Expectations for the Middle Tennessee Economy
Middle Tennessee Industrial Development Association
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National Economic Conditions

- GDP growing, but needs to grow more quickly
- Employment increasing moderately
- Unemployment rate falling, but...
- Household balance sheet repairs improving
- Housing showing real improvement
Concerns

- U.S. trading partners weakening
  - Euro zone very weak
  - China slowing down
  - Export growth is weakening
- Policy may tighten too quickly
  - Inflation not remotely an issue
  - Deficit falling rapidly
  - Sequester managed, but could have been avoided
Growth of GDP

- GDP growth somewhat lower than pre-recession
- Problem: climbing out of a big hole
Shares of growth before and after the recession

- Household spending (↓)
- Investment spending
  - Equipment and software (↑)
  - Housing construction (↑)
- Exports (↑)
- Government spending (↓)
U.S. unemployment rate

- 7.6% June 2013
- Still elevated
- Down just 0.6 points from one year ago
- Does not include discouraged workers
Inflation (CPI)

- 1.4% in May
- No evidence of sustained inflation
- Gives monetary policy some wiggle room
Inflation since 2008 due to oil price fluctuations
Balance Sheet Recession

- Net worth continues to repair, but still lower than 2007 peak after inflation
- Could reach recovery within 18 months
Household debt service

- 10.5% of disposable income
- At a 30-year low
New vehicle sales

- Sales climbed above 15 million vehicles in 2012
- Still lower than pre-recession levels
- But growth rate is impressive
Housing construction

- Single family permits on the rise since 2011
Monthly supply of new homes

- Just 4 months supply on-hand.
- Explains rising housing construction and firming prices
Home Prices

- Rising from the low in 2011
US payroll employment

- Employers are hiring at about the same pace as pre-recession
- But climbing out of a big hole
3.1 unemployed per job opening at present
- Down from 6.5 during the recession
- But much higher than 1.8 before the recession
- Not enough jobs to go around
What does the U.S. economy need?

- **Demand**
  - #1 constraint on business hiring: lack of demand for goods and services
- **Stable fiscal policy**
  - Sequester cuts are undermining the recovery
  - Tax hike earlier this year also not helpful
- **More certainty about health care costs**
  - Lots of speculation about hiring plans
## Tennessee at a Glance (June 2012)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year Ago</th>
<th>This Month</th>
<th>Year to Year % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonfarm Employment (thousand)</td>
<td>2,707,900</td>
<td>2,749,800</td>
<td>1.5</td>
</tr>
<tr>
<td>Labor Force (thousand)</td>
<td>3,151,840</td>
<td>3,143,344</td>
<td>-0.3</td>
</tr>
<tr>
<td>Unemployed (thousand)</td>
<td>271,623</td>
<td>277,533</td>
<td>2.2</td>
</tr>
<tr>
<td>Unemployment Rate (percent)</td>
<td>8.6</td>
<td>8.8</td>
<td>0.2</td>
</tr>
<tr>
<td>State Sales Tax Collections (million $)</td>
<td>589,616.3</td>
<td>596,579.7</td>
<td>1.2</td>
</tr>
<tr>
<td>Single Family Unit Housing Permits</td>
<td>1,191</td>
<td>1,752</td>
<td>47.1</td>
</tr>
<tr>
<td>Total Housing Permits</td>
<td>1,722</td>
<td>2,486</td>
<td>44.4</td>
</tr>
</tbody>
</table>

Middle Tennessee State University BERC
Growth of real earned income

- Purchasing power of income growth
- Accelerating since early 2012
Tennessee unemployment rate

- Rise this year difficult to explain
Unemployment rate June 2013

Middle Tennessee State University BERC
Payroll employment growth (YTY 2nd QTR)
Manufacturing job growth 2\textsuperscript{nd} QTR 2012-2013

Tennessee added 5,900 manufacturing jobs over the year

Middle Tennessee State University BERC
Middle Tennessee unemployment rates
May 2013
Private sector employment growth rate
Dec 2011-Dec 2012
## Middle Tennessee Job Growth

<table>
<thead>
<tr>
<th>Area</th>
<th>New Jobs</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Davidson County</td>
<td>15,711</td>
<td>4.2</td>
</tr>
<tr>
<td>Rutherford County</td>
<td>7,780</td>
<td>8.5</td>
</tr>
<tr>
<td>Williamson County</td>
<td>5,627</td>
<td>6.2</td>
</tr>
<tr>
<td>Sumner County</td>
<td>3,081</td>
<td>8.1</td>
</tr>
<tr>
<td>Robertson County</td>
<td>1,242</td>
<td>8.5</td>
</tr>
<tr>
<td>Coffee County</td>
<td>1,164</td>
<td>5.6</td>
</tr>
<tr>
<td>Maury County</td>
<td>1,081</td>
<td>4.9</td>
</tr>
<tr>
<td>Wilson County</td>
<td>933</td>
<td>3.0</td>
</tr>
<tr>
<td>Montgomery County</td>
<td>910</td>
<td>2.4</td>
</tr>
<tr>
<td>Bedford County</td>
<td>776</td>
<td>5.1</td>
</tr>
<tr>
<td>Warren County</td>
<td>517</td>
<td>5.0</td>
</tr>
<tr>
<td>Middle Tennessee</td>
<td>41,230</td>
<td>4.8</td>
</tr>
<tr>
<td>Tennessee</td>
<td>59,559</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Fastest job growth in the U.S.

- Among the 329 largest counties in the U.S.
- Davidson, Williamson rank high for wage growth

<table>
<thead>
<tr>
<th>County</th>
<th>Percent increase in employment Dec 2011-2012</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elkhart, IN</td>
<td>7.4</td>
<td>1</td>
</tr>
<tr>
<td>Lexington, SC</td>
<td>6.9</td>
<td>2</td>
</tr>
<tr>
<td><strong>Rutherford, TN</strong></td>
<td><strong>6.4</strong></td>
<td><strong>3</strong></td>
</tr>
<tr>
<td>Utah, UT</td>
<td>6.0</td>
<td>4</td>
</tr>
<tr>
<td>Montgomery, TX</td>
<td>5.7</td>
<td>5</td>
</tr>
<tr>
<td>Williamson, TN</td>
<td>4.0</td>
<td>17</td>
</tr>
<tr>
<td>Davidson, TN</td>
<td>3.0</td>
<td>52</td>
</tr>
</tbody>
</table>

Source: BLS QCEW series

Middle Tennessee State University BERC
Nashville MSA

- Job creation booming
- Unemployment rate slow to improve
- Housing construction improving significantly
- Home price growth positive
- Consumer spending growth positive but slowing
- Most sectors adding jobs
## Nashville MSA at a Glance (May 2012)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year Ago</th>
<th>This Month</th>
<th>Year to Year % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonfarm Employment (thousand)</td>
<td>783,500</td>
<td>812,400</td>
<td>3.7</td>
</tr>
<tr>
<td>Labor Force (thousand)</td>
<td>847,729</td>
<td>863,942</td>
<td>1.9</td>
</tr>
<tr>
<td>Unemployed (thousand)</td>
<td>57,198</td>
<td>59,070</td>
<td>3.3</td>
</tr>
<tr>
<td>Unemployment Rate (percent)</td>
<td>6.7</td>
<td>6.8</td>
<td>0.1</td>
</tr>
<tr>
<td>State Sales Tax Collections (million $)</td>
<td>149,612</td>
<td>156,588</td>
<td>4.7</td>
</tr>
<tr>
<td>Single Family Unit Housing Permits</td>
<td>433</td>
<td>573</td>
<td>32.3</td>
</tr>
<tr>
<td>Total Housing Permits</td>
<td>872</td>
<td>968</td>
<td>11.0</td>
</tr>
</tbody>
</table>
Nonfarm employment Nashville MSA

- Growth rate very strong
- Leveling out lately
## Ranking of Job Growth in Largest MSAs

<table>
<thead>
<tr>
<th>Metropolitan Area</th>
<th>Job Growth Rate</th>
<th>Ranking</th>
<th>New Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin-Round Rock-San Marcos, TX</td>
<td>4.15%</td>
<td>1</td>
<td>27,117</td>
</tr>
<tr>
<td>Salt Lake City, UT</td>
<td>4.14%</td>
<td>2</td>
<td>22,200</td>
</tr>
<tr>
<td><strong>Nashville-Davidson--Murfreesboro--Franklin, TN</strong></td>
<td><strong>4.06%</strong></td>
<td><strong>3</strong></td>
<td><strong>27,633</strong></td>
</tr>
<tr>
<td>Dallas-Fort Worth-Arlington, TX</td>
<td>3.55%</td>
<td>4</td>
<td>93,150</td>
</tr>
<tr>
<td>Tampa-St. Petersburg-Clearwater, FL</td>
<td>3.52%</td>
<td>5</td>
<td>35,317</td>
</tr>
<tr>
<td>Houston-Sugar Land-Baytown, TX</td>
<td>3.45%</td>
<td>6</td>
<td>80,067</td>
</tr>
<tr>
<td>Jacksonville, FL</td>
<td>3.20%</td>
<td>7</td>
<td>16,633</td>
</tr>
<tr>
<td>Phoenix-Mesa-Glendale, AZ</td>
<td>2.88%</td>
<td>8</td>
<td>43,800</td>
</tr>
<tr>
<td>San Jose-Sunnyvale-Santa Clara, CA</td>
<td>2.85%</td>
<td>9</td>
<td>23,050</td>
</tr>
<tr>
<td>Louisville-Jefferson County, KY-IN</td>
<td>2.54%</td>
<td>10</td>
<td>13,417</td>
</tr>
</tbody>
</table>

2nd quarter over the year growth rate among the 55 largest employing metropolitan areas.
Initial Employment Data

- Modest growth
- Dec 2012:
  - 12,700 new jobs over the year
  - 1.7% growth
Employment after revision

- **Rapid growth!**
- **Dec 2012:**
  - 30,800 new jobs
  - 3.9% growth
Nashville Job Growth by Industry

- Positives
  - More growing sectors than declining sectors
  - Manufacturing adding jobs very quickly
  - Big gains in professional services
  - Retail jobs growing
  - Government improving to neutral
Nashville Job Growth by Industry

- Negatives
  - Information losing jobs
  - Financial sector employment losing again
## Nashville MSA Job Growth by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>2012 May</th>
<th>2012 Sep</th>
<th>2013 Jan</th>
<th>2013 May</th>
<th>Job Growth (1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Nonfarm</td>
<td>4.1</td>
<td>3.6</td>
<td>3.8</td>
<td>3.7</td>
<td>29.0</td>
</tr>
<tr>
<td>Mining, Logging, and Construction</td>
<td>1.3</td>
<td>-0.6</td>
<td>-1.0</td>
<td>5.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6.4</td>
<td>8.9</td>
<td>9.5</td>
<td>6.5</td>
<td>4.3</td>
</tr>
<tr>
<td>Durable Goods</td>
<td>11.0</td>
<td>13.1</td>
<td>13.9</td>
<td>9.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Non-Durable Goods</td>
<td>-2.3</td>
<td>0.5</td>
<td>0.5</td>
<td>1.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>4.6</td>
<td>5.1</td>
<td>2.7</td>
<td>1.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>2.1</td>
<td>1.9</td>
<td>5.4</td>
<td>2.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Transportation and Utilities</td>
<td>8.8</td>
<td>10.9</td>
<td>7.1</td>
<td>4.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Information</td>
<td>9.4</td>
<td>4.2</td>
<td>2.0</td>
<td>-2.9</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>2.1</td>
<td>2.1</td>
<td>0.6</td>
<td>-0.8</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>7.5</td>
<td>6.5</td>
<td>8.6</td>
<td>10.5</td>
<td>11.8</td>
</tr>
<tr>
<td>Education and Health Services</td>
<td>3.2</td>
<td>2.9</td>
<td>2.5</td>
<td>3.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>7.3</td>
<td>4.7</td>
<td>2.8</td>
<td>4.9</td>
<td>4.2</td>
</tr>
<tr>
<td>Other Services</td>
<td>2.2</td>
<td>1.9</td>
<td>0.6</td>
<td>-1.2</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Government</td>
<td>-0.7</td>
<td>-1.7</td>
<td>-0.1</td>
<td>0.0</td>
<td>-</td>
</tr>
</tbody>
</table>

Over the year percent change

Middle Tennessee State University BERC
Nashville unemployment rate

- Steadily lower over time
- Higher since January

Middle Tennessee State University BERC
Consumer spending mostly strong

- Sales tax collections for May 2013 (yty)
  - Nashville: +4.7%
  - Memphis: +5.0
  - Chattanooga: -1.1
  - Knoxville: +3.4
  - Tennessee: +3.9
Single family home construction Nashville MSA

- Accelerating growth rate
- Level remains low, but growing fast
Tennessee home prices 2013Q1

- Tennessee: 0.9% higher over the year
- Nashville MSA: 2.6% higher
- United States: 2.0% higher
Going Forward 12 Months

• Nashville economy
  • Job growth 3.5% over the year
  • Unemployment rate 6.1% (6.8% now).
  • Home prices rising, could accelerate
  • Construction growth continues
  • Manufacturing continues to grow
Summary

- Middle Tennessee and the Nashville MSA are experiencing solid growth
  - Payroll employment
  - Housing construction
  - Taxable sales
Headwinds

- Export markets (especially China)
- Payroll growth
- Willingness to take on more debt
- Congress
Business and Economic Research Center

- [www.mtsu.edu/berc](http://www.mtsu.edu/berc)
- TACIR economic recovery website
  - [www.mtsu.edu/berc/tacir/tacir.html](http://www.mtsu.edu/berc/tacir/tacir.html)