

Current Economic Conditions in the Eighth Federal Reserve District

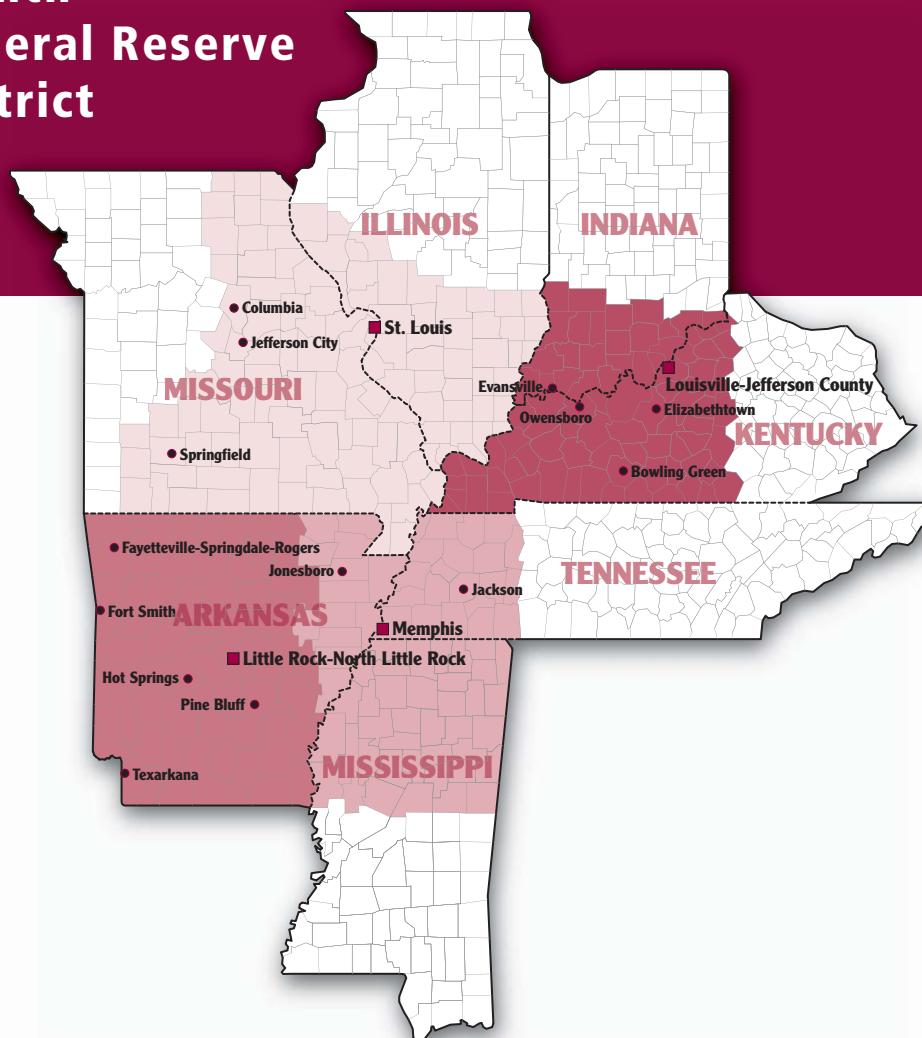
St. Louis Zone

June 22, 2012

Prepared by the
Research Division of the
Federal Reserve Bank of St. Louis



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 research.stlouisfed.org/regecon/.

The report includes government-provided data for Missouri and the metro areas of the St. Louis zone. These data are the most recent available at the time this report was assembled.

NOTE: Metropolitan statistical areas (MSAs) are larger geographic areas than cities, as defined by the Census Bureau.

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St. Louis Zone Report—June 22, 2012

The most recent data at the time of publication show that St. Louis is performing below the nation in terms of annual employment growth and the issuance of building permits. In contrast, St. Louis fared the same or better than the nation in terms of the unemployment rate, short-run employment growth, and house price growth. The following five points illustrate this assessment:

Annual Changes in Employment: By the end of April, St. Louis's nonfarm payroll employment was 0.3 percent lower than last year, while national employment was 1.3 percent higher than last year.

Short-Term Changes in Employment: Between February 2012 and April 2012, St. Louis's local employment grew by an average rate of 0.1 percent per month; the nation's employment also increased by 0.1 percent per month.

Unemployment Rate: In St. Louis, the unemployment rate continued its downward trend. The rate fell from 8.3 percent in January 2012 to 8.1 percent in April 2012. The unemployment rate for April 2012 is the same as the 8.1 percent registered for the nation.

Building Permits: The number of building permits issued in the St. Louis zone in April 2012 was 12.0 percent higher than the number issued during April 2011. This increase was weaker than the 30.1 percent increase of building permits issued in the nation as a whole during the same period.

House Prices: At the close of the first quarter of 2012, housing prices were 0.5 percent lower in St. Louis compared with the same time last year. In spite of this decline, St. Louis outperformed the nation: National house prices fell 1.4 percent over the same time period.

Anecdotal Information from the Beige Book

Agriculture and Natural Resources

- Year-to-date coal production (by early June) in Illinois was 2.9 percent lower relative to the same period last year; production in Missouri was 2.6 percent lower.
- Rates of completion (by early June) for planting of sorghum and soybeans in Illinois were at least 18 percentage points higher than their 5-year average rates; in Missouri they were at least 27 percentage points higher.
- In Illinois, 95 percent of the winter wheat crop was rated as fair or better in early June, while that value was 91 percent in Missouri.

Car Dealers

- Overall sales were mixed, with half of contacts reporting increased sales and half reporting decreased sales in April and early May.
- Sales were expected to increase in June and July when compared with the same time last year for six of seven contacts; the remaining contacts expected no change in sales.

Construction

- A contact noted a few large industrial construction plans in Wentzville, Missouri, and some commercial and industrial construction plans in Jefferson County.
- A contact in St. Louis reported limited construction projects for office units in St. Charles County and the industrial construction is limited to build-to-suit units.

General Retail

- April and early May sales increased compared with the same time last year for roughly two of three contacts; sales decreased for the remaining contacts.
- Sales met or exceeded expectations for two of three contacts; sales were below expectations for one of three contacts.
- Sales were expected to increase or stay the same in June and July when compared with the same time last year for five of six contacts; the remaining contacts expect sales to decrease.

Manufacturing

- A contact in valve manufacturing announced plans to relocate a plant and hire new workers. However, contacts in pet grooming tools, agriculture chemicals, oil blending and packaging, and military and police equipment manufacturing announced plans to lay off workers while reducing operations or closing plants.

Real Estate

- A contact in St. Louis reported strong commercial real estate activity and that the demand for office space has increased in downtown St. Louis.

Services

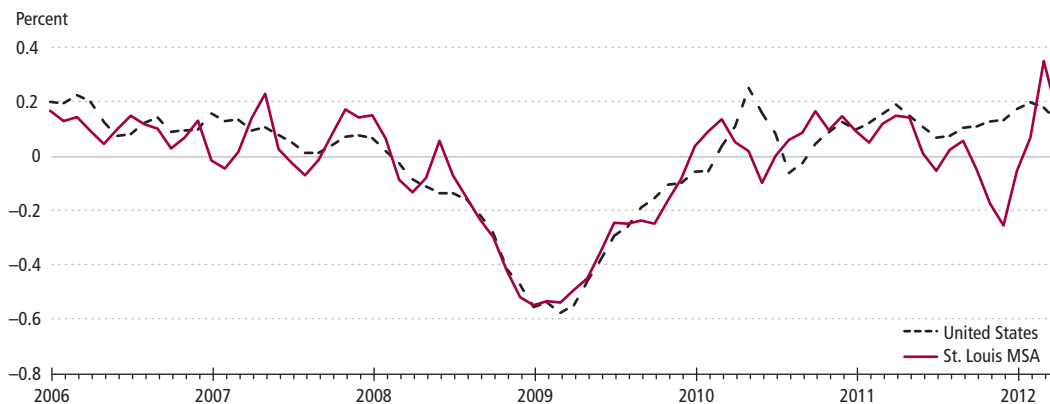
- Software development and business support contacts plan to expand operations and hire new workers. Meanwhile, travel, healthcare, distribution, and social services contacts plan to lay off workers or close facilities.

Banking and Finance

- Three of five contacts expect loan demand to stay the same; the remaining contacts expect loan demand to decrease.
- Three of five contacts find that loan delinquencies are improving; the remaining contacts find that loan delinquencies are staying about the same.

Detailed Indicators: Employment, Unemployment, Personal Income, and General Economic Activity

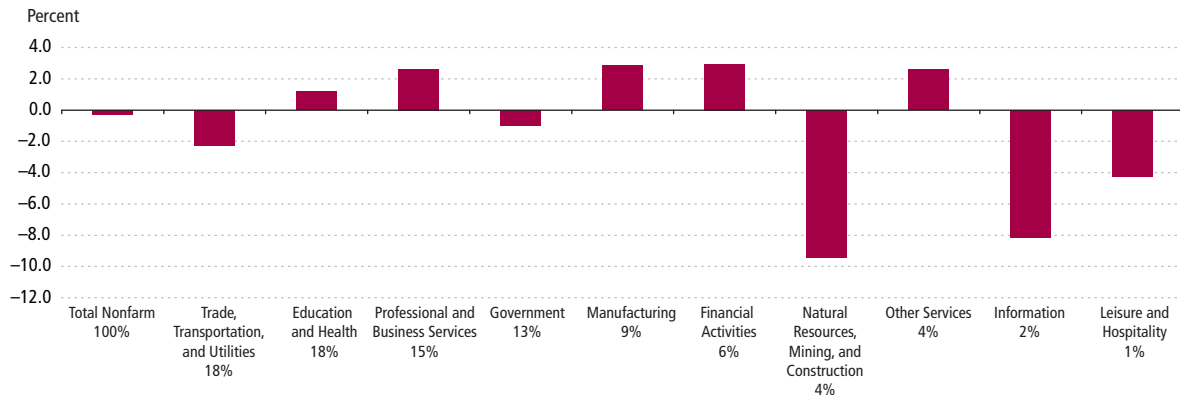
Nonfarm Payroll Employment Growth—St. Louis MSA



NOTE: 3-Month moving average, seasonally adjusted, January 2006–April 2012.
SOURCE: Bureau of Labor Statistics.

St. Louis's recession-related decline in employment, which was centered near the first quarter of 2009, was similar to the nation's decline. The recovery in St. Louis was also similar to the nation's until the first quarter of 2011. After that point, employment growth in St. Louis has been consistently below the nation's. Between February 2012 and April 2012, employment in St. Louis increased at an average rate of 0.1 percent per month, while national employment grew at an average rate of 0.1 percent per month.

Employment Growth by Sector—St. Louis MSA



NOTE: Percent change with respect to one year ago, April 2011–April 2012.
SOURCE: Bureau of Labor Statistics.

Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in St. Louis's economic performance. Employment decreased by 0.3 percent in this MSA with respect to one year ago, while employment increased by 1.3 percent in the nation. The three largest sectors in St. Louis are Trade, Transportation, and Utilities; Education and Health; and Professional and Business Services. These sectors account for 18 percent, 18 percent, and 15 percent of St. Louis's employment, respectively. Employment growth among these sectors was -2.3 percent, 1.2 percent, and 2.6 percent, respectively, during the past year. Employment growth varied across sectors, with 5 of 10 sectors decreasing employment and the rest having positive employment growth. The Financial Activities sector, accounting for 6 percent of total employment in St. Louis, had the best performance (2.9 percent expansion), while the Natural Resources, Mining, and Construction sector, which accounts for 4 percent of total employment, had the worst performance (9.5 percent contraction).

Employment and Unemployment by MSA

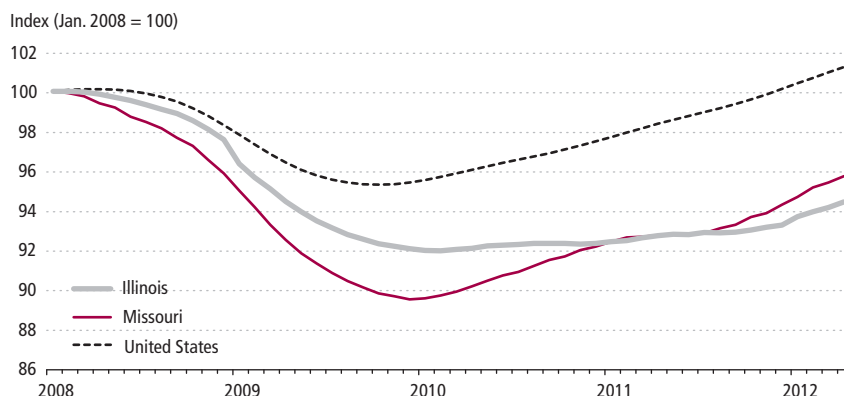
Nonfarm payroll employment percent change,
April 2011–April 2012

	Nonfarm payroll employment percent change, April 2011–April 2012			Unemployment rate April 2012
	Total	Goods producing	Service providing	
St. Louis, Mo.–Ill.	-0.27	-1.68	-0.05	8.1
Columbia, Mo.	3.72	1.41	3.91	5.1
Jefferson City, Mo.	1.30	1.09	1.33	6.0
Springfield, Mo.	0.67	0.49	0.69	6.6
United States	1.29	1.89	1.20	8.1

SOURCE: Bureau of Labor Statistics.

Total employment expansion in the St. Louis zone has been positive for all MSAs except for St. Louis, where employment fell by 0.27 percent with respect to last year. Columbia experienced a substantial increase in employment driven by service-providing sectors, while Springfield experienced the smallest increase in employment. Columbia experienced the highest employment growth in goods-producing activities (1.4 percent) and also the highest employment growth in service-providing activities (3.9 percent). The highest unemployment rate in the St. Louis zone was registered in St. Louis, at 8.1 percent. All MSAs in the zone, except for St. Louis, registered lower unemployment rates than the 8.1 percent registered for the nation at the close of April 2012. The lowest unemployment rate across the zone's MSA was 5.1 percent, registered in Columbia.

Coincident Economic Activity Index—St. Louis Zone

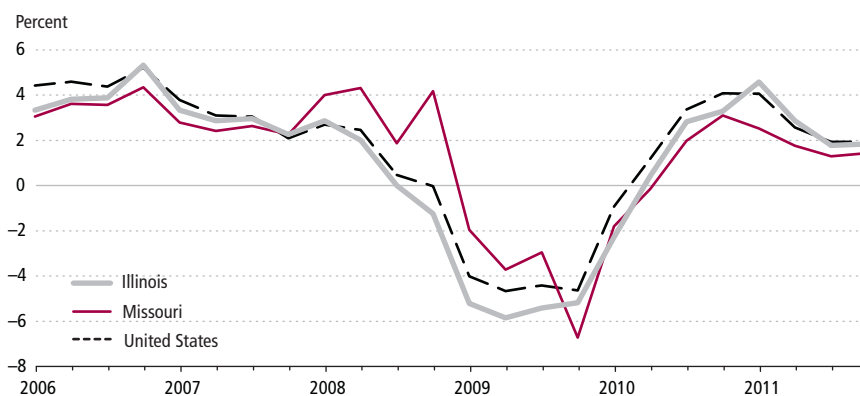


SOURCE: Federal Reserve Bank of Philadelphia.

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. The coincident indexes for both Illinois and Missouri reveal a stronger impact of the recession and a slower recovery in these states compared with the nation. In fact, the index values during the recession show that, at the lowest point, the level of economic activity in Illinois and Missouri was at 89.5 percent and 91.9 percent of pre-recession levels, respectively. Meanwhile, the nation’s lowest point of economic activity was at 95.3 percent of its pre-recession level. Current values of the index suggest that, compared with pre-recession levels, economic activity in Illinois is at 95.7 percent, while it is at 94.4 percent in Missouri and 101.2 percent in the nation. Despite the large difference in the recovery of economic activity between Missouri, Illinois and the nation, the graph indicates that, during the first half of 2012, economic activity in these states has been increasing.

Note: The Federal Reserve Bank of Philadelphia has significantly revised their national coincident economic activity index since our previous publication. Interested readers can view archival versions of the data in the St. Louis Fed’s ALFRED database. <http://alfred.stlouisfed.org>. The series ID is USPHCI.

Real Personal Income Growth—St. Louis Zone



NOTE: Percent change with respect to previous year.

SOURCE: Bureau of Economic Analysis.

For several quarters before the national recession, which started in the last quarter of 2007, Illinois’s personal income growth was roughly similar to the nation’s, while Missouri’s was slightly lower. The recession’s impact on personal income in Missouri and Illinois was similar to the nation’s. The recovery (since 2010) was also similar in both states compared with the nation until the third quarter of 2010. Between the fourth quarter of 2010 and the fourth quarter of 2011 personal income growth has fallen in the two states as well as in the nation. In fact, personal income grew by only 1.4 percent and 1.8 percent in Missouri and Illinois, respectively, and grew 1.9 percent for the nation as a whole.

Residential Real Estate Activity by MSA

	Total building permits, units year-to-date		House price index, percent change, 2012:Q1/2011:Q1
	April 2012	Percent change	
St. Louis, Mo.–Ill.	1,483	12.0	-0.5
Columbia, Mo.	201	-47.4	2.1
Jefferson City, Mo.	54	12.5	0.4
Springfield, Mo.	319	13.5	0.4
United States	230,165	30.1	-1.4

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

The housing market in the St. Louis zone has shown marked improvement since our previous report. The number of building permits issued in April was 12.0 percent, 12.5 percent, and 13.5 percent higher than last year in St. Louis, Jefferson City, and Springfield, respectively. Meanwhile, the number of building permits issued in April in Columbia was 47.4 percent lower than in April 2011. In contrast, housing prices were almost unchanged from one year ago in all of the St. Louis zone's MSAs except for Columbia, where housing prices exhibited positive growth. Specifically, housing prices grew by -0.5 percent, 0.4 percent, and 0.4 percent in St. Louis, Jefferson City, and Springfield, respectively. The decline in St. Louis, however, was less pronounced than it was at the national level, where house prices experienced a 1.4 percent decline over the past year.