

2nd Quarter 2008

## ETEDA Regional Update

10215 Technology Drive  
Suite 202  
Knoxville, TN 37932

PHONE:  
(865) 777-3833

FAX:  
(865) 777-5233

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### 15-County Region

Anderson  
Blount  
Campbell  
Claiborne  
Cocke  
Grainger  
Jefferson  
Knox  
Loudon  
Monroe  
Morgan  
Roane  
Scott  
Sevier  
Union



- Most new prospect activity this year has come from rapidly growing companies within stable sectors of the economy, such as advanced materials, food processing and distribution.

While the economic uncertainty within the U.S. has impacted the number of overall new projects in the region for the year, the activity that has been seen throughout the region has been more urgent and serious in nature.

Several areas within the region have recently made the short list for projects that began earlier in the year, resulting in repeat visits and ongoing negotiations with these companies.

- Most site consultants are seeing activity with companies that are considering expanding or relocating, particularly in the automotive, distribution and customer service center sectors. 48% of the region's projects have come from consultants.

While consultants continue to have active projects, the overall level of their project activity is not as strong as in the recent past.

- The number one concern for companies continues to be available labor that is trained or trainable, with particular concern about the significant shortage of qualified workers as baby boomers retire.
- ETEDA networked with consultants in the Dallas market, at the Industrial Asset Management Council in Phoenix, the *Area Development* Forum in Austin, and the *Expansion Management* Roundtable of the South in North Carolina during the past quarter.
- ETEDA will host a site consultant luncheon in Chicago in mid-August. The State ECD and TVA are co-sponsors. Matt Kisber, Commissioner of Economic and Community Development, will be our guest speaker.
- We currently are working with a nationally recognized site consultant to review our website and to recommend changes to further improve the site.
- ETEDA joined the State of Tennessee and other Tennessee communities at the 2008 SAE World Congress automotive tradeshow in Detroit. Tim Thompson, president, Anderson County Economic Development Association, also attended the show from our region.

- Along with the ECD Canadian office and TVA, we are hosting a recruiting trip to Toronto in late September.
- ETEDA will exhibit at the International Boat Building Exposition (IBEX) in Miami Beach in October. Ron Hammontree, Tellico Reservoir Development Agency and Pat Phillips, Loudon County Economic Development Agency will be participating with ETEDA.

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- To provide an opportunity for the economic development community to better informed on critical issues that affect regional growth, ETEDA hosted a roundtable discussion and luncheon for the local economic developers this quarter. Participants in the roundtable included representatives from agencies engaged in areas that affect economic development such as transportation, air quality, air travel and workforce.
- Several members of the Advisory Committee met with ETEDA staff to discuss retail development and how ETEDA can assist in their local marketing efforts.

## Regional Economic Review

**Matt Murray**  
**Associate Director**  
**Center for Business & Economic Research**

With the national economy reeling from the contagion of the sub prime mortgage market meltdown and ever-rising energy prices, it is no surprise that the state and regional economies are suffering as well. Job growth has slowed and despite the dollar's slide in international currency markets, manufacturing job losses continue to mount.

The May unemployment rate for the state was especially discouraging, jumping to 6.4 percent. In contrast, the nation's unemployment rate stood at 5.5 percent for the month. The local area has fared somewhat better, with the Knoxville metropolitan statistical area registering a 4.9 percent unemployment rate in May. The area's unemployment rate stood at 3.3 percent in May of last year, so we have not been spared from the ripple effects of the national slowdown.

The housing slump has led to rising foreclosures, slower homes sales and sharp declines in building permit issuances across the state. Sales tax revenues from building material sales have plummeted. Unlike the nation and most other states, recent data show that housing prices in Tennessee have continued to appreciate, though only at a modest pace. But modest appreciation is certainly better than depreciation. It is rather amazing that the state's construction sector continues to add jobs in the face of the weak housing market. Nonresidential construction has been the underlying source of strength, though this will likely fade as we enter 2009.

The outlook for the next several quarters is tainted by considerable uncertainty regarding the path of energy prices and the ongoing effects of the housing crunch. Just a year ago few would have imagined oil prices approaching \$150 barrel. Month by month the projections of future energy prices have increased. Little relief is expected through mid 2009.

The direct effect of the housing market on households is now stabilizing. But the inventory of unsold homes is at record highs and the health of a number of major financial institutions is in question. While the economy is expected to turn the corner in the second quarter of 2009 and return to a stronger pace of growth, this is contingent on a turnaround in housing and an end to energy price escalation.