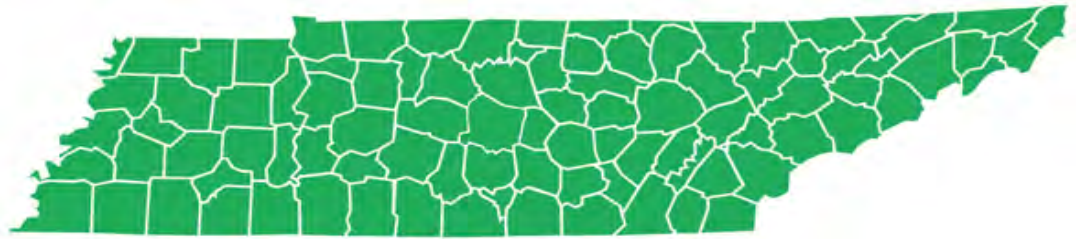


ECONOMIC



by BERC and TACIR staff

TACIR is collaborating with BERC to provide a website to track the state's recovery from the recession that began in December 2007.

The economy remains the number-one topic of conversation throughout the country. Where do we stand, and when is a full recovery in sight? Since the recession started, the staff of the Tennessee Advisory Commission on Intergovernmental Relations (TACIR)* has worked to keep abreast of the situation and keep Tennessee decision-makers informed.

As a means of communicating this information, TACIR is collaborating with Middle Tennessee State University's Business and Economic Research Center to provide a website (mtsu.edu/berc/tacir) to track the state's economy during the recovery from the recession that began in December 2007. The site allows the reader to follow labor-force status including employment and unemployment numbers, housing data including a housing price index and construction activity, and sales tax collections. These data are available for the state and 10 metropolitan statistical areas across the state, and some of that data for all 95 Tennessee counties. Presented graphically, the data may also be downloaded in spreadsheets for use at the reader's convenience.

The National Bureau of Economic Research (NBER), a private, non-profit research organization that includes academic and non-academic economists, dates the expansion and contraction of the U.S. economy. NBER has dated the latest recession as beginning in December 2007 and

ending in June 2009. While the recession may have ended in 2009, satisfactory job growth has eluded the national and most local economies. To follow the progress of the Tennessee economy, indicators of economic activity are tracked going back at least until 2007.

Labor Force and Non-Farm Employment

Figure 1 shows the number of Tennesseans in the labor force and the total number employed since January 2008, the month after the economy peaked. The labor force is defined as the number of persons, aged 16 and older, who are employed or are actively seeking work. That number typically moves up and down as the economy expands and contracts, usually growing when the economy is growing and contracting when job opportunities become scarce. The data are provided for non-farm employment on only a monthly basis. Farm employment is not included in these figures because it is highly seasonal. Figure 1 shows that while the labor force fell at the early stages of the recession in 2008 and again in 2009, the trend, smoothing out the ups and downs, has been a slow increase in the number of persons identifying themselves as in the labor force. On the other hand, after the decline in the total number of people employed bottomed out in late 2009, employment growth has been very irregular and modest at best.

RECOVERY

BERC is collaborating with TACIR to provide a website to track the state's recovery from the recession that began in December 2007.

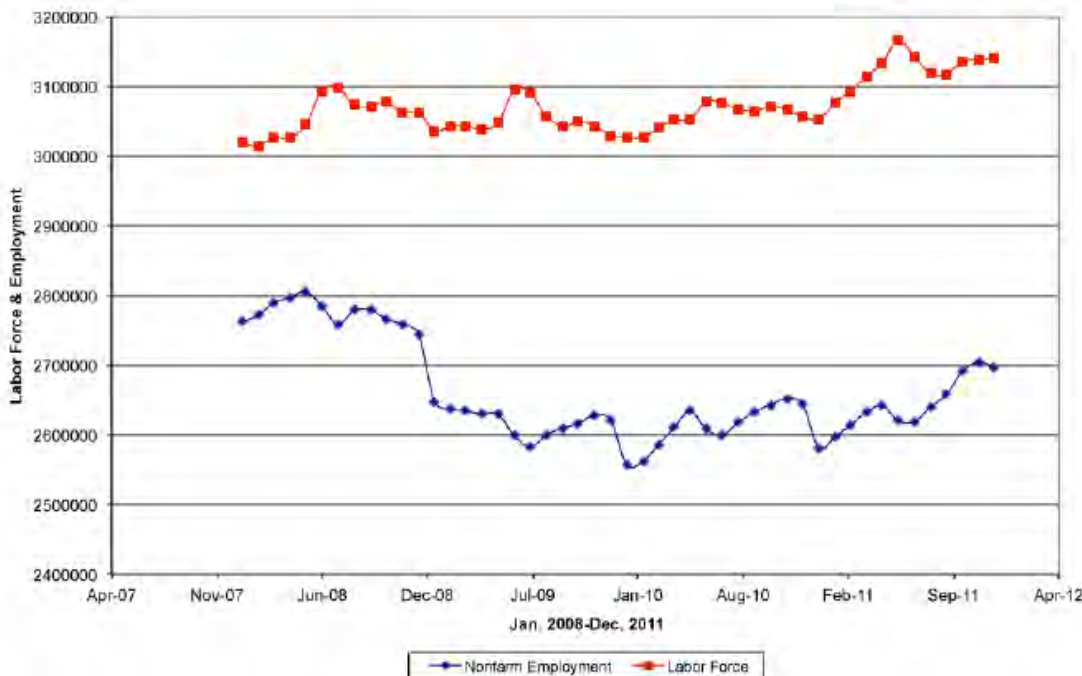
County Data

The Tracking Tennessee's Economic Recovery site provides this labor and employment data for each Tennessee county. Figure 2 on the next

page is a graph of the labor force in Anderson County for the period starting in October 2008. In addition to the graph, it is possible to download the actual data from January 2006 to the latest available.

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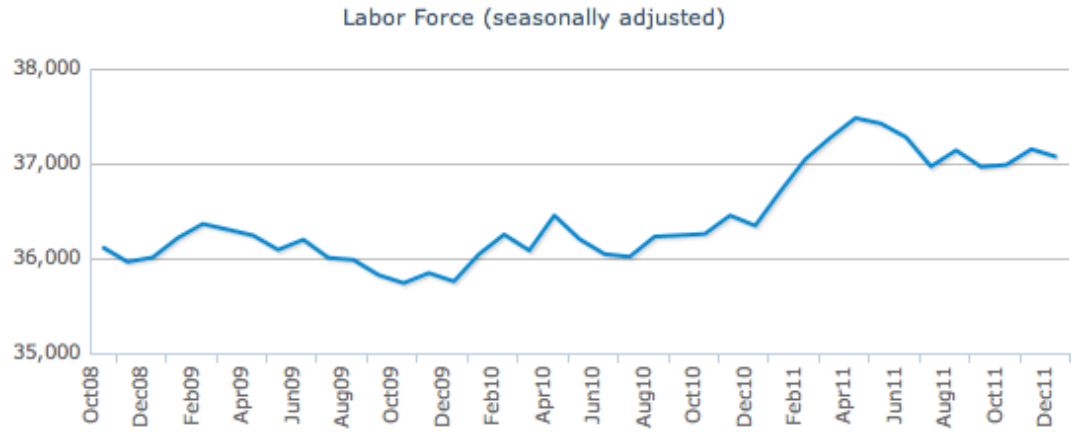
Fig. 1. Tennessee Labor Force and Non-Farm Employment



Farm employment is not included in these figures because it is highly seasonal.

Since the total number employed bottomed out in late 2009, employment growth has been irregular and modest at best.

Fig. 2. Anderson County Labor Force



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adjustments in much reported economic data. Unadjusted data are usually available as well from most sources.

Employment

Employment data are available as well. For example, Figure 3 below shows total non-farm employment for Bradley County monthly from October 2008 to December 2011. These data are seasonally adjusted, which means that the regular seasonal patterns that appear annually have been accounted for. An example would be employment that typically peaks annually just before the holiday period in November and December but declines in the early months of the year and then increases as spring arrives. Statistical programs are used to make these

The site also provides employment data by industry for the state and for the 10 metropolitan statistical areas (MSAs). Detailed data are available at the county level only on an annual basis and thus not reported on this site. Table 1 gives detailed state-level data for each December in the years 2007 through 2011. The numbers show the business cycle peak in December 2007, a decline in total nonfarm employment through December 2009, and then a painfully slow increase through November 2011. It is also evident that the cycle did not follow exactly the same pattern in every sector of the state’s economy.

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Fig. 3. Bradley County Employment

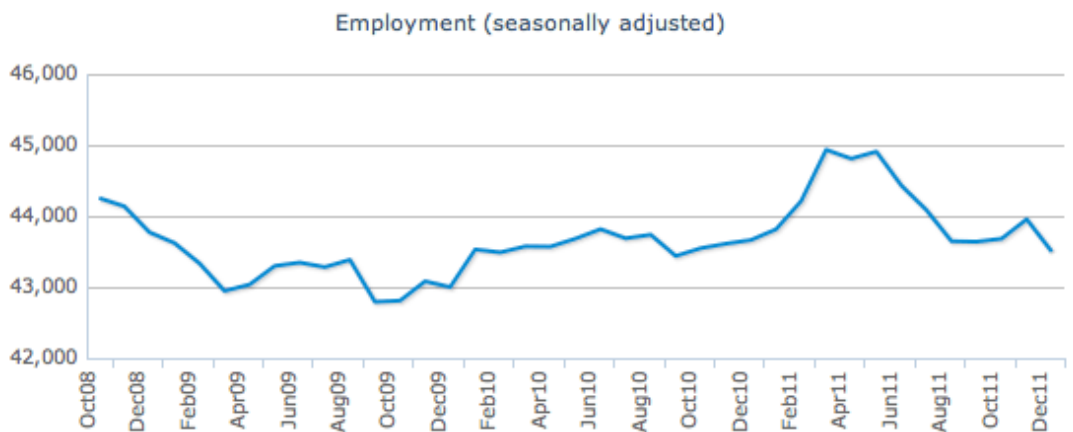


Table 1. Tennessee Employment by Industry Sector

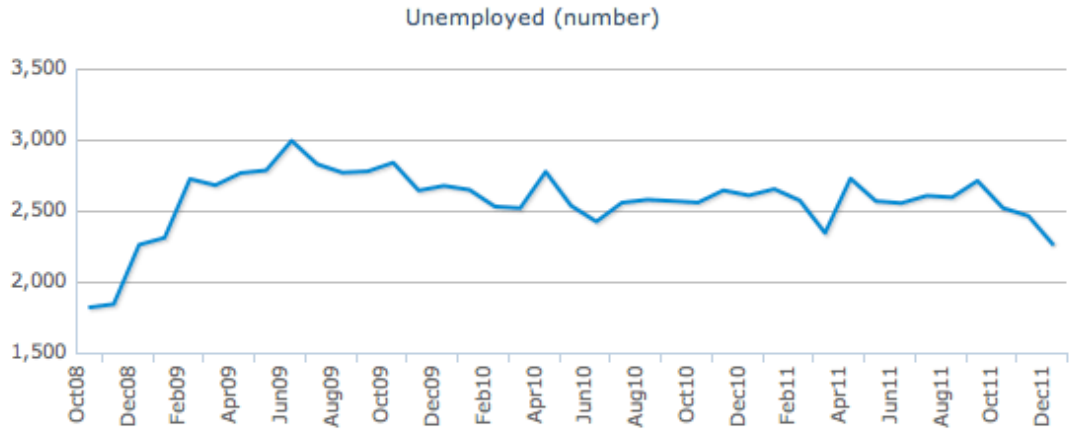
Name	Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2010	Dec. 2011
Total Nonfarm	2,836.4	2,745.1	2,622.1	2,644.4	2,673.5
Total Private	2,405.3	2,306.5	2,184.4	2,207.2	
Goods Producing	512.2	464.9	403.8	401.6	
Service Providing	2,324.2	2,280.2	2,218.3	2,242.8	
Private Services Providing	1,893.1	1,841.6	1,780.6	1,805.6	
Natural Resources/Mining/Construction	138.5	123.2	104.9	106.4	114.4
Manufacturing	373.7	341.7	298.9	295.2	306.8
Trade/Transportation/Utilities	628.4	598.1	565.8	569.8	556.9
Wholesale Trade	133.9	128.2	118.1	118.2	
Retail Trade	346.5	327.6	316.2	314.6	308.9
Information	51.8	49.7	45.7	45.4	43.5
Financial Activities	146.3	144	139.6	137.6	133.6
Professional/Business Services	333.7	316.2	301.1	317.2	326.2
Education/Health Services	355	366.2	371	378.8	
Leisure/Hospitality	274.1	264.4 2	256.9	257.2	265.2
Other Services	103.8	103	100.5	99.6	101.3
Government	431.1	438.6	437.7	437.2	439.3

Source: Tennessee Department of Labor and Workforce Development Research and Statistics Division, BERG

**The numbers show the business cycle peak in December 2007,
decline through December 2009,
and slowly increase through November 2011.**

It is important to point out that the unemployed are only those people who report themselves as not working but are actively seeking work.

Fig. 4. Coffee County Unemployed



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Unemployment

Figure 1 makes clear that the gap in Tennessee between the number in the labor force and the number employed widened after 2008. That means the number of people unemployed has increased. Statistics don't always tell the complete story. It is important to point out that the unemployed are only those people who report themselves as not working but are actively seeking work. Consequently, it does not include people who would accept a job if offered one. In other words, people who for whatever reason are not working and may

be discouraged about finding work but would actually like to work are not included in these statistics. By the same token, the number of people employed includes people who may be working at jobs that underutilize their skills and experience, the so-called underemployed.

The U.S. Bureau of Labor Statistics, the official keepers of labor market statistics, estimates these numbers and makes them available but not at the county level. When discouraged workers and the underemployed are added to the number unemployed, an alternative national unemployment rate is estimated to be 14.9% (BLS). Figure 4 is a graph of the number of unem-

Fig. 5. Dyer County Unemployment Rate

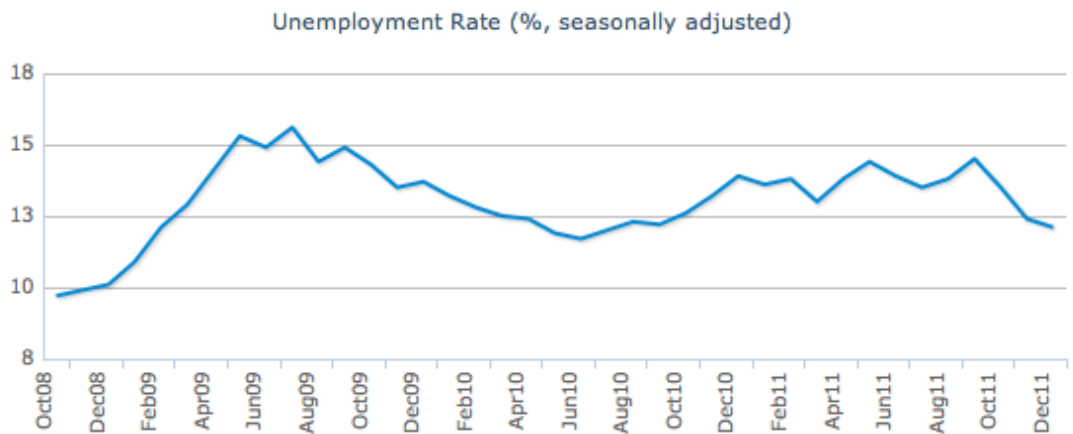


Table 2. Unemployment Rate (% of labor force) for Tennessee MSAs (not seasonally adjusted)

Area	Nov. 2007	Nov. 2008	Nov. 2009	Nov. 2010	Nov. 2011
Chattanooga	4.8	6.7	9.3	8.6	7.7
Clarksville	5.6	7.9	10.6	10.5	9.6
Cleveland	5.1	7.3	9.7	9.5	8.7
Jackson	5.5	7.5	10.9	9.8	9.3
Johnson City	4.9	6.7	9.6	8.9	7.8
Kingsport-Bristol	4.4	6.2	9.7	8.7	7.6
Knoxville	4.1	6.1	8.6	7.7	6.9
Memphis	5.4	7.4	10.3	10.1	9.6
Morristown	5.3	8.7	13	11.5	10.8
Nashville	4.5	6.7	9.2	8.5	7.5
Tennessee	5.2	7.8	10.5	9.4	9.1
United States	4.7	6.8	9.9	9.8	8.7

Source: BERC, BLS

ployed persons in Coffee County. The graph shows that the number of unemployed peaked in the summer of 2009, remained at about 2,600 people for several months, and recently dipped to about 2,250 people.

Unemployment Rate

The unemployment rate is the percent of unemployed persons in the labor force. If the number of unemployed persons increases while the labor force remains constant, the unemployment rate will increase.

Figure 5 at left shows the unemployment rate for Dyer County. The disappointing pattern shows the unemployment rate peaking in the summer of 2009 and then falling, only to begin rising again in the summer of 2010. In late 2011 the rate began to fall again. Very simply, it reflects the structure of the economy of the county. This situation emphasizes the point that economic conditions are not identical across the

state, the nation, or the world. Local data and information are essential to understanding the current situation and planning for the future. As stated earlier, statistics by county and for the 10 MSAs across the state are available on the Tracking Tennessee's Economic Recovery site.

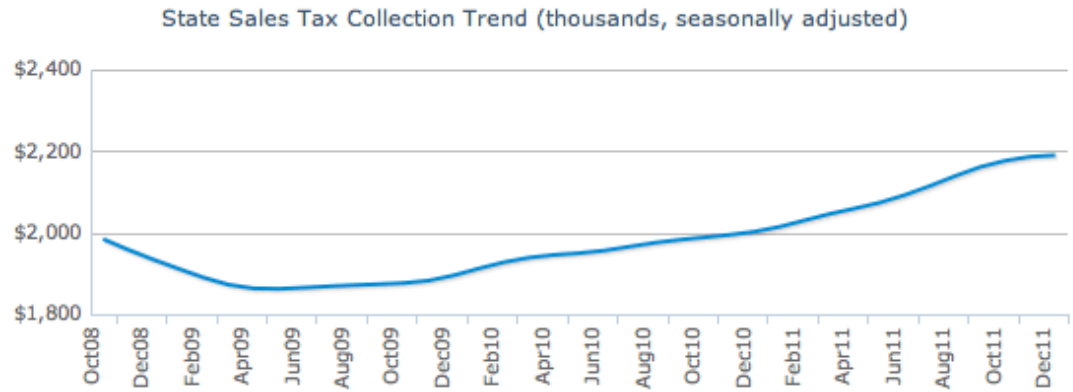
Table 2 gives the history of the unemployment rate in those areas since the beginning of the recession in December 2007. Once again, the painful experience of this period is evident with the unemployment rates rising, then falling, and recently, at least within Tennessee, rising again.

State Sales Tax Collections

As important as labor market conditions are, for county officials sales tax collections are of more immediate concern. Of course, the latter follows from the former, but we want to know "the bottom line," in this case what the employment situation means for county finances. Here, too, the Tracking Tennessee's Economic

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Fig. 6. Jefferson County Sales Tax Collection Trend



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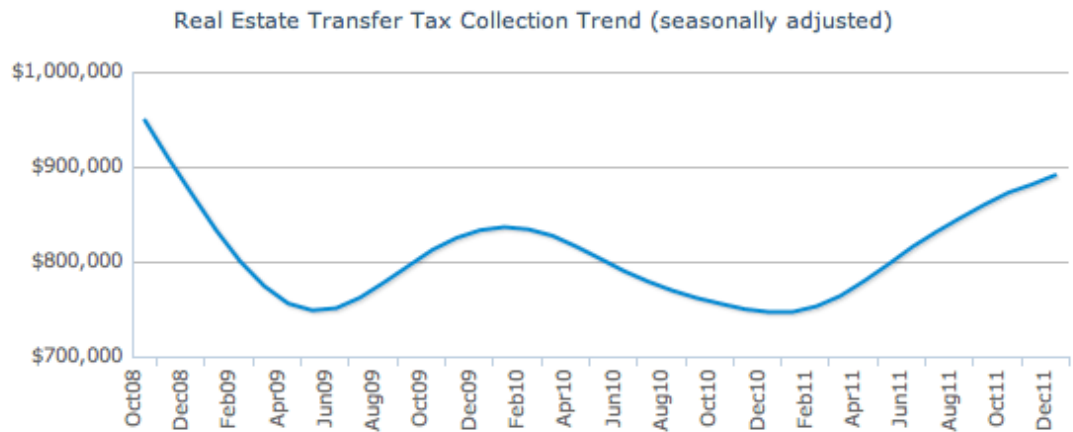
Recovery site provides help. Figure 6 above shows the state sales tax collections trend for Jefferson County. Since collections can fluctuate for reasons unrelated to underlying sales activity, it is better to examine trends rather than month-to-month changes. These data follow the same pattern as described for most of the economic variables previously discussed. Tax collections fell after the economy peaked in December 2007 and then bottomed out in mid-2009 with very slow improvement since that time. Jefferson County’s experience parallels the state’s sales tax collections, as might be expected. Of all the measures of economic activity included on the site, this picture is the most encouraging. Tennessee consumers are doing their part and would contribute more if the job market improved.

Real Estate Transfer Tax Collections

This statistic is not often reported but affords another indicator of county fiscal health. The website provides the following description of the variable. “Real estate transfer tax collections are obtained from monthly reports posted on the Tennessee Department of Revenue website. The tax is 0.37% of the value of a real estate transaction (\$0.37 per \$100 value). Thus, the taxes collected can change due to a change in the number of transactions or a change in the average value of property transferred. Since collections can be volatile, we report a trend that smooths out the short-term peaks and dips.”

Figure 7 shows the collections trend for Shelby County, which has been particularly hard hit in the real estate market. The collections fell

Fig. 7. Shelby County Real Estate Tax Collections Trend



sharply in the early stages of the recession and then showed a rebound, almost certainly associated with the first-time-homebuyer tax credit initiated in 2009, only to fall again through early 2011. The good news is that the trend is once again rising.

Building Permits

A final economic indicator reflects construction activity, traditionally a major element in Tennessee's economy. It is no secret that the most important cause of the recession was the collapse of the housing market across the country and, for that matter, internationally. The website devotes considerable attention to the housing market. Unfortunately, data are not available for every county, so building permit data are reported only for the state and the metropolitan areas. Figure 8 below gives the number of permits issued for single-family housing units since January 2008.

The same pattern is repeated in the chart: the number of permits issued dropped precipitously following the peak and has been up and down since that time. Building permits follow a distinct seasonal pattern. At best, the chart indicates that construction activity has reached a plateau and is no longer declining. Keep in

mind the admonition about the variance of economic measures across the state. For current information on the southeastern U.S. economy and the 6th Federal Reserve District, see the most recent Beige Book.

Conclusion

In conclusion, the Tennessee Advisory Commission on Intergovernmental Relations with the aid of Middle Tennessee State University's Business and Economic Research Center is making every effort to keep Tennesseans and their public officials informed about the state of the economy. The Tracking Tennessee's Economic Recovery website is one tool that is available to everyone at no charge. ■

The Business and Economic Research Center (BERC) at Middle Tennessee State University provides current regional economic data as a public service and conducts economic impact studies on commission. The Tennessee Advisory Commission on Intergovernmental Relations (TACIR), consisting of public officials from state and local government and private citizen members, serves as a forum for the discussion and resolution of intergovernmental problems. This article was originally published by the Tennessee County Services Association.

Of all the measures of economic activity included on the site, the sales tax picture is the most encouraging.

Fig. 8. Tennessee Building Permits Issued for Single-Family Units

