

Current Economic Conditions in the Eighth Federal Reserve District

St. Louis Zone

March 19, 2010

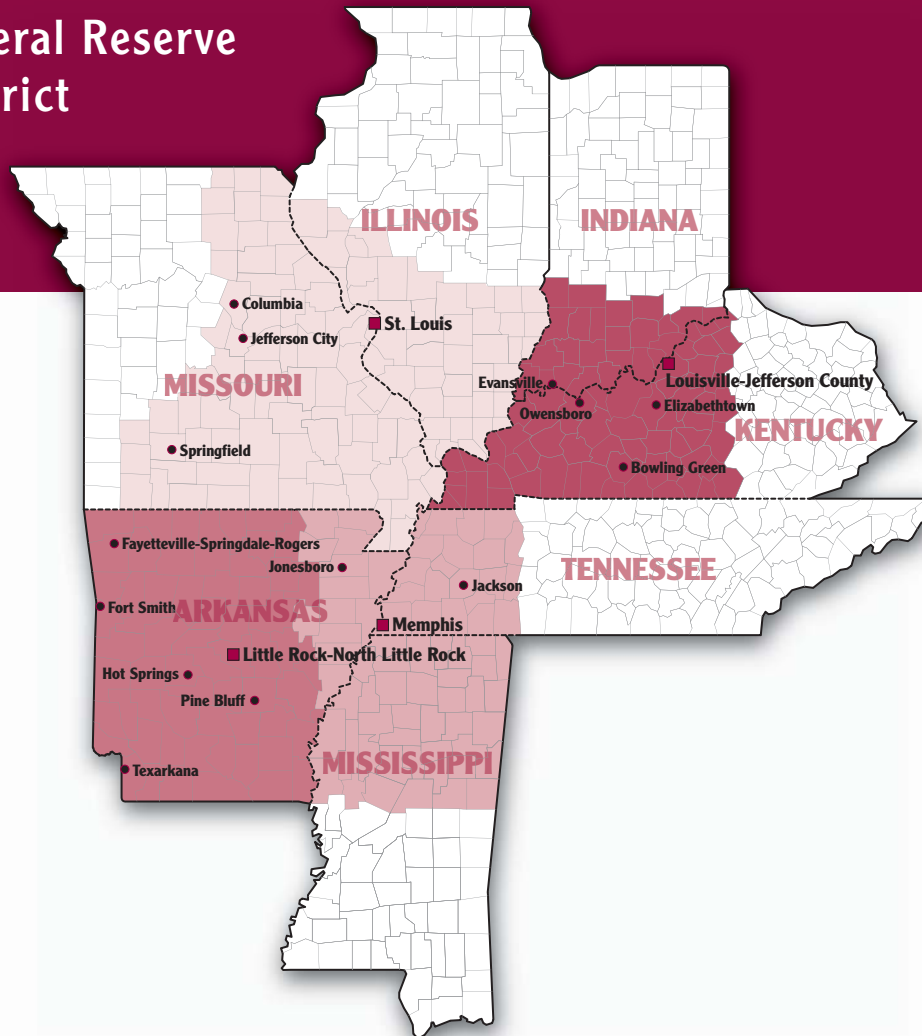
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CRE8

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 19, 2010

Economic activity in the St. Louis zone was mixed, with signs of improvement in certain sectors. A majority of general retailers noted improved or steady sales compared with the same time last year. Auto dealers, on the other hand, reported an overall sales decline. While activity in the manufacturing sector showed little change since our previous report, the service sector posted employment gains. Year-to-date home sales growth has been positive for the first time since early 2007, although building permits continued to fall. Lending activity was relatively unchanged, while crop prices mostly declined.

Consumer Spending

Retail sales reports for January and early February were mixed among general retailers but mostly negative among car dealers surveyed in the St. Louis zone. About 30 percent of the general retailers and about 80 percent of the car dealers indicated that sales were down compared with the same months in 2009. Roughly 30 percent of the general retailers and the remaining 20 percent of car dealers reported increased sales. Almost half of the car dealers reported more rejections of finance applications, but around 35 percent reported more acceptances. The sales outlook for March and April was mixed among the general retailers and mostly optimistic among the car dealers, which was an improvement for both groups from the outlook in the previous zone report. Nearly half of the general retailers and a large majority of the car dealers expect sales to increase over 2009 levels, but only about 30 percent of the general retailers expect sales to decrease.

Manufacturing and Other Business Activity

Manufacturing activity in the St. Louis zone remained flat since our previous report, with no contacts reporting significant changes in employment or production. In contrast, the service sector has improved, with firms in leisure and hospitality services hiring a large number of new employees. On balance, the job gains in this sector appear to offset job losses reported by contacts in the education services, transportation services, business support services, and medical services industries.

Real Estate and Construction

December 2009 year-to-date home sales increased by 1 percent in St. Louis compared with the same period in 2008, while year-to-date single-family housing permits decreased by 13 percent. The fourth-quarter 2009 industrial vacancy and suburban office vacancy rates declined over the previous quarter, while the downtown office vacancy rate remained the same. A contact in St. Louis noted that commercial real estate has stalled.

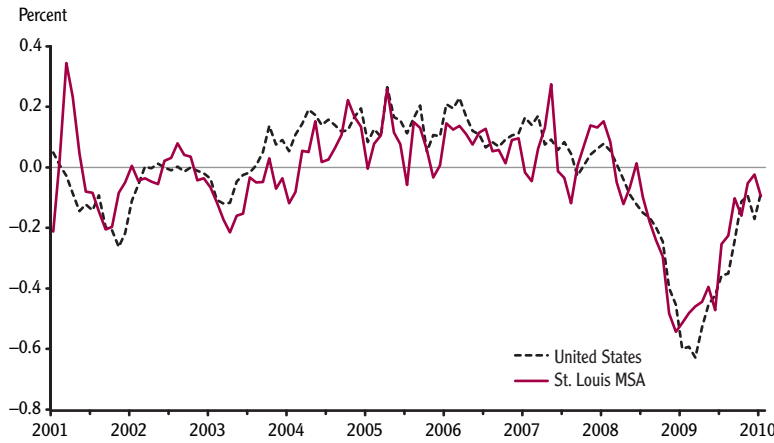
Banking and Finance

Overall lending activity was relatively unchanged from previous reporting periods. Reports indicated little to no change in consumer lending activity. One banker noted a slight uptick in demand for auto loans, but, on balance, demand for consumer loans has not changed since the previous reporting period. Contacts reported a slight decrease in lending activity for commercial loans. Several contacts indicated that loan applications remain light as businesses continue to put capital spending plans on hold. Residential mortgage lending was relatively unchanged. Reports continue to indicate declining activity in commercial real estate lending. One banker noted that lending standards for commercial real estate loans continue to tighten despite little to no change in lending standards across other loan categories. Most contacts reported an increase in deposits.

Agricultural and Natural Resources

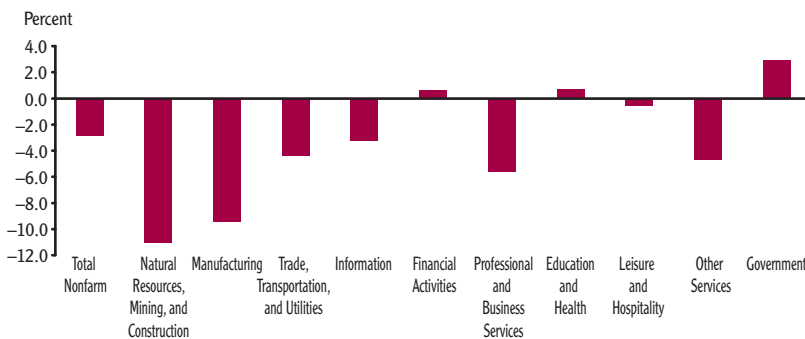
Total coal production in Illinois and Missouri for all of 2009 increased by 2 percent from its 2008 level. Between 2008 and 2009, the total value of field crops declined by 11 percent in Illinois and by 2 percent in Missouri. Across crops, changes in prices and production were mostly negative. The price and production of corn in Illinois, sorghum in Missouri, and winter wheat in both states decreased from 2008 to 2009. For sorghum in Illinois and cotton in Missouri, the price increased but production decreased; the opposite occurred for corn, soybeans, and rice in Missouri (the price decreased but production increased). The price of soybeans in Illinois decreased but production was unchanged.

Nonfarm Payroll Employment Growth 3-Month Average, SA, January 2001–January 2010



Earlier estimates had indicated that St. Louis employment had been contracting less sharply than for the country as a whole. According to revised data (see the last page of this report), however, employment losses for the St. Louis MSA tended to mirror the country since the start of the recession. Most recently, over the three-month period ending in December 2009, St. Louis employment contracted at a 0.1 percent monthly rate, roughly in line with the national experience.

St. Louis MSA Employment Growth by Sector Year/Year Percent Change, January 2009–January 2010



According to revised data, between January 2009 and January 2010, total nonfarm employment in the St. Louis MSA fell by 2.9 percent. Net job losses were the norm across non-governmental sectors. The largest percentage declines were in natural resources, mining, and construction (11 percent); manufacturing (9.5 percent); and professional and business services (5.6 percent). On the other hand, financial activities (0.6 percent) and education and health services (0.7 percent) saw small increases in employment over the period.

St. Louis Zone—MSA Employment and Unemployment

Nonfarm payroll employment percent change,
January 2009–January 2010

	Total	Goods producing	Service providing	Unemployment rate December 2009
St. Louis	-2.86	-10.02	-1.67	10.3
Columbia, Mo.	-1.67	-5.48	-1.33	6.4
Jefferson City, Mo.	-2.17	-8.33	-1.31	7.9
Springfield, Mo.	-2.44	-11.59	-1.18	8.7
United States	-3.24	-11.09	-1.89	10.0

SOURCE: Bureau of Labor Statistics.

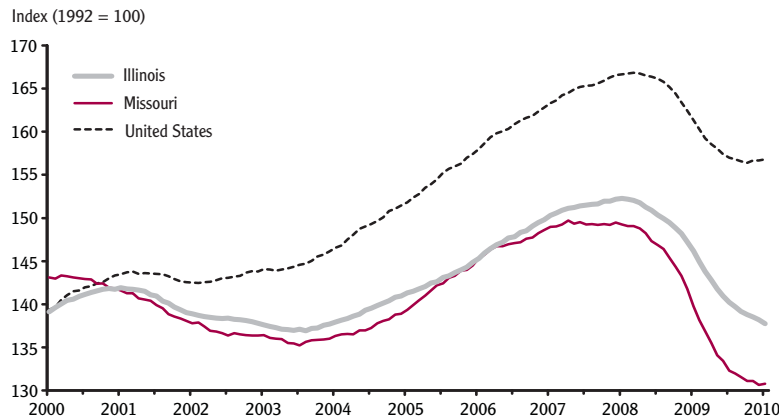
St. Louis Zone—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2009:Q4/2008:Q4
	January 2010	Percent change	
St. Louis	284	23.5	-3.48
Columbia, Mo.	13	-63.9	-0.55
Jefferson City, Mo.	14	250.0	1.83
Springfield, Mo.	73	25.9	-2.02
United States	39,479	8.9	-4.66

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

In terms of total residential building permits issued in January 2010, three of the four zone MSAs performed much better than the country as a whole. St. Louis, Springfield, and Jefferson City saw increases in permits over year-earlier levels, but Columbia saw a 64 percent decrease in permits. The house price index for St. Louis and Springfield fell by 3.5 percent and 2 percent, respectively, between the fourth quarter of 2008 and the fourth quarter of 2009, whereas Jefferson City saw its index increase by nearly 2 percent. On the whole, the housing market of Jefferson City fared relatively well over the period.

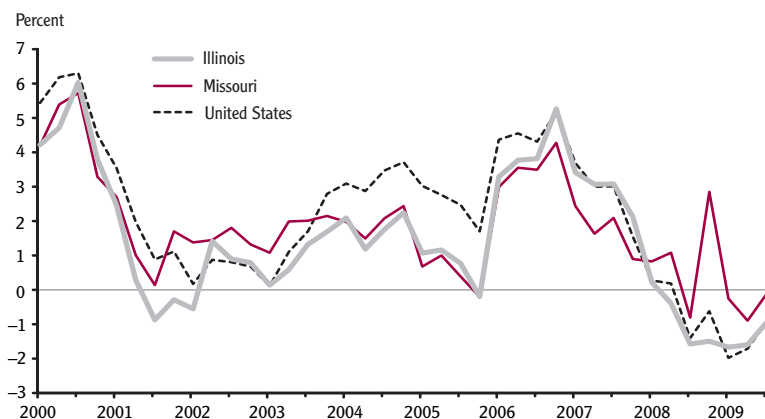
St. Louis Area Coincident Economic Activity Index



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. According to this index, Missouri and Illinois have both underperformed the country as a whole since the recession began in December 2007. The index has reversed course for the United States in recent months and for Missouri in the latest month, but it has continued to decline for Illinois. Between October 2009 and January 2010, the index rose by 0.26 percent for the United States, but fell by 0.74 percent and 0.26 percent for Illinois and Missouri, respectively.

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 move along with national personal income. Recent performance has followed a similar pattern. For the third quarter of 2009, the last period for which data are available, personal income in Missouri was 0.14 percent lower than it had been a year earlier, while for Illinois it was 1 percent lower. For the nation as a whole, personal income declined by about 1 percent over the period.

Annual Revisions of the Metro Area Employment Data

	December 2008–December 2009				December 2007–December 2008			
	Original estimate as of January 2010		Revised estimate as of March 2010		Original estimate as of January 2010		Revised estimate as of March 2010	
		Percent change		Percent change		Percent change		Percent change
	Thousands		Thousands		Thousands		Thousands	
Large Metro Areas								
Little Rock-N. Little Rock, Ark.	-3.9	-1.1	-10.1	-2.9	-4.7	-1.3	-3.9	-1.1
Louisville, Ky.-Ind.	-12.6	-2.1	-20.0	-3.2	-16.9	-2.7	-15.2	-2.4
Memphis, Tenn.-Ark.-Miss.	-15.7	-2.5	-31.5	-5.0	-15.7	-2.4	-22.3	-3.4
St. Louis, Mo.-Ill.	-33.8	-2.5	-42.6	-3.2	-19.8	-1.4	-34.2	-2.5
Small and Medium Metro Areas								
Fayetteville-Springfield-Rogers, Ark.	-1.6	-0.8	-4.9	-2.4	-2.6	-1.2	-4.8	-2.3
Fort Smith, Ark.-Okla.	-1.3	-1.0	-6.7	-5.5	-1.4	-1.1	-3.2	-2.5
Texarkana, Tex.-Ark.	-1.2	-2.0	-1.6	-2.8	0.9	1.6	-0.1	-0.2
Bowling Green, Ky.	-3.8	-6.1	-3.1	-5.0	-1.5	-2.4	-2.2	-3.4
Evansville, Ind.-Ky.	-4.3	-2.5	-6.9	-3.9	-4.6	-2.6	-2.3	-1.3
Jackson, Tenn.	-1.9	-3.1	-3.7	-6.1	-1.7	-2.7	-1.5	-2.4
Columbia, Mo.	-0.9	-1.0	-1.1	-1.2	1.1	1.2	0.0	0.0
Jefferson City, Mo.	-2.1	-2.6	-1.6	-2.0	-0.7	-0.9	-0.6	-0.7
Springfield, Mo.	-0.9	-0.5	-6.4	-3.2	-4.6	-2.3	-5.5	-2.7

NOTE: 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, most metro areas in the Eighth District saw large downward revisions for 2009, indicating that employment had been hit much harder by the recession than was previously estimated. The revisions for the 2008 and 2009 calendar years are presented in the table. Note that the data for 2009 are subject to revision again in March 2011.