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Middle Tennessee Economy Slogging Along, but Bright Spots Emerging

Along with the rest of the state, Middle Tennessee's economy has been growing slowly since the end of the recession. Unemployment rates across the mid-state remain stubbornly high, but there are some positive signs appearing in manufacturing and housing.

On Friday, September 21, I attended the annual Middle Tennessee State University (MTSU) Economic Outlook Conference hosted by the MTSU [Business and Economic Research Center](#). The center also happens to be a member of the Atlanta Fed's [Local Economic Analysis and Research Network](#) (or LEARN) program. The center's director, Dr. David Penn, [offered his views](#) on where Tennessee and the Nashville economies are headed.

Dr. Penn's presentation covered labor markets, manufacturing, housing, and state sales tax revenues. While there was some good news, I'll start with the not-so-good news.

There is an old saying: "You're moving slower than pond water." This saying could apply to the unemployment rate in Tennessee because it is not coming down very fast. Although Nashville is still generating jobs, this job generation is at a painfully slow pace. The metro area's seasonally adjusted total employment level is only up by 1,000 compared to a year ago (through August). Construction employment in Middle Tennessee has cooled off considerably, and several months of negative job growth in the education and health care sectors along with the government shedding jobs has largely offset gains in other sectors. The manufacturing sector of the job market has been rising consistently over the year. Professional services and the leisure and hospitality sectors are also demonstrating steady job growth. Durable goods manufacturing has been especially strong.

This is certainly not applicable to every part of Middle Tennessee, as some areas have already recovered from job losses experienced during the recession. Clarksville, for example, has done quite well, as they now exceed their prerecession employment level, and Nashville is getting closer to regaining all jobs lost during the recession.

The current rate of unemployment in the Nashville metro area has dropped from 8 percent to 7 percent on a seasonally adjusted basis, but has ticked up from 6.5 percent in April. One reason for the recent uptick in Nashville's unemployment rate is that the number of people reentering the labor force has increased sharply since the first quarter of the year.

On the brighter side, Dr. Penn stated that the state's housing market is getting better. The Nashville housing market is experiencing price growth for the first time since 2008. The city has seen home sales rise 27 percent over last year's low levels. As a result, the sales of building materials have risen. In addition, Nashville's sales tax collections are higher now than before the recession; however, inflation-adjusted purchasing power is 6.8 percent lower.

In the end, Dr. Penn's near-term expectations are for slow employment growth, a slower rise in the rate of sales tax collections, mild increases in construction activity, and a drifting down of the unemployment rate. Not the rosiest of forecasts, but it could be a lot worse.

By Troy Balthrop, REIN analyst at the Nashville Branch of the Federal Reserve Bank of Atlanta's Nashville Branch

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