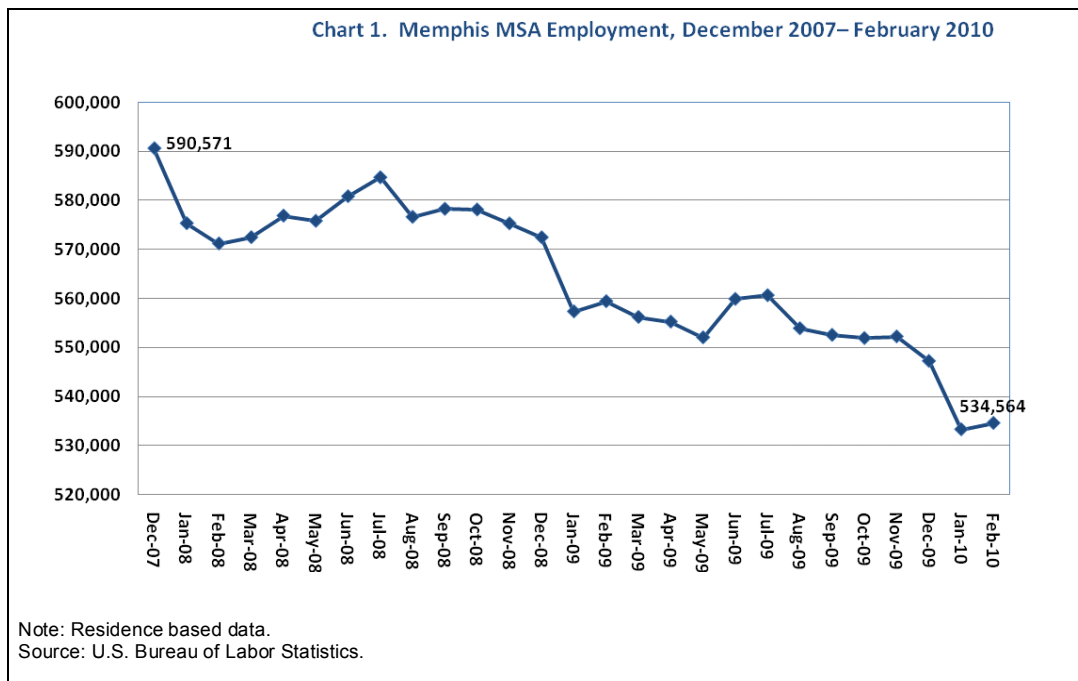


Memphis in 2010: Transportation Gains Lead the Way

Now that 2009 has closed and 2010 has started several governments are anticipating the current economic recession may be at an end. While the recession may technically be over, the local and national employment situation will make it feel as if we are still in the depths of the recession. As a lagging economic indicator, it is quite possible that unemployment could still grow even though the experts have declared the recession is over.

As shown in Chart 1, there were over 56,000 fewer people employed in the Memphis Metropolitan Statistical Area (MSA) as of February 2010 compared to when the recession officially began in December 2007. As shown in Chart 2, the number of unemployed persons in the MSA rose by over 27,000 to 65,556, while the unemployment rate rose from 5.7 percent to 10.9 percent in February 2010 (down from 11.2 in January 2010).



The data in Table 1 reveals that in terms of sheer volume, most of the job losses have been in the Professional and Business Services sector with approximately 15,700 jobs lost between December 2007 and March 2010, which coincides with the fact that the Memphis MSA is a service sector driven economy. Employment reductions in the manufacturing industry were less than half as much at 6,400, while construction related jobs decreased by 6,200. With increased outsourcing and continuing technological improvements, the manufacturing jobs lost are unlikely to return. However, the construction jobs lost may return once the current credit environment changes and lending begins to increase, but those events are still considered future events.

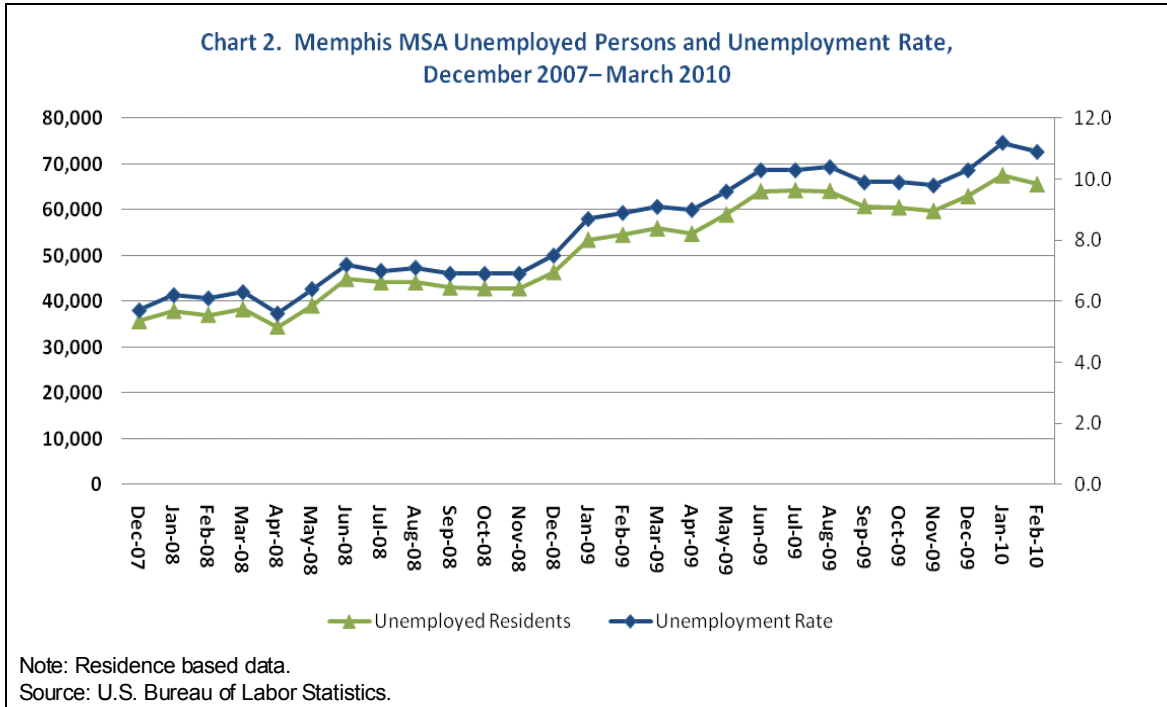


Table 1. Memphis MSA Employment by Industry, December 2007–March 2010

Sector	Dec-07 (000)	Mar-10 (000)	Change (000)	Percent Change
Total	649.2	582.6	-66.6	-10.3%
Construction	26.2	20.0	-6.2	-23.7%
Manufacturing	50.8	44.4	-6.4	-12.6%
Retail Trade	75.6	62.8	-12.8	-16.9%
Transportation and Utilities	66.5	59.8	-6.7	-10.1%
Professional and Business Services	87.5	71.8	-15.7	-17.9%
Education and Health Services	79.1	80.6	1.5	1.9%
Leisure and Hospitality	71.7	62.8	-8.9	-12.4%
Other Services	24.0	24.1	0.1	0.4%
Government	90.2	87.9	-2.3	-2.5%

Note: Establishment based data.
Source: U.S. Bureau of Labor Statistics.

To be certain, looking at the employment numbers along with unemployment rate reveals a relatively grim picture. But, there have been many recent developments that paint a very different picture for the Memphis MSAs future, particularly in transportation and distribution and maybe even in manufacturing.

So, what does the Memphis MSA economy have in-store for the future? Being a part of the southeast is a positive attribute. As, the southeast has better weather, lower tax burdens, and lower labor costs than other traditional manufacturing centers of the midwest and northeast. Additionally, as shown in Table 2, the Memphis MSA has enjoyed a per capita personal income that is substantially higher than the U.S. as a whole.

Table 2. Per Capita Personal Income, Memphis MSA, Tennessee, and the U.S., 2000–2001

Year	Memphis MSA	Tennessee	U.S.
2000	\$28,520	\$29,847	\$26,691
2001	\$29,827	\$30,582	\$27,525
2002	\$30,564	\$30,838	\$28,123
2003	\$31,259	\$31,530	\$28,992
2004	\$32,809	\$33,157	\$30,246
2005	\$34,057	\$34,690	\$31,294
2006	\$35,535	\$36,794	\$32,871
2007	\$37,147	\$38,615	\$34,156
2008	\$37,792	\$39,582	\$34,833

Source: U.S. Bureau of Economic Analysis.

Furthermore, the proximity to major population centers of the east and the mid-west is a plus for the location of companies with time-sensitive goods and fast customer service requirements. All manufactured goods ultimately must be delivered to customers in a reasonable time. The ability to reduce shipping time is critical in reducing inventory costs to producers and consumers of goods. The ability of a region to offer quick, predictable, and reliable shipping services to the major population centers of the U.S. (and the world) has the potential to attract manufacturers of high value and time sensitive products.

Shipping customers have a few basic requirements such as reasonable costs and consistent service delivery. Consistent service delivery also encompasses service that is prompt, predictable, reliable, and safe. Reliable delivery is the most crucial expectation. Predictability, reliability, and speed are three major factors in the success of local favorite FedEx. FedEx's ability to deliver with these three major factors has attracted time sensitive industries to the Memphis area such as, aircraft parts; pathology labs; cut flowers; and computer distribution. Also, FedEx is expanding its global capacity via Memphis International Airport with the arrival of Boeing's 777 freight aircraft that allows for direct, non-stop routes to China and other Asian countries, reducing the delivery time of goods and documents by eliminating refueling stops in Anchorage, Alaska.

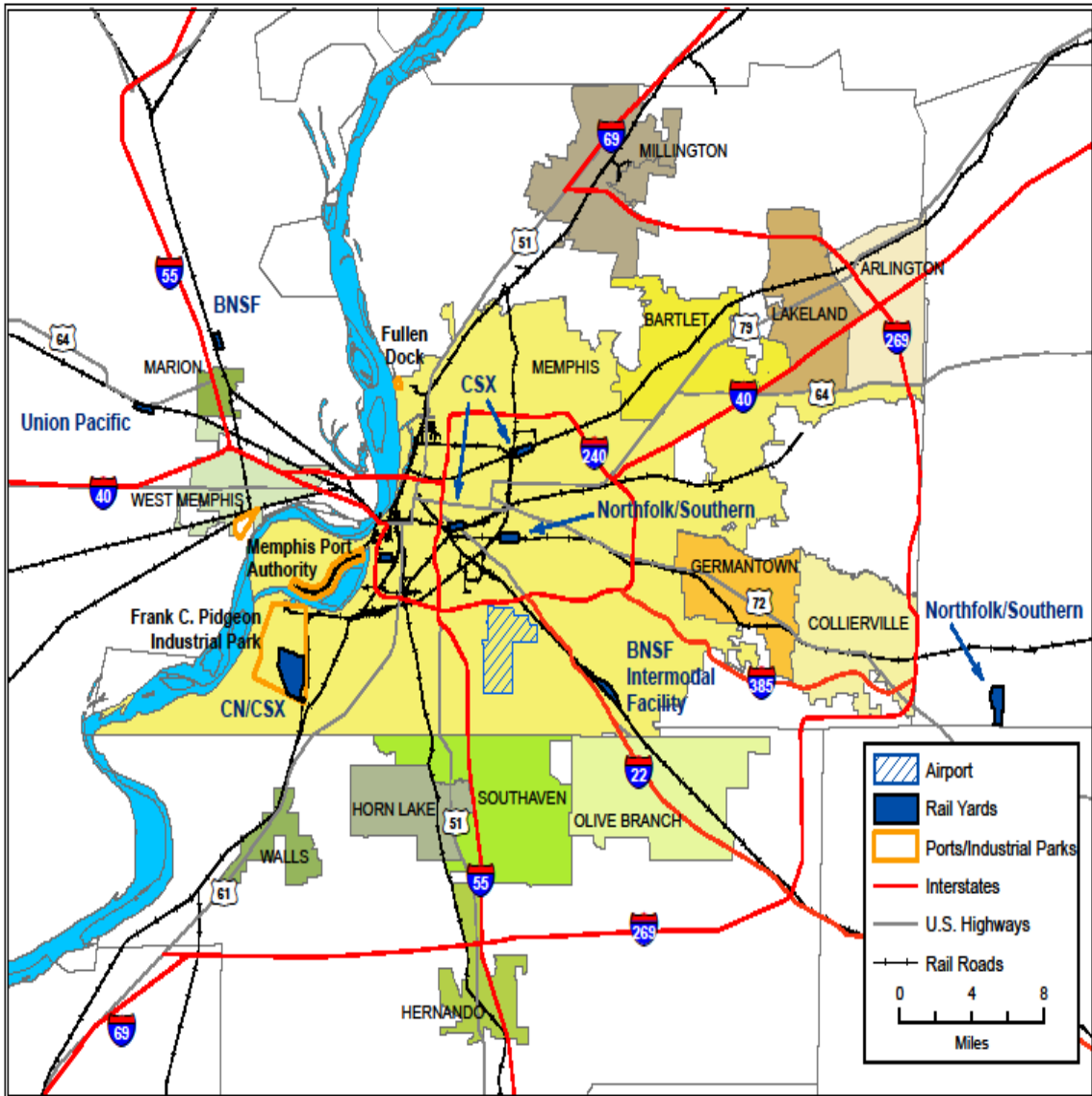
However, it is not just FedEx that makes the Mid-South an attractive place to do business. The increase in transportation infrastructure (see Map 1) in the Mid-South over the past few years (rail, highway, intermodal, and air) will help the area to grow quicker than other areas. The nearing completion of Tennessee Highway 385 along with the construction of Interstates 69 and 22 representing significant enhancements to the area's highway infrastructure and will substantially reduce travel times in and around the Memphis area.

Additionally, the completion and growth of regional intermodal facilities locally will help to offset infrastructure capacity issues in other areas of the country, thus helping to overcome transportation delays. Being host to five Class I railroads, the greater Memphis area is also home to numerous rail/intermodal facilities (see Map 1) including Canadian National at Pidgeon Park, Burlington Northern Santa Fe at Capleville (Southeast Memphis), Union Pacific in Marion Arkansas, and the planned Norfolk Southern facility in Fayette County between Piperton and Rossville.

Canadian National further enhanced its ability to provide faster, more reliable service via its Memphis facilities by bypassing Chicago with the purchase of the Elgin, Joliet, and Eastern Railroad that goes around Chicago instead of through Chicago as other Canadian National routes. In doing so, Canadian National provides nearly direct access to both the West coast port of Prince Rupert, BC, and the East coast port of Halifax, NS via Memphis.

As the world economy continues to improve, retail shipments from China and other Asian countries to the U.S. will lead the way. The continued trend of increased imports of retail goods from Asia will only pick up as the economy recovers. This increase will benefit areas with ample intermodal and distribution capacity, particularly as reduced travel time becomes more critical. With a transportation infrastructure that is second to none, Memphis is poised to take advantage of the economic recovery.

Map 1. Memphis Area Transportation Infrastructure



Prepared for the City of Memphis by the Sparks Bureau of Business and Economic Research/Center for Manpower Studies