

Federal Reserve Bank of Atlanta

Michael Chriszt

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Narrator: Welcome to Southeastern Economic Perspectives, an occasional podcast from the Federal Reserve Bank of Atlanta. We're speaking today with Michael Chriszt, director of international and regional analysis, who reports on economic conditions in the Sixth District. Mike has a firsthand view of current economic analysis at the state and local level and some of the challenges regional economists face in developing local economic outlooks. Thanks for joining us today, Mike.

Economic analysis seems to be a pretty straightforward task at the national level. We get multiple daily reports and constant commentary through the major media. What about analyzing economic conditions at a more local level?

Mike Chriszt: Well, Jean, it's really not that straightforward. Neither the depth nor the breath of economic data is available at the state or the metropolitan level. For example, there are no quarterly reports on GDP by state, only annual estimates, and those really don't help us much with current economic analysis. In addition, local data reports tend to lag the national reports.

Narrator: *So what do you do?*

Chriszt: Well, Jean, we look closely at employment data, for one. This information is released monthly, but even they tend to lag more than national numbers. For instance, September employment data for the nation comes out on Oct. 5. Two weeks after that, state and local data are released.

Narrator: *Do you get clues from the national reports about what's going on locally?*

Chriszt: Yeah, sometimes we do, but reading too much into national reports can be risky. Take what happened last February, for instance. The national payroll survey reported that new jobs created at the national level decelerated from about 160,000 the month before to about 90,000. That led us to speculate that job creation among the states in the Sixth District would slow down as well, and that didn't happen. In fact, we added a net 30,000 new jobs in February after adding 31,000 the previous month. There was no slowdown in job creation in the Southeast like there was at the national level that month.

That points out another danger: making assumptions based on one month's worth of data. We look for trends in the data, and we don't often react to a single report or a single indicator. For instance, total job growth in the states in the Sixth District fell by 3,000 last October. There was no other incoming data that led us to believe that employment growth was sputtering, so we held off on making any definitive statement about the data. During the next month, total job creation jumped over 41,000.

Here's another example: We've been watching Florida's employment gains decelerate significantly over the past several months. We've also been noting a steady increase in the initial claims for unemployment insurance for a longer period. Both are clear trends, and both indicate weaker employment conditions. But the state's unemployment rate was stuck between 3.3 percent and 3.4 percent going back to early 2006. Despite this, we were confident that employment conditions were much weaker in the second quarter of this year. And in fact, Florida's unemployment rate jumped to 3.9 percent in July, and we were expecting that to show up.

Narrator: *You've mentioned several employment indicators. What other data do you look at from the state and local level?*

Chriszt: Well, we look at sales tax data and auto sales numbers to gauge consumer spending. We review airport arrivals, convention bookings, and theme park attendance for indications about business travel and tourism. Permit starts sales data for residential construction and real estate, and that's been kind of depressing lately, but we still have to look at it. And there's a lot more that we can dive into, but that's just part of the story.

Narrator: *What do you mean?*

Chriszt: Well, data are only one part of our tool kit. And they are an essential part of economic analysis. But getting the entire picture depends on listening to what business contacts are saying. We want to hear what businesspeople have to say about their sales, their orders, costs, and even more importantly, what their outlooks are. One way to look at it is to say that the data give us the "whats" of recent economic developments. What has happened, what the trends appear to be. Talking to businesspeople helps gives us the "whys" and the "hows," if you will. Not only that, but because of the lags in the data that we talked about earlier, we're able to maintain a constant finger on the pulse of the regional economy by listening to what our contacts are telling us.

Narrator: *How do you do that exactly? Is there a list of people you talk to or is it less structured?*

Chriszt: Well, we do take a structured approach to gathering this kind of information. For example, every month, the boards of directors from each of our five branches share their thoughts with us on economic conditions in their areas. These reports are invaluable. They represent the most current insights from 35 of the region's top businesspeople.

Narrator: *So you talk to the seven directors from each of our branches in Birmingham, Jacksonville, Miami, Nashville, and New Orleans*

about their businesses?

Chriszt: Yeah. In addition, our directors also tell us what their contacts are saying about the local economy, and we get these reports every month. Another thing that we do is conduct monthly surveys of retailers, manufacturers, Realtors, and homebuilders to gauge specific developments in their particular sectors or industries. In addition, we have regular conversations with business leaders from just about every part of the economy. For example, we talk to truckers associations to give us insight into deliveries, which is an important indicator of expected sales. We talk to Florida tourism officials, port managers, electric companies, bankers—you get the idea—on a regular basis. It all gets stirred into the pot along with the data. We add our own insight and the end result is a well thought-out analysis of the regional economy. And let me add one more thought, if I may, Jean.

Narrator: *Sure, go ahead.*

Chriszt: We're not the only ones here in the Southeast that are working to understand developments at the local level. There's a number of universities in our regions that have research centers dedicated to the same goal. We're in the process of setting up a network to engage these experts in an ongoing dialogue.

Narrator: *A network?*

Chriszt: Yes, Jean. We're calling it the Local Economic Analysis and Research Network or, for short, LEARN. LEARN is seen as a forum for academics, researchers, and public policy professionals with a detailed knowledge of economic developments in the local economies here in the Southeast. The aim is to create a network for discussing and exchanging ideas on research, methodologies, and current economic developments. We think sharing ideas and analysis with these centers will help us sharpen our own views and deepen relationships among our participating institutions.

Narrator: *Does it have a lot of potential?*

Chriszt: We think so, and at the end of the day, it's all about deepening our understanding of the region's economy. More information leads to more informed decision making, and at the end of the day that's in everybody's best interest.

Narrator: *Thank you, Mike. I appreciate you taking some time to explain how your team develops a picture of the regional economy.*

Chriszt: Sure, you're welcome.

Narrator: *Again, we've been speaking with Michael Chriszt, director of international and regional analysis at the Atlanta Fed. This concludes our Southeastern Economic Perspectives podcast. Thanks for listening, and please return for more podcasts. If you have comments, please send us an e-mail at podcast@frbatlanta.org.*