufacturing in the United States is moving much closer to a neutral stance. The PMI (Purchasing Managers Index), a well-known indicator of manufacturing activity, moved very close to neutral following 18 months of negative territory. This means that manufacturing is closing in on the time when output is rising instead of declining. This is good news for the manufacturing-heavy midstate economy, where a large percentage of total payrolls depends on manufacturing.

Midstate households offer little evidence that consumer spending will lead the way to recovery, as household spending continued to plummet in the second quarter. Taxable sales plunged 3.8 percent in the Nashville MSA and 3.3 percent in the midstate area, offering no evidence at all that consumers are beginning to spend again. The cash-for-clunkers incentive will show some impact on July and August sales tax collections, but the effect will very likely be temporary. It is difficult to imagine a scenario in which consumer spending leads the midstate to recovery in the absence of job growth. In coming months, however, housing construction should shift from a drag on tax collections to a positive contribution.

Unemployment continues to rise in the Chattanooga and Clarksville metropolitan areas, reaching 9.3 percent and

10.2 percent in the second quarter, respectively (Table 3). Loss of nonfarm employment accelerated in the second quarter for Chattanooga, with a decline of 1.4 percent from the first quarter, while Clarksville lost just 0.5 percent.

Taxable sales dropped in both areas, with Chattanooga experiencing a somewhat larger decline. While taxable spending is falling, the rate of decline is much less than for the midstate and Nashville areas.

Housing construction activity, as measured by permits issued for single-family homes, rose in Chattanooga but declined in Clarksville. The decline for Clarksville is not unexpected given the very large increase in the first quarter. ■



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 AA258-0408

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Table 3. Economic Indicators for Chattanooga MSA and Clarksville MSA

Series (seasonally adjusted)	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	% Change 09Q1-09Q2	% Change 08Q2-09Q2
Chattanooga MSA							
Nonfarm Employment (thousands)	246.5	245.1	243.8	242.7	239.4	-1.4%	-2.9%
Unemployment Rate	5.3	6.0	6.7	8.1	9.3		
Taxable Sales (million \$)	1,689.2	1,643.4	1,620.2	1,544.3	1,514.3	-1.9%	-10.4%
Permit-Authorized Housing Construction							
Total	344	293	204	216	230	6.2%	-33.2%
Single-Family	305	247	188	189	211	11.8%	-30.8%
Clarksville MSA							
Nonfarm Employment (thousands)	83.9	83.2	82.5	81.4	81.0	-0.5%	-3.4%
Unemployment Rate	6.6	7.3	7.7	9.4	10.2		
Taxable Sales (million \$)	579.1	556.6	571.5	590.6	582.1	-1.4%	0.5%
Permit-Authorized Housing Construction							
Total	229	399	269	397	291	-26.8%	26.7%
Single-Family	203	282	218	300	238	-20.7%	17.6%

Note: Taxable sales and permit-authorized housing construction are quarterly sums of activity.