

Current Economic Conditions in the Eighth Federal Reserve District

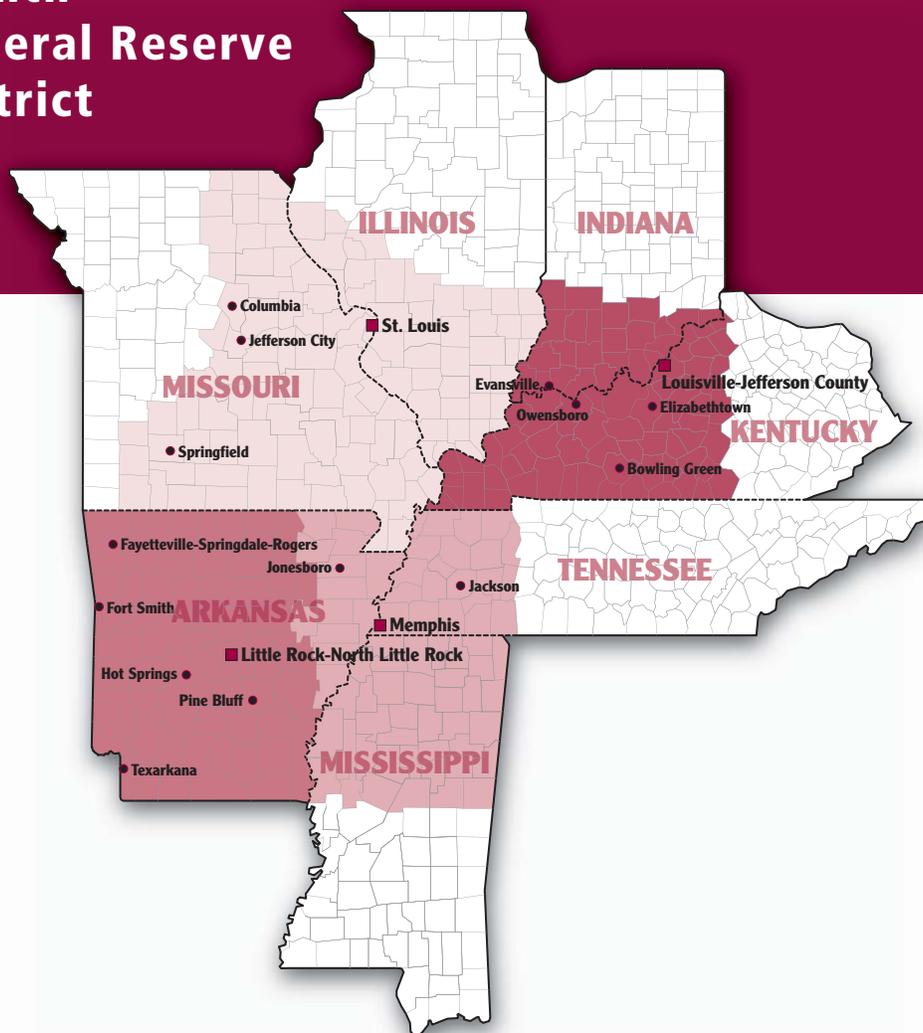
St. Louis Zone

December 23, 2011

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. Unless noted otherwise, when we refer to a location—such as St. Louis—we refer to the St. Louis MSA and not to the city of St. Louis.

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The most recent data at the time of publication show that St. Louis is performing better than the nation in terms of the unemployment rate and annual house price growth, while its performance in terms of annual employment growth, short-run employment growth, and the issuance of building permits is less favorable than the nation's. The following five points illustrate this assessment:

Annual Changes in Employment

By the end of October, St. Louis's nonfarm payroll employment was 0.6 percent higher than last year, while national employment was 1.2 percent higher than last year.

Short-Term Changes in Employment

Between August and October, St. Louis's local employment decreased by an average rate of 0.2 percent per month, while the nation's employment increased by 0.1 percent per month.

Unemployment Rate

In St. Louis, the unemployment rate remained at the same level in October as in July. However, the 8.8 percent unemployment rate registered in St. Louis at the close of October is slightly below the 9.0 percent rate registered for the nation as a whole.

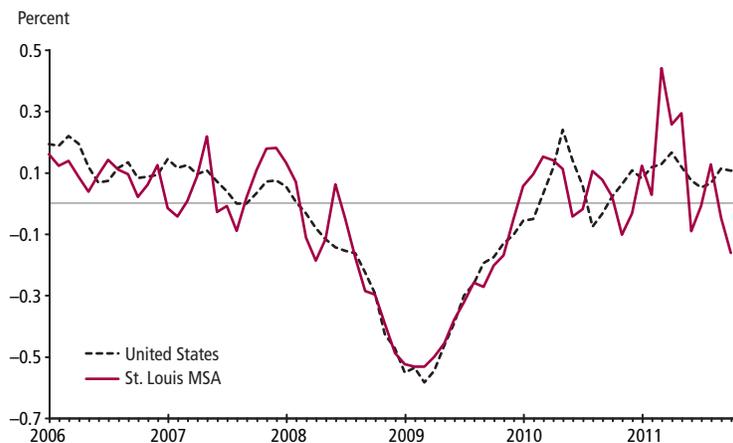
Building Permits

The number of building permits issued in the St. Louis zone from the beginning of 2011 through October was 17.6 percent lower than the number issued during the same months of 2010. This fall contrasts with the approximately constant number of building permits issued in the nation as a whole during the same periods.

House Prices

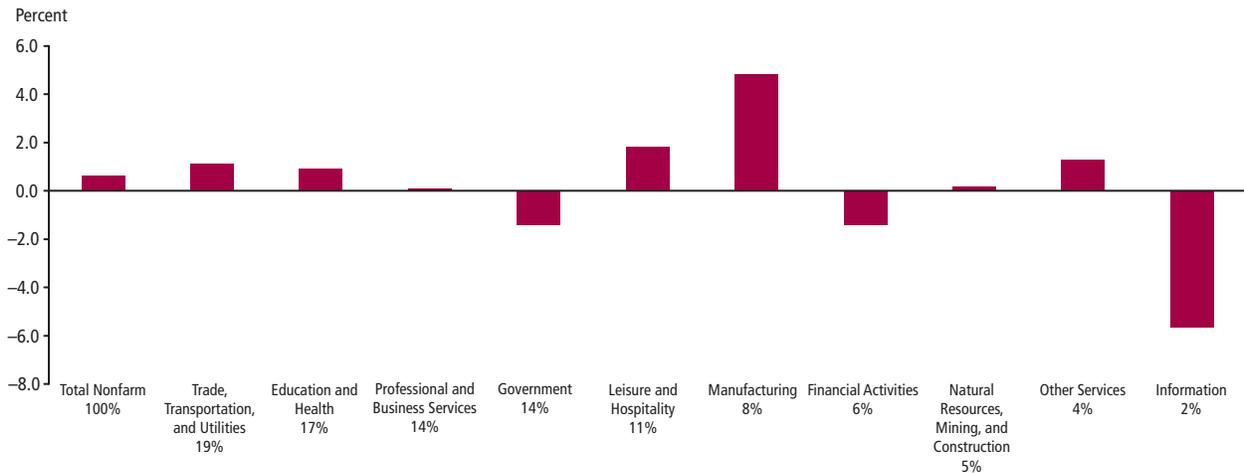
At the close of the third quarter, housing prices were 3.1 percent lower in the St. Louis zone compared with the same time last year. In spite of this decline, St. Louis outperformed the nation: National house prices have fallen 4.3 percent over the past year.

Nonfarm Payroll Employment Growth 3-Month Moving Average, SA, January 2006–October 2011



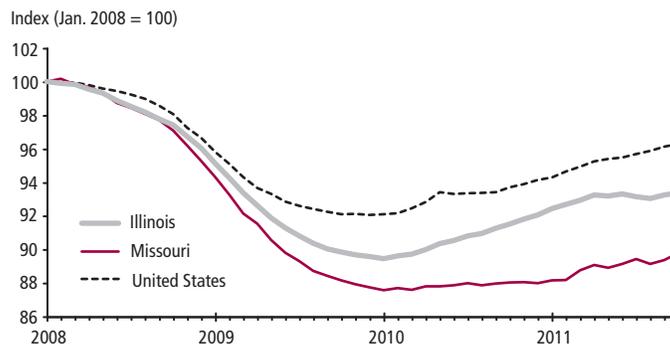
St. Louis's recession-related decline in employment, which was centered near the first quarter of 2009, was slightly milder than the nation's decline. Since then, the recovery in St. Louis has been similar to that of the nation. However, between August and October, employment in St. Louis declined at an average rate of 0.2 percent per month while national employment grew at a 0.1 percent rate.

St. Louis MSA Employment Growth by Sector Year/Year Percent Change, October 2010–October 2011



Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in St. Louis’s economic performance. Employment increased by 0.6 percent in this MSA with respect to one year ago, while the increase was 1.2 percent for the nation. The three largest sectors in St. Louis are Trade, Transportation, and Utilities; Education and Health; and Professional and Business Services, accounting for 19 percent, 17 percent, and 14 percent of St. Louis’s employment, respectively. Growth in these three sectors was 1.1 percent, 0.9 percent, and 0.1 percent, respectively. Employment growth varied across sectors, with 7 of 10 sectors increasing employment and the rest having negative employment growth. The Manufacturing sector, accounting for 8 percent of total employment in St. Louis, had the best performance (4.8 percent), while the Information sector, which accounts for 2 percent of total employment, had the worst performance (–5.7 percent).

St. Louis Zone Coincident Economic Activity Index



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. The index bottomed out at 89.5 for Illinois and at 87.6 for Missouri, while it bottomed out at 92.1 for the nation. Current values of the index suggest that economic activity in Illinois is at 93.4 percent of its pre-recession level, while it is at 89.8 percent in Missouri and 96.3 percent in the nation. Despite the large difference in the recovery of economic activity between Missouri and the nation, the graph indicates that, during the last half of 2011, economic activity in Missouri has begun to increase appreciably.

St. Louis Zone—MSA Employment and Unemployment

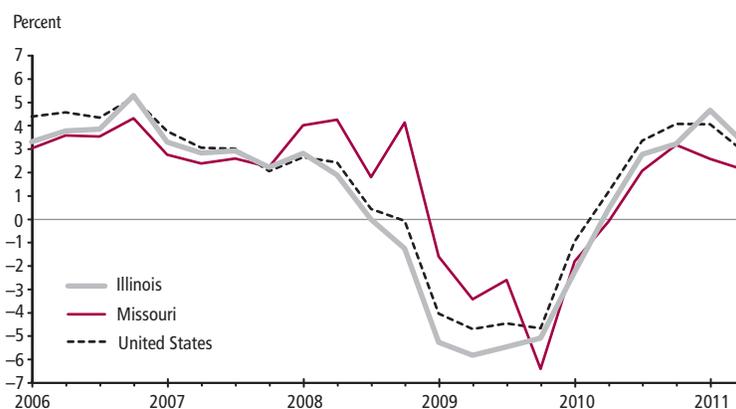
Nonfarm payroll employment percent change,
October 2010–October 2011

	Total	Goods producing	Service providing	Unemployment rate October 2011
St. Louis	0.62	3.07	0.26	8.8
Columbia, Mo.	-0.11	0.00	-0.11	5.9
Jefferson City, Mo.	0.00	1.06	-0.14	6.6
Springfield, Mo.	1.72	0.50	1.86	7.7
United States	1.21	1.81	1.11	9.0

SOURCE: Bureau of Labor Statistics.

Total employment expansion in the St. Louis zone has been positive for all MSAs except for Columbia and Jefferson City. Columbia experienced a substantial decline in employment driven by service-providing sectors, while Jefferson City experienced no change in employment. St. Louis experienced the highest employment growth in goods-producing activities (3.07 percent), while Springfield experienced the highest employment growth in service-providing activities (1.86 percent). The highest unemployment rate in the St. Louis zone was registered in St. Louis, at 8.8 percent. All MSAs in the zone, except for St. Louis, registered lower unemployment rates than the 9.0 percent registered for the nation at the close of October.

St. Louis Zone Real Personal Income Growth Percent Change, Year/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 stronger than in the nation. The recovery (since 2010) has also been generally weaker in both states compared with the nation. Between the second quarter of 2010 and the second quarter of 2011, personal income grew 2.1 percent and 3.2 percent in Missouri and Illinois, respectively, while it grew 2.9 percent for the nation as a whole.

St. Louis—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2011:Q3/2010:Q3
	October 2011	Percent change	
St. Louis	4,004	-17.6	-3.1
Columbia, Mo.	740	63.0	-0.7
Jefferson City, Mo.	140	-14.1	0.0
Springfield, Mo.	914	-3.8	-4.9
United States	510,949	0.0	-4.3

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

At the close of October 2011, housing activity in the St. Louis zone was weaker in terms of both building permits and home prices compared with the same time last year. Compared with the same month one year ago, St. Louis, Jefferson City, and Springfield experienced declines in the year-to-date number of total building permits: 17.6 percent, 14.1 percent, and 3.8 percent, respectively. Meanwhile, Columbia experienced a 63 percent increase in year-to-date total building permits. During this time, the nation experienced no change in year-to-date total building permits.

Finally, over the past year, housing prices declined in all of the St. Louis zone's MSAs except Jefferson City, where housing prices remained unchanged. Specifically, housing prices decreased 3.1 percent, 0.7 percent, and 4.9 percent in St. Louis, Columbia, and Springfield, respectively. With the exception of Springfield, housing prices in the St. Louis zone's MSAs fared better than those in the nation, which experienced a 4.3 percent decline.