The State of the Economy and Prospects for Tax Revenue in Tennessee

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by

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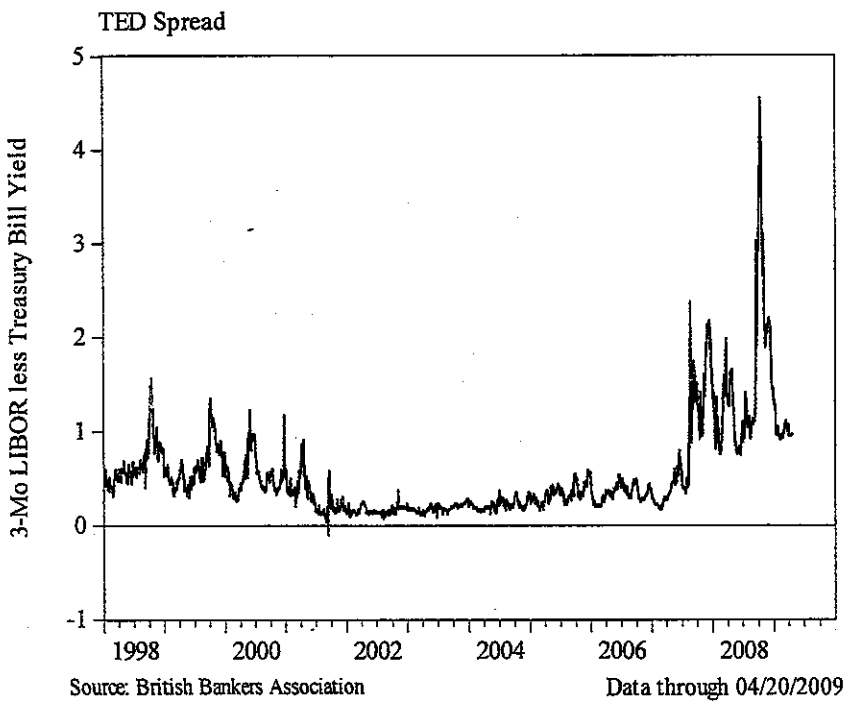
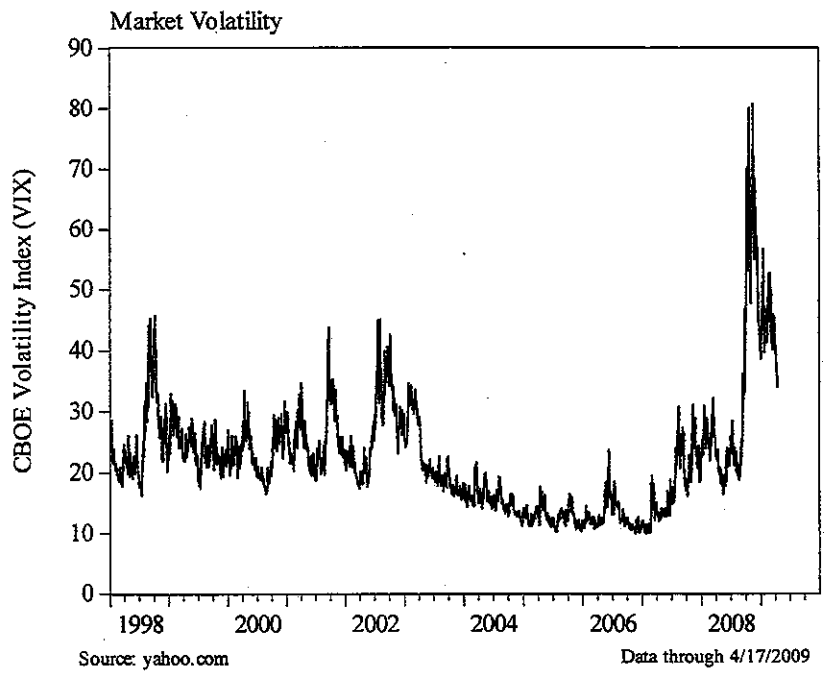
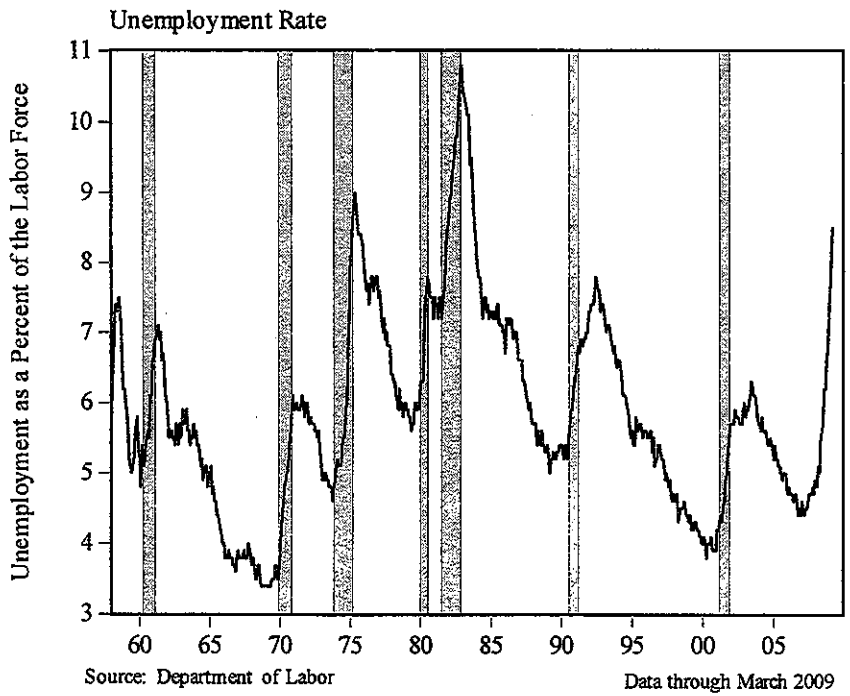
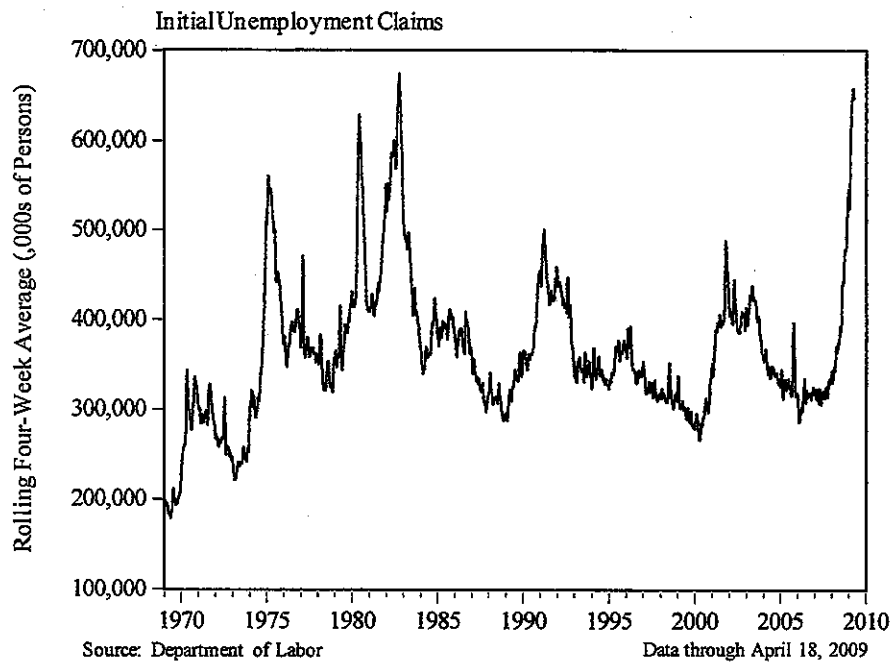




The U.S. Cycle in Perspective

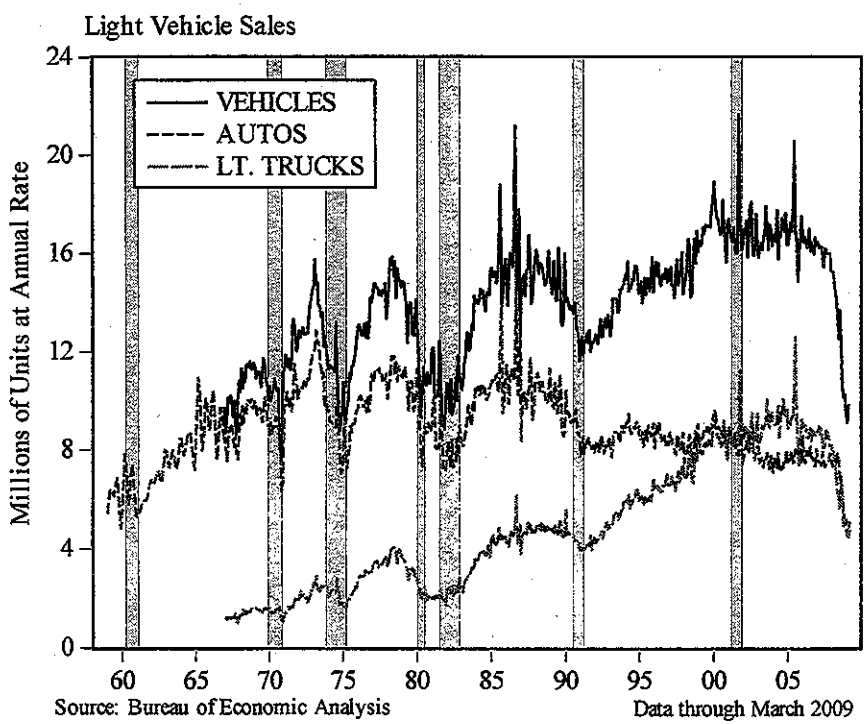
Labor Markets: Unemployment and Initial Claims

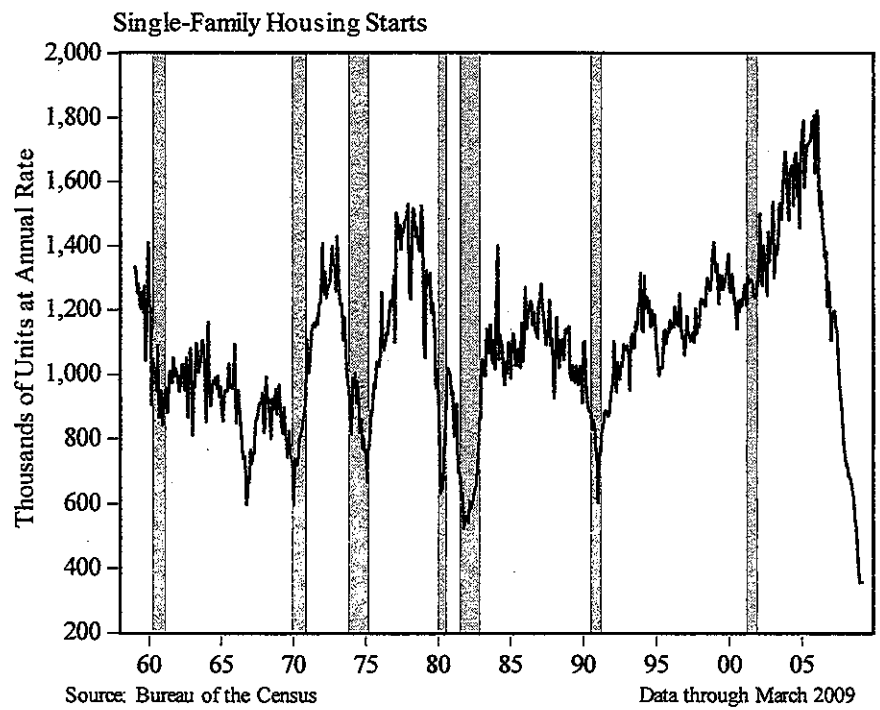




The U.S. Cycle in Perspective

Light Vehicle Sales and Housing





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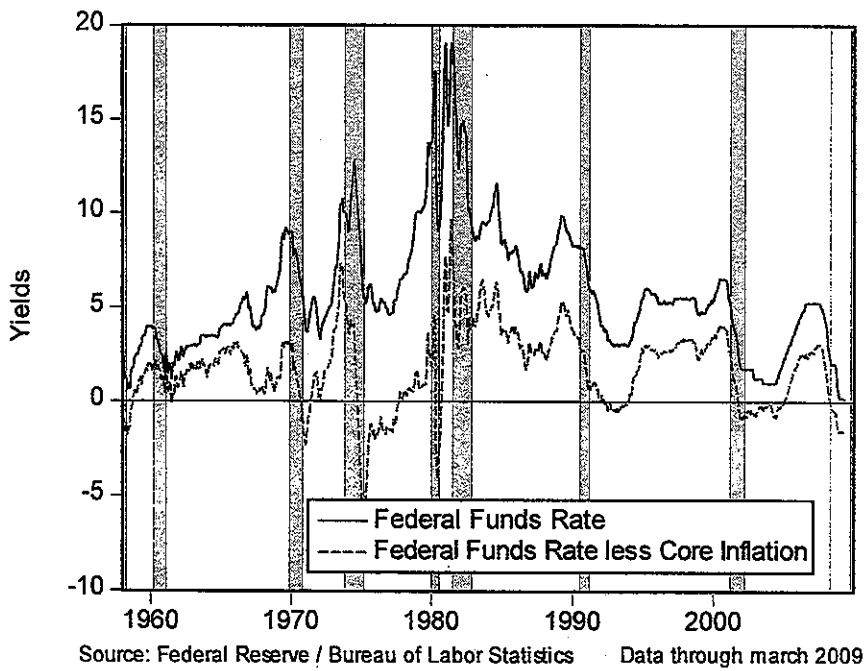
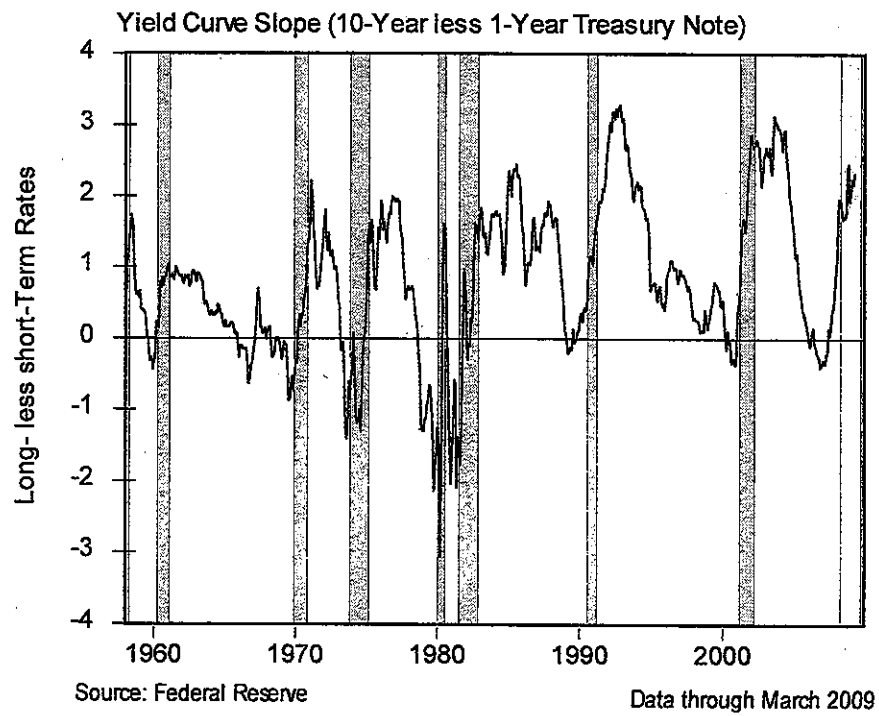




Baseline Economic Outlook

General Overview

		2008				2009				2010				Year-over-Year Growth		
		I(A) 2008	II(A) 2008	III(A) 2008	IV(A) 2008	I(E) 2009	II(E) 2009	III(E) 2009	IV(E) 2009	I(E) 2010	II(E) 2010	III(E) 2010	IV(E) 2010	2008	2009	2010
1	Gross Domestic Product	14150.8	14294.5	14412.8	14200.3	14088.2	14097.7	14174.1	14285.5	14414.5	14567.1	14743.8	14933.0	3.3	-0.7	3.6
2	Change *	5.3	5.3	5.3	5.3	-3.1	0.3	2.2	3.2	3.7	4.3	4.9	5.2			
3	Gross Dom. Product (96$)	11646.0	11727.4	11712.4	11522.1	11411.9	11377.1	11389.8	11429.9	11481.8	11549.4	11631.6	11721.3	1.1	-2.1	1.7
4	Change *	0.9	2.8	-0.5	-6.3	-3.8	-1.2	0.4	1.4	1.8	2.4	2.9	3.1			
5	Personal Consump. Exp. (96$)	8316.1	8341.3	8260.6	8170.5	8099.0	8081.0	8097.4	8119.9	8153.7	8199.3	8257.9	8324.2	0.2	-2.1	1.7
6	Change *	0.9	1.2	-3.8	-4.3	-3.5	-0.9	0.8	1.1	1.7	2.3	2.9	3.3			
7	Equipment and Software (96$)	1088.6	1074.7	1054.0	970.5	932.4	917.9	916.4	917.8	924.7	935.1	950.1	966.7	-3.0	-12.0	2.5
8	Change *	-0.5	-5.0	-7.5	-28.1	-14.8	-6.1	-0.6	0.6	3.0	4.6	6.6	7.2			
9	Nonresid. Construction (96$)	326.4	340.5	348.4	339.9	320.9	315.6	311.8	309.7	298.4	292.9	291.6	291.6	11.2	-7.2	-6.6
10	Change *	8.7	18.4	9.6	-9.4	-20.6	-6.4	-4.8	-2.7	-13.8	-7.2	-1.8	0.0			
11	Resid. Construction (96$)	383.0	369.6	353.7	331.6	322.0	308.8	296.5	287.0	284.7	284.5	284.3	284.2	-20.8	-15.5	-6.3
12	Change *	-25.0	-13.3	-16.1	-22.7	-11.1	-15.4	-15.0	-12.2	-3.2	-0.3	-0.3	-0.1			
13	Federal Defense (96$)	518.9	528.1	550.4	555.0	555.1	555.5	555.2	555.2	555.3	555.3	555.4	555.4	7.2	3.2	0.0
14	Change *	7.2	7.3	18.0	3.4	0.1	0.3	-0.2	0.0	0.0	0.0	0.0	0.0			
15	Fed. Nondefense (96$)	253.2	256.3	259.5	268.9	268.8	269.6	271.9	274.0	275.9	277.9	280.0	282.1	3.6	4.5	2.9
16	Change *	2.7	5.0	5.1	15.3	-0.1	1.2	3.6	3.0	2.8	3.1	3.0	3.0			
17	State + Local (96$)	1266.7	1274.4	1278.7	1272.3	1272.8	1273.9	1275.9	1279.0	1282.2	1286.3	1291.2	1297.0			
18	Change *	-0.3	2.5	1.4	-2.0	0.2	0.3	0.6	1.0	1.0	1.3	1.5	1.8	1.1	0.2	1.1
19	Net Exports ('96$)	-462.0	-381.3	-353.1	-364.5	-328.0	-321.3	-320.7	-308.1	-298.5	-292.1	-291.3	-294.6			
20	Chg. in Bus. Invent. (96$)	-10.2	-50.6	-29.6	-25.8	-31.2	-24.0	-14.7	-4.6	5.4	10.2	12.4	14.8			
21	Nonfarm Inventories	-17.9	-55.1	-33.3	-31.1	-33.1	-23.7	-14.2	-4.6	5.1	9.8	12.2	14.5			
22	Farm Inventories	7.7	4.5	3.7	5.3	1.8	-0.3	-0.4	0.0	0.3	0.3	0.3	0.2			
23	GNP Deflator ('96=100) *	2.6	1.3	3.9	0.6	0.7	1.5	1.7	1.7	1.8	1.9	2.0	2.1	2.2	1.4	1.8
24	CPI (1982-84=100) *	4.5	4.5	6.2	-8.3	-1.6	1.4	1.5	1.6	1.8	2.0	2.4	2.5	3.8	-0.5	1.9
25	PPI (1982=100) *	8.1	9.9	9.7	-19.0	-6.4	-0.6	1.5	1.3	1.6	1.9	2.5	2.5	6.4	-3.6	1.6

A = Actual; E = Forecast * Annualized percent change Except for price indexes, all data in billions of dollars Historical sources: BEA and BLS March 27, 2009

Baseline Economic Outlook

Cyclical Characteristics

		2008				2009				2010				Year-over-Year Growth		
		I(A) 2008	II(A) 2008	III(A) 2008	IV(A) 2008	I(E) 2009	II(E) 2009	III(E) 2009	IV(E) 2009	I(E) 2010	II(E) 2010	III(E) 2010	IV(E) 2010	2008	2009	2010
1	Domestic Final Sales ('96$)	12118.2	12159.3	12095.1	11912.4	11771.1	11722.3	11725.2	11742.6	11774.9	11831.4	11910.5	12001.2	-1.6	-1.4	2.2
2	Change *	0.2	1.4	-2.1	-5.9	-4.7	-1.6	0.1	0.6	1.1	1.9	2.7	3.1			
3	Cyclical Domestic Demand ('96$)	3035.0	3013.1	2936.2	2750.6	2638.2	2591.1	2581.8	2580.8	2585.4	2605.3	2643.0	2687.2	-4.7	-11.4	1.2
4	Change *	-4.7	-2.9	-9.8	-23.0	-15.4	-7.0	-1.4	-0.2	0.7	3.1	5.9	6.9			
5	Cyclical Consumer Demand ('96$)	1237.0	1228.3	1180.1	1108.6	1062.9	1048.7	1057.1	1066.2	1077.5	1092.8	1117.0	1144.7	-4.3	-10.9	4.7
6	Change *	-4.3	-2.8	-14.8	-22.1	-15.5	-5.2	3.2	3.5	4.3	5.8	9.2	10.3			
7	Light Vehicles and Parts ('96$)	424.7	400.6	370.7	323.8	295.2	289.4	300.1	309.4	318.4	331.0	350.9	373.4	-13.7	-21.4	15.0
8	Change *	-11.4	-20.8	-26.7	-41.8	-30.9	-7.7	15.7	12.9	12.3	16.8	26.3	28.2			
9	Other Durables ('96$)	812.3	827.7	809.4	784.8	767.7	759.3	756.9	756.9	759.1	761.7	766.1	771.3	0.8	-6.0	0.6
10	Change *	-0.2	7.8	-8.6	-11.6	-8.4	-4.3	-1.3	0.0	1.2	1.4	2.3	2.7			
11	Fixed Investment ('96$)	1762.4	1754.9	1731.1	1627.0	1575.3	1542.4	1524.8	1514.5	1507.8	1512.5	1526.0	1542.5	-5.0	-10.4	-1.1
12	Change *	4.9	4.9	4.9	4.9	-12.1	-8.1	-4.5	-2.7	-1.8	1.3	3.6	4.4			
13	Resid. Construction (96$)	383.0	369.6	353.7	331.6	322.0	308.8	296.5	287.0	284.7	284.5	284.3	284.2	-20.8	-15.5	-6.3
14	Change *	-25.0	-13.3	-16.1	-22.7	-11.1	-15.4	-15.0	-12.2	-3.2	-0.3	-0.3	-0.1			
15	Nonresid. Construction ('96$)	326.4	340.5	348.4	339.9	320.9	315.6	311.8	309.7	298.4	292.9	291.6	291.6	11.2	-7.2	-6.6
16	Change *	8.7	18.4	9.6	-9.4	-20.6	-6.4	-4.8	-2.7	-13.8	-7.2	-1.8	0.0			
17	Equipment and Software ('96$)	1088.6	1074.7	1054.0	970.5	932.4	917.9	916.4	917.8	924.7	935.1	950.1	966.7	-3.0	-12.0	2.5
18	Change *	-0.5	-5.0	-7.5	-28.1	-14.8	-6.1	-0.6	0.6	3.0	4.6	6.6	7.2			
19	Noncyclical Demand ('96$)@	8611.0	8714.3	8776.2	8771.5	8773.7	8786.0	8808.0	8849.1	8896.5	8944.1	8988.6	9034.1	3.2	1.0	1.8
20	Change *	2.9	4.9	2.9	-0.2	0.1	0.6	1.0	1.9	2.2	2.2	2.0	2.0			
21	Chg. in Business Inventories	-10.2	-50.6	-29.6	-25.8	-31.2	-24.0	-14.7	-4.6	5.4	10.2	12.4	14.8			
22	Gross Domestic Purchases ('96$)&	12143.0	12134.4	12075.2	11881.4	11739.8	11698.4	11710.6	11738.0	11780.3	11841.6	11922.9	12015.9	-0.3	-2.8	1.4
23	Change *	0.1	-0.3	-1.9	-6.3	-4.7	-1.4	0.4	0.9	1.5	2.1	2.8	3.2			
24	Net Exports ('96$)	-452.0	-381.3	-353.1	-364.5	-328.0	-321.3	-320.7	-308.1	-298.5	-292.1	-291.3	-294.6			
25	GDP ('96$)**	11646.0	11727.4	11712.4	11522.1	11411.9	11377.1	11389.8	11429.9	11481.8	11549.4	11631.6	11721.3	1.1	-2.1	1.7
	Change *	0.9	2.8	-0.5	-6.3	-3.8	-1.2	0.4	1.4	1.8	2.4	2.9	3.1			

@ Noncyclical Demand = Consumer spending on nondurable goods and services and all forms of government spending (excluding CCC inventories)

& Gross Domestic Purchases = Domestic final demand plus Change *

A = Actual; E = Forecast * Annualized percent change Except for price indexes, all data in billions of dollars Historical sources: BEA and BLS March 27, 2009

Baseline Economic Outlook

Household Sector

		2008				2009				2010				Year-over-Year Growth		
		I(A) 2008	II(A) 2008	III(A) 2008	IV(A) 2008	I(E) 2009	II(E) 2009	III(E) 2009	IV(E) 2009	I(E) 2010	II(E) 2010	III(E) 2010	IV(E) 2010	2008	2009	2010
1	Personal Income ($ Bil.)	11960.5	12152.2	12170.4	12127.5	11978.9	11991.3	12035.7	12108.6	12199.1	12291.0	12391.8	12504.2	3.8	-0.6	2.6
2	Change *	3.0	6.6	0.6	-1.4	-4.8	0.4	1.5	2.4	3.0	3.0	3.3	3.7			
3	Civilian Employment (Mil.)	146.1	146.0	145.3	144.0	141.6	141.1	140.9	140.9	141.0	141.2	141.6	141.9	-0.5	-2.9	0.2
4	Change *	-0.4	-0.4	-1.9	-3.4	-6.6	-1.3	-0.7	0.0	0.4	0.7	0.9	1.1			
5	Unemployment Rate	4.9	5.4	6.1	6.9	8.1	8.6	8.8	8.8	8.5	8.2	8.0	7.7	5.8	8.6	8.1
6	Personal Consump. Exp. ('96$)	8316.1	8341.3	8260.6	8170.5	8099.0	8081.0	8097.4	8119.9	8153.7	8199.3	8257.9	8324.2	0.2	-2.1	1.7
7	Change *	0.9	1.2	-3.8	-4.3	-3.5	-0.9	0.8	1.1	1.7	2.3	2.9	3.3			
8	Autos & Parts	424.7	400.6	370.7	323.8	295.2	289.4	300.1	309.4	318.4	331.0	350.9	373.4	-13.7	-21.4	15.0
9	Change *	-11.4	-20.8	-26.7	-41.8	-30.9	-7.7	15.7	12.9	12.3	16.8	26.3	28.2			
10	Other Durable Goods	812.3	827.7	809.4	784.8	767.7	759.3	756.9	756.9	759.1	761.7	766.1	771.3	0.8	-6.0	0.6
11	Change *	-0.2	7.8	-8.6	-11.6	-8.4	-4.3	-1.3	0.0	1.2	1.4	2.3	2.7			
12	Nondurable Goods	2397.9	2420.7	2376.3	2318.6	2307.0	2293.8	2291.9	2289.5	2292.1	2297.1	2304.3	2313.0	-0.6	-3.5	0.3
13	Change *	-0.4	3.9	-7.1	-9.4	-2.0	-2.3	-0.3	-0.4	0.5	0.9	1.3	1.5			
14	Services	4704.3	4712.1	4711.3	4729.4	4729.1	4738.4	4748.4	4764.1	4784.1	4809.5	4836.5	4866.5	1.5	0.7	1.7
15	Change *	2.4	0.7	-0.1	1.5	0.0	0.8	0.8	1.3	1.7	2.1	2.3	2.5			
16	Lt. Vehicles	15.2	14.1	12.9	10.3	9.5	9.4	9.7	10.0	10.3	10.6	11.2	11.9	-18.4	-26.4	13.8
17	Change *	-18.0	-26.1	-30.2	-59.1	-27.9	-4.1	15.1	11.2	11.3	14.6	23.9	25.8			
18	New Auto Sales (Mil.)	7.4	7.6	6.6	5.2	4.9	4.9	5.1	5.2	5.3	5.5	5.8	6.1	-11.3	-25.4	12.6
19	Change *	-14.6	11.8	-43.1	-60.8	-21.3	-4.1	15.1	11.2	9.2	12.4	23.9	21.0			
20	New Light Truck Sales (Mil.)	7.8	6.5	6.3	5.1	4.6	4.5	4.7	4.8	5.0	5.2	5.4	5.8	-24.8	-27.5	15.2
21	Change *	-21.2	-52.4	-12.4	-57.2	-34.4	-4.1	15.1	11.2	13.6	17.0	23.9	31.1			
22	Private Housing Starts (Mil.)	1.053	1.025	0.876	0.660	0.816	0.759	0.805	0.809	1.001	1.109	1.222	1.259	-32.6	-11.7	44.0
23	Change *	-30.0	-10.2	-46.7	-67.7	133.9	-25.1	26.3	2.2	134.1	50.7	47.6	12.6			
24	Single-Family	0.728	0.675	0.603	0.462	0.565	0.560	0.560	0.600	0.750	0.875	0.950	1.000	-40.3	-7.4	56.5
25	Multi-Family	0.325	0.350	0.272	0.198	0.251	0.199	0.245	0.209	0.251	0.234	0.272	0.259	-6.6	-21.0	12.4
26	Existing Home Sales (Th.)	4926.7	4900.0	5006.7	4740.0	4727.7	4776.7	4744.6	4739.1	4839.6	5001.7	5100.0	5147.9	-5.1	-3.0	5.8
27	Change *	-5.5	-2.1	9.0	-19.7	-1.0	4.2	-2.7	-0.5	8.8	14.1	8.1	3.8			

A = Actual; E = Forecast * Annualized percent change Except where noted, all data in billions of dollars Historical sources: BEA, BLS, and Federal Reserve March 27, 2009

Baseline Economic Outlook

Corporate and International Sectors

		2008				2009				2010				Year-over-Year Growth		
		I(A) 2008	II(A) 2008	III(A) 2008	IV(A) 2008	I(E) 2009	II(E) 2009	III(E) 2009	IV(E) 2009	I(E) 2010	II(E) 2010	III(E) 2010	IV(E) 2010	2008	2009	2010
1	Fixed Business Invest. ('96$)	1423.1	1431.8	1425.7	1341.1	1253.3	1233.6	1228.2	1227.5	1223.1	1228.0	1241.7	1258.3	1.6	-12.1	0.2
2	Change *	5.5	5.5	5.5	5.5	-23.7	-6.1	-1.7	-0.2	-1.4	1.6	4.5	5.4			
3	Structures	326.4	340.5	348.4	339.9	320.9	315.6	311.8	309.7	298.4	292.9	291.6	291.6	11.2	-7.2	-6.6
4	Change *	8.7	18.4	9.6	-9.4	-20.6	-6.4	-4.8	-2.7	-13.8	-7.2	-1.8	0.0			
5	Producer Equip. & Software	1088.6	1074.7	1054.0	970.5	932.4	917.9	916.4	917.8	924.7	935.1	950.1	966.7	-3.0	-12.0	2.5
6	Change *	-0.5	-5.0	-7.5	-28.1	-14.8	-6.1	-0.6	0.6	3.0	4.6	6.6	7.2			
7	Chg. in Bus. Invent. ('96$)	-10.2	-50.6	-29.6	-25.8	-31.2	-24.0	-14.7	-4.6	5.4	10.2	12.4	14.8			
8	Chg. in Nonfarm Inventories	-17.9	-55.1	-33.3	-31.1	-33.1	-23.7	-14.2	-4.6	5.1	9.8	12.2	14.5			
9	Corporate Profits (B.T.)	1750.9	1750.0	1693.7	1194.5	1145.7	1140.3	1136.8	1137.8	1139.2	1155.9	1172.6	1201.8			
10	Corporate Profits (A.T.)	1348.0	1343.2	1300.1	931.2	879.4	875.2	872.5	873.3	874.3	887.2	900.0	922.4	-14.3	-28.9	2.4
11	Change *	-27.5	-1.4	-12.2	-73.7	-20.5	-1.9	-1.3	0.4	0.5	6.0	5.9	10.3			
12	Internal Funds (A.T.)	1043.4	1023.8	1016.8	801.2	804.4	800.7	827.4	832.1	848.6	856.8	870.1	882.3	2.3	-16.0	5.9
13	Change *	35.2	-7.3	-2.7	-61.5	1.6	-1.8	14.0	2.3	8.2	3.9	6.3	5.7			
14	Dividends	832.5	846.4	841.1	808.3	805.4	801.6	802.1	802.6	805.3	808.9	813.6	820.0	5.5	-3.5	1.1
15	Change *	8.1	6.8	-2.5	-14.7	-1.4	-1.9	0.3	0.3	1.3	1.8	2.3	3.2			
16	Output per Hour *	2.2	4.7	2.3	-0.4	4.0	0.4	1.5	1.8	1.7	1.1	1.3	1.8	2.7	1.9	1.5
17	Hourly Compensation *	4.2	4.2	4.2	4.2	1.2	1.0	3.3	4.1	3.9	3.2	3.2	3.7	3.7	2.9	3.5
18	Unit Labor Costs *	1.2	-2.6	3.3	5.4	-2.8	0.6	1.9	2.3	2.2	2.1	1.9	2.0	0.9	1.0	2.0

		2008				2009				2010				Year-over-Year Growth		
		I(A) 2008	II(A) 2008	III(A) 2008	IV(A) 2008	I(E) 2009	II(E) 2009	III(E) 2009	IV(E) 2009	I(E) 2010	II(E) 2010	III(E) 2010	IV(E) 2010	2008	2009	2010
1	Net Exports ('96$)	-462.0	-381.3	-353.1	-364.5	-328.0	-321.3	-320.7	-308.1	-298.5	-292.1	-291.3	-294.6			
2	Exports ('96$)	1500.6	1544.7	1556.1	1454.9	1442.4	1428.5	1427.5	1434.3	1447.3	1462.6	1478.1	1493.9	6.2	-5.3	2.6
3	Change *	5.1	12.3	3.0	-23.6	-3.4	-3.8	-0.3	1.9	3.7	4.3	4.3	4.3			
4	Imports ('96$)	1962.6	1926.0	1909.1	1819.4	1770.3	1749.8	1748.2	1742.4	1745.8	1754.7	1769.4	1788.5	-3.5	-8.0	0.7
5	Change *	-0.8	-7.3	-3.5	-17.5	-10.4	-4.6	-0.4	-1.3	0.8	2.1	3.4	4.4			
6	Trade-Weighted Index	72.0	70.9	73.5	81.3	81.3	81.3	81.2	81.1	81.0	80.9	80.8	80.8	-4.4	9.1	-0.4

A = Actual; E = Forecast * Annualized percent change Except where noted, all data in billions of dollars Historical sources: BEA, BLS, and Federal Reserve March 27, 2009

Outlook for Interest Rates

Market-Based (Futures) Forecasts Versus Baseline Interest Rate Forecast over the Next Year

General rise in the target for federal funds is not expected to begin until vary late 2009 or early 2010

Federal funds Rate Forecasts		
	Implicit Forecast from Futures Contract *	MTSU Forecast*
Apr-09	0.16	0.15
May-09	0.19	0.15
Jun-09	0.19	0.15
Jul-09	0.22	0.15
Aug-09	0.25	0.15
Sep-09	0.27	0.15
Oct-09	0.31	0.15
Nov-09	0.36	0.25
Dec-09	0.38	0.25
Jan-10	0.45	0.25
Feb-10	0.56	0.50
Mar-10	0.64	0.50
Apr-10	0.64	0.50
May-10	0.72	0.50
Jun-10	0.85	1.00
Jul-10	0.89	1.00
Aug-10	1.25	1.00
Sep-10	1.31	1.00
Oct-10	1.39	1.50
Nov-10	1.44	1.50
Dec-10	1.52	1.50
Jan-11	1.61	2.00
* As of 4/24/09		

Interest Rate Forecasts

Money Market Rates

		2008				2009				2010				Annual Averages		
		I(A) 2008	II(A) 2008	III(A) 2008	IV(A) 2008	I(A) 2009	II(E) 2009	III(E) 2009	IV(E) 2009	I(E) 2010	II(E) 2010	III(E) 2010	IV(E) 2010	2008	2009	2010
1	Federal Funds	3.18	2.09	1.94	0.51	0.18	0.15	0.15	0.22	0.42	0.67	1.00	1.50	1.93	0.17	0.90
	Commercial Paper															
2	1-Month	2.96	2.08	2.07	0.80	0.22	0.18	0.45	0.57	0.62	0.86	1.33	1.86	1.98	0.35	1.17
3	3-Month	2.83	2.07	2.11	1.51	1.09	1.09	1.24	1.92	2.17	2.44	2.90	3.39	2.13	1.33	2.73
4	6-Month	2.77	2.07	2.13	1.70	1.14	1.10	1.21	2.01	2.19	2.47	2.88	3.43	2.17	1.37	2.74
	Finance Paper															
5	1-Month	3.11	2.39	2.47	1.80	1.10	1.00	1.35	2.06	2.10	2.32	2.86	3.40	2.44	1.38	2.67
6	3-Month	3.11	2.52	2.61	1.90	1.10	1.09	1.24	1.93	2.18	2.45	2.91	3.41	2.54	1.34	2.74
7	6-Month	3.14	2.68	2.80	2.03	1.12	1.34	1.35	2.15	2.15	2.54	2.88	3.45	2.66	1.49	2.75
	Treasury Bills															
8	1-Month	2.09	1.65	1.52	0.30	0.22	0.16	0.16	0.24	0.46	0.71	1.05	1.58	1.39	0.19	0.95
9	3-Month	2.15	1.88	1.86	0.74	0.40	0.37	0.40	0.50	0.73	0.97	1.30	1.79	1.66	0.42	1.20
	Negotiable CDs															
10	1-Month	3.26	2.61	2.80	2.57	1.26	1.09	1.51	2.55	2.15	2.34	2.97	3.71	2.81	1.60	2.79
11	3-Month	3.23	2.76	3.06	3.02	1.73	1.53	1.68	2.64	2.54	2.61	3.08	3.51	3.02	1.89	2.93
12	6-Month	3.13	2.93	3.35	3.27	2.14	2.01	2.56	2.80	2.86	3.17	3.56	3.90	3.17	2.38	3.37
	Eurodollar Deposit															
13	1-Month	3.32	2.75	3.09	3.11	1.41	1.21	1.67	2.85	2.24	2.41	3.05	3.88	3.07	1.79	2.89
14	3-Month	3.31	2.94	3.32	3.63	1.67	1.36	1.28	1.91	1.60	1.54	1.80	2.30	3.30	1.55	1.81
15	6-Month	3.22	3.09	3.61	4.09	2.07	1.85	3.07	2.96	2.61	3.31	3.79	3.78	3.50	2.49	3.37
16	Prime Rate	6.21	5.08	5.00	4.06	3.25	3.18	3.15	3.22	3.42	3.67	4.00	4.50	5.09	3.20	3.90

April 21, 2009

Interest Rate Forecasts

Capital Market Rates

		2008				2009				2010				Annual Averages		
		I(A) 2008	II(A) 2008	III(A) 2008	IV(A) 2008	I(A) 2009	II(E) 2009	III(E) 2009	IV(E) 2009	I(E) 2010	II(E) 2010	III(E) 2010	IV(E) 2010	2008	2009	2010
	U.S. Treasury Notes and Bonds															
1	1-Yr Note	2.10	2.07	2.12	0.99	0.57	0.59	0.68	0.80	1.05	1.32	1.67	2.19	1.82	0.66	1.56
2	2-Yr Note	2.02	2.42	2.36	1.21	0.91	0.95	1.04	1.19	1.46	1.75	2.11	2.63	2.00	1.02	1.99
3	5-Yr Note	2.75	3.16	3.11	2.18	1.76	1.88	2.00	2.16	2.38	2.61	2.88	3.24	2.80	1.95	2.78
4	10-Yr Note	3.66	3.89	3.86	3.25	2.74	2.93	3.01	3.11	3.24	3.38	3.54	3.74	3.67	2.95	3.48
5	30-Yr Note	4.40	4.59	4.49	3.97	3.69	3.82	3.70	3.69	3.81	3.79	3.87	3.98	4.36	3.73	3.86
	Other Bonds															
6	AAA Bonds	5.46	5.60	5.65	5.84	5.27	5.28	5.17	5.16	5.21	5.28	5.39	5.55	5.64	5.22	5.36
7	BAA Bonds	6.75	6.99	7.21	8.85	8.21	8.18	7.10	6.39	6.15	6.13	6.24	6.42	7.45	7.47	6.24
8	State and Local	4.61	4.66	4.74	5.43	4.99	4.73	4.44	4.25	4.20	4.23	4.32	4.45	4.86	4.60	4.30
	Mortgage Rates - Primary Mkt															
9	30-Yr (FHLMC - PMMS)	5.67	5.89	6.11	6.02	5.88	5.90	5.98	6.13	6.22	6.32	6.46	6.61	5.92	5.97	6.40
10	15-Yr (FHLMC - PMMS)	4.97	5.36	5.57	5.54	4.89	4.55	4.69	5.00	5.08	5.19	5.46	5.73	5.36	4.78	5.37
11	ARM (FHLMC - PMMS)	5.13	5.19	5.21	5.31	5.36	5.04	4.90	5.12	5.14	5.22	5.52	5.86	5.21	5.10	5.44
	Mortgage Rates - Secondary Mkt															
12	30-Yr (FLHMC Req Net Yield)	5.88	6.09	6.32	5.87	5.06	4.86	4.94	5.02	5.13	5.25	5.40	5.60	6.04	4.97	5.35
13	15-Yr (FHLMC Req Net Yield)	5.38	5.66	5.88	5.85	5.80	5.78	5.85	6.09	6.20	6.32	6.54	6.76	5.69	5.88	6.45

April 21, 2009

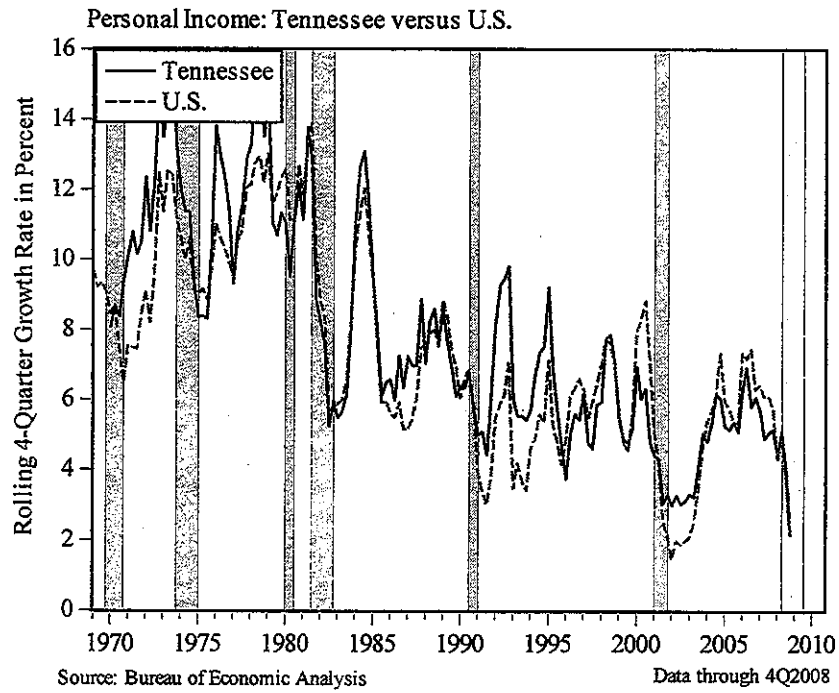
The Tennessee Cycle in Perspective

Personal Income – Tennessee versus U.S.

Quarterly growth in state and nation follows roughly the same cyclical pattern

- Over time, each 1% growth in U.S. personal income is met with 1% growth in Tennessee
- But there are sizeable short-run deviations

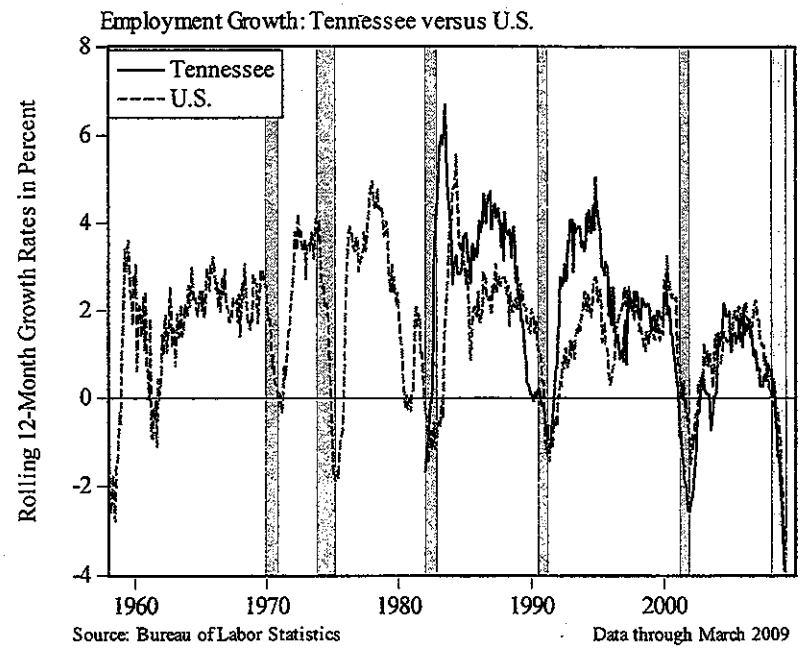
Then the two series tracked each other closely for a few years



The Tennessee Cycle in Perspective

Labor Markets – Tennessee versus U.S.

- Tennessee's growth pattern moves in a roughly similar cyclical pattern
- But differences are evident
- Pattern has tighter co-movement as decline gathers momentum
- In the early part of the common sample period, Tennessee typically exhibited a wider cyclical amplitude than the country as a whole
- But Tennessee and U.S. moved into closer cyclical alignment in the past 10 years
- This cycle, Tennessee and U.S. move in tight tandem



The Tennessee Cycle in Perspective

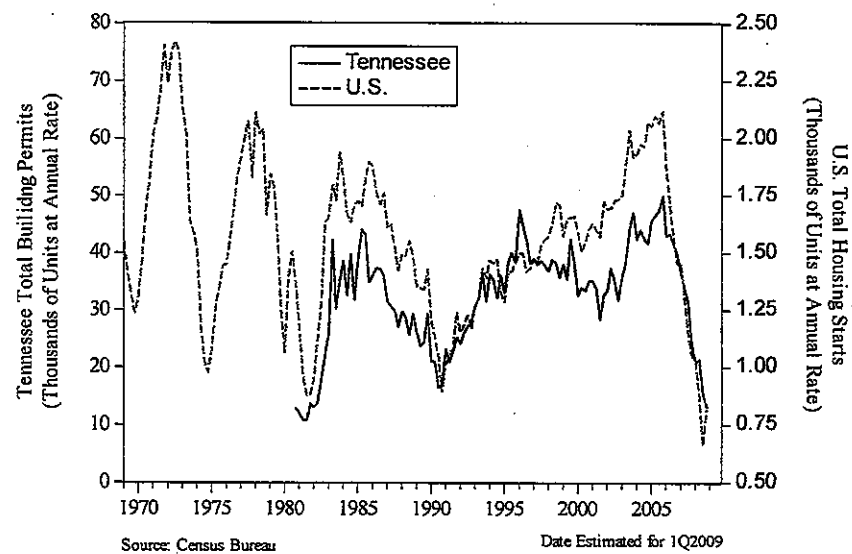
Housing Activity – Tennessee versus U.S.

Housing in Tennessee generally moves with the U.S. housing cycle

- But there was break in the tightness of the relationship 2001-2006

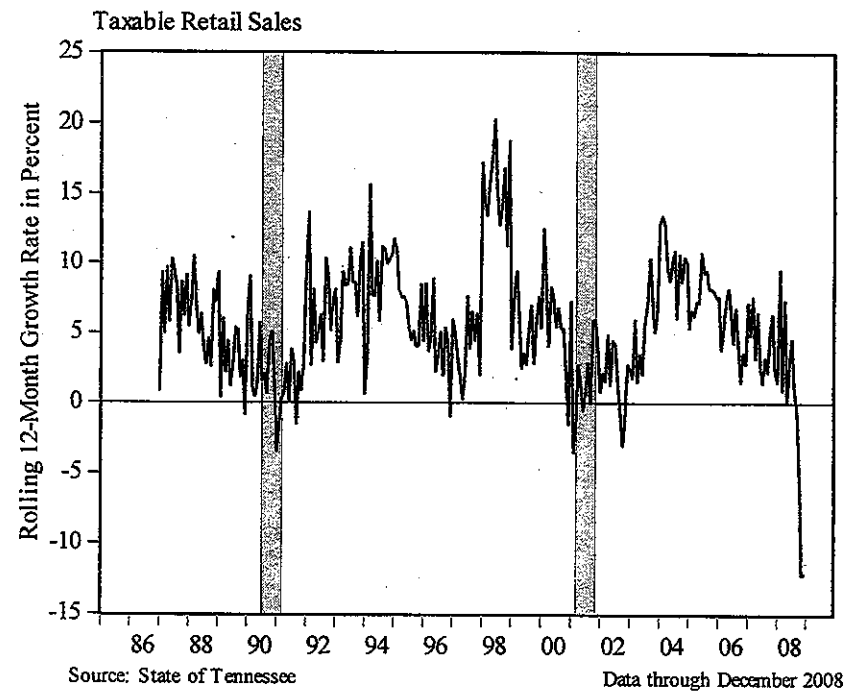
In hindsight the 2005-2006 national and Tennessee housing boom may well have been a bubble

- As a result, the fall in both the volume of permits for Tennessee and housing starts for the U.S. reflects the reversal of that speculative boom



The Tennessee Cycle in Perspective
Consumer Spending

This graph speaks for itself



Baseline Economic Outlook

Economics Outlook for Tennessee

	2008				2009				2010				Year-over-Year Growth		
	I(A) 2008	II(A) 2008	III(A) 2008	IV(A) 2008	I(E) 2009	II(E) 2009	III(E) 2009	IV(E) 2009	I(E) 2010	II(E) 2010	III(E) 2010	IV(E) 2010	2008	2009	2010
National Trends															
1 Civilian Employment (Mil.)	146.1	146.0	145.3	144.0	141.6	141.1	140.9	140.9	141.0	141.2	141.6	141.9	-0.5	-2.9	0.2
2 Change *	-0.4	-0.4	-1.9	-3.4	-6.6	-1.3	-0.7	0.0	0.4	0.7	0.9	1.1			
3 Personal Income	11960.5	12152.2	12170.4	12127.5	11978.9	11991.3	12035.7	12108.6	12199.1	12291.0	12391.8	12504.2	3.8	-0.6	2.6
4 Change *	3.0	6.6	0.6	-1.4	-4.8	0.4	1.5	2.4	3.0	3.0	3.3	3.7			
5 Income Per Employee (T)	81.844	83.240	83.761	84.192	84.596	84.969	85.440	85.965	86.519	87.027	87.540	88.089	4.3	2.4	2.4
6 Change *	3.4	7.0	2.5	2.1	1.9	1.8	2.2	2.5	2.6	2.4	2.4	2.5			
7 Housing Starts (Mil. of Units)	1.053	1.025	0.876	0.660	0.816	0.759	0.805	0.809	1.001	1.109	1.222	1.259	-32.6	-11.7	44.0
8 Change *	-30.0	-10.2	-46.7	-67.7	133.9	-25.1	26.3	2.2	134.1	50.7	47.6	12.6			
Tennessee															
9 Nonagricultural Employment (T)	2804.5	2791.1	2769.5	2743.0	2698.0	2687.5	2681.8	2680.1	2682.2	2686.8	2692.7	2699.1	-0.7	-3.2	0.1
10 Change *	-0.3	-1.9	-3.1	-3.8	-6.4	-1.6	-0.8	-0.3	0.3	0.7	0.9	1.0			
11 Personal Income	210.7	214.5	214.3	214.0	211.7	211.6	212.2	213.2	214.6	216.3	218.0	220.0	3.9	-0.6	2.4
12 Change *	2.4	7.5	-0.5	-0.5	-4.2	-0.1	1.1	1.9	2.6	3.2	3.4	3.5			
13 Dividends & Interest	26.7	27.1	27.5	27.1	26.8	26.8	26.8	26.8	26.9	27.0	27.1	27.3	3.6	-1.1	1.1
14 Change *	-0.2	5.2	7.0	-6.4	-3.5	-1.1	0.2	0.8	1.3	1.6	1.8	2.0			
15 Income Per Employee (T)	75.119	76.857	77.365	78.013	78.469	78.749	79.124	79.543	79.998	80.486	80.975	81.490	4.7	2.8	2.2
16 Change *	2.7	9.6	2.7	3.4	2.4	1.4	1.9	2.1	2.3	2.5	2.5	2.6			
17 Retail Sales	93.5	93.4	91.0	82.8	82.6	80.2	79.8	79.0	78.4	78.5	78.4	78.6	-0.3	-10.8	-2.4
18 Change *	8.0	-0.2	-10.0	-31.4	-0.9	-11.5	-1.8	-4.2	-2.6	0.4	-0.5	1.1			
19 Single-Family Building Permits (T)	18.094	17.590	15.705	9.731	10.297	10.305	10.932	10.440	13.889	15.921	17.973	18.764	-45.6	-31.3	58.5
20 Change *	-55.7	-10.7	-36.5	-85.3	25.4	0.3	26.7	-16.8	213.2	72.6	62.4	18.8			
21 Total Building Permits (T)	23.784	20.802	21.364	15.164	13.081	11.272	11.539	11.053	15.535	18.402	21.217	22.109	-42.6	-42.1	64.6
22 Change *	-66.5	-41.5	11.3	-74.6	-44.6	-44.9	9.8	-15.8	290.3	96.9	76.7	17.9			

Note: Except where noted, all data in billions of dollars. Historic sources: BEA, BLS, State of Tennessee T=Thousands of units, persons, or dollars March 27, 2009

Baseline Economic Outlook

Economic Assumptions—Fiscal Year Basis

		FY97-98	FY98-99	FY99-00	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	Forecasts FY08-09	FY09-10	FY10-11
1	Personal Income (Bil $)	128.9	137.0	144.9	152.0	156.8	161.7	169.5	179.1	189.7	200.3	210.2	212.9	214.0	221.1
2	Chg@	6.0	6.3	5.7	4.9	3.1	3.1	4.8	5.6	5.9	5.6	4.9	1.3	0.5	3.3
3	Nonagricultural Employment (Mil)	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.7	2.7	2.7
4	Chg@	2.1	1.9	2.0	0.2	-2.1	0.1	0.5	1.7	1.6	0.8	0.4	-2.7	-1.5	0.7
5	Income Per Employee (Th $)	49.4	51.5	53.4	55.9	58.9	60.7	63.3	65.7	68.6	71.8	75.0	78.1	79.8	81.8
6	Chg@	3.8	4.3	3.6	4.8	5.3	3.1	4.3	3.9	4.3	4.7	4.5	4.1	2.1	2.5
7	Retail Sales (Bil $)	53.5	58.8	62.6	64.1	65.9	67.0	73.1	79.2	85.0	88.9	92.0	84.2	78.9	78.8
8	Chg@	10.8	9.9	6.5	2.4	2.9	1.7	9.1	8.3	7.4	4.6	3.5	-8.6	-6.2	-0.2
9	Building Permits (Th of Units)	29.4	31.2	29.7	26.3	28.0	30.2	36.0	37.2	40.1	34.1	21.4	11.5	12.8	19.4
10	Chg@	0.7	6.0	-4.8	-11.3	6.4	8.0	19.1	3.3	7.9	-15.1	-37.3	-46.1	11.2	51.6

* Millions of dollars @ Annual Percent Change

Annual economic data in lines 1, 3, 5, 7, and 9 are calculated in terms of fiscal years ending in IIQ of the calendar year of the noted fiscal year

March 27, 2009

Baseline Economic Outlook

Baseline Revenue Projections

		FY97-98	FY98-99	FY99-00	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	Forecasts FY08-09	FY09-10	FY10-11
11	Total Tax Revenue*	6,737.7	6,979.4	7,526.8	7,656.4	7,469.0	8,449.7	9,094.0	9,638.6	10,290.8	11,052.7	11,117.6	10,108.8	10,112.4	10,368.5
12	Chg@	5.7	3.6	7.8	1.7	-2.4	13.1	7.6	6.0	6.8	7.4	0.6	-9.1	0.0	2.5
13	Sales and Use Tax*	4,099.9	4,346.2	4,600.7	4,643.3	4,645.7	5,459.4	5,810.8	6,091.5	6,515.6	6,815.4	6,851.2	6,298.5	6,307.3	6,450.7
14	Chg@	5.0	6.0	5.9	0.9	0.1	17.5	6.4	4.8	7.0	4.6	0.5	-8.1	0.1	2.3
15	Income Tax*	161.3	160.4	179.9	199.4	141.7	102.9	140.0	155.9	194.4	247.6	292.0	212.4	212.7	218.3
16	Chg@	25.8	-0.6	12.2	10.8	-28.9	-27.4	36.0	11.4	24.7	27.4	18.0	-27.3	0.1	2.6
17	Gross Receipts Tax*	188.8	197.5	213.1	248.6	224.3	216.5	219.1	235.9	241.2	277.6	241.2	296.5	299.4	310.9
18	Chg@	0.3	4.6	7.9	16.6	-9.8	-3.5	1.2	7.6	2.2	15.1	-13.1	22.9	1.0	3.8
19	Excise plus Franchise Taxes*	906.2	891.2	1,083.0	1,102.8	966.3	1,071.7	1,197.8	1,372.0	1,491.6	1,766.1	1,619.5	1,283.7	1,256.7	1,287.6
20	Chg@	1.4	-1.7	21.5	1.8	-12.4	10.9	11.8	14.5	8.7	18.4	-8.3	-20.7	-2.1	2.5
21	Gasoline Tax*	563.2	567.4	576.1	569.4	576.9	600.1	599.3	608.1	605.6	612.3	617.1	591.7	593.3	602.3
22	Chg@	3.7	0.8	1.5	-1.2	1.3	4.0	-0.1	1.5	-0.4	1.1	0.8	-4.1	0.3	1.5
23	Vehicle Registration*	195.7	201.2	218.6	211.4	219.6	225.0	238.5	244.2	249.5	257.4	251.3	250.5	252.2	258.6
24	Chg@	6.5	2.8	8.7	-3.3	3.9	2.5	6.0	2.4	2.2	3.1	-2.4	-0.3	0.7	2.5
25	Fuel Tax*	133.2	142.5	152.8	173.4	151.2	155.4	167.7	173.7	180.7	185.9	182.9	154.3	154.2	157.6
26	Chg@	5.0	7.0	7.2	13.5	-12.8	2.8	7.9	3.5	4.0	2.9	-1.6	-15.7	0.0	2.2
27	Privilege Tax*	124.4	142.6	153.7	160.8	177.4	216.5	246.1	264.9	304.9	313.8	279.0	252.0	250.0	270.7
28	Chg@	14.7	14.7	7.8	4.6	10.3	22.1	13.6	7.7	15.1	2.9	-11.1	-9.7	-0.8	8.3
29	All Other Taxes*	365.1	330.4	348.9	347.2	365.8	401.9	474.6	492.4	507.3	576.7	783.4	769.5	786.4	811.7
30	Chg@	23.0	-9.5	5.6	-0.5	5.4	9.9	18.1	3.7	3.0	13.7	35.8	-1.8	2.2	3.2

* Millions of dollars

@ Annual Percent Change

March 29, 2009