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Modest Growth Expected for Tennessee

The University of Tennessee's [Center for Business and Economic Research \(CBER\)](#) recently published its annual economic forecasts for Tennessee in the "[Economic Report to the Governor.](#)" Highlights of the report, written by a number of CBER staff members under the direction of [Dr. Matthew Murray](#), professor of economics and associate director at CBER, are listed below:

- Tennessee's economy experienced subpar growth in 2012. The economic outlook calls for modest growth in 2013 followed by substantially stronger growth in 2014.
- Employment growth was 1.3 percent in 2012, driven by a 2.9 percent increase in employment in the state's manufacturing sector. In particular, the state's transportation equipment sector has enjoyed strong growth as a result of resurgence in consumer demand.
- Tennessee's labor market will continue to see modest gains this year followed by stronger gains in 2014. Nonfarm employment should advance 1 percent in 2013 and 1.7 percent in 2014. Employment growth in manufacturing will slow from the heated pace of 2012 but still see healthy growth of 1.2 percent. Natural resources, mining and construction, along with professional and business services, will enjoy the strongest rates of growth in 2013.
- The state's unemployment rate continued to decline in 2012 but remains well above prerecession levels and the state's labor force contracted for the year. The unemployment rate will only inch downward in 2013. Expect the unemployment rate to average 7.9 percent in 2013 and 7.5 percent in 2014.

[Dr. David Penn](#), director and associate professor at Middle Tennessee State University's [Business and Economic Research Center \(BERC\)](#), looked closer at the Nashville area economy in a [presentation](#) given on February 14. He anticipates job growth in the Nashville MSA to be 1.5 percent in 2013 and for the metro area's unemployment rate to decline modestly. In addition, Dr. Penn expects home prices to rise gradually with construction growth picking up more quickly. Like the state as a whole, manufacturing activity in the Nashville area should continue to grow. BERC also maintains a great interactive website titled "[Tracking Tennessee's Economic Recovery,](#)" which does precisely that through a number of indicators and visuals.

In their respective reports, both Dr. Murray and Dr. Penn noted the downside risk to the outlook posed by fiscal policy uncertainty. In his report, Dr. Murray writes that fiscal policy uncertainty has "created a dark cloud over the economic outlook for the state."

Atlanta Fed President [Dennis Lockhart](#) noted this issue as well in his [January 14 speech](#) to the Rotary Club of Atlanta:

Clearly, a lot is riding on the pace of job creation. And to a substantial extent, the pace of job creation is riding on reducing uncertainty, especially policy uncertainty. The coming months will be, in my opinion, something of a moment of truth for fiscal policymaking. The year 2013 will be a test of the country's ability to govern itself in the realm of public finances.

The Atlanta Fed's regional executive in our [Nashville Branch](#), [Lee Jones](#), picked up on how businesses may be dealing with uncertainty:

Most of my contacts continue to report modest growth. However, reports have been a bit more optimistic despite the continued uncertainty and caution. I'm sensing a shift in business attitude from wait-and-see mode to more of a 'this is time to get in the game' approach, driven largely by competitive forces.

Our Nashville Branch covers Tennessee east of the river that carries that state's name. While these reports may be from Tennessee, such an outcome would clearly have a positive impact on the broader economy.



By Michael Chriszt, vice president and community affairs officer in the Atlanta Fed's Public Affairs department

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