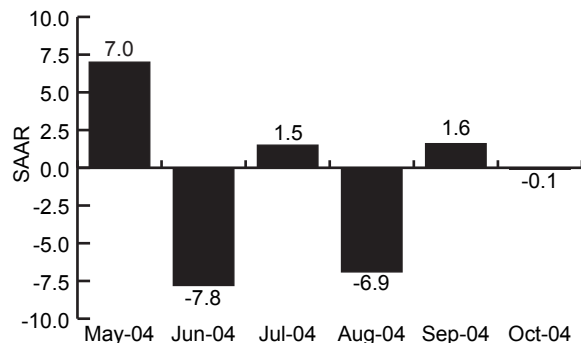


TENNESSEE ECONOMIC OVERVIEW

October 2004 Index as of December 2004

TENNESSEE

FIGURE 1
Monthly Percentage Change in the
Tennessee Leading Index
(seasonally adjusted at annual rates)



The Tennessee economy lost some momentum during the month of October as the leading index of economic activity decreased at a seasonally adjusted annual rate (SAAR) of 0.1 percent after enjoying a gain last month. The leading index, a measure of economic activity expected to occur in the state within the next six to nine months, currently stands at 110.0. This is above the level established in October of 2003 indicating the economy has expanded since last year. The leading index is comprised of five component series that are strong indicators of the future direction of the economy, three of which increased this month.

The primary component of the index contributing to the decline was the

decrease in inflation-adjusted taxable sales from \$6,585 to \$6,532 million, representing a 9.2 percent (SAAR) decline. Even though this represents a setback relative to last month, sales are at a higher level than in October 2003. The U.S. leading index fell 5.1 percent (SAAR) in October, contributing to the drop in the Tennessee leading index. The largest positive contributor to the index was the increase in the average number of weekly hours in the manufacturing sector from 39.2 to 39.8 hours per week. An additional factor positively influencing the index was the decrease in initial claims for unemployment insurance. There were 351 fewer individuals who filed jobless claims in the month, a 13.3 percent (SAAR) decrease from last month. The level of construction employment in Tennessee enjoyed a gain of 100 (or 1.0 percent, SAAR), which contributed positively to the Tennessee index.

(Continued on page 2)

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Other components of the economy that are not considered in calculating the index are certainly important in determining the state economy's future prosperity. Labor market data for the state that are not used to calculate the Tennessee leading index offer mixed signals. The manufacturing sector gained 1,100 jobs from September to October, translating into a 3.2 percent (SAAR) increase. Overall, nonfarm employment fell by 1.2 percent (SAAR), or 2,600 jobs, to bring total nonfarm employment to roughly 2,689 thousand. The state's unemployment rate remained unchanged from September to October at 5.1 percent. The unemployment rate continues to remain higher than it has been throughout 2004, but is still significantly lower than the 6.1 percent rate that prevailed in October 2003. Moreover, the state rate continues to lie below the U.S. unemployment rate of 5.5 percent.

Little encouragement is offered to the state economy by way of the nation's economy as the U.S. leading index declined for the fifth consecutive month. According to The Conference Board, "The major contributors to October's decline were the real money supply, the interest rate spread, and consumer expectations. However, the recent declines in the leading index have not been large enough nor have they persisted for long enough to signal an end to the current economic expansion." Seven of the ten indicators that comprise the U.S. leading index decreased in October. The largest negative contributor was the decline in consumer expectations as seen in the consumer sentiment index. The U.S. coincident index, a measure of current economic activity, increased in October. There are additional signs that offer some encouragement. Total U.S. nonagricultural employment and inflation-adjusted taxable sales increased, while number of initial claims for unemployment insurance fell.

The Tennessee leading index suffered losses in October, but the year-over-year percent change in Tennessee's leading index remains positive suggesting a higher level of economic activity relative to October 2003. The indicators—including the U.S. leading index—suggest that the Tennessee economy will behave much like the U.S. economy: modest growth in the near future, but potentially below long-term trend growth rates.

FIGURE 2
Tennessee Quarterly Leading Index
(seasonally adjusted)

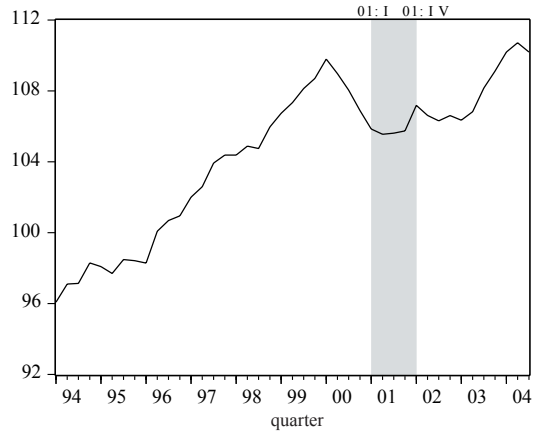


FIGURE 3
Total Nonfarm Employment
(seasonally adjusted)

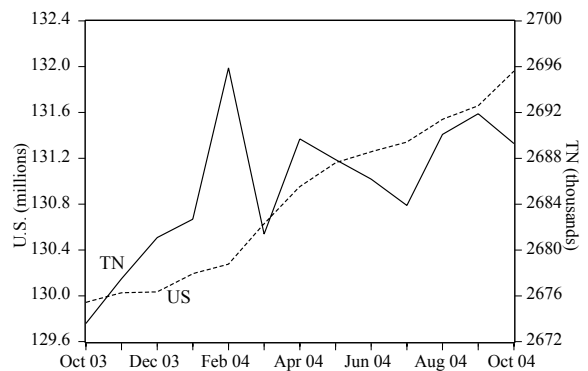
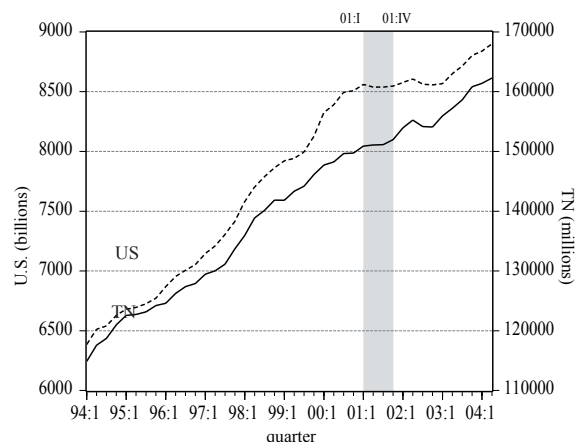


FIGURE 4
Real Personal Income (2000 \$)
(seasonally adjusted)



**TENNESSEE ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

| | Oct-03 | Nov-03 | Dec-03 | Jan-04 | Feb-04 | Mar-04 | Apr-04 | May-04 | Jun-04 | Jul-04 | Aug-04 | Sep-04 | Oct-04 | 2003 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
| Leading Index (1996=100) | 109.0 | 109.3 | 109.2 | 110.1 | 109.9 | 110.5 | 110.5 | 111.1 | 110.4 | 110.5 | 109.9 | 110.0 | 110.0 | 107.6 |
| % Chg Prev Month SAAR | 6.9 | 3.9 | -0.9 | 10.4 | -2.2 | 6.3 | 0.4 | 7.0 | -7.8 | 1.5 | -6.9 | 1.6 | -0.1 | 0.9 |
| % Chg Same Month Last Yr | 2.5 | 2.3 | 2.2 | 3.2 | 3.5 | 4.1 | 3.9 | 3.9 | 3.0 | 2.6 | 1.4 | 1.5 | 1.0 | 0.9 |
| Nonfarm Employment (THOU) ¹ | 2,673.6 | 2,677.5 | 2,681.1 | 2,682.7 | 2,695.9 | 2,681.4 | 2,689.7 | 2,687.9 | 2,686.2 | 2,683.9 | 2,690.1 | 2,691.9 | 2,689.3 | 2,667.0 |
| % Chg Prev Month SAAR | -0.6 | 1.8 | 1.6 | 0.7 | 6.1 | -6.3 | 3.8 | -0.8 | -0.8 | -1.0 | 2.8 | 0.8 | -1.2 | 0.1 |
| % Chg Same Month Last Yr | 0.0 | 0.2 | 0.3 | 0.8 | 1.4 | 0.9 | 1.1 | 1.0 | 1.0 | 0.8 | 0.7 | 0.6 | 0.6 | 0.1 |
| Unemployment (%) ¹ | 6.1 | 6.1 | 6.0 | 4.9 | 5.0 | 5.0 | 4.9 | 4.8 | 4.5 | 4.5 | 4.9 | 5.1 | 5.1 | 5.8 |
| Mfg Employment (THOU) ¹ | 413.0 | 414.2 | 414.3 | 416.6 | 415.9 | 414.3 | 414.4 | 413.2 | 411.5 | 413.3 | 412.2 | 412.2 | 413.3 | 414.1 |
| % Chg Prev Month SAAR | 5.8 | 3.4 | 0.3 | 7.0 | -2.1 | -4.4 | 0.1 | -3.2 | -5.0 | 5.3 | -2.9 | -0.2 | 3.2 | -3.3 |
| % Chg Same Month Last Yr | -3.0 | -2.1 | -2.0 | -0.6 | -0.5 | -0.6 | -0.1 | -0.1 | -0.2 | 0.5 | 0.2 | 0.3 | 0.1 | -3.3 |
| Mfg Avg Weekly Hours ¹ | 39.8 | 40.1 | 40.2 | 40.6 | 40.9 | 41.0 | 40.3 | 40.9 | 40.4 | 39.9 | 39.8 | 39.2 | 39.8 | 39.8 |
| % Chg Prev Month SAAR | -1.7 | 11.2 | 2.0 | 12.6 | 10.0 | 2.0 | -17.3 | 17.0 | -13.0 | -13.0 | -2.5 | -17.0 | 19.4 | -0.8 |
| % Chg Same Month Last Yr | -0.9 | 0.6 | 0.3 | 2.3 | 2.9 | 3.4 | 1.0 | 3.3 | 1.5 | 1.4 | -0.2 | -1.5 | 0.1 | -0.8 |
| Const Employment (THOU) ¹ | 116.2 | 115.7 | 116.2 | 117.1 | 115.3 | 115.9 | 117.3 | 117.5 | 117.1 | 116.4 | 116.9 | 117.5 | 117.6 | 115.5 |
| % Chg Prev Month SAAR | 1.0 | -5.0 | 5.3 | 9.7 | -17.0 | 6.4 | 15.5 | 2.1 | -4.0 | -6.9 | 5.3 | 6.3 | 1.0 | 0.5 |
| % Chg Same Month Last Yr | 1.0 | 0.9 | 0.7 | 0.9 | 0.6 | 1.0 | 1.6 | 1.8 | 1.8 | 1.1 | 1.2 | 1.2 | 1.2 | 0.5 |
| Taxable Sales (MIL \$) ² | 6,899 | 6,802 | 6,874 | 6,970 | 6,991 | 7,049 | 7,022 | 6,947 | 6,940 | 7,181 | 6,890 | 7,114 | 7,085 | 80,415 |
| % Chg Prev Month SAAR | 11.9 | -15.6 | 13.4 | 18.2 | 3.7 | 10.3 | -4.4 | -12.1 | -1.2 | 50.5 | -39.1 | 47.0 | -4.8 | 3.6 |
| % Chg Same Month Last Yr | 6.3 | 3.8 | 5.2 | 7.5 | 8.1 | 7.4 | 7.7 | 4.1 | 4.4 | 5.5 | 0.7 | 4.1 | 2.7 | 3.6 |
| Taxable Sales (MIL 2000 \$) ² | 6,512 | 6,421 | 6,475 | 6,541 | 6,544 | 6,577 | 6,543 | 6,449 | 6,427 | 6,652 | 6,382 | 6,585 | 6,532 | 76,210 |
| % Chg Prev Month SAAR | 11.5 | -15.5 | 10.6 | 12.8 | 0.6 | 6.3 | -6.0 | -16.0 | -4.0 | 51.3 | -39.2 | 45.6 | -9.2 | 1.7 |
| % Chg Same Month Last Yr | 4.4 | 2.1 | 3.6 | 5.7 | 6.4 | 5.6 | 5.6 | 1.6 | 1.8 | 3.1 | -1.4 | 2.0 | 0.3 | 1.7 |
| Initial Claims for UI ³ | 32,409 | 28,363 | 36,198 | 31,227 | 31,610 | 33,242 | 32,063 | 29,421 | 36,151 | 29,767 | 32,371 | 29,613 | 29,262 | 440,709 |
| % Chg Prev Month SAAR | -79.1 | -79.8 | 1,767.2 | -83.0 | 15.7 | 83.0 | -35.2 | -64.4 | 1,084.4 | -90.3 | 173.6 | -65.7 | -13.3 | -5.0 |
| % Chg Same Month Last Yr | -21.6 | -19.1 | -6.3 | -16.9 | -16.7 | -15.8 | -20.4 | -27.4 | -9.6 | -16.3 | -8.8 | -19.8 | -9.7 | -5.0 |
| | 2001:3 | 2001:4 | 2002:1 | 2002:2 | 2002:3 | 2002:4 | 2003:1 | 2003:2 | 2003:3 | 2003:4 | 2004:1 | 2004:2 | 2004:3 | 2003 |
| Personal Income (BIL \$) ⁴ | 154.6 | 155.7 | 158.0 | 160.5 | 160.2 | 160.6 | 163.9 | 165.5 | 167.6 | 170.5 | 172.5 | 175.2 | 176.7 | 166.9 |
| % Chg Prev Month SAAR | 0.7 | 2.8 | 6.2 | 6.4 | -0.9 | 1.1 | 8.3 | 4.1 | 5.2 | 6.9 | 4.8 | 6.4 | 3.6 | 4.4 |
| % Chg Same Month Last Yr | 3.1 | 3.3 | 3.2 | 4.0 | 3.6 | 3.2 | 3.7 | 3.1 | 4.7 | 6.1 | 5.3 | 5.8 | 5.4 | 4.4 |
| Personal Income (BIL 2000 \$) ⁴ | 151.1 | 152.0 | 154.0 | 155.2 | 154.2 | 154.1 | 155.9 | 157.2 | 158.6 | 160.8 | 161.4 | 162.7 | 163.6 | 158.1 |
| % Chg Prev Month SAAR | 0.1 | 2.2 | 5.3 | 3.4 | -2.8 | -0.2 | 4.9 | 3.4 | 3.6 | 5.6 | 1.5 | 3.2 | 2.3 | 2.5 |
| % Chg Same Month Last Yr | 1.0 | 1.5 | 2.0 | 2.8 | 2.0 | 1.4 | 1.3 | 1.3 | 2.9 | 4.4 | 3.5 | 3.5 | 3.1 | 2.5 |

NOTES:

1. Calculated from U.S. Bureau of Labor Statistics data.
2. Calculated from Tennessee Department of Revenue data.
3. Calculated from Tennessee Department of Labor and Workforce Development data.
4. Calculated from U.S. Bureau of Economic Analysis (BEA) data.

U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED

| | Oct-03 | Nov-03 | Dec-03 | Jan-04 | Feb-04 | Mar-04 | Apr-04 | May-04 | Jun-04 | Jul-04 | Aug-04 | Sep-04 | Oct-04 | 2003 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
| Personal Income (BIL 2000 \$) ¹ | 9,276.6 | 9,337.9 | 9,375.3 | 9,404.1 | 9,445.9 | 9,484.9 | 9,550.0 | 9,603.8 | 9,624.2 | 9,641.3 | 9,677.3 | 9,696.4 | 9,758.1 | 9,161.8 |
| % Chg Prev Month SAAR | 4.4 | 8.2 | 4.9 | 3.7 | 5.5 | 5.1 | 8.6 | 7.0 | 2.6 | 2.2 | 4.6 | 2.4 | 7.9 | 3.2 |
| % Chg Same Month Last Yr | 4.2 | 4.7 | 4.9 | 4.9 | 4.9 | 4.9 | 5.5 | 5.4 | 5.2 | 5.1 | 5.1 | 4.9 | 5.2 | 3.2 |
| Pers Cons Price Index (2000=100) ² .. | 105.9 | 105.9 | 106.2 | 106.6 | 106.8 | 107.2 | 107.3 | 107.7 | 108.0 | 107.9 | 108.0 | 108.0 | 108.5 | 105.5 |
| % Chg Prev Month SAAR | 0.4 | -0.1 | 2.6 | 4.8 | 3.1 | 3.8 | 1.7 | 4.6 | 2.9 | -0.5 | 0.1 | 1.0 | 4.9 | 1.9 |
| % Chg Same Month Last Yr | 1.8 | 1.6 | 1.6 | 1.8 | 1.7 | 1.7 | 2.0 | 2.4 | 2.5 | 2.4 | 2.1 | 2.0 | 2.4 | 1.9 |
| Nonfarm Employment (MIL) ² | 129.9 | 130.0 | 130.0 | 130.2 | 130.3 | 130.6 | 131.0 | 131.2 | 131.3 | 131.3 | 131.5 | 131.7 | 132.0 | 129.9 |
| % Chg Prev Month SAAR | 0.8 | 0.8 | 0.1 | 1.5 | 0.8 | 3.3 | 3.0 | 1.9 | 0.9 | 0.8 | 1.8 | 1.1 | 2.8 | -0.3 |
| % Chg Same Month Last Yr | -0.3 | -0.2 | 0.0 | 0.0 | 0.2 | 0.5 | 0.8 | 1.0 | 1.1 | 1.2 | 1.3 | 1.4 | 1.6 | -0.3 |
| Unemployment (%) ² | 6.0 | 5.9 | 5.7 | 5.6 | 5.6 | 5.7 | 5.6 | 5.6 | 5.6 | 5.5 | 5.4 | 5.4 | 5.5 | 6.0 |
| Bank Prime Interest Rate (%) ² | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.3 | 4.4 | 4.6 | 4.8 | 4.1 |
| Coincident Index (1996=100) ² | 115.2 | 115.6 | 115.8 | 116.0 | 116.3 | 116.8 | 117.1 | 117.4 | 117.4 | 117.7 | 117.9 | 117.9 | 118.4 | 114.7 |
| % Chg Prev Month SAAR | 3.2 | 4.2 | 2.1 | 2.1 | 3.1 | 5.3 | 3.1 | 3.1 | 0.0 | 3.1 | 2.1 | 0.0 | 5.2 | 0.4 |
| % Chg Same Month Last Yr | 0.8 | 1.0 | 1.4 | 1.4 | 1.8 | 2.3 | 2.6 | 2.7 | 2.6 | 2.6 | 2.8 | 2.6 | 2.8 | 0.4 |
| Leading Index (1996=100) ² | 113.9 | 114.2 | 114.5 | 114.9 | 114.9 | 115.8 | 115.9 | 116.5 | 116.4 | 116.1 | 115.7 | 115.5 | 115.0 | 112.3 |
| % Chg Prev Month SAAR | 6.5 | 3.2 | 3.2 | 4.3 | 0.0 | 9.8 | 1.0 | 6.4 | -1.0 | -3.0 | -4.1 | -2.1 | -5.1 | 1.3 |
| % Chg Same Month Last Yr | 3.3 | 2.9 | 3.1 | 3.5 | 3.9 | 4.9 | 4.9 | 4.4 | 3.9 | 2.9 | 2.2 | 1.9 | 1.0 | 1.3 |
| Mfg Employment (MIL) ² | 14.4 | 14.3 | 14.3 | 14.3 | 14.3 | 14.3 | 14.4 | 14.4 | 14.4 | 14.4 | 14.4 | 14.4 | 14.4 | 14.5 |
| % Chg Prev Month SAAR | -2.0 | -0.6 | -1.7 | -0.8 | 0.6 | 1.9 | 1.8 | 2.6 | -0.2 | 0.4 | 1.2 | -0.4 | -0.2 | -4.8 |
| % Chg Same Month Last Yr | -4.7 | -4.3 | -3.9 | -3.5 | -3.0 | -2.5 | -1.8 | -1.2 | -0.8 | -0.4 | 0.1 | 0.2 | 0.4 | -4.8 |
| Initial Claims for UI (THOU) ³ | 1,694.6 | 1,459.2 | 1,650.8 | 1,496.9 | 1,587.1 | 1,573.9 | 1,457.0 | 1,402.4 | 1,570.6 | 1,469.6 | 1,539.3 | 1,500.9 | 1,392.3 | 20,957.9 |
| % Chg Prev Month SAAR | -45.3 | -83.4 | 339.4 | -69.1 | 101.8 | -9.5 | -60.4 | -36.8 | 289.2 | -54.9 | 74.3 | -26.2 | -59.4 | -0.6 |
| % Chg Same Month Last Yr | -8.4 | -10.3 | -7.5 | -14.3 | -11.7 | -11.4 | -21.5 | -23.2 | -15.0 | -19.4 | -9.2 | -15.8 | -17.8 | -0.6 |
| Retail Sales (BIL \$) ² | 286.4 | 290.2 | 291.3 | 292.3 | 295.0 | 301.8 | 299.1 | 303.7 | 301.3 | 304.4 | 303.5 | 308.7 | 310.8 | 3,397.6 |
| % Chg Prev Month SAAR | -3.2 | 17.1 | 4.8 | 3.9 | 12.0 | 31.3 | -10.0 | 19.8 | -9.0 | 12.8 | -3.1 | 22.2 | 8.5 | 5.2 |
| % Chg Same Month Last Yr | 5.8 | 6.7 | 6.1 | 5.8 | 8.1 | 8.4 | 7.2 | 9.3 | 6.6 | 6.7 | 4.6 | 7.5 | 8.5 | 5.2 |
| Cons Sentiment Index (1966=100) ¹ ... | 89.6 | 93.7 | 92.6 | 103.8 | 94.4 | 95.8 | 94.2 | 90.2 | 95.6 | 96.7 | 95.9 | 94.2 | 91.7 | 87.6 |
| % Chg Prev Month SAAR | 29.3 | 71.1 | -13.2 | 293.6 | -68.0 | 19.3 | -18.3 | -40.6 | 100.9 | 14.7 | -9.5 | -19.3 | -27.6 | -2.2 |
| % Chg Same Month Last Yr | 11.2 | 11.3 | 6.8 | 26.0 | 18.1 | 23.5 | 9.5 | -2.1 | 6.6 | 6.4 | 7.4 | 7.4 | 2.3 | -2.2 |
| | 2001:3 | 2001:4 | 2002:1 | 2002:2 | 2002:3 | 2002:4 | 2003:1 | 2003:2 | 2003:3 | 2003:4 | 2004:1 | 2004:2 | 2004:3 | 2003 |
| U.S. GDP (BIL 2000 \$) ¹ | 9,871 | 9,910 | 9,994 | 10,053 | 10,117 | 10,136 | 10,184 | 10,287 | 10,473 | 10,581 | 10,698 | 10,785 | 10,891 | 10,381 |
| % Chg Prev Month SAAR | -1.4 | 1.6 | 3.4 | 2.4 | 2.6 | 0.7 | 1.9 | 4.1 | 7.4 | 4.2 | 4.5 | 3.3 | 4.0 | 3.0 |
| % Chg Same Month Last Yr | 0.4 | 0.2 | 1.2 | 1.5 | 2.5 | 2.3 | 1.9 | 2.3 | 3.5 | 4.4 | 5.0 | 4.8 | 4.0 | 3.0 |
| U.S. Personal Income (BIL 2000 \$) ⁴ .. | 8,538 | 8,547 | 8,575 | 8,606 | 8,562 | 8,556 | 8,567 | 8,650 | 8,714 | 8,801 | 8,839 | 8,900 | 8,941 | 8,683 |
| % Chg Prev Month SAAR | 0.0 | 0.4 | 1.4 | 1.4 | -2.0 | -0.3 | 0.5 | 3.9 | 3.0 | 4.1 | 1.7 | 2.8 | 1.9 | 1.3 |
| % Chg Same Month Last Yr | 0.5 | 0.5 | 0.2 | 0.8 | 0.3 | 0.1 | -0.1 | 0.5 | 1.8 | 2.9 | 3.2 | 2.9 | 2.6 | 1.3 |

NOTES:

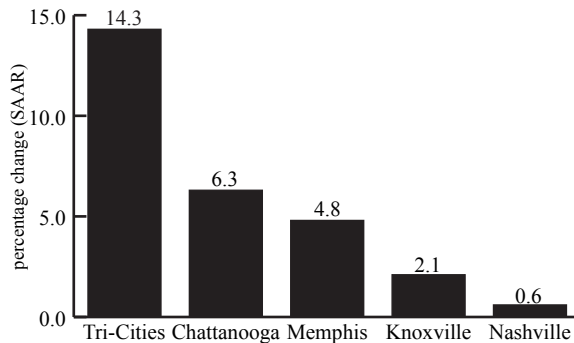
1. U.S. Bureau of Economic Analysis (BEA).
2. Global Insight, Inc.
3. Calculated from Global Insight, Inc. data.

MSA PERSPECTIVE

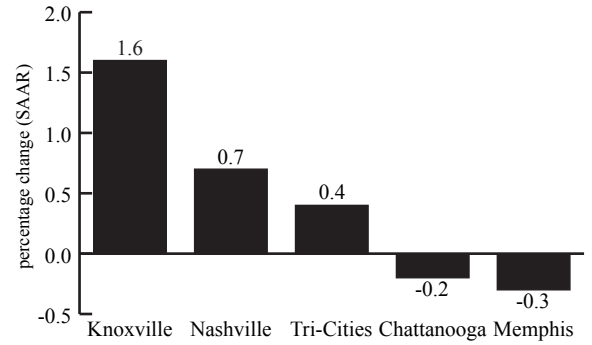
Even though the Tennessee leading index suffered losses in October, the month was encouraging for economic activity in Tennessee's largest metropolitan statistical areas (MSAs) as all five MSAs' indices enjoyed gains ranging from 0.6 percent (SAAR) to 14.3 percent (SAAR). The Tri-Cities MSA enjoyed the largest boost for the month. The indices experienced growth thanks to increases in construction employment and average weekly manufacturing hours in four of the five MSAs. Nonfarm employment rose in three of the five MSAs. Inflation-adjusted taxable sales fell, and the unemployment rates increased or remained the same in four of the five MSAs. Only the Memphis MSA unemployment rate is above the Tennessee rate. The increases in all five MSAs' indices strengthened the year-over-year percentage changes, as all five MSAs have positive percentage changes, indi-

ating a stronger level of economic activity in October 2004 relative to October 2003. The growth in the MSA indices, coupled with contraction in the statewide leading index, suggests that rural Tennessee is continuing to struggle to engineer stable and sustainable economic expansion.

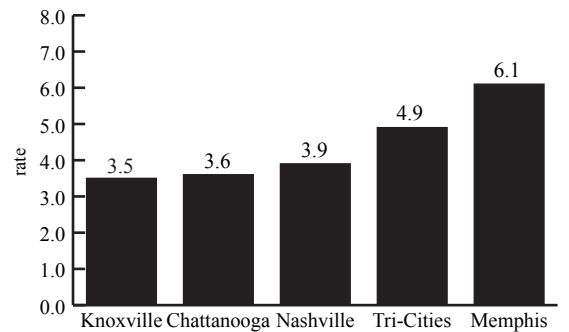
**FIGURE 5
MSA Index Growth
October 2004**



**FIGURE 6
MSA Employment Growth
October 2004**



**FIGURE 7
MSA Unemployment Rate
October 2004**



Tennessee's Largest Metropolitan Statistical Areas June 1996 definitions



CHATTANOOGA

The Chattanooga Metropolitan Statistical Area (MSA) index of leading economic activity jumped 6.3 percent (SAAR) in October even though only one of its four components increased. The only contributor to the expansion of the index was the boost in the average weekly hours in the manufacturing sector from 39.1 to 40.4 hours per week. Even with this increase, the level of hours is lower than in October 2003. Inflation-adjusted taxable sales fell \$3 million from September, representing a 9.8 percent (SAAR) decrease. Construction employment also applied negative pressure on the index as it declined by 3.5 percent (SAAR), or 100 jobs. The level of construction employment this month continues to be higher than the level enjoyed last October as seen by the positive year-over-year percent change. The final component of the leading index was the Tennessee index, which fell 0.1 percent (SAAR).

No positive information is given by labor market data that are not used in compiling Chattanooga's index. Manufacturing employment declined at the rate of 1.0 percent (SAAR) and total nonagricultural employment decreased by 0.2 percent (SAAR). These losses coupled with losses in construction employment contributed to a two-tenths of a percentage point increase in the unemployment rate to 3.6 percent, which is still considerably below the state and national unemployment rates of 5.1 and 5.5 percent, respectively.

The gain in the Chattanooga area leading index in October was realized even though the majority of the components comprising the index were negative. The year-over-year percent change remains positive, suggesting a higher level of economic activity compared to October 2003, and unemployment rates remain low. The Chattanooga area must sustain low unemployment rates and turn around the decline in inflation-adjusted taxable sales in order to maintain momentum into the New Year. Like the state, the Chattanooga MSA should expect a continuation of modest growth through the first quarter of 2005.

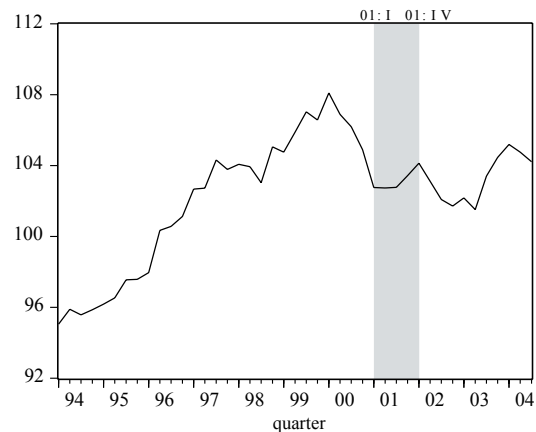
CHATTANOOGA ECONOMIC INDICATORS SEASONALLY ADJUSTED

| | Aug-04 | Sep-04 | Oct-04 | 2003 |
|--|--------|--------|--------|-------|
| Leading Index (1996=100) | 103.9 | 104.2 | 104.7 | 102.9 |
| % Chg Prev Month SAAR | -7.5 | 3.6 | 6.3 | 0.1 |
| % Chg Same Month Last Yr | 0.2 | 0.2 | 0.3 | 0.1 |
| Nonfarm Employment (THOU) ¹ | 235.7 | 235.7 | 235.6 | 233.5 |
| % Chg Prev Month SAAR | 3.0 | -0.3 | -0.2 | 0.4 |
| % Chg Same Month Last Yr | 1.1 | 1.0 | 0.9 | 0.4 |
| Unemployment (%) ¹ | 3.2 | 3.4 | 3.6 | 3.9 |
| Mfg Employment (THOU) ¹ | 34.4 | 34.2 | 34.2 | 35.4 |
| % Chg Prev Month SAAR | -7.6 | -5.8 | -1.0 | -5.7 |
| % Chg Same Month Last Yr | -2.2 | -2.5 | -2.3 | -5.7 |
| Mfg Avg Weekly Hours ¹ | 39.7 | 39.1 | 40.4 | 41.0 |
| % Chg Prev Month SAAR | -1.0 | -16.8 | 51.2 | -1.8 |
| % Chg Same Month Last Yr | -4.0 | -6.4 | -4.1 | -1.8 |
| Const Employment (THOU) ¹ | 9.1 | 9.2 | 9.1 | 8.9 |
| % Chg Prev Month SAAR | 5.3 | 13.4 | -3.5 | 1.1 |
| % Chg Same Month Last Yr | 2.3 | 3.4 | 3.4 | 1.1 |
| Taxable Sales (MIL \$) ² | 400 | 417 | 415 | 4,685 |
| % Chg Prev Month SAAR | -35.7 | 62.8 | -5.3 | -0.4 |
| % Chg Same Month Last Yr | -0.1 | 3.2 | 3.3 | -0.4 |
| Taxable Sales (MIL 2000 \$) ² | 371 | 386 | 383 | 4,440 |
| % Chg Prev Month SAAR | -35.7 | 61.3 | -9.8 | -2.2 |
| % Chg Same Month Last Yr | -2.2 | 1.2 | 0.9 | -2.2 |

NOTES:

1. Calculated from U.S. Bureau of Labor Statistics data.
2. Calculated from Tennessee Department of Revenue data.

FIGURE 8
Chattanooga Quarterly Leading Index



KNOXVILLE

The Knoxville Metropolitan Statistical Area (MSA) index of leading economic activity rose for the second consecutive month, a gain of 2.1 percent (SAAR). Increases in average manufacturing weekly hours and construction employment led to the gain. Average weekly hours in the manufacturing sector now stand at 41.5 hours per week, a 19.9 percent (SAAR) increase from last month. Construction employment increased 2.2 percent (SAAR) in October. The other two factors used to construct the index, inflation-adjusted taxable sales and the Tennessee leading index, both suffered setbacks. Inflation-adjusted taxable sales decreased by \$18 million to reach \$937 million, representing a 20.5 percent (SAAR) decline. The Tennessee leading index suffered a 0.1 percent (SAAR) decline.

Labor market data not included in the Knoxville leading index offer largely positive evidence for future growth in the local economy. Total nonfarm employment increased at a 1.6 percent (SAAR) rate as a result of 500 more jobs. This increase helped push the unemployment rate down by one-tenth of a percentage point to 3.5 percent, which is below the level in October 2003 as well as the state and national unemployment rates. Employment in the manufacturing sector offers the only negative signal as it dropped 0.7 percent (SAAR), representing a loss of 100 jobs. Manufacturing employment has now fallen for five consecutive months, further pushing the year-over-year percent change in manufacturing employment down.

Most of the data from October for the Knoxville MSA were positive as the leading index increased by 2.1 percent (SAAR). The boost in the index helps maintain a positive year-over-year percent change in the index. If the Knoxville MSA is to experience sustained growth, it needs to turn around its performance in inflation-adjusted taxable sales as well as maintain strong growth in employment. Substantial growth in economic activity in the Knoxville MSA is also dependent upon the state and national economic environment. All available evidence points to continued economic expansion into early spring.

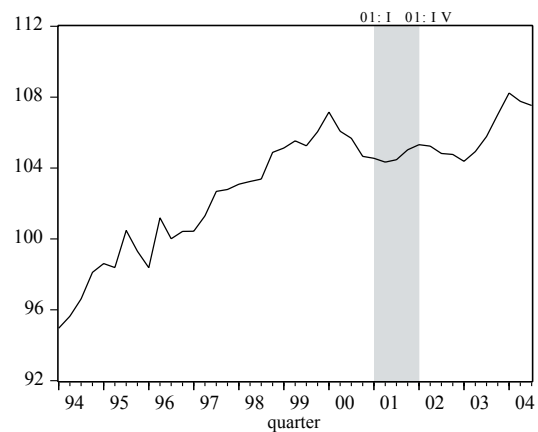
KNOXVILLE ECONOMIC INDICATORS SEASONALLY ADJUSTED

| | Aug-04 | Sep-04 | Oct-04 | 2003 |
|--|--------|--------|--------|--------|
| Leading Index (1996=100) | 107.3 | 107.7 | 107.9 | 105.5 |
| % Chg Prev Month SAAR | -0.7 | 4.1 | 2.1 | 0.5 |
| % Chg Same Month Last Yr | 1.5 | 1.6 | 1.3 | 0.5 |
| Nonfarm Employment (THOU) ¹ | 361.4 | 360.6 | 361.1 | 355.4 |
| % Chg Prev Month SAAR | 1.0 | -2.4 | 1.6 | 2.1 |
| % Chg Same Month Last Yr | 1.5 | 1.2 | 1.1 | 2.1 |
| Unemployment (%) ¹ | 3.4 | 3.6 | 3.5 | 3.9 |
| Mfg Employment (THOU) ¹ | 40.9 | 40.8 | 40.7 | 42.1 |
| % Chg Prev Month SAAR | -8.3 | -3.2 | -0.7 | -1.2 |
| % Chg Same Month Last Yr | -2.3 | -2.8 | -2.9 | -1.2 |
| Mfg Avg Weekly Hours ¹ | 41.0 | 40.8 | 41.5 | 40.5 |
| % Chg Prev Month SAAR | 49.0 | -5.5 | 19.9 | -2.2 |
| % Chg Same Month Last Yr | 2.7 | 1.2 | 2.0 | -2.2 |
| Const Employment (THOU) ¹ | 17.6 | 17.5 | 17.5 | 17.1 |
| % Chg Prev Month SAAR | -8.3 | -9.3 | 2.2 | 3.1 |
| % Chg Same Month Last Yr | 4.3 | 1.9 | 1.7 | 3.1 |
| Taxable Sales (ML \$) ² | 978 | 1,032 | 1,016 | 11,615 |
| % Chg Prev Month SAAR | -36.4 | 91.2 | -16.6 | 2.5 |
| % Chg Same Month Last Yr | -2.6 | 4.6 | 3.2 | 2.5 |
| Taxable Sales (MIL 2000 \$) ² | 905 | 955 | 937 | 11,007 |
| % Chg Prev Month SAAR | -36.5 | 89.4 | -20.5 | 0.6 |
| % Chg Same Month Last Yr | -4.6 | 2.5 | 0.8 | 0.6 |

NOTES:

1. Calculated from U.S. Bureau of Labor Statistics data.
2. Calculated from Tennessee Department of Revenue data.

FIGURE 9
Knoxville Quarterly Leading Index



MEMPHIS

The Memphis Metropolitan Statistical Area (MSA) index of leading economic activity enjoyed gains for the second consecutive month, with an increase of 4.8 percent (SAAR) increase in October. The increase in the index was a result of increases in two of the five component series that make up the Memphis MSA index. The most significant contributor to the increase in the index was a sharp jump in the area's help-wanted index. Construction employment, the other positive contributor to the index, rose by 200 jobs, representing an 11.7 percent (SAAR) increase from September. The largest negative contributor to the index was the decline in inflation-adjusted taxable sales. Taxable sales fell 29.6 percent (SAAR) to \$933 million, worsening the year-over-year percentage change. Average weekly manufacturing hours fell from 42.9 to 42.2 hours per week, which represents an 18.9 percent (SAAR) loss. Nonetheless, manufacturing hours in the Memphis MSA are still the highest of all the MSAs in the state. The Tennessee leading index, the final component of the series, fell 0.1 percent (SAAR) in October.

Labor market data not used to calculate the index are negative for the Memphis MSA. Manufacturing employment fell 6.9 percent (SAAR) or 200 jobs. This is the ninth consecutive month that manufacturing employment has fallen in the area. Total nonagricultural employment also dropped but at a much lower rate of 0.3 percent (SAAR) representing 100 fewer jobs. These losses in employment contributed to a one-tenth of a point increase in the unemployment rate to 6.1 percent, which is the highest the unemployment rate has been since December 2003, but it is still lower than it was in October 2003. The Memphis MSA unemployment rate continues to be above the state and national rates.

The gain in the index this month should be viewed with some caution, as important labor market data not included in calculating the index is negative. While the index increased because of improvements in the help-wanted index and construction employment, there are signs of weakness reflected in other labor market data. Like the state as a whole and other MSAs, expect a continuation of modest growth into 2005 with a continuation of stagnant labor market conditions.

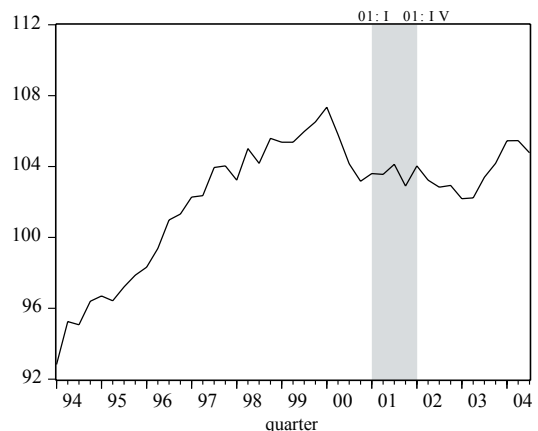
MEMPHIS ECONOMIC INDICATORS SEASONALLY ADJUSTED

| | Aug-04 | Sep-04 | Oct-04 | 2003 |
|---|--------|--------|--------|--------|
| Leading Index (1996=100) | 104.5 | 105.0 | 105.4 | 103.0 |
| % Chg Prev Month SAAR | -6.1 | 6.5 | 4.8 | -0.2 |
| % Chg Same Month Last Yr | 0.4 | 2.0 | 1.1 | -0.2 |
| Nonfarm Employment (THOU) ¹ | 592.4 | 592.0 | 591.9 | 590.2 |
| % Chg Prev Month SAAR | 1.4 | -0.7 | -0.3 | 0.9 |
| % Chg Same Month Last Yr | 0.7 | 0.4 | 0.2 | 0.9 |
| Unemployment (%) ¹ | 5.7 | 6.0 | 6.1 | 6.2 |
| Mfg Employment (THOU) ¹ | 50.1 | 49.9 | 49.6 | 51.2 |
| % Chg Prev Month SAAR | -1.9 | -5.8 | -6.9 | -1.7 |
| % Chg Same Month Last Yr | -1.5 | -1.9 | -2.1 | -1.7 |
| Mfg Avg Weekly Hours ¹ | 42.0 | 42.9 | 42.2 | 41.2 |
| % Chg Prev Month SAAR | 21.0 | 28.3 | -18.9 | 1.0 |
| % Chg Same Month Last Yr | 3.2 | 8.0 | 2.8 | 1.0 |
| Const Employment (THOU) ¹ | 25.1 | 25.2 | 25.4 | 24.7 |
| % Chg Prev Month SAAR | -3.1 | 5.3 | 11.7 | 0.1 |
| % Chg Same Month Last Yr | 1.2 | 1.2 | 1.9 | 0.1 |
| Taxable Sales (ML \$) ² | 1,022 | 1,038 | 1,012 | 12,074 |
| % Chg Prev Month SAAR | -44.3 | 20.4 | -26.2 | -2.7 |
| % Chg Same Month Last Yr | -1.9 | 0.9 | -1.3 | -2.7 |
| Taxable Sales (MIL 2000 \$) ² | 947 | 961 | 933 | 11,443 |
| % Chg Prev Month SAAR | -44.4 | 19.3 | -29.6 | -4.6 |
| % Chg Same Month Last Yr | -3.9 | -1.1 | -3.6 | -4.6 |
| Help Wanted Index (1987=100) ³ | 89 | 87 | 101 | 95 |
| % Chg Prev Month SAAR | -33.6 | -23.1 | 499.4 | -11.8 |
| % Chg Same Month Last Yr | -17.3 | -8.2 | -1.9 | -11.8 |

NOTES:

1. Calculated from U.S. Bureau of Labor Statistics data.
2. Calculated from Tennessee Department of Revenue data.
3. Source: The Conference Board.

FIGURE 10
Memphis Quarterly Leading Index



NASHVILLE

The Nashville Metropolitan Statistical Area (MSA) index of leading economic activity experienced a gain for the second consecutive month. The index increased 0.6 percent (SAAR) in October raising the year-over-year percent change in Nashville's leading index to 1.2 percent (SAAR). The gain in the index this month was led by increases in two of the four component series that make up the index. The average number of weekly hours in manufacturing increased from 39.6 to 39.7 hours, representing a 3.1 percent (SAAR) increase. Construction employment enjoyed gains in October at the rate of 3.1 percent (SAAR) as well. Negative pressure was applied to the index from both inflation-adjusted taxable sales and the Tennessee leading index. Inflation-adjusted taxable sales decreased by \$5 million to bring the level of sales to \$1,588 million. The Tennessee leading index, the final component of the series, fell 0.1 percent (SAAR) in October.

Other employment data from the Nashville MSA not used to compile the leading index were mostly encouraging. The manufacturing sector gained 200 jobs causing employment in manufacturing to jump 3.3 percent (SAAR). Total nonagricultural employment increased slightly at a 0.7 percent (SAAR) pace due to the expansion of 300 jobs. Despite gains in total nonagricultural employment, the unemployment rate remained constant at 3.9 percent, which is well below the rate for the state and the nation.

Nashville's performance for the month of October is largely positive. The index enjoyed gains this month, and data not used in calculating the index were also positive. In addition, all of the component series of the Nashville MSA have positive year-over-year percent changes, suggesting that the economy is stronger now than it was in October 2003. Even with positive news, the future of the area economy is still largely in the hands of both the state and the national economies. While the area economy is expected to continue to expand into 2005, no acceleration in growth is anticipated in the short run.

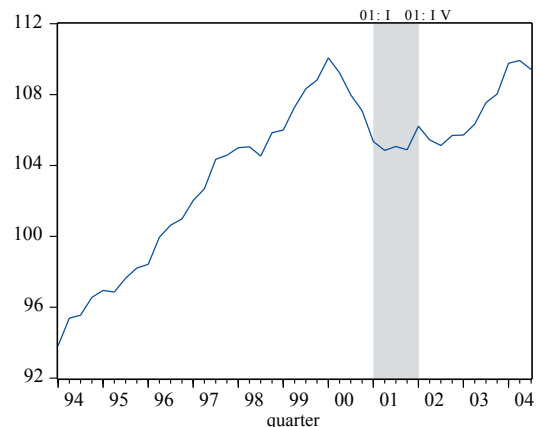
NASHVILLE ECONOMIC INDICATORS SEASONALLY ADJUSTED

| | Aug-04 | Sep-04 | Oct-04 | 2003 |
|---|--------|--------|--------|--------|
| Leading Index (1996=100) | 109.0 | 109.3 | 109.4 | 106.9 |
| % Chg Prev Month SAAR | -10.2 | 4.1 | 0.6 | 1.2 |
| % Chg Same Month Last Yr | 1.2 | 1.5 | 1.2 | 1.2 |
| Nonfarm Employment (THOU) ¹ | 689.2 | 689.7 | 690.0 | 680.8 |
| % Chg Prev Month SAAR | 2.1 | 0.7 | 0.7 | 1.3 |
| % Chg Same Month Last Yr | 1.1 | 1.1 | 1.1 | 1.3 |
| Unemployment (%) ¹ | 3.7 | 3.9 | 3.9 | 4.4 |
| Mfg Employment (THOU) ¹ | 79.8 | 79.7 | 79.9 | 78.4 |
| % Chg Prev Month SAAR | -4.4 | -1.9 | 3.3 | -1.9 |
| % Chg Same Month Last Yr | 2.0 | 1.8 | 1.9 | -1.9 |
| Mfg Avg Weekly Hours ¹ | 39.4 | 39.6 | 39.7 | 39.0 |
| % Chg Prev Month SAAR | -21.9 | 5.2 | 3.1 | -1.9 |
| % Chg Same Month Last Yr | -0.1 | 0.9 | 1.4 | -1.9 |
| Const Employment (THOU) ¹ | 34.1 | 34.3 | 34.3 | 33.5 |
| % Chg Prev Month SAAR | -0.9 | 6.9 | 3.1 | 5.4 |
| % Chg Same Month Last Yr | 1.8 | 2.0 | 2.1 | 5.4 |
| Taxable Sales (MIL \$) ² | 1,687 | 1,721 | 1,723 | 19,425 |
| % Chg Prev Month SAAR | -38.2 | 26.5 | 1.6 | 2.4 |
| % Chg Same Month Last Yr | 2.0 | 3.7 | 3.2 | 2.4 |
| Taxable Sales (MIL 2000 \$) ² | 1,563 | 1,593 | 1,588 | 18,409 |
| % Chg Prev Month SAAR | -38.3 | 25.3 | -3.1 | 0.5 |
| % Chg Same Month Last Yr | -0.1 | 1.6 | 0.8 | 0.5 |
| Help Wanted Index (1987=100 \$) ³ .. | n.a. | n.a. | n.a. | 82 |
| % Chg Prev Month SAAR | - | - | - | 14.2 |
| % Chg Same Month Last Yr | - | - | - | 14.2 |

NOTES:

1. Calculated from U.S. Bureau of Labor Statistics data.
 2. Calculated from Tennessee Department of Revenue data.
 3. Source: The Conference Board.
- n.a. not available.

FIGURE 11
Nashville Quarterly Leading Index



TRI-CITIES

Due to gains in three of its four component series, the Tri-Cities Metropolitan Statistical Area (MSA) index of leading economic activity improved by 14.3 percent (SAAR) in October. After falling last month, the average workweek of the manufacturing sector jumped 119.3 percent (SAAR) to bring the length of the average workweek to 42.1 hours. Inflation-adjusted taxable sales rose 9.8 percent (SAAR) as October sales enjoyed an improvement of \$3 million, raising the level of sales to \$340 million. The other positive factor contributing to the growth of the index was the 9.3 percent (SAAR) increase in construction employment. The Tennessee leading index, the only negative component of the series, fell 0.1 percent (SAAR) in October.

Other employment data not used to compute the leading index were mixed. Manufacturing sector employment fell 3.2 percent (SAAR) due to the loss of 100 jobs. The year-over-year percent change remains negative indicating fewer manufacturing sector jobs relative to October 2003. On the other hand, total nonagricultural employment rose 0.4 percent (SAAR), and the year-over-year percent change in jobs remains positive. The unemployment rate in the Tri-Cities area rose one-tenth of a point to 4.9 percent in October. This is still significantly lower than the level in 2003, and it continues to be below both the state and national unemployment rates.

The Tri-Cities area index enjoyed a large gain this month, and the year-over-year percent change for the index continues to be positive representing some growth over the prior year. Moreover, other data used in the compilation of the index maintained positive year-over-year growth except for manufacturing employment. While the Tri-Cities economy is operating at a higher level than in October 2003, the manufacturing sector continues to contract. As with the national and state economies, the Tri-Cities area should expect modest growth well into the New Year with continued weakness in manufacturing.

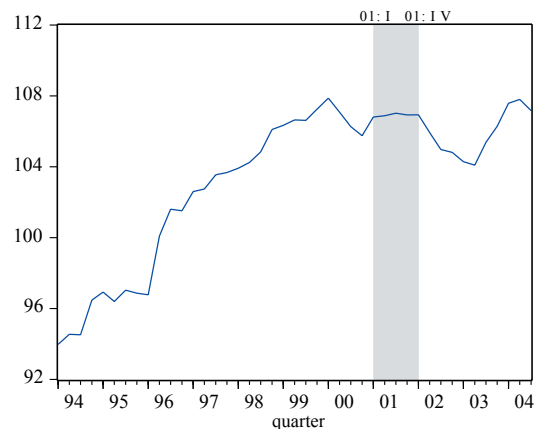
TRI-CITIES ECONOMIC INDICATORS SEASONALLY ADJUSTED

| | Aug-04 | Sep-04 | Oct-04 | 2003 |
|---|--------|--------|--------|-------|
| Leading Index (1996=100) | 107.2 | 107.3 | 108.5 | 105.1 |
| % Chg Prev Month SAAR | 0.3 | 0.7 | 14.3 | -0.6 |
| % Chg Same Month Last Yr | 1.6 | 1.9 | 2.3 | -0.6 |
| Nonfarm Employment (THOU) ¹ | 199.3 | 198.7 | 198.8 | 198.5 |
| % Chg Prev Month SAAR | 1.7 | -3.6 | 0.4 | 0.6 |
| % Chg Same Month Last Yr | -0.2 | 0.2 | 0.1 | 0.6 |
| Unemployment (%) ¹ | 4.8 | 4.8 | 4.9 | 5.9 |
| Mfg Employment (THOU) ¹ | 37.6 | 37.6 | 37.5 | 38.9 |
| % Chg Prev Month SAAR | -8.0 | 1.5 | -3.2 | -4.2 |
| % Chg Same Month Last Yr | -2.5 | -1.8 | -1.8 | -4.2 |
| Mfg Avg Weekly Hours ¹ | 39.9 | 39.4 | 42.1 | 38.8 |
| % Chg Prev Month SAAR | 83.2 | -13.9 | 119.3 | -2.4 |
| % Chg Same Month Last Yr | 4.3 | 3.2 | 8.9 | -2.4 |
| Const Employment (THOU) ¹ | 10.4 | 10.4 | 10.4 | 10.2 |
| % Chg Prev Month SAAR | 1.5 | -0.3 | 9.3 | -2.8 |
| % Chg Same Month Last Yr | 1.9 | 1.9 | 1.7 | -2.8 |
| Taxable Sales (ML \$) ² | 358 | 364 | 369 | 4,174 |
| % Chg Prev Month SAAR | -33.2 | 21.4 | 15.2 | -0.5 |
| % Chg Same Month Last Yr | 0.4 | 3.8 | 4.5 | -0.5 |
| Taxable Sales (ML 2000 \$) ² | 332 | 337 | 340 | 3,956 |
| % Chg Prev Month SAAR | -33.3 | 20.2 | 9.8 | -2.3 |
| % Chg Same Month Last Yr | -1.7 | 1.8 | 2.0 | -2.3 |

NOTES:

1. Calculated from U.S. Bureau of Labor Statistics data.
2. Calculated from Tennessee Department of Revenue data.

FIGURE 12
Tri-Cities Quarterly Leading Index



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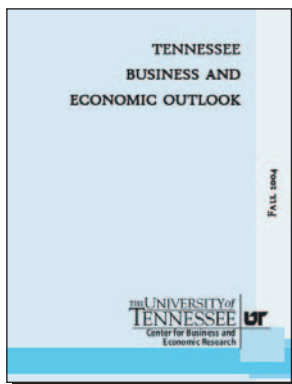
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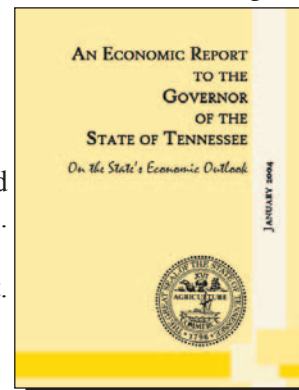
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