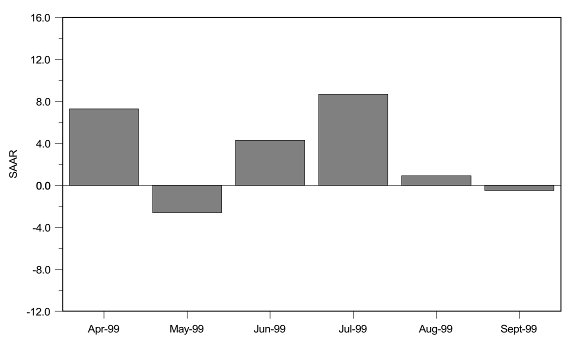
TENNESSEE ECONOMIC OVERVIEW

September Index as of December 1999

TENNESSEE

FIGURE 1
Monthly Percent Change in the Tennessee Leading Index
(Seasonally Adjusted Annual Rate)



Tennessee's index of leading economic activity fell at a seasonally-adjusted annual rate (SAAR) of 0.5 percent in September to mark its first loss since May of this year. A measure of economic activity expected in six to nine months, Tennessee's leading index was unable to recover in September from declines in three of its five components. Serving to depress the index were inflation-adjusted taxable sales, average weekly manufacturing hours, and the U.S. leading index. With the biggest decline, inflation-adjusted taxable sales fell 31.7 percent (SAAR) in September to post its first loss since May. Falling at a seasonally-adjusted annual rate of 10.6 percent (SAAR) are average weekly manufacturing hours, which went from 40.8 in August to 40.4 in September. The U.S. leading index suffered its first set-back since April of this year as it slipped 1.1 percent (SAAR) in September to depress Tennessee's leading index further. On a positive note, initial claims for unemployment fell from 33,900 in August to 28,200 in September at a rate of 88.9 percent (SAAR) to mark its sixth decline since January. Construction employment continued its upward trend rising 8.5 percent (SAAR) in September marking its fourth increase in as many months.

At the national level, new life was breathed back into consumer sentiment in September as it rose 35.8 percent (SAAR) marking the end of two consecutive months of declines. Up ever-so-slightly at 0.2 percent

(Continued on page 2.)

INSIDE

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TENNESSEE

(Continued from page 1.)

(SAAR) in September, retail sales at the national level posted their third gain in as many months. As the national unemployment rate remained at 4.2 percent, unchanged from August, manufacturing employment fell 0.8 percent (SAAR) in September to post its second consecutive loss. Making up for the loss in the manufacturing sector, nonagricultural employment rose 1.0 percent (SAAR) to keep the unemployment rate steady.

Even though Tennessee's overall unemployment rate in September fell to 3.5 percent, down from 3.6 percent in August, manufacturing and nonagricultural employment suffered mild set-backs. Manufacturing employment fell 2.3 percent (SAAR) in September to mark the end of consecutive increases, and nonagricultural employment slipped 5.9 percent (SAAR) to suffer its first decline in six months.

Despite September's news of a declining leading index, the outlook for the state economy remains positive. Since September of 1998, the leading index has enjoyed nine months of expansion. The same can be said of nonagricultural employment. And while there continues to be problems in the manufacturing sector, employment levels on the whole are encouraging. In all, the data suggest that modest but continued expansion is expected through the first quarter of 2000.

FIGURE 2
Tennessee Quarterly Leading Index

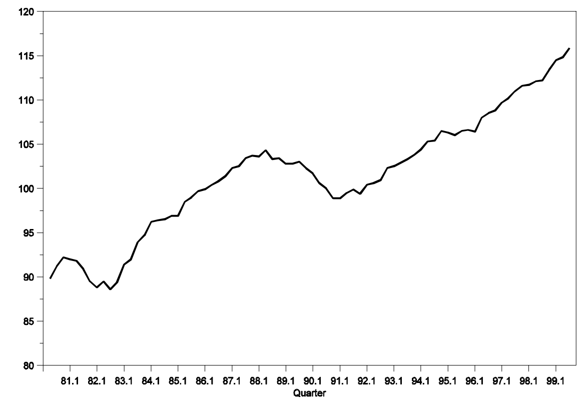


FIGURE 3
Total Nonagricultural Employment

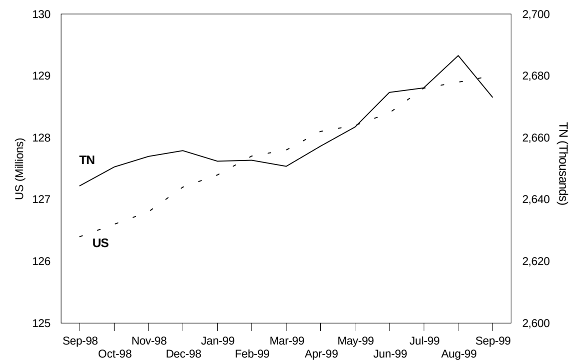
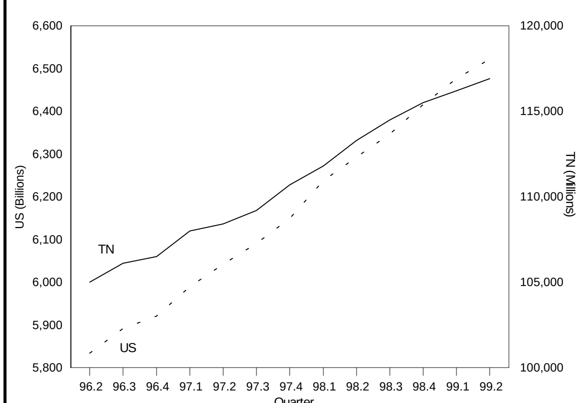


FIGURE 4
Real Personal Income
(1992 Dollars)



TENNESSEE ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	199809	199810	199811	199812	199901	199902	199903	199904	199905	199906	199907	199908	199909	1998
Leading Index (1992=100)......	111.3	113.2	113.3	113.7	114.4	115.0	114.2	114.9	114.6	115.0	115.8	115.9	115.9	112.3
% Chg Prev Month SAAR.......	-15.0	21.4	1.7	3.7	7.9	6.4	-7.8	7.3	-2.6	4.3	8.7	0.9	-0.5	1.5
% Chg Same Month Last Yr....	0.0	1.7	1.4	1.9	2.3	3.0	2.3	2.8	2.1	2.6	3.1	2.7	4.1	1.5
Nonag Employment (THOU)(1)....	2644.4	2650.5	2653.9	2655.8	2652.4	2652.7	2650.7	2657.3	2663.5	2674.7	2676.1	2686.6	2673.1	638.5
% Chg Prev Month SAAR.......	-5.5	2.8	1.6	0.9	-1.5	0.1	-0.9	3.0	2.8	5.2	0.6	4.8	-5.9	2.1
% Chg Same Month Last Yr....	2.1	2.1	1.9	1.7	1.4	1.3	1.2	1.2	1.2	1.3	1.1	1.1	1.1	2.1
Unemployment Rate (%)(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	3.5	4.2
Mfg Employment (THOU)(1)......	512.3	511.2	510.0	509.7	509.8	508.1	505.8	505.5	507.1	505.3	508.1	508.1	507.1	514.9
% Chg Prev Month SAAR.......	-3.9	-2.5	-2.8	-0.7	0.2	-3.9	-5.2	-0.8	3.9	-4.2	6.9	0.0	-2.3	-0.5
% Chg Same Month Last Yr....	-0.7	-1.6	-1.8	-1.8	-1.6	-2.0	-2.4	-2.3	-2.0	-2.2	-1.4	-1.1	-1.0	-0.5
Mfg Avg Weekly Hours(1).......	38.5	40.4	40.5	40.5	40.7	40.3	40.4	41.2	40.8	40.5	40.6	40.8	40.4	40.5
% Chg Prev Month SAAR.......	-48.9	78.8	5.6	-1.7	5.7	-9.2	2.0	26.0	-10.6	-8.5	2.0	5.4	-10.6	-1.7
% Chg Same Month Last Yr....	-7.2	-2.2	-2.4	-2.8	-1.0	-1.4	-1.7	2.0	0.0	-0.1	0.5	0.2	5.0	-1.7
Const Employment (THOU)(1)....	124.9	125.7	126.0	126.8	128.8	128.0	126.2	128.1	128.0	128.6	131.1	132.2	133.1	123.1
% Chg Prev Month SAAR.......	2.9	8.0	2.9	7.9	20.9	-7.5	-15.8	19.6	-0.7	5.8	26.0	10.5	8.5	4.5
% Chg Same Month Last Yr....	4.9	6.0	5.8	5.9	6.4	6.3	6.6	5.9	5.2	5.0	5.8	6.1	6.6	4.5
Taxable Sales (MIL $)(2)......	5734	6060	5933	6097	6086	6222	6100	6179	6071	6223	6267	6377	6177	69823
% Chg Prev Month SAAR.......	-18.7	94.2	-22.5	38.7	-2.0	30.4	-21.1	16.6	-19.1	34.4	8.9	23.1	-31.7	4.0
% Chg Same Month Last Yr....	0.2	7.5	3.2	7.5	6.4	10.5	7.0	9.2	5.3	5.3	8.4	9.3	7.7	4.0
Taxable Sales (MIL 92 $)(2)...	5082	5360	5245	5384	5365	5483	5374	5411	5321	5459	5485	5567	5393	61951
% Chg Prev Month SAAR.......	-18.3	89.3	-22.9	37.0	-4.1	29.8	-21.4	8.6	-18.2	35.8	5.8	19.6	-31.7	3.2
% Chg Same Month Last Yr....	-0.4	6.7	2.5	6.6	5.3	9.4	5.9	7.5	3.9	4.0	7.0	7.7	6.1	3.2
Initial Claims for UI(THOU)(1)	37.2	32.7	34.6	35.9	34.7	25.4	32.4	32.2	34.0	32.5	29.2	33.9	28.2	417.3
% Chg Prev Month SAAR.......	582.2	-79.0	101.5	56.4	-35.4	-97.6	1724.3	-7.5	91.9	-42.2	-71.5	496.3	-88.9	-2.8
% Chg Same Month Last Yr....	2.6	-7.0	6.0	-2.8	0.5	-30.0	-12.9	-4.1	4.5	-8.4	-18.1	7.0	-24.0	-2.8

	199602	199603	199604	199701	199702	199703	199704	199801	199802	199803	199804	199901	199902	1998
TN Personal Income (Bil $)(3).	115.0	116.7	117.8	120.2	121.0	122.3	124.3	125.6	127.5	129.2	130.7	131.8	133.4	128.2
% Chg Prev Quarter SAAR.....	6.1	6.1	4.0	8.2	2.8	4.3	6.7	4.2	6.4	5.2	4.7	3.6	4.8	5.2
% Chg Same Quarter Last Yr..	4.8	5.2	4.6	6.1	5.2	4.8	5.5	4.5	5.4	5.6	5.1	5.0	4.6	5.2
TN Personal Income(Bil 92$)(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

	199809	199810	199811	199812	199901	199902	199903	199904	199905	199906	199907	199908	199909	1998
Personal Income (BIL 92 $)....	7184.6	7217.2	7279.8	7276.8	7320.2	7352.9	7374.9	7406.6	7430.3	7486.0	7502.8	7541.9	NA	7126.1
% Chg Prev Month SAAR.......	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	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)..	112.8	113.1	113.1	113.2	113.4	113.5	113.5	114.2	114.1	114.0	114.3	114.5	114.5	112.7
% Chg Prev Month SAAR.......	-0.5	2.6	0.5	1.3	2.2	0.4	0.3	7.4	-1.0	-1.0	3.0	2.9	0.0	0.8
% Chg Same Month Last Yr....	0.6	0.7	0.7	0.8	1.0	1.0	1.1	1.6	1.3	1.3	1.3	1.5	1.5	0.8
Nonag Employment (MIL)........	126.4	126.6	126.8	127.2	127.4	127.7	127.8	128.1	128.2	128.4	128.8	128.9	129.0	125.8
% Chg Prev Month SAAR.......	1.8	2.0	2.6	3.3	1.8	3.4	0.8	3.1	0.3	2.7	3.5	1.2	1.0	2.6
% Chg Same Month Last Yr....	2.5	2.4	2.3	2.4	2.2	2.4	2.3	2.3	2.1	2.2	2.4	2.2	2.1	2.6
Unemployment Rate (%).........	4.5	4.5	4.4	4.3	4.3	4.4	4.2	4.3	4.2	4.3	4.3	4.2	4.2	4.5
Bank Prime Interest Rate (%)..	8.5	8.1	7.9	7.8	7.8	7.8	7.8	7.8	7.8	7.8	8.0	8.1	8.3	8.4
US Coincident Index (1982=100)	121.6	121.9	122.4	122.7	122.9	123.4	123.8	123.8	124.2	124.8	125.1	125.4	125.3	120.9
% Chg Prev Month SAAR.......	2.0	3.0	5.0	3.0	2.0	5.0	4.0	0.0	3.9	6.0	2.9	2.9	-1.0	3.6
% Chg Same Month Last Yr....	3.4	3.3	3.4	3.3	3.1	3.2	3.2	3.0	3.0	3.4	3.6	3.3	3.0	3.6
US Leading Index (1982=100)...	105.6	105.7	106.2	106.4	106.9	107.1	107.2	107.1	107.4	107.7	108.0	108.0	107.9	105.5
% Chg Prev Month SAAR.......	0.0	1.1	5.8	2.3	5.8	2.3	1.1	-1.1	3.4	3.4	3.4	0.0	-1.1	1.6
% Chg Same Month Last Yr....	1.1	1.1	1.4	1.7	2.0	1.8	1.7	1.6	1.9	2.4	2.3	2.3	2.2	1.6
Mfg Employment (MIL)..........	18.7	18.7	18.6	18.6	18.6	18.5	18.5	18.5	18.4	18.4	18.4	18.4	18.4	18.8
% Chg Prev Month SAAR.......	-0.8	-3.5	-3.0	-1.8	-1.7	-3.0	-2.2	-1.9	-2.8	-2.1	3.5	-4.5	-0.8	0.5
% Chg Same Month Last Yr....	0.1	-0.4	-0.9	-1.2	-1.5	-1.8	-2.0	-2.1	-2.2	-2.3	-1.1	-2.0	-2.0	0.5
Initial Claims for UI (THOU)..	1353.5	1367.5	1393.9	1429.4	1317.3	1301.2	1362.3	1327.7	1288.5	1325.5	1256.3	1309.7	1295.4	16630.8
% Chg Prev Month SAAR.......	25.0	13.1	25.8	35.2	-62.5	-13.7	73.4	-26.6	-30.2	40.5	-47.5	64.8	-12.3	-0.6
% Chg Same Month Last Yr....	-4.1	-2.0	8.8	2.0	-4.3	-5.0	1.0	-2.4	-3.9	-13.4	-12.3	-1.4	-4.3	-0.6
Retail Sales (BIL $)..........	229.5	232.9	234.3	236.8	239.6	243.6	243.4	244.7	247.2	247.0	249.5	252.8	252.8	2746.5
% Chg Prev Month SAAR.......	7.7	19.2	7.3	13.8	15.2	22.1	-1.1	6.9	12.9	-1.0	12.5	17.1	0.2	4.9
% Chg Same Month Last Yr....	4.1	5.9	6.1	6.8	7.4	8.7	8.4	8.0	8.1	7.5	9.4	10.8	10.2	4.9
US Cons Sentiment (1966=100)..	100.9	97.4	102.7	100.5	103.9	108.1	105.7	104.6	106.8	107.3	106.0	104.5	107.2	104.6
% Chg Prev Month SAAR.......	-33.6	-34.5	88.9	-22.9	49.1	60.9	-23.6	-11.8	28.4	5.8	-13.6	-15.7	35.8	1.4
% Chg Same Month Last Yr....	-4.8	-7.8	-4.2	-1.6	-2.5	-2.1	-0.8	-3.8	0.3	1.6	0.8	0.1	6.2	1.4

	199602	199603	199604	199701	199702	199703	199704	199801	199802	199803	199804	199901	199902	1998
US GDP (Bil 92$).............	6983.9	7020.0	7093.1	7166.7	7236.5	7311.2	7364.6	7464.7	7498.6	7566.5	7677.7	7759.6	7790.6	7551.9
% Chg Prev Quarter SAAR.....	6.1	2.1	4.2	4.2	4.0	4.2	3.0	5.5	1.8	3.7	6.0	4.3	1.6	3.9
% Chg Same Quarter Last Yr..	3.9	3.5	3.9	4.1	3.6	4.1	3.8	4.2	3.6	3.5	4.3	4.0	3.9	3.9
US Personal Income(Bil 92$)(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

NA: not available.

Source: WEFA

MSA PERSPECTIVE

September brought disappointing news for three of the state's five Metropolitan Statistical Areas (MSAs). Only Chattanooga, whose leading index rose 2.8 percent (SAAR), and Memphis, whose leading index rose 5.0 percent (SAAR), posted gains in their respective leading indices for the month of September. While Knoxville witnessed its leading index suffer a considerable loss of 11.9 percent (SAAR), Nashville and the Tri-Cities saw their indices lose 4.7 and 4.2 percent (SAAR), respectively.

In recent months, labor markets in every region have appeared tight, while taxable retail sales have been highly volatile. September was no different, as every region gained ground in its level of construction and manufacturing employment, whereas all regions but Memphis lost ground in inflation-adjusted taxable sales. The unemployment rate around the state remains very low, which supports the notion of tight labor markets. Of particular significance is the fact that manufacturing employment gained ground in every region in the month of September. Given its checkered past—one that is nevertheless cause for continued concern—manufacturing employment had a very good month. And on another positive note, the state unemployment rate fell from 3.6 to 3.5 percent. Only Nashville saw its unemployment rate rise; however, since it only rose one-tenth of a percentage point to 2.5 percent does not diminish the fact that it remains remarkably low and the overall economy very healthy.

FIGURE 6
MSA Employment Growth
September 1999

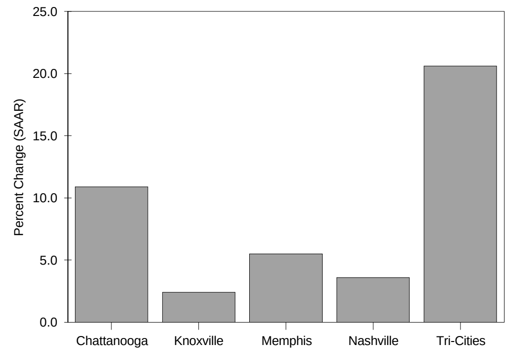


FIGURE 5
MSA Index Growth
September 1999

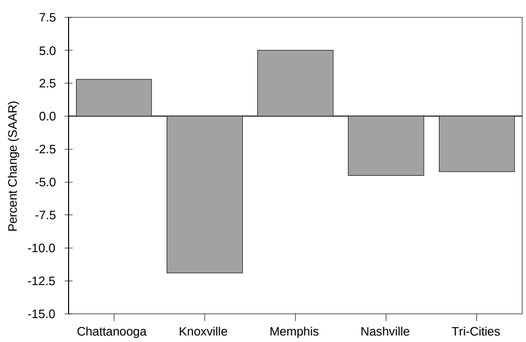
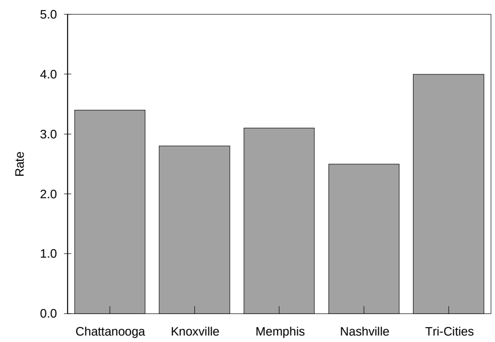


FIGURE 7
MSA Unemployment Rate
Seasonally Adjusted
September 1999



Tennessee's Largest MSAs

CHATTANOOGA

The leading economic index for the Chattanooga Metropolitan Statistical Area (MSA) rose a modest 2.8 percent (SAAR) in September on the strength of two of its four components to sustain what is now four consecutive months of expansion. Average weekly manufacturing hours rose 14.0 percent (SAAR) in September to mark its third increase in as many months. Construction employment gained 600 jobs in September to post a gain of 90.6 percent (SAAR), which marks its second increase in as many months. Serving to depress the index were inflation-adjusted taxable sales and Tennessee's leading index. Suffering its fourth decline since January, inflation-adjusted taxable sales lost 70.3 percent (SAAR) in September following a significant gain in the month of August. Rounding out all components is Tennessee's leading index, which lost 0.5 percent (SAAR) in September to mark its third decline since January.

Employment data not used to calculate Chattanooga's index show positive signs. As the area's unemployment rate remains low at 3.4 percent, down from 3.6 percent in August, manufacturing and nonagricultural employment levels increased for the month. The overall nonagricultural sector gained 1,900 jobs to post an increase of 10.9 percent (SAAR), marking its second straight increase. Manufacturing jobs rose 2.0 percent (SAAR) with the addition of 100 jobs to post its fourth increase since January of this year.

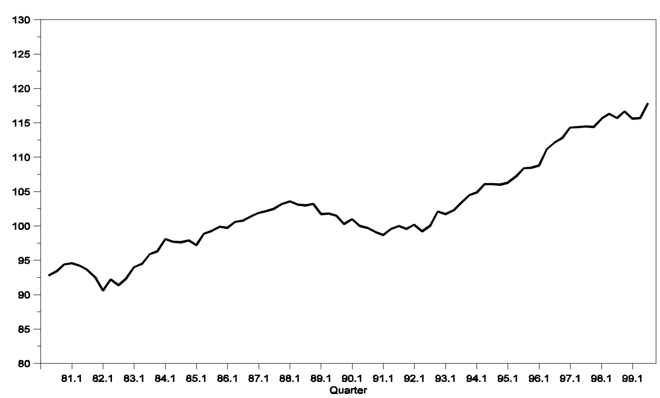
For four months, the Chattanooga leading index has enjoyed consecutive gains. At the same time, the recent volatility observed in several categories of economic activity in and around Chattanooga were again present in September. Together the evidence suggests overall economic expansion in the months to come, coupled with spurts of negative economic news.

CHATTANOOGA ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	199907	199908	199909	1998
Leading Index (1992=100)......	116.7	118.3	118.6	116.0
% Chg Prev Month SAAR.......	5.1	18.0	2.8	1.4
% Chg Same Month Last Yr....	0.1	1.3	4.1	1.4
Nonag Employment (THOU)(1)....	217.3	217.4	219.3	223.2
% Chg Prev Month SAAR.......	-2.2	0.1	10.9	0.6
% Chg Same Month Last Yr....	-2.4	-2.4	-2.4	0.6
Unemployment Rate (%)(1)......	3.1	3.6	3.4	3.9
Mfg Employment (THOU)(1)......	44.6	44.0	44.1	42.9
% Chg Prev Month SAAR.......	13.2	-14.9	2.0	0.3
% Chg Same Month Last Yr....	2.6	2.4	1.9	0.3
Mfg Avg Weekly Hours(1).......	41.9	42.4	42.8	41.9
% Chg Prev Month SAAR.......	35.6	12.8	14.0	-0.9
% Chg Same Month Last Yr....	0.5	0.5	9.9	-0.9
Const Employment (THOU)(1)....	9.4	9.7	10.3	10.2
% Chg Prev Month SAAR.......	-7.2	41.3	90.6	3.1
% Chg Same Month Last Yr....	-9.4	-6.6	-2.0	3.1
Taxable Sales (MIL $)(2)......	383	412	372	4385
% Chg Prev Month SAAR.......	-33.8	141.3	-70.3	2.8
% Chg Same Month Last Yr....	2.9	13.6	7.8	2.8
Taxable Sales (MIL 92 $)(2)...	335	359	325	3890
% Chg Prev Month SAAR.......	-35.7	134.6	-70.3	1.9
% Chg Same Month Last Yr....	1.6	12.0	6.2	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 Leading Index



KNOXVILLE

Unable to recover from losses in three of its four components, the leading economic index for the Knoxville Metropolitan Statistical Area (MSA) fell 11.9 percent (SAAR) in September to mark its fourth decline in nine months. Serving to dampen the index were inflation-adjusted taxable sales, average weekly manufacturing hours, and Tennessee's leading index. The biggest mover of all components, inflation-adjusted taxable sales, fell a substantial 67.7 percent (SAAR) in September to mark its second decline in as many months and its fifth decline since January. Average weekly manufacturing hours took a considerable hit in September, dropping 21.2 percent (SAAR) and posting its fifth loss since January of this year. Rounding out all decliners, Tennessee's leading index checked in with a loss of 0.5 percent (SAAR). Rebounding nicely from August's slip, construction employment in Knoxville rose 31.0 percent (SAAR) in September with the addition of 400 jobs to post its fifth increase since January.

Employment data not used to calculate the Knoxville MSA index show positive signs. The area's unemployment rate remains remarkably low at 2.8 percent, well below the state average. Both nonagricultural and manufacturing employment sustained three months of consecutive increases with gains of 2.4 percent and 2.7 percent, respectively. This news is especially encouraging.

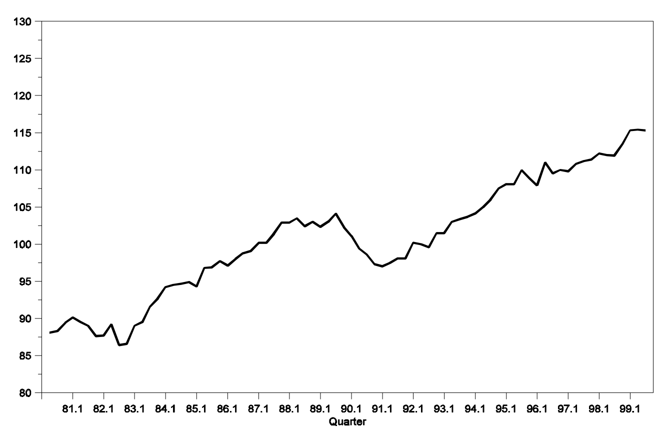
Despite the mediocre performance of Knoxville's leading index this year, there remains cause for optimism. The employment rate remains low, and its nonagricultural and manufacturing sectors have shown signs of improvement. September marked three months of consecutive increases for both. Such advances could serve to boost long-term growth, but for now, the Knoxville MSA should anticipate slow to modest economic growth constrained by the volatility of retail sales and hours worked in the manufacturing sector.

KNOXVILLE ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	199907	199908	199909	1998
Leading Index (1992=100)......	115.2	115.9	114.7	112.4
% Chg Prev Month SAAR.......	-1.5	8.0	-11.9	1.4
% Chg Same Month Last Yr....	2.5	2.8	4.0	1.4
Nonag Employment (THOU)(1)....	323.5	324.2	324.8	318.6
% Chg Prev Month SAAR.......	6.8	2.6	2.4	0.4
% Chg Same Month Last Yr....	2.5	2.8	2.6	0.4
Unemployment Rate (%)(1)......	2.9	2.9	2.8	3.7
Mfg Employment (THOU)(1)......	46.7	46.7	46.8	48.3
% Chg Prev Month SAAR.......	20.5	1.1	2.7	-1.0
% Chg Same Month Last Yr....	-1.8	-1.2	-1.2	-1.0
Mfg Avg Weekly Hours(1).......	39.7	41.2	40.4	41.0
% Chg Prev Month SAAR.......	-37.9	58.9	-21.2	0.7
% Chg Same Month Last Yr....	-2.3	0.3	2.3	0.7
Const Employment (THOU)(1)....	16.3	16.2	16.6	15.5
% Chg Prev Month SAAR.......	11.7	-9.4	31.0	0.3
% Chg Same Month Last Yr....	5.1	5.1	6.4	0.3
Taxable Sales (MIL $)(2)......	894	888	809	9838
% Chg Prev Month SAAR.......	19.5	-6.7	-67.7	4.8
% Chg Same Month Last Yr....	6.7	7.5	5.6	4.8
Taxable Sales (MIL 92 $)(2)...	782	776	706	8729
% Chg Prev Month SAAR.......	16.0	-9.3	-67.7	4.0
% Chg Same Month Last Yr....	5.4	6.0	4.1	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 Leading Index



MEMPHIS

The leading economic index for the Memphis Metropolitan Statistical Area (MSA) rose 5.0 percent (SAAR) in September on the strength of two of its five components to mark its fourth increase since January. Construction employment grew in September at a rate unseen thus far in 1999, up 20.7 percent (SAAR) to mark its fourth increase this year. Average weekly manufacturing hours rose 18.4 percent (SAAR) in September to post its third increase since January. Memphis' help wanted index was unchanged for the month of September. Serving to dampen the index, inflation-adjusted taxable sales fell a considerable 24.7 percent (SAAR) in September to record only its third slip this year. Rounding out all components is Tennessee's leading index, which slipped 0.5 percent (SAAR) in September.

Employment data not used to compute the Memphis index show positive signs. The area's unemployment rate fell from 3.3 percent in August to 3.1 percent in September. Manufacturing and nonagricultural employment continued to improve as both posted considerable gains. Manufacturing employment saw its second consecutive increase in September rising 10.4 percent (SAAR), while nonagricultural employment rose 5.5 percent (SAAR) marking its fourth increase in as many months.

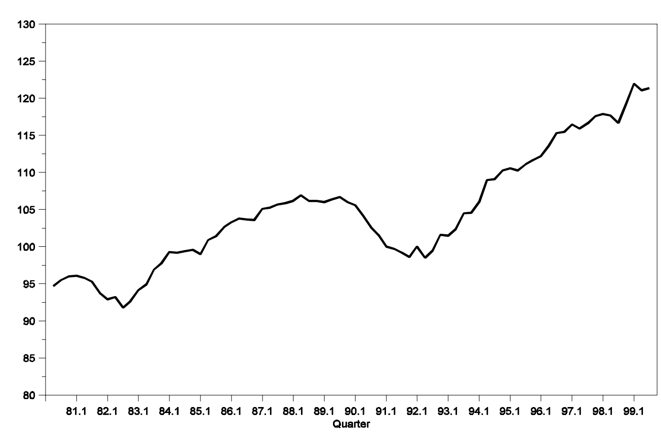
Volatile labor markets and other highly fluctuating components of the regional economy will serve to suppress overall growth in the months to come. The manufacturing sector is a case in point, as it continues to struggle despite September's second consecutive increase in jobs. At the same time there is some cause for optimism. Nonagricultural employment levels continue to increase with September marking the fourth gain in as many months. Anticipate flat to modest growth for the Memphis MSA economy through the first quarter of 2000.

MEMPHIS ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	199907	199908	199909	1998
Leading Index (1992=100)......	121.2	121.2	121.7	117.9
% Chg Prev Month SAAR.......	11.5	-0.5	5.0	1.1
% Chg Same Month Last Yr....	3.5	3.3	5.1	1.1
Nonag Employment (THOU)(1)....	592.7	594.0	596.7	564.5
% Chg Prev Month SAAR.......	1.0	2.6	5.5	1.5
% Chg Same Month Last Yr....	6.3	6.4	5.4	1.5
Unemployment Rate (%)(1)......	3.2	3.3	3.1	3.8
Mfg Employment (THOU)(1)......	62.2	62.4	63.0	62.8
% Chg Prev Month SAAR.......	-11.6	3.7	10.4	-0.8
% Chg Same Month Last Yr....	-0.5	0.4	2.1	-0.8
Mfg Avg Weekly Hours(1).......	39.8	39.5	40.0	40.7
% Chg Prev Month SAAR.......	26.1	-9.8	18.4	-2.6
% Chg Same Month Last Yr....	-3.2	-3.4	3.0	-2.6
Const Employment (THOU)(1)....	26.9	26.9	27.3	24.9
% Chg Prev Month SAAR.......	-7.7	-2.3	20.7	2.7
% Chg Same Month Last Yr....	11.3	10.8	12.1	2.7
Taxable Sales (MIL $)(2)......	1077	1092	1066	11997
% Chg Prev Month SAAR.......	25.7	17.6	-24.7	3.0
% Chg Same Month Last Yr....	8.9	9.2	7.9	3.0
Taxable Sales (MIL 92 $)(2)...	943	953	931	10645
% Chg Prev Month SAAR.......	22.1	14.3	-24.7	2.2
% Chg Same Month Last Yr....	7.5	7.6	6.3	2.2
Help Wanted Index(1987=100)(3)	107.0	108.0	108.0	117.7
% Chg Prev Month SAAR.......	77.6	11.8	0.0	2.0
% Chg Same Month Last Yr....	-6.1	-4.4	-8.5	2.0

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

FIGURE 10
Memphis Quarterly Leading Index



NASHVILLE

Unable to recover from losses in four of its five components, the leading economic index for the Nashville Metropolitan Statistical Area (MSA) suffered its third loss this year in September. The 4.5 percent (SAAR) decline in the index marked the end of three months of consecutive expansion. Serving to dampen the index were inflation-adjusted taxable sales, average weekly manufacturing hours, the help wanted index and Tennessee's leading index. Leading all components were inflation-adjusted taxable sales, which fell a considerable 18.0 percent (SAAR) in September to post the second loss in as many months. Average weekly manufacturing hours also lost significant ground in September falling 16.4 percent (SAAR) to mark the fourth decline since January. For its fifth decline since January, Nashville's help wanted index slipped a noticeable 8.9 percent (SAAR) in September to depress the index further. And rounding out all decliners was Tennessee's leading index, which slipped 0.5 percent (SAAR) in September to lower Nashville's index further. On a positive note, however, construction employment rose a significant 11.0 percent (SAAR) in September to mark two straight months of considerable growth.

Employment data not used to construct the Nashville index show positive signs. The area's unemployment rate remains low at 2.5 percent. Both manufacturing and nonagricultural employment enjoyed a prosperous month in September when each saw its third increase in as many months with gains of 11.6 percent (SAAR) and 3.6 percent (SAAR), respectively.

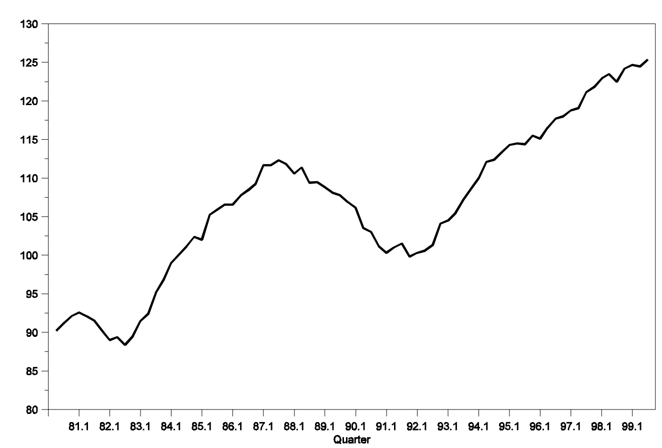
The outlook for the Nashville MSA economy remains positive despite its poor showing in September. The six months of growth in the Nashville index should help carry the regional economy well into 2000. Anticipate modest growth in the coming months. The up and down movements that have characterized Nashville's economy will likely preclude high growth rates.

NASHVILLE ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	199907	199908	199909	1998
Leading Index (1992=100)......	125.3	125.6	125.2	123.3
% Chg Prev Month SAAR.......	10.8	2.9	-4.5	2.6
% Chg Same Month Last Yr....	1.8	2.1	3.1	2.6
Nonag Employment (THOU)(1)....	658.9	659.7	661.6	639.8
% Chg Prev Month SAAR.......	12.4	1.5	3.6	2.0
% Chg Same Month Last Yr....	3.8	3.6	3.5	2.0
Unemployment Rate (%)(1)......	2.3	2.4	2.5	2.8
Mfg Employment (THOU)(1)......	95.8	95.8	96.7	95.9
% Chg Prev Month SAAR.......	13.6	0.4	11.6	-0.4
% Chg Same Month Last Yr....	1.2	1.2	1.0	-0.4
Mfg Avg Weekly Hours(1).......	40.1	40.5	39.9	40.6
% Chg Prev Month SAAR.......	23.3	14.4	-16.4	-1.4
% Chg Same Month Last Yr....	-1.8	0.8	5.2	-1.4
Const Employment (THOU)(1)....	32.8	33.0	33.3	33.6
% Chg Prev Month SAAR.......	-11.1	9.0	11.0	8.0
% Chg Same Month Last Yr....	-2.3	-2.5	-2.8	8.0
Taxable Sales (MIL $)(2)......	1606	1567	1542	17312
% Chg Prev Month SAAR.......	66.2	-25.5	-18.0	4.8
% Chg Same Month Last Yr....	13.5	13.3	6.4	4.8
Taxable Sales (MIL 92 $)(2)...	1406	1368	1346	15361
% Chg Prev Month SAAR.......	61.4	-27.6	-18.0	4.0
% Chg Same Month Last Yr....	12.1	11.7	4.8	4.0
Help Wanted Index(1987=100)(3)	127.0	130.0	129.0	131.2
% Chg Prev Month SAAR.......	-17.1	32.3	-8.9	10.8
% Chg Same Month Last Yr....	-1.6	-0.8	0.0	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 Leading Index



TRI-CITIES

Unable to recover from declines in two of its four components, the leading economic index for the Tri-Cities Metropolitan Statistical Area (MSA) fell 4.2 percent (SAAR) in September to mark the end of three consecutive months of gains. Dampening the index were inflation-adjusted taxable sales and Tennessee's leading index. The biggest mover, inflation-adjusted taxable sales, plummeted 43.3 percent (SAAR) in September to record the fifth decline since January. Tennessee's leading index slipped 0.5 percent (SAAR) to depress the index further. On a positive note, construction employment rose 6.9 percent (SAAR) to sustain two months of consecutive increases. Also, average weekly manufacturing hours rose 5.2 percent (SAAR) in September for the sixth increase since January.

Employment data not used to construct the Tri-Cities index show positive signs. While the 4.0 percent unemployment rate for the Tri-Cities MSA remains high relative to those of the other MSAs, significant improvements were seen in both the manufacturing and nonagricultural employment sectors in the month of September. Both nonagricultural and manufacturing employment posted only their second gain since January, with nonagricultural jobs up 20.6 percent (SAAR) and manufacturing employment up 21.1 percent (SAAR).

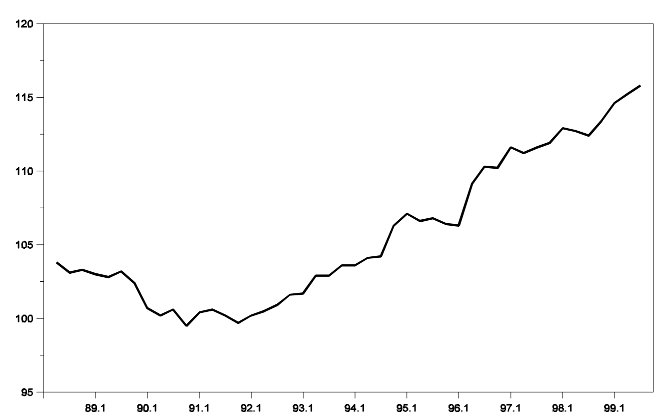
September accompanied a mixed-bag of news for the Tri-Cities economy. Its leading index slipped for the first time in four months, but positive signs were seen in employment levels across the board. Increases in manufacturing, nonagricultural and construction employment are encouraging. However, only sustained increases will help to create an expectation of greater long-run economic growth. Anticipate modest growth well into 2000, with the risk of further instability in manufacturing employment.

TRI-CITIES ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	199907	199908	199909	1998
Leading Index (1992=100)......	115.6	116.1	115.7	112.8
% Chg Prev Month SAAR.......	0.2	5.8	-4.2	1.1
% Chg Same Month Last Yr....	2.5	2.1	4.4	1.1
Nonag Employment (THOU)(1)....	192.4	192.2	195.2	200.6
% Chg Prev Month SAAR.......	-5.3	-1.2	20.6	-0.1
% Chg Same Month Last Yr....	-3.5	-4.0	-2.7	-0.1
Unemployment Rate (%)(1)......	3.8	4.3	4.0	4.3
Mfg Employment (THOU)(1)......	46.6	46.5	47.2	50.5
% Chg Prev Month SAAR.......	-5.4	-3.5	21.1	-3.7
% Chg Same Month Last Yr....	-6.7	-7.9	-6.7	-3.7
Mfg Avg Weekly Hours(1).......	40.4	40.1	40.3	38.6
% Chg Prev Month SAAR.......	9.0	-7.5	5.2	-2.5
% Chg Same Month Last Yr....	6.1	3.0	9.5	-2.5
Const Employment (THOU)(1)....	10.9	10.9	11.0	11.4
% Chg Prev Month SAAR.......	-8.7	0.1	6.9	2.8
% Chg Same Month Last Yr....	-3.3	-3.4	-1.7	2.8
Taxable Sales (MIL $)(2)......	326	347	331	3895
% Chg Prev Month SAAR.......	-46.4	108.3	-43.3	5.7
% Chg Same Month Last Yr....	-1.4	3.2	4.0	5.7
Taxable Sales (MIL 92 $)(2)...	286	303	289	3456
% Chg Prev Month SAAR.......	-48.0	102.5	-43.3	4.8
% Chg Same Month Last Yr....	-2.7	1.7	2.4	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 Leading Index



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