Current Economic Conditions in the Eighth Federal Reserve District

Memphis Zone

December 23, 2011

Prepared by the Research Division of the Federal Reserve Bank of St. Louis
This report (known as the *Burgundy Book*) summarizes information on economic conditions in the Memphis zone of the Eighth Federal Reserve District (see map above), headquartered in St. Louis. Separate reports have also been prepared for the Little Rock, Louisville, and St. Louis zones and can be downloaded from research.stlouisfed.org/regecon/.

The report includes government-provided data for Tennessee and the metro areas of the Memphis zone. These data are the most recent available at the time this report was assembled.

NOTE: Metropolitan statistical areas (MSAs) are larger geographic areas than cities, as defined by the Census Bureau. Unless noted otherwise, when we refer to a location—such as Memphis—we refer to the Memphis MSA and not to the city of Memphis.

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The most recent data at the time of publication show that Memphis is performing better than the nation in terms of annual employment growth, while its performance in terms of short-run employment growth, the unemployment rate, the issuance of building permits, and annual house price growth is less favorable than the nation’s. The following five points illustrate this assessment:

**Annual Changes in Employment**
By the end of October, Memphis’s nonfarm payroll employment was 1.4 percent higher than last year, while national employment was 1.2 percent higher than last year.

**Short-Term Changes in Employment**
Between August and October, Memphis’s local employment decreased by an average rate of 0.1 percent per month, while the nation’s employment increased at an average rate of 0.1 percent per month.

**Unemployment Rate**
In Memphis, the unemployment rate decreased slightly, falling from 10.5 percent in July to 10.4 percent in October. Despite this improvement, Memphis’s unemployment rate was 1.4 percent higher than the 9 percent rate registered for the nation at the close of October.

**Building Permits**
The number of building permits issued in the Memphis zone from the beginning of 2011 through October was 25.2 percent lower than the number issued during the same months of 2010. This fall contrasts with the approximately constant number of building permits issued in the nation as a whole during the same period.

**House Prices**
At the close of the third quarter, housing prices were 5.4 percent lower in the Memphis zone compared with the same time last year. This fall was larger than the fall registered in the nation as a whole, where house prices have fallen 4.3 percent over the past year.

![Nonfarm Payroll Employment Growth
3-Month Moving Average, SA, January 2006–October 2011](image)

With the exception of the third quarter of 2010, Memphis’s recession-related decline in employment—centered around January 2009—was similar to the nation’s. During the past three months, Memphis employment growth decreased at an average rate of 0.1 percent per month while national employment grew at an average rate of 0.1 percent per month.
Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in a region’s economic performance. In Memphis, total nonfarm employment rose by 1.4 percent with respect to one year ago, while employment rose 1.2 percent in the nation. The three largest sectors in Memphis are Trade, Transportation, and Utilities; Government; and Education and Health, accounting for 27 percent, 15 percent, and 14 percent of Memphis area employment, respectively. Growth in these three sectors was 1.8 percent, –0.6 percent, and 3.4 percent, respectively. Sectoral employment changes in Memphis varied, with 5 of 10 sectors increasing employment, 4 of 10 sectors decreasing employment, and 1 of 10 sectors with constant employment. The Natural Resources, Mining, and Construction sector, which accounts for 4 percent of total employment, had the largest increase (6.6 percent), while the Information sector, which accounts for 1 percent of total employment, had the largest decrease (3.1 percent).

The Philadelphia Fed’s coincident index combines information on payroll employment, wages, unemployment, and hours of work to give a single measure of economic performance. The relevant index values suggest that the recession’s impact was milder than the nation’s for Arkansas and Mississippi and similar to the nation’s for Tennessee. In fact, the index values during the recession show that at the lowest point, the economic activity levels in Arkansas, Mississippi, Tennessee, and the nation were at 93.3 percent, 93.5 percent, 91.7 percent, and 92.1 percent of their pre-recession levels, respectively. Since then, the recovery has followed a similar pace in the mentioned MSAs and the nation—with the exception of Arkansas, where the recovery has slowed down (relatively) since mid-2010. Current levels of the coincident index suggest that the U.S. economy is at 96.3 percent of its pre-recession level, while Arkansas, Mississippi, and Tennessee are at 95.3 percent, 96.6 percent, and 95.8 percent, respectively.
Memphis Zone—MSA Employment and Unemployment

<table>
<thead>
<tr>
<th>City</th>
<th>Nonfarm payroll employment percent change, October 2010–October 2011</th>
<th>Unemployment rate, October 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Goods producing</td>
</tr>
<tr>
<td>Memphis</td>
<td>1.42</td>
<td>1.72</td>
</tr>
<tr>
<td>Jackson, Tenn.</td>
<td>−0.86</td>
<td>0.87</td>
</tr>
<tr>
<td>United States</td>
<td>1.21</td>
<td>1.81</td>
</tr>
</tbody>
</table>

NOTE: Sector-level employment data are not available for Jonesboro, Ark.; as a result, this MSA is not included in the previous chart or in this table.


Employment growth in the Memphis zone has been mixed: Employment has expanded in Memphis but declined in Jackson. Memphis experienced mild employment growth in goods-producing activities (1.72 percent) and service-providing activities (1.38 percent), while Jackson experienced mild employment growth in goods-producing activities (0.87 percent). Jackson’s decline in service-providing activities (1.28 percent) drove its overall contraction in employment. The unemployment rates in both Memphis (10.4 percent) and Jackson (10.1 percent) are at least 1 percentage point higher than the rate registered for the nation (9.0 percent).

Memphis Zone Real Personal Income Growth
Percent Change, Year/Year

For several quarters before the national recession, which started in the last quarter of 2007, personal income growth in Arkansas and Mississippi was above the nation’s, while Tennessee’s was roughly at the national level. The recession’s impact on personal income growth in Arkansas and Mississippi was initially milder than in the nation, while the recovery in all three states has been similar to the nation’s. Between the second quarter of 2010 and the second quarter of 2011, personal income grew 2.3 percent, 1.4 percent, and 2.5 percent in Arkansas, Mississippi, and Tennessee, respectively. Personal income growth has thus been lower than the 2.9 percent increase registered in the nation for all MSAs of the zone.

SOURCE: Bureau of Economic Analysis.
At the close of October 2011, housing activity in the Memphis zone was weaker in terms of both building permits and home prices compared with the same time last year. In the year-to-date number of total building permits, Memphis and Jackson experienced declines of 25.2 percent and 28.6 percent, respectively. On the other hand, Jonesboro experienced an increase of 7.7 percent compared with the same month one year ago. The increase in these MSAs year-to-date building permits is noteworthy when compared with the constant number of building permits registered for the nation.

Finally, during this same period, house prices continued to decline in the Memphis zone’s three MSAs: 5.4 percent, 3.7 percent, and 1.8 percent in Memphis, Jackson, and Jonesboro, respectively. Relative to the nation, which experienced a 4.3 percent decline in house prices, both Jackson and Jonesboro are doing better, while Memphis is doing worse.

### Memphis—MSA Housing Activity

<table>
<thead>
<tr>
<th></th>
<th>Total building permits, units year-to-date</th>
<th>House price index, percent change, 2011:Q3/2010:Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>October 2011</td>
<td>Percent change</td>
</tr>
<tr>
<td>Memphis</td>
<td>1,733</td>
<td>−25.2</td>
</tr>
<tr>
<td>Jackson, Tenn.</td>
<td>140</td>
<td>−28.6</td>
</tr>
<tr>
<td>Jonesboro, Ark.</td>
<td>600</td>
<td>7.7</td>
</tr>
<tr>
<td>United States</td>
<td>510,949</td>
<td>0.0</td>
</tr>
</tbody>
</table>

SOURCE: Bureau of the Census, Federal Housing Financing Authority.