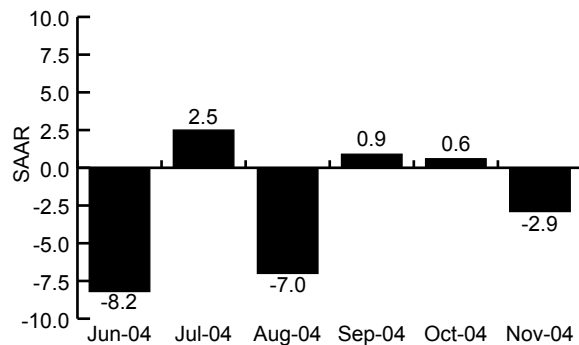


TENNESSEE ECONOMIC OVERVIEW

November 2004 Index as of January 2005

TENNESSEE

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



After enjoying gains the last two months, the Tennessee economy lost momentum during the month of November as the leading index of economic activity decreased at a seasonally adjusted annual rate (SAAR) of 2.9 percent. The leading index, a measure of economic activity expected to occur in the state within the next six to nine months, currently stands at 109.7 and remains above the level established in November of 2003 even with the reduction for the month. The leading index is comprised of five component series that are strong indicators of the future direction of the economy, four of which decreased this month.

The primary component of the index contributing to the decline was the substantial increase in initial claims for

unemployment insurance. There were 5,017 more individuals who filed jobless claims in November, a 565.8 percent (SAAR) increase from last month. After remaining negative for twelve consecutive months, this month's jump pushed the year-over-year percent change into the positive range, indicating a higher number of initial claims relative to November 2003. The level of construction employment in Tennessee suffered a loss of 500 jobs, or a 5.0 percent (SAAR) decline, which also contributed negatively to the Tennessee index. Even with this decline from last month, the year-over-year percent change remains positive. The average number of weekly hours in the manufacturing sector fell from 39.8 to 39.7 hours per week, representing a 2.3 percent (SAAR) contraction. The final negative component of the index was the decrease in inflation-adjusted taxable sales from \$6,528 to \$6,516

(Continued on page 2)

INSIDE

• TN ECONOMIC DATA	3
• U.S. ECONOMIC DATA	4
• MSA PERSPECTIVE	5
• CHATTANOOGA MSA	6
• KNOXVILLE MSA	7
• MEMPHIS MSA	8
• NASHVILLE MSA	9
• TRI-CITIES MSA	10
• SELECTED CBER PUBLICATIONS.....	11

TENNESSEE

(Continued from page 1)

million, representing a 2.0 percent (SAAR) decline. Even though sales have declined two consecutive months, they continue to be at a higher level than in the same month last year. The U.S. leading index, the only positive factor contributing to the index, rose 3.2 percent (SAAR) in November.

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 part of the Tennessee leading index are positive this month. The manufacturing sector gained 1,600 jobs from October to November, translating into a 4.7 percent (SAAR) increase. Overall nonfarm employment rose by 1.5 percent (SAAR), or 3,300 jobs, bringing total nonfarm employment to nearly 2,693 thousand. The state's unemployment rate fell one-tenth of a percentage point from October to November to 5.0 percent. The unemployment rate continues to remain significantly lower than the same month last year. Moreover the state rate continues to lie below the U.S. unemployment rate (5.4 percent this month).

Some encouragement is offered to the state economy by way of the nation's economy as the U.S. leading index increased after five consecutive months of decline. According to The Conference Board, "The current behavior of the leading index is consistent with the economy continuing to expand in the near term, but more slowly than its long-term trend rate." Six of the ten indicators that comprise the U.S. leading index increased in November. The U.S. coincident index, a measure of current economic activity, increased in November, and the strength in the index continues to be widespread according to The Conference Board.

The Tennessee leading index suffered losses in November, but the year-over-year percent change in Tennessee's leading index remains positive suggesting a higher level of economic activity relative to November 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, potentially below long-term trend growth rates.

FIGURE 2
Tennessee Quarterly Leading Index
(seasonally adjusted)

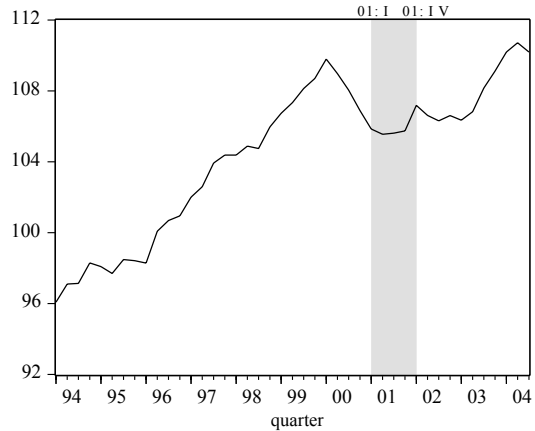


FIGURE 3
Total Nonfarm Employment
(seasonally adjusted)

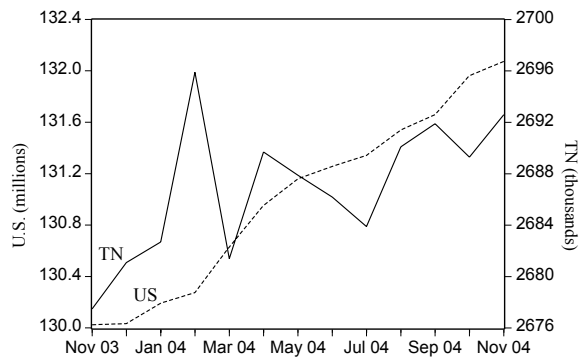
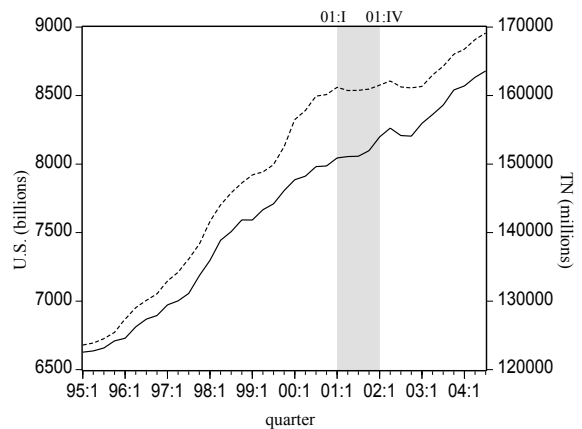


FIGURE 4
Real Personal Income (2000 \$)
(seasonally adjusted)



**TENNESSEE ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	2003
Leading Index (1996=100)	109.2	109.1	110.0	109.9	110.4	110.5	111.1	110.3	110.5	109.8	109.9	110.0	109.7	107.6
% Chg Prev Month SAAR	3.6	-1.2	10.8	-1.6	6.1	0.6	6.6	-8.2	2.5	-7.0	0.9	0.6	-2.9	0.9
% Chg Same Month Last Yr	2.3	2.2	3.2	3.5	4.0	3.8	3.8	2.9	2.6	1.4	1.5	1.0	0.5	0.9
Nonfarm Employment (THOU) ¹	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	2,692.6	2,667.0
% Chg Prev Month SAAR	1.8	1.6	0.7	6.1	-6.3	3.8	-0.8	-0.8	-1.0	2.8	0.8	-1.2	1.5	0.1
% Chg Same Month Last Yr	0.2	0.3	0.8	1.4	0.9	1.1	1.0	1.0	0.8	0.7	0.6	0.6	0.6	0.1
Unemployment (%) 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	5.0	5.8
Mfg Employment (THOU) ¹	414.4	413.4	416.8	415.9	414.4	414.4	413.4	411.5	413.4	412.3	412.1	413.2	414.8	414.1
% Chg Prev Month SAAR	4.1	-2.8	10.3	-2.4	-4.4	0.2	-3.1	-5.4	5.7	-3.0	-0.5	3.1	4.7	-3.3
% Chg Same Month Last Yr	-2.1	-2.0	-0.6	-0.5	-0.6	-0.1	-0.1	-0.2	0.5	0.2	0.3	0.0	0.1	-3.3
Mfg Avg Weekly Hours ¹	40.1	40.1	40.6	40.9	40.9	40.3	40.9	40.4	39.9	39.8	39.2	39.8	39.7	39.8
% Chg Prev Month SAAR	10.0	0.8	14.3	10.0	0.6	-16.6	18.1	-13.8	-12.2	-3.2	-17.2	20.8	-2.3	-0.8
% Chg Same Month Last Yr	0.6	0.3	2.3	2.9	3.4	1.0	3.3	1.4	1.4	-0.2	-1.5	0.1	-0.9	-0.8
Const Employment (THOU) ¹	115.7	116.2	117.1	115.3	115.9	117.3	117.5	117.1	116.4	116.9	117.5	117.6	117.1	115.5
% Chg Prev Month SAAR	-5.0	5.3	9.7	-17.0	6.4	15.5	2.1	-4.0	-6.9	5.3	6.3	1.0	-5.0	0.5
% Chg Same Month Last Yr	0.9	0.7	0.9	0.6	1.0	1.6	1.8	1.8	1.1	1.2	1.2	1.2	1.2	0.5
Taxable Sales (MIL \$) ²	6,805	6,872	6,968	6,990	7,049	7,024	6,949	6,942	7,177	6,889	7,115	7,085	7,082	80,417
% Chg Prev Month SAAR	-15.1	12.3	18.2	3.9	10.5	-4.1	-12.1	-1.2	49.1	-38.7	47.1	-4.9	-0.4	3.7
% Chg Same Month Last Yr	3.8	5.2	7.5	8.1	7.4	7.7	4.1	4.4	5.5	0.7	4.1	2.7	4.1	3.7
Taxable Sales (MIL 2000 \$) ²	6,425	6,473	6,539	6,543	6,577	6,544	6,450	6,428	6,648	6,379	6,580	6,528	6,516	76,212
% Chg Prev Month SAAR	-15.0	9.5	12.8	0.7	6.5	-5.8	-16.0	-4.0	49.8	-39.1	45.2	-9.2	-2.0	1.7
% Chg Same Month Last Yr	2.2	3.5	5.6	6.3	5.6	5.6	1.6	1.8	3.0	-1.4	2.0	0.2	1.4	1.7
Initial Claims for UI ³	28,538	36,479	31,197	31,563	33,137	31,851	29,222	36,695	29,597	32,244	29,552	29,317	34,334	440,636
% Chg Prev Month SAAR	-78.9	1,802.6	-84.7	15.0	79.3	-37.8	-64.4	1,437.2	-92.4	179.5	-64.9	-9.1	565.8	-5.0
% Chg Same Month Last Yr	-19.2	-6.1	-16.8	-16.7	-15.8	-20.4	-27.5	-9.4	-16.3	-8.8	-19.8	-9.8	20.3	-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**

	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	2003
Personal Income (BIL 2000 \$) ¹	9,337.9	9,375.3	9,404.1	9,445.9	9,484.9	9,550.0	9,603.8	9,624.2	9,642.6	9,679.7	9,700.7	9,763.3	9,793.7	9,161.8
% Chg Prev Month SAAR	8.2	4.9	3.7	5.5	5.1	8.6	7.0	2.6	2.3	4.7	2.6	8.0	3.8	3.2
% Chg Same Month Last Yr	4.7	4.9	4.9	4.9	4.9	5.5	5.4	5.2	5.1	5.1	4.9	5.2	4.9	3.2
Pers Cons Price Index (2000=100) ²	105.9	106.2	106.6	106.8	107.2	107.3	107.7	108.0	107.9	108.0	108.1	108.5	108.7	105.5
% Chg Prev Month SAAR	-0.1	2.6	4.8	3.1	3.8	1.7	4.6	2.9	-0.5	0.7	1.3	4.8	1.6	1.9
% Chg Same Month Last Yr	1.6	1.6	1.8	1.7	1.7	2.0	2.4	2.5	2.4	2.2	2.1	2.5	2.6	1.9
Nonfarm Employment (MIL) ²	130.0	130.0	130.2	130.3	130.6	131.0	131.2	131.3	131.3	131.5	131.7	132.0	132.1	129.9
% Chg Prev Month SAAR	0.8	0.1	1.5	0.8	3.3	3.0	1.9	0.9	0.8	1.8	1.1	2.9	1.3	-0.3
% Chg Same Month Last Yr	-0.2	0.0	0.0	0.2	0.5	0.8	1.0	1.1	1.2	1.3	1.4	1.6	1.6	-0.3
Unemployment (%) ²	5.9	5.7	5.7	5.6	5.7	5.5	5.6	5.6	5.5	5.4	5.4	5.5	5.4	6.0
Bank Prime Interest Rate (%) ²	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.3	4.4	4.6	4.8	4.9	4.1
Coincident Index (1996=100) ²	115.5	115.7	115.8	116.1	116.6	116.9	117.2	117.2	117.5	117.7	117.7	118.1	118.3	114.5
% Chg Prev Month SAAR	4.3	2.1	1.0	3.2	5.3	3.1	3.1	0.0	3.1	2.1	0.0	4.2	2.1	0.4
% Chg Same Month Last Yr	1.2	1.6	1.5	2.0	2.5	2.8	2.8	2.5	2.5	2.8	2.5	2.6	2.4	0.4
Leading Index (1996=100) ²	114.0	114.3	114.7	114.8	115.7	115.8	116.3	116.2	116.0	115.6	115.3	114.9	115.2	112.3
% Chg Prev Month SAAR	3.2	3.2	4.3	1.1	9.8	1.0	5.3	-1.0	-2.0	-4.1	-3.1	-4.1	3.2	1.3
% Chg Same Month Last Yr	2.9	3.0	3.4	3.9	4.7	4.6	4.2	3.8	2.9	2.2	1.9	1.1	1.1	1.3
Mfg Employment (MIL) ²	14.3	14.3	14.3	14.3	14.3	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.5
% Chg Prev Month SAAR	-0.6	-1.7	-0.8	0.6	1.9	1.8	2.6	-0.2	0.4	1.2	-0.4	-0.1	-0.7	-4.8
% Chg Same Month Last Yr	-4.3	-3.9	-3.5	-3.0	-2.5	-1.8	-1.2	-0.8	-0.4	0.1	0.2	0.4	0.4	-4.8
Initial Claims for UI (THOU) ³	1,470.9	1,642.0	1,492.6	1,584.8	1,574.8	1,460.3	1,405.0	1,570.5	1,469.5	1,538.6	1,501.0	1,390.8	1,534.8	20,966.0
% Chg Prev Month SAAR	-81.6	274.7	-68.2	105.3	-7.3	-59.6	-37.1	280.5	-54.9	73.5	-25.6	-59.9	226.1	-0.5
% Chg Same Month Last Yr	-9.8	-7.6	-14.3	-11.7	-11.4	-21.6	-23.3	-15.1	-19.5	-9.2	-15.8	-17.9	4.3	-0.5
Retail Sales (BIL \$) ²	290.9	290.5	292.3	295.0	301.8	299.1	303.7	301.3	304.4	303.5	308.7	311.8	312.0	3,397.5
% Chg Prev Month SAAR	20.7	-1.8	7.6	12.0	31.3	-10.0	19.8	-9.0	12.8	-3.1	22.2	13.0	0.8	5.2
% Chg Same Month Last Yr	7.0	5.8	5.8	8.1	8.4	7.2	9.3	6.6	6.7	4.6	7.5	8.9	7.3	5.2
Cons Sentiment Index (1966=100) ¹	93.7	92.6	103.8	94.4	95.8	94.2	90.2	95.6	96.7	95.9	94.2	91.7	92.8	87.6
% Chg Prev Month SAAR	71.1	-13.2	293.6	-68.0	19.3	-18.3	-40.6	100.9	14.7	-9.5	-19.3	-27.6	15.4	-2.2
% Chg Same Month Last Yr	11.3	6.8	26.0	18.1	23.5	9.5	-2.1	6.6	6.4	7.4	7.4	2.3	-1.0	-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	8,908	8,956	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	3.2	2.2	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	3.0	2.8	1.3

NOTES:

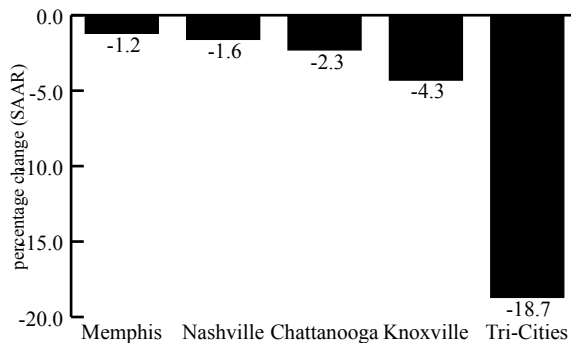
1. U.S. Bureau of Economic Analysis (BEA).
2. Global Insight, Inc.
3. Calculated from Global Insight, Inc. data.
4. Calculated from BEA data.

MSA PERSPECTIVE

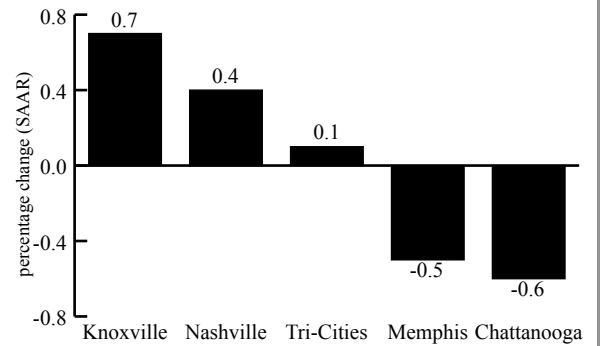
Just as the Tennessee leading index suffered losses in November, the month was discouraging for economic activity in Tennessee's largest metropolitan statistical areas (MSAs) as all five MSAs' indices suffered losses ranging from 1.2 percent (SAAR) to 18.7 percent (SAAR). The Tri-Cities MSA experienced the largest setback for the month. Four of the five MSAs (all but Chattanooga) experienced declines in average weekly hours in the manufacturing sector. Inflation-adjusted taxable sales fell in two of the MSAs (Chattanooga and Tri-Cities), while construction employment increased in all five. The unemployment rates decreased or remained the same in four of the five MSAs, with only the Memphis and Tri-Cities MSAs unemployment rates being above the Tennessee rate. Even with

the decreases in all five MSAs' indices, the year-over-year percentage changes in all five MSAs are positive, indicating a stronger level of economic activity in November 2004 relative to November 2003.

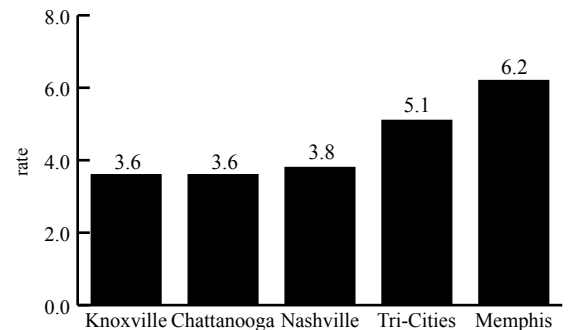
**FIGURE 5
MSA Index Growth
November 2004**



**FIGURE 6
MSA Employment Growth
November 2004**



**FIGURE 7
MSA Unemployment Rate
November 2004**



Tennessee's Largest Metropolitan Statistical Areas June 1996 definitions



CHATTANOOGA

The Chattanooga Metropolitan Statistical Area (MSA) index of leading economic activity fell 2.3 percent (SAAR) in November due to losses in two of its four components series. The most significant contributor to the decline of the index was the drop in inflation-adjusted taxable sales. Inflation-adjusted taxable sales fell \$6 million from October, representing a 16.9 percent (SAAR) decline. The other negative component of the leading index was the 2.9 percent (SAAR) drop in the Tennessee index. The largest positive component of the index was the increase in average weekly hours in the manufacturing sector from 40.4 to 40.5 hours per week. Even with this increase, the level of hours is lower than in November 2003. Construction employment applied positive pressure on the index as it increased by 3.3 percent (SAAR). The level of construction employment this month continues to be higher than the level experienced last November as demonstrated by the positive year-over-year percent change.

Labor market data not used in compiling Chattanooga's index are varied. Manufacturing employment increased at the rate of 3.6 percent (SAAR), but total nonfarm employment decreased by 0.6 percent (SAAR). The level of nonfarm employment continues to remain above the level in November 2003. These changes in employment offset each other to hold the unemployment rate steady at 3.6 percent, which is still considerably below the state and national unemployment rates of 5.0 and 5.4 percent, respectively.

The loss in the Chattanooga area leading index in November is attributed to declines in two of the four series comprising the index. The year-over-year percent change remains positive, suggesting a higher level of economic activity compared to November 2003. The employment conditions are not that dissimilar from the national economy's as both have experienced mixed growth, and unemployment rates remain low. The Chattanooga economy must sustain low

unemployment rates and turn around the decline in inflation-adjusted taxable sales in order to gather momentum. Like the state, the Chattanooga MSA should expect a continuation of modest growth through the first quarter of 2005.

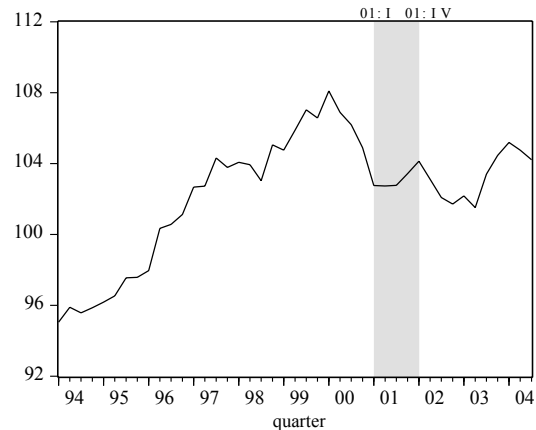
CHATTANOOGA ECONOMIC INDICATORS SEASONALLY ADJUSTED

	Sep-04	Oct-04	Nov-04	2003
Leading Index (1996=100)	104.2	104.7	104.5	102.9
% Chg Prev Month SAAR	3.9	5.9	-2.3	0.1
% Chg Same Month Last Yr	0.2	0.3	0.2	0.1
Nonfarm Employment (THOU) ¹	235.4	235.5	235.4	233.5
% Chg Prev Month SAAR	-1.4	0.5	-0.6	0.4
% Chg Same Month Last Yr	0.9	0.9	0.9	0.4
Unemployment (%) ¹	3.5	3.6	3.6	3.9
Mfg Employment (THOU) ¹	34.2	34.2	34.3	35.4
% Chg Prev Month SAAR	-5.7	-0.8	3.6	-5.7
% Chg Same Month Last Yr	-2.5	-2.3	-1.9	-5.7
Mfg Avg Weekly Hours ¹	39.2	40.4	40.5	41.0
% Chg Prev Month SAAR	-12.6	44.9	3.9	-1.8
% Chg Same Month Last Yr	-6.4	-4.1	-3.1	-1.8
Const Employment (THOU) ¹	9.1	9.1	9.1	8.9
% Chg Prev Month SAAR	11.6	-3.8	3.3	1.1
% Chg Same Month Last Yr	3.4	3.3	3.6	1.1
Taxable Sales (MIL \$) ²	417	415	409	4,685
% Chg Prev Month SAAR	64.1	-5.7	-15.5	-0.4
% Chg Same Month Last Yr	3.2	3.3	2.7	-0.4
Taxable Sales (MIL 2000 \$) ²	386	382	376	4,440
% Chg Prev Month SAAR	62.1	-10.0	-16.9	-2.2
% Chg Same Month Last Yr	1.1	0.8	0.0	-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 fell in November at a rate of 4.3 percent (SAAR), bringing the index to 107.6 (1996 = 100). Decreases in average manufacturing weekly hours and the Tennessee index led to the decline. Average weekly manufacturing hours now stand at 40.8 hours per week, a 21.1 percent (SAAR) decrease from last month. The Tennessee leading index fell 2.9 percent (SAAR) in November, also contributing to the decline in the Knoxville index. The most significant positive contribution to the index came by way of the 17.1 percent (SAAR) increase in inflation-adjusted taxable sales. Inflation-adjusted taxable sales now stand at \$949 million, \$12 million higher than in October. The final component of the series is construction employment, which increased by 100 jobs for a gain of 7.4 percent (SAAR).

Labor market data not included in the Knoxville leading index offer mixed evidence of growth in the Knoxville economy. Total nonfarm employment increased at a 0.7 percent (SAAR) rate as a result of 200 more jobs. Employment in the manufacturing sector projects a negative signal as 100 jobs were lost this month causing a 4.2 percent (SAAR) setback. Manufacturing employment has now fallen for six consecutive months, further driving the year-over-year percent change in manufacturing employment down. The employment conditions in the Knoxville MSA closely mirror those of the U.S. economy: decreased manufacturing employment, but increased total nonfarm employment. These changes in employment have combined to push the unemployment rate up by one-tenth of a percentage point to 3.6 percent, which is below the level in November 2003, as well as below the state and national unemployment rates this month.

Even though the Knoxville MSA November index was negative, not all the news is bad. The year-over-year percent change in the index remains positive, indicating a higher level of economic activity in the area relative to November 2003. If the Knoxville MSA is to experience sustained growth, it needs to

build on its performance in inflation-adjusted taxable sales as well as build strong growth in employment. Substantial growth in economic activity in the Knoxville MSA is dependent on the state and national economies as well as its ability to stimulate its own growth. All available evidence points to slow-to-modest growth continuing for the next several months.

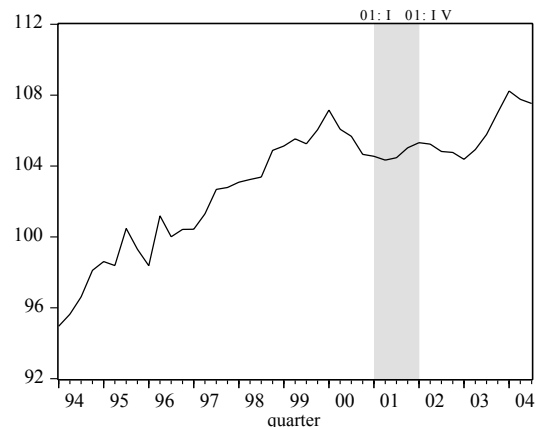
KNOXVILLE ECONOMIC INDICATORS SEASONALLY ADJUSTED

	Sep-04	Oct-04	Nov-04	2003
Leading Index (1996=100)	107.7	108.0	107.6	105.5
% Chg Prev Month SAAR	3.9	3.4	-4.3	0.5
% Chg Same Month Last Yr	1.5	1.3	1.2	0.5
Nonfarm Employment (THOU) ¹	360.7	361.2	361.4	355.4
% Chg Prev Month SAAR	-2.5	1.5	0.7	2.2
% Chg Same Month Last Yr	1.2	1.1	1.1	2.2
Unemployment (%) ¹	3.6	3.5	3.6	3.9
Mfg Employment (THOU) ¹	40.7	40.7	40.6	42.1
% Chg Prev Month SAAR	-3.3	-0.6	-4.2	-1.1
% Chg Same Month Last Yr	-2.8	-2.9	-2.9	-1.1
Mfg Avg Weekly Hours ¹	40.8	41.6	40.8	40.5
% Chg Prev Month SAAR	-5.7	25.4	-21.1	-2.2
% Chg Same Month Last Yr	1.2	2.0	2.1	-2.2
Const Employment (THOU) ¹	17.5	17.5	17.6	17.1
% Chg Prev Month SAAR	-9.2	2.5	7.4	3.1
% Chg Same Month Last Yr	1.9	1.7	1.6	3.1
Taxable Sales (MIL \$) ²	1,032	1,017	1,032	11,615
% Chg Prev Month SAAR	96.0	-16.4	19.0	2.5
% Chg Same Month Last Yr	4.5	3.2	5.6	2.5
Taxable Sales (MIL 2000 \$) ²	955	937	949	11,008
% Chg Prev Month SAAR	93.6	-20.3	17.1	0.6
% Chg Same Month Last Yr	2.4	0.7	2.9	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 experienced a setback as the index fell 1.2 percent (SAAR) in November. The decrease in the index resulted from losses in two of the four component series that make up the Memphis MSA index.¹ The most significant contributor to the decrease in the index was the decrease in average weekly manufacturing hours, which fell from 42.4 to 42.0 hours per week, a 10.4 percent (SAAR) contraction. Even with this setback, average weekly manufacturing hours in Memphis remain higher than in any other MSA in the state, and the year-over-year percent change remains positive. The Tennessee leading index, the final negative component of the series, fell 2.9 percent (SAAR) in November. The largest positive contributor to the index was the boost in inflation-adjusted taxable sales. Taxable sales rose 20.8 percent (SAAR) to \$947 million. Construction employment, the other positive contributor to the index, rose by 0.9 percent (SAAR) from October.

Labor market data not used to calculate the index are negative for the Memphis MSA this month. Similar to the U.S. economy which lost manufacturing jobs, manufacturing employment fell 8.3 percent (SAAR), a setback of 300 jobs. This is the tenth consecutive month that manufacturing employment has fallen in the area. Total nonfarm employment also dropped but at a much lower rate of 0.5 percent (SAAR) or 200 fewer jobs. These losses in employment contributed to a one-tenth of a point increase in the unemployment rate to 6.2 percent, which is the highest the unemployment rate has been since December 2003. The Memphis MSA unemployment rate continues to be above the state and national rates.

The loss in the index this month should not be viewed with too much pessimism as most of the data series' year-over-year percent changes are positive, suggesting higher levels of economic activity relative to November 2003. In order for the Memphis economy to build and maintain any substantial growth in the near future, the area must continue to increase its taxable sales as well as turn around employment levels. In general, the regional economy will not likely be able to fight the tide of expected modest growth into 2005. Accordingly, expect the Memphis economy to expand, but expand at a modest pace into the second quarter of the year.

¹Previously, the Memphis MSA leading index included help-wanted index series data. This series has been eliminated from the computation of the index, which slightly lowers the level of the Memphis leading index.

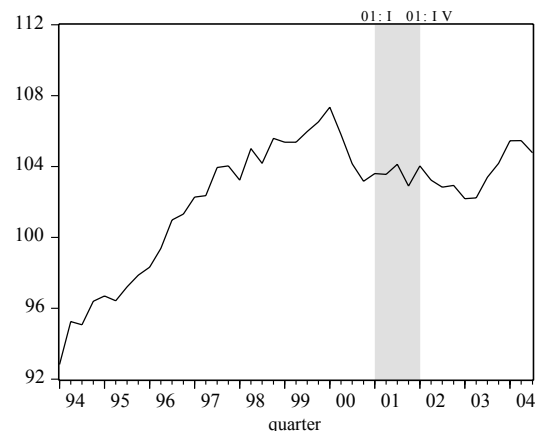
MEMPHIS ECONOMIC INDICATORS SEASONALLY ADJUSTED

	Sep-04	Oct-04	Nov-04	2003
Leading Index (1996=100)	103.7	103.7	103.6	102.3
% Chg Prev Month SAAR	3.5	-0.5	-1.2	0.2
% Chg Same Month Last Yr	1.4	0.7	0.7	0.2
Nonfarm Employment (THOU) ¹	591.9	591.7	591.5	590.2
% Chg Prev Month SAAR	-1.0	-0.5	-0.5	0.9
% Chg Same Month Last Yr	0.4	0.2	0.2	0.9
Unemployment (%) ¹	6.0	6.1	6.2	6.2
Mfg Employment (THOU) ¹	49.8	49.5	49.2	51.2
% Chg Prev Month SAAR	-6.3	-7.6	-8.3	-1.6
% Chg Same Month Last Yr	-1.9	-2.2	-3.1	-1.6
Mfg Avg Weekly Hours ¹	42.6	42.4	42.0	41.2
% Chg Prev Month SAAR	18.9	-8.0	-10.4	1.0
% Chg Same Month Last Yr	8.0	2.8	2.7	1.0
Const Employment (THOU) ¹	25.2	25.5	25.5	24.7
% Chg Prev Month SAAR	5.3	11.8	0.9	0.1
% Chg Same Month Last Yr	1.2	1.9	2.0	0.1
Taxable Sales (MIL \$) ²	1,038	1,012	1,030	12,073
% Chg Prev Month SAAR	21.0	-26.3	22.7	-2.7
% Chg Same Month Last Yr	0.9	-1.3	2.3	-2.7
Taxable Sales (MIL 2000 \$) ²	960	933	947	11,442
% Chg Prev Month SAAR	19.6	-29.7	20.8	-4.6
% Chg Same Month Last Yr	-1.1	-3.7	-0.3	-4.6

NOTES:

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

FIGURE 10
Memphis Quarterly Leading Index



NASHVILLE

The Nashville Metropolitan Statistical Area (MSA) index of suffered a setback in November after two consecutive months of increases. The index decreased 1.6 percent (SAAR) in November, but the year-over-year percent change in Nashville's leading index remained positive. The drop in the index this month was led by decreases in two of the four component series that make up the index.² The largest negative factor was the decrease in average weekly hours in manufacturing from 39.7 to 39.3, representing an 11.1 percent (SAAR) decline. Even with this loss, average weekly manufacturing hours are higher in November 2004 relative to November 2003. The Tennessee leading index, the other negative factor, fell 2.9 percent (SAAR) in November. Positive pressure was applied to the index from both inflation-adjusted taxable sales and construction employment. Inflation-adjusted taxable sales increased by \$10 million to bring the level of sales to \$1,598 million. This represents a 7.5 percent (SAAR) increase. Construction employment, the final component of the index, enjoyed gains in November at the rate of 0.4 percent (SAAR).

Other employment data from the Nashville MSA not used to compile the leading index were encouraging. The manufacturing sector gained 200 jobs causing employment in manufacturing to jump 2.7 percent (SAAR). Total nonagricultural employment also increased by 200 jobs, or 0.4 percent (SAAR). These gains mirror those enjoyed by the state. These improvements in employment helped lower the unemployment rate one-tenth of a point, bringing the rate to 3.8 percent. The Nashville MSA's unemployment rate remains significantly below that of both the state and the nation.

Nashville's performance for the month of November is mixed. The index experienced losses but the year-over-year percent change in all of the component series is positive. This indicates a higher level of economic activity in the area relative to November 2003. In addition, the data that do not comprise the index are all positive and show positive year-over-year percent changes. Even with positive news, the future of the area economy is still largely in the hands of both the state and the national economies. The area economy is expected to continue to expand in 2005, but acceleration in growth is not anticipated in the short run.

²Previously, the Nashville MSA leading index included help-wanted index series data. This series has been eliminated from the computation of the index, which slightly lowers the level of the Nashville leading index.

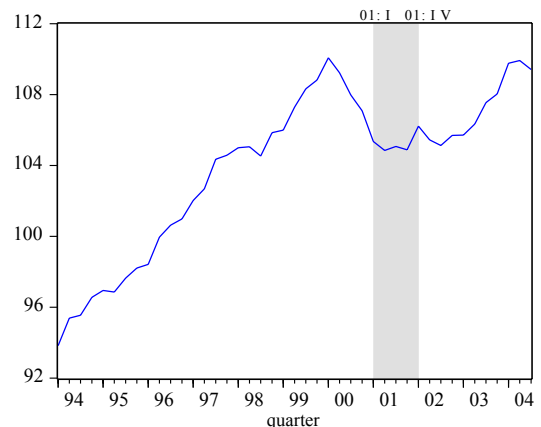
NASHVILLE ECONOMIC INDICATORS SEASONALLY ADJUSTED

	Sep-04	Oct-04	Nov-04	2003
Leading Index (1996=100)	105.0	105.0	104.9	103.7
% Chg Prev Month SAAR	2.8	0.7	-1.6	0.8
% Chg Same Month Last Yr	0.9	0.7	0.6	0.8
Nonfarm Employment (THOU) ¹	689.6	690.0	690.2	680.8
% Chg Prev Month SAAR	0.6	0.7	0.4	1.3
% Chg Same Month Last Yr	1.1	1.1	1.0	1.3
Unemployment (%) ¹	3.9	3.9	3.8	4.4
Mfg Employment (THOU) ¹	79.7	79.9	80.1	78.4
% Chg Prev Month SAAR	-1.8	3.3	2.7	-1.9
% Chg Same Month Last Yr	1.8	1.9	1.6	-1.9
Mfg Avg Weekly Hours ¹	39.6	39.7	39.3	39.0
% Chg Prev Month SAAR	4.8	2.5	-11.1	-1.9
% Chg Same Month Last Yr	0.9	1.4	1.0	-1.9
Const Employment (THOU) ¹	34.2	34.3	34.3	33.5
% Chg Prev Month SAAR	6.9	3.1	0.4	5.4
% Chg Same Month Last Yr	2.0	2.1	1.8	5.4
Taxable Sales (MIL \$) ²	1,721	1,724	1,737	19,424
% Chg Prev Month SAAR	26.6	1.8	9.3	2.4
% Chg Same Month Last Yr	3.7	3.2	5.0	2.4
Taxable Sales (MIL 2000 \$) ²	1,592	1,588	1,598	18,408
% Chg Prev Month SAAR	25.0	-2.9	7.5	0.5
% Chg Same Month Last Yr	1.6	0.7	2.3	0.5

NOTES:

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

FIGURE 11
Nashville Quarterly Leading Index



TRI-CITIES

Due to losses in three of its four component series, the Tri-Cities Metropolitan Statistical Area (MSA) index of leading economic activity plummeted 18.7 percent (SAAR) in November. The largest negative contributor to the index was the 58.9 percent (SAAR) decline in inflation-adjusted taxable sales. This brought taxable sales down \$25 million to \$314 million. After a large increase last month, the average workweek of the manufacturing sector dropped 54.9 percent (SAAR) to bring the workweek to 39.4 hours. The final negative component, the Tennessee leading index, fell 2.9 percent (SAAR). The only positive factor contributing to the growth of the index was the 4.9 percent (SAAR) increase in construction employment, due to the gain of 100 jobs in the sector.

Other employment data not used to compute the leading index were mixed. Manufacturing sector employment fell 2.2 percent (SAAR), applying additional negative pressure on the year-over-year growth rate. Total nonagricultural employment rose 0.1 percent (SAAR) and the year-over-year percent change remains positive. The employment conditions in the area closely resemble those of the nation. The unemployment rate in the Tri-Cities area rose two-tenths of a percentage point to 5.1 percent in November. This is still significantly lower than the level in November 2003 and it continues to be below the national unemployment rate, but it has jumped above the state rate.

The Tri-Cities area index suffered a large setback this month, but the year-over-year percent change for the index continues to be positive representing some growth over the prior year. Not only did the index decrease this month, but also most of the data series comprising the index have negative year-over-year percentage changes indicating that the Tri-Cities economy is operating at a lower level than in November 2003. In light of expected modest growth for the state and the nation, the Tri-Cities area will struggle to engineer sustained growth into the second quarter of 2005.

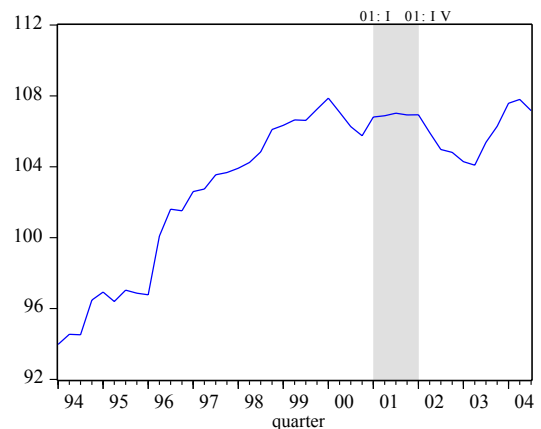
TRI-CITIES ECONOMIC INDICATORS SEASONALLY ADJUSTED

	Sep-04	Oct-04	Nov-04	2003
Leading Index (1996=100)	107.2	108.5	106.6	105.1
% Chg Prev Month SAAR	-0.1	15.2	-18.7	-0.6
% Chg Same Month Last Yr	1.8	2.3	0.1	-0.6
Nonfarm Employment (THOU) ¹	198.7	198.8	198.8	198.4
% Chg Prev Month SAAR	-3.7	0.5	0.1	0.6
% Chg Same Month Last Yr	0.2	0.1	0.1	0.6
Unemployment (%) ¹	4.8	4.9	5.1	5.9
Mfg Employment (THOU) ¹	37.6	37.5	37.5	38.9
% Chg Prev Month SAAR	1.5	-3.0	-2.2	-4.2
% Chg Same Month Last Yr	-1.8	-1.8	-1.8	-4.2
Mfg Avg Weekly Hours ¹	39.3	42.2	39.4	38.8
% Chg Prev Month SAAR	-14.8	129.8	-54.9	-2.4
% Chg Same Month Last Yr	3.1	8.9	-0.3	-2.4
Const Employment (THOU) ¹	10.4	10.4	10.5	10.2
% Chg Prev Month SAAR	-0.6	8.9	4.9	-2.7
% Chg Same Month Last Yr	1.9	1.7	1.8	-2.7
Taxable Sales (MIL \$) ²	364	367	342	4,174
% Chg Prev Month SAAR	19.9	13.4	-58.2	-0.5
% Chg Same Month Last Yr	3.8	4.5	-2.1	-0.5
Taxable Sales (MIL 2000 \$) ²	336	339	314	3,956
% Chg Prev Month SAAR	18.5	8.2	-58.9	-2.3
% Chg Same Month Last Yr	1.7	1.9	-4.6	-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



Selected Economic Publications from CBER

Economic Effects of the University of Tennessee, Knoxville, Athletic Department. October 2004.
Tennessee Business and Economic Outlook, Fall 2004. September 2004. (quarterly)
Economic Growth Strategy Regions Report. August 2004.
The Impact of TennCare: A Survey of Recipients. August 2004. (annual)
State and Local Sales Tax Revenue Losses from E-Commerce: Estimates as of July 2004.
Interactions between Local Labor Markets and Families First Caseloads. June 2004.
Economic Benefits of the U.S. Dept. of Energy for the State of Tennessee FY2003.
Poverty Rates among Current and Former Families First Participants. May 2004.
An Economic Report to the Governor of the State of Tennessee. January 2004. (annual)
Population Projections for the State of Tennessee: 2005 to 2025. December 2003.
Economic Effects of TVA Lake Management Policy in East Tennessee. May 2003.
The Structure of State Taxes in Tennessee: A Fiscal Primer. February 2003.
Procurement at the Metropolitan Government of Nashville-Davidson County. Feb. 2002.
Tennessee Economic Update: Prepared for Tennessee Tomorrow, Inc. January 2002.
General Economic Characteristics in Tennessee: Examining Changes in Labor Market Conditions and Income Levels, 1990--2000. November 2001.
Potential Impacts of Electric Utility Restructuring on Local Governments in Tennessee. October 2001.
Tennessee Summary. State & Local Sales Tax Revenue Losses from E-Commerce: Updated Estimates. October 2001.
General Demographic Changes in Tennessee, 1990--2000: Understanding the Economic Implications. September 2001.
Strategic Options for Fostering Development of the Automotive Cluster in Tennessee. Sept. 1999.
Infrastructure and the Tennessee Economy. August 1999.
The Location Decision of Automotive Suppliers in Tennessee and the Southeast. June 1999.
A Profile of the Automobile Sector in the U.S. and Southeastern States. June 1999.
Examining Supply Gaps and Surpluses in the Automotive Cluster in Tennessee. May 1999.
Economic Growth and the Williamson County Economy. December 1998.
Economic & Fiscal Consequences of TVA's Lake Draw-Down of Cherokee & Douglas Lakes. October 1998.
Adequacy of Tennessee's Unemployment Insurance Trust Fund. July 1998.
Economic Effects of the Spallation Neutron Source (SNS) and the Joint Institute for Neutron Sciences (JINS) on the State of Tennessee. February 1998.
Economic Effects of The University of Tennessee, Knoxville Athletic Dept. September 1997.
Business Recruitment & its Impact on Knoxville & Knox County Economies. May 1997.
Economic & Fiscal Analysis of Industrial Development in Anderson County. March 1997.
Occupational Wage and Benefit Survey. January 1997.
The Nature & Consequences of Economic Development in the Loudon County Economy. April 1996.
Natural Gas Transportation Constraints in Tennessee. August 1995.
A Survey to Determine Insurance Status of Tennessee Residents. August 1994.
Economic Impact of The University of Tennessee on the State of Tennessee: Academic Year 1992/93. June 1994.
Measuring the Extent of Health Insurance Coverage in Tennessee. November 1993.
Employment Security Issues. June 1993.
Monopoly Leveraging Theory: Implications for Post-Divestiture Telecommunications Policy. March 1993.
Design of Economic Development Incentives. November 1992.

Center for Business and Economic Research

College of Business Administration
The University of Tennessee

Director

William F. Fox

Associate Director

Matthew N. Murray

Research Assistant Professor

Donald J. Bruce

Research Staff

Stacia E. Couch

Vickie C. Cunningham

Betty A. Drinnen

R. Brad Kiser

Julie L. Marshall

Joan M. Snoderly

Angela R. Thacker

Graduate Research Assistants

John Deskins

Brian Hill

Tami Gurley

Elizabeth Smeltzer

Laura Ullrich

Lydia Zhang

For further information, contact CBER at 804 Volunteer Blvd., Temple Court Bldg., Knoxville, Tennessee 37996-4334; telephone (865) 974-5441; fax (865) 974-3100. Data reported herein are seasonally adjusted and therefore may not be directly comparable to data reported elsewhere. The five seasonally adjusted leading index components of the Tennessee index are: Tennessee construction employment, initial claims for Tennessee unemployment insurance, Tennessee inflation-adjusted taxable sales, Tennessee average weekly manufacturing hours, and the U.S. Leading Index.

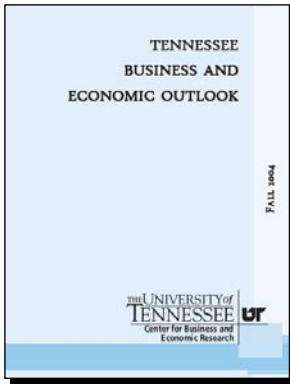
UT Publication Authorization Number E01-1490-004-05

INTERESTED IN TRACKING THE TENNESSEE ECONOMY?

In addition to the Tennessee Economic Overview, CBER publishes the Tennessee Business and Economic Outlook, a quarterly forecast update of the Tennessee and U.S. economies.

THE UNIVERSITY of
TENNESSEE 
Center for Business and
Economic Research

Tennessee Business and Economic Outlook



Fall 2004 edition now available.

To request a copy, please contact the Center for Business and Economic Research at (865) 974-5441.

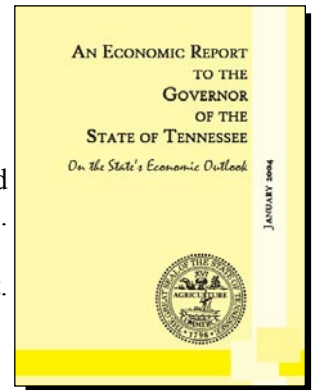
This publication is also available on the CBER web site in Adobe® pdf format.

Economic Report to the Governor of the State of Tennessee

January 2005 edition *COMING SOON.*

Published annually since 1975, this report provides an in-depth analysis of national and state economic development based on ten-year and ten-quarter economic forecasts.

The **January 2004** edition is available on the CBER web site in Adobe® pdf format.



For these publications and other Tennessee economic data, please visit the CBER web site:

<http://cber.bus.utk.edu>

**Center for Business and Economic Research
College of Business Administration
The University of Tennessee
804 Volunteer Boulevard
Temple Court Building
Knoxville, Tennessee 37996-4334**

**Nonprofit Org.
U.S. Postage
Paid
Permit #481
Knoxville, TN**