



Economic Update

Tennessee Chamber of Commerce and Industry

March 3, 2010

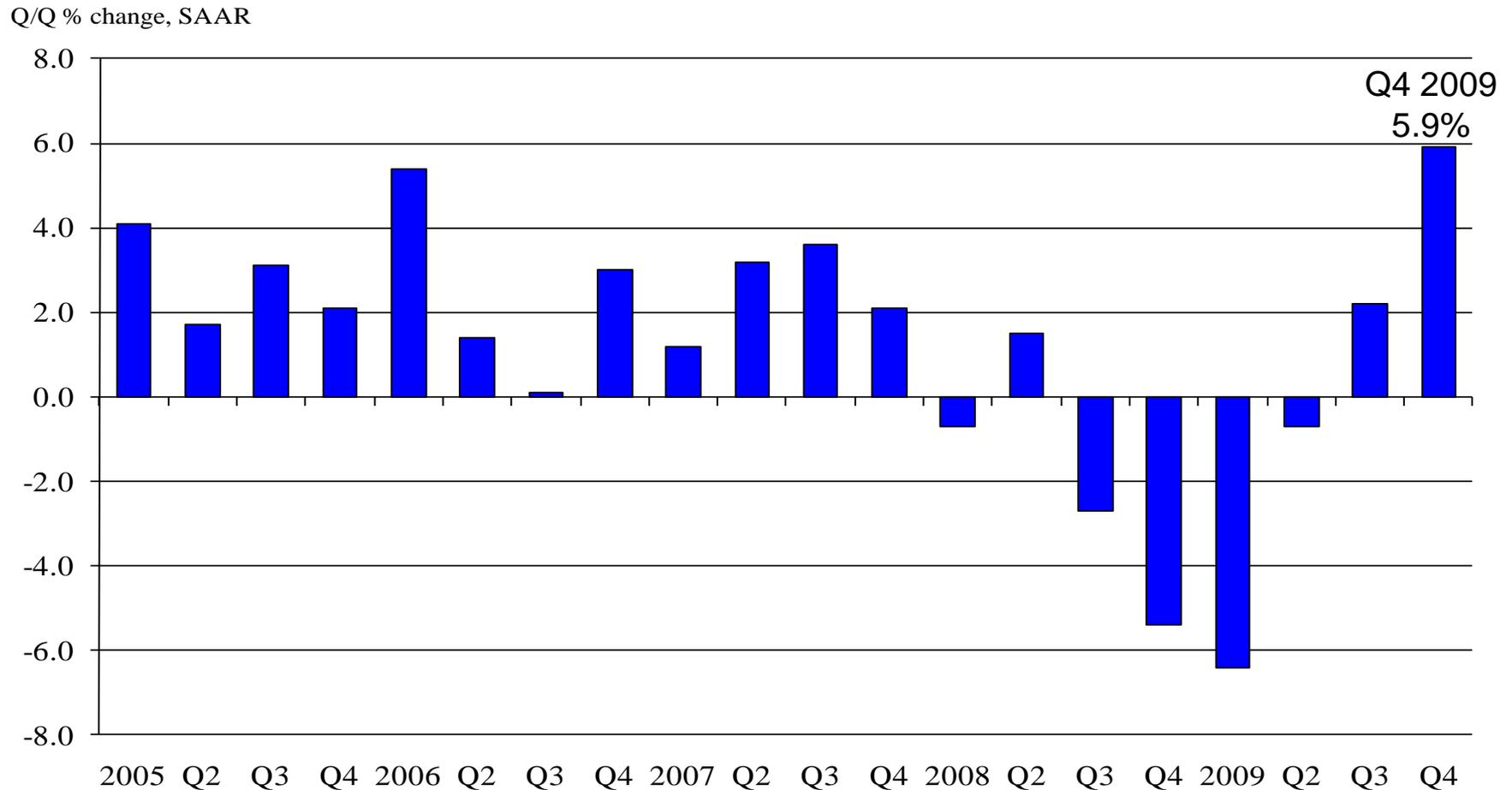
Lee Jones

The views expressed are mine and not necessarily those of the Atlanta Fed or the Federal Reserve System.



**FEDERAL
RESERVE
BANK
of ATLANTA**

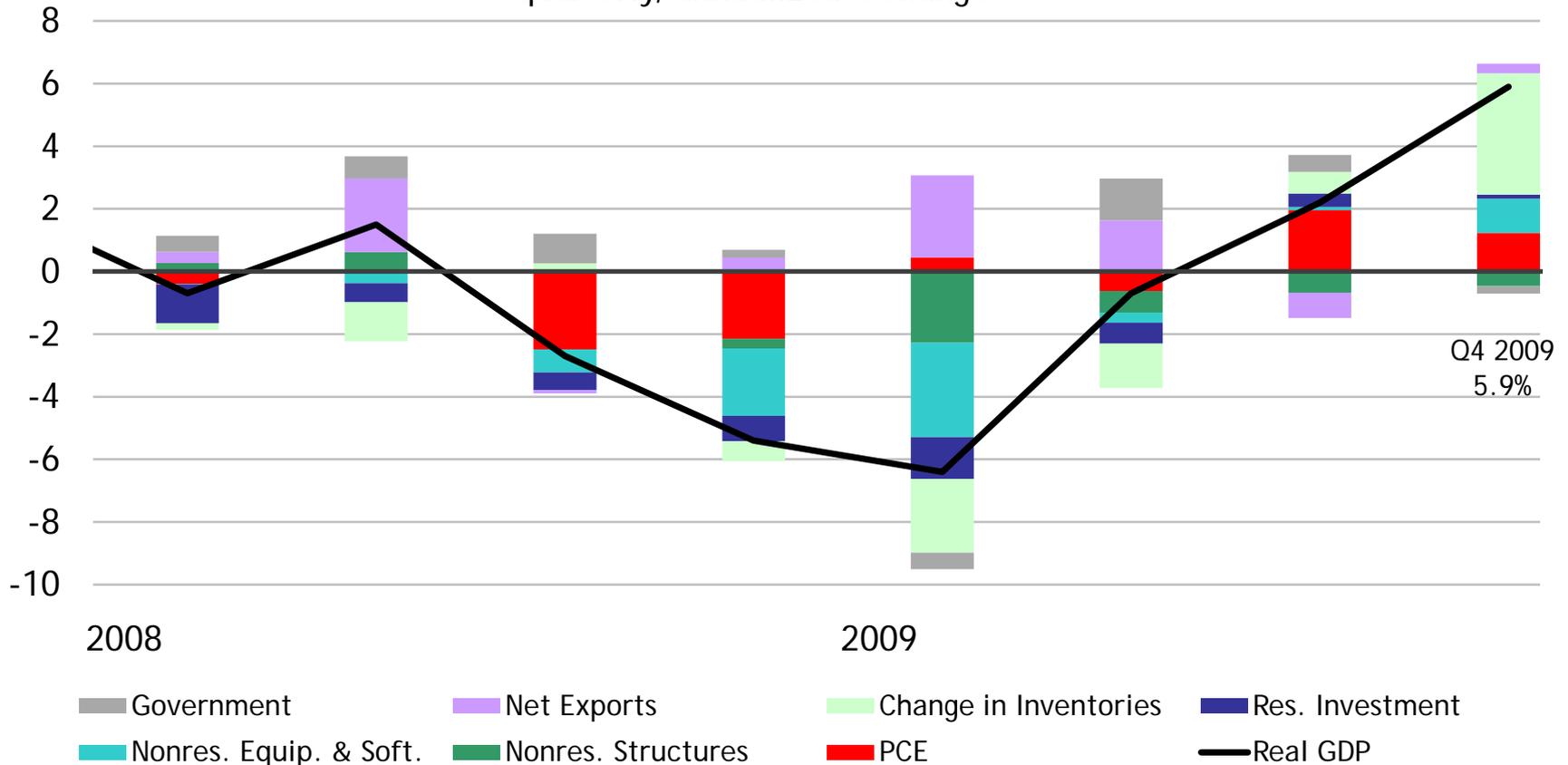
U.S. economic growth rose substantially in Q4 2009, but output is not expected to expand at such a strong pace going forward.



Inventory adjustments helped push up GDP in Q4. It is not expected to continue.

Contributions to Real GDP Growth

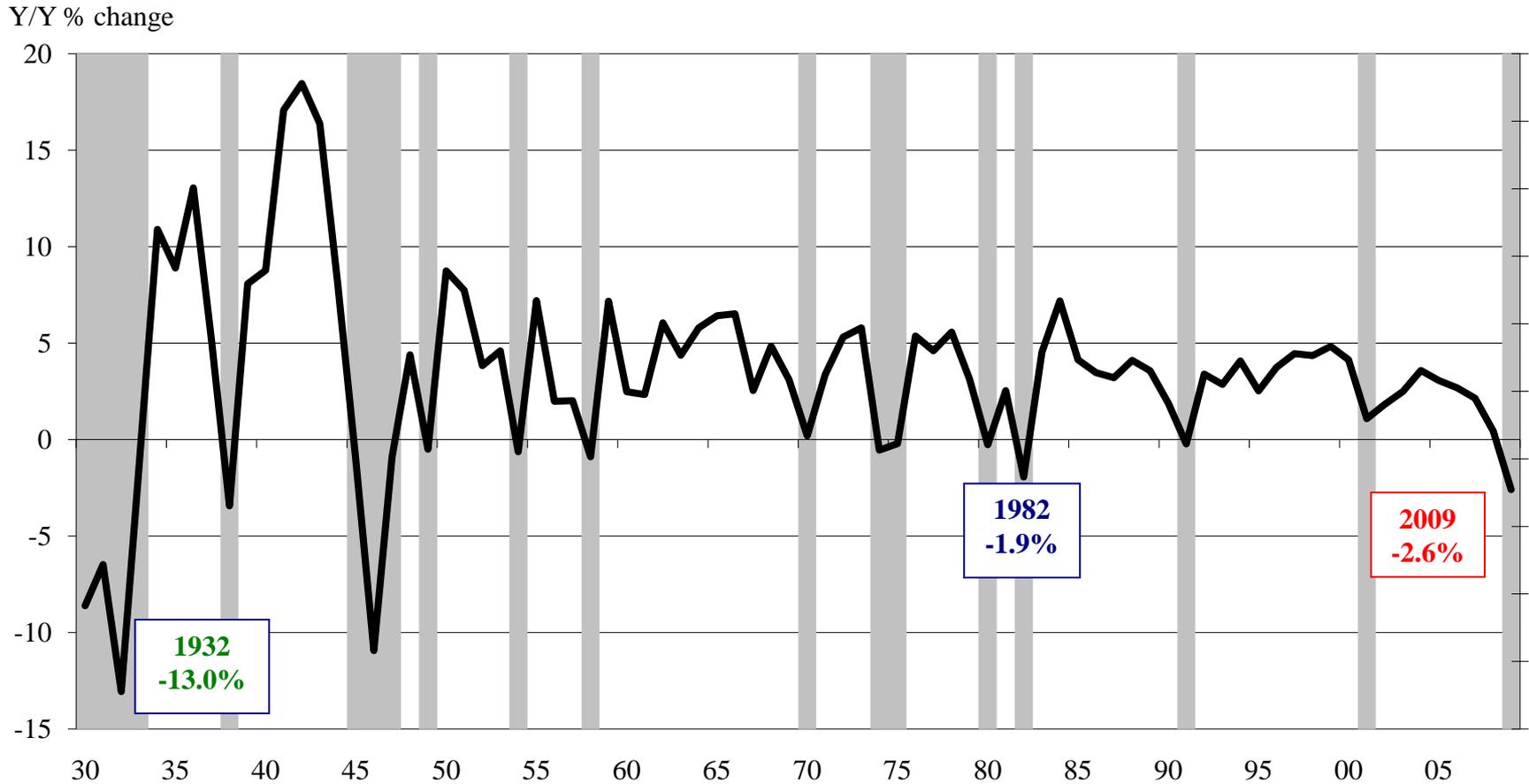
quarterly, annualized % change



Source: U.S. Bureau of Economic Analysis

While national economic growth is very weak, comparisons to the Great Depression are exaggerated.

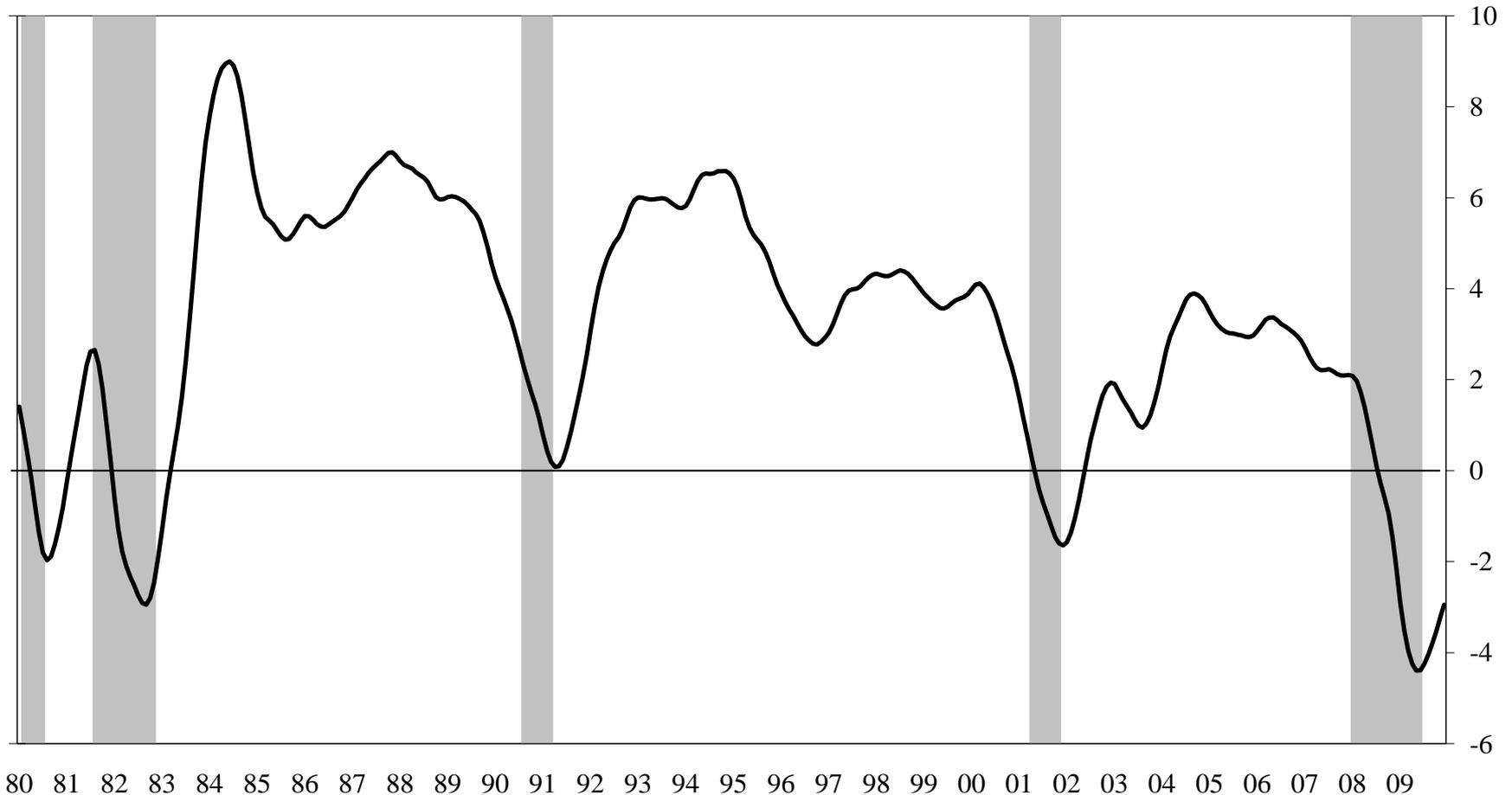
U.S. Economic Growth



Slow Improvement is evident at the state level as well.

Tennessee Real GDP Proxy Coincident Economic Activity Index

Y/Y % change,
through Dec 09

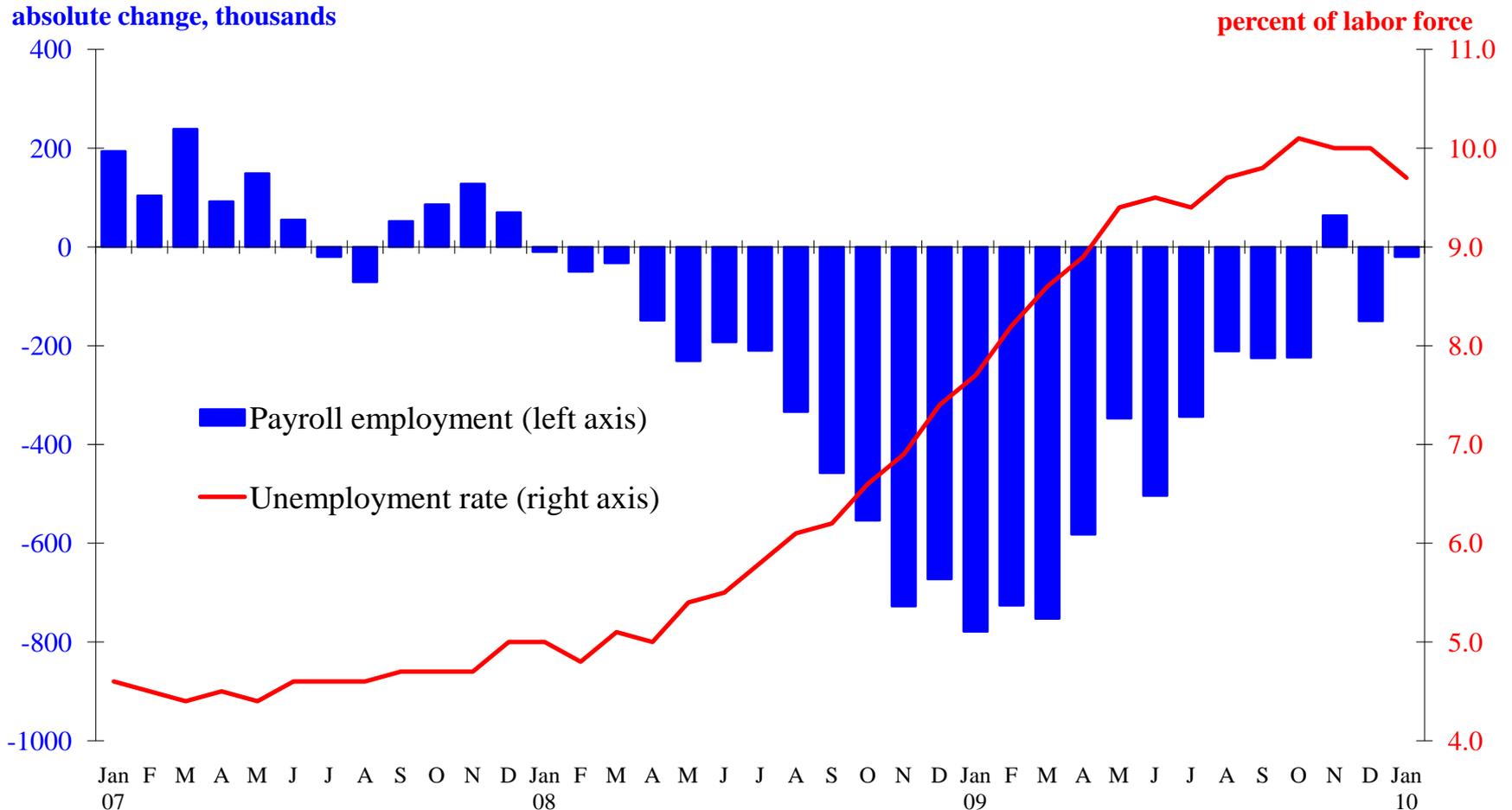


Source: FRB Philadelphia, FRB Atlanta

(Assumes that the recession ended in June 2009)

Employment losses have tapered at the national level.

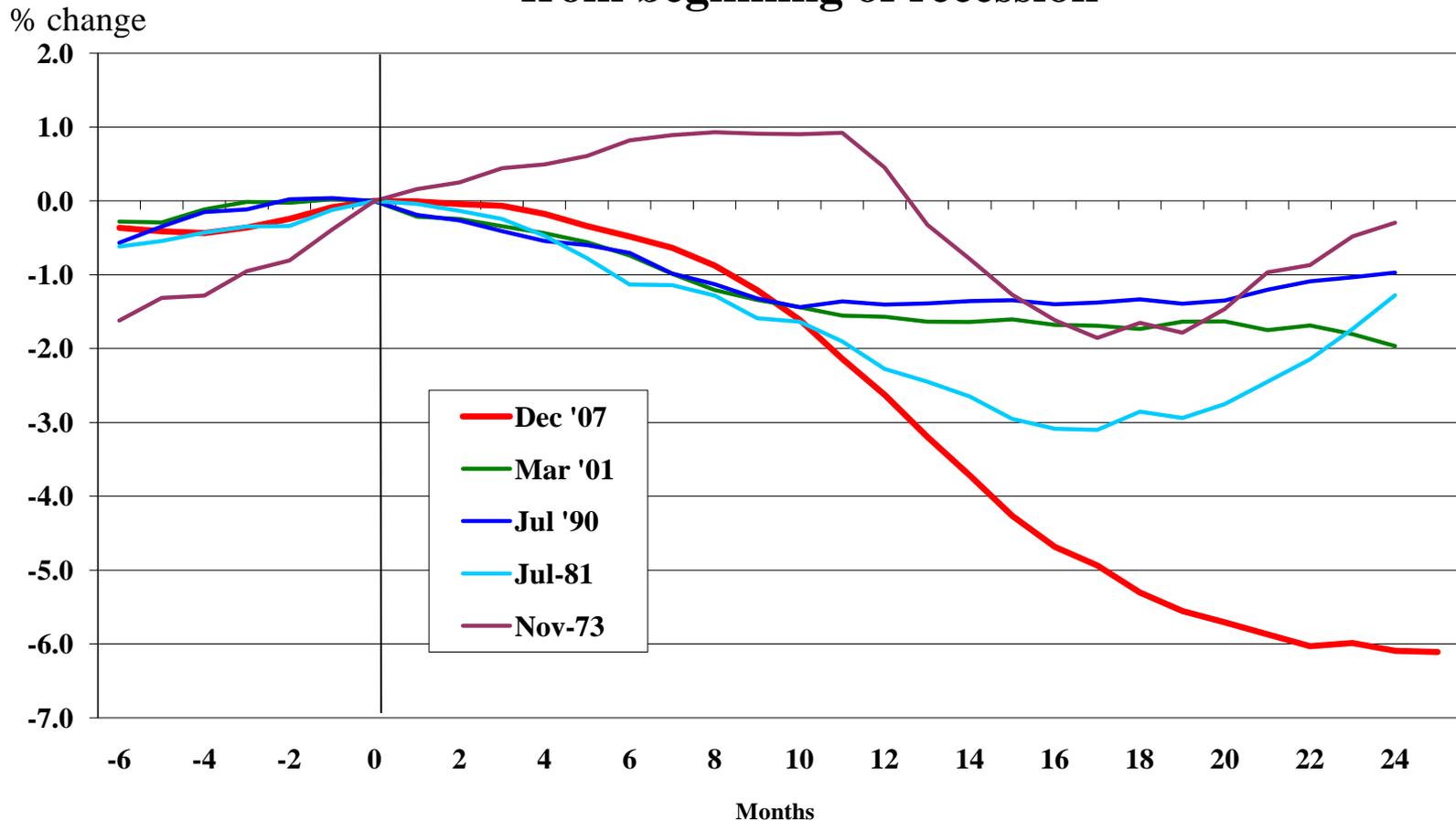
USA Payroll Employment and Unemployment Rate



Source: U.S. Bureau of Labor Statistics

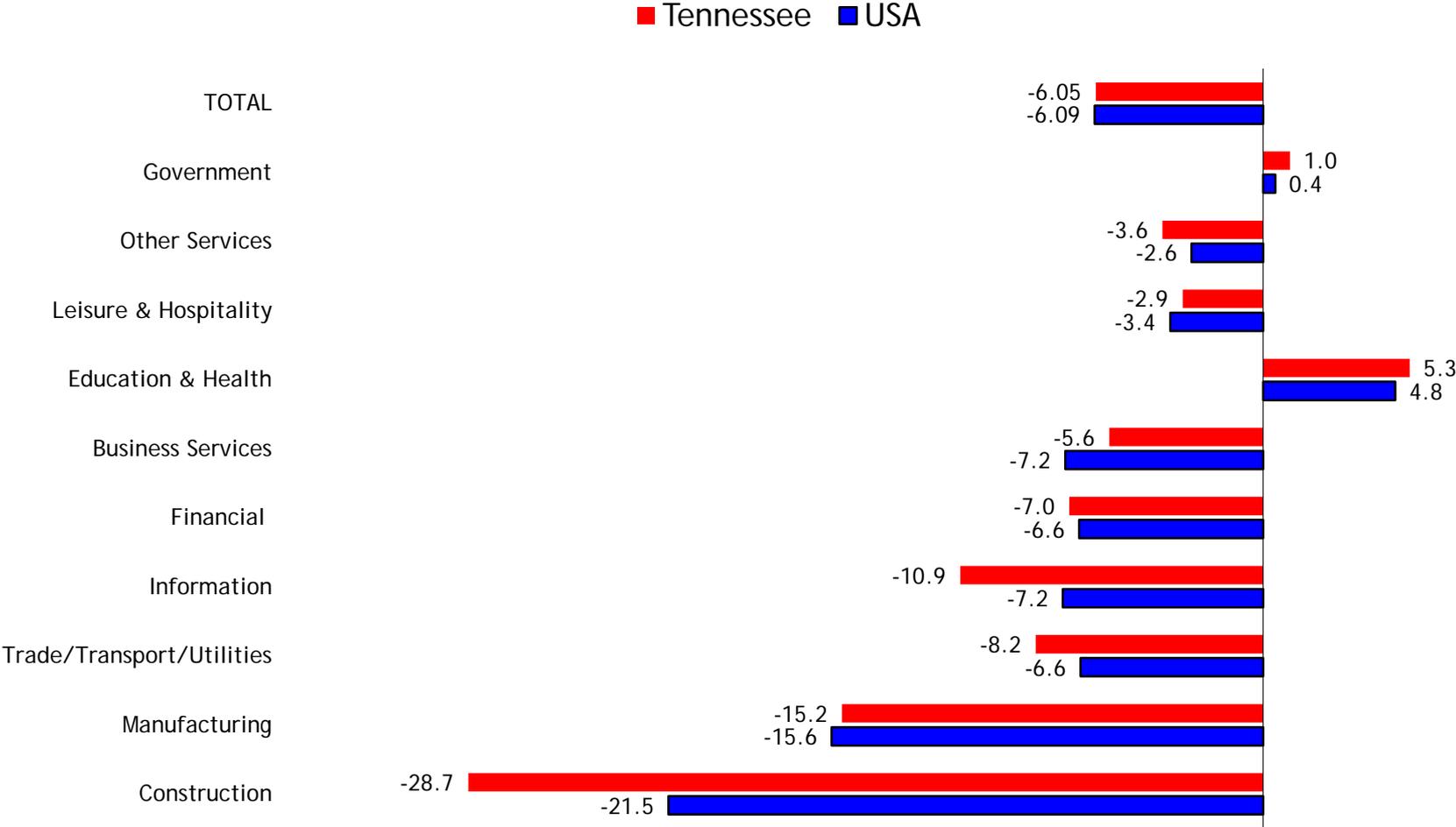
But the decline in employment during the recession has been substantial.

Percent change in total nonfarm employment,
from beginning of recession



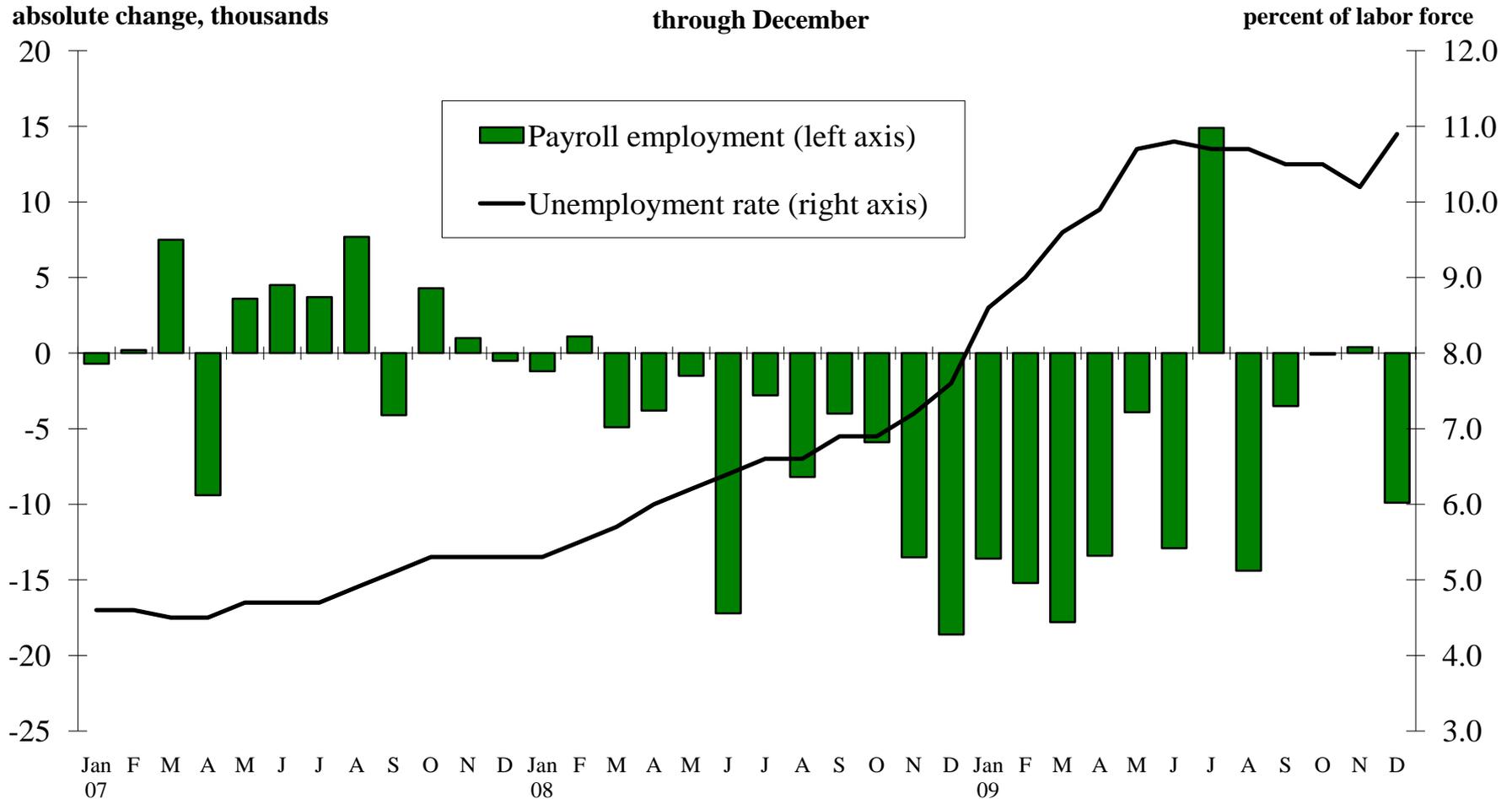
Total job losses since the recession began are roughly the same in Tennessee as they have been for the US, although some differences are evident at the industry level.

Percent Change in Employment by Industry Since Dec 2007



Tennessee job losses slowed in Oct & Nov, then picked up again in Dec.

Tennessee Payroll Employment and Unemployment Rate



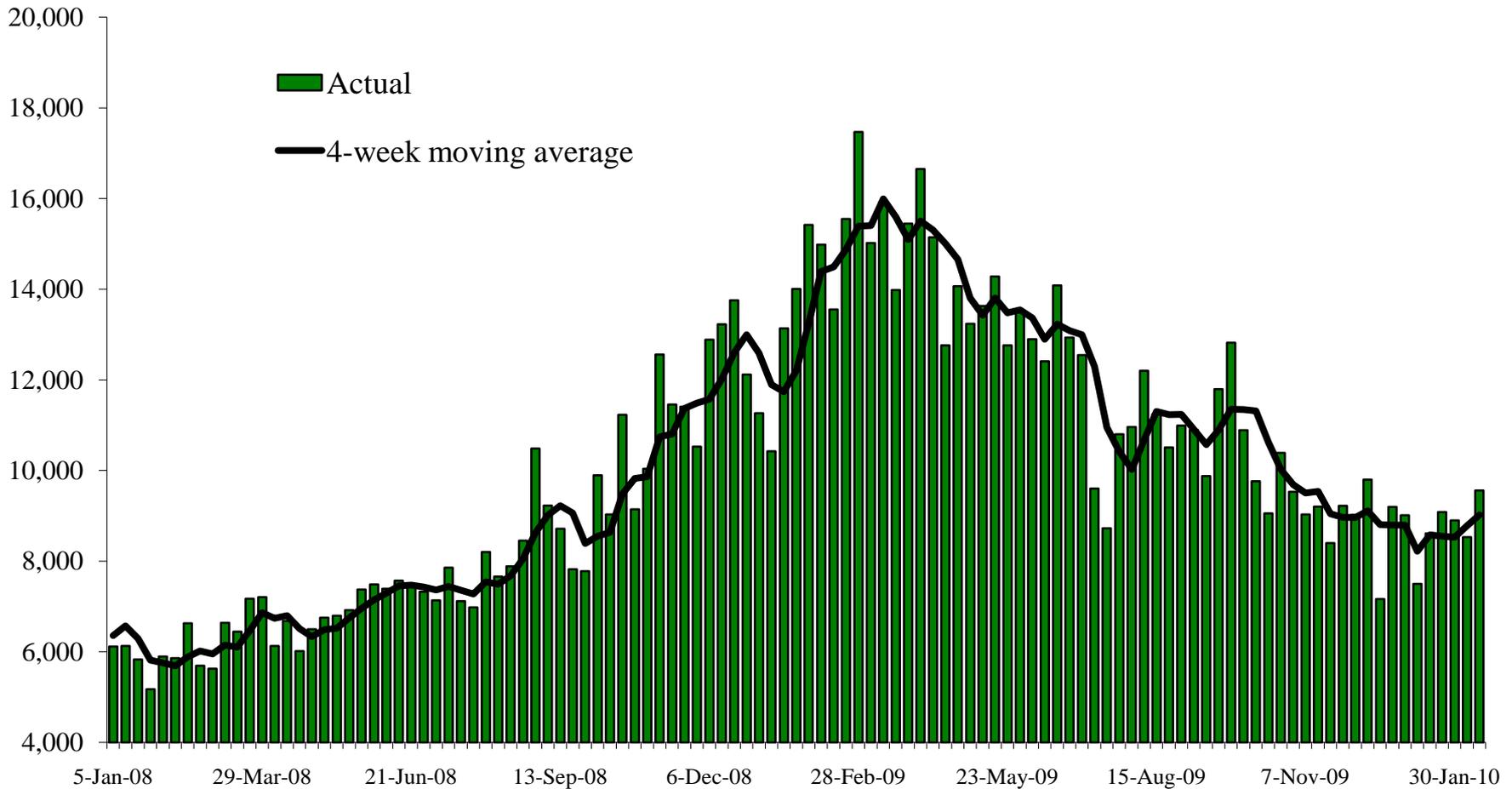
Source: U.S. Bureau of Labor Statistics

New claims for unemployment insurance have decelerated, but leveled early in 2010.

Initial Unemployment Claims: Tennessee

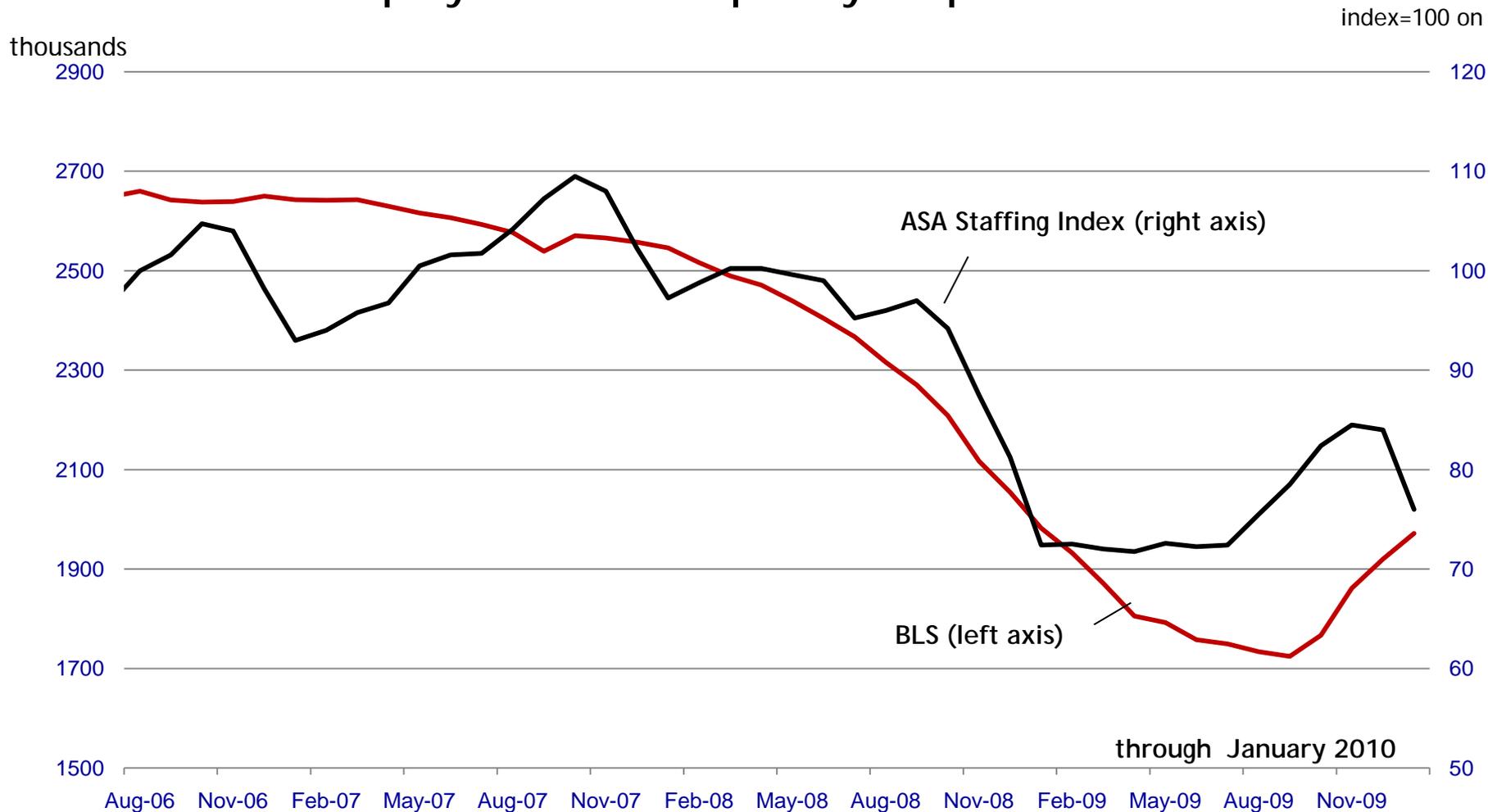
weekly claims, sa

through Feb 13



Employment of temporary workers began to pick up in Q3, a possible sign that labor demand is strengthening.

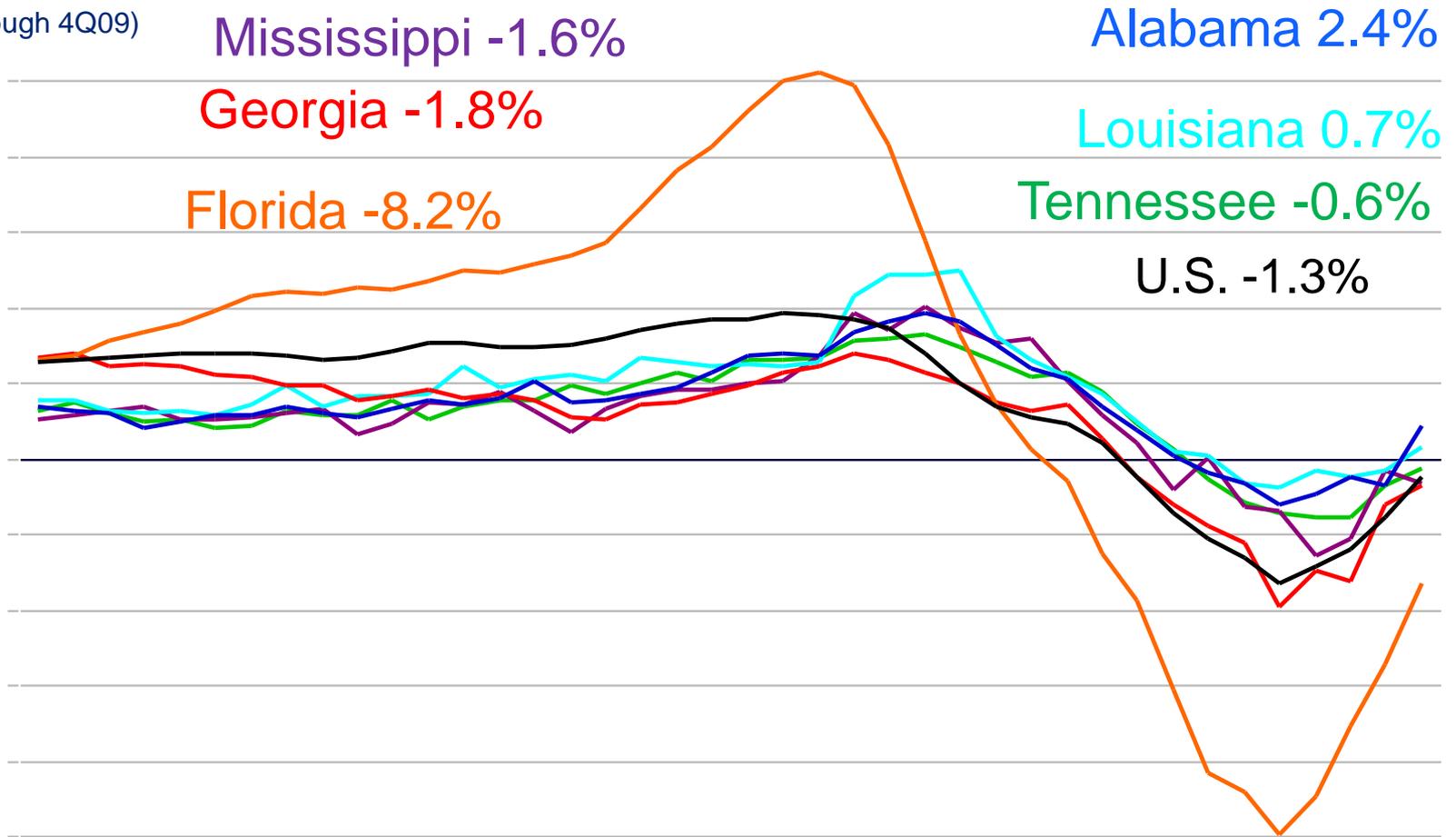
Employment in Temporary Help Services



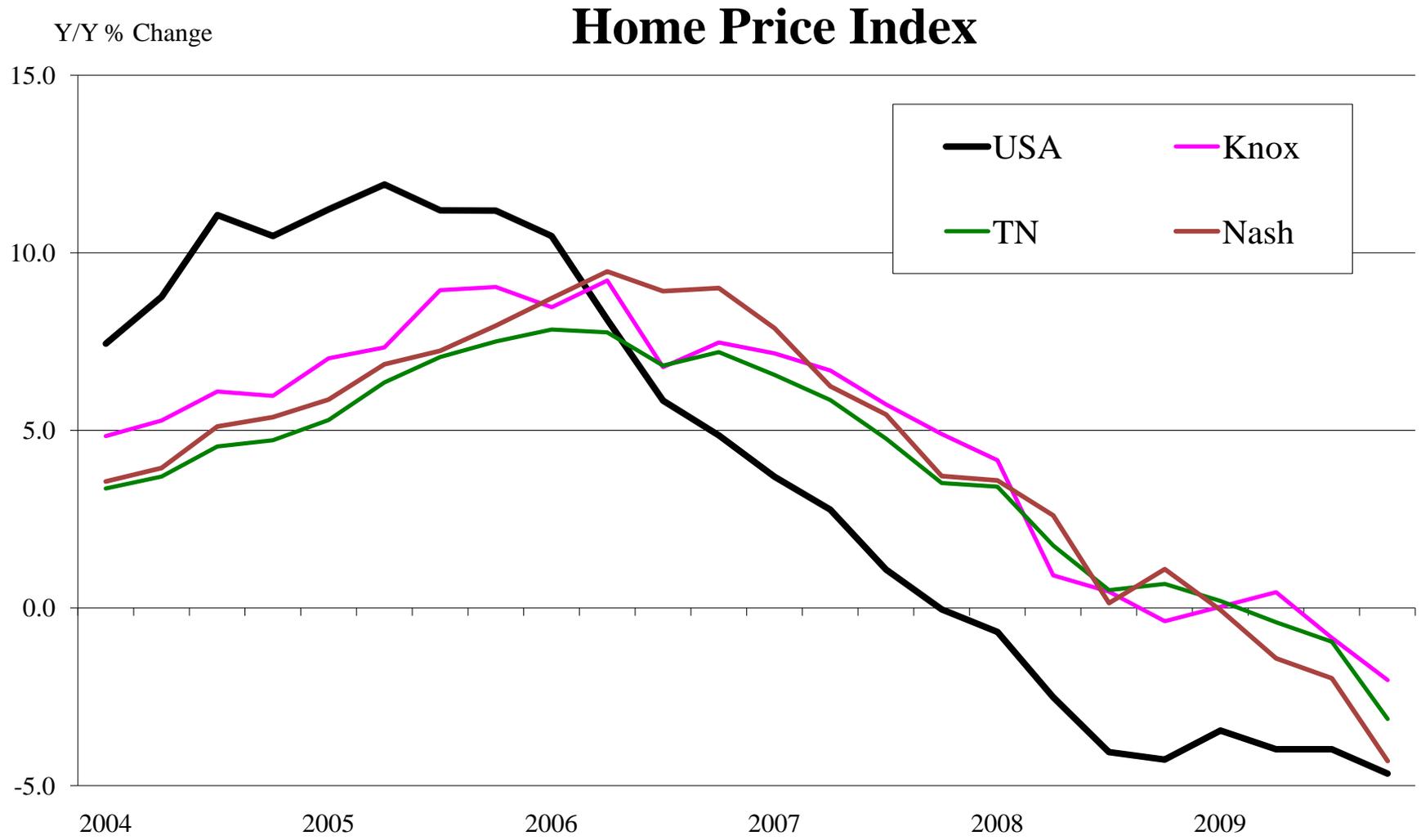
Source: Bureau of Labor Statistics (BLS). American Staffing Association (ASA)

Median Home Sales Price

Percent, yr/yr (through 4Q09)



Home price declines have continued.

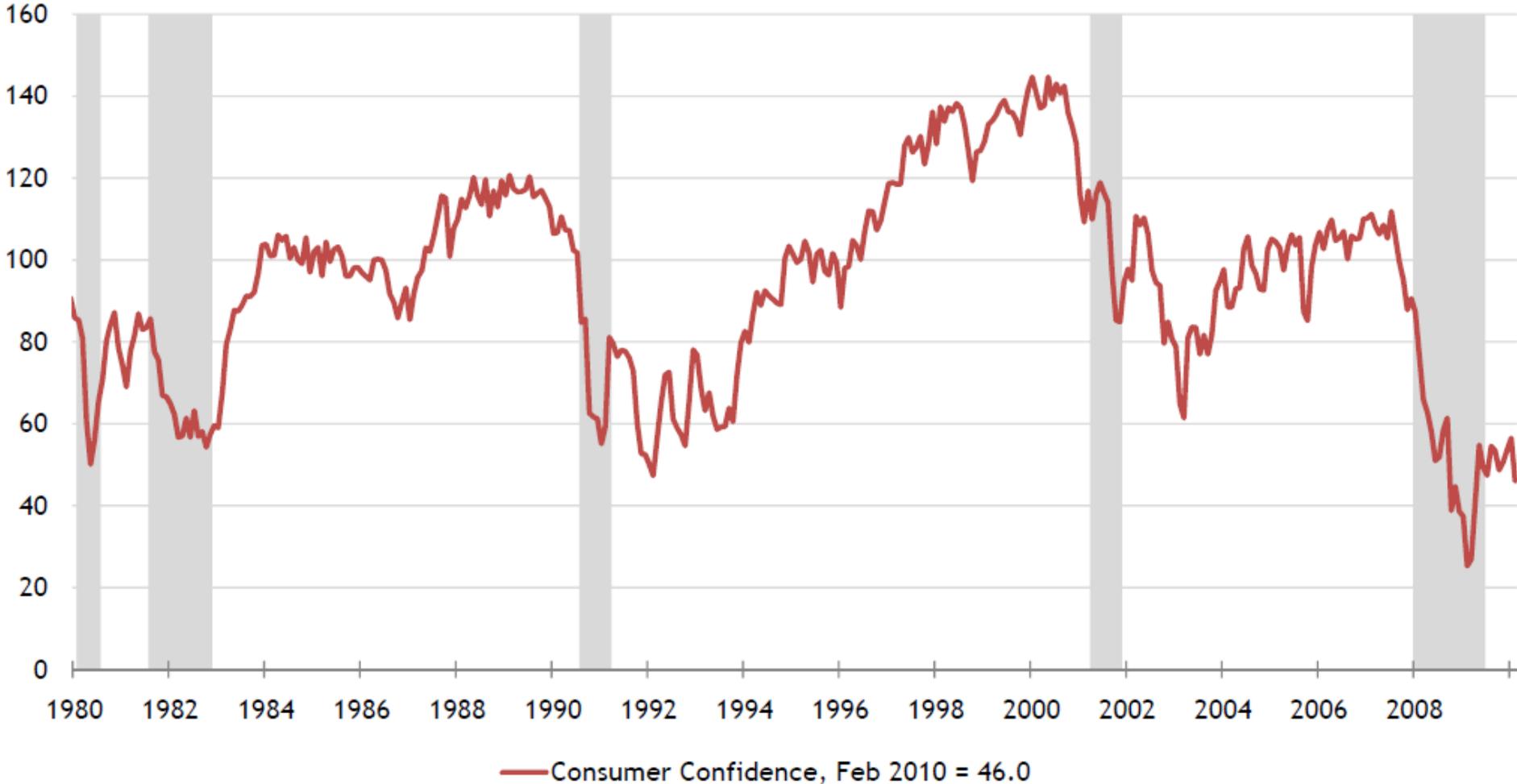


Source: Federal Housing Finance Agency

Consumers remain very cautious.

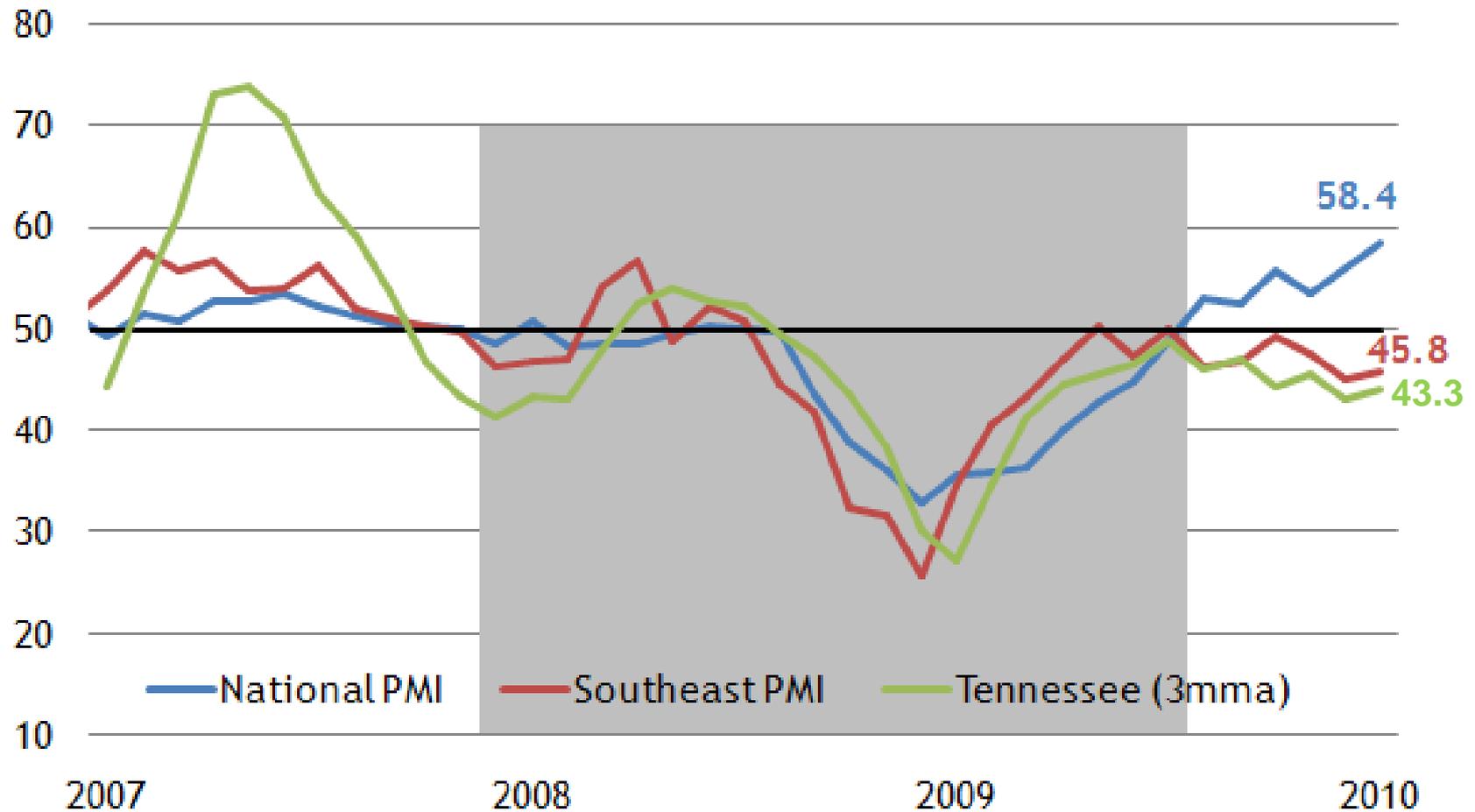
The Conference Board Consumer Confidence Index

1985 = 100, SA



Southeast and National PMI

50 + Index Points = Expansion, through January 2010



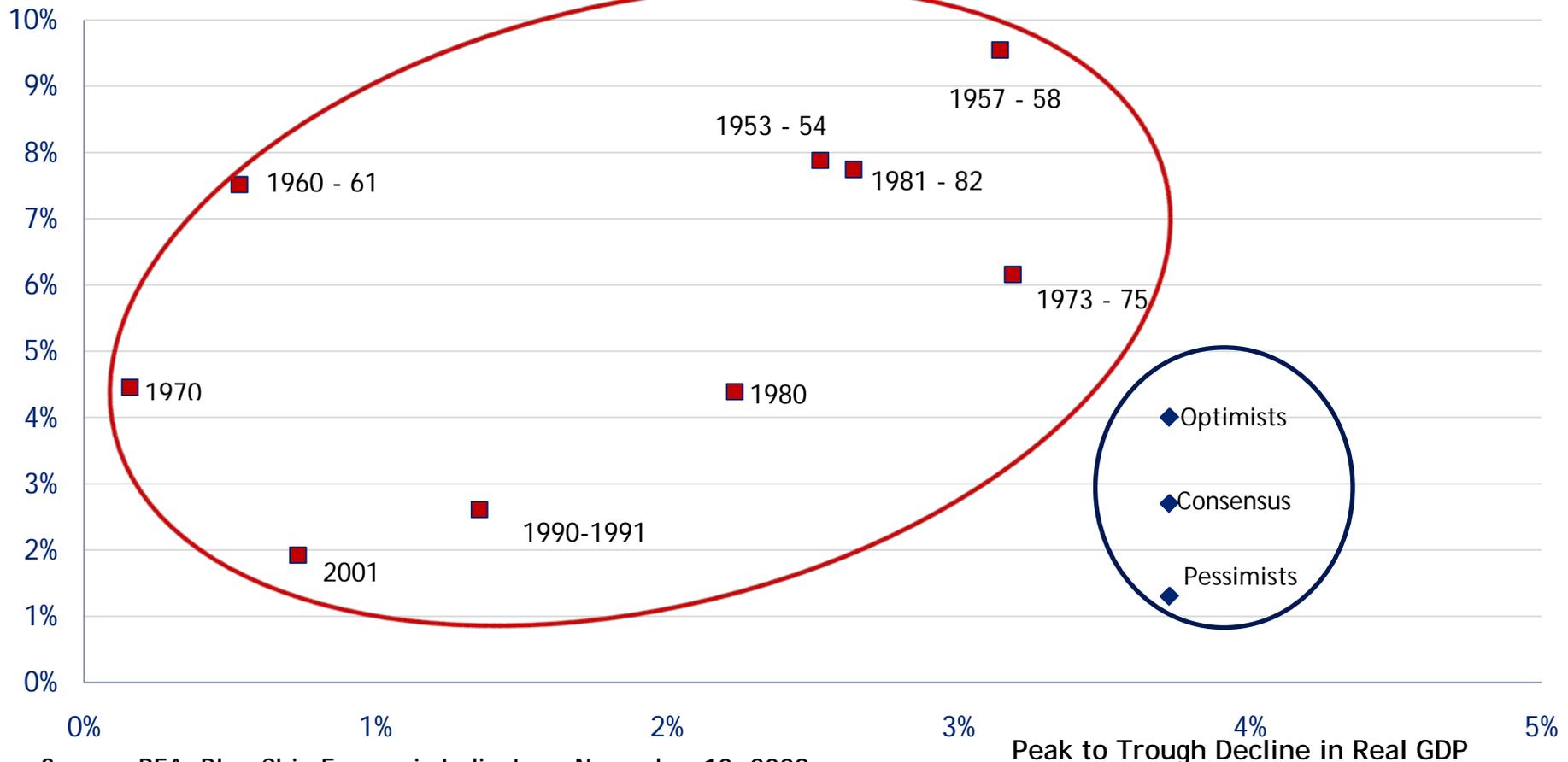
Sources: Kennesaw State University,
Institute for Supply Management

Assumes recession ended June 2009
3mma used for TN PMI due to series volatility

Most Forecasters Continue to Expect an Unusually Modest Recovery

4 Quarter % Change
After Recession

Current Forecasts are very Pessimistic
in Historical Context



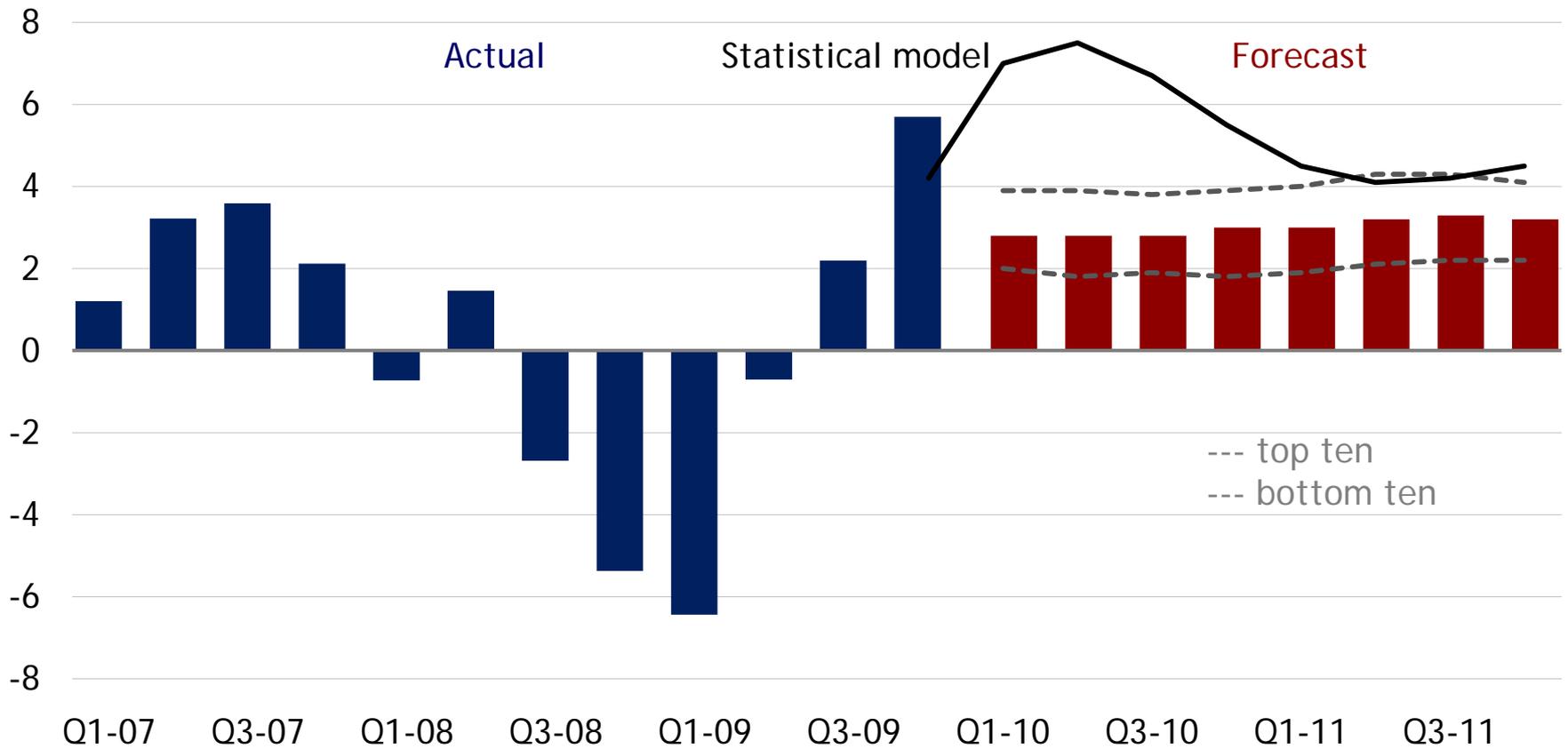
Source: BEA; Blue Chip Economic Indicators, November 10, 2009

Peak to Trough Decline in Real GDP

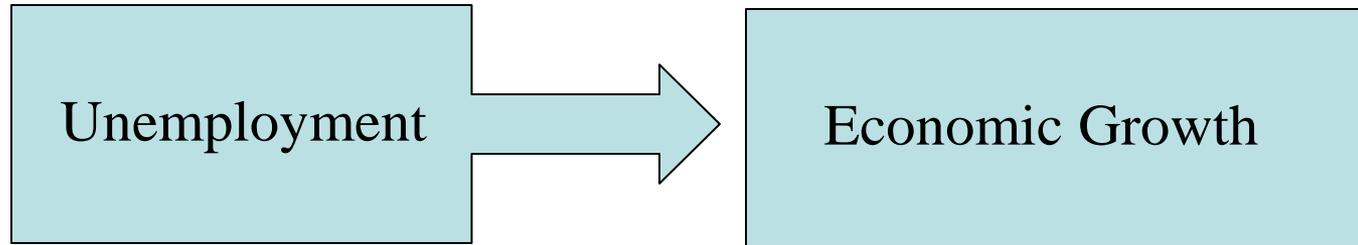
Economists overwhelmingly believe this recovery will break from historical averages.

Blue Chip GDP Forecast

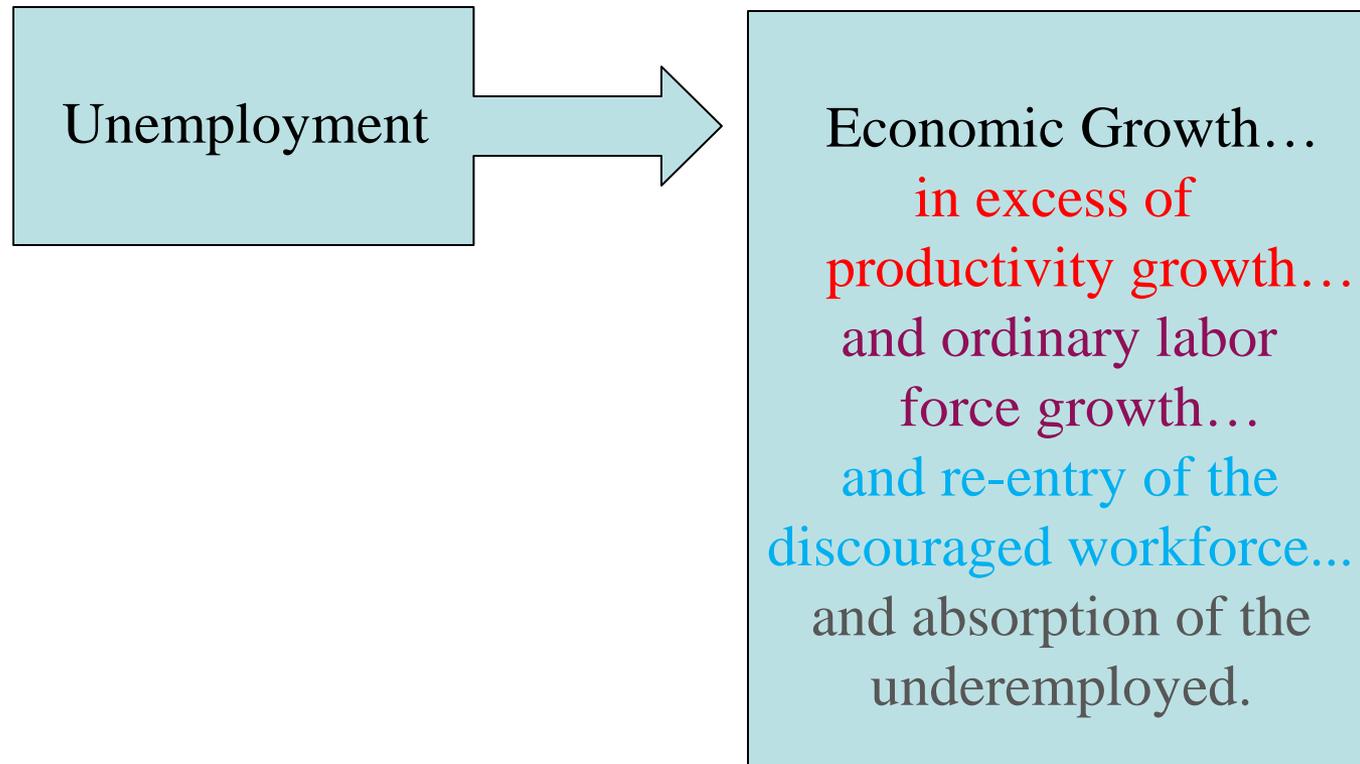
Annualized quarterly percent change



What kind of growth is it going to take to make a serious dent in the unemployment rate?

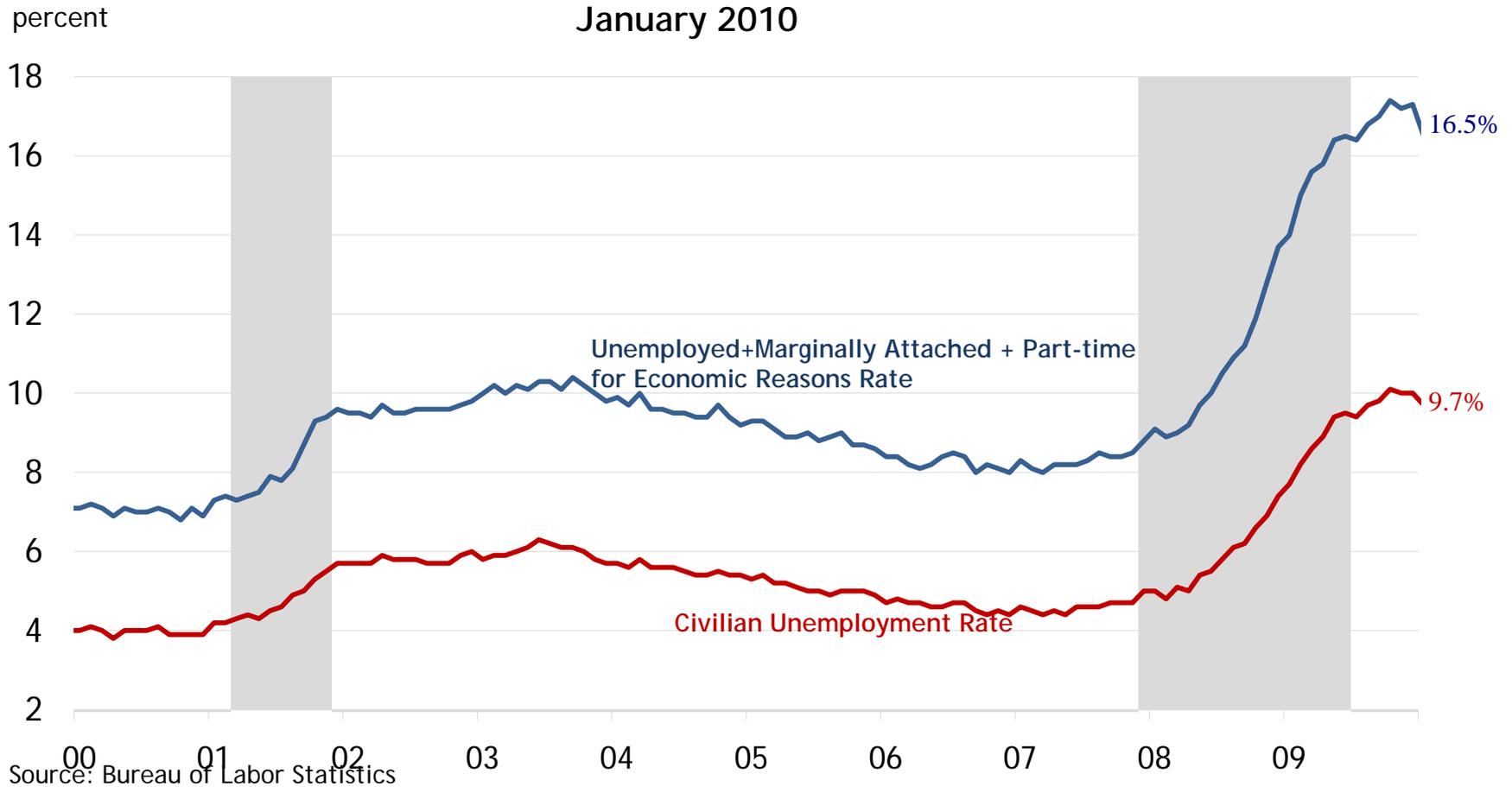


What kind of growth is it going to take to make a serious dent in the unemployment rate?



Other data show even a weaker job market

Unemployment Rates January 2010



*Note: **Marginally attached** workers currently want a job and have looked for work within the last 12 months. This primarily includes *discouraged workers* (those not currently looking for work because they believe no work is available given their circumstance), and persons not now working due to family responsibilities, ill-health, or are in school.

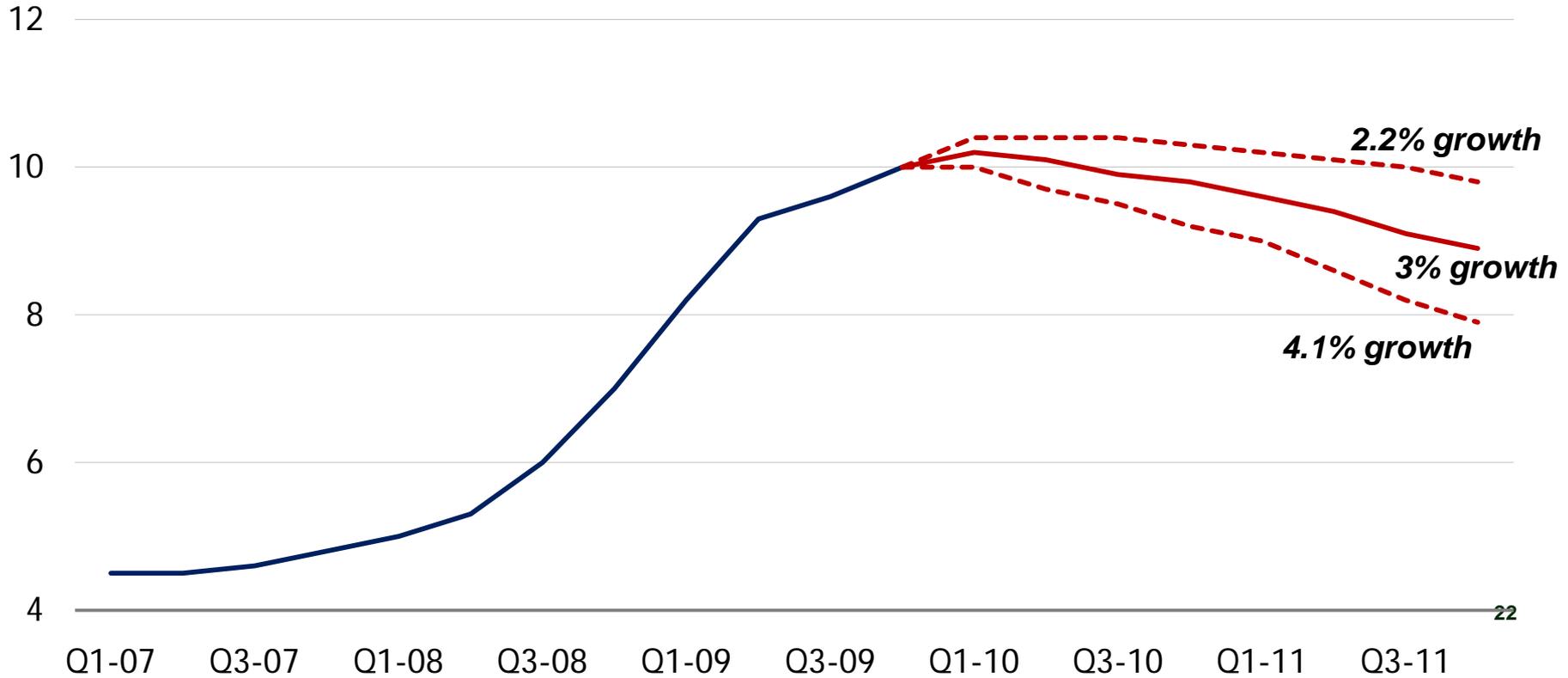
Rising productivity, labor force growth, and high levels of underemployment imply that modest GDP growth would be insufficient to significantly cut into joblessness

Blue Chip Unemployment Rate Forecast

ACTUAL UNEMPLOYMENT RATE

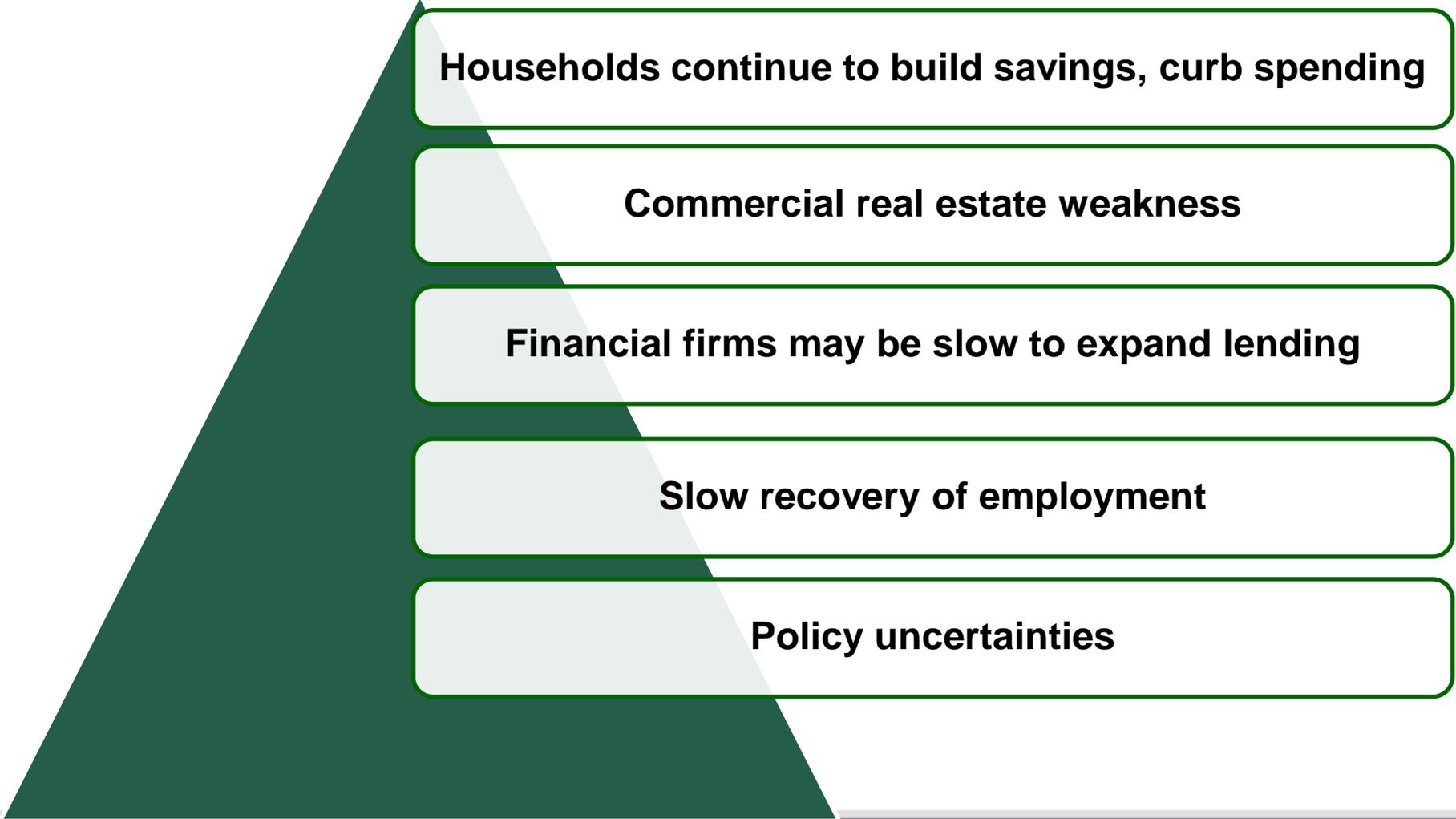
FORECAST

Quarter Average



22

Issues ahead



Households continue to build savings, curb spending

Commercial real estate weakness

Financial firms may be slow to expand lending

Slow recovery of employment

Policy uncertainties

Tennessee's Outlook is Very Subdued, according to UT's Center for Business and Economic Research

Highlights

As the performance of the national economy improves, positive ripples should begin to emerge in Tennessee in the quarters ahead.

Regardless of the pattern of the national recovery, one thing is certain—it will be several years before the economy regains the ground that has been lost in the current cycle.

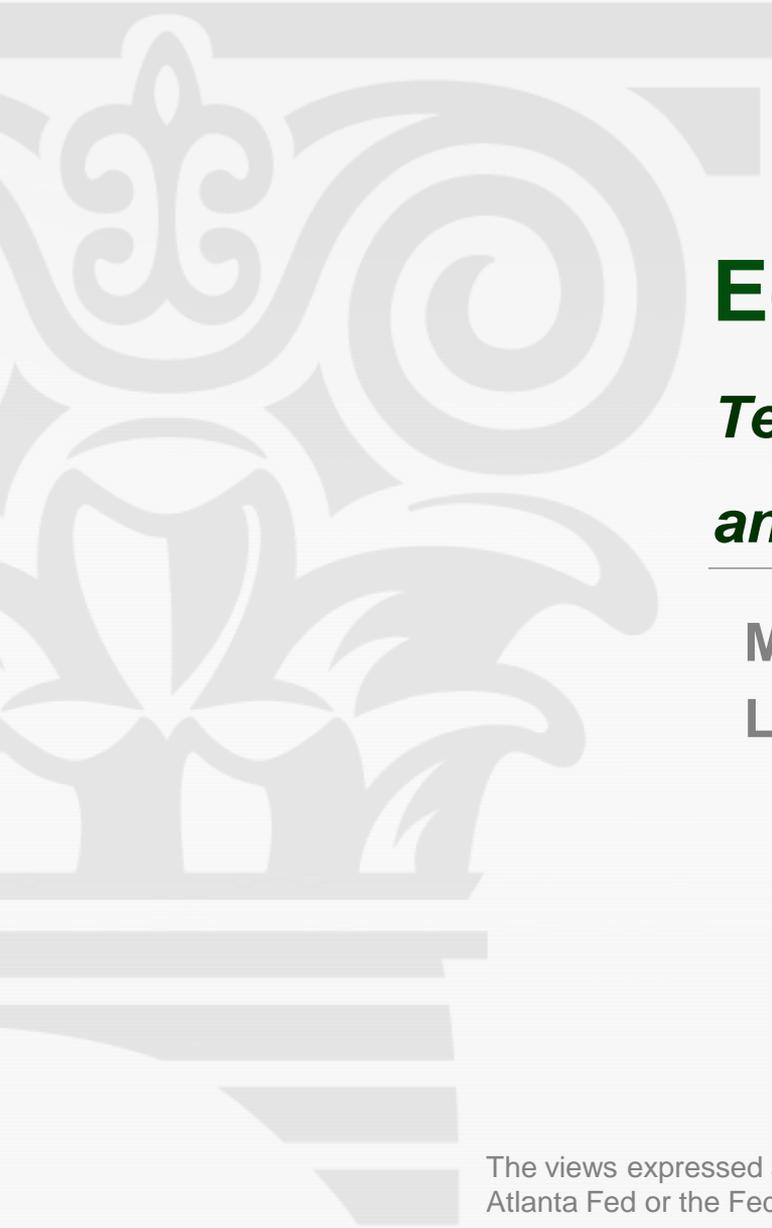
The state unemployment rate is not expected to slip below 10 percent until the first quarter of 2012. If this projection is realized, it will mean 11 quarters in row with an unemployment rate in excess of 10 percent.

Tennessee Unemployment Rate Forecast

<u>2010</u>				<u>2011</u>				<u>2012</u>
<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
10.4	10.4	10.4	10.4	10.3	10.2	10.1	10.0	9.9

Source: ECONOMIC REPORT TO THE GOVERNOR OF THE STATE OF TENNESSEE.

UT Center for Business and Economic Research



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