

Current Economic Conditions in the Eighth Federal Reserve District

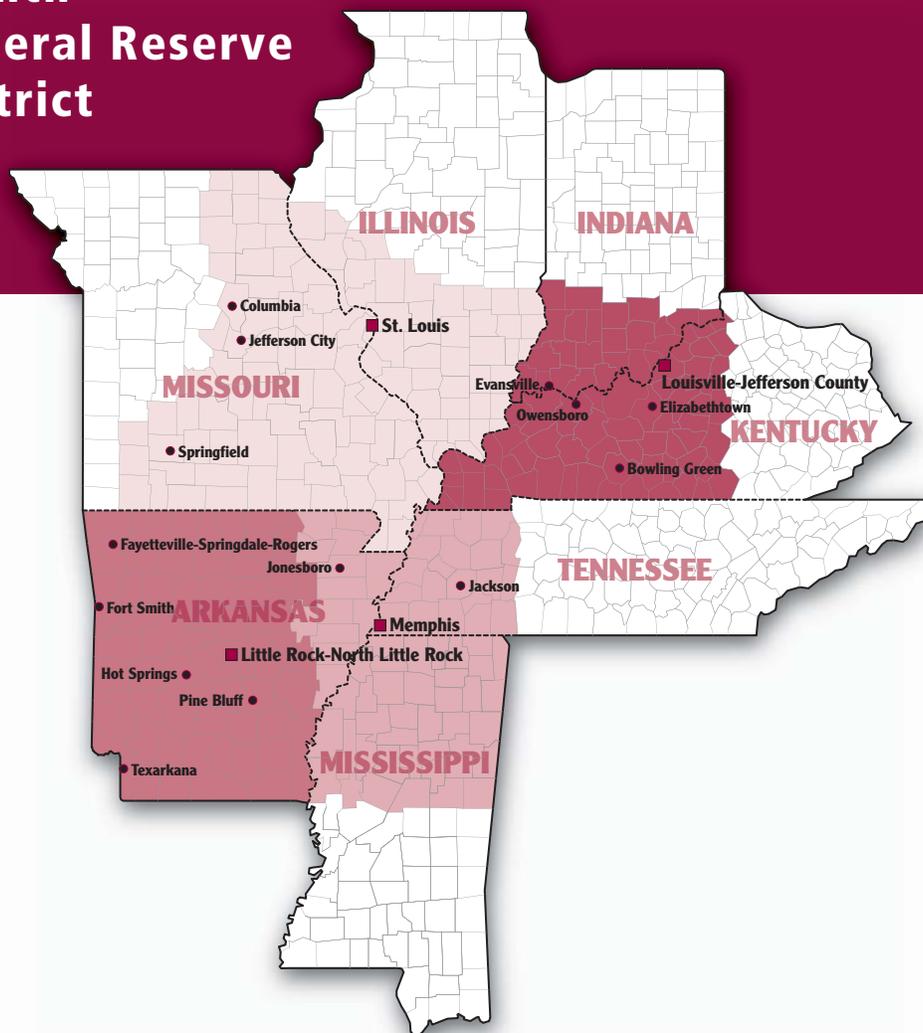
Memphis Zone

June 30, 2011

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. 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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Memphis Zone Report—June 30, 2011

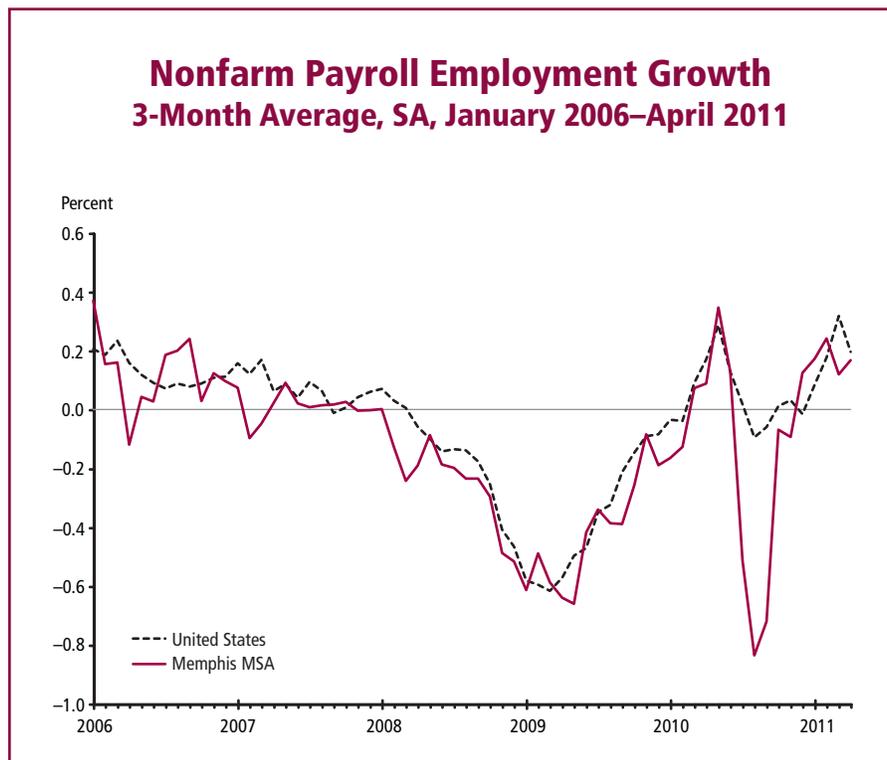
At the close of April, the annual growth of employment, building permits, and house prices was –0.7 percent, –36.9 percent, and –3.8 percent in Memphis and 1.0 percent, –12.7 percent, and –3.1 percent in the nation.

The annual growth of personal income was 3.2 percent in Tennessee and 2.7 percent in the nation.

In the past three months, local employment increased by an average rate of 0.2 percent per month—the same rate registered for nationwide employment.

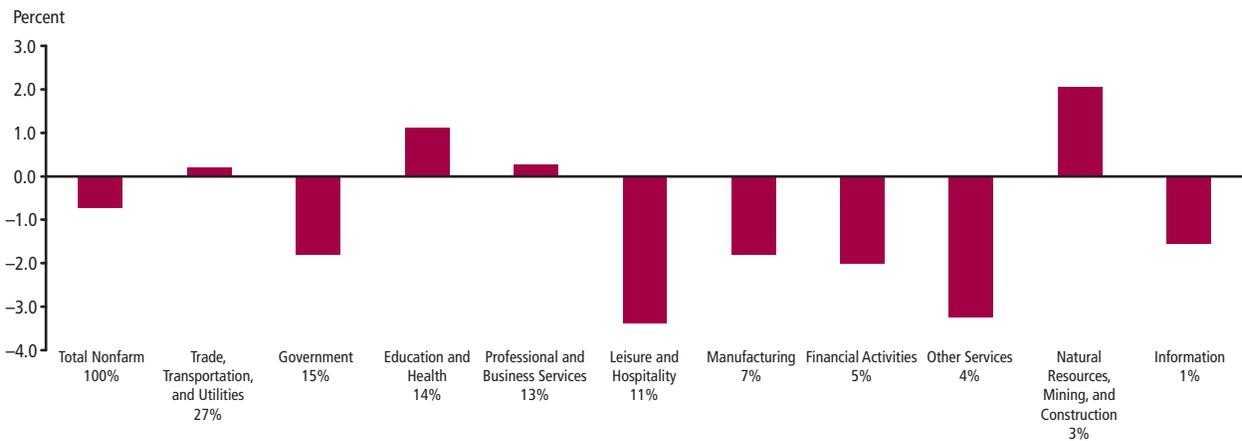
The unemployment rate in Memphis (10.4 percent) was higher than the nation’s (8.9 percent).

The nation outperformed Memphis according to four of the six indicators considered.



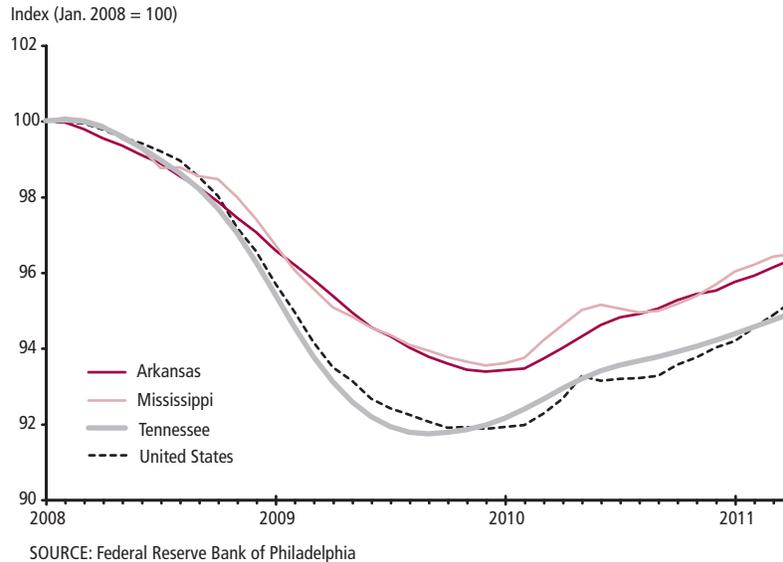
Memphis’s recession-related decline in employment, which was centered near January 2009, was similar to the nation’s decline. The recovery started roughly during the same period in Memphis as in the nation, with the exception of a large decline in employment in the third quarter of 2010. In the first quarter of 2011, both Memphis’s and the nation’s employment expanded at an average rate of 0.2 percent per month.

Memphis MSA Employment Growth by Sector Year/Year Percent Change, April 2010–April 2011



Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in Memphis’s economic performance. Employment fell by 0.7 percent in this MSA with respect to one year ago, while the increase was 1.0 percent for the United States. 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 0.2 percent, –1.8 percent, and 1.1 percent, respectively. Sectoral and aggregate employment changes in Memphis moved primarily in a negative direction, with only 4 of 10 sectors increasing employment. The Natural Resources, Mining, and Construction sector, which accounts for 3 percent of total employment, had the best performance (2.1 percent), while the Leisure and Hospitality Services sector, which accounts for 11 percent of total employment, had the worst performance in Memphis (–3.4 percent).

Memphis Zone Coincident Economic Activity Index



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. Both of the coincident indexes for Arkansas and Mississippi reveal a milder impact of the recession and a quicker recovery in these states compared with the nation. The index bottomed at 93.4 for Arkansas and 93.5 for Mississippi, while it bottomed at 91.9 for the United States. Current values of the index suggest that economic activity in Arkansas is at 96.3 percent of its pre-recession level, while Mississippi's is at 96.5 percent and the nation's is at 95.2 percent of pre-recession levels. On the other hand, Tennessee's coincident index reveals a stronger impact of the recession and a slower recovery compared with the nation. The index bottomed at 91.7 percent for Tennessee. Current values of the index suggest that economic activity in Tennessee is at 94.9 percent of its pre-recession level and still below the nation's. In summary, with two of three states slightly above the nation, the index suggests that economic performance in the Memphis zone is at least as strong as the nation's.

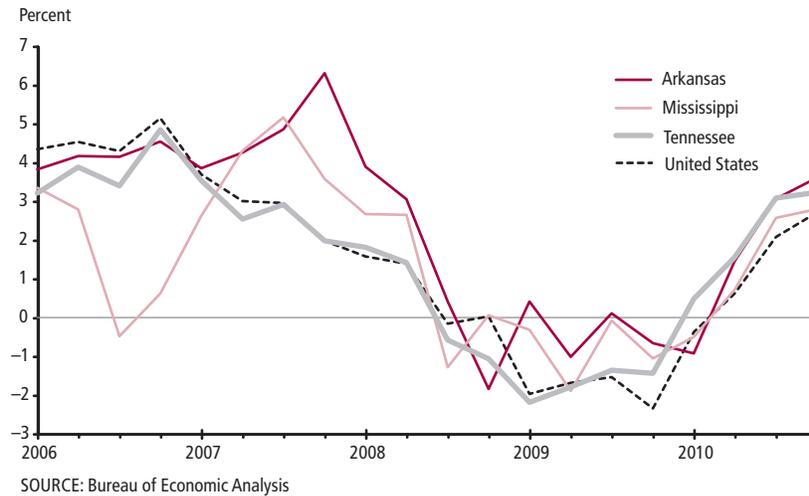
Memphis Zone—MSA Employment and Unemployment

	Nonfarm payroll employment percent change, April 2010–April 2011			Unemployment rate April 2011
	Total	Goods producing	Service providing	
Memphis	-0.73	-0.62	-0.74	10.4
Jackson, Tenn.	0.35	0.88	0.22	10.3
United States	0.98	1.31	0.96	8.9

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.
SOURCE: Bureau of Labor Statistics.

Employment trends in the Memphis zone vary by MSA. In Memphis, employment contraction was substantial for both goods-producing and service-providing activities. In Jackson, on the other hand, employment expansion was substantial for goods-producing activities and moderate for service-providing activities. The unemployment rates in both Memphis (10.4 percent) and Jackson (10.3 percent) are nearly 1.5 percentage points higher than the 8.9 percent rate registered for the United States.

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 similar. The recession's impact on Arkansas's and Mississippi's personal income growth was slightly milder than in the nation, while the recovery in all three states has been similar to the nation's. Between the fourth quarter of 2009 and the fourth quarter of 2010, personal income grew 3.6 percent, 2.8 percent, and 3.2 percent in Arkansas, Mississippi, and Tennessee, respectively, compared with 2.7 percent in the nation.

Memphis Zone—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2011:Q1/2010:Q1
	April 2011	Percent change	
Memphis	688	-36.9	-3.8
Jackson, Tenn.	56	-29.1	-0.9
Jonesboro, Ark.	100	-71.1	4.0
United States	176,883	-12.7	-3.1

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

Relative to the same period last year, housing activity in the Memphis zone is generally weaker. In the year-to-date number of total building permits, Memphis, Jackson, and Jonesboro experienced declines of 36.9 percent, 29.1 percent, and 71.1 percent, respectively, compared with the same month one year ago. These contractions are greater than the 12.7 percent decline registered for the United States. Similarly, house prices continued to decline in two of the Memphis zone's three MSAs. In Memphis and Jackson, house prices decreased 3.8 percent and 0.9 percent, respectively, while house prices increased 4.0 percent in Jonesboro. Relative to the nation, which experienced a 3.1 percent decrease in house prices, both Jackson and Jonesboro are doing better, while Memphis is doing worse.