

Current Economic Conditions in the Eighth Federal Reserve District

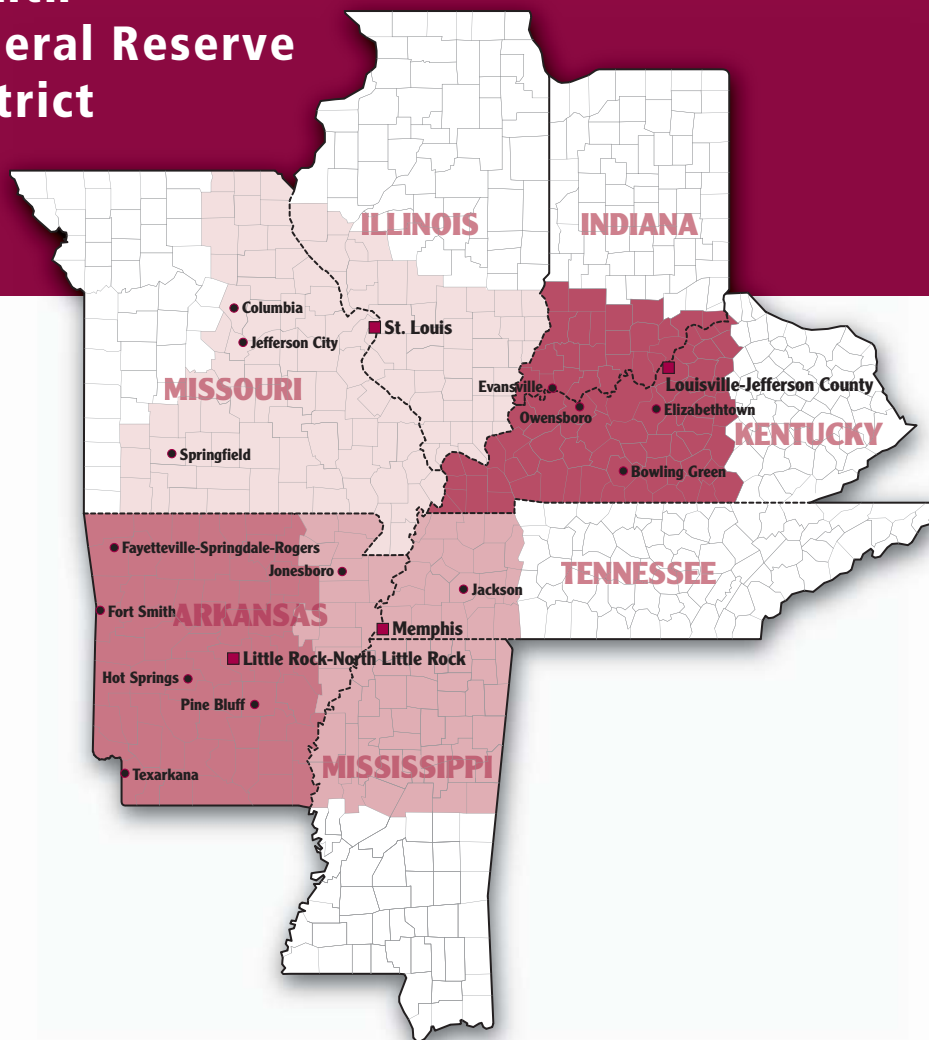
Memphis Zone

March 23, 2012

Prepared by the
Research Division of the
Federal Reserve Bank of St. Louis



Eighth Federal Reserve District



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.

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Memphis Zone Report—March 23, 2012

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

Annual Changes in Employment

By the beginning of 2012, Memphis's nonfarm payroll employment was 2.0 percent higher than one year before, while national employment was 1.6 percent higher.

Short-Term Changes in Employment

Between November 2011 and January 2012, Memphis's local employment increased at an average rate of 0.4 percent per month, while the nation's employment increased at an average rate of 0.2 percent per month.

Unemployment Rate

In Memphis, the unemployment rate decreased significantly, falling from 10.4 percent in October to 9.6 percent in December. Despite this improvement, Memphis's unemployment rate was 1.1 percent higher than the 8.5 percent rate registered for the nation at the close of 2011.

Building Permits

The number of building permits issued in the Memphis zone during the beginning of 2012 was 144.2 percent higher than the number issued during the same time in 2011. This increase was approximately 5 times higher than the 28.6 percent increase in the nation.

House Prices

At the close of 2011, housing prices were 2.8 percent lower in the Memphis zone compared with the close of 2010. This decrease was smaller than the fall registered in the nation as a whole, where house prices fell 3.0 percent over the year.

Anecdotal Information from the Beige Book

Agriculture and Natural Resources

- Year-to-date coal production (by early March) in Mississippi was 28 percent higher relative to the same period in 2011; production in Tennessee was 31 percent higher.
- The overall value of field crops rose by 30 percent in both Mississippi and Tennessee, from 2010 to 2011.
- In general, crop prices in the zone increased from 2010 to 2011: Particularly large price gains were observed for winter wheat in Mississippi (53 percent) and corn in Tennessee (37 percent).
- Crop values showed mostly positive gains from 2010 to 2011: Particularly large gains were observed for sorghum in Mississippi (711 percent) and winter wheat in Tennessee (193 percent).

Car Dealers

- January and early February sales increased compared with the same time last year for 1 in 2 contacts; sales decreased for roughly 1 in 3 of contacts.
- All contacts expected sales to increase in March and April when compared with the same time last year.

Construction

- Contacts in the Memphis metropolitan area reported no new industrial speculative construction projects but expect an increasing trend in build-to-suit developments for 2012.
- Contacts in northeast Arkansas reported significant industrial construction expansions in the Jonesboro area while a contact in northeast Mississippi also noted large industrial construction projects in Lowndes County.

General Retailers

- January and early February sales increased compared with the same time last year for 2 in 3 contacts; sales decreased for the remainder of contacts.
- Sales met or exceeded expectations for most contacts.
- Sales were expected to increase in March and April when compared with the same time last year for roughly 1 in 2 contacts; 1 in 3 contacts expected sales to decrease.

Manufacturing

- Metallic component, furniture, air conditioning component, primary metal, and medical device contacts plan to add workers and/or open new plants. Medical equipment, furniture, chemical, and lawn mower contacts plan to lay off workers and/or close plants.

Real Estate

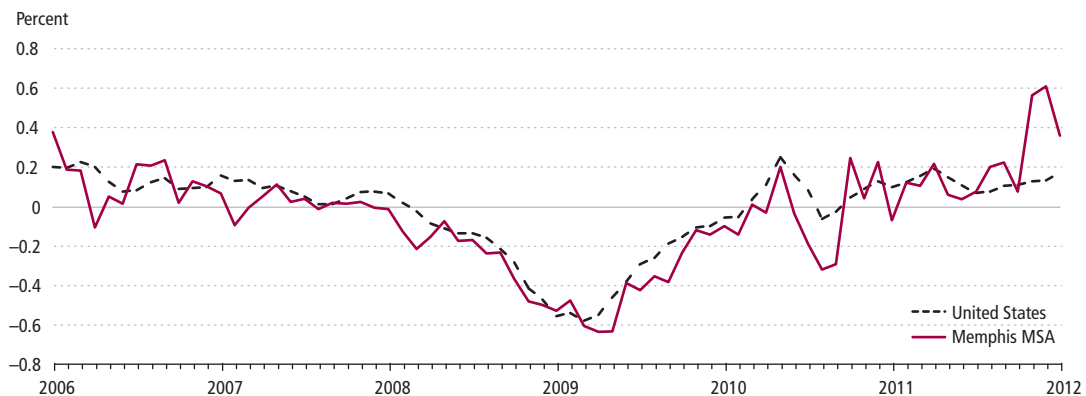
- A contact in the Memphis metropolitan area reported that industrial real estate activity remains stable.
- Contacts in northeast Arkansas reported very little commercial real estate activity except for the Jonesboro and Paragould areas.

Services

- Contacts in information technology, pest control, distribution, and cruise services plan to hire workers and/or open new facilities.

Detailed Indicators: Employment, Unemployment, Personal Income, and General Economic Activity

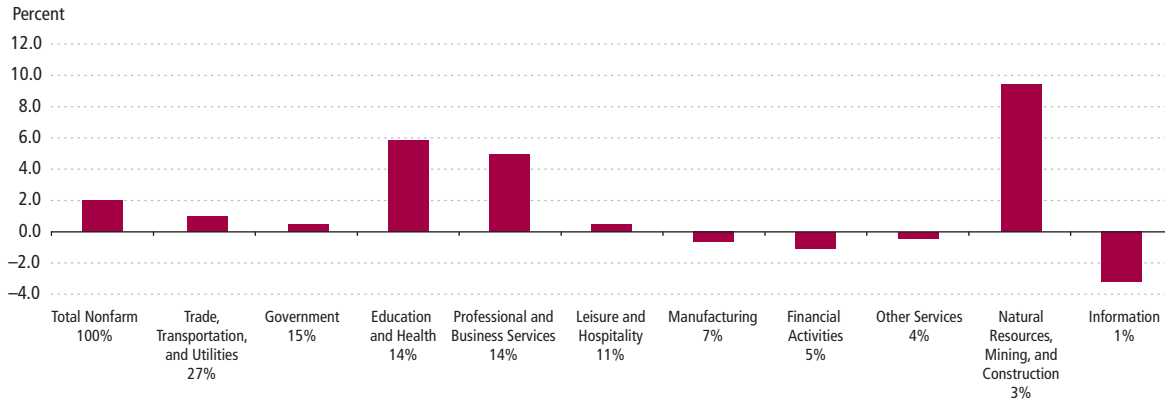
Nonfarm Payroll Employment Growth—Memphis MSA



NOTE: 3-Month moving average, seasonally adjusted, January 2006–January 2012.
SOURCE: Bureau of Labor Statistics.

Memphis's recession-related decline in employment, which was centered near January 2009, was similar to the nation's, with the exception of the third quarter of 2010. This recovery, however, has been substantially less steady than the nation's during 2010 and 2011 and included large swings from one quarter to the next. During the past three months, Memphis' employment growth increased at an average rate of 0.4 percent per month, while national employment grew at an average rate of 0.2 percent per month.

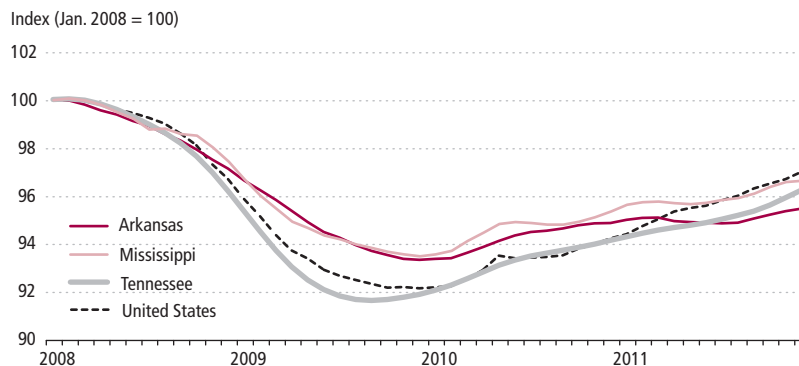
Employment Growth by Sector—Memphis MSA



NOTE: Percent change with respect to one year ago, January 2011–January 2012.
SOURCE: Bureau of Labor Statistics.

Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in a region's economic performance. Total nonfarm employment in Memphis rose by 2.0 percent with respect to one year ago, while national employment rose 1.6 percent. The four largest sectors in Memphis are Trade, Transportation, and Utilities; Government; Education and Health; and Professional and Business Services, accounting for 27 percent, 15 percent, 14 percent, and 14 percent of the zone's employment, respectively. Growth in these four sectors was 1.0 percent, 0.5 percent, 5.9 percent, and 5.0 percent, respectively. Employment changes in Memphis were generally positive across economic sectors, with 6 of 10 sectors increasing employment and 4 of 10 sectors decreasing employment. The Natural Resources, Mining, and Construction sector, which accounts for 3 percent of total employment, had the largest increase (9.4 percent), while the Information sector, which accounts for 1 percent of total employment, had the largest decrease (3.2 percent).

Coincident Economic Activity Index—Memphis Zone



SOURCE: Federal Reserve Bank of Philadelphia.

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 in Arkansas and Mississippi was milder than it was for the nation, while in Tennessee it was similar to that of the nation. 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, 91.6 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 pace of recovery has been slower since mid-2010. Current levels of the coincident index suggest that the U.S. economy is at 97.0 percent of its pre-recession level, while Arkansas, Mississippi, and Tennessee are at 95.5 percent, 96.6 percent, and 96.2 percent, respectively.

Employment and Unemployment by MSA

	Nonfarm payroll employment percent change, January 2011–January 2012			Unemployment rate December 2011
	Total	Goods producing	Service providing	
Memphis, Tenn.–Ark.–Miss.	1.97	2.23	1.94	9.6
Jackson, Tenn.	-0.52	0.91	-0.85	9.3
United States	1.55	2.53	1.40	8.5

NOTE: Sector-level employment data are not available for Jonesboro, Ark.; as a result, this MSA is not included in this table.
SOURCE: Bureau of Labor Statistics.

Employment growth in the Memphis zone has been mixed: Employment has expanded in Memphis but has declined in Jackson. Memphis experienced moderate employment growth in goods-producing activities (2.23 percent) and service-providing activities (1.94 percent), while Jackson experienced mild employment growth in goods-producing activities (0.91 percent). Jackson's decline in service-providing activities (0.85 percent) drove its overall contraction in employment (0.52 percent). The unemployment rates in both Memphis (9.6 percent) and Jackson (9.3 percent) are at least 0.8 percentage points higher than the rate registered for the nation (8.5 percent).

Real Personal Income Growth—Memphis Zone



NOTE: Percent change with respect to previous year.
SOURCE: Bureau of Economic Analysis.

For several quarters before the national recession, which started in the last quarter of 2007, personal income growth in Arkansas, Tennessee, and Mississippi was slightly below that of the nation. 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 national-level recovery. Between the third quarter of 2010 and the third quarter of 2011, personal income grew 1.3 percent in Tennessee, fell 0.7 percent in Arkansas, and fell 0.5 percent in Mississippi. Personal income growth in Tennessee has thus outperformed the nation (1.2 percent), while the nation has outperformed Arkansas and Mississippi.

Residential Real Estate Activity by MSA

	Total building permits, units year-to-date		House price index, percent change, 2011:Q4/2010:Q4
	January 2012	Percent change	
Memphis, Tenn.–Ark.–Miss.	210	144.2	–2.8
Jackson, Tenn.	13	160.0	–0.8
Jonesboro, Ark.	20	81.8	1.3
United States	46,278	28.6	–3.0

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

Real estate activity in the Memphis zone, at the end of 2011 and early 2012, was dissimilar across MSAs in terms of both building permits and home prices. In the year-to-date number of total building permits, Memphis, Jackson, and Jonesboro experienced increases of 144.2 percent, 160.0 percent, and 81.8 percent, respectively, with respect to last year. The zone's increases in year-to-date building permits are noteworthy when compared with the 28.6 percent increase registered for the nation. During this same period, house prices in Memphis and Jackson decreased 2.8 percent and 0.8 percent, respectively, while prices increased by 1.3 percent in Jonesboro. Housing price behavior was more favorable for home owners in all three Memphis zone MSAs than in the nation, which experienced a 3.0 percent decline in housing prices.