

Current Economic Conditions in the Eighth Federal Reserve District

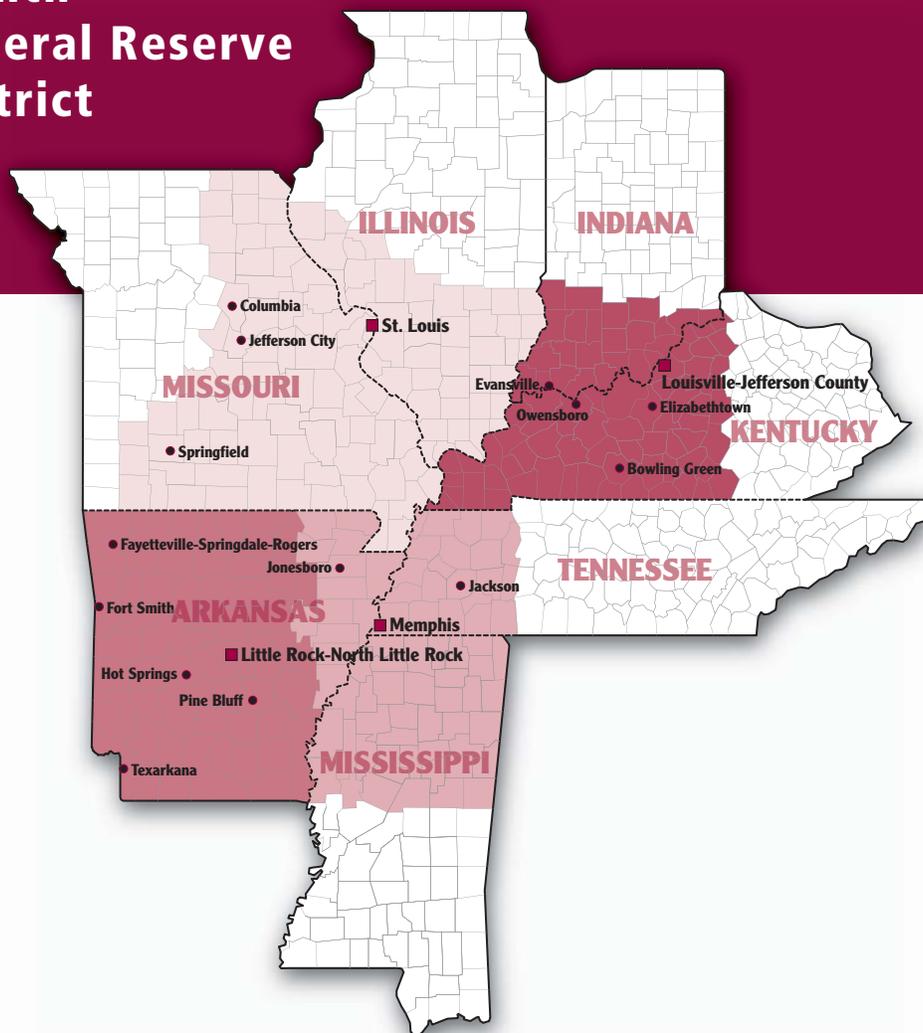
Memphis Zone

June 22, 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—June 22, 2012

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

Annual Changes in Employment: By the end of the April 2012, Memphis's nonfarm payroll employment was approximately 1.6 percent higher than last year, while national employment was 1.3 percent higher than last year.

Short-Term Changes in Employment: Between February and April 2012, Memphis's local employment remained nearly unchanged, while the nation's employment increased at an average rate of 0.1 percent per month.

Unemployment Rate: In Memphis, the unemployment rate decreased significantly, falling from 9.2 percent in January to 8.7 percent in April. Despite this improvement, Memphis's unemployment rate was 0.6 percent higher than the 8.1 percent rate registered for the nation at the close of April 2012.

Building Permits: The number of building permits issued in the Memphis zone by April 2012 was 22.5 percent higher than the number issued during the same time in 2011. This increase was approximately 7.6 percentage points lower than the 30.1 percent increase in the nation.

House Prices: At the close of April 2012, housing prices were 1.3 percent lower in the Memphis zone compared with the same period in 2011. This fall was smaller than the fall registered in the nation as a whole, where house prices fell 1.4 percent over the year.

Anecdotal Information from the Beige Book

Agriculture and Natural Resources

- Year-to-date coal production (by early June) in Mississippi was 16.7 percent higher compared with the same period last year; production in Tennessee was 13.7 percent higher.
- Tennessee completed corn planting by mid-May and all corn emerged by early June. Mississippi farmers finished their rice planting by mid-May and all rice emerged by June 10.
- In Mississippi, 95 percent of pasture land was rated as fair or better, while that value was 82 percent in Tennessee.

Car Dealers

- April and early May sales increased compared with the same time last year for five of six contacts; sales decreased for one of six contacts.
- All contacts expected sales to increase in June and July when compared with the same time last year.

Construction

- Contacts in Memphis reported that, in Shelby County, a few large industrial and commercial construction projects are under way and there are plans for some new multifamily construction projects as well.
- A contact reported new industrial construction plans intended for manufacturing in Marshall County.

General Retail

- April and early May sales increased compared with the same time last year for five of seven contacts; sales were flat for the remaining contacts.
- Sales met or exceeded expectations for two of three contacts; sales were below expectations for one of three contacts.
- Sales were expected to increase or stay the same in June and July when compared with the same time last year for six of seven contacts; the remaining contacts expect sales to decrease.

Manufacturing

- Contacts in bathroom product, wood, power tool, and steel product manufacturing plan to hire new workers while expanding operations or opening new plants. In contrast, a contact in fish farming plans to close a plant and lay off workers.

Real Estate

- A contact in northeast Arkansas reported strong office leasing activity in the Jonesboro area, and a contact in Memphis noted large blocks of premium-quality space had become scarce.
- A contact in the Memphis MSA noted strong multi-family real estate activity.

Services

- Contacts in freight transportation, casino (gaming), storage, and air transportation support services plan to close facilities and lay off workers.

Banking and Finance

- Two of five contacts expect loan demand to increase; the remaining contacts expect loan demand to stay the same.
- Half of contacts find that loan delinquencies are improving; two of five contacts find that loan delinquencies are staying the same; the remaining contacts find that loan delinquencies are getting worse.

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

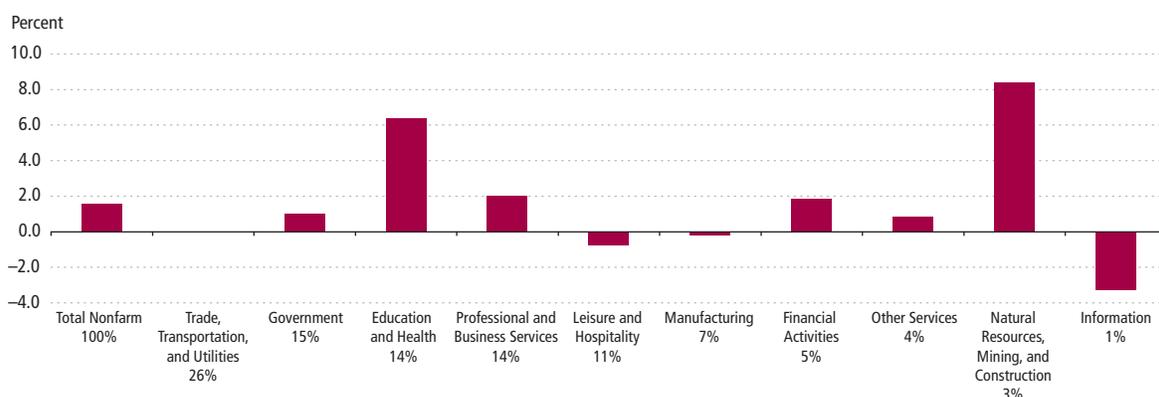
Nonfarm Payroll Employment Growth—Memphis MSA



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

Memphis's recession-related decline in employment—centered in January 2009—was similar to the nation's. During the past three months, Memphis's employment remained constant (i.e., grew 0 percent per month) while national employment grew at an average rate of 0.1 percent per month.

Employment Growth by Sector—Memphis MSA



NOTE: Percent change with respect to one year ago, April 2011–April 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. In Memphis, total nonfarm employment rose by 1.6 percent with respect to one year ago, while employment rose 1.3 percent in the nation. The four largest sectors in Memphis are Trade, Transportation, and Utilities; Government; Education and Health; and Professional and Business Services; these sectors account for 26 percent, 15 percent, 14 percent, and 14 percent of Memphis area employment, respectively. Growth in these four sectors was 0.0 percent, 1.0 percent, 6.4 percent, and 2.0 percent, respectively. Sectoral employment changes in Memphis were generally positive, with 6 of 10 sectors increasing employment, 1 of 10 maintaining the same level of employment, and 3 of 10 sectors decreasing employment. The Natural Resources, Mining, and Construction sector, which accounts for 3 percent of total employment, had the largest increase (8.4 percent), while the Information sector, which accounts for 1 percent of total employment, had the largest decrease (3.3 percent).

Employment and Unemployment by MSA

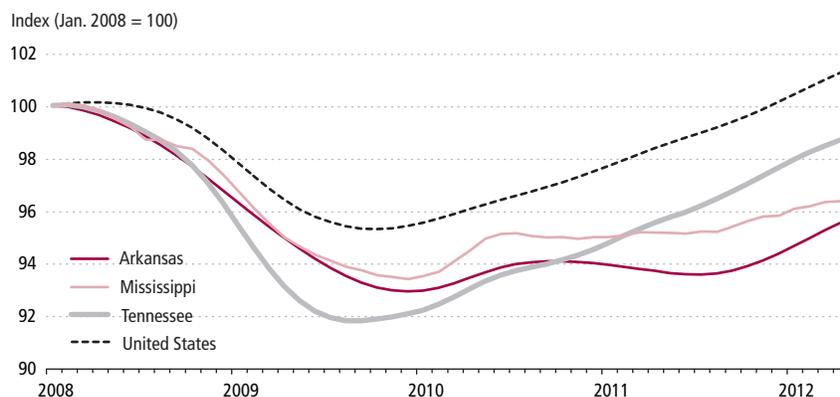
	Nonfarm payroll employment percent change, April 2011–April 2012			Unemployment rate April 2012
	Total	Goods producing	Service providing	
Memphis, Tenn.–Ark.–Miss.	1.55	2.36	1.45	8.7
Jackson, Tenn.	1.35	1.80	1.24	8.2
United States	1.29	1.89	1.20	8.1

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 positive: Total employment has expanded in both Memphis and Jackson by 1.55 percent and 1.35 percent, respectively. Memphis experienced moderate employment growth in goods-producing activities (2.36 percent) and service-providing activities (1.45 percent). Jackson also experienced modest growth in goods-producing activities (1.80 percent) and service-providing activities (1.24 percent). The unemployment rates in both Memphis (8.7 percent) and Jackson (8.2 percent) remain higher than the rate registered for the nation (8.1 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 was milder for the nation than it was for Arkansas and Mississippi and Tennessee. In fact, the index values during the recession show that, at their lowest points, the economic activity levels in Arkansas, Mississippi, Tennessee, and the nation were at 92.9 percent, 93.4 percent, 91.8 percent, and 95.3 percent of their pre-recession levels, respectively. Since then, the recovery in Tennessee has followed a similar pace as the nation, while the recoveries in Arkansas and Mississippi have slowed down (relatively) from mid-2010 through mid-2011. Current levels of the coincident index suggest that the U.S. economy is at 101.2 percent of its pre-recession level, while Arkansas, Mississippi, and Tennessee are at 95.5 percent, 96.4 percent, and 98.7 percent, respectively.

Note: The Federal Reserve Bank of Philadelphia has significantly revised their national coincident economic activity index since our previous publication. Interested readers can view archival versions of the data in the St. Louis Fed's ALFRED database. <http://alfred.stlouisfed.org>. The series ID is USPHCI.

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 Tennessee was below the nation's, but growth in Arkansas and Mississippi was above the nation's. 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 fourth quarter of 2010 and the fourth quarter of 2011, personal income grew 2.3 percent in Tennessee, 1.0 percent in Arkansas, and 0.7 percent in Mississippi. Personal income growth in Tennessee has thus outperformed the nation (1.9 percent), while the nation outperformed Arkansas and Mississippi.

Residential Real Estate Activity by MSA

	Total building permits, units year-to-date		House price index, percent change, 2012:Q1/2011:Q1
	April 2012	Percent change	
Memphis, Tenn.–Ark.–Miss.	843	22.5	-1.3
Jackson, Tenn.	68	21.4	-2.7
Jonesboro, Ark.	300	200.0	1.7
United States	230,165	30.1	-1.4

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

At the close of April 2012, housing activity in the Memphis zone was mixed 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, Jackson, and Jonesboro experienced increases of 22.5 percent, 21.4 percent, and 200.0 percent, respectively. Jonesboro's year-to-date increase in building permits is noteworthy when compared with the 30.1 percent increase registered for the nation. During this same period, house prices in Memphis and Jackson declined 1.3 percent and 2.7 percent, respectively. In Jonesboro, house prices increased 1.7 percent. Housing prices in Memphis and Jonesboro outperformed the nation, which experienced a 1.4 percent decline in housing prices.