

BUSINESS

AN EIGHTH DISTRICT PERSPECTIVE

Federal Reserve Bank of St. Louis

Winter 1983-84

District Economy Continues To Expand

Current indicators of economic activity point to a continued expansion at both the national and regional levels. At the national level, industrial production rose at a 17½ percent rate over the first 10 months of this year, while retail sales expanded at a 10 percent rate. Payroll employment rose at a rate of 5 percent in November and the unemployment rate fell sharply to 8.4 percent.

Economic activity in the District is following suit. After declining throughout 1982, regional indexes of general business activity have risen during 1983 and, with the exception of Kentucky, the rate of increase has accelerated in the most recent period. After growing at a relatively modest pace of about 4 percent during 1982, District personal income grew at a rate of

7½ percent during the second quarter of 1983. Personal income growth in Arkansas and Missouri were particularly strong at rates of 10 percent and 8½ percent, respectively.

Employment

District payroll employment has been growing at an annual rate of 2½ percent during the most recent three months for which data are available. However, due to an expansion in the labor force, the District unemployment rate was roughly unchanged.

Employment in Missouri has been boosted by the increase in demand for domestically produced automobiles. The forecast for passenger car production in the current year is 6.85 million units, 35 percent higher than in 1982. Missouri auto plants currently employ about 23,000 persons, about 50 percent more than in October 1982, and the outlook is bright for continued employment growth at these plants.

Eighth Federal Reserve District



Retail Sales

September and October retail sales rose nationally at an annual rate of 15½ percent after a brief downturn in August. September sales at major District department stores mirrored this situation, averaging about 11 percent above September sales last year, with most merchants expecting an excellent Christmas season. Automobile sales have been robust as well. Six large District dealerships reported year-over-year gains averaging 21 percent.

Manufacturing and Construction

Production at most of the industrial firms in the District has risen since late summer, though the rate of increase has slowed somewhat. This rate of increase since the beginning of the year has been more rapid than can be maintained indefinitely, so some slowing was to be expected.

Residential home sales in the District in September and early October were below the peaks reached in the

spring but were still ahead of year-ago levels. Construction of homes, however, continued to be brisk due to a backlog of orders. The cumulative total for St. Louis construction (residential and nonresidential) over the first nine months of 1983 was about 35 percent ahead of the total for the same period last year.

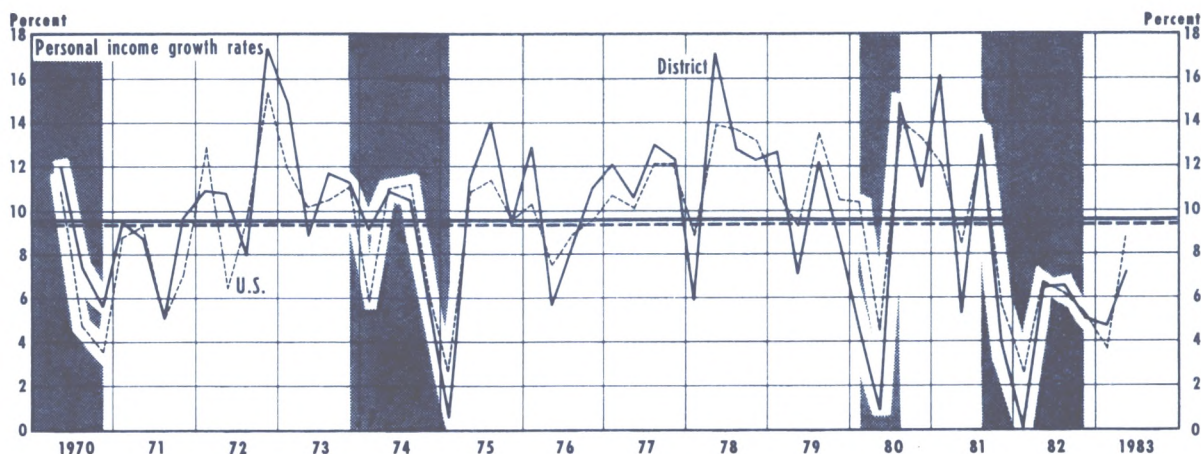
Agriculture

This year's drought was the worst in 50 years. Coupled with the PIK program, the drought caused

substantial reductions in the output of corn, soybeans, tobacco and cotton. Corn production nationally is expected to be about 49 percent below last year's, while soybean production is expected to decline by 32 percent. Burley tobacco production in Kentucky (which normally amounts to about two-thirds of the nation's crop) is at its lowest level since 1943. The combination of the reduced harvest plus low prices for burley could reduce cash receipts to half the 1982 level.

—G.J. Santoni

A Longer-Run View Of The District



Shaded areas represent periods of business recessions.

There is a considerable amount of fluctuation in short-run regional economic data. As a result, these fluctuations can be misleading indicators of underlying trends. The chart above illustrates this point. It shows quarterly growth rates in District (solid line) and national (broken line) personal income. The shaded areas represent periods of recession, while the horizontal lines are the average growth rates over the entire period.

At some points, the differences between the quarterly growth rates and the average growth rate over the whole period are very large. In addition, the differences at any point between District and national quarterly growth rates can be considerable. For example, personal income in the District grew at a rate of 6 percent during the first quarter of 1983, while growing at a slower rate of only 4 percent at the national level. The difference between these quarterly rates is much larger than the difference in the average growth rates over the whole period. These differ by only one-tenth of a

percentage point. Since, on average, there is little difference between District and national growth rates, any large difference between quarterly growth rates will tend to be offset later on. This appears to be the case in the second quarter of this year. The national growth rate in personal income rose to 9 percent, while personal income grew at a pace of only 7½ percent in the District.

Equally important, the second quarter 1983 growth rate of District personal income is below its longer-run average growth rate, as is typically the case during the initial phase of an economic expansion. As the expansion matures, these growth rates generally rise above their long-run averages. If the boom in economic activity currently under way continues, we can expect the growth rate in District personal income to rise above its second quarter 1983 level.

—G.J. Santoni

Business—An Eighth District Perspective is a quarterly summary of business conditions in the area served by the Federal Reserve Bank of St. Louis. Single subscriptions are available free of charge by writing: Research and Public Information Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, Missouri 63166. Views expressed are not necessarily official positions of the Federal Reserve Bank of St. Louis or the Federal Reserve System.

EIGHTH DISTRICT BUSINESS DATA

	Growth Rates ¹		
	Current Period	Year-to-Date 1983	1982
General Business Indexes²	Aug-Oct		
Arkansas	11.2%	9.6%	-2.2%
Kentucky	0.9	3.3	-1.4
Missouri	10.7	7.6	-1.6
Tennessee	5.2	4.0	-0.9
Retail Sales	July-Sept		
United States	4.7%	10.1%	5.3%
District	18.0	11.6	8.7
Arkansas ³	7.4	5.2	9.1
Missouri	20.2	10.5	12.7
Tennessee	22.3	17.1	4.1
Personal Income	2nd quarter '83		
United States	9.1%	6.5%	4.7%
District	7.5	6.7	3.9
Arkansas	9.9	8.8	3.2
Kentucky	4.1	4.8	3.0
Missouri	8.5	7.7	3.7
Tennessee	7.9	6.2	5.1
Payroll Employment	Aug-Oct		
United States	3.3%	2.3%	-2.4%
District	2.5	1.4	-3.0
Arkansas	3.5	2.7	-2.4
Little Rock	0.7	1.4	-1.3
Kentucky	0.2	1.1	-3.1
Evansville(IN)	15.3	2.6	-4.1
Louisville	0.7	1.8	-4.6
Missouri	2.2	0.8	-2.2
St. Louis	2.4	0.7	-2.8
Tennessee	3.9	1.9	-4.1
Memphis	1.8	-0.4	-3.5
Average Hourly Earnings-Mfg.	Aug-Oct		
United States	2.3%	3.5%	5.3%
Arkansas	1.2	5.4	6.5
Little Rock	-5.2	5.3	6.6
Kentucky	1.6	4.8	5.2
Louisville	-0.6	4.3	3.1
Missouri	6.1	5.4	6.5
St. Louis	5.0	4.7	6.5
Tennessee	4.5	4.5	6.3
Memphis	8.2	1.9	4.0
	Employment¹		Prices¹
	Year-to-Date 1983	Same Period 1982	Year-to-Date 1983
			Same Period 1982
Key Industries			
Fabricated Metal Products	1.1%	-8.8%	-0.6%
Electrical and Electronic Equipment	9.5	-10.9	4.4
Nonelectrical Machinery	9.6	-18.0	2.4
Transportation Equipment	13.1	-3.3	-0.2
Food and Kindred Products	-0.3	1.0	3.6
Textile and Apparel	7.9	-7.0	1.5
Printing and Publishing	1.1	-2.7	6.0
Chemicals and Allied Products	0.5	-5.7	2.2
Construction	5.7	-3.1	5.0
			1.0%
			3.1
			4.4
			2.2
			3.8
			0.3
			8.9
			-0.6
			1.5

EIGHTH DISTRICT BUSINESS DATA

	<u>Current Period¹</u>	<u>Previous 3 Months</u>	<u>Average Year- to-Date 1983</u>	<u>Average 1982</u>
Unemployment Rate				
	Aug-Oct			
United States	9.2%	9.9%	9.9%	9.7%
District	10.3	10.2	10.4	10.4
Arkansas	10.3	9.3	9.6	9.7
Little Rock	8.3	7.2	7.6	7.6
Kentucky	11.3	11.2	11.1	10.7
Evansville (IN) (July-Sept.)	10.1	10.0	10.4	9.8
Louisville (July-Sept.)	9.9	10.3	10.4	11.7
Missouri	9.1	9.4	9.6	9.3
St. Louis	9.9	10.3	10.3	9.9
Tennessee	10.7	10.8	11.3	11.8
Memphis	9.0	9.0	9.4	9.6
Construction Contracts⁴				
(millions of dollars)				
	Aug-Oct			
District	\$578.5	\$548.1	\$497.5	\$352.3
Arkansas	132.1	114.2	107.9	78.2
Kentucky	189.8	194.7	173.8	125.0
Eastern Missouri	176.2	154.3	144.6	105.5
Western Tennessee	80.4	84.9	71.2	43.6
Housing Permits				
	July-Sept			
Little Rock	305	389	285	144
Louisville	427	239	331	158
St. Louis	845	829	873	531
Memphis	601	466	478	221

NOTE: With the exception of construction contracts and employment and prices in key industries, all data are seasonally adjusted.

¹ Data are presented as three-month averages to minimize distortions due to the large variability of monthly data. The current period growth rate is a comparison of the average of the current three months to the average of the previous three months. The year-to-date growth rate is from the average of the three months ended in December of 1982. All growth rates are compounded annual rates of change.

² Sources: Arkansas and Missouri from Southwestern Bell, Kentucky and Tennessee from South Central Bell.

³ Source: Southwestern Bell.

⁴ Source: F.W. Dodge, Construction Potentials, McGraw-Hill Information Systems Company, proprietary data provided by special permission.