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# Business

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## AN EIGHTH DISTRICT PERSPECTIVE

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FALL 1984

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# Eighth District Marches to National Beat

After hitting bottom in the fourth quarter of 1982, economic activity at the national level has bounced back at a faster rate than during any other post-recession recovery since the late 1940s. Real GNP has grown at an average annual rate of 7.2 percent since the recession trough, and the unemployment rate has declined from about 10.5 percent to about 7.5 percent. Despite the rapid pace of the expansion, the average annual rate of inflation (as measured by the implicit price deflator) has been 3.8 percent, well below the 5.1 percent average rate of the 1981-82 recession.

As the accompanying data and charts indicate, economic activity in the Eighth District has been in step with the national recovery. For example, the indexes of general business have advanced in each District state and are currently well above their pre-recession levels. These indexes, which are intended to be barometers of general economic activity, began recording upticks slightly ahead of the national expansion. The index for Arkansas and Tennessee began to advance in September 1982, while the indexes for Kentucky and Missouri showed initial increases two months later. The National Bureau of Economic Research puts the trough in the national business cycle in November.

While these indexes suggest that economic recovery began at roughly the same time in each of the District states, some states have grown faster than others. In Arkansas and Missouri, the indexes have risen by 15.2 percent and 13.4 percent, respectively, since the trough. Kentucky and Tennessee show smaller increases of 8.9 to 10.5 percent.

### Personal Income

During the first year of the expansion, from fourth quarter 1982 through fourth quarter 1983, personal income in both the District and nation grew at nearly equal rates, 7.6 percent nationally and 7.3 percent in the District.

Chart 1 (next page) plots the average annual rates of growth in personal income for both the District and nation. In addition, it shows annualized *quarterly* growth rates in personal income at the District and national levels. The quarterly rates travel by

fits and starts, and, at times, the differences between District and national growth rates appear to be considerable. Notice, however, that the average growth rates over the entire period (each about 9.5 percent) are very close; so close, in fact, that they are statistically indistinguishable.

Since the fourth quarter of 1982, both the District and national quarterly growth rates have trended upward and currently are well above their historical averages. This upward trend reflects an acceleration in personal income growth as the expansion has matured. The fact that the current growth rates are above their historical averages suggests that they eventually will decline.

### Employment

Chart 2 plots the growth rates in total employment for the District and nation. Again, the long-run average growth rates are nearly the same for the District and nation. The quarterly growth rates, however, show considerable variation around the averages. Beginning in the fourth quarter of 1982, the quarterly rates began to advance rapidly from the values recorded during the 1981-82 recession. During the second quarter of this year (the most recent for which data are available), the national growth rate in total employment was well above its historical average. At the District level, growth in total employment declined from a first quarter 1984 high that had not been matched in more than 10 years to a rate comparable to its historical average.

### Unemployment

Generally, unemployment rates, both nationally and in the District states, began to decline following the trough of the recession. January 1983 marks the first month of decline in the national unemployment rate; Arkansas, Kentucky and Tennessee also record reductions beginning in this month. The unemployment rate in Missouri, however, did not begin to fall until May 1983, four months later. Since that time, Missouri's unemployment rate has declined sharply, and in June of this year it stood at 7 percent.



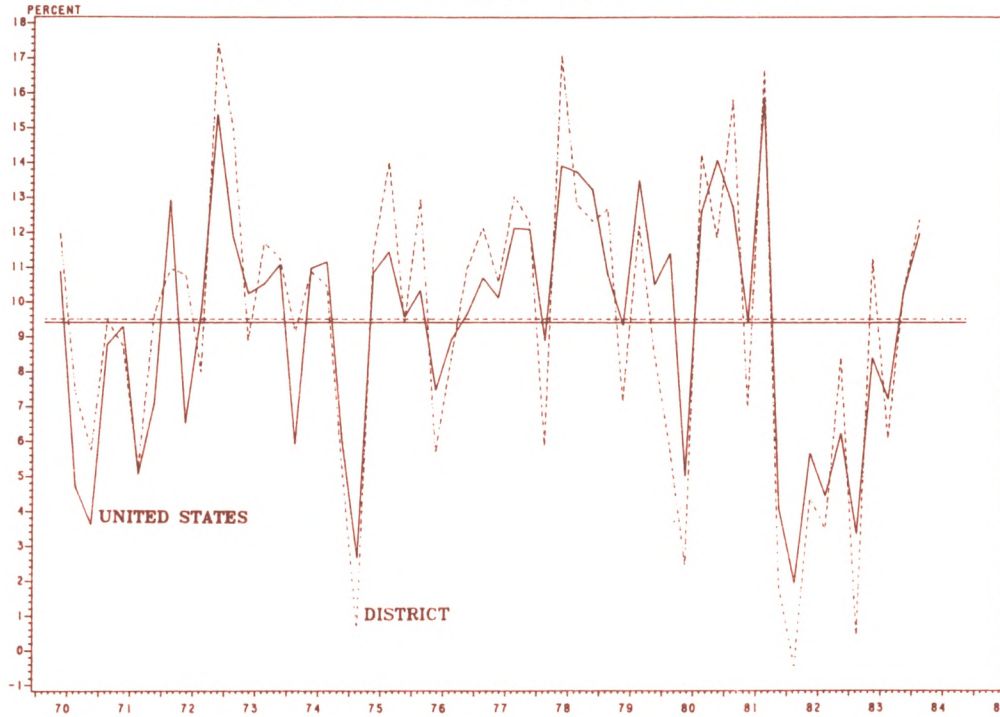
This was about equal to the national rate and considerably below the unemployment rates in other District states. Though declining, unemployment rates in Arkansas, Kentucky and Tennessee have been high relative to the national average. As a result, the District's unemployment rate has been higher than the nation's throughout the recovery and currently exceeds the national average by about one percentage point.

### Summing Up

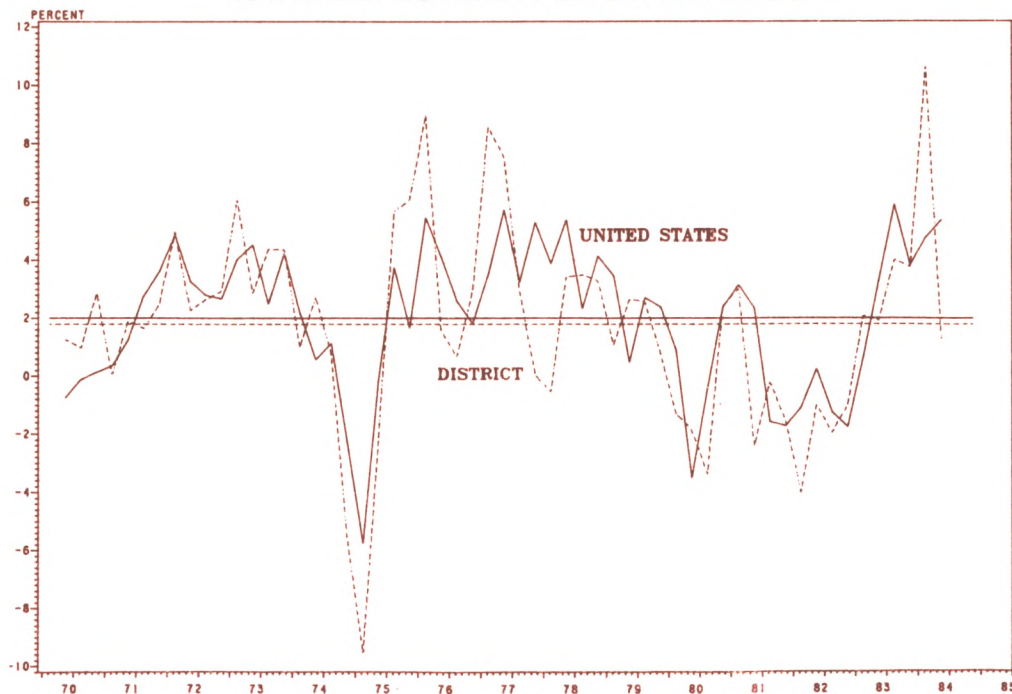
The national economy has been experiencing a boom in economic activity that, in terms of the rate of advance, has not been matched since the post-recession recovery of 1948-49. The advance in economic activity in the Eighth District has kept pace with the national recovery. Though some slowing will no doubt occur, the outlook for the near future remains encouraging.

—G. J. Santoni

**Chart 1**  
**PERSONAL INCOME GROWTH RATES**



**Chart 2**  
**TOTAL EMPLOYMENT GROWTH RATES**



## EIGHTH DISTRICT BUSINESS DATA

	Growth Rates <sup>1</sup>		
	Current Period	Year-to-Date 1984	1983
<b>General Business Indexes<sup>2</sup></b>	<b>May-July</b>		
Arkansas	2.3%	5.2%	11.8%
Kentucky	5.8	6.2	4.7
Missouri	6.4	7.2	8.7
Tennessee	7.4	8.0	4.8
<b>Retail Sales</b>	<b>Apr-June</b>		
United States	11.3%	13.0%	11.0%
Arkansas <sup>3</sup>	9.5	6.3	11.2
Kentucky <sup>3</sup>	19.4	4.2	8.9
Missouri	25.4	18.3	9.5
Tennessee	-4.4	8.5	14.0
<b>Personal Income</b>	<b>1st quarter '84</b>		
United States	12.7%	12.7%	7.6%
District	13.2	13.2	7.3
Arkansas	15.8	15.8	11.4
Kentucky	13.9	13.9	4.5
Missouri	12.5	12.5	8.1
Tennessee	12.1	12.1	6.6
<b>Payroll Employment</b>	<b>May-July</b>		
United States	4.4%	4.6%	3.3%
District	1.4	3.3	2.6
Arkansas	0.1	3.1	5.4
Little Rock	-2.7	0.1	4.3
Kentucky	1.1	3.5	1.3
Evansville, IN	-3.6	1.1	0.7
Louisville	2.2	3.8	0.7
Missouri	-1.4	0.9	1.3
St. Louis	0.9	2.5	1.9
Tennessee	5.3	5.9	3.7
Memphis	0.0	1.9	2.2
<b>Average Hourly Earnings-Mfg.</b>	<b>May-July</b>		
United States	2.5%	3.5%	4.2%
Arkansas	2.3	4.8	5.3
Little Rock	5.2	4.6	4.0
Kentucky	5.9	4.3	7.6
Louisville	2.6	5.6	4.7
Missouri	4.7	3.8	5.1
St. Louis	4.9	4.5	5.0
Tennessee	4.0	2.3	4.4
Memphis	2.3	6.2	0.9
	<b>Employment<sup>1</sup></b>	<b>Prices<sup>1</sup></b>	
	<b>Year-to-Date 1984</b>	<b>Same Period 1983</b>	<b>Year-to-Date 1984</b>
<b>Key Industries</b>			<b>Same Period 1983</b>
Fabricated Metal Products	2.4%	-3.6%	3.4%
Electrical and Electronic Equipment	8.4	8.9	3.6
Nonelectrical Machinery	10.6	4.7	3.0
Transportation Equipment	7.4	10.8	1.4
Food and Kindred Products	2.0	-3.5	5.3
Textile and Apparel	0.0	3.7	2.5
Printing and Publishing	2.7	4.1	6.5
Chemicals and Allied Products	3.7	-1.4	3.5
Construction	13.7	-2.7	3.2

## EIGHTH DISTRICT BUSINESS DATA

	<u>Current Period<sup>1</sup></u>	<u>Previous 3 Months</u>	<u>Average Year- to-Date 1984</u>	<u>Average 1983</u>
<b>Unemployment Rate</b>	<b>May-July</b>			
United States	7.4%	7.8%	7.6%	9.6%
District	8.4	8.7	8.7	10.8
Arkansas	9.2	8.6	9.0	10.1
Little Rock	7.0	6.9	7.1	8.1
Kentucky	9.4	9.3	9.4	11.6
Evansville, IN	8.8	9.1	9.0	10.7
Louisville	8.9	8.9	9.0	10.9
Missouri	7.2	8.3	7.9	9.9
St. Louis	7.9	9.2	8.7	10.5
Tennessee	8.6	8.8	8.8	11.4
Memphis	7.5	8.0	7.9	9.5
<b>Construction Contracts<sup>4</sup></b> (millions of dollars)	<b>May-July</b>			
District	\$633.1	\$505.2	\$537.8	\$483.4
Arkansas	128.6	114.7	118.1	106.4
Kentucky	202.2	154.1	168.9	172.9
Eastern Missouri	212.1	156.5	170.8	136.8
Western Tennessee	90.2	79.8	80.0	67.3
<b>Housing Permits</b>	<b>Apr-June</b>			
Little Rock	457	397	427	274
Louisville	286	428	357	295
St. Louis	657	1,002	829	440
Memphis	1,287	1,256	1,272	986

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

<sup>1</sup>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 1983. All growth rates are compounded annual rates of change.

<sup>2</sup>Sources: Arkansas and Missouri from Southwestern Bell, Kentucky and Tennessee from South Central Bell.

<sup>3</sup>Sources: Arkansas from Southwestern Bell and Kentucky from Kentucky Revenue Department.

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