

Current Economic Conditions in the Eighth Federal Reserve District

St. Louis Zone

December 23, 2010

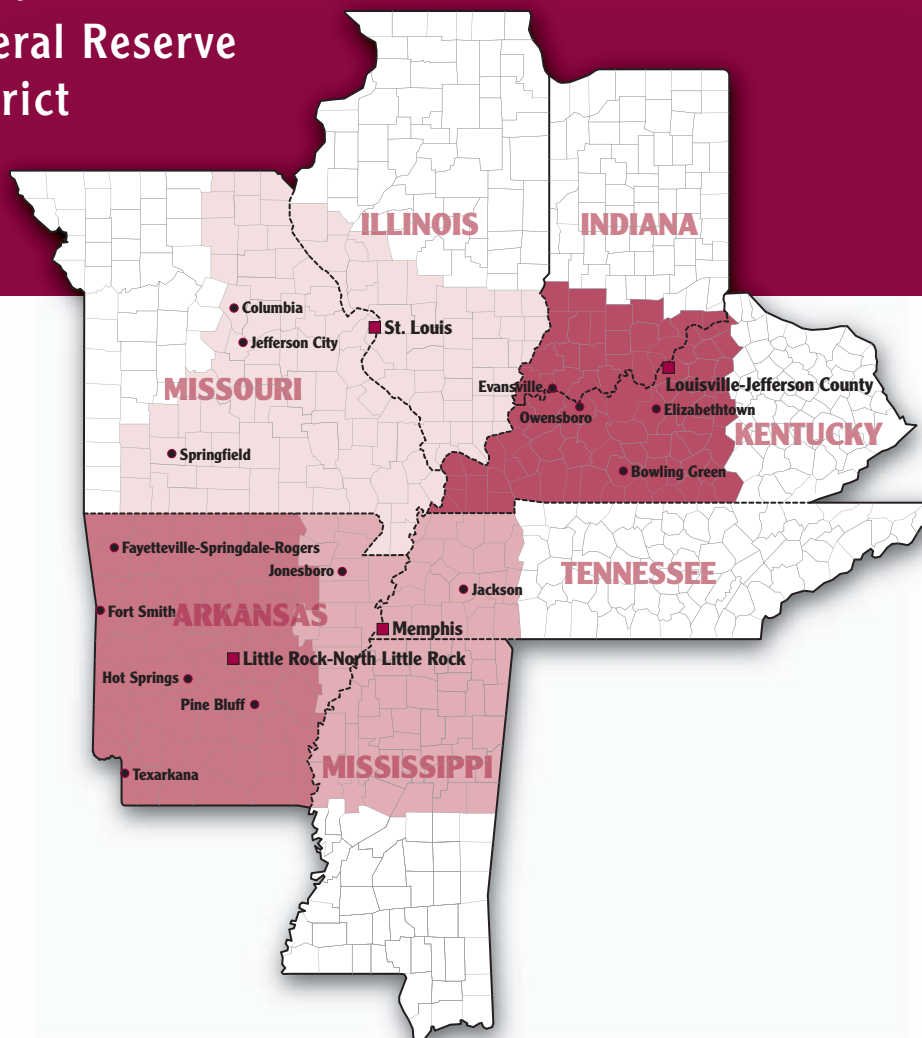
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CRE8

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/2010/). 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 23, 2010

At the close of November, the annual growth of employment, building permits, and housing prices was 0.2 percent, 17.1 percent, and -0.1 percent in the St. Louis MSA and 0.7 percent, 5.8 percent, and -1.2 percent in the nation. The annual growth of personal income was 1.4 percent in Missouri and 2.1 percent in the nation. In the past three months, local employment decreased by an average of 0.1 percent per month, while the nation's remained constant. The unemployment rate in St. Louis (9.7 percent) was higher than the nation's (9.5 percent). According to four out of six indicators considered, St. Louis has been outperformed by the nation. This view is consistent with negative anecdotal reports from construction contacts but contrasts with mildly positive reports from retailers, car dealers, and bankers.

General Retailers

- October and early November sales increased compared with the same time last year for half of the contacts.
- Sales met or exceeded expectations for four out of five contacts.
- Sales were expected to increase in this quarter relative to the same time last year for half of the contacts.

Car Dealers

- October and early November sales increased compared with the same time last year for two out of three contacts.
- Sales were expected to increase in this quarter relative to the same time last year for two out of three contacts.

Manufacturing

- Textiles and transformers contacts plan to expand operations and hire workers.
- Containers, air conditioning, and chemicals contacts plan to decrease operations and employment.

Services

- Government services and air transportation support contacts plan to open facilities and hire workers.
- Education and entertainment contacts plan to decrease operations and employment.

Real Estate

- Home sales for January through October were 11 percent lower than last year's.
- Single-family housing permits for January through October were 7 percent higher than last year's.
- Between the second and third quarters, industrial and office vacancy rates decreased.

Construction

- A contact in St. Louis reported a decrease in commercial construction activity and scarceness of industrial construction during the third quarter of 2010.

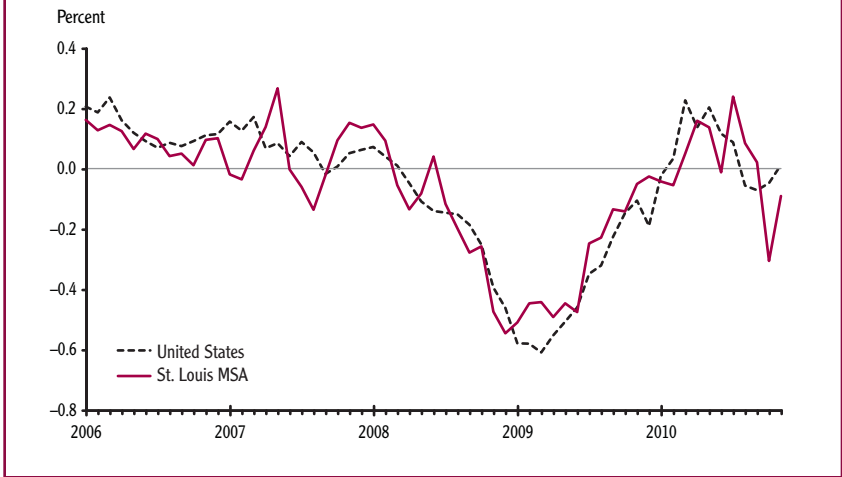
Banking and Finance

- Lending activity was relatively unchanged in the consumer lending category despite tighter lending standards.
- Lending activity increased in the commercial and industrial lending category, although new loan originations were "restrained" because of borrowers' "unwillingness to accept lending terms."
- Residential mortgage activity increased because of increased financing activity but was "slightly restrained because of tighter lending standards."
- Deposit growth increased steadily in spite of a mild fall in deposit rates.

Agriculture

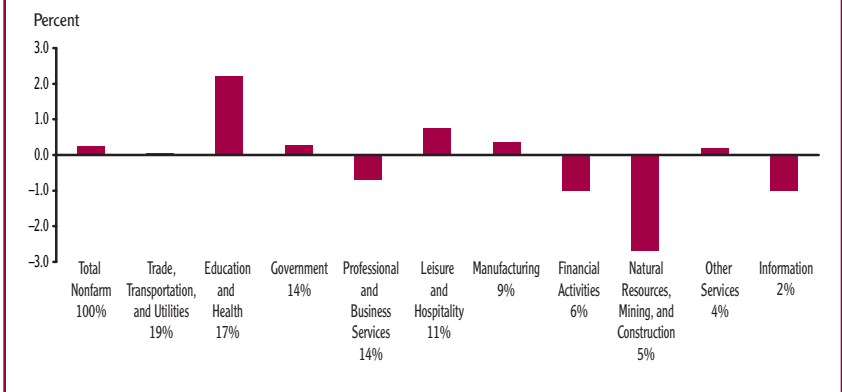
- Weather conditions were warmer and drier this quarter in the St. Louis zone.
- Crop harvests progressed ahead of schedule. Illinois and Missouri farmers harvested at least 93 percent of the corn, soybean, and sorghum crops by early November.
- Corn yields decreased in both states, while sorghum and cotton yields increased by 5 percent or more from 2009.
- Winter wheat planting and growth was ahead of schedule, with 85 percent or more of the crop classified as fair or better.

Nonfarm Payroll Employment Growth 3-Month Average, SA, January 2006–November 2010



St. Louis’s recession-related decline in employment, centered on January 2009, was slightly milder than in the nation overall. The recovery started roughly at the same time in St. Louis as in the nation. However, the recovery seems to have stalled in St. Louis since July 2010. Average monthly employment has contracted 0.1 percent in St. Louis during the past three months, while it has grown 0.01 percent in the nation.

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



Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in St. Louis’s economic performance. Annual employment increased by 0.2 percent in the St. Louis MSA, compared with a 0.7 percent increase for the United States. The three largest sectors in St. Louis are Trade, Transportation, and Utilities; Education and Health; and Government, accounting for 19 percent, 17 percent, and 14 percent of St. Louis MSA’s employment. Growth in these three sectors was 0.04 percent, 2.2 percent, and 0.3 percent, respectively. Education and Health had the best performance in St. Louis.

St. Louis Zone—MSA Employment and Unemployment

	Nonfarm payroll employment percent change, November 2009–November 2010			Unemployment rate October 2010
	Total	Goods producing	Service providing	
St. Louis	0.22	-0.74	0.37	9.7
Columbia, Mo.	-0.32	2.86	-0.58	6.4
Jefferson City, Mo.	0.26	1.12	0.14	7.2
Springfield, Mo.	1.41	0.48	1.52	8.3
United States	0.64	0.34	0.69	9.5

SOURCE: Bureau of Labor Statistics.

Employment expansion in the St. Louis zone is substantial in the Springfield MSA for service-providing activities and the Columbia MSA for goods-producing activities. The highest unemployment rate in the St. Louis zone was registered in the St. Louis MSA at 9.7 percent. This unemployment rate is still higher than the 9.5 percent registered for the United States.

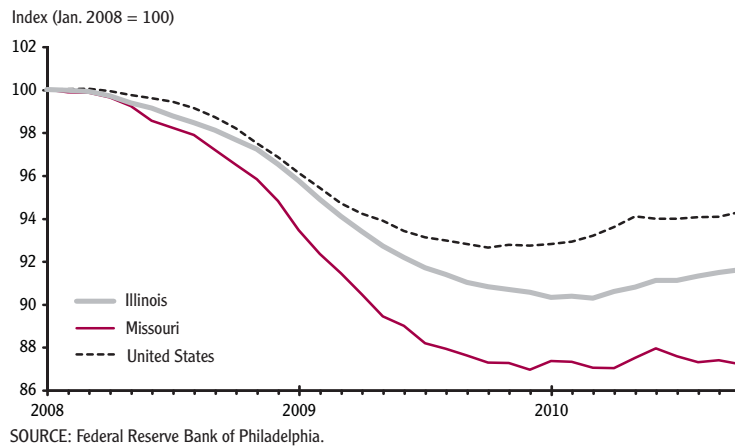
St. Louis Zone—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2010:Q3/2009:Q3
	October 2010	Percent change	
St. Louis	4,861	17.1	-0.11
Columbia, Mo.	454	-16.7	1.14
Jefferson City, Mo.	163	19.9	0.77
Springfield, Mo.	950	22.1	-0.79
United States	510,880	5.8	-1.19

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

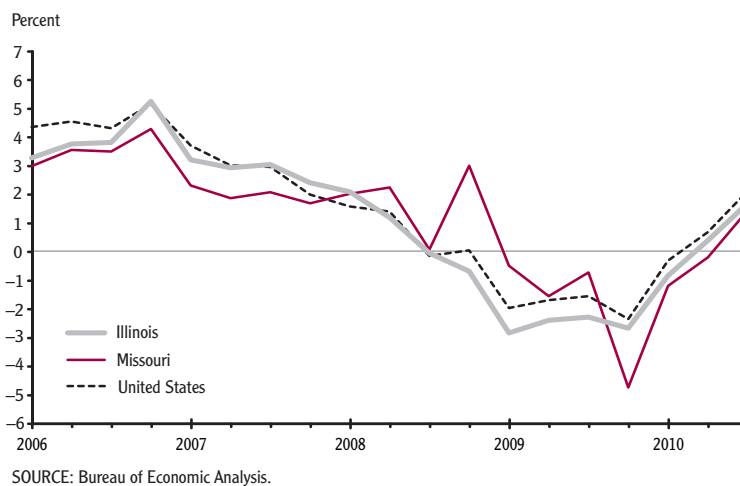
The 17.1 percent expansion of building permits in the St. Louis MSA contrasts with a contraction in the Columbia MSA. The expansion was remarkable compared with a 5.8 percent expansion for the United States. The 0.1 percent house price decrease in the St. Louis MSA contrasts with the house price increases in the Columbia and Jefferson City MSAs. This decrease was mild compared with the 1.2 percent decrease for the United States. The highest increase in building permits was registered in the Springfield MSA, while the greatest decline was registered in the Columbia MSA. The highest increase in house prices was registered in the Columbia MSA, while the greatest decline was registered in the Springfield MSA.

St. Louis Area Coincident Economic Activity Index



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 87.0 for Missouri, while it bottomed at 92.6 for the United States. Current values of the index suggest that economic activity in Illinois and Missouri are at 91.6 percent and 87.2 percent of their pre-recession levels, respectively, while it is at 94.3 percent in the nation. In summary, the state economic environment of the St. Louis zone should be worse than the nation's.

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



In Illinois, personal income growth was below the nation's several periods before January 2009, while Missouri's was above. The recession's impact on St. Louis's and Illinois's personal income has been stronger and the recovery has been weaker compared with the nation's, although more volatile in Missouri. 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.