

Overview of economic activity over the year  
(May-July 2008 compared with May-July 2007)

*Nonfarm employment growth is weakening*

Nashville MSA:	+0.8%
Tennessee:	-0.4%
U.S.	+0.0%

*Unemployment rate is rising rapidly*

Nashville MSA:	+1.8 points (to 5.6%)
Tennessee:	+2.1 points (to 6.6%)
U.S.	+1.0 points (to 5.6%)

*Housing construction in freefall (single-family)*

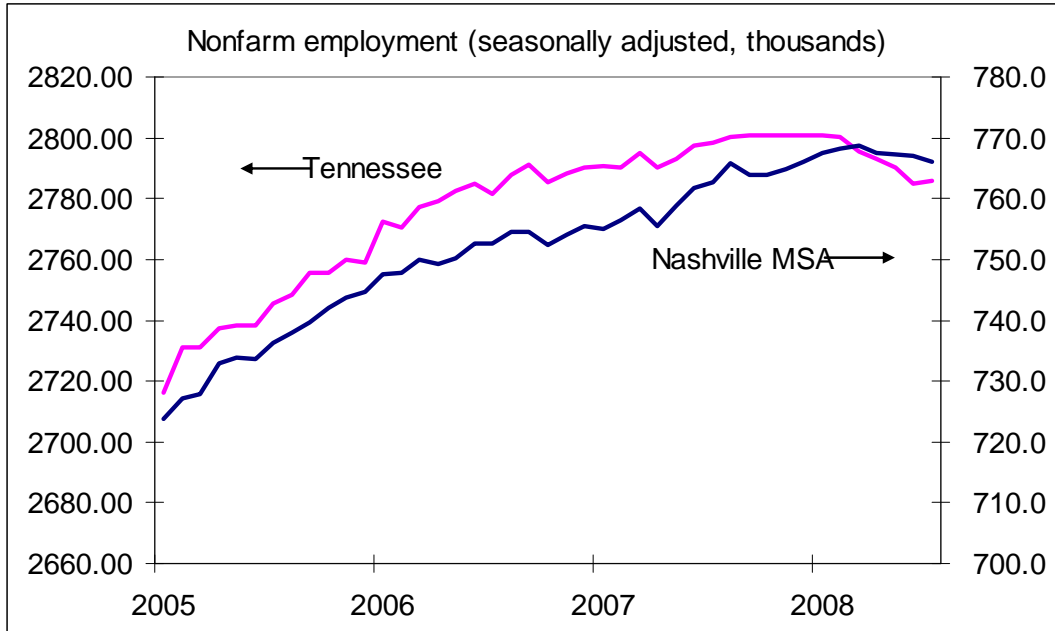
Nashville MSA:	-54.9%
Tennessee:	-45.1%
U.S.	-40.4%

*Retail sales are slipping*

Nashville MSA:	-1.3%
Tennessee:	-0.6%
U.S.	+2.4%

*Economic activity weakened substantially in the Nashville MSA, with some indicators turning negative early in the year. Conditions in the rest of Tennessee are more negative than for the Nashville MSA.*

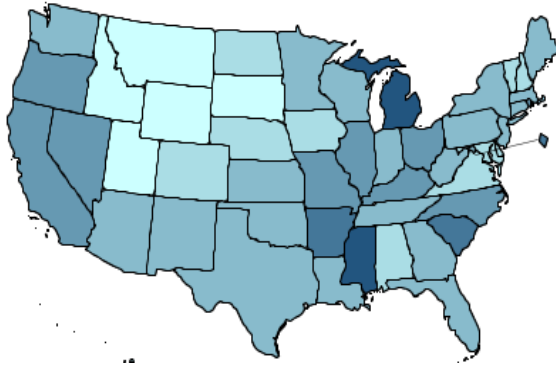
## Nonfarm employment



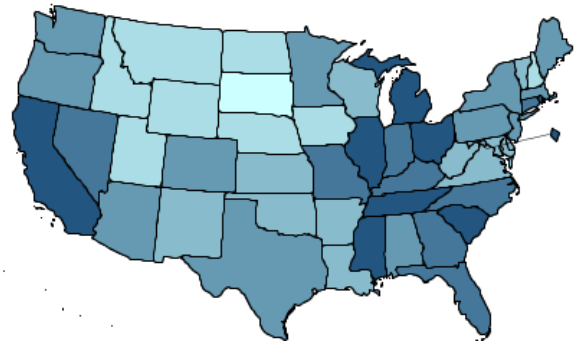
- Year to year comparisons mask the turning points.
- Nonfarm employment peaked in January for Tennessee and March for Nashville.
- From January to July, Tennessee lost 15,000 total payroll jobs and Nashville MSA lost 1,000.
- Annualized growth for total nonfarm jobs is -1.1% for Tennessee and -0.3% for Nashville MSA (January to July).
- Excluding government, job losses grow: private sector jobs losses are 16,600 (-1.4%) for Tennessee and 2,100 (-0.6%) for Nashville MSA (January to July).
- In the most recent previous downturns (1990 and 2001), the employment contraction averaged 12 months for Nashville MSA and 14 months for Tennessee.
- Major sectors responsible for the jobs losses are manufacturing, construction, transportation and utilities, educational and health services, and financial activities.
- Manufacturing job losses continue a several year trend; losses in construction and educational and health services are very new.
- Only two sectors show gains from January: information, and professional and business services.

## Unemployment Rates

July 2007

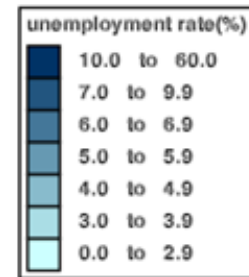
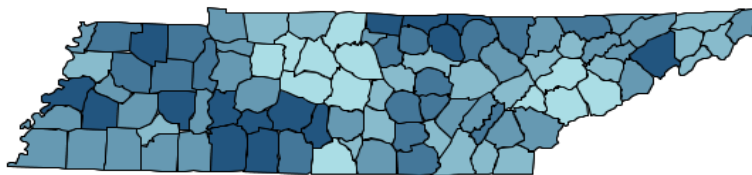


July 2008

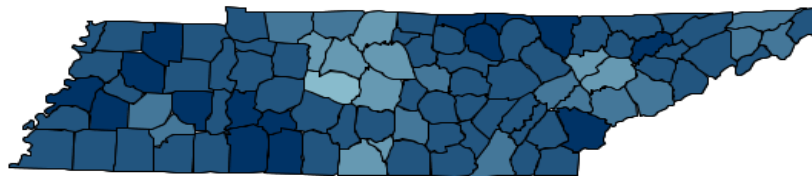


Source for charts: Bureau of Labor Statistics

July 2007



July 2008



- Increased unemployment mostly concentrated in states associated with the housing bubble and those with a concentration in auto manufacturing.
- Plains and resource-based states are affected much less.
- Much of Tennessee is now experiencing significantly higher unemployment rates
- Nashville MSA, along with Knox, Anderson, Lincoln and Moore counties, are exceptions.

Unemployment rates for Midstate counties (July)

	2007	2008		2007	2008
<b>Bedford County</b>	5.3	7.1	<b>Maury County</b>	9.4	8.0
<b>Cannon County</b>	4.9	7.5	<b>Montgomery County</b>	4.5	6.9
<b>Cheatham County</b>	3.5	5.3	<b>Moore County</b>	4.0	5.9
<b>Clay County</b>	8.7	11.0	<b>Overton County</b>	8.1	10.2
<b>Coffee County</b>	4.3	6.2	<b>Perry County</b>	8.9	20.3
<b>Cumberland County</b>	4.9	8.1	<b>Pickett County</b>	7.5	10.7
<b>Davidson County</b>	3.6	5.5	<b>Putnam County</b>	4.6	7.1
<b>Dekalb County</b>	4.5	6.2	<b>Robertson County</b>	4.7	6.9
<b>Dickson County</b>	3.7	7.2	<b>Rutherford County</b>	3.6	5.9
<b>Fentress County</b>	6.4	9.7	<b>Smith County</b>	6.1	7.8
<b>Franklin County</b>	5.1	7.1	<b>Stewart County</b>	5.7	8.6
<b>Giles County</b>	6.4	8.7	<b>Sumner County</b>	3.8	5.9
<b>Grundy County</b>	6.4	8.8	<b>Trousdale County</b>	5.1	7.8
<b>Hickman County</b>	5.1	8.5	<b>Van Buren County</b>	6.5	8.1
<b>Houston County</b>	5.8	9.1	<b>Warren County</b>	6.5	8.5
<b>Humphreys County</b>	5.5	8.8	<b>Wayne County</b>	7.8	10.7
<b>Jackson County</b>	6.7	9.0	<b>White County</b>	6.0	8.4
<b>Lawrence County</b>	8.8	10.5	<b>Williamson County</b>	3.8	4.6
<b>Lewis County</b>	8.2	10.8	<b>Wilson County</b>	3.9	5.9
<b>Lincoln County</b>	3.3	5.0	<b>Nashville MSA</b>	3.8	5.8
<b>Macon County</b>	7.0	8.7	<b>Tennessee</b>	4.7	7.0
<b>Marshall County</b>	8.4	8.7	<b>United States</b>	4.7	5.7

Source: Bureau of Labor Statistics

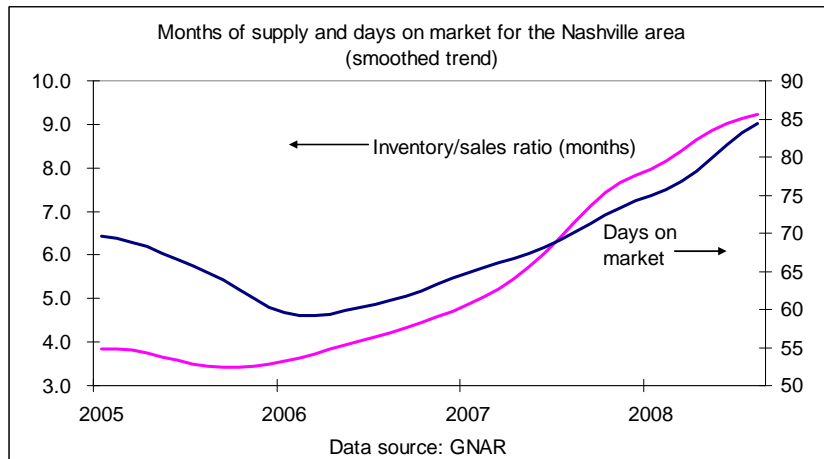
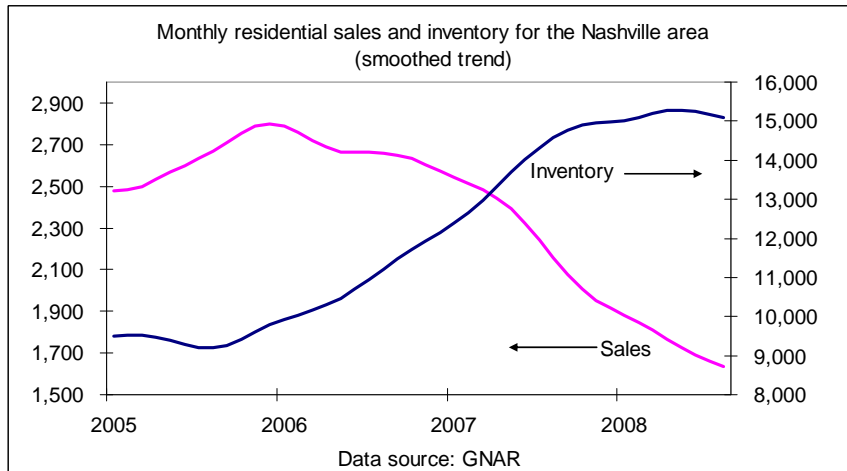
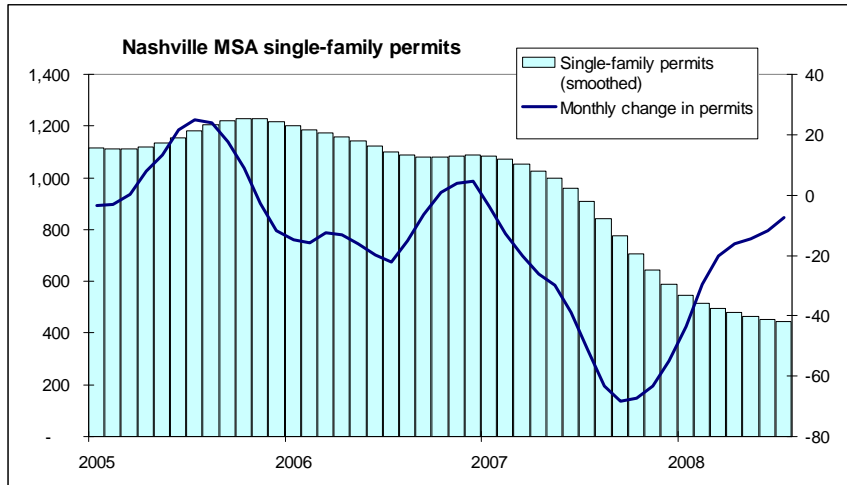
A puzzle: Nashville MSA unemployment is up greatly since January (thirteen thousand higher), yet nonfarm employment is down only modestly (one thousand lower). Where are all these unemployed coming from?

Possibilities:

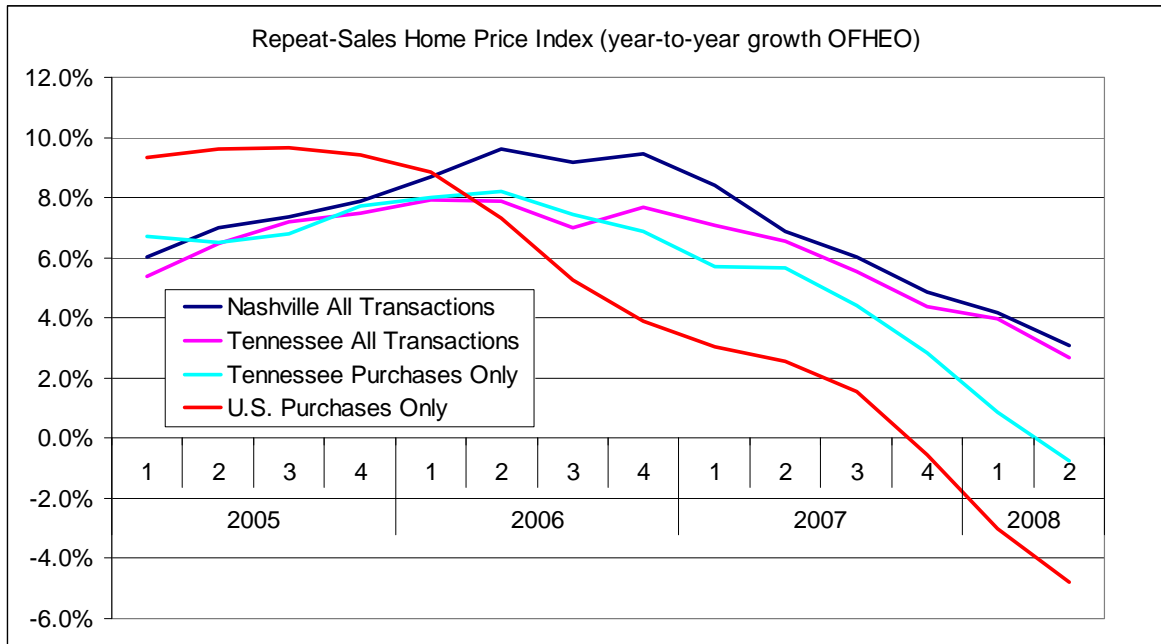
- Population growth coupled with a soft labor market causes the labor force to grow faster than total employment; consequently, the unemployment rate rises.
- The increase in unemployment may be disproportionately high among the self-employed; this source of employment is not included in nonfarm employment.
- The measures are simply different.
- Nonfarm employment will be revised down when revisions are made next year. Job growth typically is over-estimated during contractions.

Housing construction and real estate

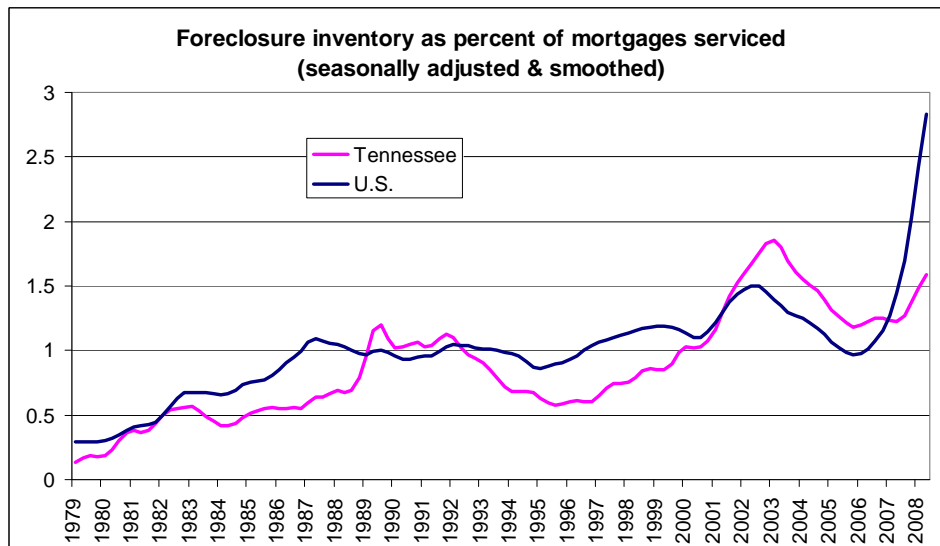
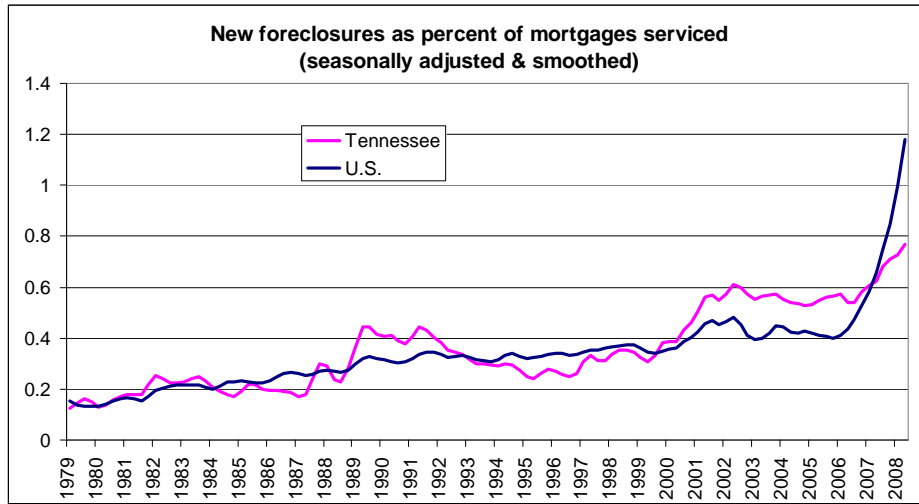
*Still declining, but not as fast*



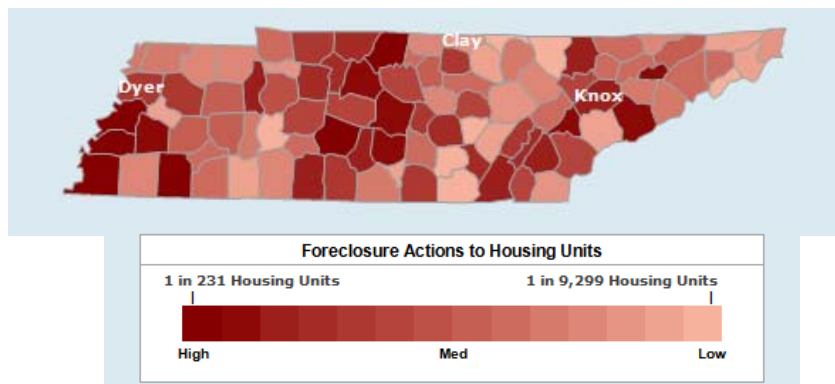
Prices for existing homes



Tennessee foreclosures



Properties with foreclosure filings, August 2008



Source: RealtyTrac.com

Economic Outlook Conference 2008  
 Business and Economic Research Center  
 Jennings A. Jones College of Business  
 Middle Tennessee State University

<b>Mortgages past due, new foreclosures started, and foreclosure inventory</b>						
<b>(percent of mortgages serviced, seasonally adjusted)</b>						
	Tennessee			United States		
Quarter	Mortgages past due	Foreclosures started during quarter	Foreclosure inventory at end of quarter	Mortgages past due	Foreclosures started during quarter	Foreclosure inventory at end of quarter
2007.1	6.54	0.60	1.24	4.88	0.58	1.26
2007.2	6.76	0.61	1.21	5.21	0.65	1.44
2007.3	7.43	0.69	1.27	5.55	0.77	1.71
2007.4	7.32	0.71	1.37	5.76	0.83	1.99
2008.1	7.82	0.72	1.49	6.36	1.00	2.44
2008.2	7.87	0.78	1.58	6.42	1.18	2.82

Source: Mortgage Bankers Association of America and BEREC.

<b>Foreclosure inventory (percent of loans serviced)</b>				
	Tennessee		United States	
	2007.3	2008.2	2007.3	2008.2
All loans	1.28	1.52	1.69	2.75
Prime loans	0.65	0.80	0.79	1.42
Fixed rate	0.44	0.59	0.48	0.76
Adjustable rate	2.20	2.84	2.04	4.33
Subprime loans	4.11	5.47	6.89	11.81
Fixed rate	2.23	2.91	3.12	4.88
Adjustable rate	6.72	9.64	10.38	19.41
FHA loans	1.56	1.49	2.22	2.24
VA loans	0.94	1.20	1.03	1.33

Source: MBAA

<b>Distribution of mortgage loans serviced for Tennessee</b>			
	2007.3	2008.2	Growth
Prime loans	68.8%	68.9%	0.2%
Fixed rates	60.8%	61.8%	1.6%
Adjustable rates	7.2%	6.1%	-14.2%
Subprime loans	14.6%	13.0%	-11.1%
Fixed rates	8.7%	8.3%	-5.1%
Adjustable rates	5.8%	4.7%	-20.0%
FHA loans	12.5%	13.9%	10.8%
VA loans	4.2%	4.3%	2.2%
Total loans			-0.1%

Source: MBAA



### Retail spending

Spending related to housing (building materials, furniture) is down substantially. Auto sales are down greatly. General merchandise is flat, while eating out and miscellaneous stores show modest increases.

Tennessee sales tax collections  
July-August 2007-2008

Category	Growth	Share in 2007
Building materials	-8.8%	7%
General merchandise	0.8%	11%
Food stores	-3.2%	8%
Auto dealers & service stations	-11.0%	13%
Apparel & accessories	-2.7%	3%
Furniture & home furnishings	-4.6%	3%
Eating and drinking places	1.7%	9%
Miscellaneous retail	2.4%	8%
Total Retail	-3.3%	62%
Total collections	-1.5%	100%

Source: Tennessee Department of Revenue

### Conclusions

- Rapidly rising unemployment and declining nonfarm employment probably mark the onset of an economic contraction for the Nashville MSA.
- Sales tax collections are down, creating difficulties for state and local governments.
- Contractions typically run 12 months; thus, employment gains may not occur until the second half of 2009.
- Housing construction shows less decline than in previous months.
- The inventory of homes is stable, but sales continue to drop. Months supply and days on market continue to rise.
- Home prices are flat to falling, but not nearly as fast as the U.S.
- Foreclosures are rising, but total inventory of foreclosures remains low.
- Permanently higher fuel costs may improve Tennessee's location advantage.

Economic Outlook Conference 2008  
Business and Economic Research Center  
Jennings A. Jones College of Business  
Middle Tennessee State University

Business and Economic Research Center  
David A. Penn, Director  
Murat Arik, Associate Director  
Sally Govan, Publications Specialist  
Kitty Kulp, Secretary and Financial Chief  
[dpenn@mtsu.edu](mailto:dpenn@mtsu.edu)

Visit us at [www.mtsu.edu/~berc](http://www.mtsu.edu/~berc):

**Studies**

*Middle Tennessee Targeted Industries Study*  
*Maury Alliance Study*  
*Quarterly Housing Market Report*

**Publications**

*Tennessee's Business*  
*Global Commerce*  
*Midstate Economic Indicators*

**Data**

Permit-authorized housing construction  
Initial claims for unemployment insurance  
County employment and unemployment

**News**

Periodic economic updates  
Media quotes

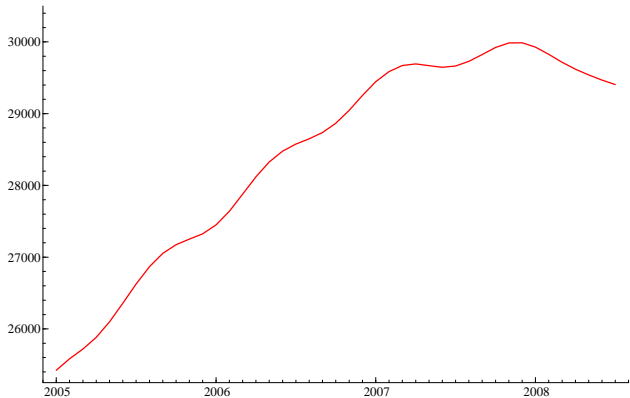
Economic Outlook Conference 2008  
 Business and Economic Research Center  
 Jennings A. Jones College of Business  
 Middle Tennessee State University

Economic Indicators (seasonally adjusted)	2007						2008						Over the year	January to July (annualized)	
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun			Jul
Nonfarm employment (thousand)	762.3	764.5	764.4	764.3	765.1	766.2	767.5	768.3	768.9	767.8	767.5	767.2	766.5	0.5%	-0.3%
Labor force (thousand)	794.0	793.7	796.4	792.2	795.7	796.4	796.8	795.0	797.7	801.3	800.6	799.6	798.7	0.6%	0.5%
Total employment (thousand)	763.0	762.8	762.7	760.9	762.5	761.1	763.8	758.4	760.0	765.8	758.0	754.4	752.1	-1.4%	-3.1%
Unemployment (thousand)	30.6	31.1	32.6	32.1	33.1	35.3	33.0	36.4	38.0	36.3	43.5	44.0	46.3	51.3%	81.2%
Unemployment rate	3.9%	3.9%	4.1%	4.1%	4.2%	4.4%	4.1%	4.6%	4.8%	4.5%	5.4%	5.5%	5.8%		
Taxable sales (annualized billion)	29.6	29.7	29.6	30.1	30.3	29.2	29.9	29.8	29.7	29.7	29.4	29.5	29.3	-0.9%	-3.5%
Permit-authorized housing construction															
Single family units	1106	858	637	897	573	561	539	548	456	626	476	446	461	-58.3%	-29.0%
Total units	1116	874	1086	925	1391	784	618	592	605	783	479	474	645	-42.2%	9.0%

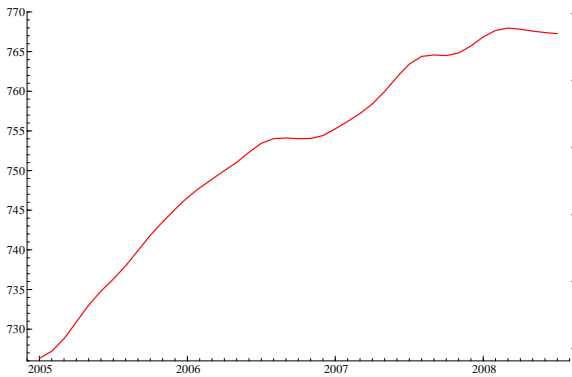
Nonfarm employment by industry (seasonally adjusted, thousand)	2007						2008						Growth rate		
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Over the year	January to July (annualized)
Total Nonfarm	762.3	764.5	764.4	764.3	765.1	766.2	767.5	768.3	768.9	767.8	767.5	767.2	766.5	0.5%	-0.3%
Total Private	663.3	664.6	665.1	664.9	665.5	666.5	668.3	669.3	669.8	669.1	668.3	667.2	666.1	0.4%	-0.6%
Goods Producing	121.3	121.0	121.3	121.1	120.7	120.4	120.2	119.7	119.1	118.8	118.0	117.3	116.9	-3.6%	-5.4%
Service-Providing	641.0	643.5	643.0	643.4	644.3	645.7	647.4	648.5	649.8	649.2	649.3	650.0	649.7	1.4%	0.7%
Private Service Providing	542.0	543.5	543.7	544.1	544.9	546.2	548.3	549.6	550.8	550.4	550.1	549.7	549.2	1.3%	0.3%
Natural Resources, Mining, & Construction	41.9	42.2	42.5	42.8	43.0	43.0	43.5	43.7	43.7	43.3	43.2	42.6	42.6	1.8%	-4.1%
Manufacturing	79.3	78.7	78.7	78.2	77.7	77.4	76.9	76.2	75.6	75.2	74.8	74.6	74.1	-6.5%	-7.2%
Wholesale Trade	36.7	36.8	37.0	37.1	37.2	37.2	37.3	37.3	37.5	37.5	37.5	37.5	37.4	2.0%	0.6%
Retail Trade	87.5	87.7	87.9	87.7	88.1	88.3	88.9	89.5	90.1	89.8	90.0	89.9	90.2	3.2%	2.9%
Transportation and Utilities	30.5	30.5	30.4	30.0	30.2	30.4	30.5	30.5	30.3	30.4	30.3	30.0	29.9	-1.9%	-3.5%
Information	19.3	19.5	19.6	19.7	19.6	19.6	19.8	19.7	19.8	19.8	19.8	19.8	19.8	2.7%	0.7%
Financial Activities	46.6	46.6	46.7	46.6	46.7	46.5	46.6	46.7	46.7	46.4	46.3	46.3	46.3	-0.6%	-1.4%
Professional and Business Services	102.5	102.2	101.5	100.5	100.8	101.1	101.4	101.7	102.2	102.2	102.5	102.7	102.8	0.3%	2.7%
Educational and Health Services	108.2	108.8	109.7	110.1	110.5	110.7	111.0	111.2	111.3	110.7	110.8	110.7	110.4	2.1%	-1.0%
Leisure and Hospitality	80.7	80.9	81.1	81.4	81.7	81.9	82.4	82.6	82.6	82.4	82.4	82.7	82.3	2.0%	-0.1%
Other Services	30.3	30.4	30.5	30.4	30.3	30.4	30.3	30.4	30.4	30.5	30.4	30.3	30.3	0.1%	-0.2%
Government	98.9	100.1	99.4	99.4	99.5	99.4	99.1	99.0	99.1	99.3	98.8	99.9	100.2	1.4%	2.2%

Thumbnail charts for the Nashville MSA (seasonally adjusted and smoothed)

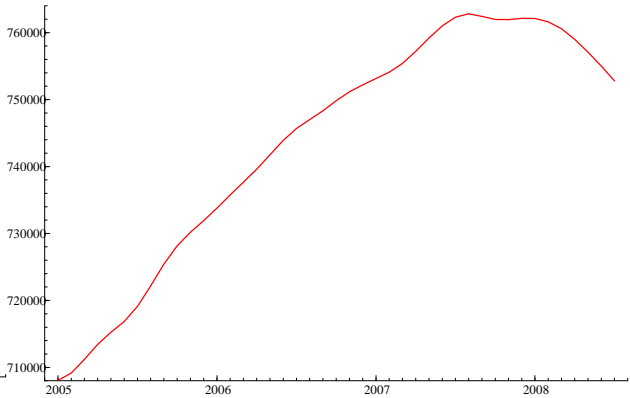
Taxable sales



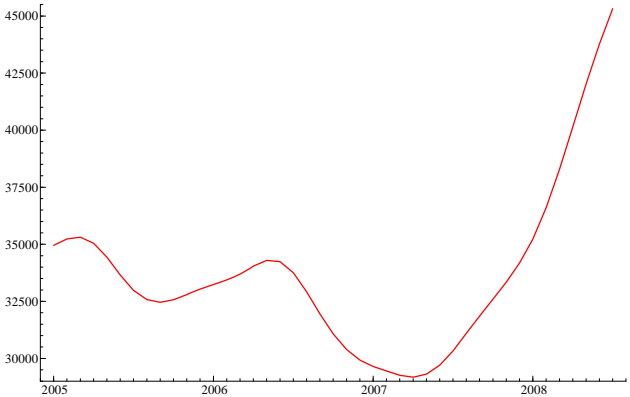
Nonfarm employment



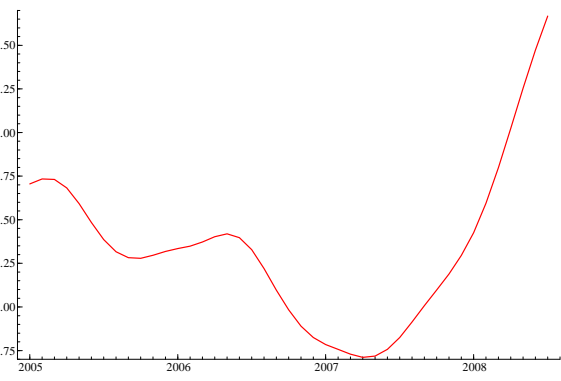
Total employment



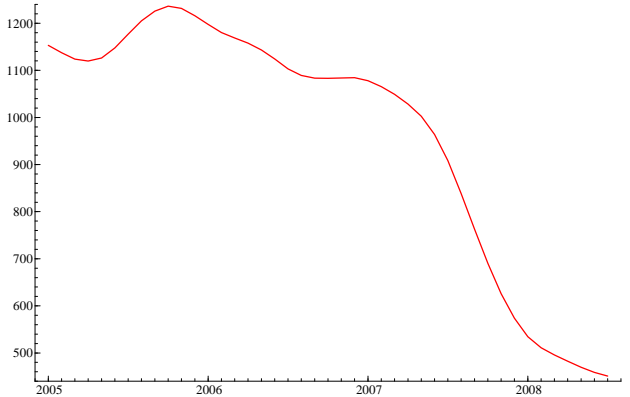
Unemployment



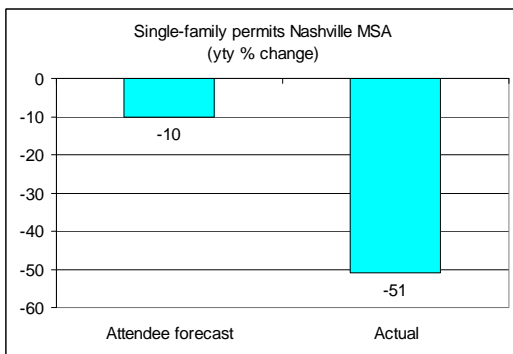
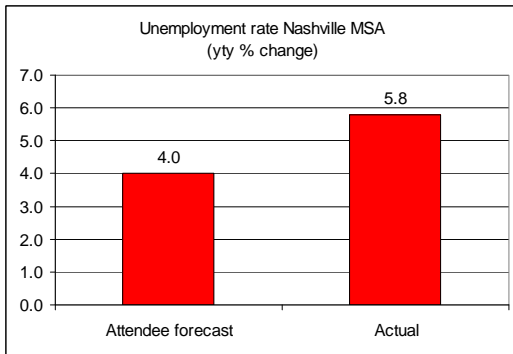
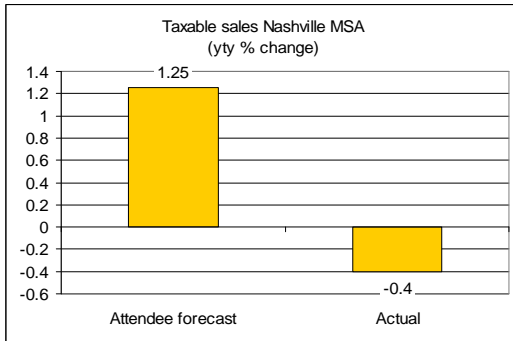
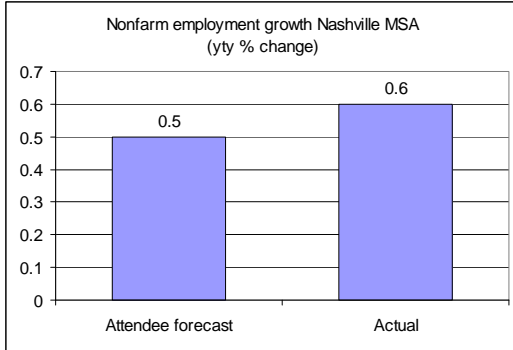
Unemployment rate



Single family permits



RESULTS FROM THE 2008 FEARLESS FORECAST  
BY ECONOMIC OUTLOOK ATTENDEES



FEARLESS FORECAST BY ECONOMIC OUTLOOK ATTENDEES

PLEASE TEAR THIS PAGE OFF AND LEAVE WITH US

**My forecast for September 2009 for the Nashville MSA:**

I forecast the following growth during the next twelve months:

Nonfarm employment: \_\_\_\_\_%,

Single-family home construction: \_\_\_\_\_%, and

Taxable sales: \_\_\_\_\_%.

I forecast that the unemployment rate will be \_\_\_\_\_% in September 2009.