Recent Economic Trends & An Overview of the St Louis Research Division

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Experience St. Louis
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National Economy
Economic activity has continued to strengthen...the labor market is stabilizing.

Household spending is expanding at a moderate rate...constrained by high unemployment, modest income growth, lower housing wealth, tight credit.

Business spending on equipment and software has risen significantly.

Bank lending continues to contract...financial markets supportive.

Inflation ... subdued for some time.

→ Investment in nonresidential structures is declining.

→ Housing starts flat...at a depressed level.

Source: BLS and U.S. Department of Labor.
Real GDP: Actual and Forecast
(Percent change from previous quarter at an annual rate. Last observation: March 26, 2010)

Source: Bureau of Economic Analysis
Forecast: Macroeconomic Advisers and Blue Chip Economic Indicators
Manufacturing and Production

Source: Institute for Supply Management
Civilian Unemployment

Unemployment rate 9.7 percent in March

Source: Bureau of Labor Statistics

Source: BLS and U.S. Department of Labor.
Fewer people are losing jobs, businesses are starting to hire

Source: Bureau of Labor Statistics
“If you issue it, they will come.”

- Extraordinary demand for fixed income debt at good prices/yields

  High Yield Issuance: March $35bn (record amount)
  previous record: November 2006 $28bn

  Investment Grade Issuance: 2010 Q1, $254 bn
  - Industrials $74bn
  - Financials: $101bn

New issues generally oversubscribed with issuers upsizing quantity.

Spreads over Treasuries narrowed in March, on balance.
Construction Spending Is Weak

3-mo % change, SA

Source: Department of Commerce: Census Bureau
Motor vehicle sales have stabilized

Motor vehicle sales

11.8 million annual pace

Source: U.S. Department of Commerce: Census Bureau
Existing home sales slowed in February, but avoided another sharp decrease

Source: National Association of Realtors.
8th Federal Reserve District
St. Louis Metro Area GDP by Industries, 2008

Natural resources and mining: 1%
Transportation and utilities: 4%
Financial activities: 16%
Professional and business services: 16%
Education and health services: 10%
Leisure and hospitality: 4%
Government: 10%
All other services: 39%

Source: Bureau of Economic Analysis
## A Comparison of Personal Income: St. Louis Metro and its Competitors

<table>
<thead>
<tr>
<th>Metro Area</th>
<th>2007</th>
<th>2008</th>
<th>Average percent change from preceding period</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Louis</td>
<td>110,192</td>
<td>116,394</td>
<td>5.65</td>
<td>41,323</td>
</tr>
<tr>
<td>Atlanta</td>
<td>198,580</td>
<td>202,444</td>
<td>4.15</td>
<td>37,655</td>
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<tr>
<td>Chicago</td>
<td>421,143</td>
<td>433,774</td>
<td>5.05</td>
<td>45,328</td>
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<tr>
<td>Dallas</td>
<td>255,363</td>
<td>267,068</td>
<td>5.7</td>
<td>42,392</td>
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<tr>
<td>Kansas City</td>
<td>77,717</td>
<td>80,817</td>
<td>4.85</td>
<td>40,367</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>149,496</td>
<td>154,593</td>
<td>5.05</td>
<td>47,863</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis
Average Annual Growth Rate of Personal Income, 1998 - 2008

States with Fastest Growth:
- Wyoming
- Nevada
- Arizona
- Utah
- Idaho
- Texas
- Colorado
- Virginia
- Florida
- New Mexico

U.S. average: 5.0%

States with Slowest Growth:
- Iowa
- Kentucky
- West Virginia
- Missouri
- Wisconsin
- Illinois
- Pennsylvania
- Indiana
- Ohio
- Michigan

U.S. average: 5.0%

Source: Bureau of Economic Analysis
Per Capita Personal Income, 2008
Employment Growth, 2008-2009 and 2009-2010 (February)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Tennessee</td>
<td>-6.0%</td>
<td>-6.0%</td>
</tr>
<tr>
<td>Missouri</td>
<td>-5.0%</td>
<td>-5.0%</td>
</tr>
<tr>
<td>Mississippi</td>
<td>-4.0%</td>
<td>-4.0%</td>
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<tr>
<td>Kentucky</td>
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<td>-3.0%</td>
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<tr>
<td>Indiana</td>
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<td>-2.0%</td>
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<tr>
<td>Illinois</td>
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<td>-1.0%</td>
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<tr>
<td>Arkansas</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>United States</td>
<td>-6.0%</td>
<td>-6.0%</td>
</tr>
</tbody>
</table>

February 2010
February 2009
St. Louis Research Division
FRB St. Louis Research Division: Functions

Assistance to Bank President

• FOMC meetings, speeches, presentations

Publications

• *Review* (longer research papers), 6 times/year
• Statistical publications: Monetary Trends (monthly), National Economic Trends (monthly), International Economic Trends (quarterly), US Financial Data (weekly)
• *Regional Economist* (shorter papers)
• *Beige Book* (District economic conditions)
• *Regional Economic Development* (quarterly)

Papers for Professional Scientific Economic journals
Labor market changes are more pronounced in the manufacturing sector.

Source: Bureau of Labor Statistics