Economic Outlook 2004

Business and Economic Research Center
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September 24, 2004
Economic Outlook

• Current Status
• Recent Growth
• Expectations
• Issues
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• *Current Status*
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Midstate Tennessee

Forty-one counties between the Tennessee River and the Cumberland Plateau
Midstate Tennessee

Forty-one counties between the Tennessee River and the Cumberland Plateau

Donut counties – Sumner, Wilson, Rutherford, and Williamson
Midstate’s Importance

• 37% of state’s population
• 39% of personal income
• 39% of employment
• 37% of school enrollment
• 39% of taxable sales
• Per capita income 104% of state average
Per Capita Income by County, 2002

Per Capita Income by County
- Less than 20,000
- 20,000 - 24,999
- 25,000 - 29,999
- Greater than 30,000
Unemployment Rate Second Qtr. 2004

- Tennessee: 4.6%
- Midstate: 4.2%
- Nashville MSA: 3.5%
- Donut Counties: 3.4%
- Rutherford County: 3.4%
Taxable Sales per Capita
Second Qtr. 2004

- Tennessee: 13,900
- Midstate: 14,400
- Nashville MSA: 17,700
- Donut Counties: 14,100
- Rutherford County: 14,200
Taxable Sales Per Capita by County, 2003

Sales per Capita by County

- 2,400 - 6,000
- 6,000 - 13,000
- 13,000 - 18,000
- 18,000 - 32,500
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Midstate Growth as Percent of Tennessee

• 54% of state’s population growth 2002-03
• 56% of state school enrollment growth 2002-03
• 50% of state taxable sales growth 2003-04
Rutherford County Growth

- 13% of state’s population growth 2002-03
- 11% of state school enrollment growth 2002-03
- 9.7% of state taxable sales growth 2003-04
Population Growth 2002-2003

- Tennessee: +0.9%
- Midstate: +1.3%
- Nashville MSA: +1.4%
- Donut counties: +2.8%
- Rutherford County: +3.4%
Population Growth by County, 2002-2003

Population Growth by County

- Less than 0%
- 0% - 0.99%
- 1% - 1.99%
- 2% - 2.99%
- 3% or more

[Map of Tennessee showing population growth by county with color coding for growth rates.]
Payroll Employment Growth
Fourth Quarter 2002-03

- Tennessee: +0.2%
- Midstate: +1.8%
- Nashville MSA: +1.8%
- Donut counties: +3.7%
- Rutherford County: +4.0%
Rutherford County Payroll Employment

• Up 4.6% December 2002-03
• Fourth highest growth rate among 315 largest counties in the U.S.
• Sixth highest growth rate June 2002-03
Rutherford County Average Wage

- Average weekly wage increased 6.7%
  Fourth Quarter 2002-03
- Thirteenth highest growth rate among 315 largest counties in the U.S.
- U.S. large county average: 3.6%
- Tennessee average: 4.2%
Taxable Sales
Second Quarter 2003-04

• Tennessee: + 5.3%
• Midstate: + 7.2%
• Nashville MSA: + 7.1%
• Donut counties: +11.2%
• Rutherford County: +10.8%
Growth of Taxable Sales, 2003-04 Second Quarter

Percent Change in Sales
- Less than 0%
- 0% - 10%
- 10% - 18.5%
Sales slowed in the second quarter following a strong first quarter.

Year to year percent change

-2.0%  0.0%  2.0%  4.0%  6.0%  8.0%  10.0%  12.0%

Jan-03  Apr-03  Jul-03  Oct-03  Jan-04  Apr-04  Jul-04

Tennessee  Midstate
Residential Building Permits
Second Quarter 2003-04

• Tennessee: +16.3%
• Midstate: +21.5%
• Nashville MSA: +10.1%
• Donut counties: +12.6%
• Rutherford County: +20.6%
Activity slowing after gangbuster first quarter: Nashville MSA up 10.1%, Midstate up 21.5% from year earlier.
Rutherford County Housing Units

- Added more housing units in 2003 than six states.

- Rutherford County ranked in top 100 U.S. counties in terms of housing unit growth in 2003 – Census Bureau

- Implications for the demand for public services.
July is up by one-third from last year in the Midstate.
Realty Transfer Tax
Second Quarter 2003-04

• Tennessee: +28.6%
• Midstate: +33.3%
• Nashville MSA: +29.2%
• Donut counties: +26.8%
• Rutherford County: +11.4%
Mortgage Tax

Activity down in the second quarter following an active first quarter.
Focus on the Nashville MSA

Nashville MSA today

First Quarter 2004 • Nashville Economic Performance Index • Partners 2010

Nashville and Its Peers

Nashville Chamber of Commerce

Table 2. Component Rankings for the First Quarter 2004
Modest job growth: Nashville MSA up by 1.3%, Tennessee up 0.8% from year earlier.
Manufacturing employment

Some plants are hiring: Nashville MSA up by 2.8%, Tennessee up 0.6% from year earlier.

Year to year percent change

Tennessee

Nashville MSA
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U.S. and Nashville MSA employment growth

Year to year percent change


Nashville MSA
U.S.
Expectations

• Signs that local economic activity is strengthening in the third quarter
• Midstate Leading Index flat in second quarter, but up in June and July
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Issues

- Rising demand for local government services, particularly schools
- Court fight over industrial tax credits
Growth of Schools

Student population increase 2002-2003:

• +14,674 in Tennessee (+1.5%)
• +8,298 in the Midstate counties (+2.4%)
• +3,970 in the Donut counties (+3.9%)
• +1,450 in Rutherford County (+5.2%)

Measured by net enrollment
School Expenditures and Revenues

• Spending per ADA rising 4.6% annually in donut counties 2000-03
• Operating expenditures rising 7.3% annually for the donut counties
• About 56% of revenue growth 2000-03 was from local sources in the donut counties
How to Pay for New Schools?

• Options (something for everyone to hate):
  – New revenues
  – Slower growth
  – Cut other spending
  – Property taxes
State Investment Tax Credits

*Federal case on tax breaks could affect Tennessee*

- Tennessean, Sept. 13, 2004
State Investment Tax Credits

• U.S. Court of Appeals ruled Ohio’s investment tax credit violates the U.S. Constitution.
• Case filed by Toledo citizens regarding tax incentives for Chrysler Jeep plant.
• Court rules the ITC violates the Commerce Clause of the Constitution.
State Investment Tax Credits

• Important for Tennessee, as we don’t offer cash payments as do other states.
• What will be the relative impact?
BERC Activities

• Northwest Tennessee Labor Force Study

• *Nashville MSAToday* quarterly analysis for the Nashville Chamber of Commerce

• Destination Rutherford

• Rutherford County revenue study
Publications

• Tennessee’s Business - Professor Horace Johns

• Election 2004 (forthcoming)

• People Who Keep State Government Running

• Tennessee Lottery
Publications

- Global Commerce - Professor Steven Livingston
- China Takes the Stage
- Free Trade Agreements
- Trade Wars
Publications

- Midstate Economic Indicators
  - Issued quarterly
  - Second quarter in print
Future

• Several proposals for research.
• Lottery impact study (with Reuben Kyle)
• Enhance website content with maps, county-by-county economic summaries.

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