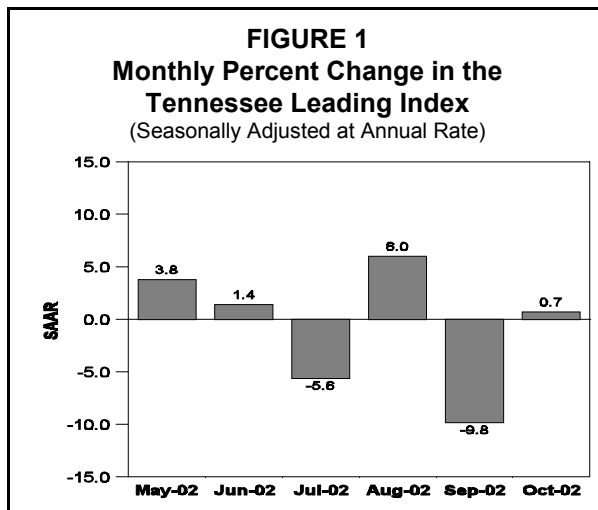


TENNESSEE ECONOMIC OVERVIEW

October 2002 Index as of January 2003

TENNESSEE



After experiencing a loss last month, the state economy rebounded during the month of October as the Tennessee leading index rose at a seasonally adjusted annual rate (SAAR) of 0.7 percent. This is the first measure of the index to be released in 2003 and offers some early encouragement regarding the potential path of growth for the year. The October increase is the fourth time in the last six months that the state index has risen. The leading index, a measure of economic activity expected to occur in the state within the next six to nine months, consists of five components. The gain occurred despite losses in two of the five index components. The year-over-year percent change continues to display a higher level of economic activity than in the previous year.

The largest positive contributor to the Tennessee leading index was an increase in inflation-adjusted taxable sales, which rose 27.9 percent (SAAR), bringing the level of sales to \$5,751 million. The number of initial claims for unemployment insurance also contributed to the climb as the number of initial claims fell from 46,500 in September to 46,000 in October, representing a 13.2 percent (SAAR) decrease. The final positive component was the U.S. leading index, which enjoyed a 1.1 percent (SAAR) increase. The two negative contributors were construction employment, which dropped 6.0 percent (SAAR) and the average length of a manufacturing workweek, which declined 5.2 percent (SAAR). Construction employment has now fallen in six of the last seven months and the year-over-year percent change in construction employment continues to be negative, indicating a lower level of construction

(Continued on page 2.)

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employment from the previous year. The average length of a manufacturing workweek is now 39.9 hours.

Labor market data for the state that are not used to calculate the Tennessee leading index are somewhat mixed. Total nonagricultural employment fell slightly at a 0.6 percent (SAAR) rate in October due to the loss of 1,400 jobs. The year-over-year percent change does not offer any optimism as it continues to be negative. The manufacturing sector lost 2,900 jobs last month, resulting in a 7.2 percent (SAAR) decline. The unemployment rate recovered from last month's increase as it fell three-tenths of a point for October. This fall in the unemployment rate to 4.5 percent is inconsistent with the decrease in total nonagricultural employment, but it is consistent with the decline in initial insurance claims filed in October. The Tennessee unemployment rate is still significantly lower than the U.S. unemployment rate of 5.7 percent.

The national economy took a step forward after four consecutive months of decline as the October U.S. leading index rose 1.1 percent (SAAR). The largest negative contributor to the index was the U.S. consumer sentiment index, which suffered a loss of 54.7 percent (SAAR). Initial claims for unemployment insurance also pulled against the increase rising 46.7 percent (SAAR). This jump was caused by 59,500 new claims being filed in October. Manufacturing employment also suffered during October as it declined 3.1 percent (SAAR). Aggregate employment rose by 0.8 percent (SAAR). The rise in total nonagricultural employment was offset by the decline in manufacturing employment and the number of initial claims for unemployment insurance rising as the national unemployment rate jumped one-tenth of a point to 5.7 percent. The bank prime interest rate remained unchanged from the previous month. Retail sales were a positive contributor as sales rose by 1.7 percent (SAAR). The year-over-year percent change was negative for retail sales indicating a lower level of retail sales from October 2001. Personal income increased 3.6 percent (SAAR) from last month and the year-over-year percent change remains positive.

Overall, October economic data offer some optimism as both the state and national indices enjoyed increases. With three of the five components of the Tennessee leading index increasing, and the year-over-year percent change in the index being positive, there is some hope for an improvement in economic conditions by the second quarter of 2003. But both the state and nation will have to reverse the course of manufacturing, which has contracted on a year-over-year basis in each month of 2002. Expect mixed growth until business fixed investment and manufacturing employment show improvement.

FIGURE 2
Tennessee Quarterly Leading Index

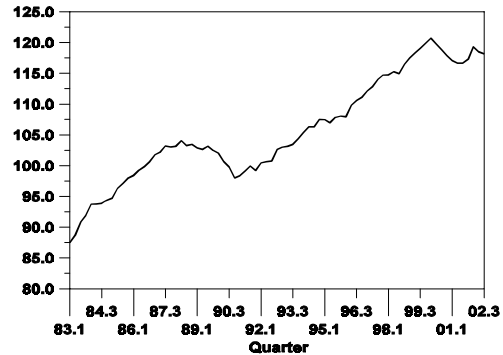


FIGURE 3
Total Nonagricultural Employment

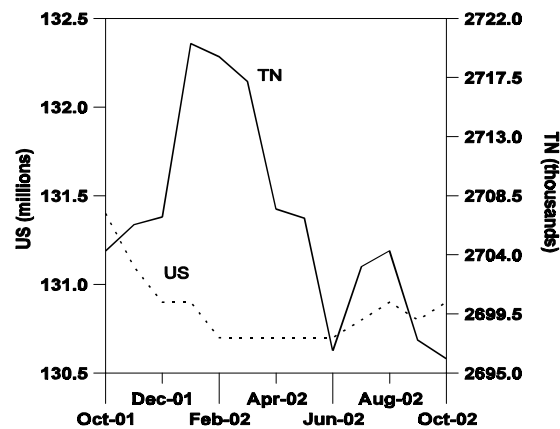
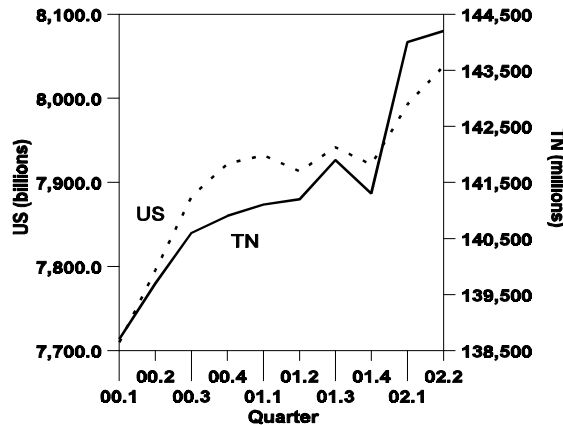


FIGURE 4
Real Personal Income
(1996 Dollars)



TENNESSEE ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	200110	200111	200112	200201	200202	200203	200204	200205	200206	200207	200208	200209	200210	2001
Leading Index (1992=100).....	116.0	117.1	118.8	119.2	119.6	119.2	118.2	118.6	118.7	118.1	118.7	117.7	117.8	116.9
% Chg Prev Month SAAR.....	-3.1	12.7	18.0	4.4	4.5	-4.4	-9.4	3.8	1.4	-5.6	6.0	-9.8	0.7	-2.0
% Chg Same Month Last Yr.....	-2.2	-0.2	0.9	1.5	2.1	2.1	1.6	1.4	1.6	1.0	1.7	1.2	1.5	-2.0
Nonag Employment (THOU)(1).....	2704.3	2706.3	2706.9	2720.1	2719.1	2717.2	2707.5	2706.8	2696.7	2703.1	2704.3	2697.5	2696.1	2712.5
% Chg Prev Month SAAR.....	0.2	0.9	0.3	6.0	-0.4	-0.8	-4.2	-0.3	-4.4	2.9	0.5	-3.0	-0.6	-0.6
% Chg Same Month Last Yr.....	-0.9	-0.6	-0.6	-0.5	-0.3	-0.2	-0.3	-0.1	-0.2	-0.1	-0.2	-0.2	-0.3	-0.6
Unemployment Rate (%).....	4.7	4.8	5.0	5.4	5.4	5.7	5.3	5.0	4.8	4.9	4.6	4.8	4.5	4.5
Mfg Employment (THOU)(1).....	472.1	469.7	468.4	468.6	468.6	466.9	467.0	466.0	465.0	467.1	464.4	464.7	461.8	478.7
% Chg Prev Month SAAR.....	-5.7	-5.9	-3.3	0.5	0.0	-4.3	0.3	-2.5	-2.5	5.6	-6.7	0.8	-7.2	-5.6
% Chg Same Month Last Yr.....	-6.0	-5.8	-5.7	-5.3	-4.6	-4.1	-3.4	-2.7	-2.1	-1.7	-2.1	-2.0	-2.2	-5.6
Mfg Avg Weekly Hours(1).....	39.2	39.2	39.4	39.3	39.2	39.4	40.0	39.5	39.6	40.0	39.9	40.0	39.9	39.2
% Chg Prev Month SAAR.....	-9.3	-2.3	8.2	-4.6	-1.7	4.6	20.4	-12.8	1.1	13.7	-1.8	3.9	-5.2	-2.6
% Chg Same Month Last Yr.....	-2.7	-1.0	0.1	0.5	0.2	0.5	3.5	0.4	0.5	1.8	1.7	1.2	1.6	-2.6
Const Employment (THOU)(1).....	119.0	120.4	120.7	121.3	122.7	123.3	119.1	118.7	118.4	117.8	118.2	117.6	117.0	121.2
% Chg Prev Month SAAR.....	-7.7	15.1	3.0	6.1	14.8	6.0	-34.0	-4.0	-3.0	-5.9	4.2	-5.9	-6.0	-3.0
% Chg Same Month Last Yr.....	-4.0	-2.6	-1.8	-1.5	-0.6	-0.7	-1.7	-2.3	-2.1	-1.8	-1.7	-1.8	-1.7	-3.0
Taxable Sales (MIL \$(2).....	6330	6627	6530	6639	6683	6450	6540	6497	6396	6017	6546	6288	6431	77380
% Chg Prev Month SAAR.....	16.9	73.4	-16.2	22.0	8.2	-34.7	18.2	-7.7	-17.1	-51.9	174.9	-38.3	31.1	0.1
% Chg Same Month Last Yr.....	-0.7	4.9	0.8	0.1	1.3	0.9	-1.0	0.8	2.1	-5.2	2.9	0.6	1.6	0.1
Taxable Sales (MIL 96 \$(2).....	5758	6031	5951	6040	6068	5843	5900	5862	5763	5415	5878	5635	5751	70628
% Chg Prev Month SAAR.....	9.0	74.2	-14.7	19.4	5.7	-36.4	12.2	-7.4	-18.4	-52.7	167.6	-39.8	27.9	-1.9
% Chg Same Month Last Yr.....	-2.3	3.4	-0.4	-0.8	0.5	-0.2	-2.3	-0.2	1.0	-6.4	1.5	-1.4	-0.1	-1.9
Initial Claims for UI(THOU)(3)...	56.2	54.5	35.4	35.7	33.0	38.5	51.4	44.0	35.2	37.5	37.9	46.5	46.0	549.6
% Chg Prev Month SAAR.....	663.3	-31.4	-99.4	8.8	-60.6	527.0	3131.1	-84.6	-93.0	107.9	13.7	1077.0	-13.2	37.3
% Chg Same Month Last Yr.....	49.7	10.8	8.7	-6.5	-19.2	-16.1	9.1	-6.8	-22.2	-14.0	-21.1	-2.0	-18.3	37.3

	199903	199904	200001	200002	200003	200004	200101	200102	200103	200104	200201	200202	200203	2001
TN Personal Income (Bil \$(4)...	141.8	144.0	147.8	149.6	151.4	152.5	154.1	154.8	155.6	155.2	158.6	159.9	n.a.	154.9
% Chg Prev Quarter SAAR.....	4.0	6.4	11.0	5.1	4.9	3.0	4.0	2.1	1.9	-1.1	9.2	3.3	n.a.	3.0
% Chg Same Quarter Last Yr....	4.7	5.3	6.8	6.6	6.8	6.0	4.2	3.5	2.7	1.7	3.0	3.3	n.a.	3.0
TN Personal Income(Bil 96\$(4)...	135.0	136.3	138.7	139.7	140.6	140.9	141.1	141.2	141.9	141.3	144.0	144.2	n.a.	141.4
% Chg Prev Quarter SAAR.....	1.8	3.9	7.3	2.8	2.8	0.7	0.7	0.3	2.0	-1.9	8.0	0.5	n.a.	1.0
% Chg Same Quarter Last Yr....	2.9	3.2	4.1	3.9	4.2	3.4	1.7	1.1	0.9	0.3	2.0	2.1	n.a.	1.0

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, Division of Employment Security data.
- (4) Calculated from U.S. Department of Commerce, Bureau of Economic Analysis (BEA) data.

n.a. not available.

U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	200110	200111	200112	200201	200202	200203	200204	200205	200206	200207	200208	200209	200210	2001
Personal Income (BIL 96 \$(1)....	8685.2	8686.7	8730.9	8766.8	8807.2	8836.3	8865.5	8904.9	8971.7	8965.0	8992.9	9022.2	9048.7	8685.3
% Chg Prev Month SAAR.....	-3.0	0.2	6.3	5.1	5.7	4.0	4.0	5.5	9.4	-0.9	3.8	4.0	3.6	3.3
% Chg Same Month Last Yr.....	1.5	1.3	1.5	1.4	1.7	1.9	2.1	2.7	3.3	2.9	3.4	3.6	4.2	3.3
Pers Cons Deflator(1996=100)(2)..	109.9	109.9	109.7	109.9	110.1	110.4	110.9	110.8	111.0	111.1	111.4	111.6	111.8	109.6
% Chg Prev Month SAAR.....	7.3	-0.4	-1.7	2.2	2.3	2.8	5.3	-0.3	1.5	1.6	2.7	2.4	2.5	2.0
% Chg Same Month Last Yr.....	1.7	1.5	1.2	0.8	0.8	1.0	1.3	1.0	1.1	1.2	1.4	2.1	1.7	2.0
Nonag Employment (MIL)(2).....	131.4	131.1	130.9	130.9	130.7	130.7	130.7	130.7	130.7	130.8	130.9	130.8	130.9	131.9
% Chg Prev Month SAAR.....	-3.6	-2.9	-1.8	-0.2	-1.5	0.0	-0.2	0.2	0.3	0.5	1.1	-0.8	0.8	0.2
% Chg Same Month Last Yr.....	-0.5	-0.9	-1.1	-1.1	-1.3	-1.3	-1.2	-1.2	-1.0	-1.0	-0.8	-0.8	-0.4	0.2
Unemployment Rate (%) (2).....	5.4	5.6	5.8	5.6	5.5	5.7	6.0	5.8	5.9	5.9	5.7	5.6	5.7	4.8
Bank Prime Interest Rate (%) (2)..	5.5	5.1	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	6.9
US Coincident Index (1996=100)(2)	114.3	114.0	114.1	114.3	114.2	114.3	114.4	114.5	114.8	115.0	115.0	114.9	114.9	114.9
% Chg Prev Month SAAR.....	-1.0	-3.1	1.1	2.1	-1.0	1.1	1.1	1.1	3.2	2.1	0.0	-1.0	0.0	-0.5
% Chg Same Month Last Yr.....	-1.4	-1.6	-1.6	-1.2	-1.3	-1.1	-0.7	-0.5	0.0	0.1	0.1	0.4	0.5	-0.5
US Leading Index (1996=100)(2)...	109.2	110.1	111.3	111.8	111.9	111.9	111.6	112.3	112.1	112.0	111.8	111.4	111.5	109.3
% Chg Prev Month SAAR.....	4.5	10.4	13.9	5.5	1.1	0.0	-3.2	7.8	-2.1	-1.1	-2.1	-4.2	1.1	-0.7
% Chg Same Month Last Yr.....	-0.5	0.6	2.4	2.8	3.0	3.2	2.8	2.7	2.5	2.1	2.0	2.4	2.1	-0.7
Mfg Employment (MIL)(2).....	17.3	17.2	17.1	16.9	16.9	16.8	16.8	16.8	16.8	16.7	16.7	16.6	16.6	17.7
% Chg Prev Month SAAR.....	-8.5	-9.5	-6.5	-7.8	-4.6	-4.0	-1.6	-2.1	-1.0	-1.1	-3.7	-3.5	-3.1	-4.2
% Chg Same Month Last Yr.....	-6.1	-6.8	-7.1	-7.3	-7.2	-7.1	-6.7	-6.1	-5.6	-5.2	-4.8	-4.5	-4.1	-4.2
Initial Claims for UI (THOU)(3)...	2209.2	1916.9	1694.8	1816.9	1666.8	1717.2	1929.8	1767.8	1575.0	1770.4	1757.3	1832.7	1892.2	21034.7
% Chg Prev Month SAAR.....	1015.9	-81.8	-77.2	130.4	-64.5	43.0	305.8	-65.1	-75.0	306.9	-8.5	65.6	46.7	34.6
% Chg Same Month Last Yr.....	62.4	31.7	17.9	17.6	5.3	4.2	14.9	0.6	-4.4	3.0	-3.9	1.4	-14.3	34.6
Retail Sales (BIL \$(2).....	277.4	269.6	267.3	267.0	268.4	268.2	271.5	268.4	272.3	276.1	277.5	273.0	273.4	3170.1
% Chg Prev Month SAAR.....	117.7	-28.9	-10.0	-1.3	6.5	-1.0	15.9	-12.8	18.9	17.9	6.3	-17.7	1.7	3.8
% Chg Same Month Last Yr.....	8.0	5.4	3.8	2.6	2.9	3.5	3.7	1.7	3.6	4.9	5.2	5.0	-1.4	3.8
US Cons Sentiment (1966=100)(2)..	82.7	83.9	88.8	93.0	90.7	95.7	93.0	96.9	92.4	88.1	87.6	86.1	80.6	89.2
% Chg Prev Month SAAR.....	14.0	18.9	97.6	74.1	-26.0	90.4	-29.1	63.7	-43.5	-43.6	-6.6	-18.7	-54.7	-17.0
% Chg Same Month Last Yr.....	-21.8	-22.0	-9.8	-1.8	0.1	4.6	5.2	5.3	-0.2	-4.7	-4.3	5.3	-2.5	-17.0

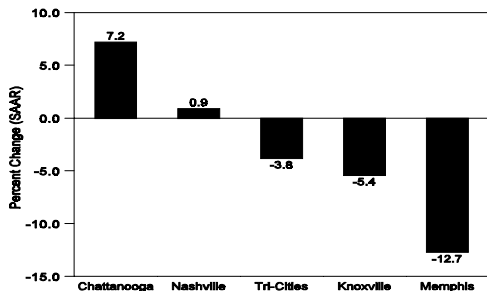
	199903	199904	200001	200002	200003	200004	200101	200102	200103	200104	200201	200202	200203	2001
US GDP (Bil 96\$(1).....	8886.9	9040.1	9097.4	9205.7	9218.7	9243.8	9229.9	9193.1	9186.4	9248.8	9363.2	9392.5	9484.0	9214.5
% Chg Prev Quarter SAAR.....	5.2	7.1	2.6	4.8	0.6	1.1	-0.6	-1.6	-0.3	2.7	5.0	1.3	4.0	0.3
% Chg Same Quarter Last Yr.....	4.2	4.3	4.2	4.9	3.7	2.3	1.5	-0.1	-0.4	0.1	1.4	2.2	3.2	0.3
US Personal Income(Bil 96\$(4)...	7435.9	7536.7	7709.7	7795.9	7883.2	7922.2	7932.3	7913.3	7942.1	7921.4	7993.0	8038.4	8076.7	7927.3
% Chg Prev Quarter SAAR.....	2.3	5.5	9.5	4.6	4.6	2.0	0.5	-1.0	1.5	-1.0	3.7	2.3	1.9	1.3
% Chg Same Quarter Last Yr.....	2.4	3.0	4.6	5.4	6.0	5.1	2.9	1.5	0.7	0.0	0.8	1.6	1.7	1.3

NOTES:

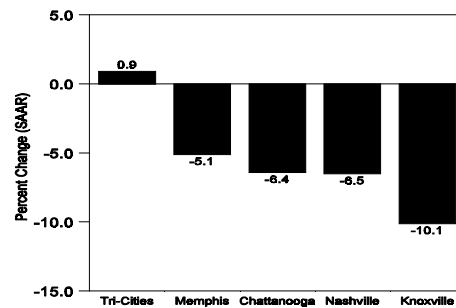
- (1) U.S. Department of Commerce, Bureau of Economic Analysis (BEA).
- (2) Global Insight Inc..
- (3) Calculated from Global Insight Inc. data.
- (4) Calculated from BEA data.

October was a somewhat disappointing month for economic activity for Tennessee's largest metropolitan statistical areas (MSAs) as only two of the five areas experienced an increase in their indices. The Chattanooga MSA index posted the largest gain, 7.2 percent (SAAR), followed by Nashville with a gain of 0.9 percent (SAAR). Inflation-adjusted taxable sales lost ground in four of the five MSAs with the Memphis area posting the only gain of 99.1 percent (SAAR). Labor market news from the MSAs was mixed in October as nonagricultural employment declined in four of the five areas. The unemployment rate, on the other hand, did not rise in any of the MSAs and remains well below the national unemployment rate.

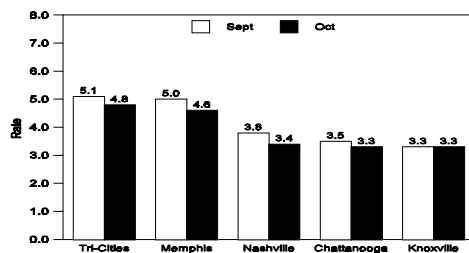
**FIGURE 5
MSA Index Growth
October 2002**



**FIGURE 6
MSA Employment Growth
October 2002**



**FIGURE 7
MSA Unemployment Rate
October 2002
(seasonally adjusted)**



Tennessee's Largest MSAs



The index of leading economic activity for the Chattanooga Metropolitan Statistical Area (MSA) climbed 7.2 percent (SAAR) in October after last month's decline. The gain was a result of increases in three of four component series. Inflation-adjusted taxable sales suffered the only loss falling 6.4 percent (SAAR). The largest positive contributor was the increase in the number of jobs in the construction sector. Construction employment increased 42.3 percent (SAAR) due to the addition of 300 jobs. Average manufacturing weekly hours increased 3.8 percent (SAAR) bringing the average hourly workweek of the manufacturing sector to 40.4 hours. The final positive contributor was the Tennessee leading index which increased 0.7 percent (SAAR).

Labor market data not used in compiling Chattanooga's index were mixed. Total nonagricultural employment fell in October at a rate of 6.4 percent (SAAR), which represented a loss of 1,300 jobs. The manufacturing and service sectors also suffered losses as they decreased 4.2 and 5.1 percent (SAAR) respectively. Despite these losses, the unemployment rate fell two-tenths of a point to 3.3 percent, which is the lowest it has been in over a year. This is also considerably below the state unemployment rate of 4.5 percent.

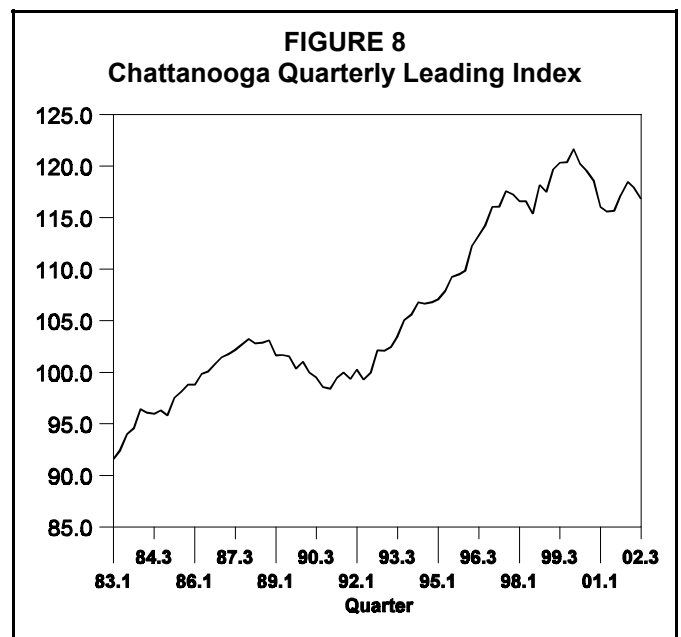
The Chattanooga area recovered from September's decline in October, and the year-over-year percent change is positive and has continued to be so since November 2001. Unfortunately, Chattanooga's large gain in construction employment was not enough to offset losses in other sectors as total nonagricultural employment fell. The area did, however, see a decline in its unemployment rate. The Chattanooga MSA would benefit from a turnaround in inflation-adjusted taxable sales. Most important would be an improvement in the national economic outlook. Like the state, expect a mixed pattern of growth into the second quarter of 2003.

CHATTANOOGA ECONOMIC INDICATORS SEASONALLY ADJUSTED

	200208	200209	200210	2001
Leading Index (1992=100).....	117.5	116.2	116.9	116.2
% Chg Prev Month SAAR.....	8.4	-12.5	7.2	-3.2
% Chg Same Month Last Yr....	1.2	0.7	0.8	-3.2
Nonag Employment (THOU)(1)....	235.0	235.5	234.2	235.2
% Chg Prev Month SAAR.....	-0.2	2.8	-6.4	-0.2
% Chg Same Month Last Yr....	0.2	-0.2	-0.5	-0.2
Unemployment Rate (%) (1).....	3.6	3.5	3.3	3.2
Mfg Employment (THOU)(1).....	40.9	40.6	40.5	43.1
% Chg Prev Month SAAR.....	-1.2	-9.1	-4.2	-5.8
% Chg Same Month Last Yr....	-4.0	-4.9	-5.6	-5.8
Mfg Avg Weekly Hours(1).....	40.2	40.2	40.4	38.9
% Chg Prev Month SAAR.....	-17.1	0.4	3.8	-4.4
% Chg Same Month Last Yr....	2.4	2.9	2.8	-4.4
Const Employment (THOU)(1)....	9.5	9.5	9.8	9.6
% Chg Prev Month SAAR.....	-16.6	6.3	42.3	-6.5
% Chg Same Month Last Yr....	-0.1	0.0	0.2	-6.5
Taxable Sales (MIL \$)(2).....	408	376	375	4795
% Chg Prev Month SAAR.....	266.9	-61.9	-4.0	1.0
% Chg Same Month Last Yr....	-0.2	-4.2	-4.2	1.0
Taxable Sales (MIL 96 \$)(2)...	366	337	335	4376
% Chg Prev Month SAAR.....	257.2	-62.8	-6.4	-1.1
% Chg Same Month Last Yr....	-1.6	-6.2	-5.8	-1.1

NOTES:

- (1) Calculated U.S. Bureau of Labor Statistics data.
- (2) Calculated Tennessee Department of Revenue data.



The Knoxville Metropolitan Statistical Area (MSA) index of leading economic activity fell 5.4 percent (SAAR) in October because of declines in two of its four component series. The chief negative contributor to the index was average weekly manufacturing hours which fell 21.4 percent (SAAR) to 39.9 hours. Inflation-adjusted taxable sales was the other negative component as sales fell \$8 million, representing an 11.4 percent (SAAR) decline. The number of construction sector jobs remained unchanged. The final contributor to the index, the Tennessee leading index, rose 0.7 percent (SAAR) in October.

Labor market data not included in the Knoxville leading index in October offer mixed evidence on the condition of the area economy. Nonagricultural employment fell at a 10.1 percent (SAAR) rate. Manufacturing employment fell 23.8 percent (SAAR), representing a loss of 1,000 jobs. The service sector did enjoy an 18.2 percent (SAAR) increase. This gain in the service sector was enough to offset losses in the other sectors as the unemployment rate for the Knoxville MSA remained unchanged at 3.3 percent, leaving it considerably below the state and national rates of unemployment.

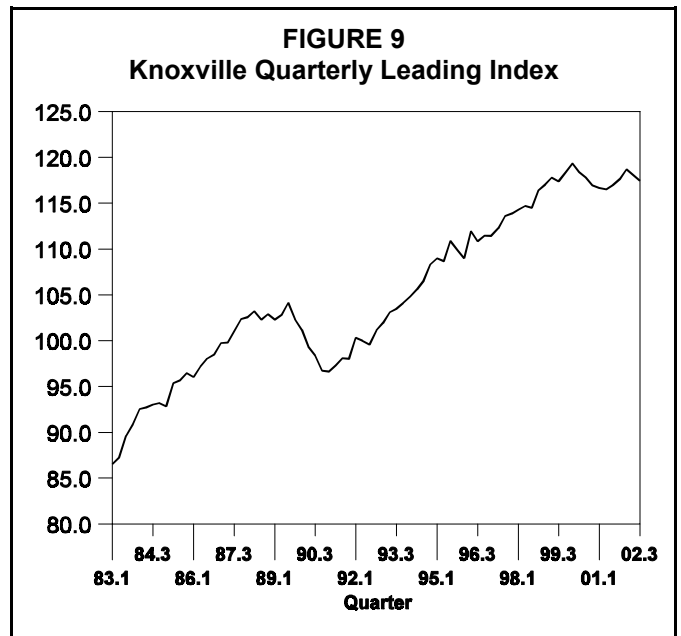
October's setback in the Knoxville MSA leading index is the second consecutive month of decline. In addition, the year-over-year percent change fell into the red this month, indicating that economic activity in the Knoxville area is lower in October 2002 than it was in October 2001. With little support anticipated from the state and national economies, substantial growth in economic activity in the Knoxville MSA is not expected through early 2003.

KNOXVILLE ECONOMIC INDICATORS SEASONALLY ADJUSTED

	200208	200209	200210	2001
Leading Index (1992=100).....	118.1	116.8	116.3	117.0
% Chg Prev Month SAAR.....	5.9	-12.2	-5.4	-1.0
% Chg Same Month Last Yr....	0.9	0.2	-0.5	-1.0
Nonag Employment (THOU)(1)....	347.8	347.8	344.7	343.9
% Chg Prev Month SAAR.....	3.5	-0.1	-10.1	1.4
% Chg Same Month Last Yr....	0.4	-0.1	-0.3	1.4
Unemployment Rate (%) (1).....	3.2	3.3	3.3	3.4
Mfg Employment (THOU)(1).....	45.6	45.4	44.4	45.5
% Chg Prev Month SAAR.....	-4.7	-6.5	-23.8	-4.3
% Chg Same Month Last Yr....	0.6	-0.2	-2.0	-4.3
Mfg Avg Weekly Hours(1).....	40.5	40.7	39.9	40.8
% Chg Prev Month SAAR.....	-16.9	7.3	-21.4	1.4
% Chg Same Month Last Yr....	-1.1	-1.0	-3.3	1.4
Const Employment (THOU)(1)....	17.2	16.9	16.9	16.9
% Chg Prev Month SAAR.....	13.0	-20.7	0.0	-1.2
% Chg Same Month Last Yr....	0.6	0.6	0.6	-1.2
Taxable Sales (MIL \$(2)).....	952	908	900	11264
% Chg Prev Month SAAR.....	65.9	-43.9	-9.1	3.0
% Chg Same Month Last Yr....	1.5	-3.1	-6.1	3.0
Taxable Sales (MIL 96 \$(2))...	855	813	805	10281
% Chg Prev Month SAAR.....	61.5	-45.2	-11.4	0.9
% Chg Same Month Last Yr....	0.0	-5.2	-7.7	0.9

NOTES:

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



MEMPHIS

The Memphis Metropolitan Statistical Area (MSA) index of leading economic activity fell for the second consecutive month. The setback for October amounted to 12.7 percent (SAAR). Despite this month's decline, the year-over-year percent change increased for the first time in eight months. Gains were enjoyed in three of the five component series which make up the Memphis MSA index. The largest positive contributor was inflation-adjusted taxable sales, which jumped 99.1 percent (SAAR) to bring sales to \$925 million. Average weekly manufacturing hours rose 7.0 percent (SAAR) to 40.4 hours per week. The final positive contributor was the Tennessee leading index which increased 0.7 percent (SAAR) in October. The Memphis area help wanted index suffered the largest setback with a decrease of 96.0 percent (SAAR). Construction employment in the area was the other negative contributor as the sector lost 300 jobs leading to a 16.2 percent (SAAR) decrease.

Labor market data from October for the Memphis area is mostly negative. For the second consecutive month, total nonagricultural employment dropped 5.1 percent (SAAR). The year-over-year percent change in nonagricultural employment has been consistently negative since September 2001. Manufacturing sector employment also declined due to the loss of 1,000 jobs, representing a 20.7 percent (SAAR) decrease. Service sector employment realized the only gains in employment as it increased by 2.8 percent (SAAR). Despite the losses in nonagricultural employment, the area's unemployment rate fell four-tenths of a point to 4.6 percent. This is the lowest it has been since October 2001, but it is still slightly higher than the statewide unemployment rate of 4.5 percent.

The Memphis economy continues to be a source of frustration, as any momentum seems to be countered with setbacks. The year-over-year percent change this month was finally positive after seven consecutive months of being negative, indicating the level of the Memphis economic activity is finally greater than last year. But, with the state and national indices showing few signs of strong and consistent growth, substantial and sustained advancement in the Memphis MSA economy is not anticipated in the short-term.

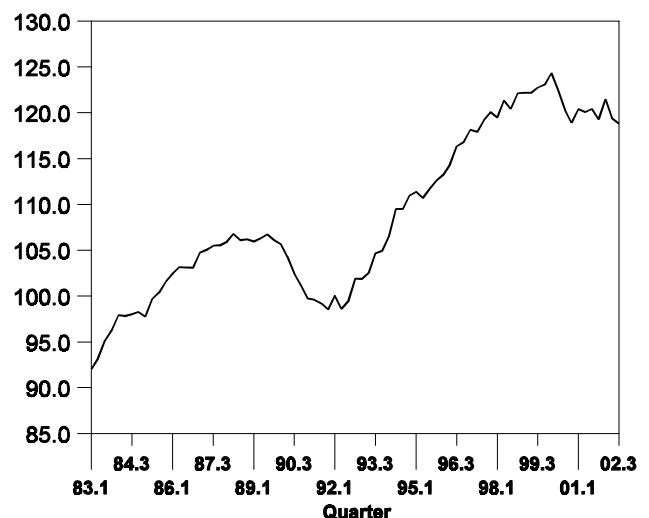
MEMPHIS ECONOMIC INDICATORS SEASONALLY ADJUSTED

	200208	200209	200210	2001
Leading Index (1992=100).....	119.4	119.3	118.0	120.0
% Chg Prev Month SAAR.....	17.2	-0.4	-12.7	-1.2
% Chg Same Month Last Yr....	-0.4	-1.4	0.1	-1.2
Nonag Employment (THOU)(1)....	590.3	588.9	586.3	595.0
% Chg Prev Month SAAR.....	4.5	-2.9	-5.1	-0.1
% Chg Same Month Last Yr....	-1.8	-1.9	-1.8	-0.1
Unemployment Rate (%).....	4.8	5.0	4.6	4.2
Mfg Employment (THOU)(1).....	55.3	55.4	54.4	58.7
% Chg Prev Month SAAR.....	-7.7	1.8	-20.7	-4.9
% Chg Same Month Last Yr....	-5.3	-5.8	-5.7	-4.9
Mfg Avg Weekly Hours(1).....	40.4	40.1	40.4	40.5
% Chg Prev Month SAAR.....	47.5	-7.2	7.0	-0.4
% Chg Same Month Last Yr....	0.7	-1.4	-0.9	-0.4
Const Employment (THOU)(1)....	24.7	24.8	24.5	26.1
% Chg Prev Month SAAR.....	10.2	5.2	-16.2	-1.9
% Chg Same Month Last Yr....	-4.8	-4.8	-4.9	-1.9
Taxable Sales (MIL \$)(2).....	999	974	1034	12652
% Chg Prev Month SAAR.....	7.6	-25.4	104.1	-0.7
% Chg Same Month Last Yr....	-2.9	-6.4	15.5	-0.7
Taxable Sales (MIL 96 \$)(2)....	897	873	925	11548
% Chg Prev Month SAAR.....	4.8	-27.1	99.1	-2.7
% Chg Same Month Last Yr....	-4.3	-8.3	13.6	-2.7
Help Wanted Index(1987=100)(3)	106.0	119.0	91.0	97.7
% Chg Prev Month SAAR.....	101.2	300.8	-96.0	9.4
% Chg Same Month Last Yr....	1.0	0.0	-4.2	9.4

NOTES:

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

FIGURE 10
Memphis Quarterly Leading Index



Recovering after last month's downturn, the Nashville Metropolitan Statistical Area (MSA) index of leading economic activity rose 0.9 percent (SAAR) in October. The year-over-year percent change in Nashville's leading index was up 1.0 percent (SAAR) as compared to October 2001. The largest positive component was the average length of a manufacturing workweek, as it increased 22.8 percent (SAAR) to 39.4 hours per week. The only other positive contributor was the Tennessee leading index, which increased 0.7 percent (SAAR). The help-wanted index was the largest negative component, falling 28.0 percent (SAAR). Inflation-adjusted taxable sales also dropped 13.9 percent (SAAR) bringing the level of taxable sales in Nashville to \$1,357 million. The year-over-year percent change in inflation-adjusted taxable sales has been negative for seven consecutive months. The construction sector lost 100 jobs this month, representing a 4.0 percent (SAAR) decline.

Other employment data from the Nashville MSA not used to compile the leading index were somewhat mixed. Total nonagricultural employment dropped 6.5 percent (SAAR) due to the loss of 3,900 jobs. The manufacturing sector lost 600 jobs causing employment to fall 7.8 percent (SAAR). Service sector employment increased 1.5 percent (SAAR) in October. Despite the losses in total nonagricultural employment, the unemployment rate fell four-tenths of a point to 3.4 percent, which is well below the rate for the state and the nation, and is the lowest it has been since October 2001.

Nashville's performance for the month of October is mixed. While many of the components that make up the index decreased, the overall index itself enjoyed a slight gain. Even with the losses in total nonagricultural employment, the year-over-year percent change in this series continues to be positive and the area unemployment rate is low. The Nashville MSA should expect a continuation of mixed growth through the second quarter of 2003.

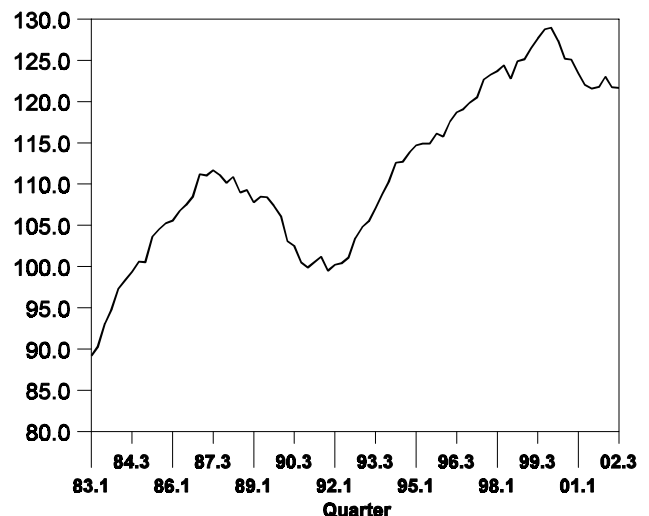
NASHVILLE ECONOMIC INDICATORS SEASONALLY ADJUSTED

	200208	200209	200210	2001
Leading Index (1992=100).....	122.1	121.5	121.6	122.2
% Chg Prev Month SAAR.....	7.5	-6.0	0.9	-3.5
% Chg Same Month Last Yr....	0.2	0.3	1.0	-3.5
Nonag Employment (THOU)(1)....	694.3	692.6	688.7	683.3
% Chg Prev Month SAAR.....	7.6	-2.9	-6.5	0.4
% Chg Same Month Last Yr....	0.5	0.3	0.3	0.4
Unemployment Rate (%) (1).....	3.7	3.8	3.4	3.3
Mfg Employment (THOU)(1).....	91.9	90.9	90.3	91.7
% Chg Prev Month SAAR.....	9.5	-11.7	-7.8	-5.3
% Chg Same Month Last Yr....	-1.2	-2.2	-2.4	-5.3
Mfg Avg Weekly Hours(1).....	38.8	38.7	39.4	39.2
% Chg Prev Month SAAR.....	-5.3	-2.7	22.8	-1.4
% Chg Same Month Last Yr....	-2.5	-1.2	2.1	-1.4
Const Employment (THOU)(1)....	33.7	33.6	33.5	33.1
% Chg Prev Month SAAR.....	13.1	-3.6	-4.0	-3.6
% Chg Same Month Last Yr....	1.2	1.2	1.2	-3.6
Taxable Sales (MIL \$)(2).....	1550	1534	1518	19186
% Chg Prev Month SAAR.....	62.0	-11.7	-11.8	-0.8
% Chg Same Month Last Yr....	-1.5	-3.1	-4.7	-0.8
Taxable Sales (MIL 96 \$)(2)...	1391	1374	1357	17512
% Chg Prev Month SAAR.....	57.7	-13.7	-13.9	-2.8
% Chg Same Month Last Yr....	-2.9	-5.1	-6.3	-2.8
Help Wanted Index(1987=100)(3)	72.0	74.0	72.0	81.2
% Chg Prev Month SAAR.....	-15.3	38.9	-28.0	-26.1
% Chg Same Month Last Yr....	-2.7	2.8	5.9	-26.1

NOTES:

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

FIGURE 11
Nashville Quarterly Leading Index



TRI-CITIES

Due to losses in two of its four component series, the Tri-Cities Metropolitan Statistical Area (MSA) index of leading economic activity dropped 3.8 percent (SAAR) in October. The length of the average manufacturing workweek suffered the largest setback, falling 23.9 percent (SAAR) to 37.3 hours per week. Inflation-adjusted taxable sales fell 10.6 percent (SAAR) as October sales suffered losses of \$3 million, lowering the level of sales to \$296 million. This represents the fifth consecutive month of downturn for inflation-adjusted taxable sales, and the fourth consecutive month the year-over-year percent change has been negative. The largest positive component was construction employment. The construction sector gained 200 jobs, representing a 24.9 percent (SAAR) increase. The Tennessee leading index, which rose 0.7 percent (SAAR) in October, was the other positive contributor.

Other employment data not used to compute the leading index were very positive as all broad sectors enjoyed gains in employment in October. Total nonagricultural employment rose 0.9 percent (SAAR), while manufacturing employment increased 10.1 percent (SAAR) and the service sector enjoyed a gain of 0.1 percent (SAAR). These gains, coupled with the gains in construction employment, helped lower the area's unemployment rate three-tenths of a point to 4.8 percent. Although this is the lowest the Tri-Cities unemployment rate has been in over a year, the area's unemployment rate continues to be higher than the Tennessee unemployment rate of 4.5 percent.

Even with the Tri-Cities area index suffering a loss this month, the year-over-year percent change for the index continues to be positive representing some growth over the prior year. Moreover, labor market conditions improved markedly in October. The Tri-Cities area must build upon this month's growth in employment and turn around the dismal performance of inflation-adjusted taxable sales. Some growth in the Tri-Cities area could be expected in the short run, but state and national economic conditions may constrain the area's prospects through early 2003.

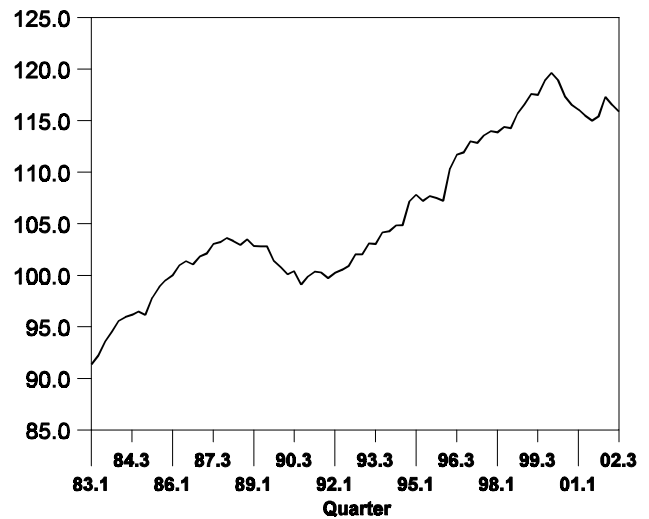
TRI-CITIES ECONOMIC INDICATORS SEASONALLY ADJUSTED

	200208	200209	200210	2001
Leading Index (1992=100).....	116.4	115.6	115.2	115.5
% Chg Prev Month SAAR.....	8.8	-8.2	-3.8	-2.2
% Chg Same Month Last Yr....	1.4	0.6	0.8	-2.2
Nonag Employment (THOU)(1)....	196.0	195.2	195.3	197.8
% Chg Prev Month SAAR.....	0.2	-5.0	0.9	-0.1
% Chg Same Month Last Yr....	-1.9	-1.3	-1.1	-0.1
Unemployment Rate (%) (1).....	5.5	5.1	4.8	4.7
Mfg Employment (THOU)(1).....	42.3	42.0	42.4	44.5
% Chg Prev Month SAAR.....	-18.7	-6.1	10.1	-4.2
% Chg Same Month Last Yr....	-4.3	-4.1	-3.4	-4.2
Mfg Avg Weekly Hours(1).....	38.6	38.2	37.3	37.9
% Chg Prev Month SAAR.....	36.7	-12.1	-23.9	-6.8
% Chg Same Month Last Yr....	2.7	0.9	2.3	-6.8
Const Employment (THOU)(1)....	11.5	11.6	11.8	11.5
% Chg Prev Month SAAR.....	13.6	4.4	24.9	4.2
% Chg Same Month Last Yr....	0.9	0.9	2.6	4.2
Taxable Sales (MIL \$(2).....	333	334	331	4152
% Chg Prev Month SAAR.....	-22.0	2.0	-8.3	2.0
% Chg Same Month Last Yr....	-0.9	-2.5	-6.5	2.0
Taxable Sales (MIL 96 \$(2)...	299	299	296	3790
% Chg Prev Month SAAR.....	-24.0	-0.4	-10.6	-0.1
% Chg Same Month Last Yr....	-2.3	-4.5	-8.1	-0.1

NOTES:

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

FIGURE 12
Tri-Cities Quarterly Leading Index





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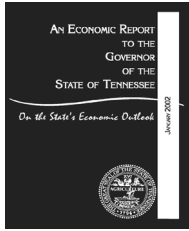
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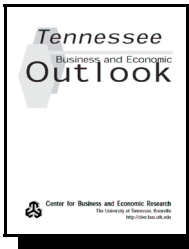


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