

Economic Outlook

Jones College of Business

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Evidence:

- Unemployment rate: virtually unchanged.
- Nonfarm employment growth: very modest
- Housing construction: very low by historical standards

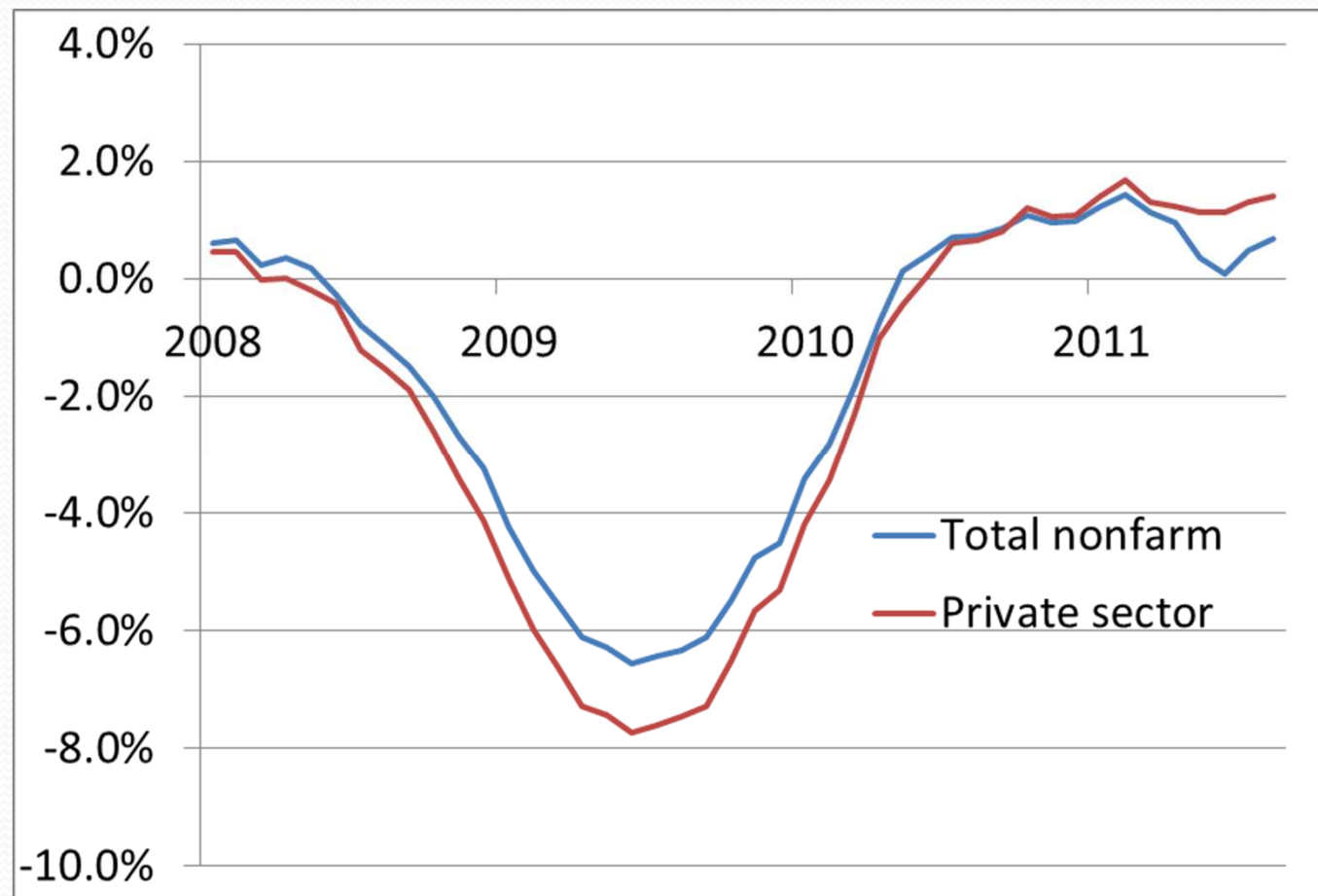
Good Things for Tennessee and the Nashville MSA

- Manufacturing jobs: stable
- Construction jobs: growing
- Retail sales: climbing
- Job growth: very diffuse across industries
- Unemployment rate: stable
- Personal income: growing

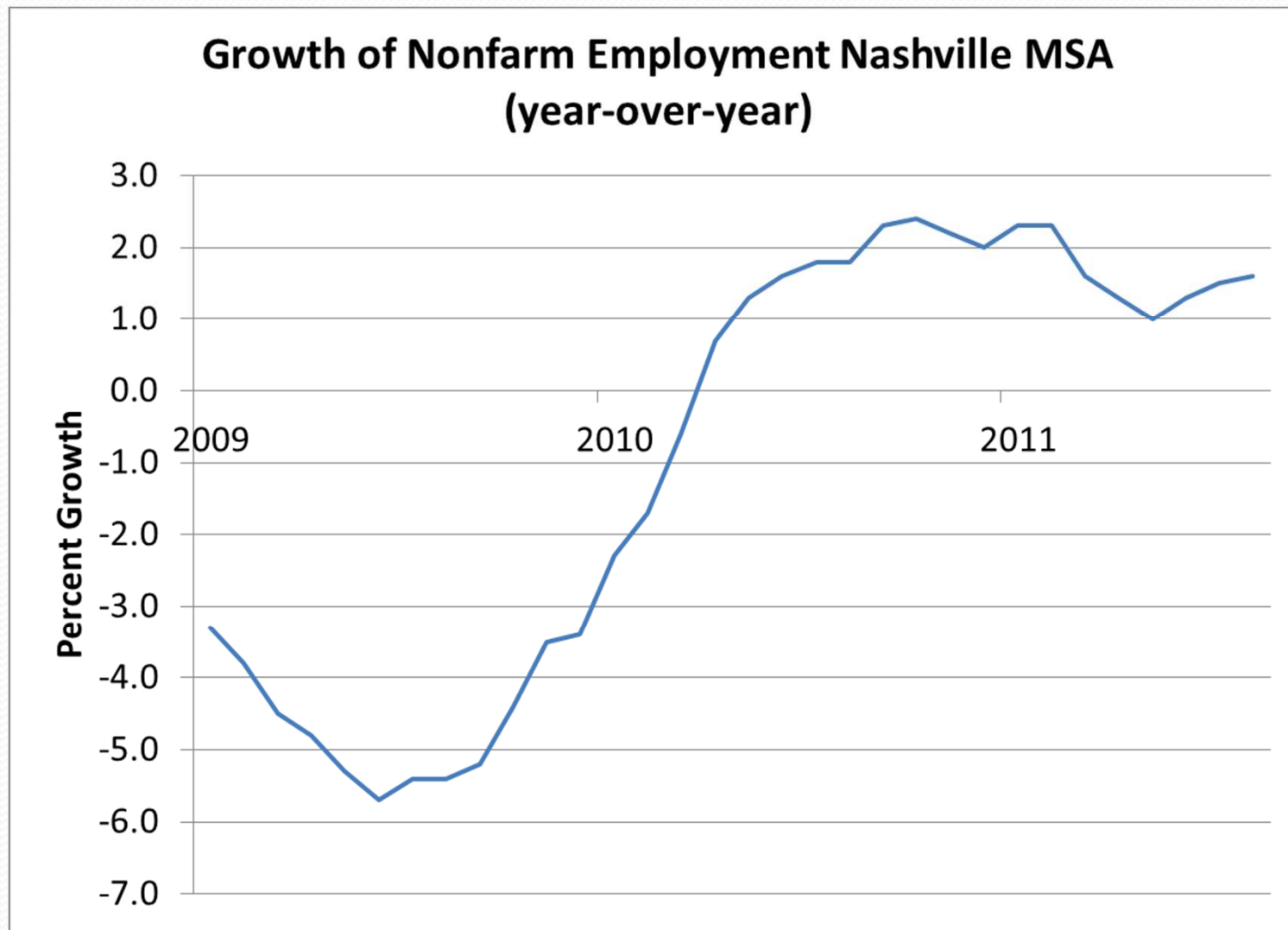
Nashville MSA at a Glance (August 2011)

Indicators	Year Ago	This Month	Year to Year % Change
Total Nonfarm Employment (thousand)	732.0	744.1	1.7%
Labor Force (thousand)	818.3	841.0	2.8%
Unemployed (thousand)	71.1	71.4	0.5%
Unemployment Rate (percent)	8.7	8.5	-0.2
Sales Tax Collections (thousand \$)	132,871	138,742	4.4%
Single Family Unit Housing Permits	323	410	26.9%
Total Housing Permits	429	410	-4.4%

Nonfarm job growth Tennessee

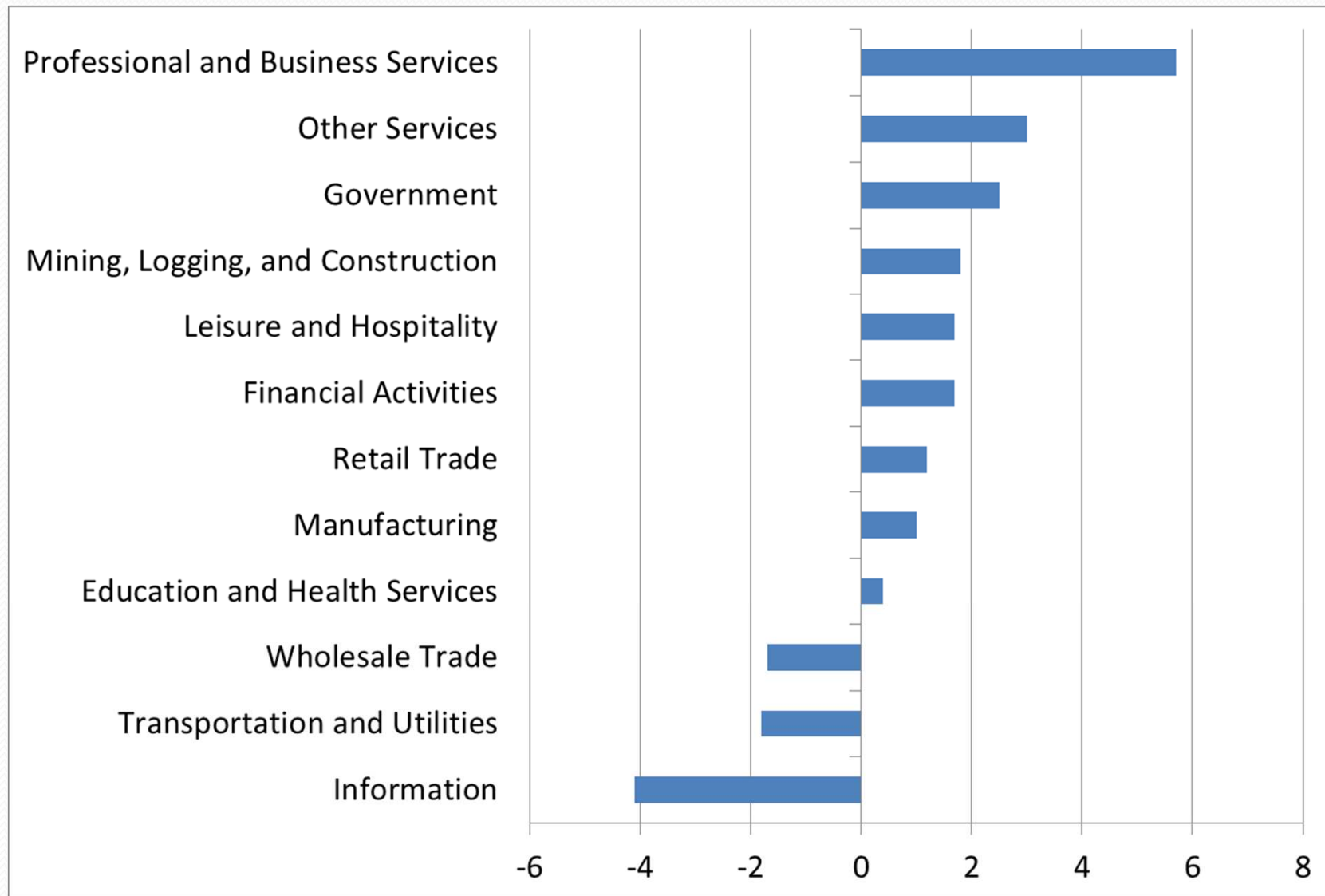


Nashville MSA Job Growth



Diffuse job growth for Nashville

(August 2011 YTY)



Job Gains and Losses Nashville MSA

Industry	Change over the year (thousands)
Total nonfarm	11.9
Professional and Business Services	5.6
Government	2.5
Leisure and Hospitality	1.3
Retail Trade	1.0
Other Services	0.9
Financial Activities	0.8
Mining, Logging, and Construction	0.6
Manufacturing	0.6
Education and Health Services	0.5
Transportation and Utilities	-0.5
Wholesale Trade	-0.6
Information	-0.8



Construction jobs

- Tennessee: growing 10 consecutive months
- Nashville MSA: growing 12 of last 14 months
- Why?
 - Public sector activity
 - Roads, streets
 - Schools
 - Housing (?)

Manufacturing: new stability?

- Employment very stable for nearly two years.
 - Tennessee: 300,000 +/-
 - Nashville MSA: 60,000 +/-

Manufacturing: new stability?

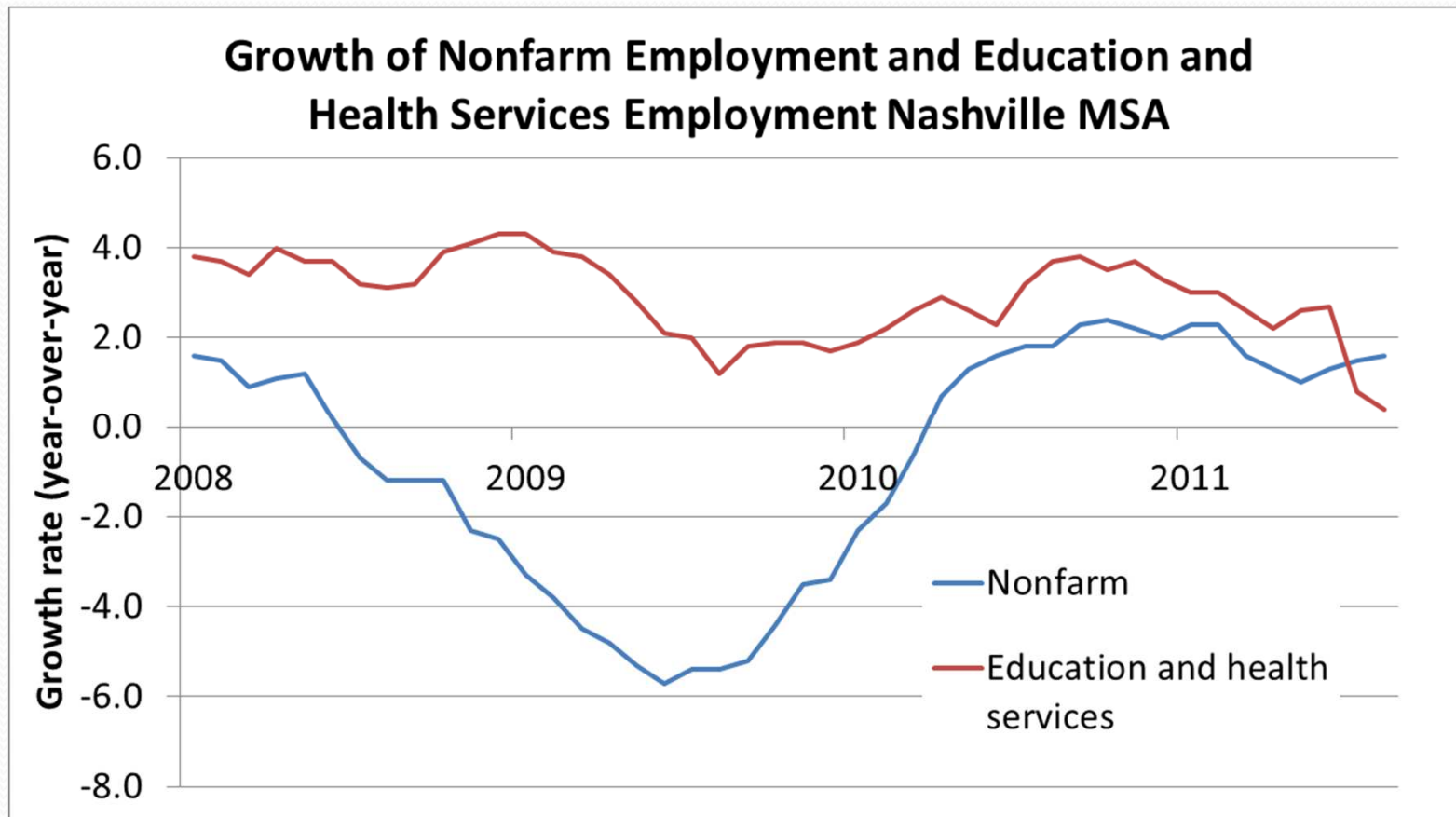
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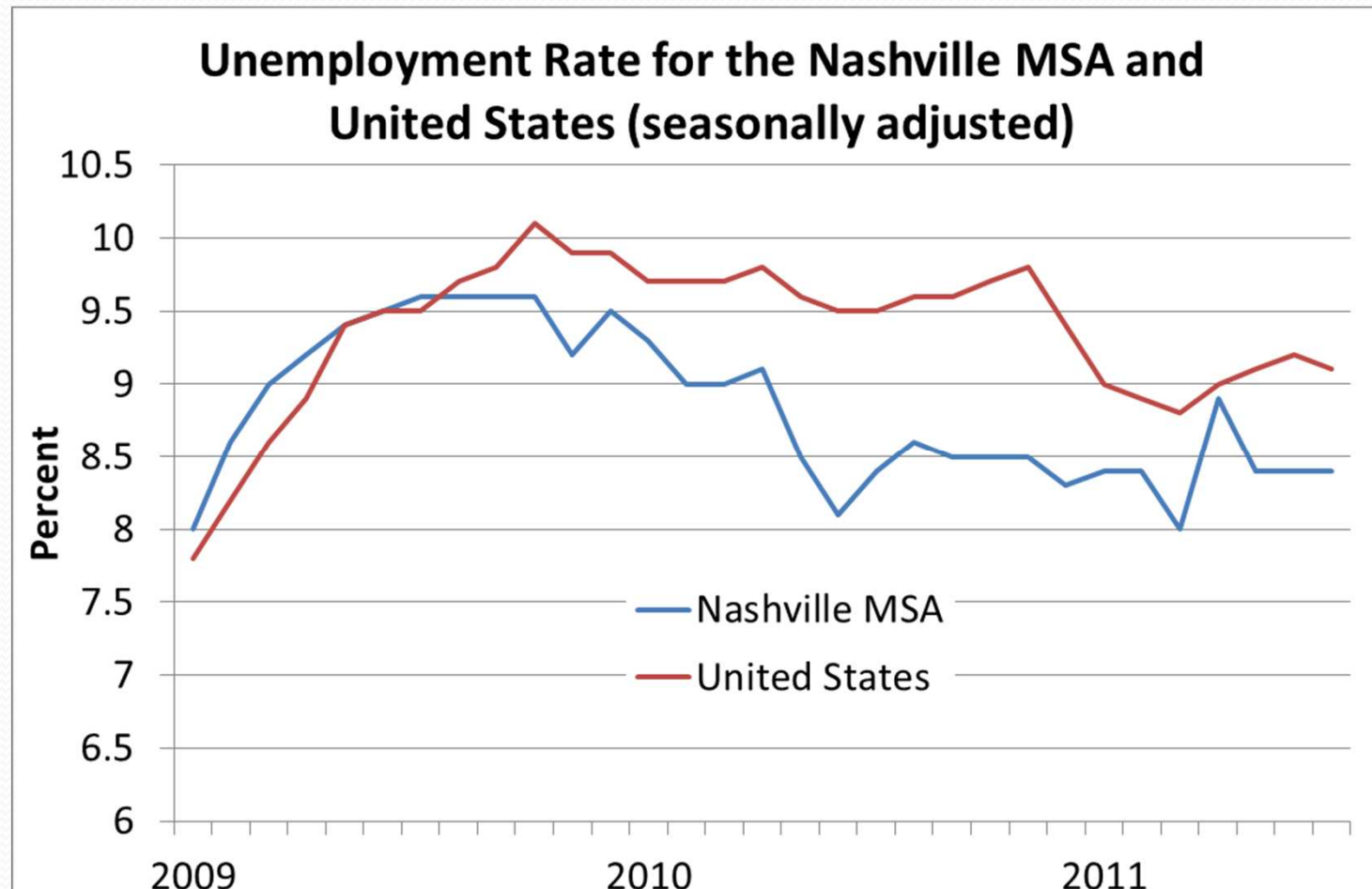
Manufacturing: new stability?

- Growth in Tennessee manufactured exports
- Stability, growth in auto sector employment
- Expected fuel cost increases
- Labor cost increases for foreign plants
- Intellectual property rights
- Security

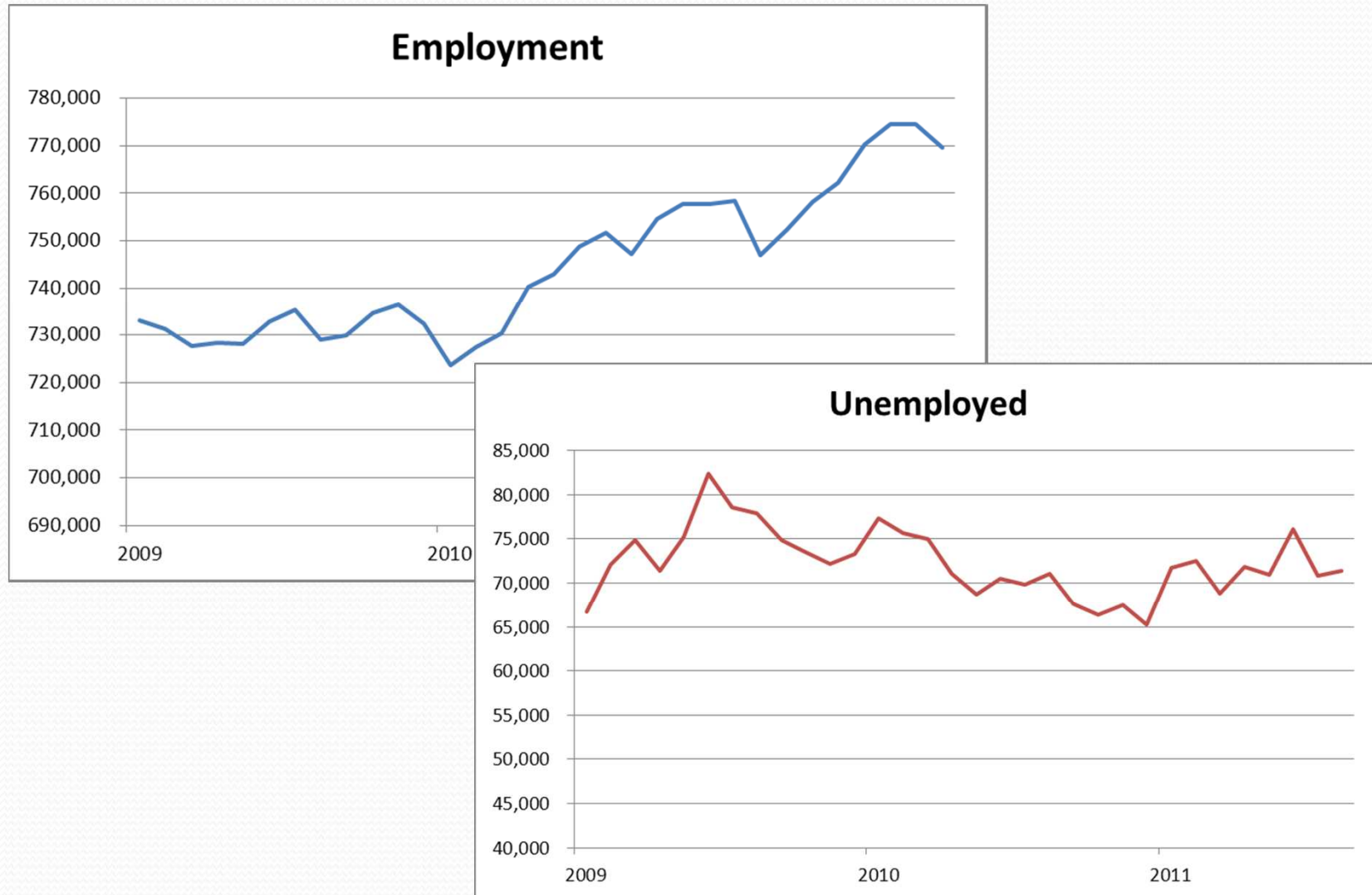
Cause for concern



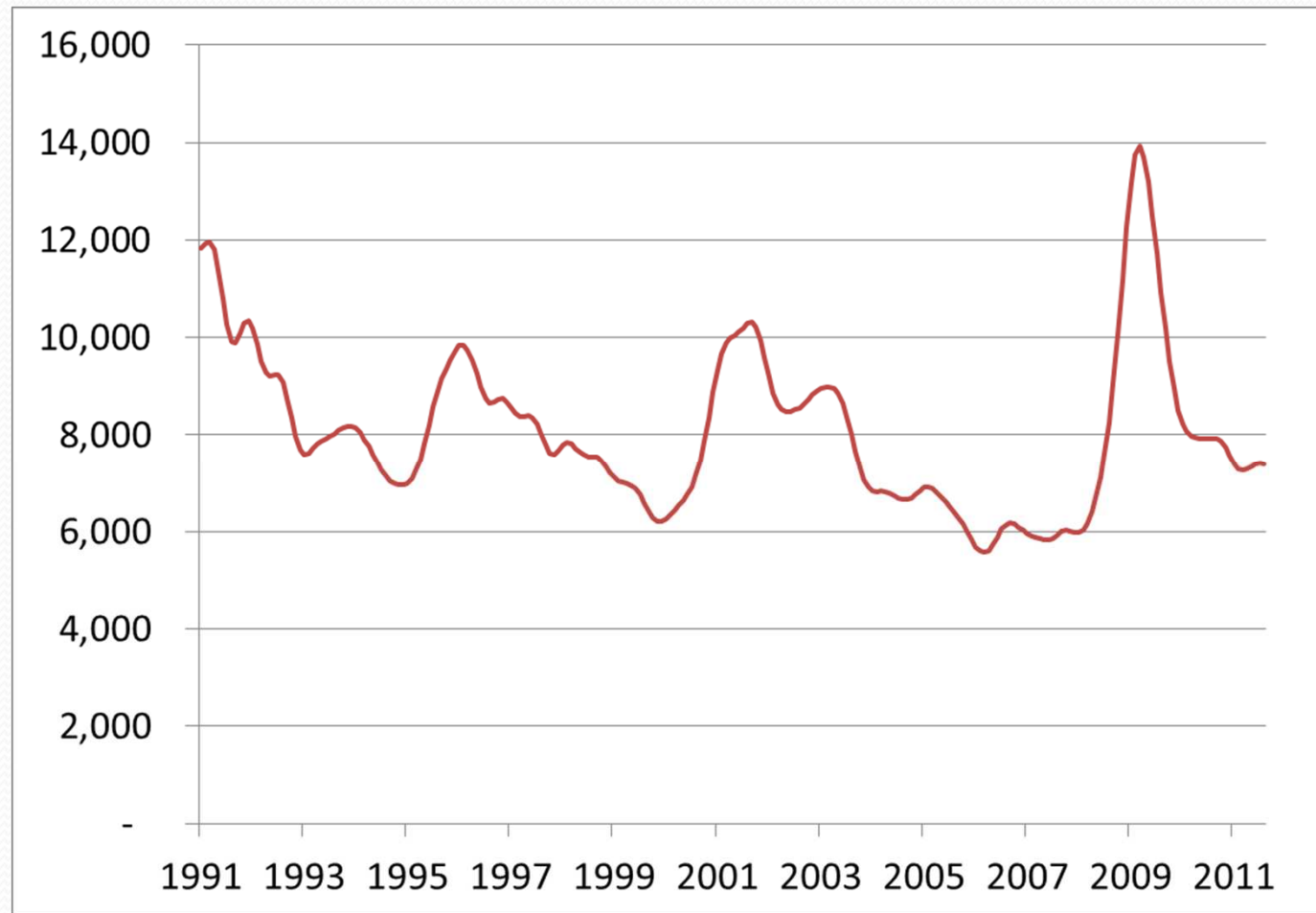
Unemployment rate



Labor force Nashville MSA



Initial claims for unemployment insurance (smoothed trend)





Underutilization Tennessee

- The official unemployment rate understates labor force utilization
- Measures of underutilization
 - Official unemployment rate: 9.7%
 - U6 rate of underutilization: 16.0%

Are we stuck?

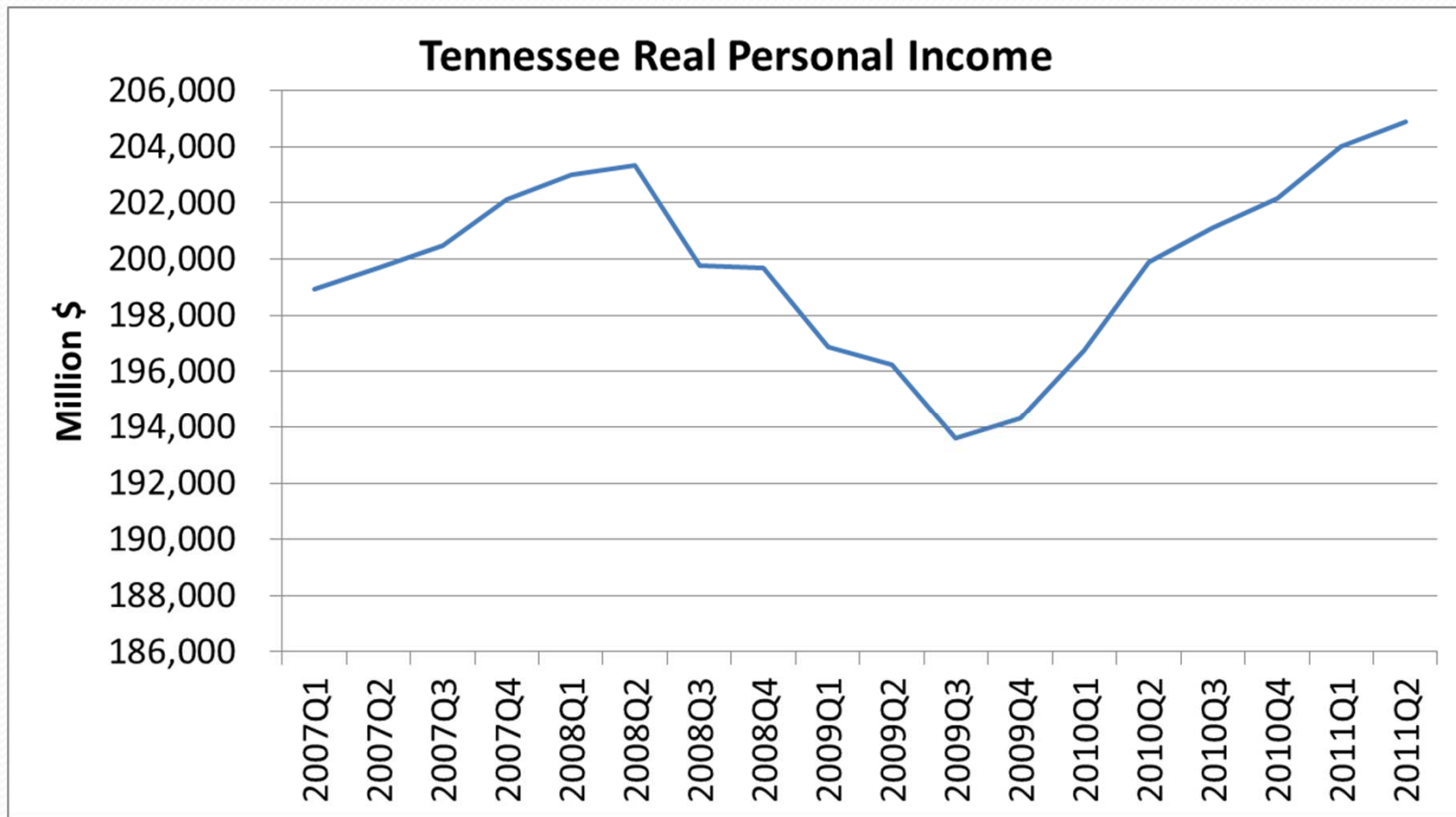
- What will get us un-stuck?
 - 1) Improved confidence
 - 2) Increased spending (demand)



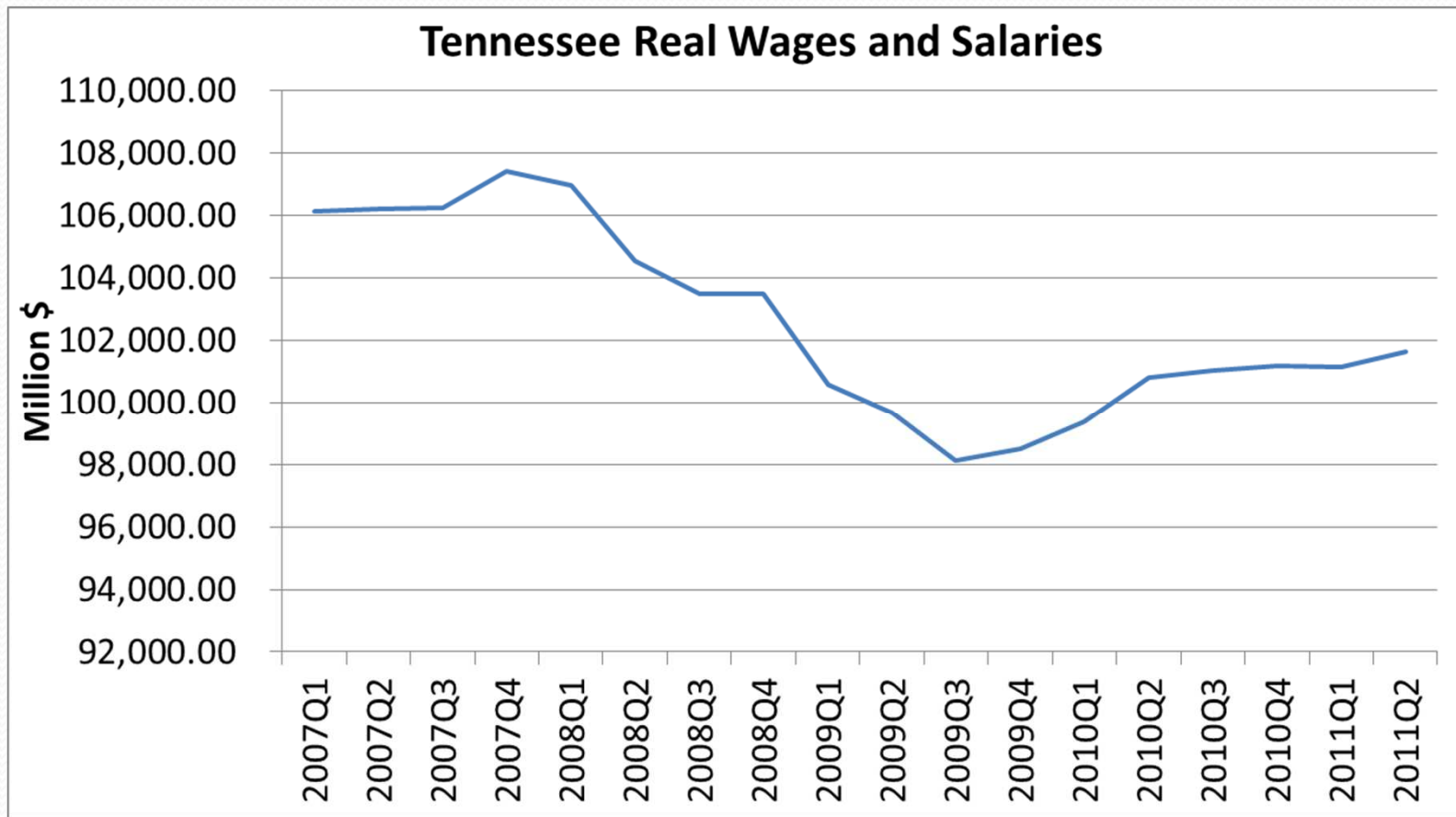
Real Income: Tennessee

- Personal income has exceeded pre-recession peak.
- Wages and salaries are growing, but still below peak.

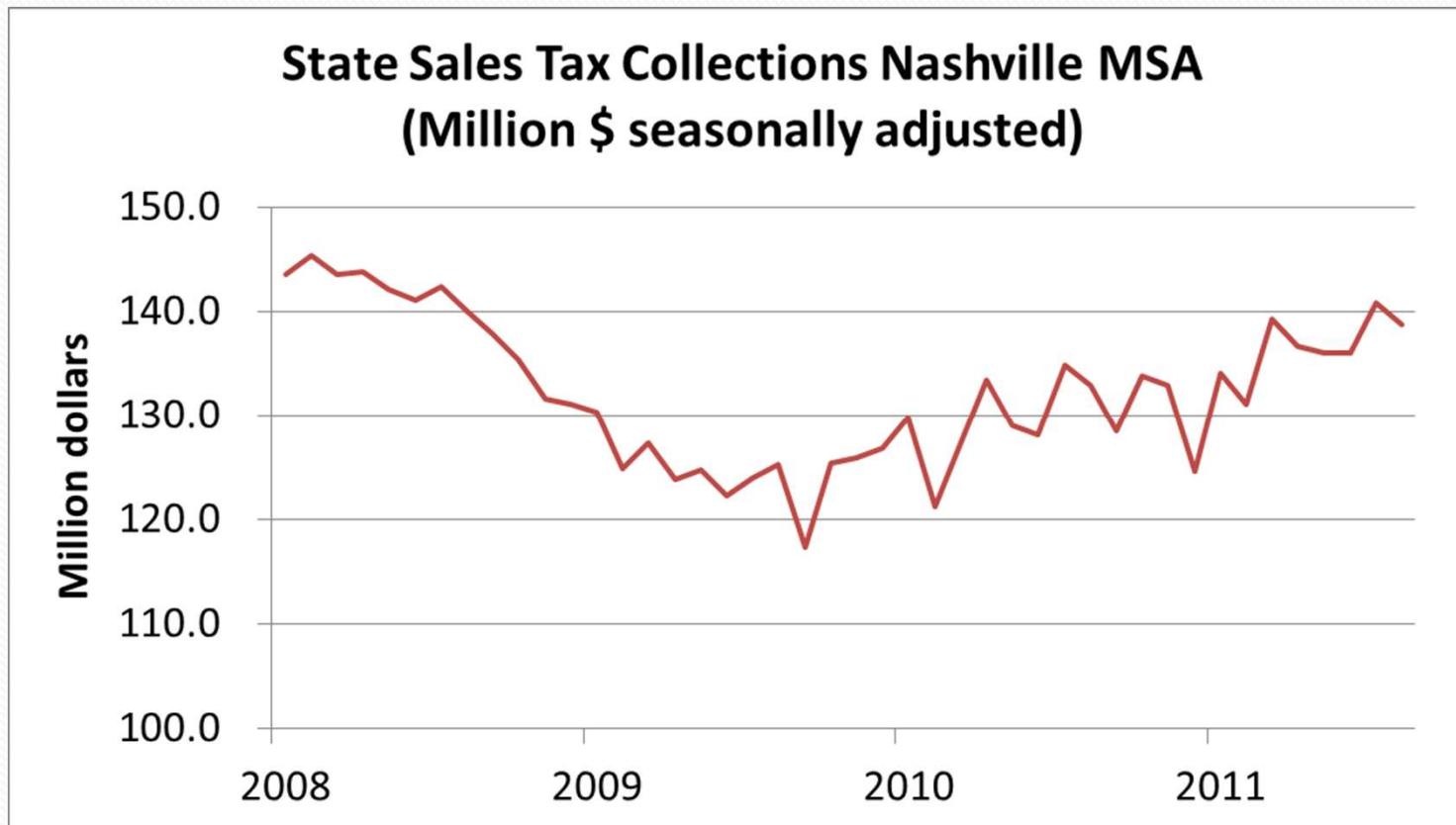
Real income Tennessee



Real Wages and Salaries Tennessee



State Sales Tax Collections Nashville MSA



Sales Growth by Category

(Tennessee July 2010-2011)



Nonfarm job growth needed to reach previous peak (Jan2008)

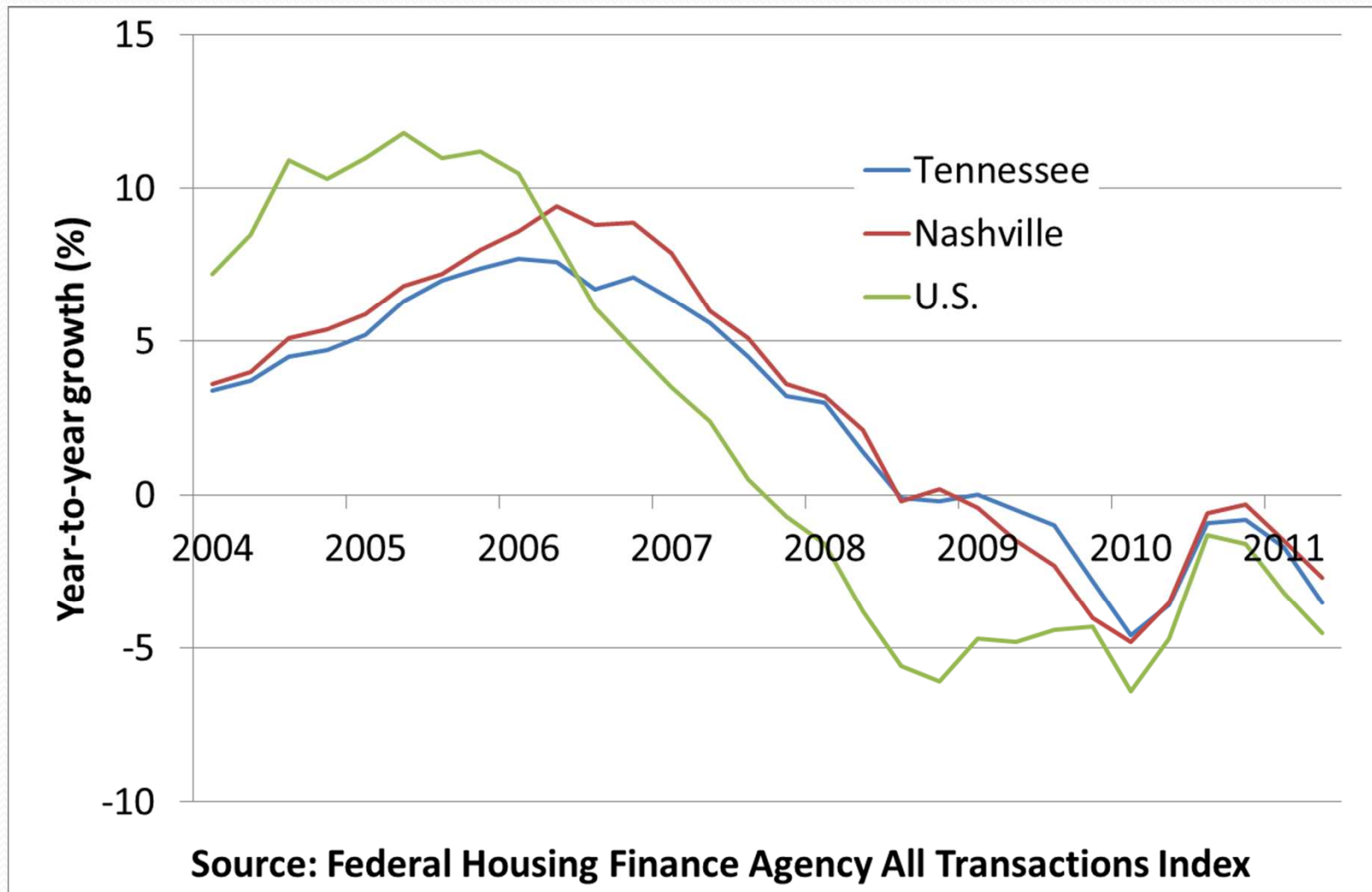
• Nashville MSA:	3.0% (23,200)
• Memphis MSA:	8.2% (52,600)
• Chattanooga MSA:	6.7% (16,700)
• Knoxville MSA:	2.9% (9,700)
• Tennessee:	6.2% (173,300)
• United States:	5.0% (6,864,000)



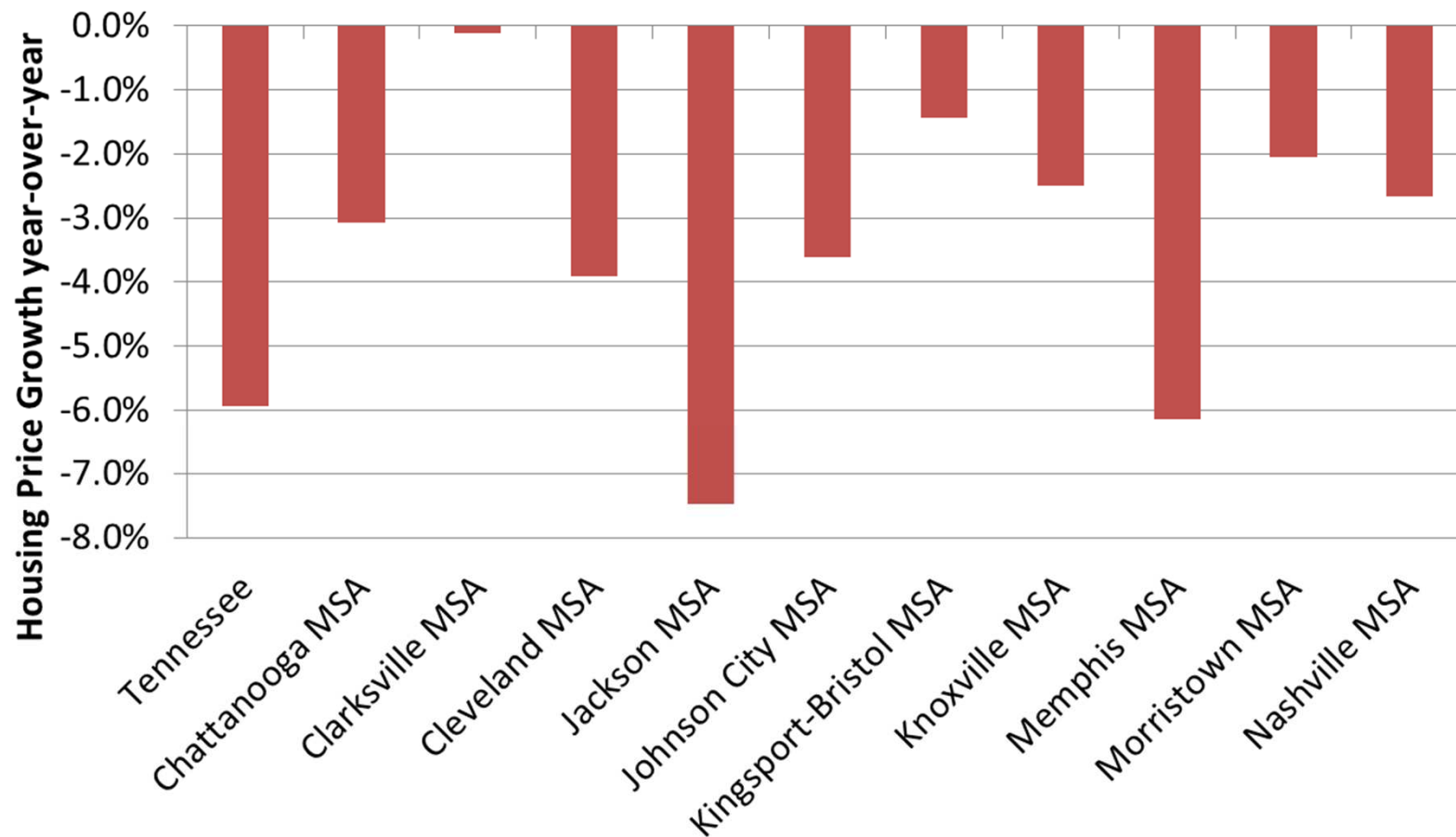
Housing: some relief

- Housing prices continue to decline
- Construction rising
- Foreclosures moderating
- Renewed in-migration is needed to sustain new construction

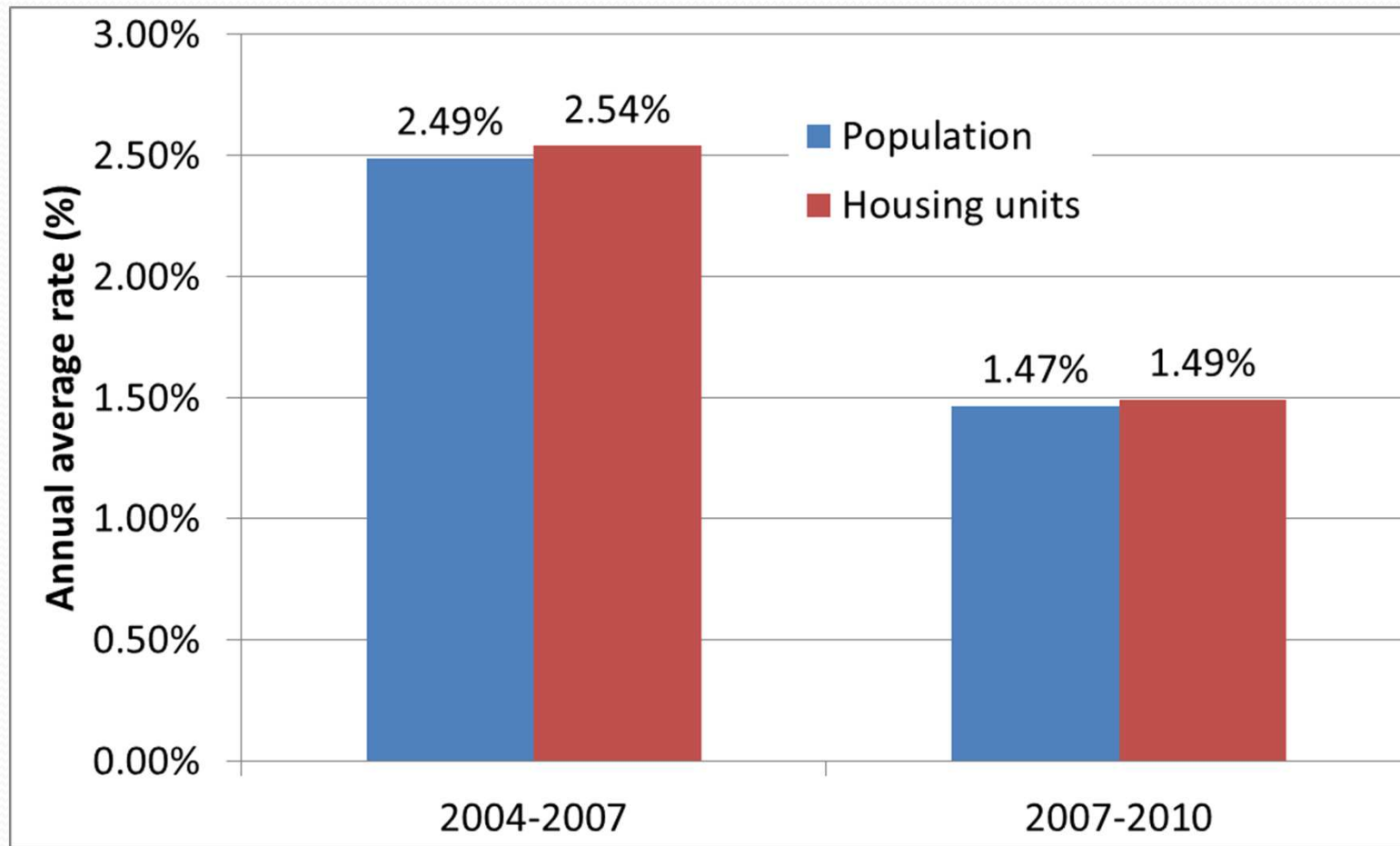
Housing price growth



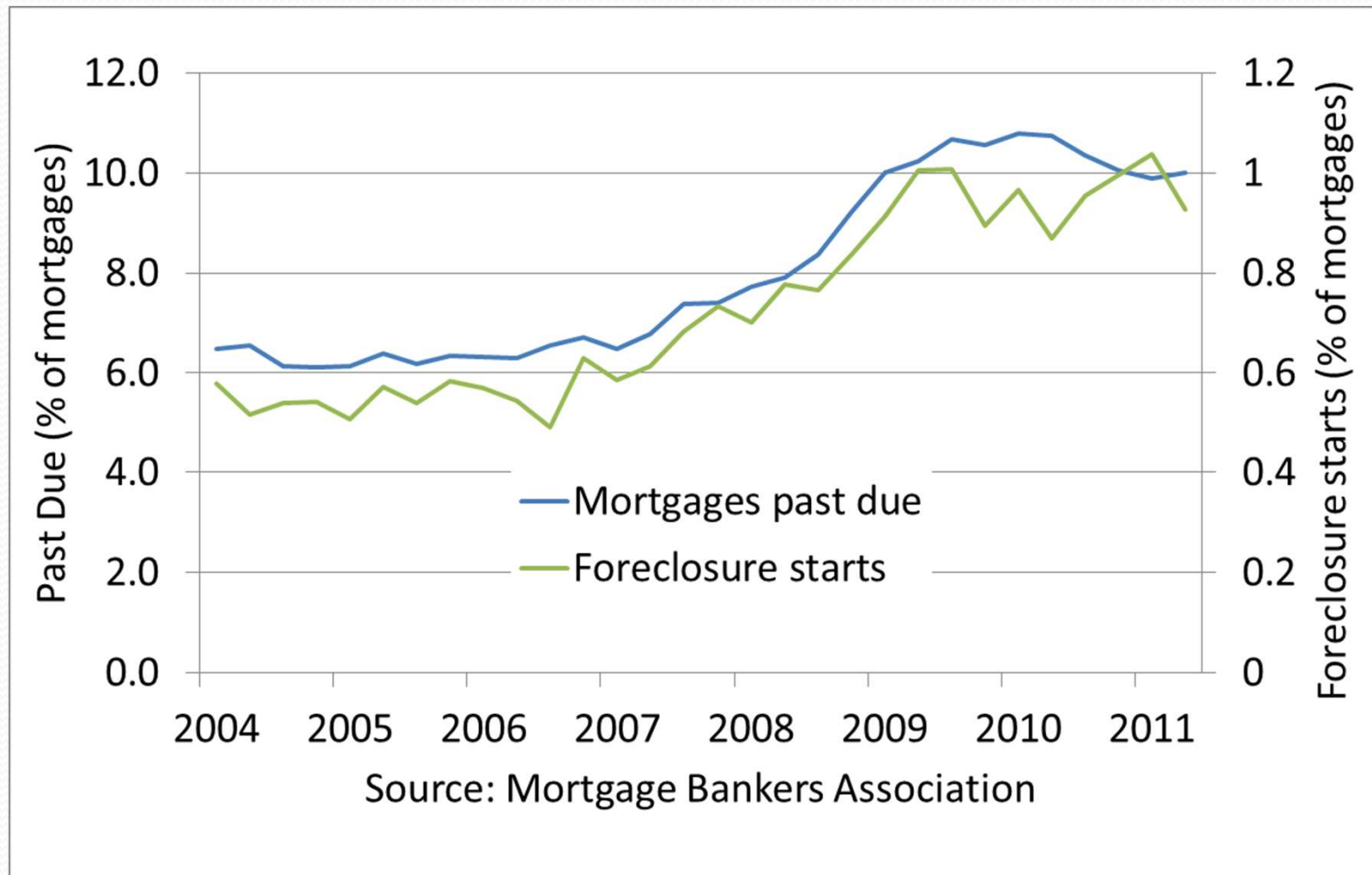
Housing price decline is widespread



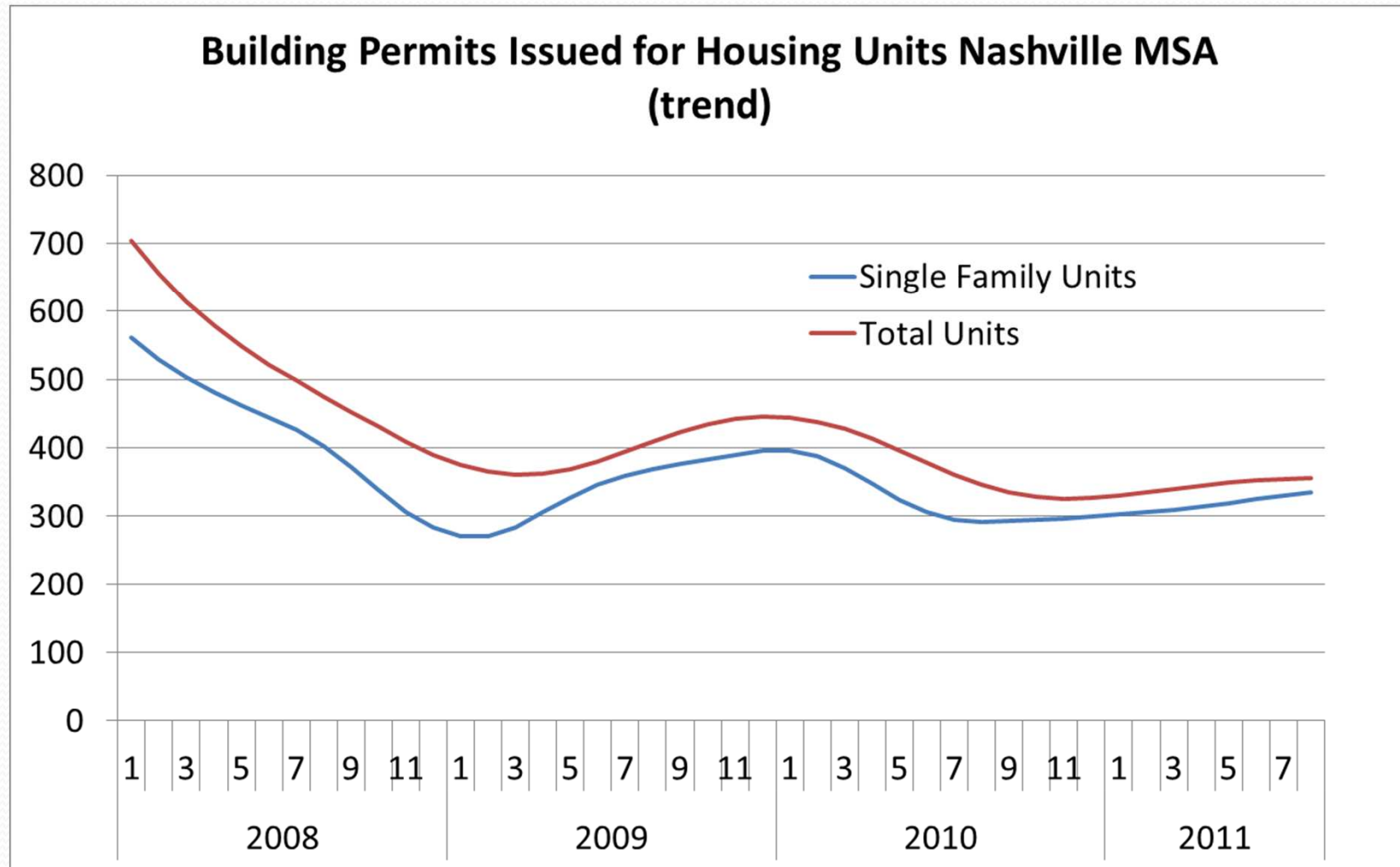
Growth: Nashville MSA



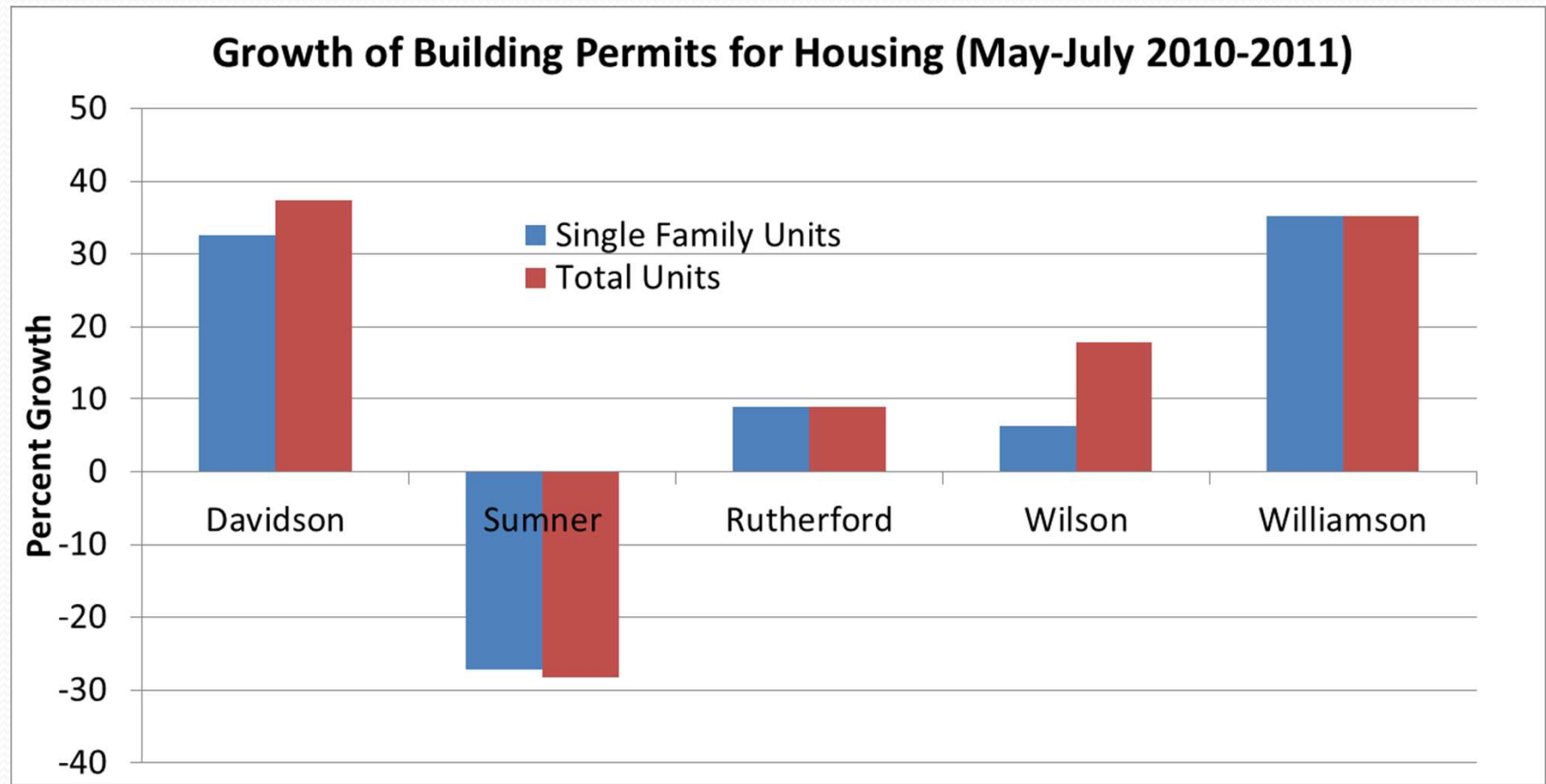
Tennessee foreclosures



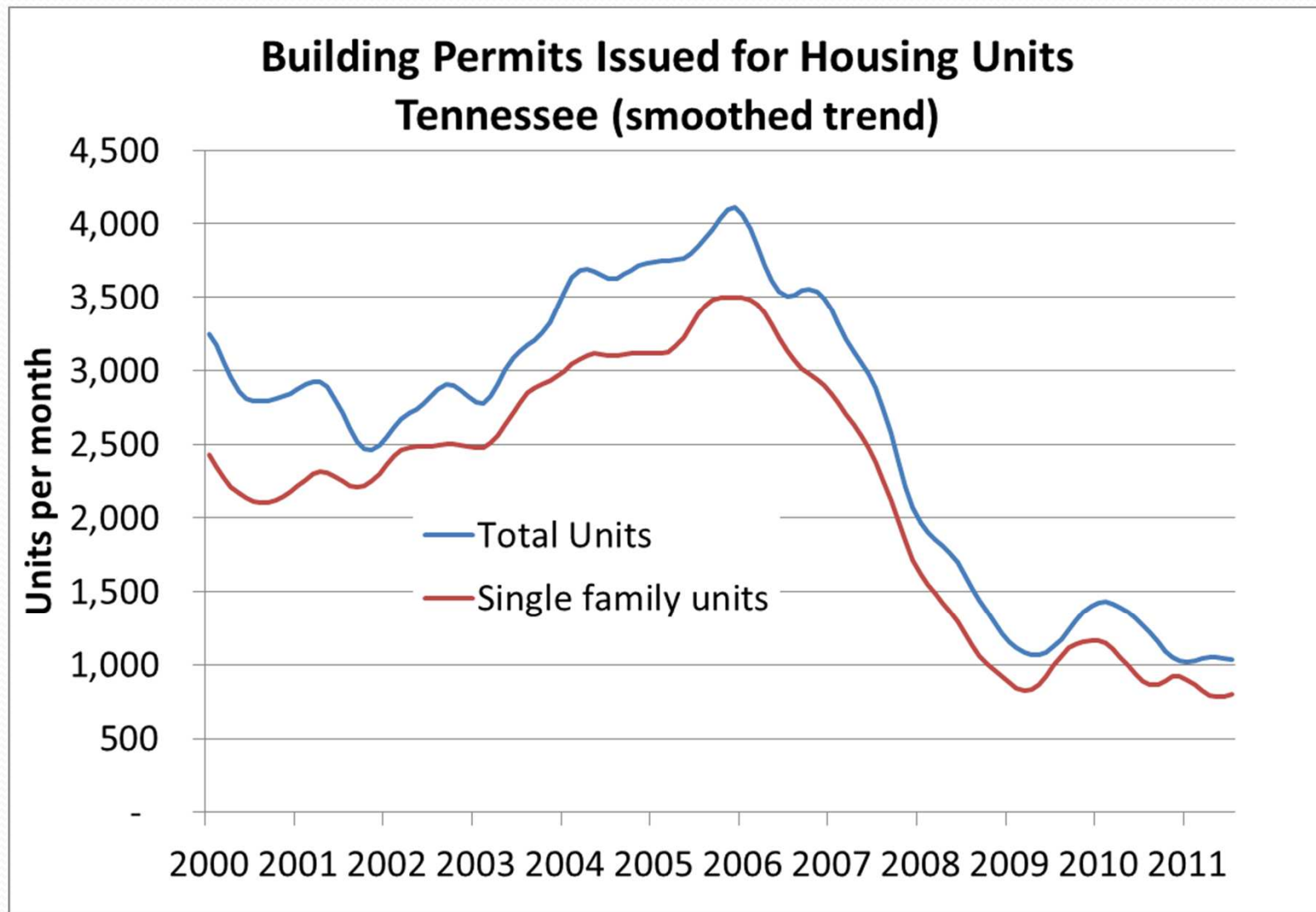
Housing construction Nashville MSA



Housing growth is concentrated



Housing construction Tennessee





Six Points to consider

- Manufacturing jobs relatively stable.
- Construction employment is growing
- Slow growth of health care employment a concern
- Income has recovered, wages and salaries are growing
- Housing still struggling
- Local growth will improve when the United States economy grows faster



Expectations for Nashville MSA

- Nonfarm employment: continued moderate growth
- Sales tax collections: continued growth
- Housing construction: mildly rising
- Unemployment rate: down slightly
- Nashville growth predicated on moderate growth for the U.S. economy