

Current Economic Conditions in the Eighth Federal Reserve District

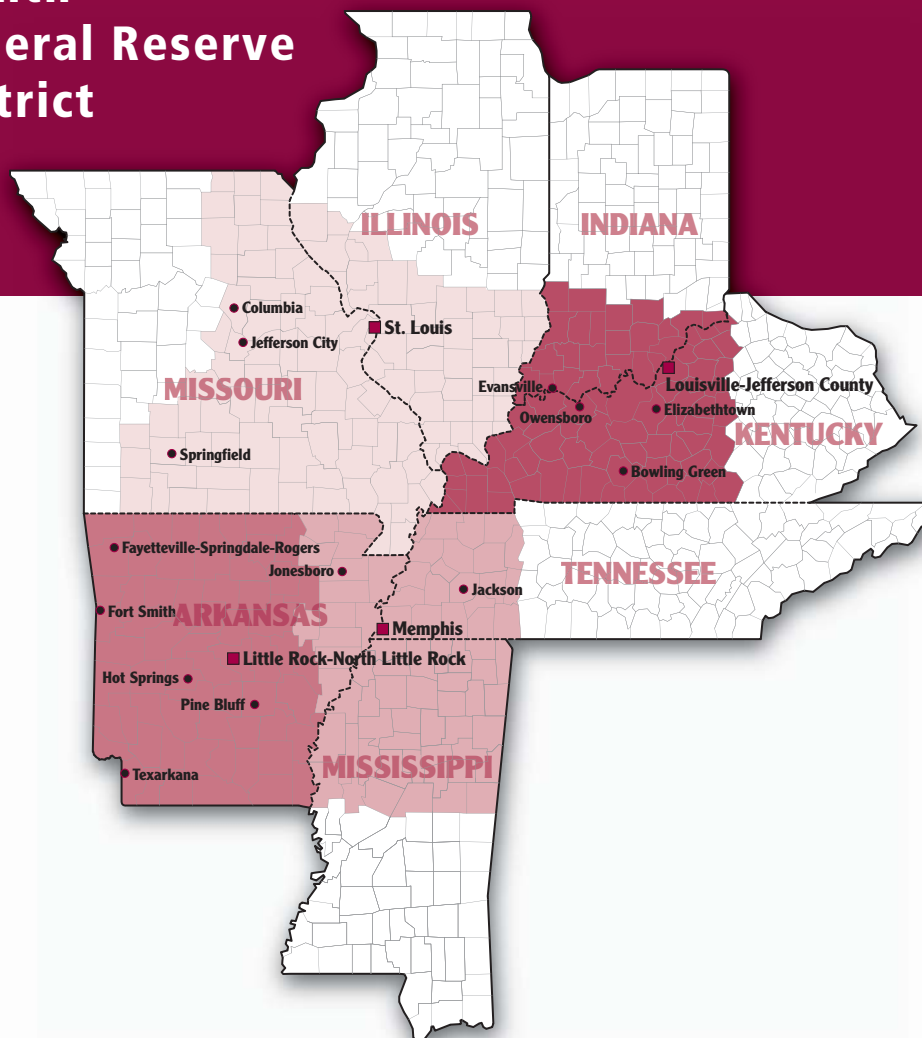
St. Louis Zone

March 18, 2011

Prepared by the
Research Division of the
Federal Reserve Bank of St. Louis



Eighth Federal Reserve District



This report (known as the *Burgundy Book*) summarizes information on economic conditions in the St. Louis zone of the Eighth Federal Reserve District (see map above), headquartered in St. Louis. Separate reports have also been prepared for the Little Rock, Louisville, and Memphis zones and can be downloaded from research.stlouisfed.org/regecon/.

The report includes government-provided data for Missouri and the metro areas of the St. Louis zone. These data are the most recent available at the time this report was assembled.

NOTE: Metropolitan statistical areas (MSAs) are larger geographic areas than cities, as defined by the Census Bureau. Unless noted otherwise, when we refer to a location—such as St. Louis—we refer to the St. Louis MSA and not to the city of St. Louis.

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St. Louis Zone Report—March 18, 2011

The most recent data—between December 2010 and January 2011— reveals that the annual growth of employment, building permits, and housing prices was 0.7 percent, –22.9 percent, and –0.4 percent in St. Louis and 0.7 percent, –8.9 percent, and –1.3 percent in the nation. In the past three months, local employment increased at a rate of 0.1 percent per month, approximately the same rate registered for nationwide employment. The unemployment rate in St. Louis (9.8 percent) was higher than the nation’s (9.4 percent). According to three of the five indicators considered, St. Louis is performing similarly or better than the nation. This view contrasts with weak anecdotal reports from contacts in some sectors.

General Retailers

- January and early February sales increased compared with the same time last year for one in two contacts; sales decreased for one in three contacts.
- Sales met or exceeded expectations for five in six contacts.
- Sales were expected to increase in this quarter compared with the same time last year for two in three contacts; the remaining contacts expected a decrease.

Car Dealers

- January and early February sales increased compared with the same time last year for one in two contacts; sales decreased for one in three contacts.
- All contacts expected sales to increase in this quarter compared with the same time last year.

Manufacturing

- A contact in fertilizer manufacturing plans to open a new plant as well as hire workers.
- Contacts in automobile parts and aircraft plan to lay off workers and/or close plants.

Services

- Warehousing, restaurant, health care, and legal service contacts plan to hire new workers and/or open new facilities.
- Police protection and government service contacts plan to decrease operations and employment.

Real Estate

- Home sales in January 2011 were 0.9 percent lower than in January 2010.

- New single-family housing permits were 30.9 percent lower in January 2011 than in January 2010.
- Between the third and fourth quarters of 2010, industrial and downtown office vacancy rates decreased, while suburban office vacancy rates remained constant.

Construction

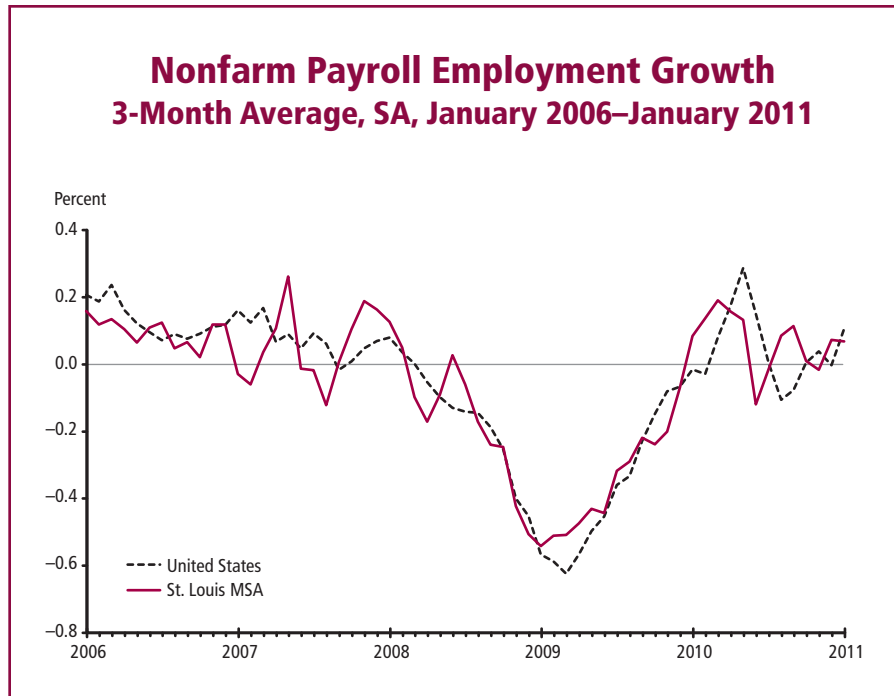
- Contacts in St. Louis continued to report low levels of commercial and industrial construction.
- Contacts in southwest Missouri reported that construction activity has “yet to be positively impacted by more projects.”

Banking and Finance

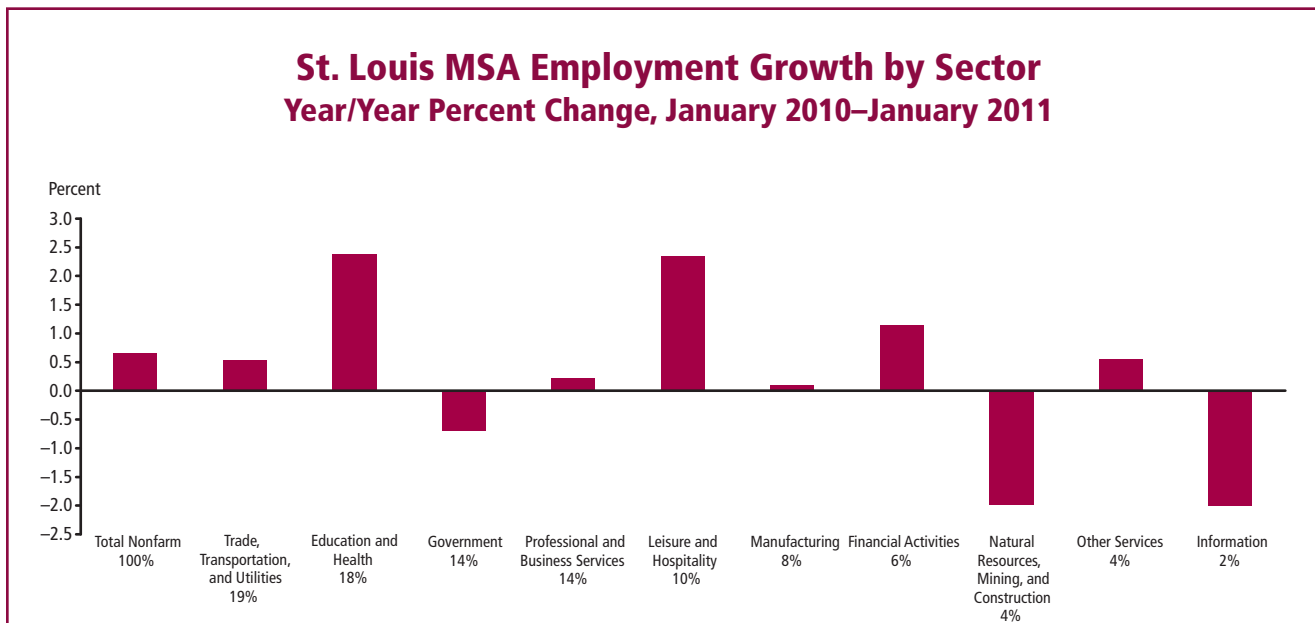
- Lending activity was relatively unchanged in the commercial and industrial lending category.
- Consumer lending activity increased modestly despite isolated reports of decreased loan demand.
- Residential mortgage activity decreased modestly as a result of moderately weaker demand. Refinancing activity in this category “waned slightly” as a result of higher rates.
- Deposit growth increased modestly.

Agriculture

- Combined coal production in Missouri and Illinois was 2.7 percent lower in 2010 than in 2009.
- The aggregate production value of corn, sorghum, soybeans, hay, rice, and cotton was 36.2 percent higher in 2010 than in 2009, while the production value of winter wheat was 52.7 percent lower.
- The market prices of corn, sorghum, winter wheat, soybeans, hay, and cotton were 54.0, 57.6, 29.1, 26.2, 6.1, and 17.6 percent higher in 2010 than in 2009, respectively. The price of rice was 12.4 percent lower.



St. Louis’s recession-related decline in employment, centered in January 2009, was slightly milder than in the nation overall. The recovery started roughly during the same period in St. Louis as in the nation. Although the recovery seemed to have stalled in St. Louis around May 2010, St. Louis and the nation’s employment expanded at an average rate of approximately 0.1 percent per month during the past three months.



Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in St. Louis’s economic performance. Annual employment grew by 0.7 percent in both St. Louis and the nation. The three largest sectors in St. Louis are Trade, Transportation, and Utilities; Education and Health; and Professional and Business Services, accounting for 19 percent, 18 percent, and 14 percent of St. Louis’s employment, respectively. Growth in these three sectors was 0.5 percent, 2.4 percent, and 0.2 percent, respectively. Employment growth was heterogeneous across sectors with 7 of 10 sectors increasing employment and the rest observing decreases.

St. Louis Zone—MSA Employment and Unemployment

	Nonfarm payroll employment percent change, January 2010–January 2011			Unemployment rate December 2010
	Total	Goods producing	Service providing	
St. Louis	0.66	-0.62	0.84	9.8
Columbia, Mo.	1.68	9.84	1.08	6.6
Jefferson City, Mo.	0.79	5.88	0.15	7.5
Springfield, Mo.	0.59	-1.55	0.83	8.8
United States	0.69	0.54	0.71	9.4

SOURCE: Bureau of Labor Statistics.

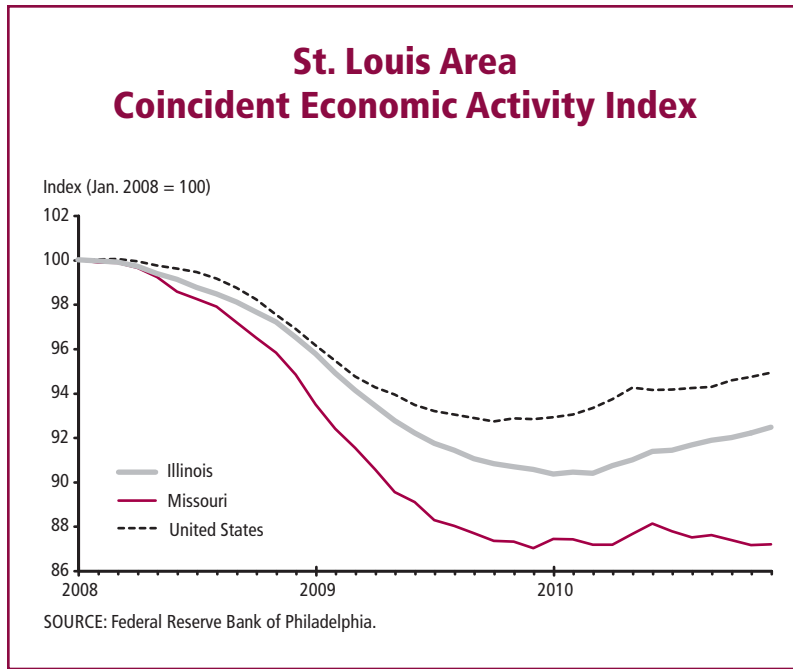
Employment expansion in the St. Louis zone is substantial in Columbia for service-providing and goods-producing activities. The highest unemployment rate in the St. Louis zone was registered in St. Louis, at 9.8 percent. This unemployment rate is higher than the 9.4 percent registered for the United States.

St. Louis Zone—MSA Housing Activity

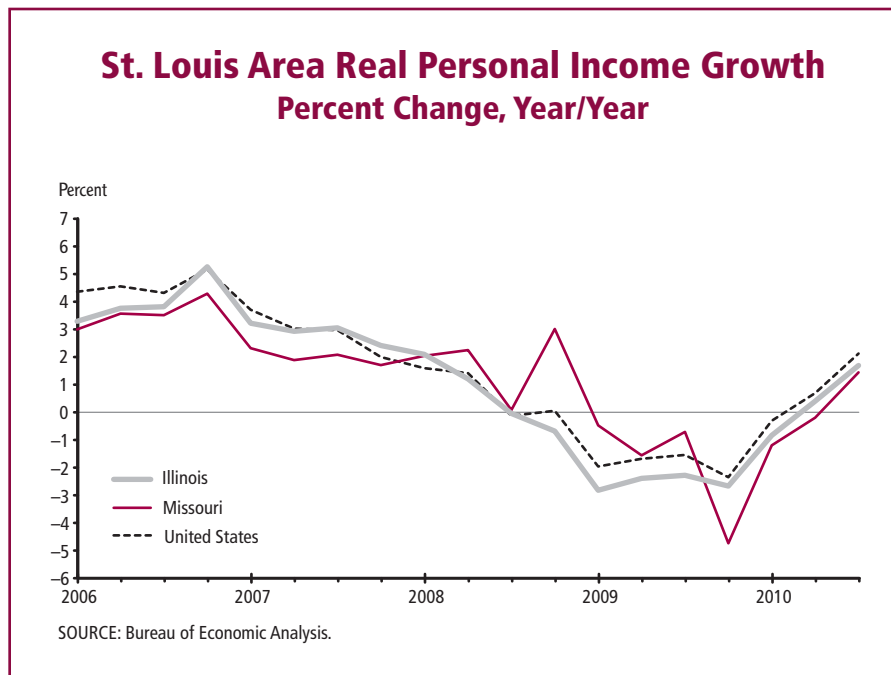
	Total building permits, units year-to-date		House price index, percent change, 2010:Q4/2009:Q4
	January 2011	Percent change	
St. Louis	219	-22.9	-0.4
Columbia, Mo.	20	53.8	1.2
Jefferson City, Mo.	12	-14.3	0.8
Springfield, Mo.	51	-30.1	-1.3
United States	35,985	-8.9	-1.3

SOURCE: Bureau of the Census, Federal Housing Financing Authority.

The 22.9 percent contraction of building permits in St. Louis lies between the 53.8 percent expansion in Columbia and the 30.1 percent contraction of Springfield. These contractions are large compared with the 8.9 percent decline registered for the United States. However, the 0.4 percent year-over-year house price decrease in St. Louis was milder than the 1.3 percent decrease experienced in Springfield and the United States. Also, prices increased in the Columbia and Jefferson City MSAs by 1.2 and 0.8 percent, respectively.



The Philadelphia Fed's coincident index combines information on payroll employment, wages, unemployment, and hours of work to give a single measure of economic performance. This index gives an idea of the state economic environment in which St. Louis operates. Illinois's and Missouri's coincident indices reveal a stronger impact of the recession and a slower recovery compared with the nation. The index bottomed at 90.3 for Illinois and at 87 for Missouri, while it bottomed at 92.7 for the United States. Current values of the index suggest that economic activity in Illinois and Missouri are at 92.5 percent and 87.2 percent of their pre-recession levels, respectively, while activity is at 94.9 percent in the nation. In summary, the state economic environment of the St. Louis zone as a whole should be worse than the nation's according to this index.



For several quarters before the national recession, which started in the last quarter of 2007, personal income growth in Illinois was roughly similar to the nation's, while Missouri's was below. The recession's impact on Missouri's and Illinois's personal income has been stronger and the recovery has been weaker for both states compared with the nation's. Between the third quarter of 2009 and the third quarter of 2010, personal income grew 1.4 percent in Missouri and 1.7 percent in Illinois, while it grew 2.1 percent in the nation.