Economic Outlook
Jones College of Business
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Snapshot for Nashville MSA

- Jobs: still growing, but much more slowly
- Unemployment rate: down, then up
- Manufacturing: doing nicely, thank you
- Housing: much, much better
- Government jobs: still a drag
- Taxable sales: off to the races

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Nashville MSA at a Glance (July 2012)

Indicators	Year Ago	This Month	Year to Year % Change
Total Nonfarm Employment (thousand)	755.8	762.3	0.9
Labor Force (thousand)	841.5	834.9	-0.8
Unemployed (thousand)	67.8	60.8	-10.4
Unemployment Rate (percent)	8.1	7.3	-0.8
State Sales Tax Collections (million $)	138.2	150.6	8.9
Single Family Unit Housing Permits	309	466	50.8
Total Housing Permits	351	500	42.5

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Tennessee at a Glance (July 2012)

Indicators	Year Ago	This Month	Year to Year % Change
Total Nonfarm Employment (thousand)	2,656.7	2,689.6	1.2
Labor Force (thousand)	3,127.7	3,108.1	-0.6
Unemployed (thousand)	292.7	262.1	-10.5
Unemployment Rate (percent)	9.4	8.4	-1.0
State Sales Tax Collections (million $)	562.6	580.9	3.2
Single Family Unit Housing Permits	819	1,084	32.4
Total Housing Permits	919	1,170	27.3

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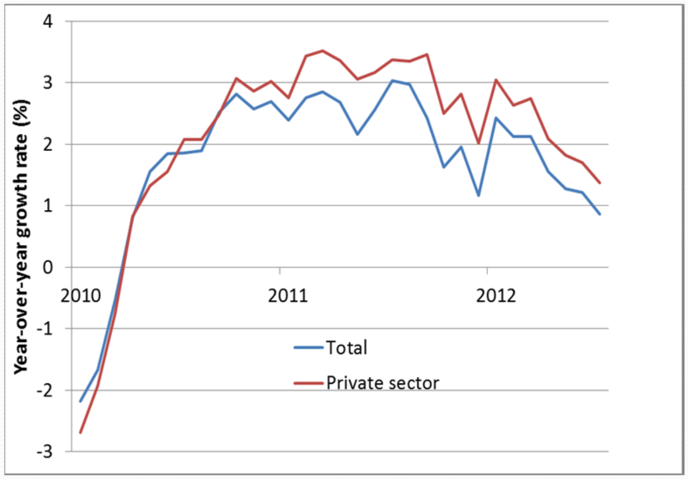
Nonfarm job growth Nashville MSA

Job growth slowing, down to 0.9% over the year



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Job Gains and Losses Nashville MSA

(2nd quarter over the year)

Sector	Job growth (thousand)	Growth Rate
Total Nonfarm	10.2	1.4%
Professional and Business Services	7.1	6.8%
Leisure and Hospitality	2.3	2.9%
Durable Goods Manufacturing	2.0	4.8%
Retail Trade	1.5	1.8%
Other Services	1.2	3.7%
Financial Activities	0.4	0.8%
Information	-0.1	-0.4%
Mining, Logging, and Construction	-0.2	-0.6%
Non-Durable Goods Manufacturing	-0.3	-1.3%
Transportation and Utilities	-0.3	-1.1%
Education and Health Services	-0.6	-0.5%
Wholesale Trade	-0.7	-1.9%
Government	-2.0	-2.0%

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Nashville Sectors

- Construction: job growth cooling off
- Manufacturing: still a leader
- Financial activities: breaking even (finally)
- Wholesale trade and Education and health care: losing ground; problem because of size
- Government: will downsizing cease?

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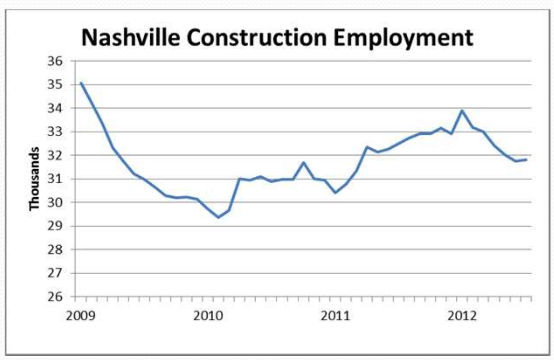
Construction jobs

- Cooling this year
- Drop in commercial construction
- Jobs for housing construction not apparent yet



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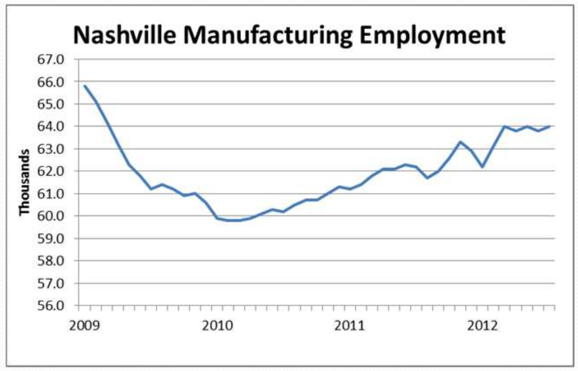
Manufacturing

- Gains coming out of the recession
- Up 4,000 since 2010
- Flat in 2012



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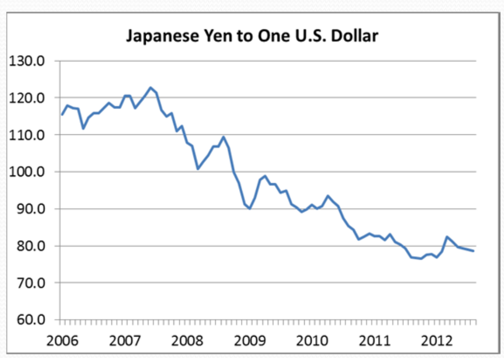
Manufacturing: new locations

- Automakers earn dollars for sales, but must pay for labor and supplies in yen
- And they are getting fewer yen per dollar in the foreign exchange markets
- Solution: build more plants in the U.S.
- Nissan-Smyrna will benefit greatly



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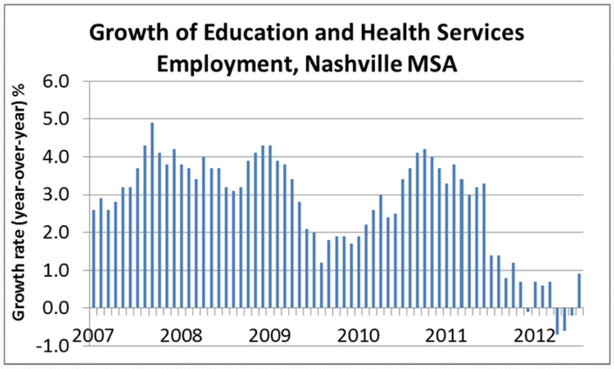
More cause for concern

- Negative job growth for this important sector
- Possibly job losses in hospitals



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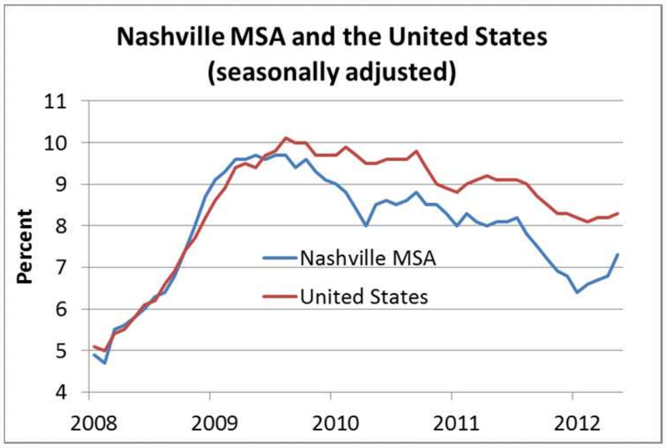
Unemployment rate

- Low of 6.4% in March.
- Presently at 7.3%.
- Why is the Nashville unemployment rate climbing?



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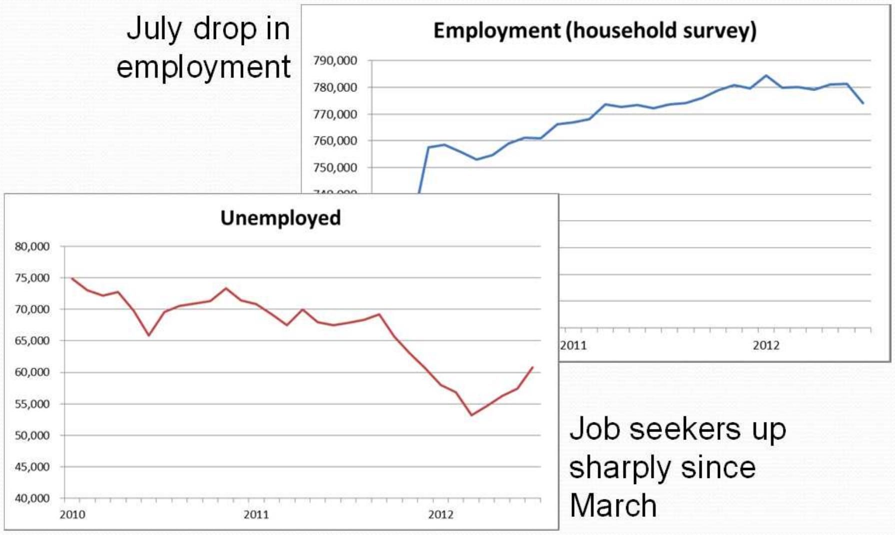
Labor force Nashville MSA

July drop in employment



Job seekers up sharply since March

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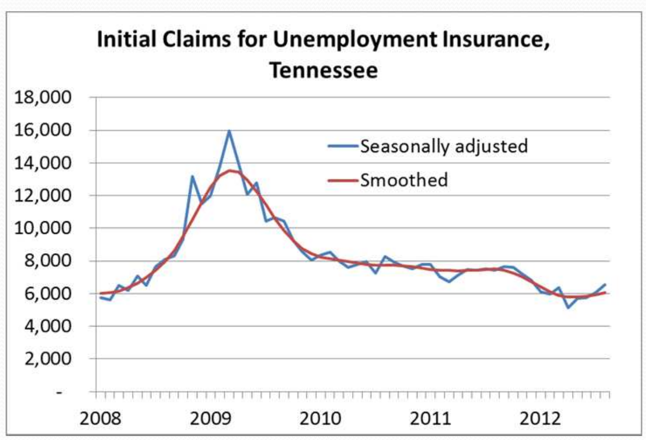
Initial claims

- Claims rising following improvement in 2011
- Higher claims caused by increased layoffs
- Level of claims remains low



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Underutilization Tennessee

- The official unemployment rate understates labor force utilization
- Measures of underutilization
  - Official unemployment rate: 8.2%
  - U6 rate of underutilization: 13.8%, including working part-time for economic reasons

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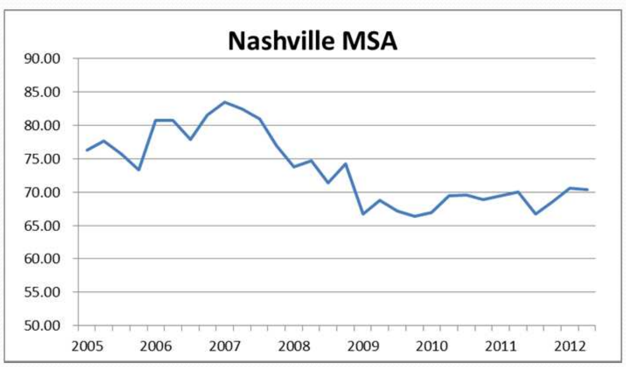
CredAbility Consumer Stress Index

- 70-79 is 'At-risk'
- 65 data points in five categories



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Why the slowdown?

- Problems in the euro zone
  - European recession reduces demand for Tennessee manufactured goods
  - Quick turnaround unlikely
- Uncertainty regarding fiscal policy

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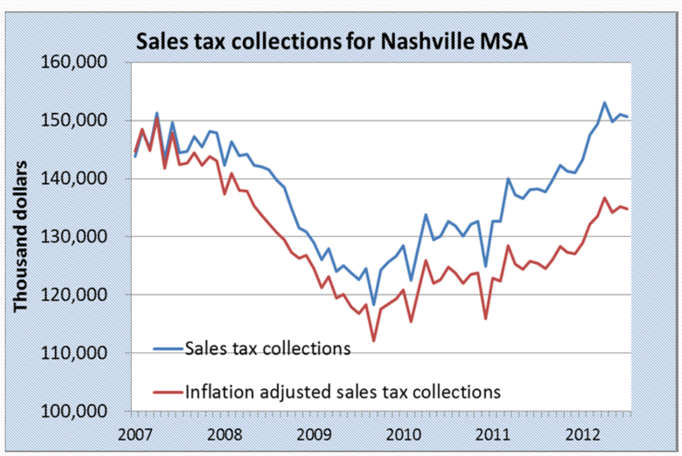
State Sales Tax Collections Nashville MSA

- Collections exceed the pre-recession level
- Purchasing power lags; still 6.8% lower



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Sales Growth in Tennessee

Growth of Sales Taxable Spending
2011-2012 2nd Quarter

Category	Spending Growth
Building materials	15.7%
General merchandise	6.7%
Food stores	3.8%
Auto dealers	8.2%
Apparel	6.9%
Furniture and home furnishings	-0.7%
Eating and drinking	6.3%
Misc.	2.7%
Total Retail	5.3%

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Housing: much better

- Housing prices level, rising some locations
- Construction activity growing quickly
- Home sales rising fast
- Foreclosures moderating
- Mortgages in distress falling
- Renewed in-migration is needed to sustain new construction

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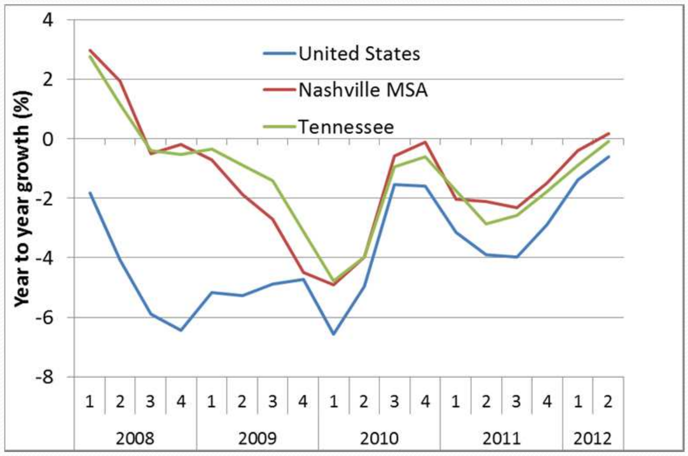
Housing price growth

- HPI growth positive for 2012.2
- First time since 2008



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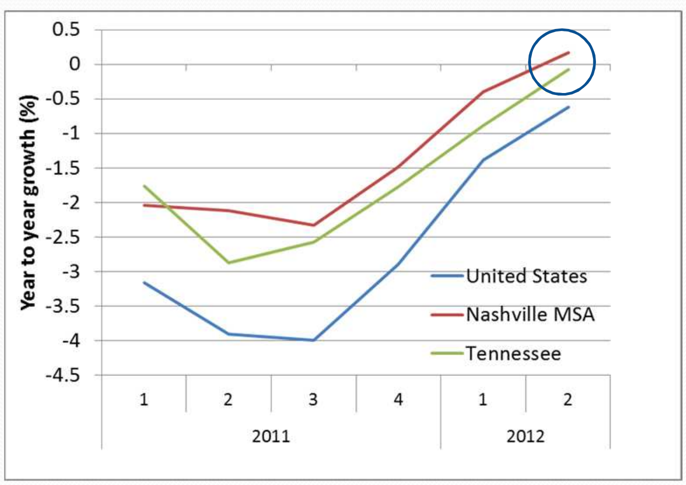
Housing price growth (zoom in)

HPI growth positive for 2012.2



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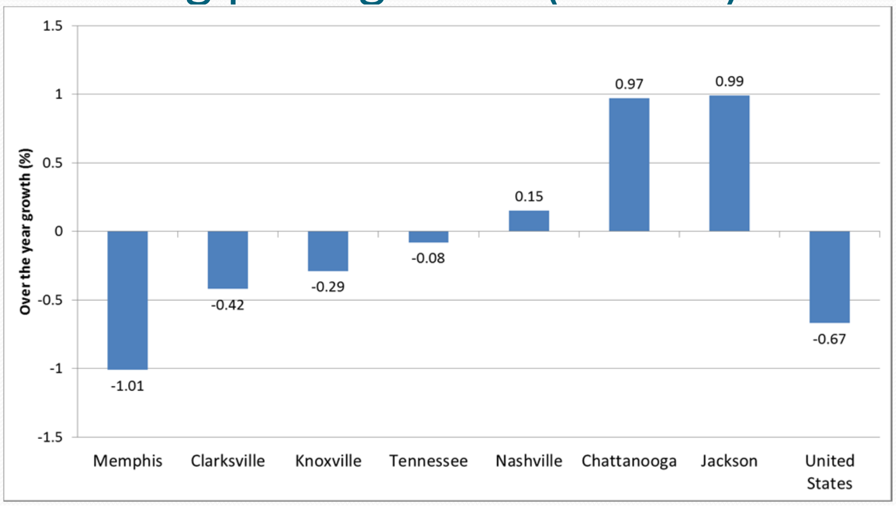
Housing price growth (2012.2)



Source: housing price index www.fhfa.gov

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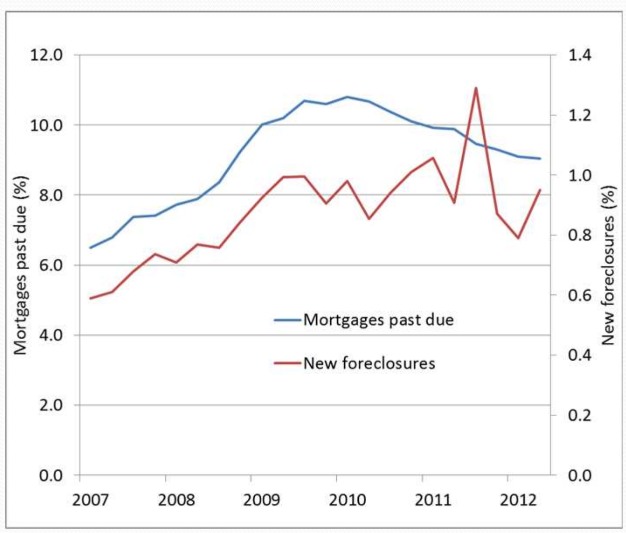
Tennessee foreclosures

- Past due mortgages improving
- New foreclosures fluctuating around 0.9 percent



Data: Mortgage Banker's Association

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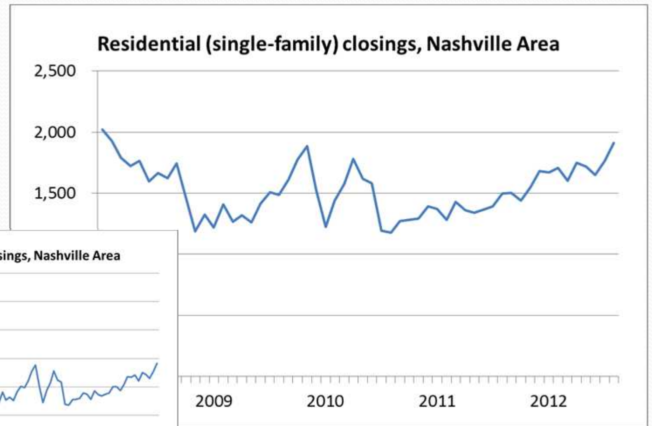
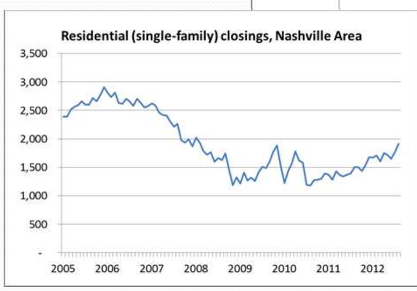
Home sales Nashville Area

- Up 27% from last August
- Still far to go





Longer perspective

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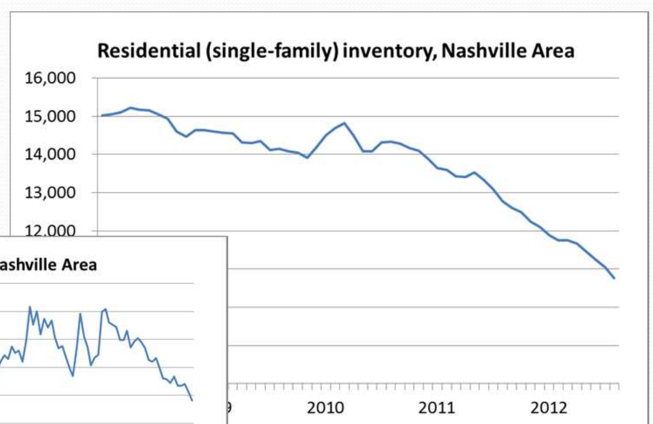
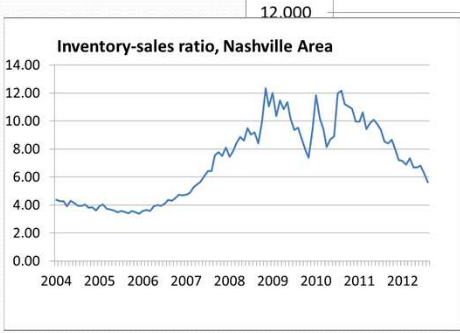
Home inventory Nashville Area

- Inventory is falling fast this year





Supply of homes low compared with demand
5.5 month supply on hand

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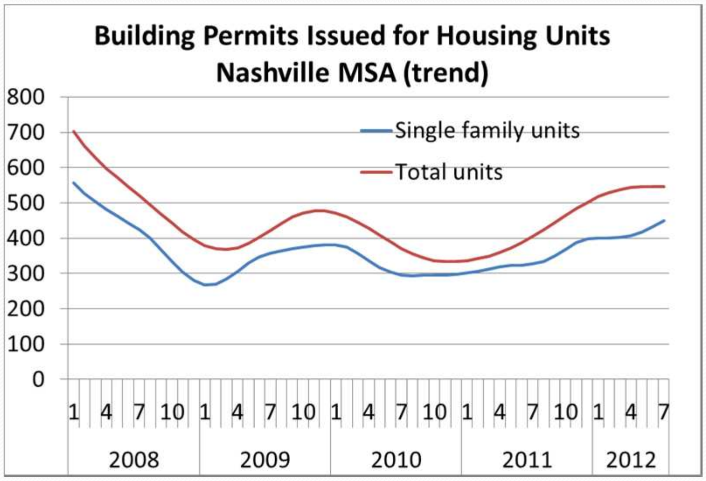
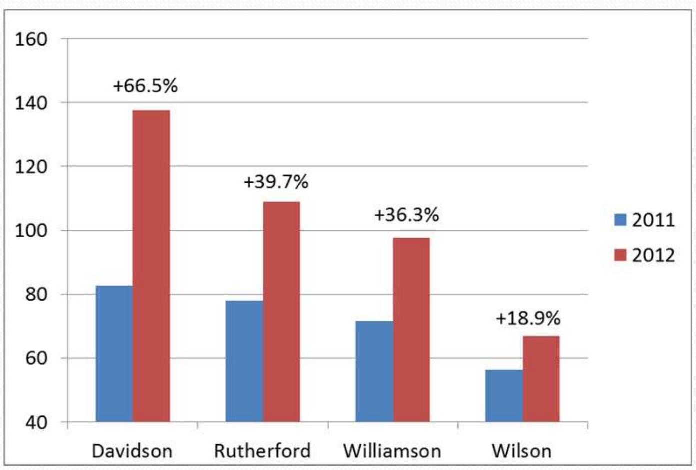
Housing construction Nashville MSA

- Single-family 41% higher over the year

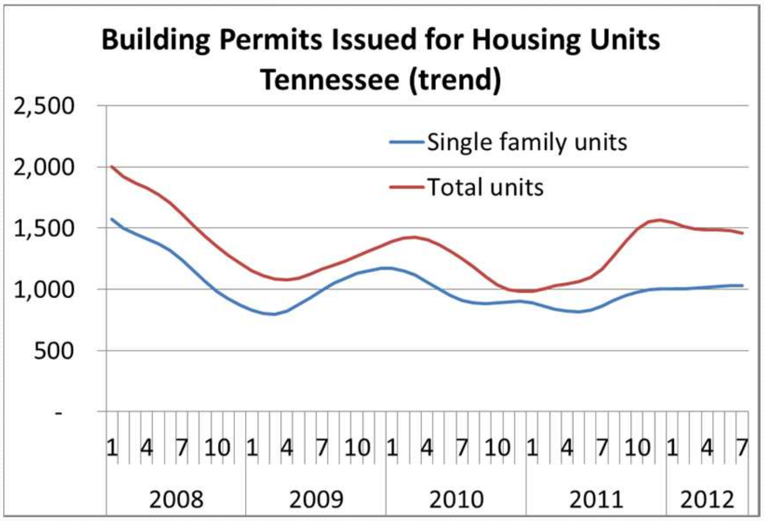


Single-family construction (May-July)

85% of Nashville MSA growth occurred in these four counties



Housing construction Tennessee



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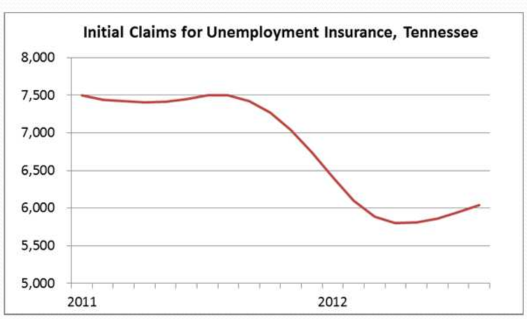
Slowing down?



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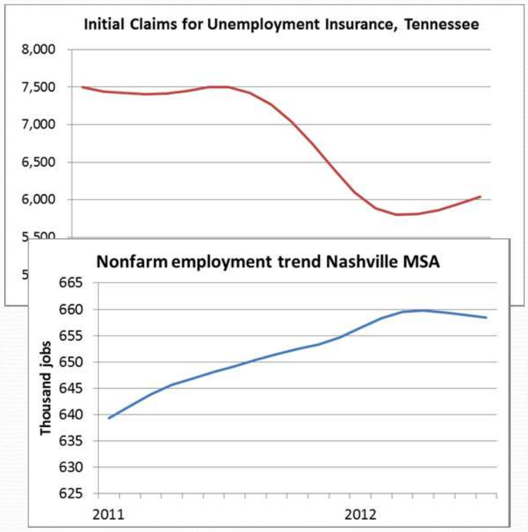
Slowing down?



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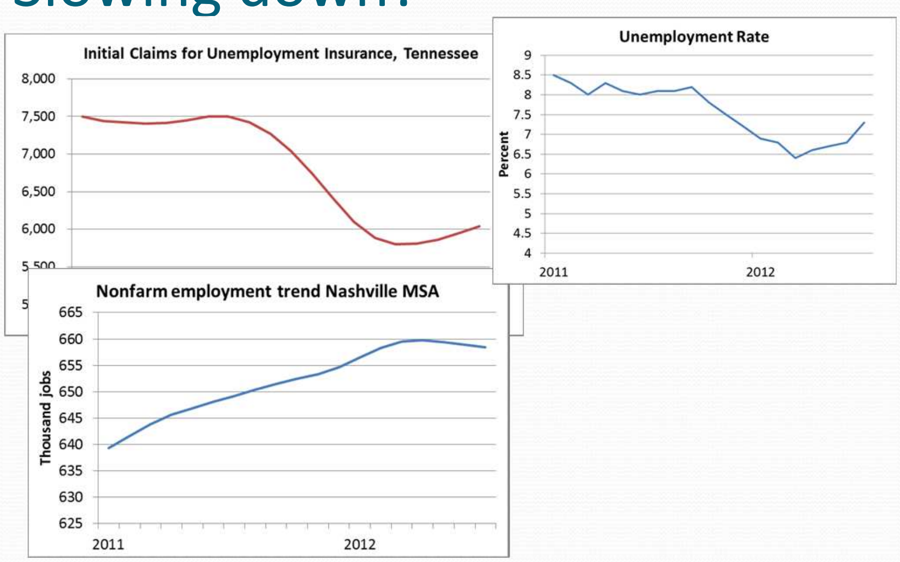
Slowing down?



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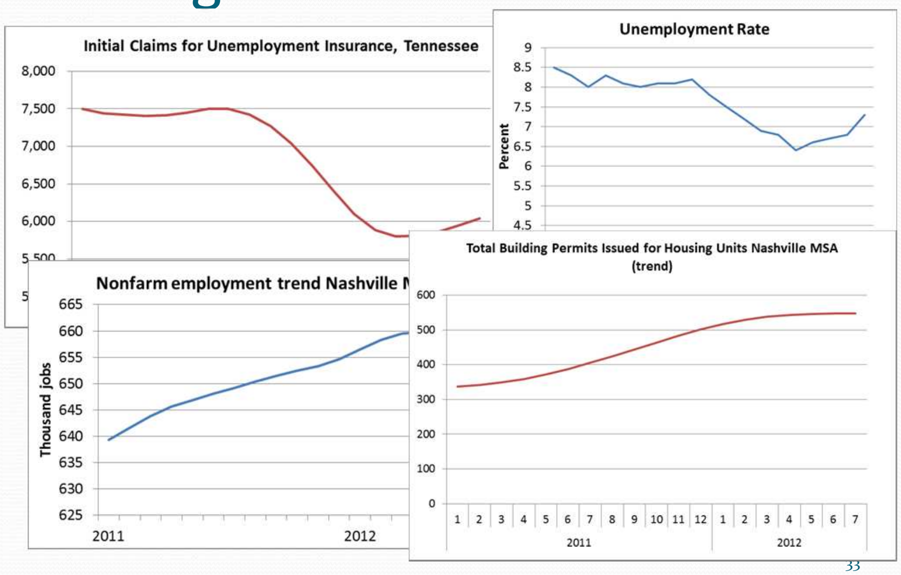
Slowing down?



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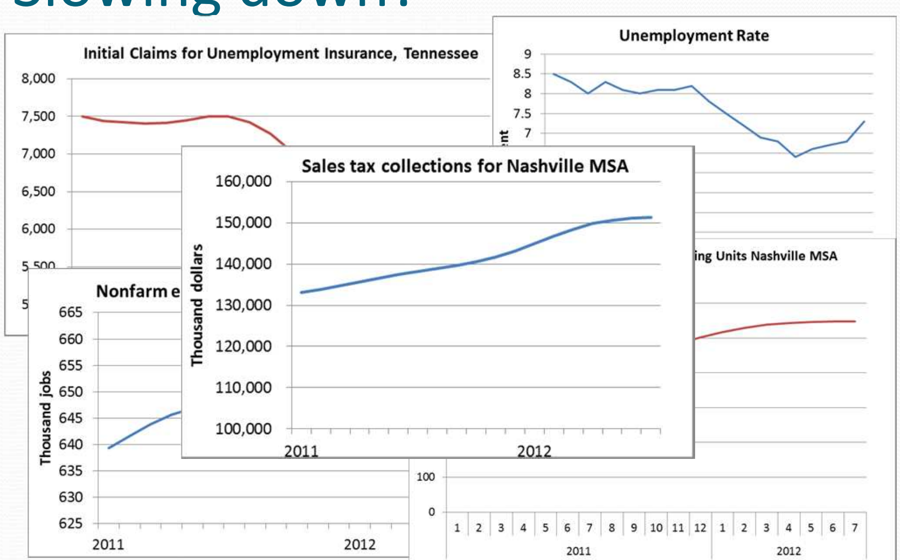
Slowing down?



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Slowing down?

Indicator	Direction
Initial claims	Rising
Nonfarm employment	Slowing
Unemployment rate	Rising
Housing construction	Slowing
Sales tax collections	Slowing

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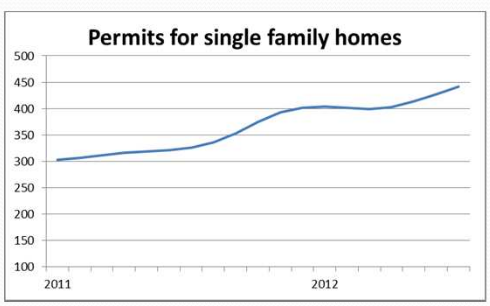
Picking up steam



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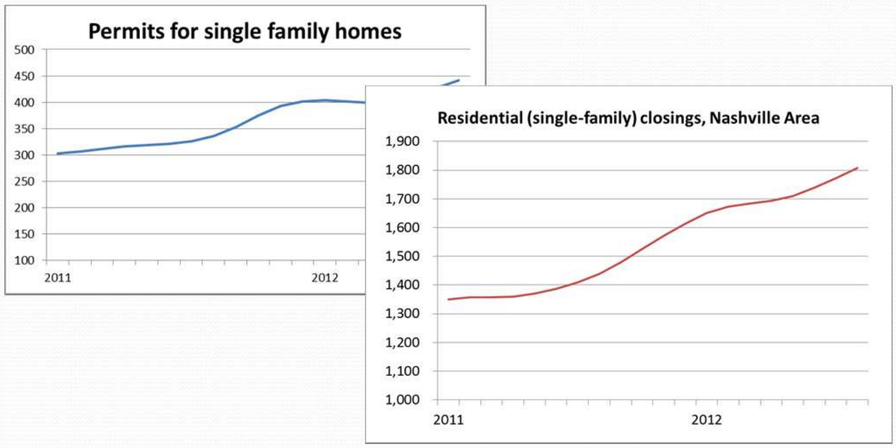
Picking up steam



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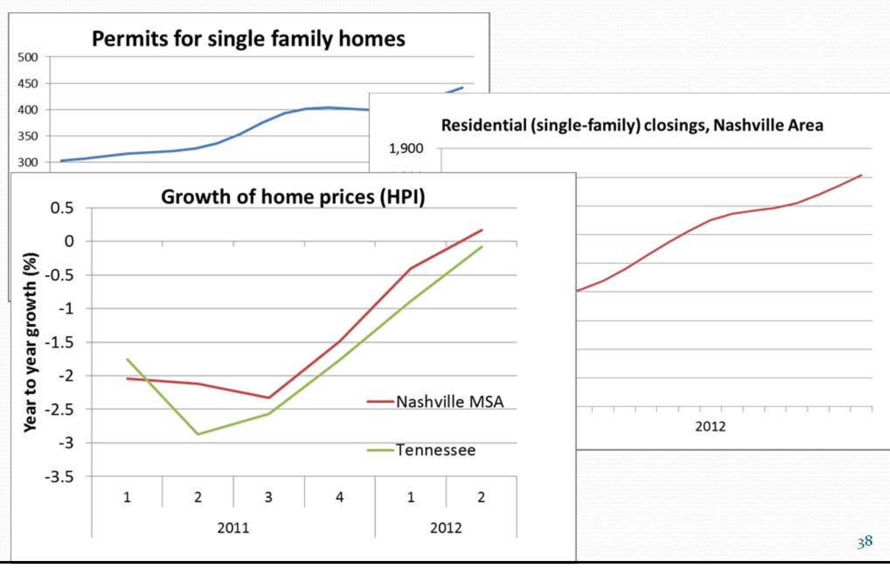
Picking up steam



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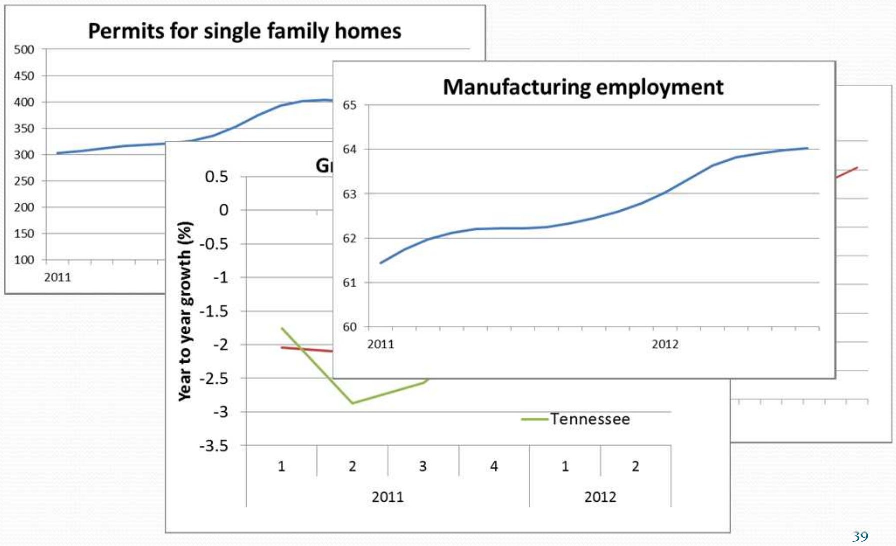
Picking up steam



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Expectations for Nashville MSA*

- Nonfarm employment: slower growth
- Sales tax collections: rising more slowly
- Housing construction: mildly rising
- Unemployment rate: drifting lower
- Nashville growth predicated on moderate growth for the U.S. economy

*Assuming fiscal cliff is fixed

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Fiscal Cliff Impact: Congressional Budget Office

- Real GDP will likely be 0.5% lower 2013.4 over the year
- Unemployment rate will rise to 9.1% from 8.2%

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Expectations for Nashville MSA with full Fiscal Cliff impacts

- Nonfarm employment: shrinking
- Sales tax collections: falling
- Housing construction: flat to falling
- Unemployment rate: sharply rising

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BERC Estimates: Fiscal Cliff Impact

- Expected unemployment rates fourth quarter 2013:
  - Tennessee: 9.3% (8.4% July 2012)
  - Nashville MSA: 8.5% (7.3% July 2012)
- Return to the *present* unemployment rate will likely not occur before mid-2014

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Tracking Tennessee's Economic Recovery

- Statewide and all 10 MSAs.
- Employment
- Unemployment
- Housing construction
- Housing prices
- Taxable sales
- County data

www.mtsu.edu/berc "Tracking Tennessee's Economic Recovery"

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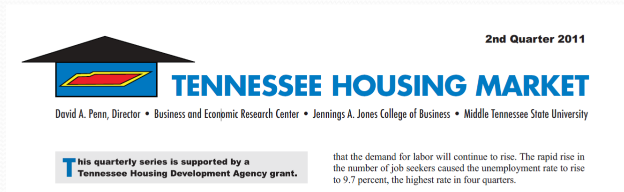
Tennessee Housing Market Report

- Quarterly report on construction, sales, prices.



2nd Quarter 2011

TENNESSEE HOUSING MARKET

David A. Penn, Director • Business and Economic Research Center • Jennings A. Jones College of Business • Middle Tennessee State University

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that the demand for labor will continue to rise. The rapid rise in the number of job seekers caused the unemployment rate to rise to 9.7 percent, the highest rate in four quarters.

Studies

- Affordable housing
- International trade and green jobs
- APSU economic impact analysis
- Southwest Development District
- Impact of non-profits
- Impact of new natural gas pipeline to Atlanta