

Current Economic Conditions in the Eighth Federal Reserve District

St. Louis Zone

December 17, 2009

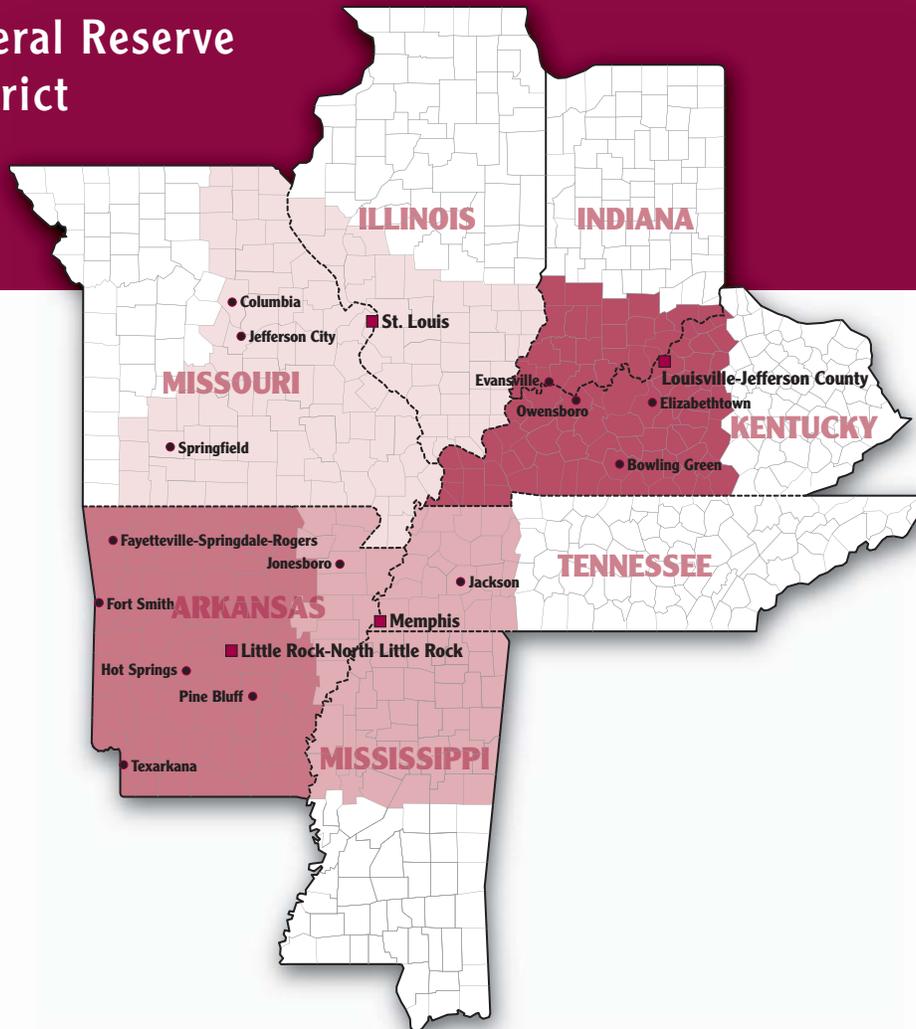
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CRE8

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—December 17, 2009

Economic activity in the St. Louis zone continues to be weak, with few signs of improvement over recent periods. General retailers and auto dealers continue to report that sales are lower than in the previous year. The manufacturing and service sectors both continued to shed jobs. Housing markets have continued to stabilize, although commercial real estate markets have weakened. The banking sector remains stable.

Consumer Spending

Retail sales reports for October and early November were mostly negative among general retailers and mixed among car dealers surveyed in the St. Louis zone. About 83 percent of the general retailers and one-third of the car dealers indicated that sales were down compared with the same months of 2008. The remaining 17 percent of the general retailers and half of the car dealers reported increased sales. Among the general retailers, 60 percent noted that sales levels met their expectations, but 40 percent reported sales below expectations. Among car dealers, half noted that new car sales had increased relative to used car sales, while 17 percent reported the opposite. Two-thirds of the car dealers reported more rejections of finance applications. The sales outlook for the rest of 2009 was mostly pessimistic among the general retailers but mixed among the car dealers. Two-thirds of the general retailers and half of the car dealers expect sales to decrease over 2008 levels, while one-third of each group expect sales to increase.

Manufacturing and Other Business Activity

Manufacturing activity has continued to decline in the St. Louis zone since our previous report, with job losses reported across a wide range of industries. Firms in the transportation, manufacturing, and chemical product manufacturing industries announced plans to close plants and cut jobs. Firms in heating, ventilation, and air conditioning manufacturing and auto parts manufacturing announced plans to cut jobs in line with decreased production. Finally, a major pharmaceutical company announced plans to lay off a significant number of employees following a merger with another firm. The service sector also continued to decline, with a larger number of job losses on net. Firms in the financial services and business support services announced plans to open new facilities and hire additional workers. In contrast, a larger number of firms in the business support services announced plans to reduce staff and cut costs.

Real Estate and Construction

In St. Louis, compared with the same period in 2008, September 2009 year-to-date home sales and single-family housing permits were down by 6 percent and 20 percent, respectively. The third-quarter 2009 industrial vacancy rate increased from the previous quarter, as did suburban and downtown office vacancy rates. A contact noted that the pace of commercial foreclosures has been increasing. Other contacts noted that a number of high-profile commercial properties have recently been foreclosed upon and that industrial construction had fallen sharply compared with the same time last year.

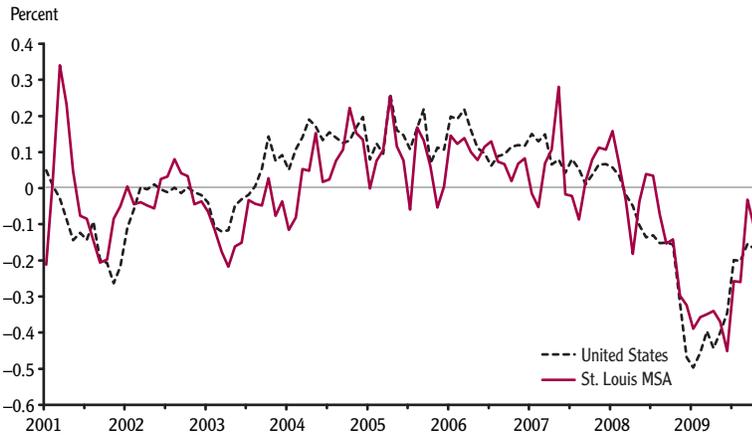
Banking and Finance

Overall lending activity was relatively unchanged from previous reporting periods. Reports indicated a slight increase in consumer lending activity, although commercial and industrial lending activity was unchanged from previous reports. One contact noted a spike in loan applications from small businesses, but lending standards are still tight and are restricting the number of new loans. Residential mortgage lending increased slightly with an increase in both new loans and refinancing activity. Reports continue to indicate declining activity in commercial real estate lending. All contacts reported an increase in deposits.

Agriculture and Natural Resources

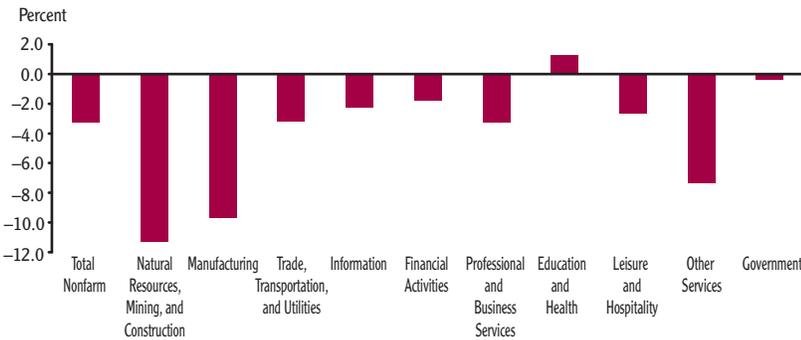
Wet conditions throughout the St. Louis zone caused some delays in harvesting and winter wheat planting. As of mid-November, Illinois farmers had harvested about half of their corn, about 90 percent of their soybeans, and about three-fourths of their sorghum (all three behind normal). Missouri farmers had harvested between 65 percent and 85 percent of their corn, soybeans, sorghum, and cotton (all behind normal) and nearly all of their rice.

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



Employment for the St. Louis MSA and the country as a whole has continued to decline, albeit at lower rates than earlier in the year. Estimates indicate that, recently, St. Louis employment has been contracting less sharply than for the country as a whole. Specifically, over the three-month period ending in October 2009, St. Louis employment contracted at a 0.11 percent monthly rate, while U.S. employment contracted at a monthly rate of 0.17 percent.

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



Between October 2008 and October 2009, total nonfarm employment in the St. Louis MSA fell by 3.2 percent. This rate of job loss was lower than for the country as a whole, which saw a 3.9 percent decline over the period. Net job losses in St. Louis were experienced in all sectors except education and health, which saw a modest increase of 1.3 percent. The largest percentage declines were in natural resources, mining, and construction (11.3 percent); manufacturing (9.7 percent); and other services (-7.3 percent).

St. Louis Zone—MSA Employment and Unemployment

Nonfarm payroll employment percent change,
October 2008–October 2009

	Total	Goods producing	Service providing	Unemployment rate October 2009
St. Louis	-3.23	-10.27	-1.96	10.3
Columbia, Mo.	-1.26	-10.47	-0.35	6.2
Jefferson City, Mo.	-2.98	-9.62	-2.00	7.6
Springfield, Mo.	-0.85	-7.81	0.17	8.2
United States	-3.87	-12.03	-2.37	10.2

SOURCE: Bureau of Labor Statistics.

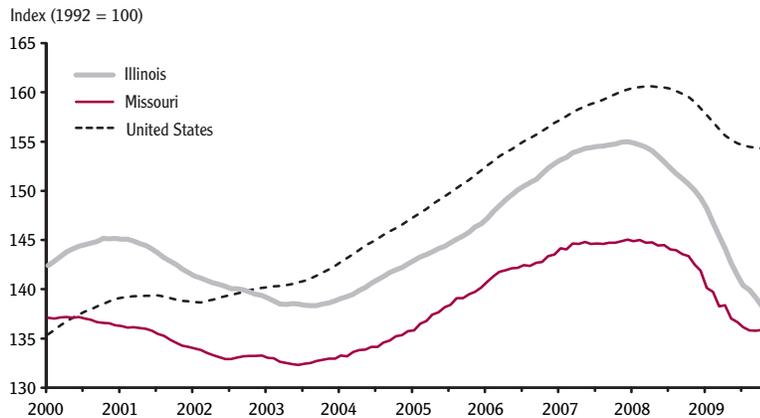
St. Louis Zone—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2009:Q3/2008:Q3
	September 2009	Percent change	
St. Louis	4,152	-20.4	-2.43
Columbia, Mo.	545	-6.2	-1.58
Jefferson City, Mo.	136	37.4	0.69
Springfield, Mo.	778	-53.8	-1.61
United States	483,013	-40.5	-4.08

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

Total residential building permits in September 2009 were lower than a year earlier in three of the four MSAs in the St. Louis zone. Permits declined by 53.8 percent in Springfield, by 20 percent in St. Louis, and by 6.2 percent in Columbia. Jefferson City, on the other hand, saw an increase of 37.4 percent in building permits and a small increase in its house price index. The house price index fell in the other three MSAs: 2.4 percent St. Louis and about 1.6 percent in Springfield and Columbia. Nationwide, house prices fell by 4.1 percent over the same period.

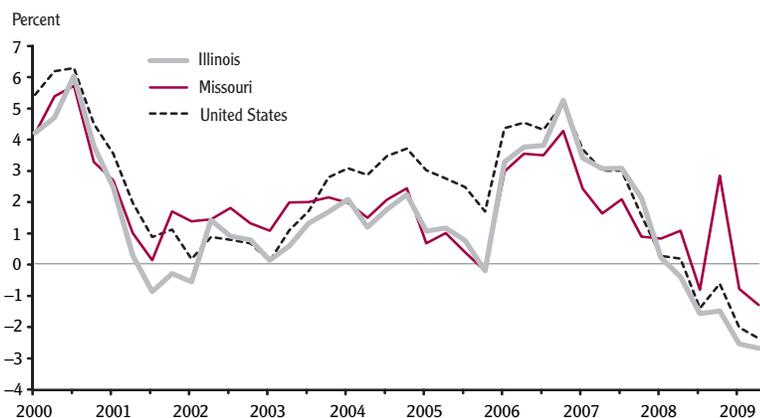
St. Louis Area Coincident Economic Activity Index



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 of economic performance. According to this index, Missouri and Illinois have both underperformed the country as a whole since the start of the recession in December 2007. The index declined by 3.3 percent for the United States and by 11.4 percent and 6.5 percent for Illinois and Missouri, respectively. Since June of this year, the index has leveled off for Missouri and the United States but has continued to decline for Illinois.

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



SOURCE: Bureau of Economic Analysis.

As illustrated by the figure, since the recession began in the fourth quarter of 2007, personal income growth in Missouri has tended to be higher than in Illinois, where it tended to be somewhat lower than the country as a whole. Recent performance has followed a similar pattern. For the second quarter of 2009, personal income in Missouri was 1.3 percent lower than it had been a year earlier, while for Illinois it was 2.7 percent lower. For the nation as a whole, personal income declined by 2.4 percent over the period.

Year-Over-Year Percent Change in State Tax Revenue

	2008:Q3				2009:Q3			
	Personal income	Corporate income	Sales	Total	Personal income	Corporate income	Sales	Total
Arkansas	6.2	-12.4	3.6	3.4	-6.9	-21.4	-11.1	-7.8
Illinois	3.8	-3.4	1.9	1.4	-11.7	-28.4	-13.1	-12.6
Indiana	-1.9	-10.5	19.7	9.1	-20.3	-42.4	-10.9	-14.2
Kentucky	6.6	-48.4	3.2	0.9	-7.1	-40.5	-7.5	-5.5
Mississippi	-1.8	-14.6	2.5	1.4	-12.2	-19.1	-12.4	-11.8
Missouri	0.2	-3.0	-3.6	-1.1	-8.1	-8.5	-6.0	-6.9
Tennessee	—	-25.2	-2.0	-4.2	—	8.2	-9.5	-5.4
United States	1.9	-14.9	4.8	3.0	-11.3	-17.5	-8.8	-11.1

NOTE: 2009:Q3 data are preliminary data from early-reporting states collected by the Rockefeller Institute of Government.

SOURCE: The Nelson A. Rockefeller Institute of Government/U.S. Bureau of the Census.