

# **Current Economic Conditions in the Eighth Federal Reserve District**

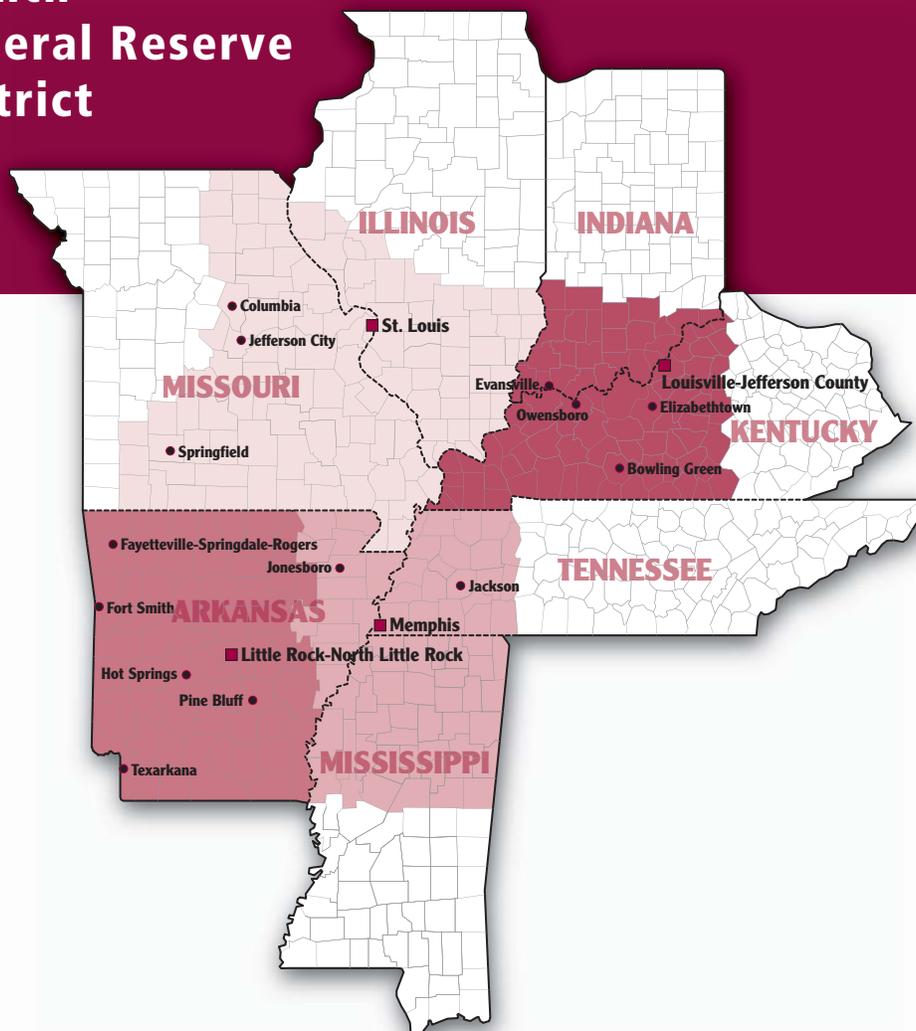
## **Memphis Zone**

September 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/](https://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.

**For more information, please contact the Memphis office:**

Martha L. Perine Beard, 901-579-2400, [martha.l.perine@stls.frb.org](mailto:martha.l.perine@stls.frb.org)

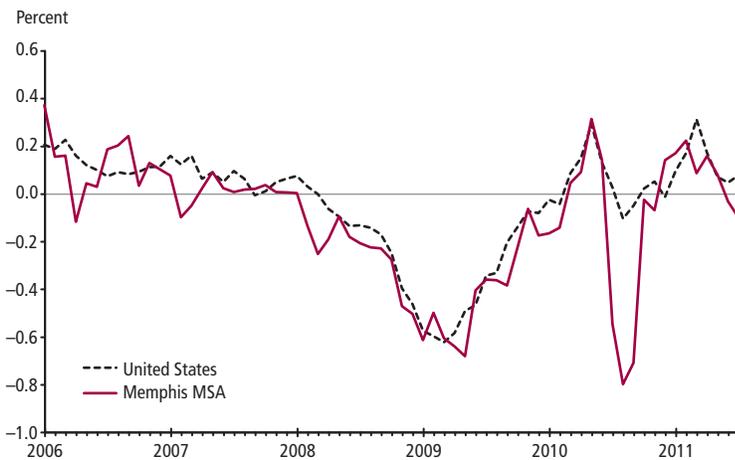
**Economist:**

Alejandro Badel, 314-444-8712, [alejandro.badel@stls.frb.org](mailto:alejandro.badel@stls.frb.org)

# Memphis Zone Report—September 30, 2011

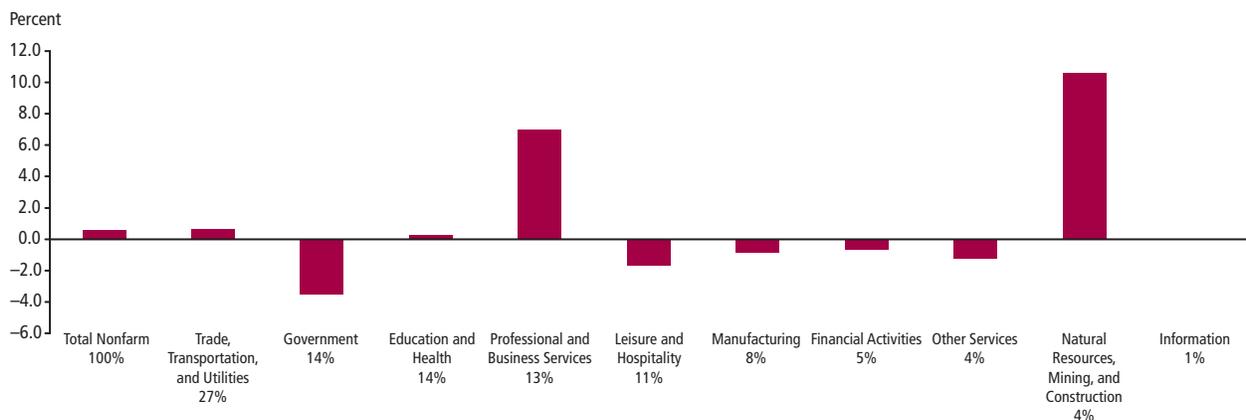
At the close of July, the annual growth of employment, building permits, and housing prices was 0.6 percent, -37.4 percent, and -6.1 percent in the Memphis MSA and 0.9 percent, -4.9 percent, and -4.5 percent in the nation. At the same time, the annual growth of personal income was 3.0 percent in Tennessee and 3.1 percent in the nation. Also, in the past three months, local employment decreased at an average rate of 0.1 percent per month, while nationwide employment increased by an average rate of 0.1 percent per month. Finally, the unemployment rate in Memphis (10.3 percent) was higher than the nation's (9.1 percent). Therefore, according to all six indicators considered, the nation has outperformed Memphis.

## Nonfarm Payroll Employment Growth 3-Month Average, SA, January 2006–July 2011



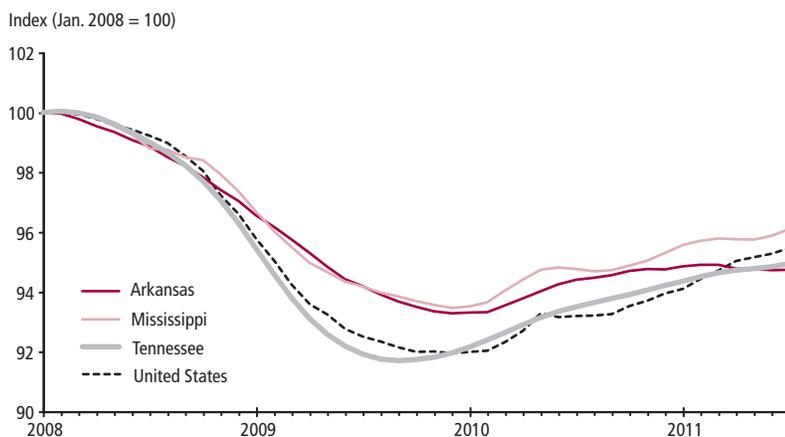
Memphis's recession-related decline in employment, which was centered near January 2009, was similar to the nation's decline. The recovery in Memphis has been similar to that of the nation, with the exception of a large decline in employment in the third quarter of 2010. In the second quarter of 2011, Memphis's employment contracted at an average rate of 0.1 percent per month, while the nation's employment expanded at an average rate of 0.1 percent per month.

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



Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in Memphis's economic performance. Employment rose by 0.6 percent in this MSA with respect to one year ago, while the increase was 0.9 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, 14 percent, and 14 percent of Memphis area employment, respectively. Growth in these three sectors was 0.6 percent, -3.5 percent, and 0.2 percent, respectively. Sectoral and aggregate employment changes in Memphis were mixed, with 4 of 10 sectors increasing employment and 5 of 10 sectors decreasing employment. The Natural Resources, Mining, and Construction sector, which accounts for 4 percent of total employment, had the best performance (10.6 percent), while the Government sector, which accounts for 14 percent of total employment, had the worst performance (-3.5 percent).

## Memphis Zone Coincident Economic Activity Index



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 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, Arkansas's, Mississippi's, Tennessee's, and the nation's levels of economic activity were at 93.3, 93.5, 91.7, and 91.9 percent of their pre-recession levels. Since then, the recovery has followed a similar pace in all MSAs and the nation, with the exception of Arkansas, where the recovery has slowed down relatively since mid 2010. As a consequence, the current level of the index is lowest in Arkansas, where the index shows that economic activity is currently at 94.7 percent of its pre-recession level.

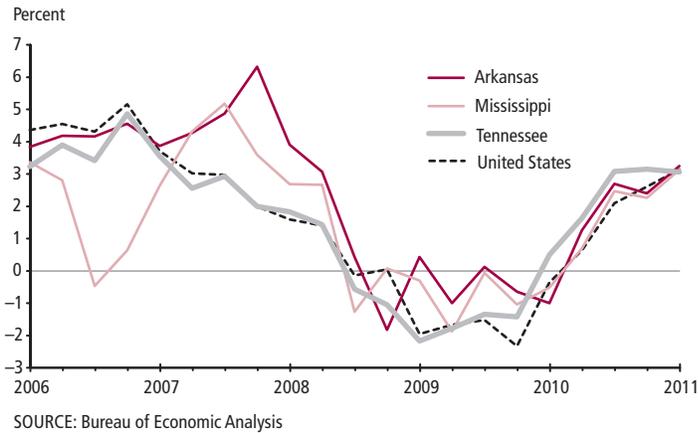
## Memphis Zone—MSA Employment and Unemployment

	Nonfarm payroll employment percent change, July 2010–July 2011			Unemployment rate July 2011
	Total	Goods producing	Service providing	
<b>Memphis</b>	<b>0.60</b>	<b>2.64</b>	<b>0.35</b>	<b>10.3</b>
Jackson, Tenn.	2.31	0.00	2.91	10.4
United States	0.92	1.66	1.68	9.1

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 expansion has been positive in the Memphis zone. In Memphis, employment growth was substantial for goods-producing activities and mild for service-providing activities. In Jackson, on the other hand, employment growth was substantial only for service-providing activities. The unemployment rates in both Memphis (10.3 percent) and Jackson (10.4 percent) are more than 1 percentage point higher than the rate registered for the United States (9.1 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 the same. The recession's impact on Arkansas's and Mississippi's personal income growth was initially milder than in the nation, while the recovery in all three states has been similar to the nation's. Between the first quarter of 2010 and the first quarter of 2011, personal income grew 3.2 percent, 3.1 percent, and 3.0 percent in Arkansas, Mississippi, and Tennessee, respectively, compared with 3.1 percent in the nation.

## Memphis—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2011:Q2/2010:Q2
	July 2011	Percent change	
<b>Memphis</b>	<b>1,093</b>	<b>-37.4</b>	<b>-6.1</b>
Jackson, Tenn.	86	-38.1	-7.5
Jonesboro, Ark.	503	4.8	-2.2
United States	346,452	-4.9	-4.5

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

Relative to the same period last year, housing activity in the Memphis zone has generally been weaker. In the year-to-date number of total building permits, Memphis and Jackson experienced declines of 37.4 percent and 38.1 percent, respectively, while Jonesboro experienced an increase of 4.8 percent compared with the same month one year ago. The contractions in Memphis and Jackson have been greater than the 4.9 percent contraction registered for the United States. During this same period, house prices continued to decline in the Memphis zone's three MSAs. In fact, house prices decreased 6.1, percent, 7.5 percent, and 2.2 percent, in Memphis, Jackson, and Jonesboro, respectively. Relative to the nation, which experienced a 4.5 percent decrease in house prices, both Memphis and Jackson are doing worse, while Jonesboro is doing better.