

Current Economic Conditions in the Eighth Federal Reserve District

St. Louis Zone

March 18, 2009

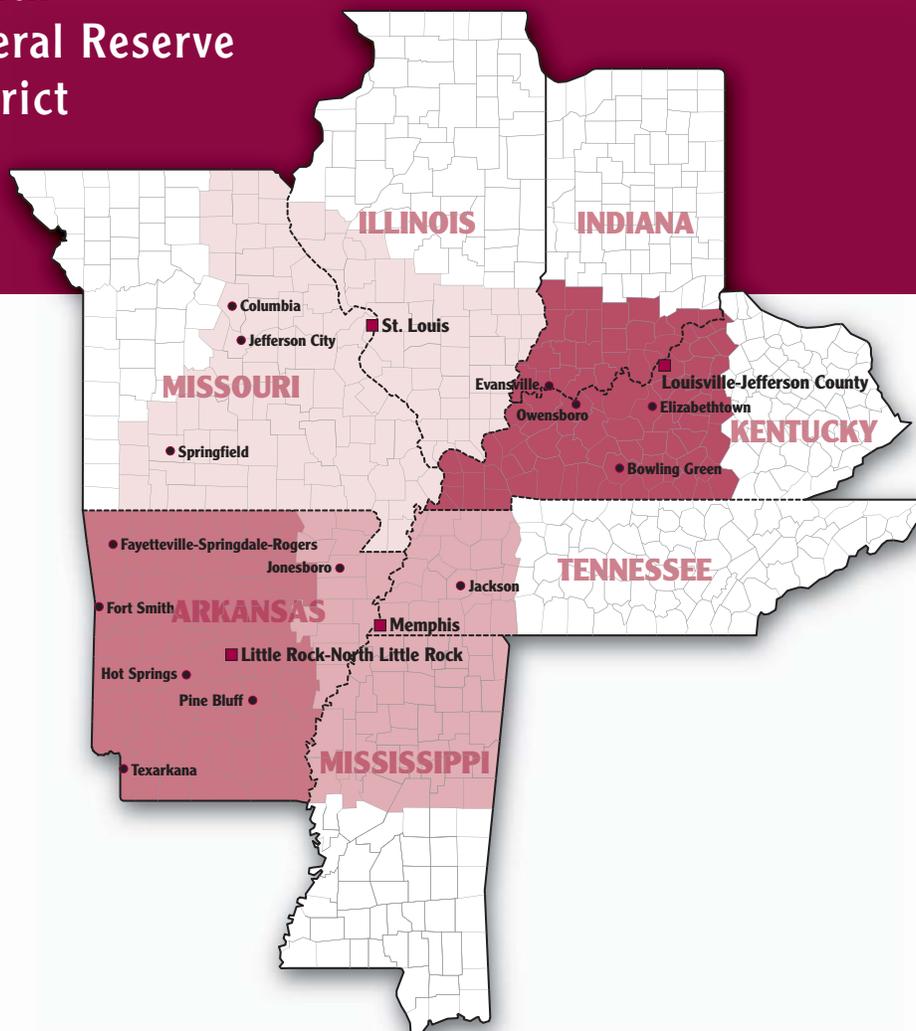
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CRE8

Center for Regional Economics—8th District



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 the CRE8 website (research.stlouisfed.org/regecon/).

The first section of this report summarizes information provided by various contacts within the District and is similar to the type of information found in the Fed's *Beige Book* (federalreserve.gov/fomc/beigebook/2009/). The period covered by this section coincides roughly with the two *Beige Book* periods immediately preceding this report. The second section includes government-provided data for the metro areas and states of the St. Louis zone. These data are the most recent available at the time this report was assembled.

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St. Louis Zone Report—March 18, 2009

Economic activity in the St. Louis zone continued to weaken over the past two months. Most general retailers and half of car dealers reported sales decreases over the same period last year. Overall activity in the manufacturing, services, real estate, and construction sectors declined. In the banking sector, an increase in residential mortgage refinancing helped to offset declines in other lending activity. Reports from the agriculture and natural resources sectors were strong relative to the rest of the economy.

Consumer Spending

Retail sales reports for January and early February were mostly negative among general retailers, while they were more mixed among car dealers. About 83 percent of the general retailers and half of the car dealers surveyed indicated that sales were down compared with year-earlier levels. The remaining general retailers and 17 percent of car dealers reported increased sales. Twenty percent of general retailers reported sales to be below expectations, while the same proportion reported sales above expectations. Among car dealers, 33 percent reported increases in sales of high-end vehicles, and about 30 percent reported more rejections of finance applications. General retailers and car dealers tended to be pessimistic about the near future, as more than 80 percent of each expect their sales over the next two months to be lower than their 2008 levels.

Manufacturing and Other Business Activity

Manufacturing activity continued to decline between December 2008 and February 2009. A large number of firms announced job layoffs and reductions in output. Firms in the primary metal, heavy metal, and steel-product industries, for example, announced plans to lay off workers; firms in electrical equipment, railroad rolling stock, and automotive parts announced plans to close plants in the zone. In contrast, a firm in machinery manufacturing announced plans for a new facility and new jobs and a firm in rubber-product manufacturing announced plans to expand employment. In the service sector, firms in business support, education, information, transportation, and urban transit all announced job losses. A major service firm in the zone announced a significant number of job losses at its corporate office.

Real Estate and Construction

Compared with year-earlier levels, January 2009 year-to-date home sales were down by 14 percent. The residential housing market shows signs of stabilizing, as this decline is similar to that experienced in previous months. January 2009 year-to-date single-family housing permits were 53 percent lower than a year earlier. The commercial real estate market has continued to weaken, and the fourth-quarter 2008 industrial and office vacancy rates were higher than earlier in the year. Contacts were generally pessimistic about the commercial construction market for 2009.

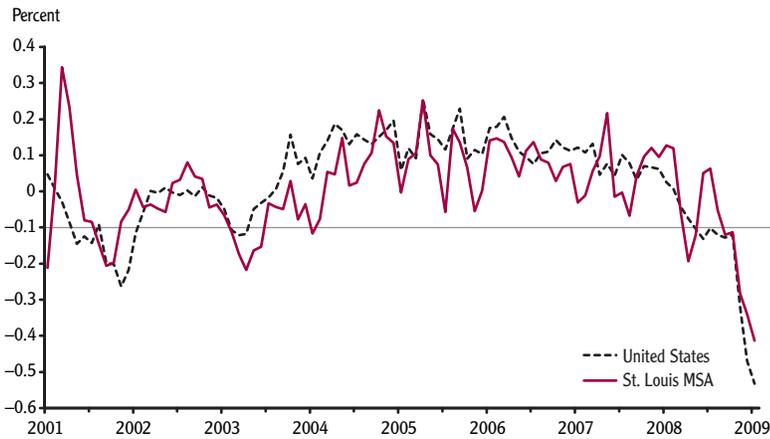
Banking and Finance

Commercial and industrial lending activity has continued to decline. According to our contacts, increased economic uncertainty has meant a decrease in the demand for these loans. Commercial real estate loans also declined, although there was a slight increase in residential mortgage lending, which contacts attribute to a spike in refinancing activity. Contacts also reported that consumer lending levels ranged from unchanged to modestly lower. A number of contacts noted a recent increase in delinquencies on consumer loans, and lending standards remained tight for all types of loans.

Agriculture and Natural Resources

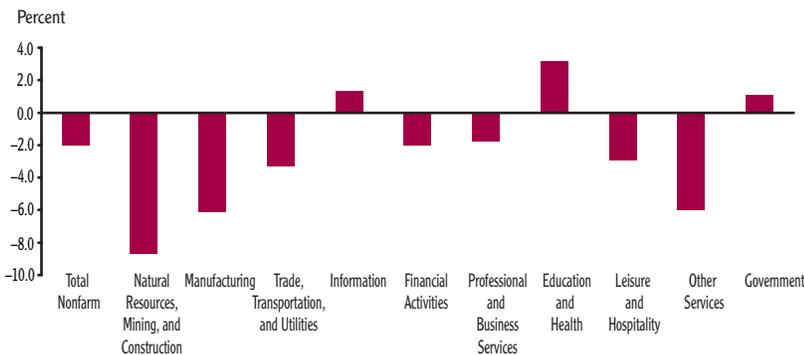
Total coal production in Illinois and Missouri for all of 2008 was 3 percent below its 2007 level. Between 2007 and 2008, the total value of field crops declined in Illinois by 6 percent and in Missouri by 4 percent, although 2007 was a very good year. There were some differences across crops, however, as both the price and the production of corn decreased, while the opposite occurred for winter wheat. Also, in Missouri, the price and production of rice increased, while the price and production of cotton decreased.

Nonfarm Payroll Employment Growth 3-Month Average, SA, January 2001–January 2009



In recent years, payroll employment growth in the St. Louis MSA has consistently underperformed the country as a whole. According to the most recent estimates, this trend has reversed. Although the recent three-month average of employment growth has generally been negative for both St. Louis and the nation as a whole, St. Louis’s growth exceeds the national rate. Over the three-month period ending in January 2009, St. Louis’s monthly employment growth averaged –0.42 percent, while U.S. employment growth averaged –0.53 percent.

St. Louis MSA Employment Growth by Sector Year/Year Percent Change, January 2008–January 2009



St. Louis MSA sectoral employment growth rates between January 2008 and January 2009 were negative, with the exceptions of information, education and health, and government. The most recent estimates show education and health to be the strongest sector at 3.1 percent, followed by information at 1.3 percent, and government at 1.1 percent. The steepest changes were in natural resources, mining, and construction at –8.7 percent, manufacturing at –6.1 percent, and other services at –6 percent. Trade, transportation, and utilities; financial activities; professional and business services; and leisure and hospitality all saw job losses of at least 1.8 percent.

St. Louis Zone—MSA Employment and Unemployment

Nonfarm payroll employment percent change,
January 2008–January 2009

	Total	Goods producing	Service providing	Unemployment rate December 2008
St. Louis	-1.98	-7.04	-1.07	7.6
Columbia, Mo.	0.79	-1.27	0.99	4.5
Jefferson City, Mo.	-1.39	-4.00	-1.01	5.7
Springfield, Mo.	-1.47	-10.95	0.06	6.0
United States	-2.48	-8.28	-1.39	7.1

SOURCE: Bureau of Labor Statistics.

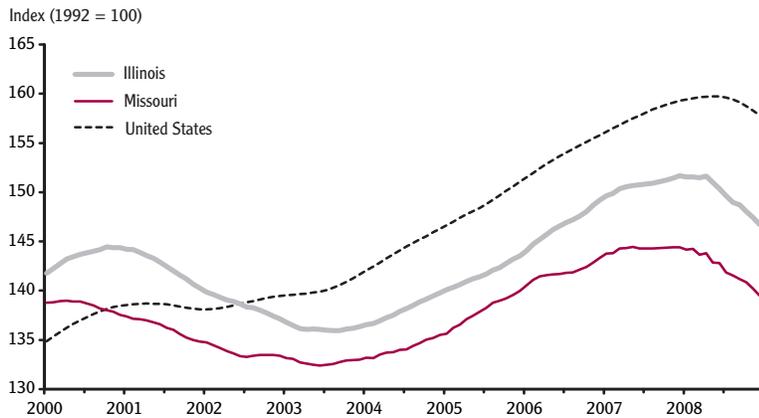
St. Louis Zone—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2008:Q4/2007:Q4
	January 2009	Percent change	
St. Louis	230	-47.2	-1.10
Columbia, Mo.	36	-14.3	2.11
Jefferson City, Mo.	4	-20.0	1.67
Springfield, Mo.	58	-71.3	-1.09
United States	36,250	-52.3	-4.47

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

Total residential building permits in January were lower than a year earlier in every MSA in the zone. St. Louis saw a decline that was similar to that of the country as a whole, but Springfield saw a sharper decline. The house price index fell in St. Louis and Springfield, while it rose in the other two metro areas in the zone. The index fell over the same period for the nation as a whole.

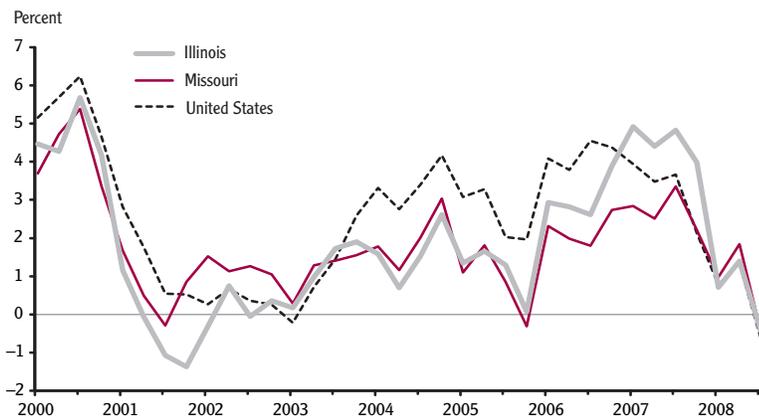
St. Louis Area Coincident Economic Activity Index



SOURCE: Federal Reserve Bank of Philadelphia.

The Philadelphia Fed's coincident index combines payroll employment, wages and salaries, the unemployment rate, and hours worked into a single index. According to this index, labor market conditions began to soften in early 2007, several months before similar softening occurred nationwide. The gap between the nation and St. Louis has grown according to this index. Between September and December 2008, the index fell by 1.35 percent in Illinois and 1.19 percent in Missouri, while it fell by 0.81 percent for the national as a whole.

St. Louis Area Real Personal Income Growth Percent Change, Year/Year



SOURCE: Bureau of Economic Analysis.

Personal income growth in Missouri and Illinois had been weaker than in the country as a whole since 2003, and income growth in Missouri had been weaker than in Illinois through most of 2006 and 2007. More recently, however, Missouri's income growth has outpaced that of Illinois and the country as a whole, although all of these growth rates have been negative for the most recent period.

Annual Revisions of the Metro-Area Employment Data

	December 2007–December 2008				December 2006–December 2007			
	Original estimate as of January 2009		Revised estimate as of March 2009		Original estimate as of January 2009		Revised estimate as of March 2009	
	Thousands	Percent change	Thousands	Percent change	Thousands	Percent change	Thousands	Percent change
Large Metro Areas								
Little Rock–N. Little Rock, Ark.	–5.8	–1.7	–4.7	–1.3	5.2	1.5	5.0	1.5
Louisville, Ky.–Ind.	–16.1	–2.5	–16.9	–2.7	6.9	1.1	4.3	0.7
Memphis, Tenn.–Ark.–Miss.	–15.7	–2.4	–15.7	–2.4	5.4	0.8	–0.1	0.0
St. Louis, Mo.–Ill.	–23.0	–1.7	–19.8	–1.4	2.0	0.1	6.7	0.5
Small and Medium Metro Areas								
Fayetteville–Springdale– Rogers, Ark.	–2.5	–1.2	–2.6	–1.2	0.9	0.4	1.2	0.6
Fort Smith, Ark.–Okla.	–1.6	–1.3	–1.4	–1.1	1.7	1.4	2.1	1.7
Texarkana, Texas–Ark.	1.2	2.1	0.9	1.6	0.7	1.2	0.9	1.6
Bowling Green, Ky.	–0.8	–1.3	–1.5	–2.4	1.8	2.9	1.6	2.6
Evansville, Ind.–Ky.	–2.5	–1.4	–4.6	–2.6	1.4	0.8	–0.2	–0.1
Jackson, Tenn.	–0.9	–1.4	–1.7	–2.7	0.3	0.5	0.0	0.0
Columbia, Mo.	0.0	0.0	1.1	1.2	1.0	1.1	–0.1	–0.1
Jefferson City, Mo.	–1.0	–1.2	–0.7	–0.9	1.5	1.9	1.5	1.9
Springfield, Mo.	0.1	0.1	–4.6	–2.3	5.2	2.6	4.4	2.2

In early March of each year, the Bureau of Labor Statistics carries out a benchmark revision of state and local payroll employment data using information from the more-comprehensive Quarterly Census of Employment and Wages (QCEW). The payroll employment data are revised going back 21 months and the new numbers sometimes show a dramatically different view of local employment experiences. This year, however, data revisions for Eighth District metro areas are relatively small. The revisions for the 2007 and 2008 calendar years are presented in the table. Note that the data for 2008 are subject to revision again in March 2010.