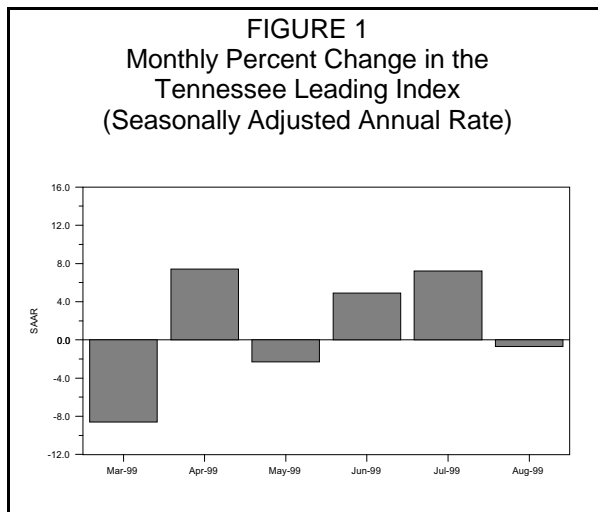


TENNESSEE ECONOMIC OVERVIEW

August Index as of November 1999

TENNESSEE



Tennessee's leading index of economic activity fell at a seasonally-adjusted annual rate (SAAR) of 0.7 percent in August to bring to a close two months of consecutive growth. A measure of expected economic activity in six to nine months, Tennessee's leading index was unable to recover from declines in two of its five components. Initial claims for unemployment insurance soared 496.3 percent (SAAR) in August after the filing of 4,700 new claims. Also contributing to the decline was the U.S. leading index, which slipped 1.1 percent (SAAR) in August to end three months of growth. Average weekly

manufacturing hours were unchanged in August to preserve four consecutive months of non-positive activity. On the other hand, inflation-adjusted taxable sales rose 19.6 percent (SAAR) to sustain three months of expansion. With the addition of 1,100 jobs, construction employment rose 10.5 percent (SAAR) in August to mark its third increase in as many months.

A glance at the national economy shows that inflation-adjusted personal income continues to thrive, checking in at \$6.522 trillion for the month of August, up 2.9 percent (SAAR) from the previous quarter. Consumer sentiment in the U.S., however, took another hit in August as it slipped 15.7 percent (SAAR)

(Continued on page 2.)

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to mark its second decline in as many months. Retail sales at the national level increased 14.8 percent (SAAR) in August, and the national unemployment rate fell from 4.3 percent in July to 4.2 percent in August. Nonagricultural employment followed suit with a 1.2 percent (SAAR) increase for the month, while manufacturing employment slipped 4.0 percent (SAAR) to mark its seventh decline since January of this year.

Inflation-adjusted personal income in Tennessee continues to thrive as well, growing 2.6 percent (SAAR) in August. The state unemployment rate increased to 3.6 percent in August, while nonagricultural employment rose 4.4 percent (SAAR) to mark its fifth increase in as many months. Manufacturing employment, however, slipped 0.7 percent (SAAR) in August, its fifth decline since January.

For the year to date, the Tennessee leading index has advanced in five months and contracted only three months, including the current month of August (SAARs). This longer-term pattern of expansion, coupled with decent nonagricultural job growth, suggests the economy will likely continue to expand into the new calendar year.

FIGURE 2
Tennessee Quarterly Leading Index

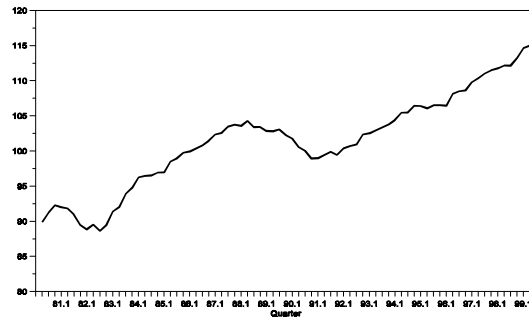


FIGURE 3
Total Nonagricultural Employment (Seasonally Adjusted)

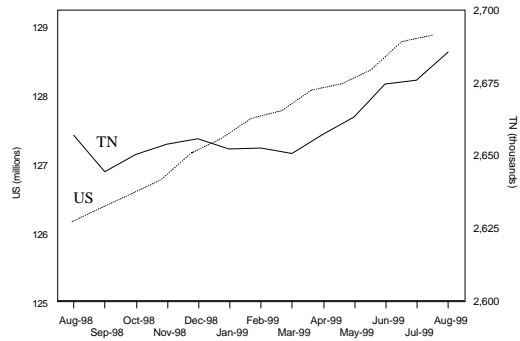
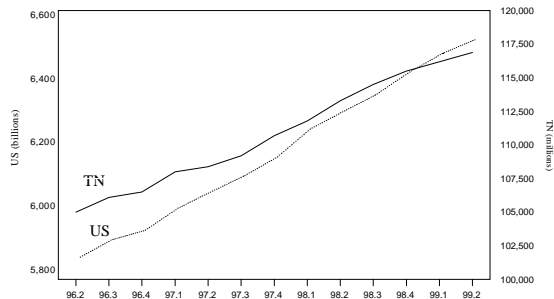


FIGURE 4
Real Personal Income (1992 Dollars)



TENNESSEE ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	199808	199809	199810	199811	199812	199901	199902	199903	199904	199905	199906	199907	199908	1998
Leading Index (1992=100).....	112.7	111.3	113.1	113.2	113.5	114.4	115.1	114.3	115.0	114.7	115.2	115.9	115.8	112.3
% Chg Prev Month SAAR.....	4.2	-14.0	21.4	0.2	4.1	9.7	7.7	-8.6	7.4	-2.3	4.9	7.2	-0.7	1.5
% Chg Same Month Last Yr....	1.6	0.0	1.7	1.3	1.9	2.3	3.0	2.3	2.8	2.1	2.6	3.1	2.7	1.5
Nonag Employment (THOU)(1)....	2657.0	2644.4	2650.5	2653.9	2655.8	2652.4	2652.7	2650.7	2657.3	2663.5	2674.7	2676.1	2685.8	2638.5
% Chg Prev Month SAAR.....	4.9	-5.5	2.8	1.6	0.9	-1.5	0.1	-0.9	3.0	2.8	5.2	0.6	4.4	2.1
% Chg Same Month Last Yr....	2.8	2.1	2.1	1.9	1.7	1.4	1.3	1.2	1.2	1.2	1.3	1.1	1.1	2.1
Unemployment Rate (%)(1).....	4.1	4.1	4.1	4.1	4.1	4.2	4.4	4.3	4.1	3.8	3.1	3.4	3.6	4.2
Mfg Employment (THOU)(1).....	514.0	512.3	511.2	510.0	509.7	509.8	508.1	505.8	505.5	507.1	505.3	508.1	507.8	514.9
% Chg Prev Month SAAR.....	-3.0	-3.9	-2.5	-2.8	-0.7	0.2	-3.9	-5.3	-0.7	3.9	-4.2	6.9	-0.7	-0.5
% Chg Same Month Last Yr....	-0.7	-0.7	-1.6	-1.8	-1.8	-1.6	-2.0	-2.4	-2.3	-2.0	-2.2	-1.4	-1.2	-0.5
Mfg Avg Weekly Hours(1).....	40.4	38.4	40.3	40.2	40.2	40.7	40.6	40.5	41.3	41.0	40.8	40.6	40.6	40.5
% Chg Prev Month SAAR.....	0.0	-45.6	78.5	-2.9	0.0	16.0	-2.9	-2.9	26.5	-8.4	-5.7	-5.7	0.0	-1.7
% Chg Same Month Last Yr....	-1.9	-7.2	-1.9	-2.4	-2.9	-1.0	-1.5	-1.7	2.0	0.0	0.0	0.5	0.5	-1.7
Const Employment (THOU)(1)....	124.6	124.9	125.7	126.0	126.8	128.8	128.0	126.2	128.1	128.0	128.6	131.1	132.2	123.1
% Chg Prev Month SAAR.....	7.0	2.9	8.0	2.9	7.9	20.7	-7.2	-15.6	19.6	-0.9	5.8	26.0	10.5	4.5
% Chg Same Month Last Yr....	5.2	4.9	6.0	5.8	5.9	6.4	6.3	6.6	6.0	5.2	5.0	5.8	6.1	4.5
Taxable Sales (MIL \$(2).....	5833	5734	6060	5933	6097	6086	6222	6100	6179	6071	6223	6267	6377	69823
% Chg Prev Month SAAR.....	11.6	-18.7	94.2	-22.5	38.7	-2.0	30.4	-21.1	16.6	-19.1	34.4	8.9	23.1	4.0
% Chg Same Month Last Yr....	5.1	0.2	7.5	3.2	7.5	6.4	10.5	7.0	9.2	5.3	5.3	8.4	9.3	4.0
Taxable Sales (MIL 92 \$(2)....	5168	5082	5360	5245	5384	5365	5483	5374	5411	5321	5459	5485	5567	61951
% Chg Prev Month SAAR.....	10.7	-18.3	89.3	-22.9	37.0	-4.1	29.8	-21.4	8.6	-18.2	35.8	5.8	19.6	3.2
% Chg Same Month Last Yr....	4.3	-0.4	6.7	2.5	6.6	5.3	9.4	5.9	7.5	3.9	4.0	7.0	7.7	3.2
Initial Claims for UI(THOU)(1)	31.7	37.2	32.7	34.6	35.9	34.7	25.4	32.4	32.2	34.0	32.5	29.2	33.9	417.3
% Chg Prev Month SAAR.....	-76.0	582.2	-79.0	101.5	56.4	-35.4	-97.6	1724.3	-7.5	91.9	-42.2	-71.5	496.3	-2.8
% Chg Same Month Last Yr....	-3.6	2.6	-7.0	6.0	-2.8	0.5	-30.0	-12.9	-4.1	4.5	-8.4	-18.1	7.0	-2.8
	199602	199603	199604	199701	199702	199703	199704	199801	199802	199803	199804	199901	199902	1998
TN Personal Income (Bi1 \$(3)....	115.0	116.7	117.8	120.2	121.0	122.3	124.3	125.6	127.5	129.2	130.7	131.8	133.4	128.2
% Chg Prev Quarter SAAR.....	6.1	6.1	4.0	8.2	2.8	4.3	6.7	4.2	6.4	5.2	4.7	3.6	4.8	5.2
% Chg Same Quarter Last Yr..	4.8	5.2	4.6	6.1	5.2	4.8	5.5	4.5	5.4	5.6	5.1	5.0	4.6	5.2
TN Personal Income(Bi1 92\$(3)....	105.0	106.1	106.5	108.0	108.4	109.2	110.7	111.8	113.3	114.5	115.5	116.2	116.9	113.8
% Chg Prev Quarter SAAR.....	3.5	4.5	1.4	5.5	1.6	2.9	5.6	4.2	5.5	4.1	3.6	2.4	2.6	4.3
% Chg Same Quarter Last Yr..	2.7	3.2	2.4	3.7	3.3	2.9	3.9	3.6	4.5	4.8	4.4	3.9	3.2	4.3

NOTES:

- (1) Calculated from data provided by the Tennessee Department of Employment Security
- (2) Calculated from data provided by the Tennessee Department of Revenue
- (3) Calculated from data provided by the Bureau of Economic Analysis

U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	199808	199809	199810	199811	199812	199901	199902	199903	199904	199905	199906	199907	199908	1998
Personal Income (BIL 92 \$).....	7164.1	7184.6	7217.2	7279.8	7276.8	7320.2	7352.9	7374.9	7406.6	7430.3	7486.0	7502.8	7541.9	7126.1
% Chg Prev Month SAAR.....	5.2	3.5	5.6	10.9	-0.5	7.4	5.5	3.6	5.3	3.9	9.4	2.7	6.4	5.0
% Chg Same Month Last Yr....	4.9	4.9	5.0	5.3	5.0	5.0	4.9	4.8	5.0	4.9	5.4	5.2	5.3	5.0
Pers Cons Deflator(1992=100)...	112.9	112.8	113.1	113.1	113.2	113.4	113.5	113.5	114.2	114.1	114.0	114.3	114.5	112.7
% Chg Prev Month SAAR.....	0.7	-0.5	2.6	0.5	1.3	2.2	0.4	0.3	7.4	-1.0	-1.0	3.0	2.9	0.8
% Chg Same Month Last Yr....	0.8	0.6	0.7	0.7	0.8	1.0	1.0	1.1	1.6	1.3	1.3	1.3	1.5	0.8
Nonag Employment (MIL).....	126.2	126.4	126.6	126.8	127.2	127.4	127.7	127.8	128.1	128.2	128.4	128.8	128.9	125.8
% Chg Prev Month SAAR.....	3.5	1.8	2.0	2.6	3.3	1.8	3.4	0.8	3.1	0.3	2.7	3.2	1.2	2.6
% Chg Same Month Last Yr....	2.7	2.5	2.4	2.3	2.4	2.2	2.4	2.3	2.3	2.1	2.2	2.4	2.2	2.6
Unemployment Rate (%).....	4.5	4.5	4.5	4.4	4.3	4.3	4.4	4.2	4.3	4.2	4.3	4.3	4.2	4.5
Bank Prime Interest Rate (%)..	8.5	8.5	8.1	7.9	7.8	7.8	7.8	7.8	7.8	7.8	7.8	8.0	8.1	8.4
US Coincident Index (1982=100)	121.4	121.6	121.9	122.4	122.7	122.9	123.4	123.8	123.8	124.1	124.7	125.0	125.3	120.9
% Chg Prev Month SAAR.....	6.1	2.0	3.0	5.0	3.0	2.0	5.0	4.0	0.0	2.9	6.0	2.9	2.9	3.6
% Chg Same Month Last Yr....	3.6	3.4	3.3	3.4	3.3	3.1	3.2	3.2	3.0	2.9	3.3	3.5	3.2	3.6
US Leading Index (1982=100)...	105.6	105.6	105.7	106.2	106.4	106.9	107.1	107.2	107.1	107.4	107.7	108.0	107.9	105.5
% Chg Prev Month SAAR.....	0.0	0.0	1.1	5.8	2.3	5.8	2.3	1.1	-1.1	3.4	3.4	3.4	-1.1	1.6
% Chg Same Month Last Yr....	1.3	1.1	1.1	1.4	1.7	2.0	1.8	1.7	1.6	1.9	2.4	2.3	2.2	1.6
Mfg Employment (MIL).....	18.8	18.7	18.7	18.6	18.6	18.6	18.5	18.5	18.5	18.4	18.4	18.4	18.4	18.8
% Chg Prev Month SAAR.....	6.1	-0.8	-3.5	-3.0	-1.8	-1.7	-3.0	-2.2	-1.9	-2.8	-2.1	3.4	-4.0	0.5
% Chg Same Month Last Yr....	0.3	0.1	-0.4	-0.9	-1.2	-1.5	-1.8	-2.0	-2.1	-2.2	-2.3	-1.2	-2.0	0.5
Initial Claims for UI (THOU)...	1326.0	1370.4	1347.4	1396.1	1428.5	1299.2	1320.2	1391.3	1348.5	1254.9	1302.1	1249.2	1313.5	16629.6
% Chg Prev Month SAAR.....	-57.8	48.5	-18.4	53.1	31.7	-68.0	21.2	87.7	-31.3	-57.8	55.7	-39.2	82.6	-0.6
% Chg Same Month Last Yr....	-4.3	-3.4	-2.6	8.8	1.9	-5.4	-4.9	1.2	-2.4	-4.4	-13.6	-12.3	-0.9	-0.6
Retail Sales (BIL \$).....	228.3	229.3	232.4	234.5	236.8	239.6	243.6	243.4	244.7	247.2	247.0	249.5	252.4	2746.2
% Chg Prev Month SAAR.....	1.1	5.4	17.5	11.5	12.3	15.2	22.1	-1.1	6.9	12.9	-1.0	12.7	14.8	4.9
% Chg Same Month Last Yr....	3.5	4.0	5.7	6.2	6.8	7.4	8.7	8.4	8.0	8.1	7.5	9.4	10.6	4.9
US Cons Sentiment (1966=100)...	104.4	100.9	97.4	102.7	100.5	103.9	108.1	105.7	104.6	106.8	107.3	106.0	104.5	104.6
% Chg Prev Month SAAR.....	-8.8	-33.6	-34.5	88.9	-22.9	49.1	60.9	-23.6	-11.8	28.4	5.8	-13.6	-15.7	1.4
% Chg Same Month Last Yr....	0.0	-4.8	-7.8	-4.2	-1.6	-2.5	-2.1	-0.8	-3.8	0.3	1.6	0.8	0.1	1.4

	199602	199603	199604	199701	199702	199703	199704	199801	199802	199803	199804	199901	199902	1998
US GDP (Bi1 92\$).....	6983.9	7020.0	7093.1	7166.7	7236.5	7311.2	7364.6	7464.7	7498.6	7566.5	7677.7	7759.6	7790.6	7551.9
% Chg Prev Quarter SAAR....	6.1	2.1	4.2	4.2	4.0	4.2	3.0	5.5	1.8	3.7	6.0	4.3	1.6	3.9
% Chg Same Quarter Last Yr..	3.9	3.5	3.9	4.1	3.6	4.1	3.8	4.2	3.6	3.5	4.3	4.0	3.9	3.9
US Personal Income(Bi1 92\$(3))	5834.0	5891.1	5920.5	5989.3	6041.6	6090.6	6149.2	6237.3	6292.8	6346.5	6415.5	6476.3	6522.0	6323.0
% Chg Prev Quarter SAAR....	4.3	4.0	2.0	4.7	3.5	3.3	3.9	5.9	3.6	3.5	4.4	3.8	2.9	4.2
% Chg Same Quarter Last Yr..	3.9	4.3	3.7	3.8	3.6	3.4	3.9	4.1	4.2	4.2	4.3	3.8	3.6	4.2

Source: WEFA

The month of August brought good news to four of the state's five Metropolitan Statistical Areas (MSAs), as all but Memphis boasted positive leading indexes. Chattanooga led the way with a double-digit increase of 17.2 percent (SAAR). The Tri-Cities were next in line with index growth of 4.4 percent (SAAR), followed by Nashville and then Knoxville, with indexes rising 1.1 percent (SAAR). Rounding out the MSAs is Memphis, whose index fell 0.9 percent (SAAR) in August, its seventh decline in the past twelve months.

Gains were broadly based, as inflation-adjusted taxable sales, construction employment and average weekly manufacturing hours increased for most areas. The labor market in each MSA continues to be tight, as evidenced by exceptionally low rates of unemployment. Manufacturing employment continues to weaken, while overall nonagricultural employment had a particularly good month with increases in all but the Tri-Cities MSA. Of little concern is the fact that the unemployment rate showed signs of increasing, as it rose in all regions except Knoxville, where the rate was unchanged.

FIGURE 5
MSA Index Growth
August 1999

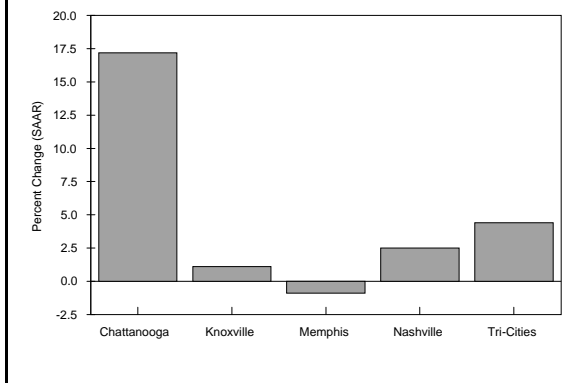


FIGURE 6
MSA Nonagricultural Employment Growth
August 1999

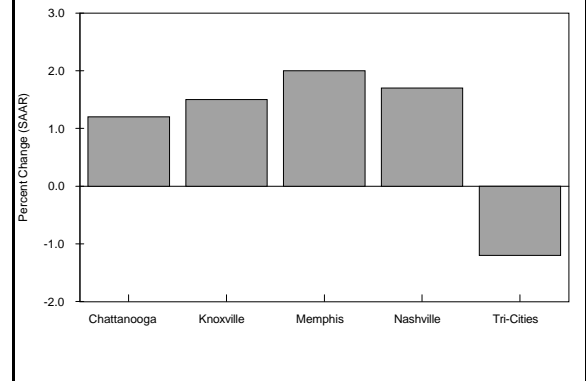
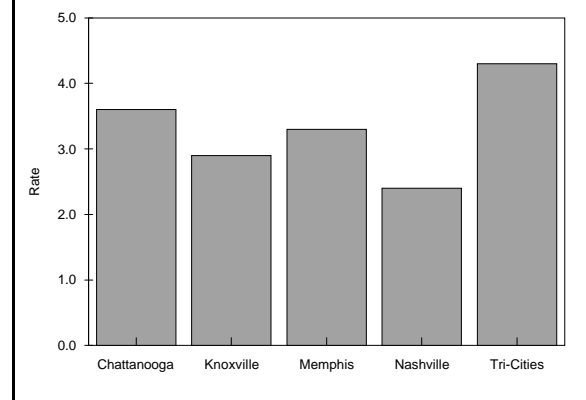


FIGURE 7
MSA Unemployment Rate
(Seasonally Adjusted)
August 1999



Tennessee's Largest MSAs



The leading economic index for the Chattanooga Metropolitan Statistical Area (MSA) rose a considerable 17.2 percent (SAAR) in August on the strength of three of its four components to mark its third increase in as many months. Rebounding nicely from a significant decline in July, inflation-adjusted taxable sales soared in the month of August, increasing 134.6 percent (SAAR), to mark its fifth increase since January. With the addition of 300 new workers, construction employment rose 41.3 percent (SAAR) in August to mark only its fourth increase since January. Average weekly manufacturing hours were up from 41.8 in July to 42.2 in August, an increase of 13.7 percent (SAAR), which marks its first consecutive increase in over a year. The lone decliner was the Tennessee leading index, which fell in August 0.7 percent (SAAR).

Employment data not used to calculate Chattanooga's index showed mixed signals. The unemployment rate rose from 3.1 percent in July to 3.6 percent in August. Manufacturing employment in the region slipped 14.9 percent (SAAR) in August after losing 600 jobs. On the bright side, nonagricultural employment rose 1.2 percent (SAAR) after the addition of 300 jobs, bringing to an end three months of consecutive declines.

The leading index for Chattanooga has engineered gains in five of the last eight months. On a month-to-month basis, the components used to calculate the leading index, as well as other barometers of economic activity, have shown some degree of volatility. Expect the regional economy to remain relatively flat or show modest expansion in the months to come.

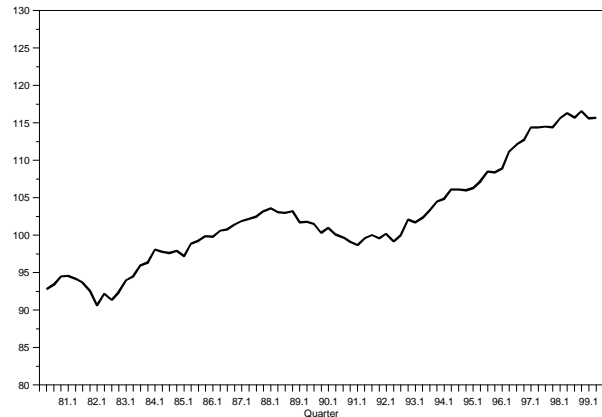
CHATTANOOGA ECONOMIC INDICATORS SEASONALLY ADJUSTED

	199906	199907	199908	1998
Leading Index (1992=100).....	116.2	116.6	118.2	116.1
% Chg Prev Month SAAR.....	11.1	3.8	17.2	1.4
% Chg Same Month Last Yr....	-0.2	0.1	1.4	1.4
Nonag Employment (THOU)(1)....	217.7	217.3	217.6	223.2
% Chg Prev Month SAAR.....	-5.8	-2.2	1.2	0.6
% Chg Same Month Last Yr....	-1.4	-2.4	-2.3	0.6
Unemployment Rate (%)(1).....	3.1	3.1	3.6	3.9
Mfg Employment (THOU)(1).....	44.1	44.6	44.0	42.9
% Chg Prev Month SAAR.....	-0.2	13.2	-14.9	0.3
% Chg Same Month Last Yr....	6.1	2.6	2.4	0.3
Mfg Avg Weekly Hours(1).....	40.8	41.8	42.2	41.9
% Chg Prev Month SAAR.....	-3.4	32.1	13.7	-0.9
% Chg Same Month Last Yr....	-3.1	0.5	0.9	-0.9
Const Employment (THOU)(1)....	9.5	9.4	9.7	10.2
% Chg Prev Month SAAR.....	11.7	-7.2	41.3	3.1
% Chg Same Month Last Yr....	-9.3	-9.4	-6.6	3.1
Taxable Sales (MIL \$)(2).....	396	383	412	4385
% Chg Prev Month SAAR.....	104.1	-33.8	141.3	2.8
% Chg Same Month Last Yr....	10.1	2.9	13.6	2.8
Taxable Sales (MIL 92 \$)(2)....	347	335	359	3890
% Chg Prev Month SAAR.....	106.2	-35.7	134.6	1.9
% Chg Same Month Last Yr....	8.7	1.6	12.0	1.9

NOTES:

- (1) Calculated from data provided by the Tennessee Department of Employment Security
- (2) Calculated from data provided by the Tennessee Department of Revenue

FIGURE 8
Chattanooga Quarterly Economic Index



The leading economic index for the Knoxville Metropolitan Statistical Area (MSA) rose 1.1 percent (SAAR) in August on the strength of one of its four components to mark the index's third increase in as many months. The only component with a positive showing, average weekly manufacturing hours, rose 19.6 percent (SAAR) in August to keep the index positive. Serving to depress the index were inflation-adjusted taxable sales, construction employment and the state's leading index. Falling 9.3 percent (SAAR) in August, inflation-adjusted taxable sales slipped for the first time since May of this year. August also saw construction employment decline 9.4 percent (SAAR) to mark its fourth decrease since January. And finally, also dampening the index was the Tennessee leading index, which in August fell slightly by 0.7 percent (SAAR).

Other data not used to calculate Knoxville's index show positive signs. The unemployment rate remains remarkably low at 2.9 percent, unchanged from July. With the addition of new jobs, manufacturing employment grew 1.1 percent (SAAR) in August to mark its first consecutive increase since January of this year. Nonagricultural employment also rose for the second straight month; in August it was up 1.5 percent (SAAR) after the addition of 400 new jobs.

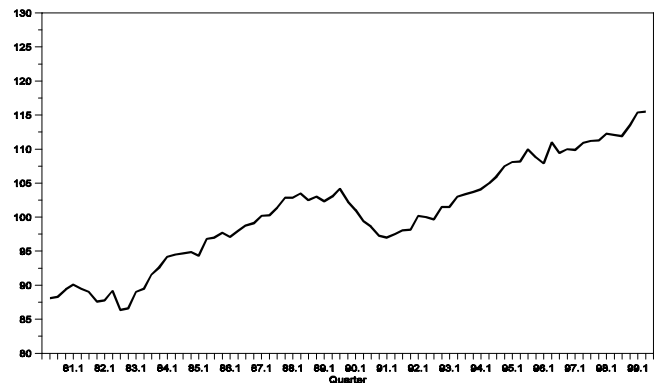
While the Knoxville index expanded on the strength of a single component, the labor market heralded positive news in August. This is especially good news in light of weaknesses earlier in the calendar year. The Knoxville MSA should continue to enjoy modest— and potentially erratic—growth into the new millennium.

KNOXVILLE ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	199906	199907	199908	1998
Leading Index (1992=100).....	115.3	115.4	115.5	112.4
% Chg Prev Month SAAR.....	1.7	0.0	1.1	1.4
% Chg Same Month Last Yr....	2.6	2.5	2.7	1.4
Nonag Employment (THOU)(1)....	321.7	323.5	323.9	318.6
% Chg Prev Month SAAR.....	-9.2	6.8	1.5	0.4
% Chg Same Month Last Yr....	1.8	2.5	2.7	0.4
Unemployment Rate (%) (1).....	2.6	2.9	2.9	3.7
Mfg Employment (THOU)(1).....	46.0	46.7	46.7	48.3
% Chg Prev Month SAAR.....	-16.7	20.5	1.1	-1.0
% Chg Same Month Last Yr....	-5.7	-1.8	-1.2	-1.0
Mfg Avg Weekly Hours(1).....	41.1	39.9	40.5	41.0
% Chg Prev Month SAAR.....	-4.2	-30.1	19.6	0.7
% Chg Same Month Last Yr....	1.0	-2.2	-0.3	0.7
Const Employment (THOU)(1)....	16.2	16.3	16.2	15.5
% Chg Prev Month SAAR.....	-15.3	11.7	-9.4	0.3
% Chg Same Month Last Yr....	5.6	5.1	5.1	0.3
Taxable Sales (MIL \$)(2).....	880	894	888	9838
% Chg Prev Month SAAR.....	17.7	19.5	-6.7	4.8
% Chg Same Month Last Yr....	4.5	6.7	7.5	4.8
Taxable Sales (MIL 92 \$)(2)...	772	782	776	8729
% Chg Prev Month SAAR.....	18.9	16.0	-9.3	4.0
% Chg Same Month Last Yr....	3.2	5.4	6.0	4.0

NOTES:
(1) Calculated from data provided by the Tennessee Department of Employment Security
(2) Calculated from data provided by the Tennessee Department of Revenue

FIGURE 9
Knoxville Quarterly Economic Index



MEMPHIS

After a poor showing from three of its five components, the leading economic index for the Memphis Metropolitan Statistical Area (MSA) slipped 0.9 percent in August to mark its seventh decline in the past twelve months. With the loss of one-hundred jobs, construction employment fell 6.4 percent (SAAR) in August to mark its sixth consecutive loss this year. Average weekly manufacturing hours fell 3.2 percent (SAAR), down from 39.8 in July to 39.7 in August. Rounding out all decliners was the Tennessee leading index, which slipped in August 0.7 percent (SAAR). On a positive note, however, inflation-adjusted taxable sales rose 14.3 percent in August to post its second consecutive increase. August also witnessed an increase in the Memphis help-wanted-index, which rose 11.8 percent (SAAR) to record its second increase in as many months.

Other data not used to calculate the index show positive signs. The unemployment rate remains low at 3.3 percent, up from July's figure but still below the state average. With the addition of 400 new jobs, manufacturing employment recorded a gain of 7.7 percent (SAAR) in August to mark only its third increase since December of last year, while nonagricultural employment rose 2.0 percent (SAAR) in August to post its third increase in as many months.

Despite decent labor market conditions for the month, the Memphis economy has been flat much of the calendar year. Expect little or no improvement in the coming months as fluctuations occur in the regional economy.

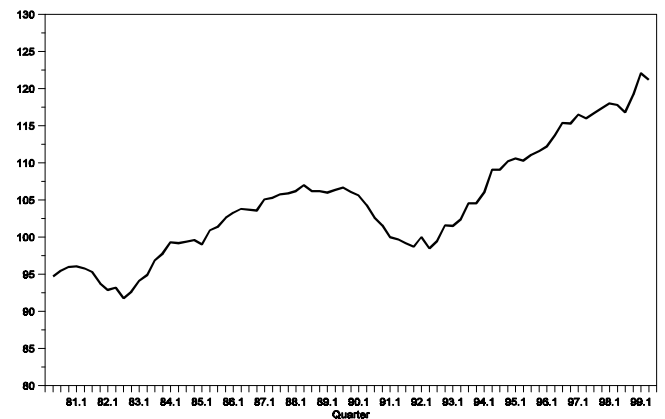
MEMPHIS ECONOMIC INDICATORS SEASONALLY ADJUSTED

	199906	199907	199908	1998
Leading Index (1992=100).....	120.2	121.2	121.1	117.9
% Chg Prev Month SAAR.....	-14.0	10.2	-0.9	1.1
% Chg Same Month Last Yr....	2.2	3.5	3.4	1.1
Nonag Employment (THOU)(1)....	592.2	592.7	593.7	564.5
% Chg Prev Month SAAR.....	7.1	1.0	2.0	1.5
% Chg Same Month Last Yr....	6.6	6.3	6.3	1.5
Unemployment Rate (%)(1).....	3.0	3.2	3.3	3.8
Mfg Employment (THOU)(1).....	62.9	62.2	62.6	62.8
% Chg Prev Month SAAR.....	17.2	-11.6	7.7	-0.8
% Chg Same Month Last Yr....	0.5	-0.5	0.7	-0.8
Mfg Avg Weekly Hours(1).....	39.1	39.8	39.7	40.7
% Chg Prev Month SAAR.....	-16.5	22.6	-3.2	-2.6
% Chg Same Month Last Yr....	-6.2	-3.3	-2.5	-2.6
Const Employment (THOU)(1)....	27.1	26.9	26.8	24.9
% Chg Prev Month SAAR.....	-24.6	-7.7	-6.4	2.7
% Chg Same Month Last Yr....	11.8	11.3	10.4	2.7
Taxable Sales (MIL \$)(2).....	1057	1077	1092	11997
% Chg Prev Month SAAR.....	-8.0	25.7	17.6	3.0
% Chg Same Month Last Yr....	4.0	8.9	9.2	3.0
Taxable Sales (MIL 92 \$)(2)....	927	943	953	10645
% Chg Prev Month SAAR.....	-7.0	22.1	14.3	2.2
% Chg Same Month Last Yr....	2.7	7.5	7.6	2.2
Help Wanted Index(1987=100)(3)	102.0	107.0	108.0	118.0
% Chg Prev Month SAAR.....	-76.3	77.6	11.8	2.3
% Chg Same Month Last Yr....	-11.3	-6.1	-4.4	2.3

NOTES:

- (1) Calculated from data provided by the Tennessee Department of Employment Security
- (2) Calculated from data provided by the Tennessee Department of Revenue
- (3) Source: The Conference Board

FIGURE 10
Memphis Quarterly Economic Index



On the strength of three of its five components, the leading economic index for the Nashville Metropolitan Statistical Area (MSA) rose 2.5 percent (SAAR) in August to post its third gain in as many months. Leading all gainers was the Nashville help-wanted-index, which recorded its third increase in the past eight months in August when it rose 32.3 percent (SAAR). Average weekly manufacturing hours rose 16.7 percent (SAAR) to post its second consecutive increase. Rounding out all gainers is construction employment, which recorded a gain of 9.0 percent (SAAR) in August to mark only its third increase since January of this year. Dampening the index were inflation-adjusted taxable sales and Tennessee's leading index. Falling a substantial 27.6 percent (SAAR) in August, inflation-adjusted taxable sales posted its fourth loss since January and its sixth loss in the past twelve months. The other component to lose ground was Tennessee's leading index, which slipped 0.7 percent (SAAR) in August.

Other data not used to construct Nashville's leading index send mixed signals. While the unemployment rate remains very low at 2.4 percent, manufacturing employment slipped in August when it recorded a loss of 2.1 percent (SAAR), its fifth loss this year. Nonagricultural employment posted better numbers in August when it rose 1.7 percent to mark its second increase in as many months and its eighth increase in twelve months.

The Nashville MSA is the epitome of an economy beyond its full employment capacity. Given labor market tightness and the high level of economic activity, accelerations in economic growth are problematic at best. Anticipate positive growth through the winter months, with some month-to-month volatility in barometers of economic activity.

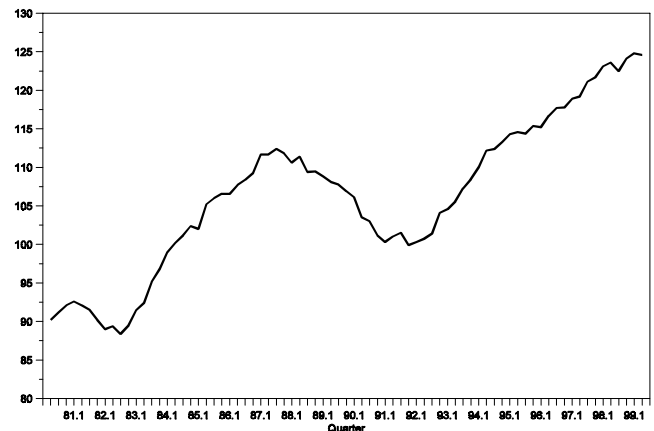
NASHVILLE ECONOMIC INDICATORS SEASONALLY ADJUSTED

	199906	199907	199908	1998
Leading Index (1992=100).....	124.4	125.2	125.5	123.3
% Chg Prev Month SAAR.....	4.3	8.8	2.5	2.6
% Chg Same Month Last Yr....	0.5	1.8	2.2	2.6
Nonag Employment (THOU)(1)....	652.5	658.9	659.8	639.8
% Chg Prev Month SAAR.....	-3.5	12.4	1.7	2.0
% Chg Same Month Last Yr....	3.1	3.8	3.6	2.0
Unemployment Rate (%)(1).....	2.1	2.3	2.4	2.8
Mfg Employment (THOU)(1).....	94.8	95.8	95.6	95.9
% Chg Prev Month SAAR.....	-8.1	13.6	-2.1	-0.4
% Chg Same Month Last Yr....	0.0	1.2	1.0	-0.4
Mfg Avg Weekly Hours(1).....	39.4	39.9	40.4	40.6
% Chg Prev Month SAAR.....	-9.9	16.4	16.7	-1.4
% Chg Same Month Last Yr....	-4.6	-1.8	1.2	-1.4
Const Employment (THOU)(1)....	33.1	32.8	33.0	33.6
% Chg Prev Month SAAR.....	2.7	-11.1	9.0	8.0
% Chg Same Month Last Yr....	-0.8	-2.3	-2.5	8.0
Taxable Sales (MIL \$)(2).....	1540	1606	1567	17312
% Chg Prev Month SAAR.....	24.2	66.2	-25.5	4.8
% Chg Same Month Last Yr....	5.0	13.5	13.3	4.8
Taxable Sales (MIL 92 \$)(2)...	1351	1406	1368	15361
% Chg Prev Month SAAR.....	25.5	61.4	-27.6	4.0
% Chg Same Month Last Yr....	3.7	12.1	11.7	4.0
Help Wanted Index(1987=100)(3)	129.0	127.0	130.0	131.2
% Chg Prev Month SAAR.....	32.6	-17.1	32.3	10.8
% Chg Same Month Last Yr....	-2.3	-1.6	-0.8	10.8

NOTES:

- (1) Calculated from data provided by the Tennessee Department of Employment Security
- (2) Calculated from data provided by the Tennessee Department of Revenue
- (3) Source: The Conference Board

FIGURE 11
Nashville Quarterly Economic Index



TRI-CITIES

On the heels of significant gains in two of its four components, the leading economic index for the Tri-Cities Metropolitan Statistical Area (MSA) posted a notable gain of 4.4 percent (SAAR) in August to mark its fifth increase in as many months. Inflation-adjusted taxable sales rebounded nicely in August when it recorded a gain of 102.5 percent (SAAR), back up from its loss of 48.0 percent (SAAR) in July. With the addition of 300 new jobs, construction employment also posted impressive numbers in August as it rose 41.3 percent (SAAR) to mark its fourth increase since January. Dampening the index were average weekly manufacturing hours and Tennessee's leading index. August saw average weekly manufacturing hours post a loss of 22.9 percent (SAAR), its fifth loss in twelve months. Rounding out the components is Tennessee's leading index, which slipped 0.7 percent (SAAR) in August.

Employment data not used to construct the Tri-Cities index show mixed signals. Well above the state average, the Tri-Cities unemployment rate rose to 4.3 percent for August, up from 3.8 percent in July. Of the five MSAs, there is no unemployment rate higher. With the loss of 200 jobs, nonagricultural employment fell 1.2 percent (SAAR) in August to mark its seventh loss in as many months. Likewise, manufacturing employment slipped 3.5 percent (SAAR) in August to mark its second consecutive loss and its ninth loss in twelve months.

The Tri-Cities economy continues to suffer the consequences of a weak manufacturing sector, as the effects spill over to other sectors of the regional economy. Given the importance of manufacturing activity, anticipated weakness in the nation's manufacturing sector does not bode well for the region in the coming months.

TRI-CITIES ECONOMIC INDICATORS SEASONALLY ADJUSTED

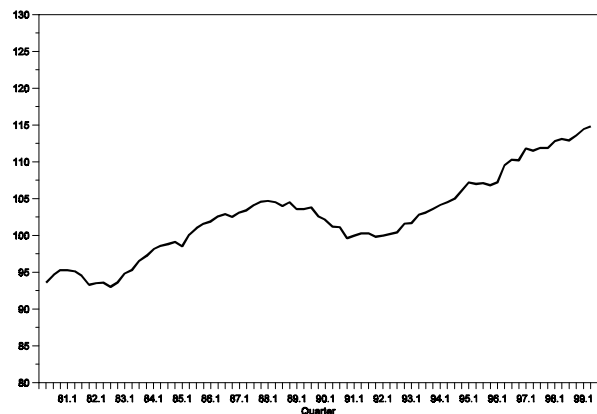
	199906	199907	199908	1998
Leading Index (1992=100).....	115.4	115.5	115.9	113.1
% Chg Prev Month SAAR.....	9.3	0.5	4.4	1.2
% Chg Same Month Last Yr....	2.1	1.9	1.6	1.2
Nonag Employment (THOU)(1)....	193.3	192.4	192.2	200.6
% Chg Prev Month SAAR.....	-0.1	-5.3	-1.2	-0.1
% Chg Same Month Last Yr....	-3.2	-3.5	-4.0	-0.1
Unemployment Rate (%)(1).....	4.0	3.8	4.3	4.3
Mfg Employment (THOU)(1).....	46.9	46.6	46.5	50.5
% Chg Prev Month SAAR.....	0.7	-5.4	-3.5	-3.7
% Chg Same Month Last Yr....	-7.3	-6.7	-7.9	-3.7
Mfg Avg Weekly Hours(1).....	40.1	40.6	39.7	38.6
% Chg Prev Month SAAR.....	-7.0	14.8	-22.9	-2.5
% Chg Same Month Last Yr....	4.4	6.2	2.2	-2.5
Const Employment (THOU)(1)....	9.5	9.4	9.7	10.2
% Chg Prev Month SAAR.....	11.7	-7.2	41.3	3.1
% Chg Same Month Last Yr....	-9.3	-9.4	-6.6	3.1
Taxable Sales (MIL \$)(2).....	344	326	347	3895
% Chg Prev Month SAAR.....	93.1	-46.4	108.3	5.7
% Chg Same Month Last Yr....	7.8	-1.4	3.2	5.7
Taxable Sales (MIL 92 \$)(2)....	302	286	303	3456
% Chg Prev Month SAAR.....	95.2	-48.0	102.5	4.8
% Chg Same Month Last Yr....	6.4	-2.7	1.7	4.8

NOTES:

(1) Calculated from data provided by the Tennessee Department of Employment Security

(2) Calculated from data provided by the Tennessee Department of Revenue

FIGURE 12
Tri-Cities Quarterly Economic Index





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