Status and Outlook for the Nashville Area Annual Economic Outlook Conference
September 27, 2013

David A Penn, Director and Associate Professor
Business and Economic Research Center
Jones College of Business
Middle Tennessee State University
David.Penn@mtsu.edu
www.mtsu.edu/BERC
Overview

- Nashville area performing very well
- Tennessee slowing a bit
- Trading partners weakening
- Policy may tighten too quickly
# Tennessee at a Glance

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year Ago</th>
<th>2nd Quarter</th>
<th>Year to Year % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonfarm Employment (thousand)</td>
<td>2,713,033</td>
<td>2,757,833</td>
<td>1.7</td>
</tr>
<tr>
<td>Labor Force (thousand)</td>
<td>3,111,554</td>
<td>3,128,041</td>
<td>0.5</td>
</tr>
<tr>
<td>Unemployed (thousand)</td>
<td>253,016</td>
<td>258,129</td>
<td>2.0</td>
</tr>
<tr>
<td>Unemployment Rate (percent)</td>
<td>8.1</td>
<td>8.3</td>
<td>0.2</td>
</tr>
<tr>
<td>State Sales Tax Collections (million $)</td>
<td>583,327</td>
<td>591,610</td>
<td>1.4</td>
</tr>
<tr>
<td>Single Family Unit Housing Permits</td>
<td>1,043</td>
<td>1,364</td>
<td>30.7</td>
</tr>
<tr>
<td>Total Housing Permits</td>
<td>1,511</td>
<td>1,994</td>
<td>32.0</td>
</tr>
</tbody>
</table>
Real earned income

- Growth rate accelerating since early 2012
Payroll employment growth (YTY 2nd QTR)
Manufacturing job growth 2nd QTR 2012-2013

Tennessee added 5,800 manufacturing jobs over the year
Initial claims for unemployment insurance

- Slowly falling
- Lowest level since 2007
Unemployment rate 2nd quarter
Tennessee unemployment rate

- Higher in 2013
Most of the counties with the lowest unemployment rates are in Middle Tennessee.
Nashville MSA

- Job creation booming
- Unemployment rate slow to improve
- Housing construction improving significantly
- Home price growth positive
- Consumer spending growing
- Most sectors adding jobs
# Nashville MSA at a Glance (2nd Quarter)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year Ago</th>
<th>2nd Quarter</th>
<th>Year to Year % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonfarm Employment (thousand)</td>
<td>783,900</td>
<td>813,767</td>
<td>3.8</td>
</tr>
<tr>
<td>Labor Force (thousand)</td>
<td>847,995</td>
<td>863,237</td>
<td>1.8</td>
</tr>
<tr>
<td>Unemployed (thousand)</td>
<td>56,957</td>
<td>57,601</td>
<td>1.1</td>
</tr>
<tr>
<td>Unemployment Rate (percent)</td>
<td>6.7</td>
<td>6.7</td>
<td>0.0</td>
</tr>
<tr>
<td>State Sales Tax Collections (million $)</td>
<td>451,434</td>
<td>466,095</td>
<td>3.2</td>
</tr>
<tr>
<td>Single Family Unit Housing Permits</td>
<td>1,229</td>
<td>1,787</td>
<td>45.4</td>
</tr>
<tr>
<td>Total Housing Permits</td>
<td>1,796</td>
<td>2,874</td>
<td>60.0</td>
</tr>
</tbody>
</table>
Nonfarm employment Nashville MSA

- Growth rate very strong
- Leveling out lately
Nashville Area Private Sector Job Growth
2012-2013 1st Quarter

<table>
<thead>
<tr>
<th>Area</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robertson County</td>
<td>12.3%</td>
</tr>
<tr>
<td>Maury County</td>
<td>11.5%</td>
</tr>
<tr>
<td>Dickson County</td>
<td>9.3%</td>
</tr>
<tr>
<td>Rutherford County</td>
<td>7.7%</td>
</tr>
<tr>
<td>Bedford County</td>
<td>5.9%</td>
</tr>
<tr>
<td>Williamson County</td>
<td>5.2%</td>
</tr>
<tr>
<td>Macon County</td>
<td>4.6%</td>
</tr>
<tr>
<td>Warren County</td>
<td>4.4%</td>
</tr>
<tr>
<td>Davidson County</td>
<td>3.5%</td>
</tr>
<tr>
<td>Sumner County</td>
<td>3.5%</td>
</tr>
<tr>
<td>Coffee County</td>
<td>3.0%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

Data: QCEW series, BLS
Fastest job growth in the U.S.

- Among the largest 334 counties in the U.S.
- Williamson also ranks high for wage growth

<table>
<thead>
<tr>
<th>County</th>
<th>Growth rate (%)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fort Bend, Texas</td>
<td>7.0</td>
<td>1</td>
</tr>
<tr>
<td>Midland, Texas</td>
<td>6.9</td>
<td>2</td>
</tr>
<tr>
<td>Elkhart, Ind.</td>
<td>6.0</td>
<td>3</td>
</tr>
<tr>
<td>Douglas, Colo.</td>
<td>5.6</td>
<td>4</td>
</tr>
<tr>
<td>Utah, Utah</td>
<td>5.5</td>
<td>5</td>
</tr>
<tr>
<td>Rutherford, Tenn.</td>
<td>5.3</td>
<td>6</td>
</tr>
<tr>
<td>Williamson, Tenn.</td>
<td>3.8</td>
<td>15</td>
</tr>
</tbody>
</table>

Data: QCEW series, BLS
Nashville Manufacturing Jobs

- Climbed rapidly out of the recession
- Gained 11,000 jobs since 2010
- Slower in 2013
- Pace should increase given recent job announcements
Nashville Job Growth by Industry

- Positives
  - More growing sectors than declining sectors
  - Manufacturing adding jobs
  - Big gains in professional services
  - Retail jobs growing
Nashville Job Growth by Industry

- Negatives
  - Financial sector employment falling again
  - Government employment down
Top job growth by industry 2\textsuperscript{nd} Quarter

- Professional and business services: 10.2%
- Manufacturing: 6.5%
- Leisure and hospitality: 5.9%
- Education and health services: 3.7%
- Construction, mining, and logging: 4.1%
Good offense, but…

Where do we rank?
Nashville’s ranking among largest MSAs 2nd quarter job growth

- Professional and business services: 10.2% (1st)
- Manufacturing: 6.5% (2nd)
- Leisure and hospitality: 5.9% (6th)
- Education and health services: 3.7% (6th)
- Construction, mining, and logging: 4.1% (12th)
# Ranking of Private Sector Job Growth in Large MSAs

<table>
<thead>
<tr>
<th>Metropolitan Area</th>
<th>Private Sector Growth Rate</th>
<th>Ranking</th>
<th>New Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nashville-Davidson--Murfreesboro--Franklin, TN</td>
<td>4.5%</td>
<td>1</td>
<td>30,333</td>
</tr>
<tr>
<td>Salt Lake City, UT</td>
<td>4.4%</td>
<td>2</td>
<td>23,433</td>
</tr>
<tr>
<td>Austin-Round Rock-San Marcos, TX</td>
<td>4.2%</td>
<td>3</td>
<td>27,633</td>
</tr>
<tr>
<td>Houston-Sugar Land-Baytown, TX</td>
<td>3.9%</td>
<td>4</td>
<td>89,500</td>
</tr>
<tr>
<td>Dallas-Fort Worth-Arlington, TX</td>
<td>3.8%</td>
<td>5</td>
<td>100,967</td>
</tr>
<tr>
<td>Tampa-St. Petersburg-Clearwater, FL</td>
<td>3.5%</td>
<td>6</td>
<td>35,467</td>
</tr>
<tr>
<td>Jacksonville, FL</td>
<td>3.3%</td>
<td>7</td>
<td>17,000</td>
</tr>
<tr>
<td>San Jose-Sunnyvale-Santa Clara, CA</td>
<td>3.2%</td>
<td>8</td>
<td>26,200</td>
</tr>
<tr>
<td>Denver-Aurora-Broomfield, CO</td>
<td>3.2%</td>
<td>9</td>
<td>33,600</td>
</tr>
<tr>
<td>Phoenix-Mesa-Glendale, AZ</td>
<td>2.9%</td>
<td>10</td>
<td>43,500</td>
</tr>
</tbody>
</table>

2nd quarter over the year growth rate among the metropolitan areas with payroll employment at least 500,000. Data from BLS CES series.
Beyond recovery

- Nashville nonfarm job growth has progressed well beyond recovery
- Now 47,000 jobs beyond the 2007 peak
Beyond recovery

Some sectors have **exceeded** pre-recession job levels:

- Trade, transportation, and utilities
- Financial activities
- Professional and business services
- Education and health services
- Leisure and hospitality
Unemployment rate

Even with all this job creation, the unemployment rate is very stubborn.
Nashville unemployment rate

- Little change over the year
- Higher since January
Nashville unemployment rate

• Both employment and the labor force are growing
• But labor force is growing faster
• Job seekers are entering the labor force at a pace faster than job creation
Labor force participation

Participation plunged in 2010

Rising since 2010

Percent of population 16 years and older. Nashville MSA. Data from the American Community Survey.
Labor force changes

Up for young adults and older workers

Down for teenagers and middle age workers

Change in participation rate 2007-2012

Nashville MSA. Data from the American Community Survey.
Unemployment rates by age

Nashville MSA. Data from the American Community Survey.
Consumer spending mostly strong

- Sales tax collections 2\textsuperscript{nd} quarter (yty)
  - Nashville: +4.7%
  - Memphis: +5.0
  - Chattanooga: -1.1
  - Knoxville: +3.4
  - Tennessee: +3.9
State sales tax collections

- Growing but at a slower pace

Data: Tennessee Department of Revenue and BERC. Nashville MSA.
Single family home construction
Nashville MSA

- Growth accelerating
- Pace of single-family home construction activity has doubled since 2009
Household formation

Population growth

Household size

Household growth
Population and household growth 2007-2012

Data: American Community Survey
Households

- Household size increased during the recession
- 31,500 households were created 2007-2012 in the Nashville MSA
- An additional 7,513 households could have been created had household size remained constant (excluding children)
- This represents 24% potential growth
Households

- Why the increase in household size?
- National data (Tim Dunne, Cleveland FRB)
  - Young adults (18-34 yrs) are forming fewer households; account for \( \frac{3}{4} \) of the decline in household formation
- Related to economic conditions
  - Unemployment
  - Tougher lending standards
Nashville single-family sales and inventory

- Sales climbing
- Inventory lower
- 4.7 months supply

Data: Greater Nashville Association of Realtors and BERC
## Area home sales

<table>
<thead>
<tr>
<th>Single family home sales second quarter</th>
<th>2012</th>
<th>2013</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Davidson</td>
<td>3,382</td>
<td>4,091</td>
<td>21.0%</td>
</tr>
<tr>
<td>Rutherford</td>
<td>1,768</td>
<td>2,204</td>
<td>24.7%</td>
</tr>
<tr>
<td>Williamson</td>
<td>1,656</td>
<td>2,149</td>
<td>29.8%</td>
</tr>
<tr>
<td>Wilson</td>
<td>840</td>
<td>1,090</td>
<td>29.8%</td>
</tr>
</tbody>
</table>

Source: Greater Nashville Association of Realtors
Past due mortgages and foreclosures (Tennessee)

- Past due drifting lower
- Foreclosures falling more quickly
- Both remain elevated

Data: Mortgage Bankers Association and BERC
Housing prices

- Prices on the rise, up 3.4% over the year (2nd quarter)

Data: HPI Index for Nashville. www FHFA.gov
Housing prices

- Acceleration is conceivable.
- Prices could approach recovery level next year, rising 4.7%.
Going Forward 12 Months

- Nashville economy
  - Job growth 3.5% over the year
  - Unemployment rate 6.1% (6.8% now).
  - Home prices continue rising, could accelerate
  - Construction growth continues
  - Manufacturing continues to grow
  - Fiscal battle not helpful
And now a word about economic data...

Do you have trouble finding the data you need about Tennessee’s economy?
Are you green with envy?
Feeling defensive?
Has someone interrupted your pina colada?
Don’t be green with envy

Don’t get interrupted

Don’t be defensive
TACIR economic recovery website
http://www.mtsu.edu/berc