




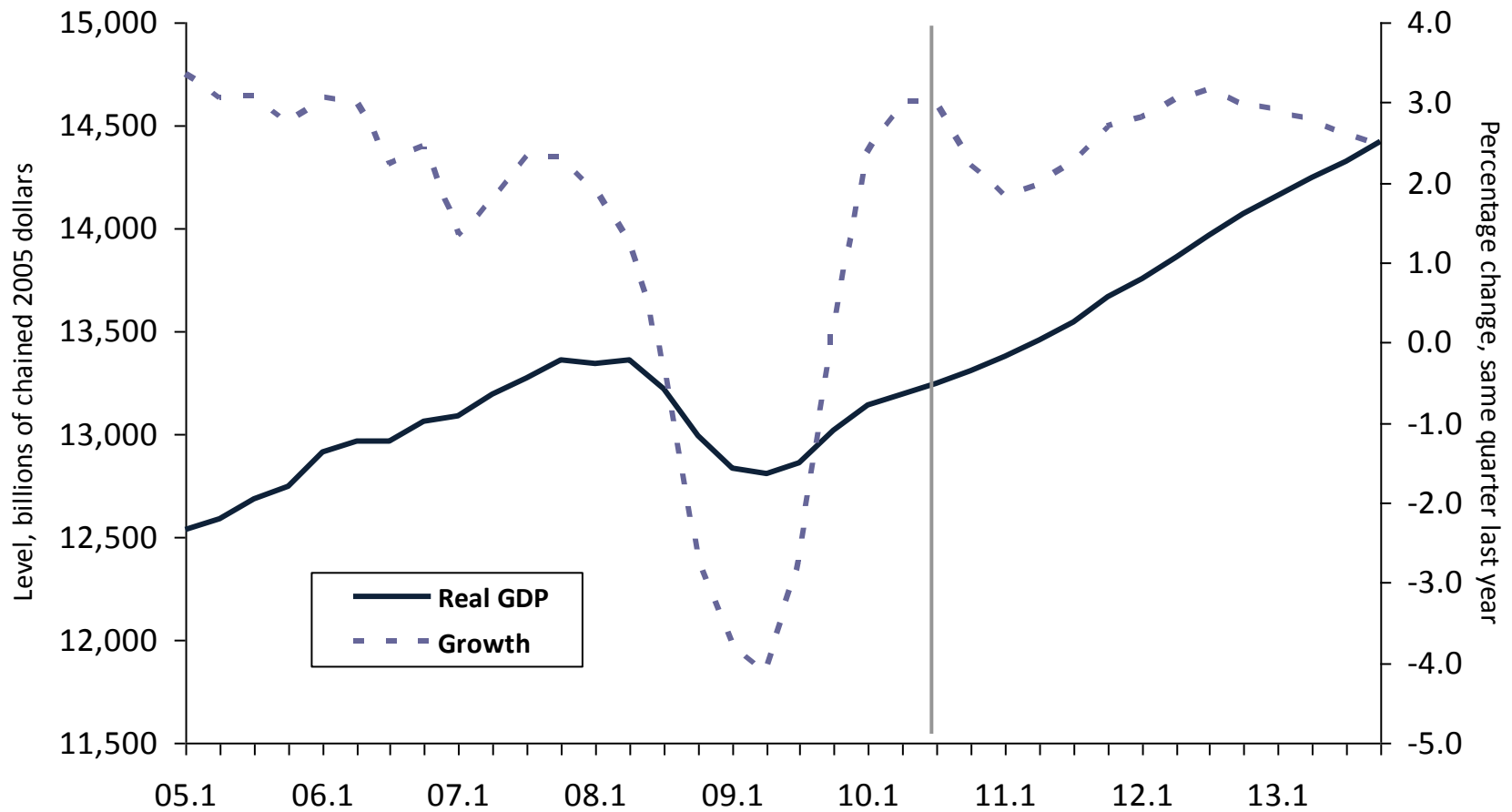
Rebounding from the Trough

Dr. Matthew N. Murray
University of Tennessee
November 3, 2010



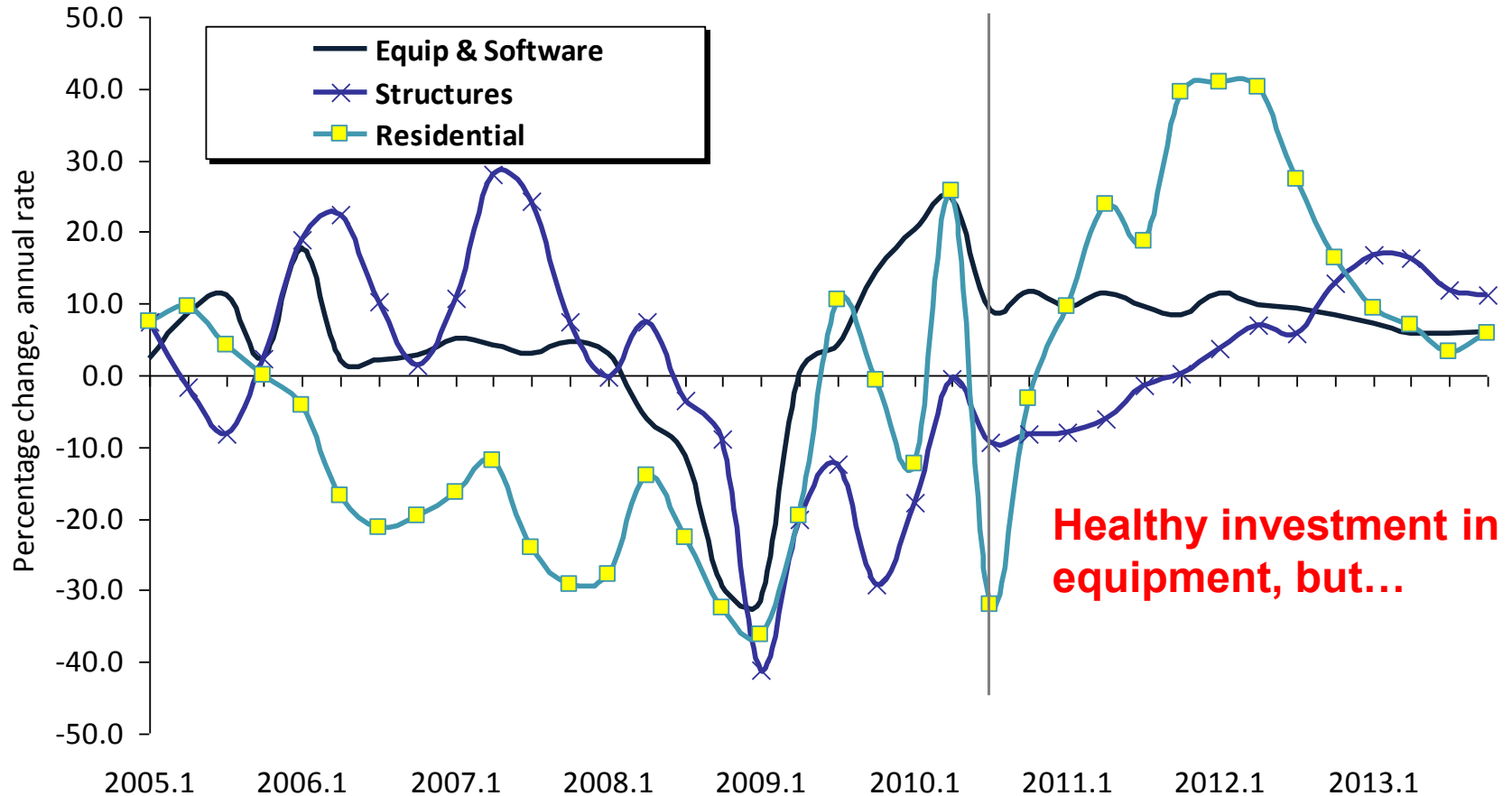
Forecasting is like trying to drive forward while looking out your rear-view mirror

Inflation-Adjusted GDP: 2005 to 2013



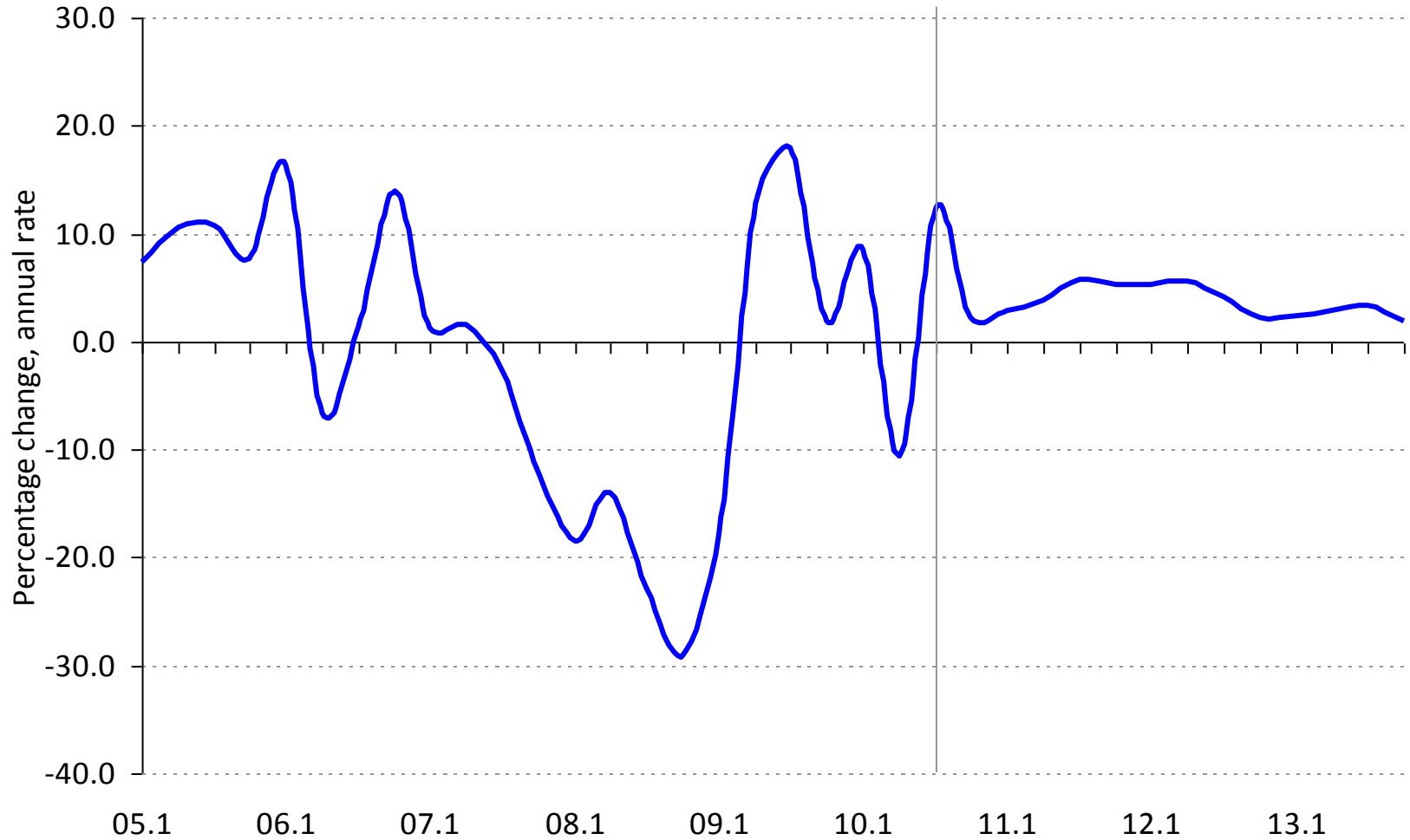
Source: IHS Global Insight, Inc.

U.S. Nonresidential Fixed Investment in Equipment & Software and Structures and Residential Fixed Investment: 2005 to 2013



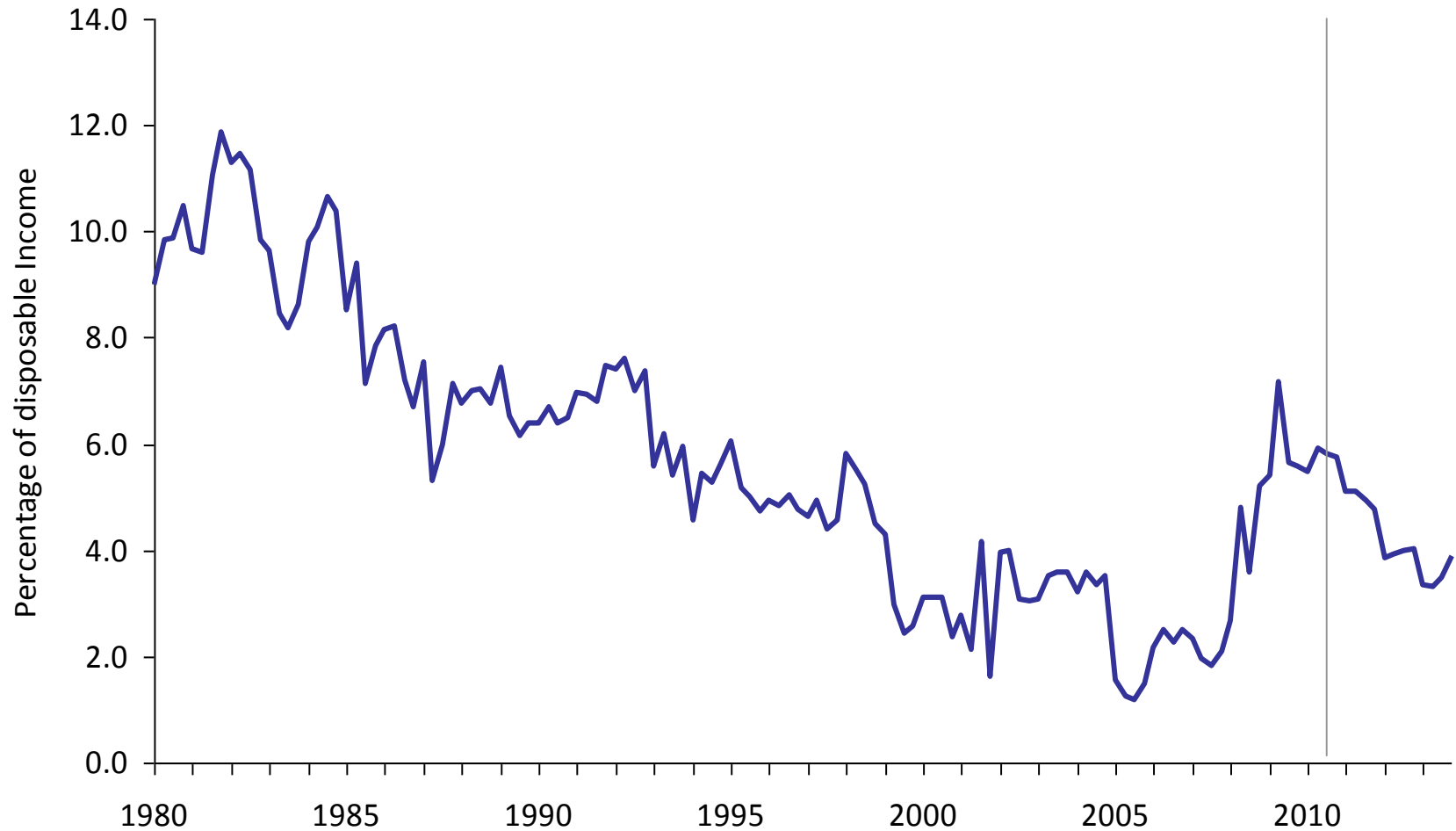
Source: IHS Global Insight, Inc.

Household Net Worth: 2005.1 to 2013.4



Source: IHS Global Insight, Inc.

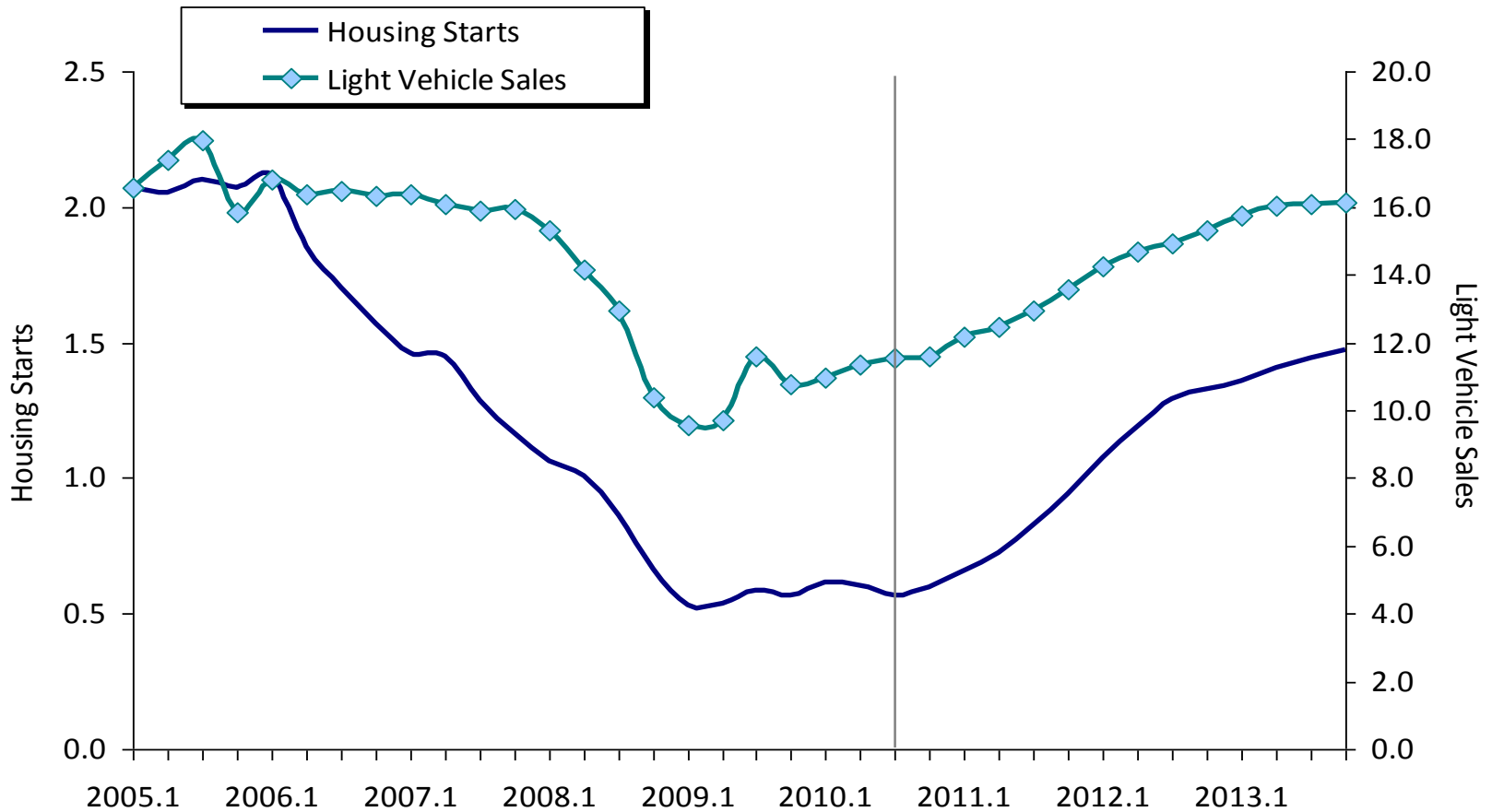
Personal Savings Rate: 1980.1 to 2013.4



Source: Bureau of Economic Analysis and Global Insight, Inc.

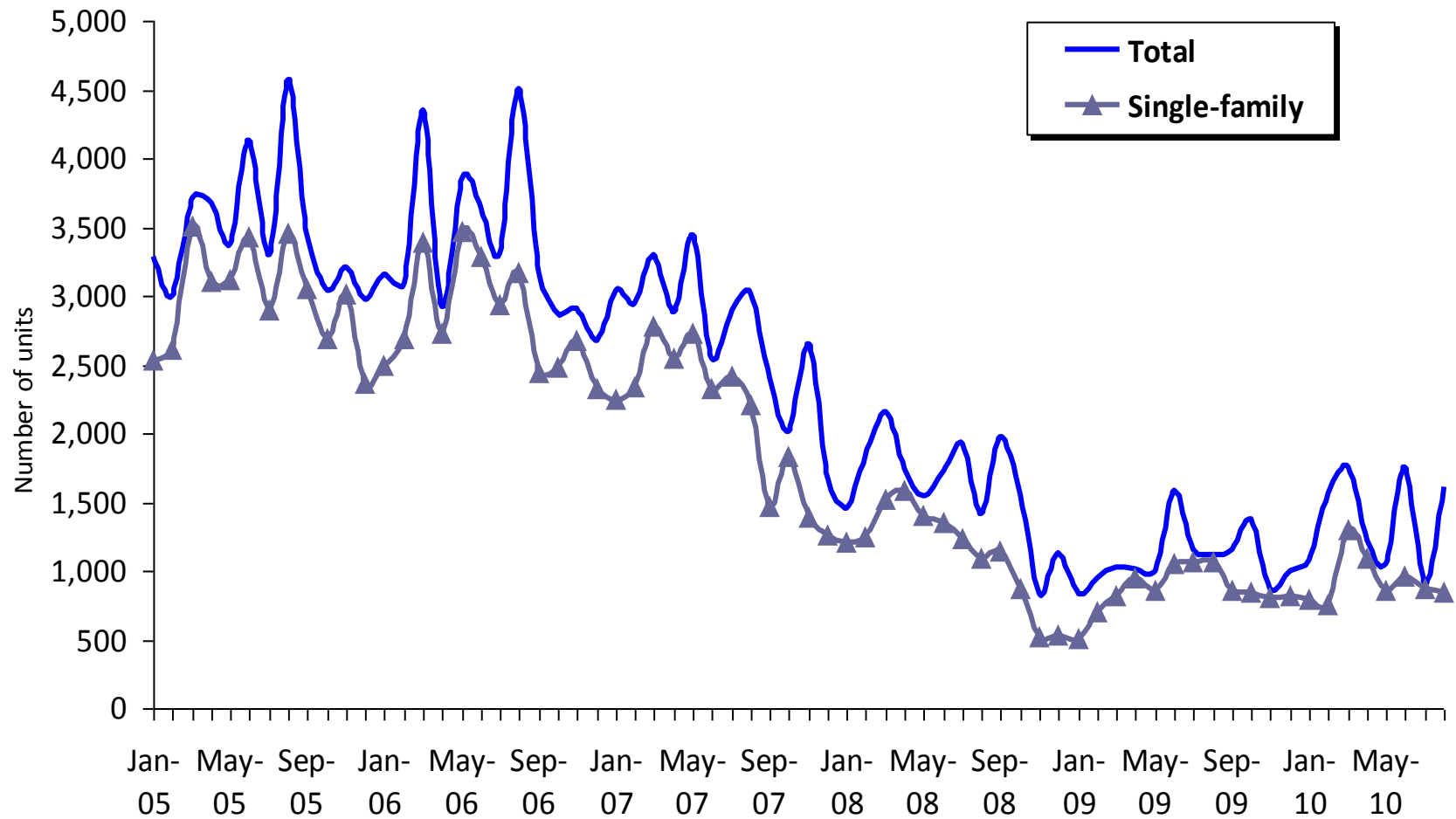
U.S. Housing Starts and Light Vehicle Sales: 2005 to 2013

(millions, annual rate)



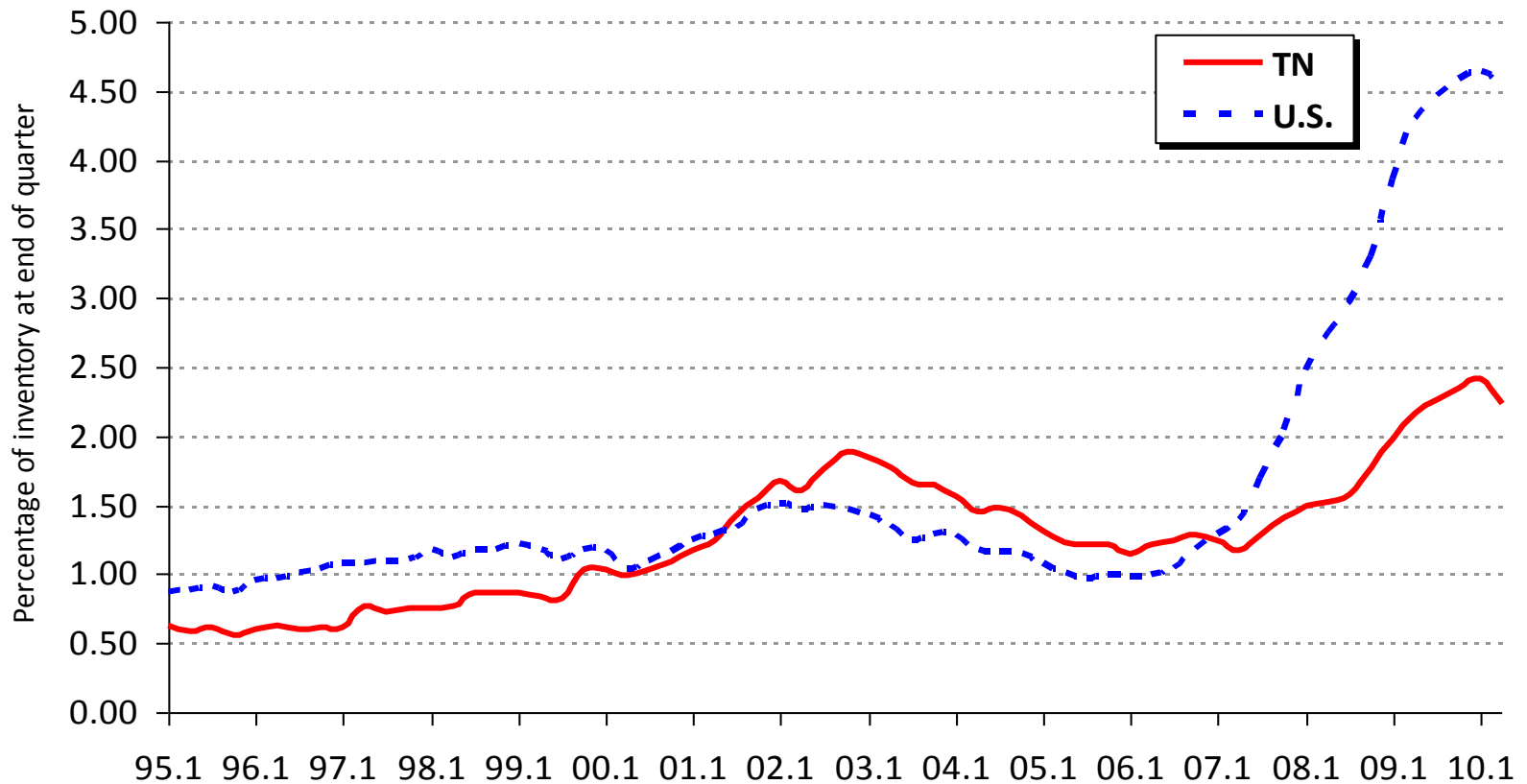
Source: IHS Global Insight, Inc.

Tennessee Building Permits: Jan 2005 to Aug 2010



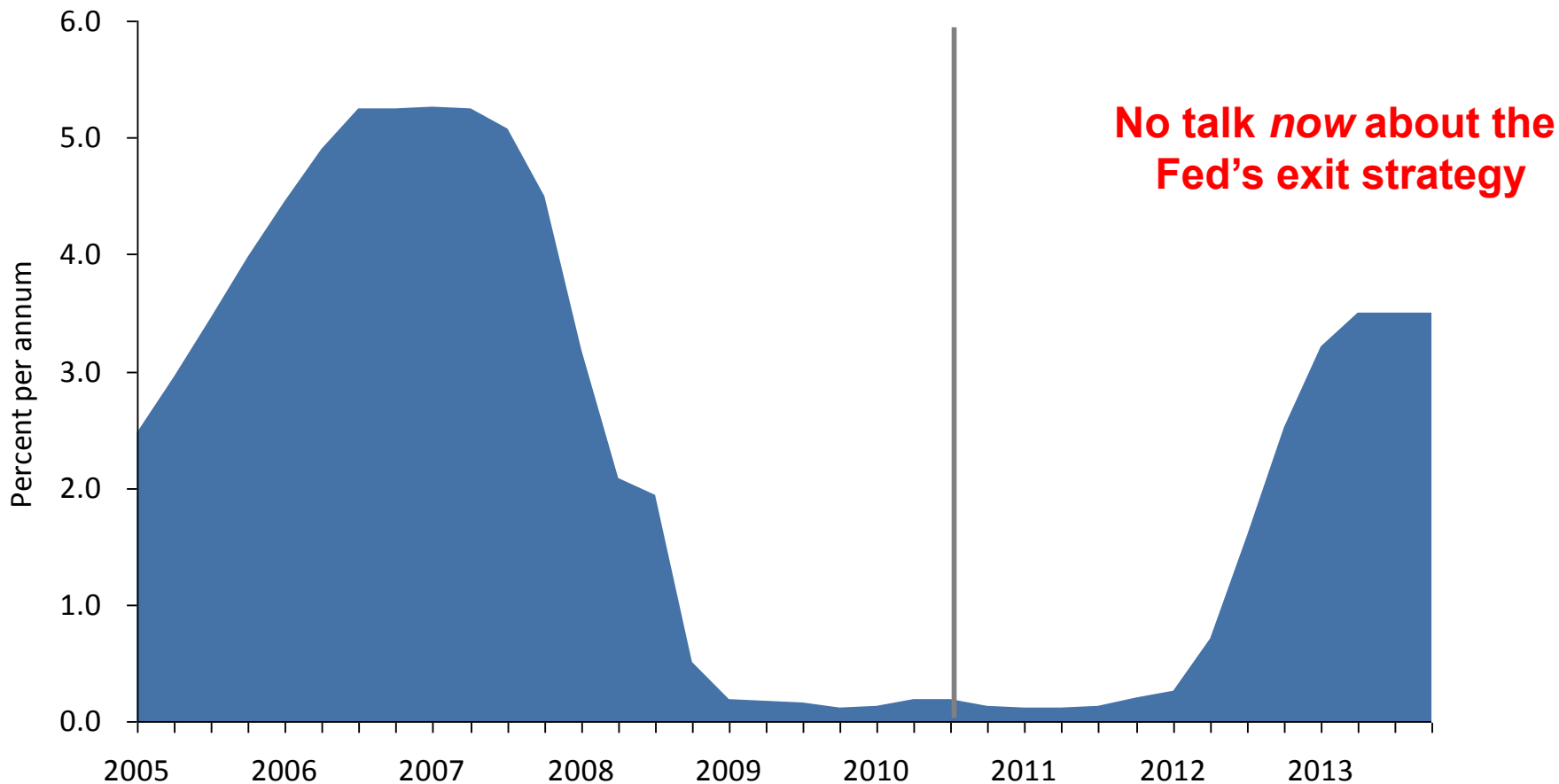
Source: U.S. Census Bureau, Building Permits Survey (as reported in the State of the Cities Data System [SOCDS] database).

Loans In Foreclosure: 1995.1 to 2010.2



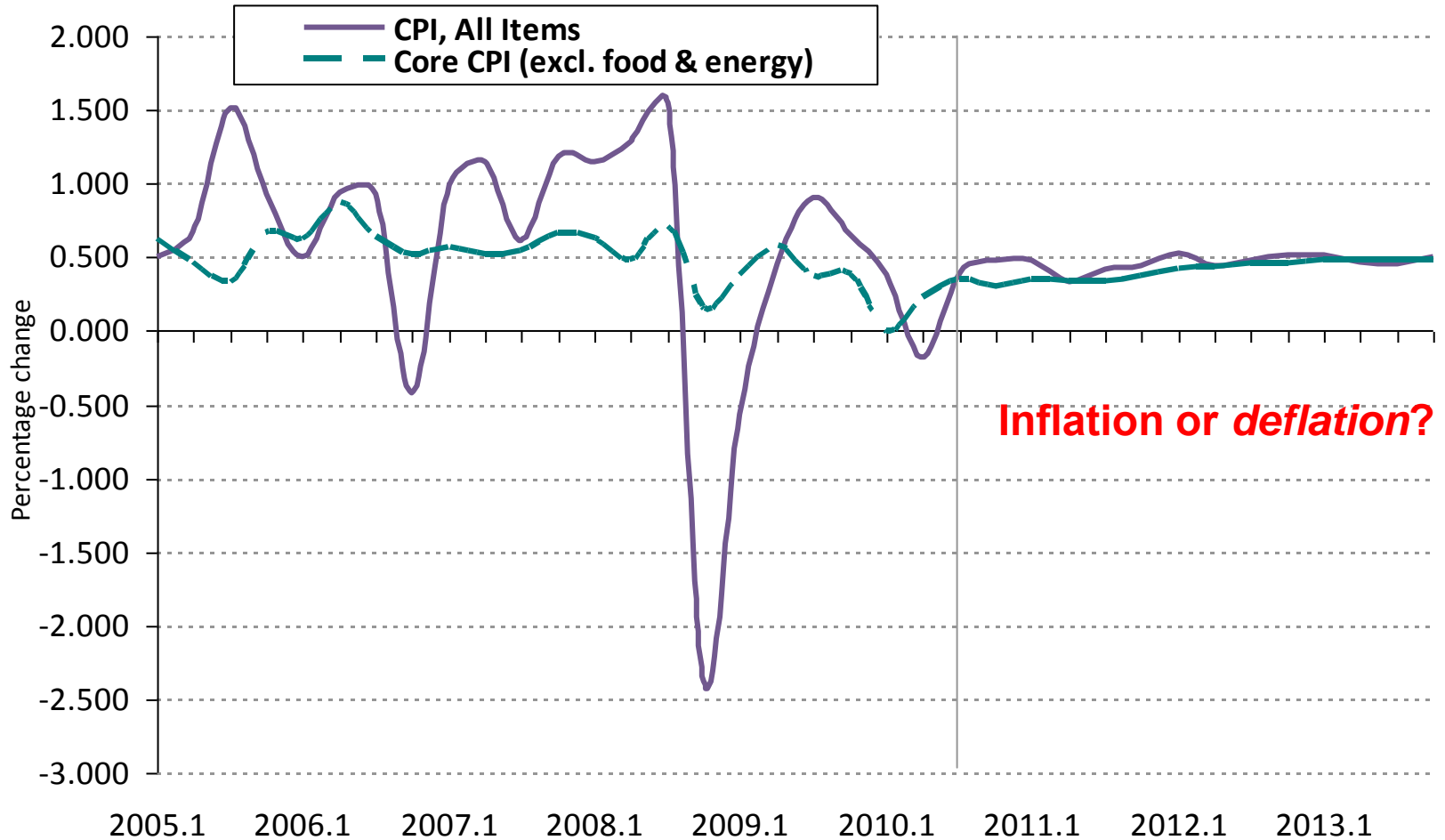
Source: Mortgage Bankers Association, National Delinquency Survey

Federal Funds Rate: 2005.1 to 2013.4



Source: IHS Global Insight, Inc.

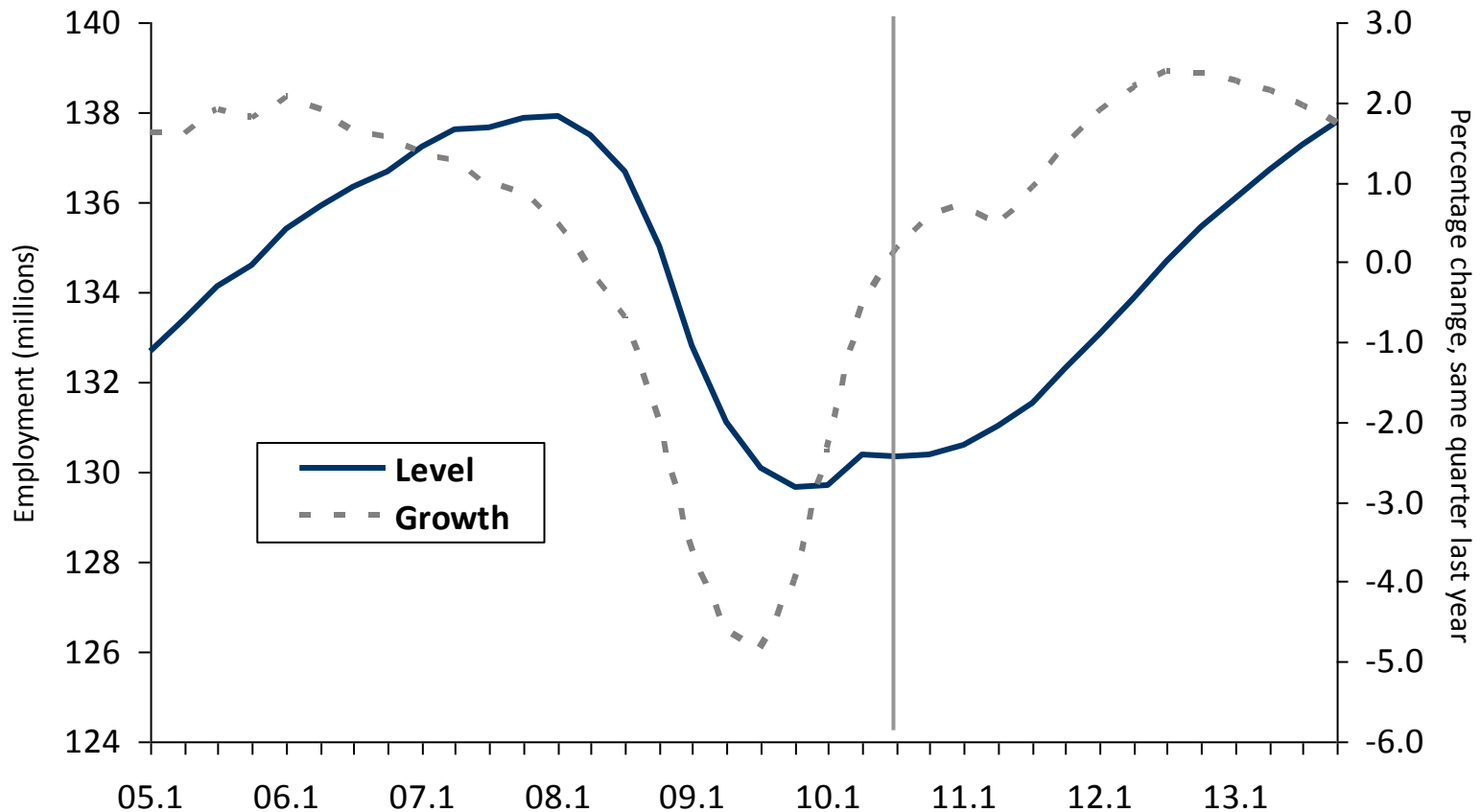
Consumer Price Index, All Items and Core



Source: IHS Global Insight, Inc.

U.S. Nonfarm Employment: 2005 to 2013

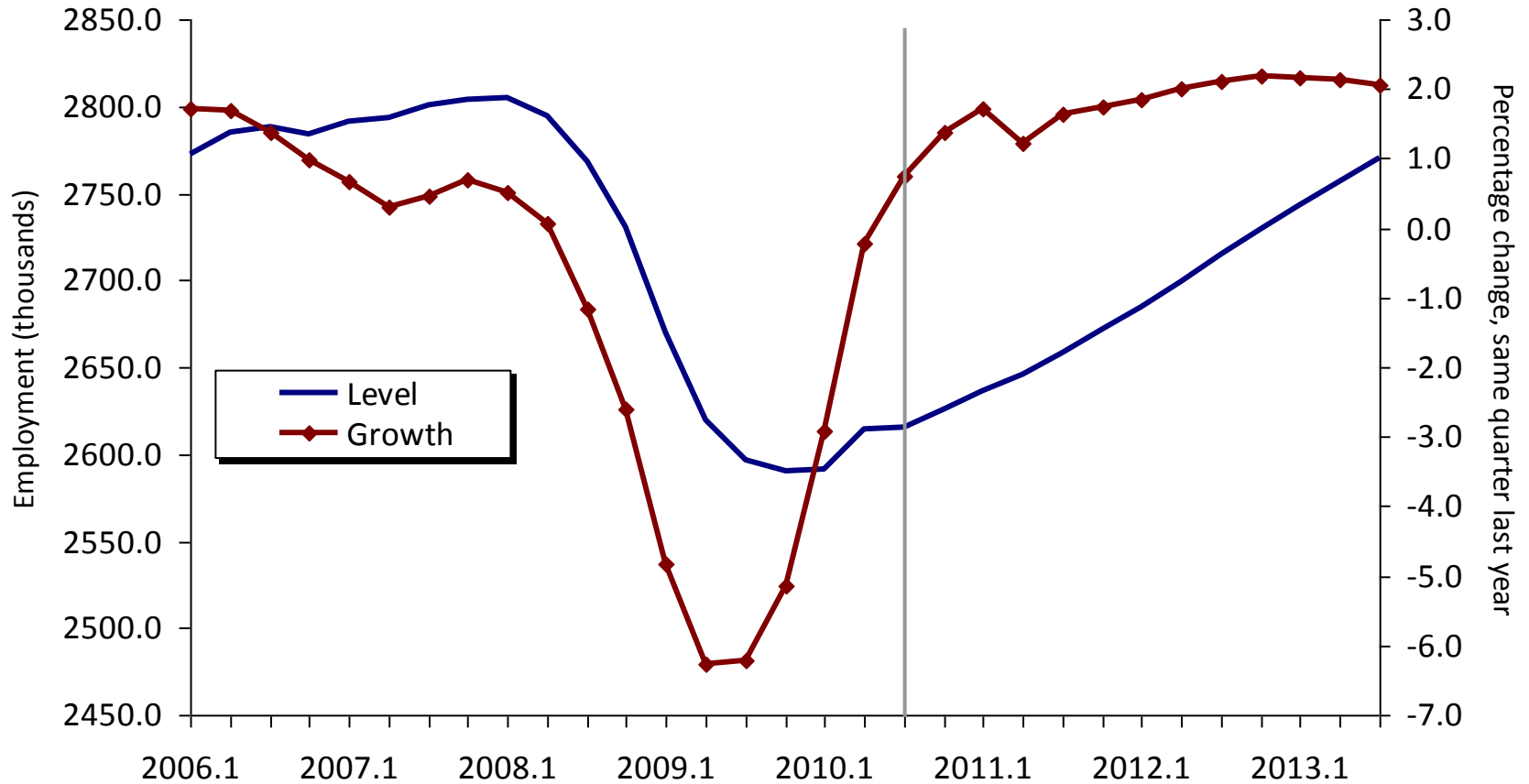
(seasonally adjusted)



Source: IHS Global Insight, Inc.

Tennessee Nonfarm Employment: 2006 to 2013

(seasonally adjusted)



Source: Bureau of Labor Statistics and CBER-UT.

Tennessee Nonfarm Employment by Sector: 1999, 2009 & 2019

	Level (thous)			Growth Rate (%)*	
	1999	2009	2019	1999 to 2009	2009 to 2019
Total Nonfarm	2684.0	2664.8	2938.0	-0.1	1.0
Natural Resources, Mining & Construction.....	128.3	107.4	112.1	-1.8	0.4
Manufacturing.....	499.8	322.4	301.9	-4.3	-0.7
Durable Goods.....	304.5	193.4	188.5	-4.4	-0.3
Nondurable Goods.....	195.3	128.9	113.4	-4.1	-1.3
Trade, Transportation, Utilities.....	584.1	573.5	650.1	-0.2	1.3
Wholesale Trade.....	133.5	126.1	145.4	-0.6	1.4
Retail Trade.....	314.7	312.5	351.6	-0.1	1.2
Transportation & Utilities.....	135.9	134.9	153.0	-0.1	1.3
Information.....	53.4	46.8	52.1	-1.3	1.1
Financial Activities.....	141.9	137.8	145.6	-0.3	0.6
Professional & Business Services.....	290.5	307.2	388.2	0.6	2.4
Education & Health Services.....	275.2	366.6	443.9	2.9	1.9
Leisure & Hospitality.....	228.8	270.7	297.8	1.7	1.0
Other Services.....	91.9	100.8	104.4	0.9	0.3
Government.....	390.2	431.6	442.0	1.0	0.2
Federal, Civilian.....	51.2	50.2	50.0	-0.2	0.0
State & Local.....	338.9	381.4	392.0	1.2	0.3

*compound annual growth rate

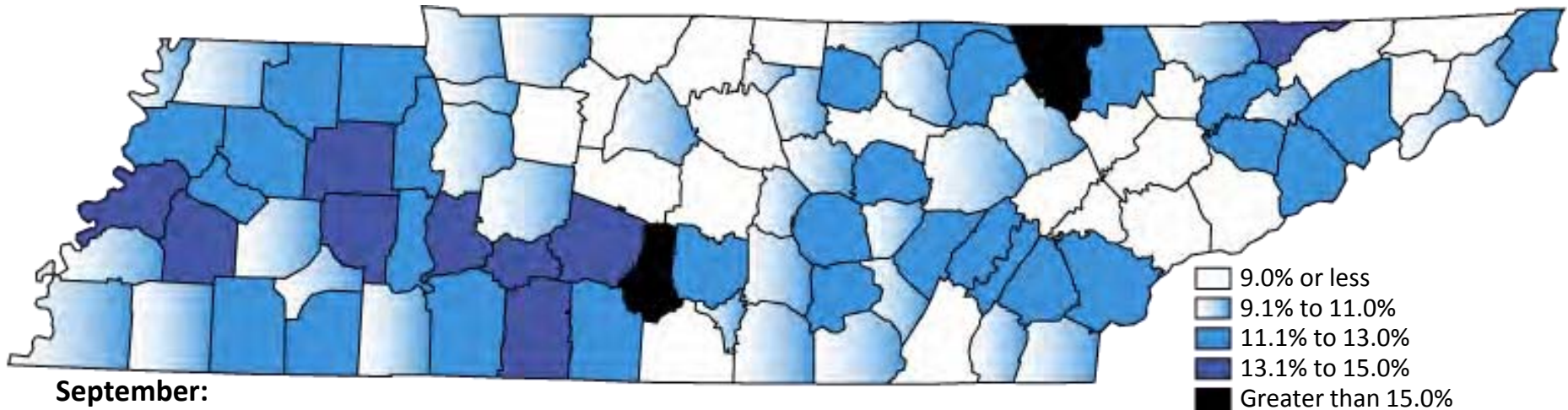
Source: Bureau of Labor Statistics and CBER-UT.

Tennessee County Unemployment Rate: August 2010

(not seasonally adjusted)

Tennessee: 9.6% NSA

United States: 9.5% NSA



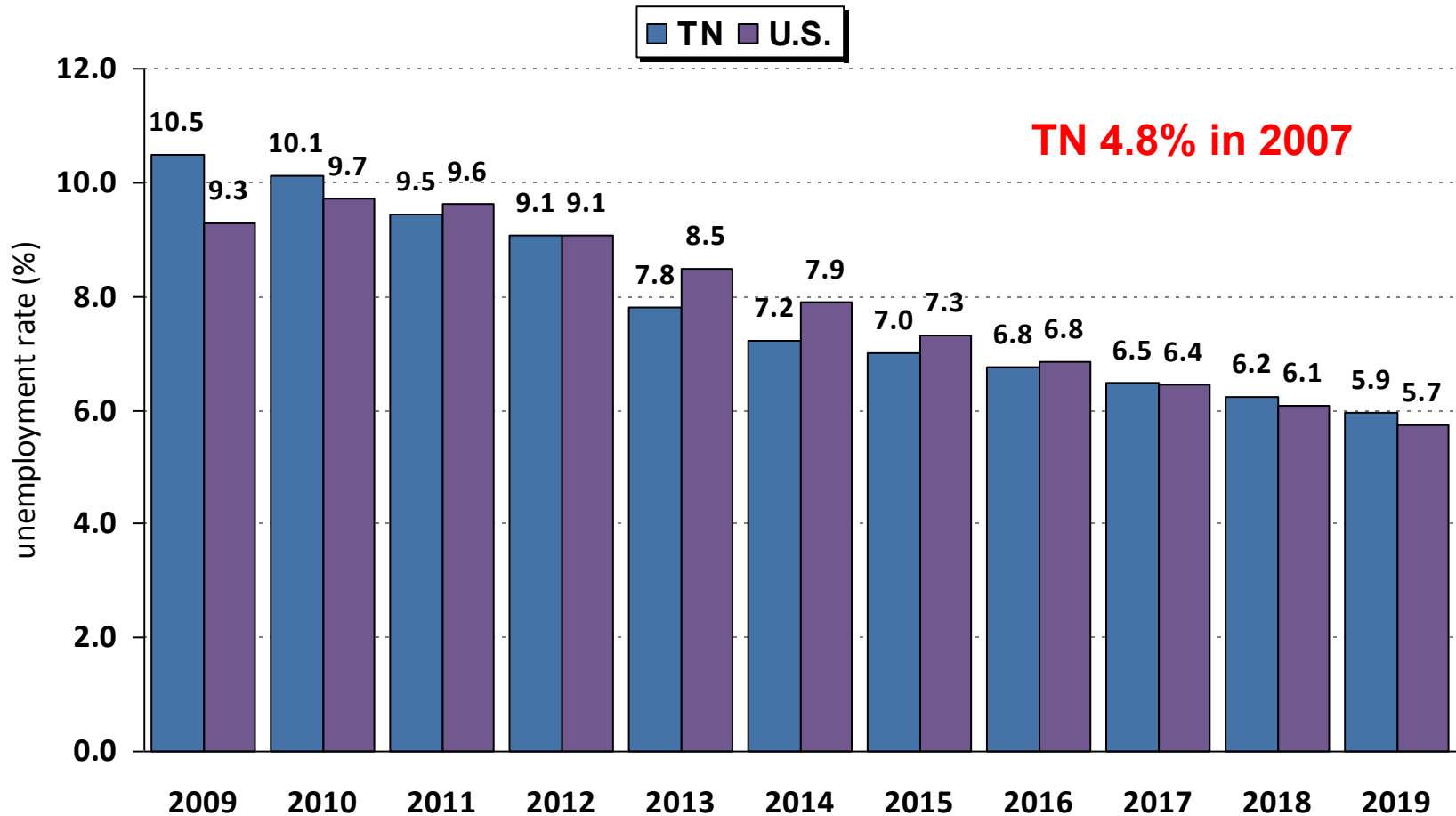
September:

Tennessee: 9.4% SA

United States: 9.6% SA

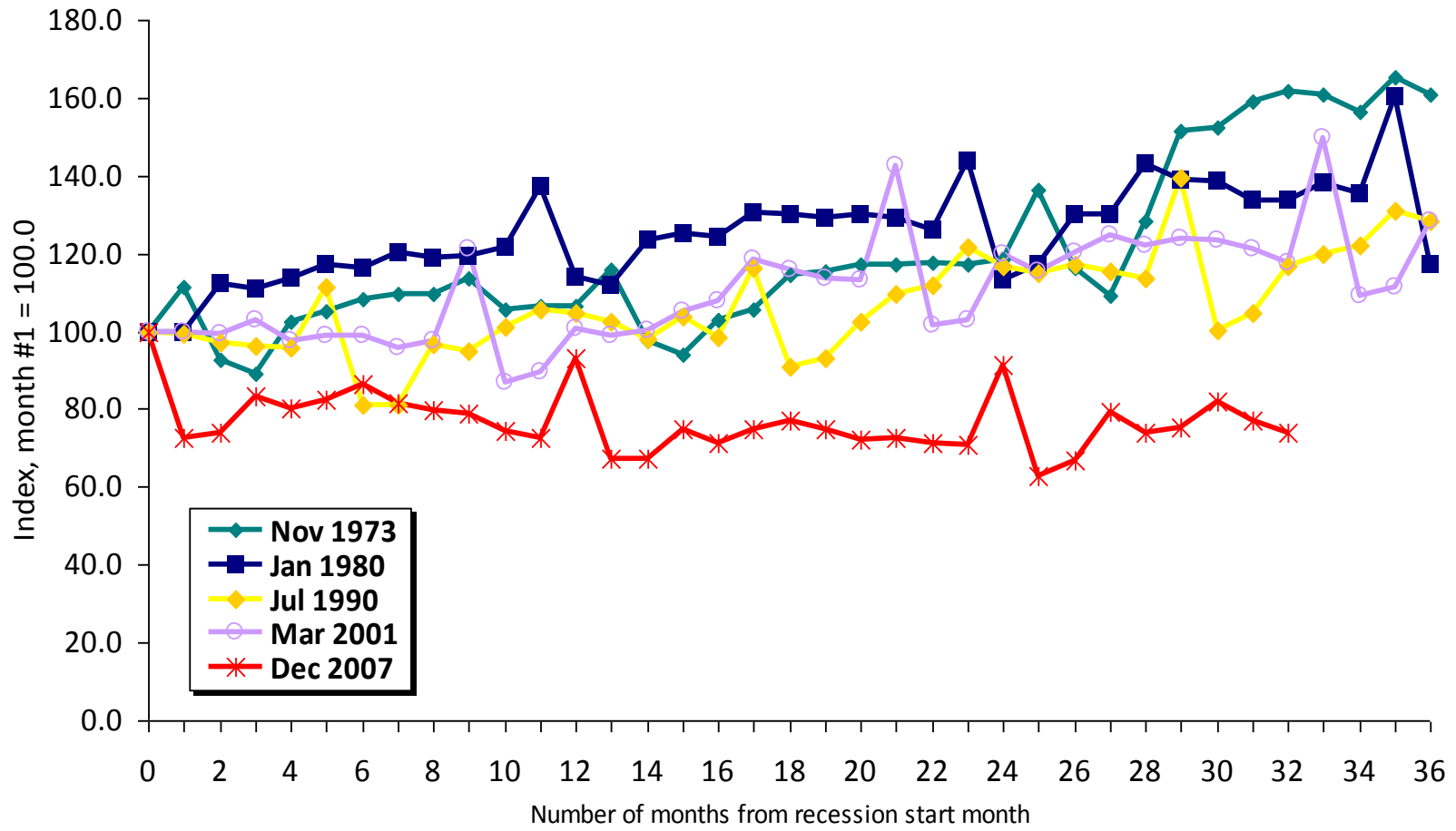
Source: Bureau of Labor Statistics.

Annual Unemployment Rate: 2009 to 2019



Source: Bureau of Labor Statistics; IHS Global Insight, Inc.; and CBER-UT.

Tennessee Monthly Sales & Use Tax Revenue Indexed to Beginning of Recession



Source: Calculated by CBER using data from the Tennessee Department of Revenue.

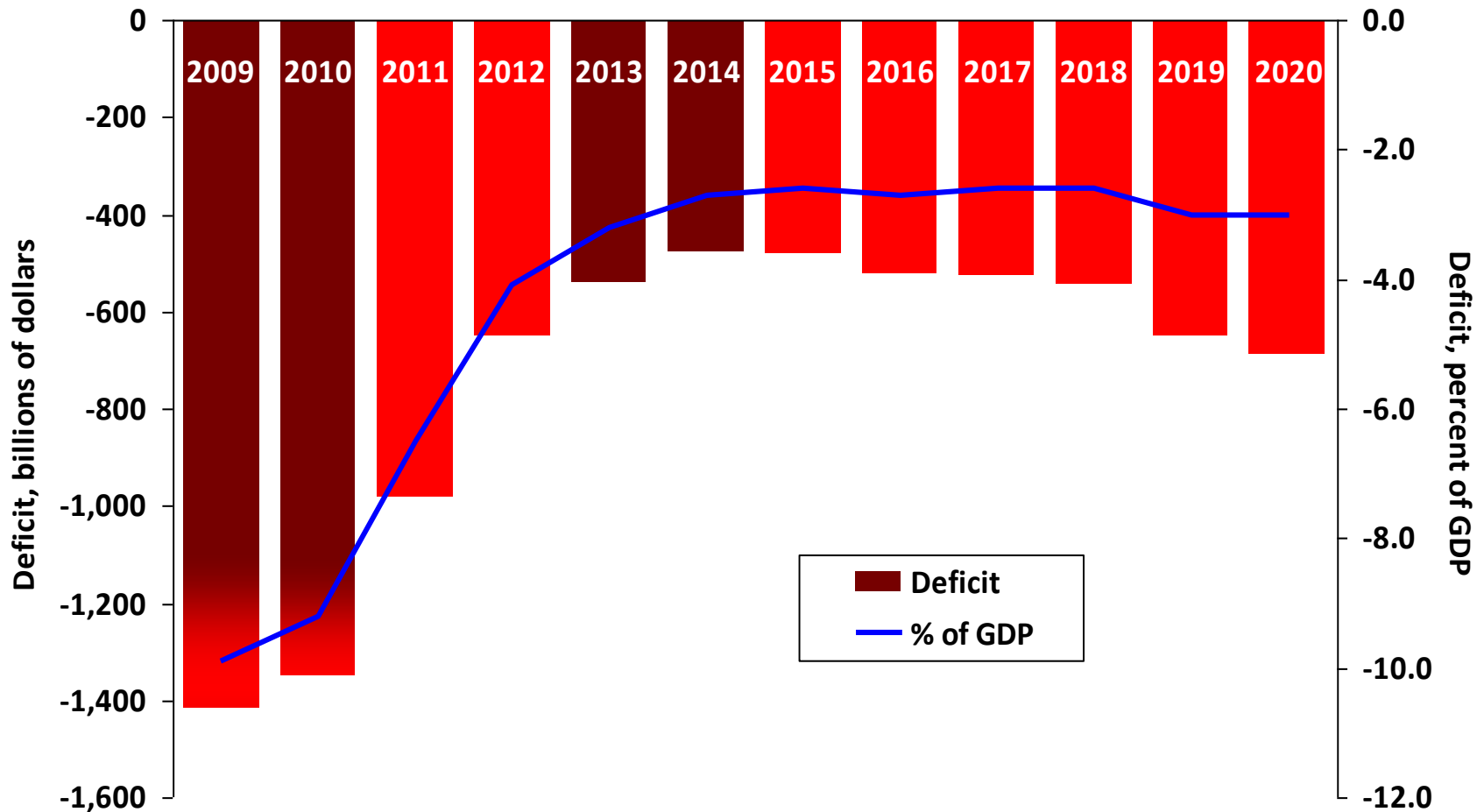
Base Funding *Reductions*: FY2009–FY2010

(millions of dollars)

	FY09	FY10	FY11	TOTAL	Percentage of Appropriations
Education (K-12)	-9.4	-68.9	-34.8	-113.1	-3.0%
Higher Education	-56.0	-181.7	-69.8	-307.5	-19.2%
TennCare	-87.7	-255.6	-200.5	-543.8	-20.2%
Human Services	-5.8	-11.8	-5.4	-23.0	-12.5%
Mental Health	-4.0	-22.8	-6.2	-33.0	-18.4%
Correction	-17.3	-64.3	-6.4	-88.0	-13.2%
Other Programs	-98.5	-148.8	-88.1	-335.4	-15.9%
	-278.7	-753.9	-411.2	-1443.8	-12.9%

Note: Discretionary Base excludes K-12 Basic Education Program, dedicated funds, statutory positions, and various poverty programs.

CBO's Baseline Budget Outlook— Don't Expect Any Help from the Feds



Source: Congressional Budget Office.



Take Aways

- **Recession ended in June 2009—the *bottom* of the cycle**
- **Levels of economic activity will not be restored for several years, notably employment & retail sales**
- **High levels of unemployment will prevail through the decade leading to significant hardship for people and places**
- **Property tax revenue growth will slow because of weak residential and nonresidential sectors**
- **Sales tax revenue will fully rebound in 2013/14**
- **Counties and cities will be squeezed by the state and the state by the federal government**
- **It's a new world for markets and government finance**
- **We must make new investments to promote competitiveness**



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