

NashvilleMSAtoday

First Quarter 2004 ■ Nashville Economic Performance Index ■ Partnership 2010

Nashville and Its Peers



Five MSAs showed a drop in both enplanements and deplanements from the previous quarter. Nashville's enplanements fell 7.6 percent compared with the MSA average decline of 0.5 percent. Similarly, Nashville's deplanements declined by 9.3 percent compared with a peer average decline of 0.5 percent.

The best performers in the air transportation component for the first quarter are Orlando, Tampa, and Dallas. The worst performers in this category are Denver, Nashville, and Columbus.

Ranking Summary

The overall ranking and detailed rankings for the first quarter are summarized in Table 2.

MSA	Overall Ranking	Category Ranking			
		Employment by Industry	Labor Force and Unemployment	Housing Construction and Home Prices	Transportation by Air
Tampa, FL	1	5	4	3	2
Orlando, FL	2	4	3	5	1
Jacksonville, FL	3	1	2	1	5
Raleigh-Durham, NC	4	2	7	7	4
Atlanta, GA	5	3	6	8	6
Nashville, TN	6	7	1	2	11
Charlotte, NC	7	8	8	6	7
Dallas, TX	8	6	9	12	3
Birmingham, AL	9	9	10	4	8
Louisville, KY	10	10	5	9	9
Denver, CO	11	12	11	11	12
Columbus, OH	12	11	12	10	10

Outlook

National nonfarm and manufacturing have slowly but steadily increased since January 2004, a good sign for the Nashville manufacturing sector. Strength in financial activity, transportation and utilities, and education and health services along with a significant jump in new housing construction permits is likely to boost employment for other sectors in the short run.

Nashville's weakness in the professional and business services sector is contrary to trends both nationally and for the peer MSAs. Since jobs in this sector pay well, these losses create cause for concern. Some of the lost jobs might be the result of cost-cutting pressures and business consolidations.

Methodology

We identified 17 indicators for each MSA and organized them into four categories: employment by industry (11 indicators), labor force and unemployment (two indicators), housing construction and housing prices (two indicators), and air transportation (two indicators). Each indicator contributes equally to the calculation of the category score.

Growth from the previous quarter was compared to the MSA average growth for each indicator. A performance score was calculated ranging from zero to one. The score for each of the four categories is the average of the scores for all variables in that category. The overall Growth Performance Index is the average of the four category scores. The higher the Growth Performance Index, the higher the rank for an MSA.

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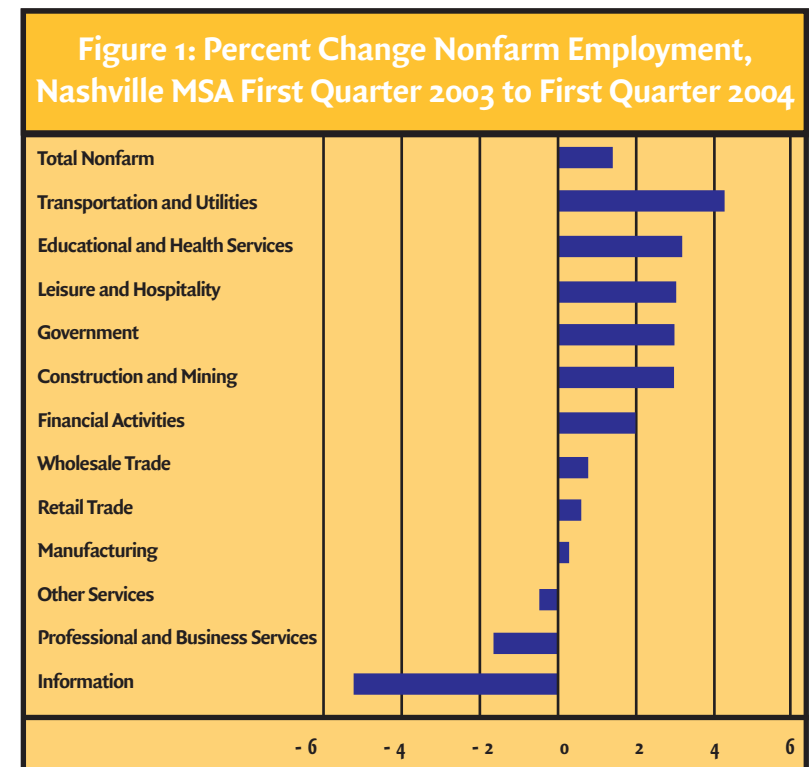
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Nashville MSA Current Performance

Economic indicators for the first quarter (2004) are mostly positive for the Nashville MSA compared with the first quarter of 2003.

Total nonfarm employment is 1.4 percent higher, a gain of 9,300 jobs (Figures 1 & 2). Several sectors generated employment gains of 2.0 percent or greater, and manufacturing posted a small increase. Not all sectors did well, however; both professional and business services and information lost jobs from one year ago.

Other positive signs abound for the Nashville MSA. Permits for new home construction jumped 44 percent from the fourth quarter of 2003 and 64 percent from the first quarter of 2003. The unemployment rate is down a little over half a percent and the labor force shows increasing strength. Initial claims for unemployment insurance declined 28 percent from the first quarter of 2003, suggesting downward pressure on the unemployment rate in coming months. Home sales rose 19.9 percent from the first quarter of 2003.



Growth Performance Index

The Growth Performance Index compares the current economic performance of the Nashville MSA with that of eleven peer MSAs. The index is composed of seventeen indicators in four categories: employment by industry, labor force, real estate and housing, and air transportation. The index provides an objective, verifiable method of assessing the current economic vitality of the Nashville MSA relative to its peers. Data for the most recent quarter include some preliminary data from Bureau of Labor Statistics (BLS). The BLS revisions of previously released employment and unemployment data are reflected in our rankings for the previous quarter, resulting in a slight difference in rankings from our previous report.

Nashville's overall first quarter economic performance ranks sixth among the peer MSAs, up from seventh in the fourth quarter. Nashville ranks lower than Atlanta but higher than Charlotte (Table 1). (SEE PAGE 2)

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Focus on employment by industry

The employment by industry component of the Growth Performance Index measures the degree of diversified employment growth: an MSA with modest employment growth in a variety of sectors will score higher than an MSA that experiences rapid growth in just one or two sectors.

The Nashville MSA ranks seventh in this category, the same as its ranking in the fourth quarter (Table 2). Nashville payroll employment grew faster than the peer average in just four of thirteen sectors: government; education and health services; transportation and utilities; and financial activities. All peer cities lost manufacturing jobs from the fourth quarter but the decline in manufacturing employment in Nashville was significantly lower than the peer average.

All MSAs experienced job losses from the fourth quarter, likely due to typical seasonal employment patterns. Some MSAs lost more jobs than others, however. Jacksonville experienced the smallest job loss, down 0.1 percent in the first quarter. Tampa, Orlando, Raleigh, and Atlanta declined slightly, down less than 1 percent from the fourth quarter. Dallas, Nashville, Birmingham, and Charlotte are the next best performers, declining between 1.1 percent and 1.4 percent. Louisville, Denver, and Columbus all declined by 1.7 percent or more.

Focus on labor force and unemployment

The labor force and unemployment component of the Growth Performance Index measures the overall strength of the labor market. It consists of two sub-components: quarterly labor force growth and the quarterly change in the unemployment rate. A growing labor force combined with a falling unemployment rate indicates improving labor market conditions for both unemployed jobseekers and those looking for better jobs.

Labor force is a contemporaneous indicator of economic conditions. By contrast, the unemployment rate is considered a lagging economic indicator; it shows where the local economy has been, but it is not a good indicator of where the economy is going in the future.

Nashville's performance in this component of the Growth Performance Index improved significantly, increasing from eleventh place last quarter to first place. Relatively good performance of both labor force and the unemployment rate

Figure 2: Nonfarm Employment, Nashville MSA (in Thousands) First Quarter 2000 to 2004

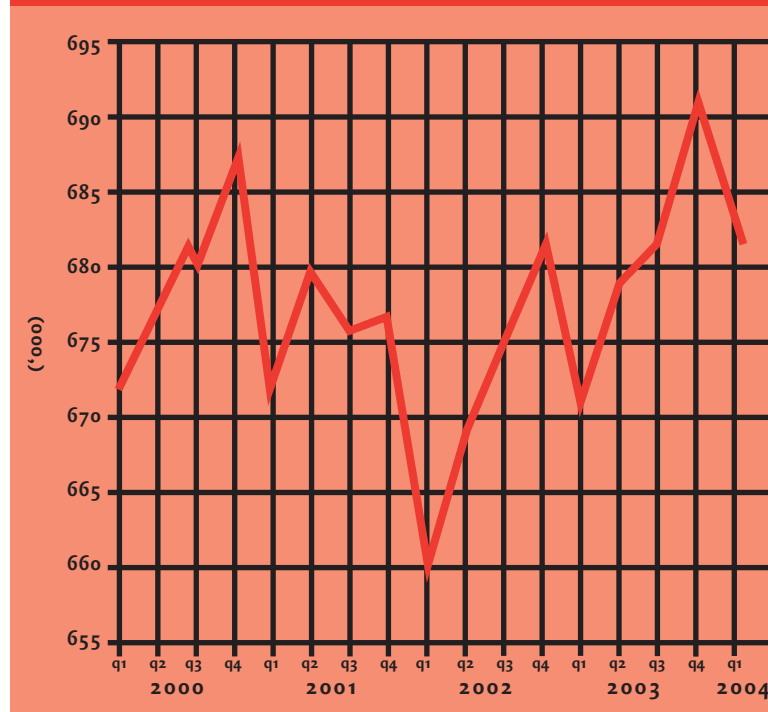


Table 1: Overall Growth Performance Ranking

MSA	First Quarter	Previous Quarter
Tampa, FL	1	5
Orlando, FL	2	2
Jacksonville, FL	3	1
Raleigh-Durham, NC	4	6
Atlanta, GA	5	8
Nashville, TN	6	7
Charlotte, NC	7	9
Dallas, TX	8	11
Birmingham, AL	9	4
Louisville, KY	10	12
Denver, CO	11	3
Columbus, OH	12	10

Figure 3: Growth of Nonfarm Employment 4th Quarter 2003-1st Quarter 2004

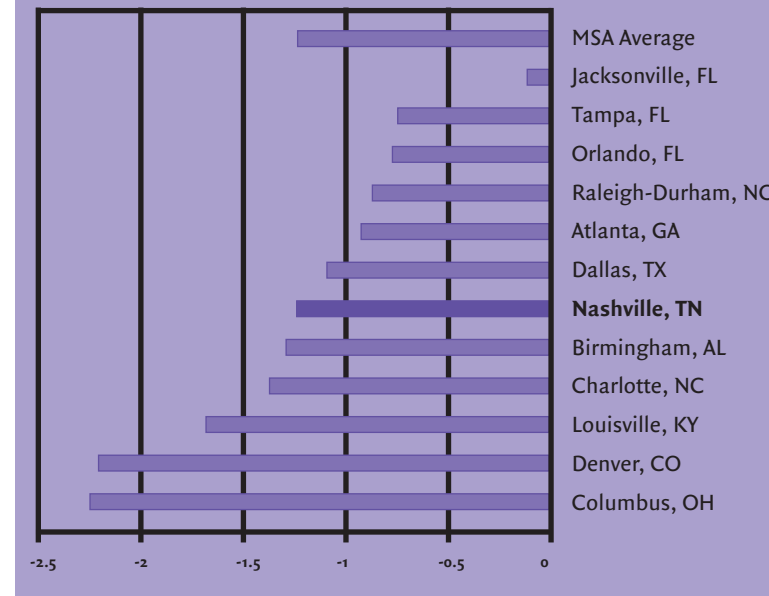
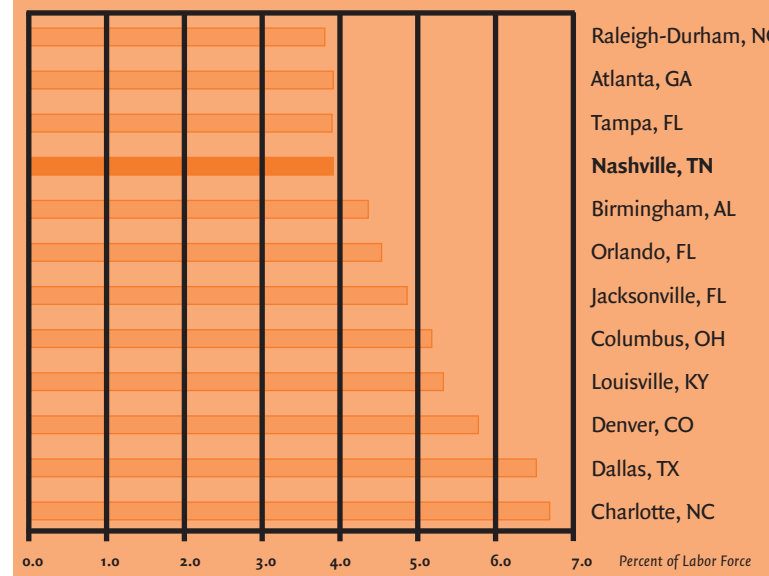


Figure 4: Unemployment Rate 1st Quarter 2004



contributed to Nashville's improvement in the ranking. Nashville's labor force declined by 0.8 percent from the fourth quarter, smaller than the peer MSA average decline of 1.1 percent. The performance of the unemployment rate, however, is the big difference between Nashville and the peer MSAs: Nashville had the largest decline in the unemployment rate, falling from 4.6 percent in the fourth quarter to 4.0 percent in the first quarter. The combined effect of better than peer average performance in labor force and unemployment rate moved Nashville to first place.

After Nashville other top performers are, Jacksonville and Orlando. Jacksonville experienced a slight increase (0.1 percent) in the unemployment rate along with a 0.1 percent increase in the labor force, while Orlando benefited from a smaller than average drop in the labor force and a larger than average decline in the unemployment rate.

Figure 4 shows the first quarter (2004) unemployment rate for the peer MSAs. The unemployment rate is highest in Charlotte, Dallas, Denver, and Louisville and lowest in Raleigh, Atlanta, Tampa, and Nashville. Nashville's unemployment rate ranks fourth lowest of the 12 MSAs.

Focus on housing construction and home prices

The housing construction and home prices component of the Growth Performance Index consists of two parts: the quarterly growth rate of total housing permits and the quarterly growth rate of housing prices. Rising home prices and construction activity are signs of robust local economic activity.

The Nashville MSA ranked second in this category for the first quarter, up five places from the fourth quarter. As reported by the Census Bureau, permit-authorized construction declined in the first quarter for five of the twelve MSAs. Nashville's permit-authorized housing construction rose by 44.2 per-

cent, much larger than the peer average growth of 7.5 percent. Housing prices in Nashville, however, were up just 1.6 percent, lower than the peer average increase of 2.1 percent.

Focus on air transportation

The air transportation component of the Growth Performance Index consists of two sub-components: quarterly growth rates of passenger enplanements and passenger deplanements. Growth of passenger activity can signal increased demand for local goods and services, especially in the leisure and hospitality sectors. Comparable air passenger data are only available with a one-quarter lag; therefore, this component of the index measures activity from the third quarter to the fourth quarter of 2003.