

# **Current Economic Conditions in the Eighth Federal Reserve District**

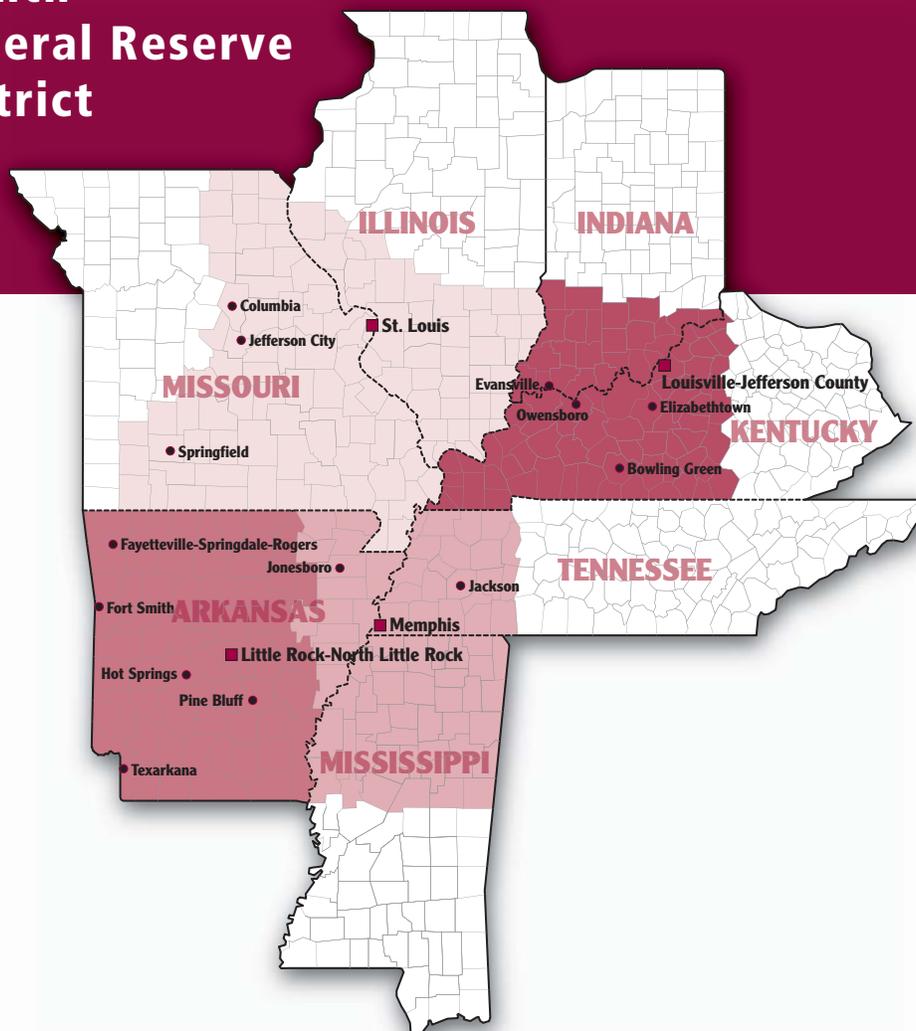
## **St. Louis Zone**

September 21, 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/](https://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.

### For more information, please contact the St. Louis office:

Joel James, 314-444-8963, [joel.h.james@stls.frb.org](mailto:joel.h.james@stls.frb.org)

### Economist:

Kevin L. Kliesen, 314-444-8583, [kevin.l.kliesen@stls.frb.org](mailto:kevin.l.kliesen@stls.frb.org)

# St. Louis Zone Report—September 21, 2012

Similar to our previous report issued in late June, the data flows generally show that St. Louis is performing below the nation in terms of labor market conditions and the issuance of building permits. That said, some areas of the zone have extremely low unemployment rates relative to the nation's rate. The most recent reading on house price changes generally shows stronger growth (or smaller declines) in the smaller MSAs compared with the nation. The following five points illustrate this assessment:

**Annual Changes in Employment:** By the end of July, St. Louis's nonfarm payroll employment was essentially unchanged (−0.02 percent) from a year earlier. However, U.S. payroll employment was 1.4 percent higher than last year.

**Short-Term Changes in Employment:** Between April 2012 and July 2012, St. Louis payroll employment growth was also effectively unchanged (−0.01 percent per month). The nation's average monthly growth over this period was little different (0.1 percent per month).

**Unemployment Rate:** In St. Louis, the unemployment rate declined modestly from three months earlier while the U.S. rate rose slightly. The St. Louis area rate fell from 8.1 percent in April 2012 to 7.8 percent in July 2012, while the U.S. unemployment rate rose from 8.1 percent to 8.3 percent over the same period.

**Building Permits:** The number of building permits issued in the St. Louis MSA in July 2012 was 6.2 percent higher than a year earlier. By contrast, total permits weakened in the other three major areas of the St. Louis zone. Overall, housing activity in the St. Louis zone was appreciably weaker than for the nation.

**House Prices:** At the close of the second quarter of 2012, housing prices were 0.7 percent lower in St. Louis compared with the quarter a year earlier—very similar to the nation. In general, prices rose in the other key areas of the St. Louis zone over the same time period.

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## Anecdotal Information from the Beige Book

### Agriculture and Natural Resources

- Year-to-date coal production through August was 6.2 percent higher in Illinois and 1.2 percent lower in Missouri compared with the first eight months of 2011.
- With the exception of rice in Missouri, crop conditions in Missouri and Illinois have declined drastically since June. Less than a quarter of corn crops and pastureland in both states is in fair or better condition.
- Excluding rice in Missouri, the USDA forecasts lower yields for all crops in Missouri and Illinois compared with last year. Annual corn and soybean production in both states is expected to be around 25 percent lower relative to 2011. Annual rice production in Missouri is forecasted to be 60 percent higher than last year.

### Car Dealers

- Five of six contacts reported increased sales in July and early August; the remaining contacts reported no change in sales.
- Sales are expected to increase in September and October when compared with the same time last year for five of six contacts; the remaining contacts expect no change in sales.

### Construction

- A contact reported that builders have increased confidence about future home buyers' demand.
- A contact in St. Louis reported that new industrial construction is limited to previous projects, while some contacts reported new institutional construction projects.

## General Retail

- July and early August sales increased compared with the same time last year for one of two contacts; sales decreased for one of three contacts; sales remained the same for the remaining contacts.
- Half of contacts reported that sales met or exceeded their expectations; the other half of contacts reported that sales were lower than expected.
- All contacts expect sales to increase in September and October relative to the same time last year.

## Manufacturing

- Firms in carbon and graphite products, boat, and factory components manufacturing plan to hire new workers while expanding operations. However, an electric power generation firm and firms that manufacture aluminum and chemical products plan to lay off workers.

## Real Estate

- A contact in St. Louis reported moderate improvement in office real estate activity and strong demand in the industrial real estate market.

## Services

- Firms in financial, business support, medical transportation, home healthcare, and waste management services plan to expand operations and hire new employees. By contrast, a newspaper publishing services firm and an educational organization plan to lay off workers.

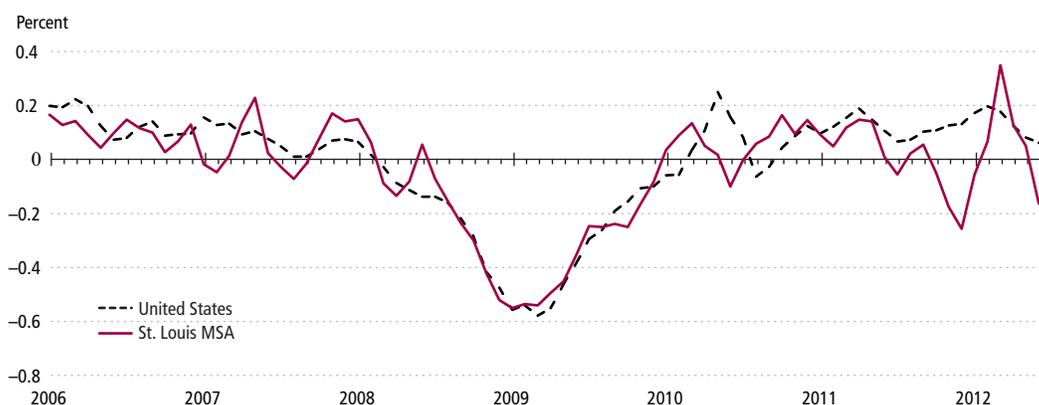
## Banking and Finance

- Six of nine contacts expect loan demand to stay the same; the remaining contacts expect loan demand to increase.
- Five of nine contacts find that loan delinquencies are improving; the remaining contacts find that loan delinquencies are staying about the same.

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

### Nonfarm Payroll Employment Growth—St. Louis MSA

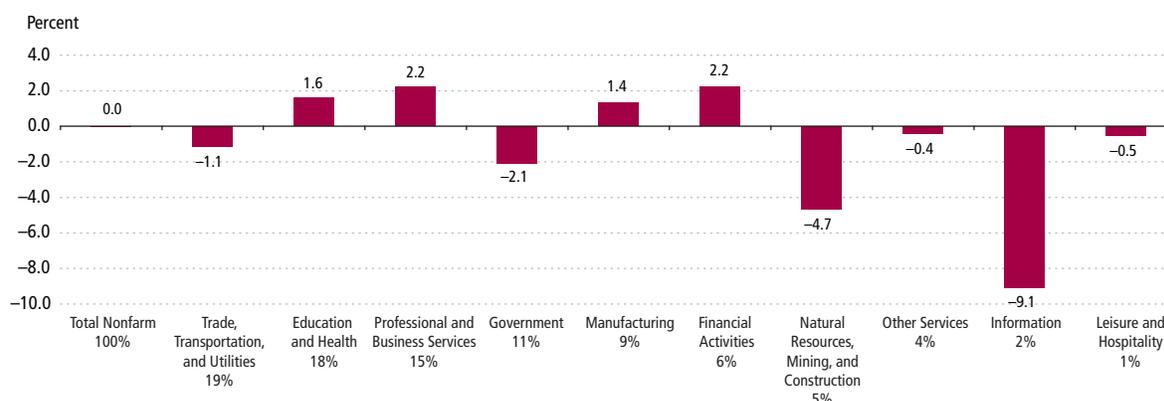


NOTE: 3-Month moving average, seasonally adjusted, January 2006–July 2012.  
SOURCE: Bureau of Labor Statistics.

St. Louis's employment growth was about unchanged over the past three months, versus a modest increase for the nation. On average, gains in the St. Louis MSA have averaged a little less than 1,500 jobs per month over the first seven months of 2012 (seasonally adjusted). This compares favorably with the roughly 950 jobs per month seen over the same period in 2011. Continuing the trend that developed in mid-2011, job growth over the past 12 months has slowed markedly in St. Louis compared with the nation. For the 12 months ending in July 2012, nonfarm payroll employment is about unchanged (–0.02 percent) in St. Louis, while increasing by 1.4 percent for the nation.

[NOTE: Nonfarm payroll employment is reported in the Bureau of Labor Statistics' Current Employment Statistics (CES) survey, which is also known as the establishment survey. For employment purposes, the CES counts jobs rather than persons. By contrast, the Current Population Survey (CPS) counts the number of persons employed; we do not report this measure of employment. The unemployment rate is derived from the CPS, which is a survey sponsored jointly by the U.S. Census Bureau and the BLS.]

## Employment Growth by Sector—St. Louis MSA



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

This chart is designed to distinguish general trends from sector-specific trends in St. Louis's economic and labor market performance over the 12 months ending in July 2012. In terms of employment shares, the three largest sectors in the St. Louis metropolitan area are Trade, Transportation, and Utilities (TTU); Education and Health; and Professional and Business Services. Together, they account for a little more than 50 percent of total payroll employment in St. Louis. The government sector comprises 11 percent of the total. As noted elsewhere in this report, St. Louis MSA employment is little changed over the past year. In effect, employment over the past year has posted decent gains in Education and Health (1.6 percent) and Professional and Business Services (2.2 percent), but has declined in TTU (–1.1 percent). Similar to the nation, which has seen continued year/year declines in state and local government since mid-2009, government employment in the St. Louis area has declined about 2 percent over the past year. Employment gains and losses were mixed in other sectors, with employment increasing in Manufacturing and Financial Services from a year earlier but decreasing in Natural Resources, Mining, and Construction and the other key services industries (such as Information).

## Employment and Unemployment by MSA

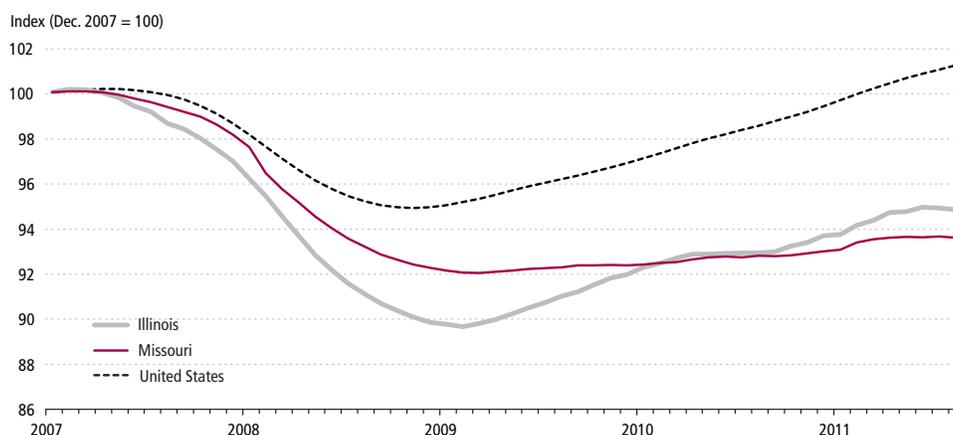
Nonfarm payroll employment percent change,  
July 2011–July 2012

	Nonfarm payroll employment percent change, July 2011–July 2012			Unemployment rate July 2012
	Total	Goods producing	Service providing	
St. Louis, Mo.-Ill.	–0.02	–0.90	0.13	7.8
Columbia, Mo.	–0.11	–1.33	0.00	4.9
Jefferson City, Mo.	0.79	–1.04	1.06	5.8
Springfield, Mo.	1.63	–1.42	2.01	6.4
United States	1.40	1.52	1.38	8.3

SOURCE: Bureau of Labor Statistics.

Within the St. Louis zone, employment growth has generally been the strongest in the smaller metropolitan areas. These metropolitan areas also generally have much lower unemployment rates than St. Louis's and the nation's. Although employment has declined slightly over the past year in Columbia (–0.1 percent), its unemployment rate is extremely low (4.9 percent). By contrast, employment growth has been more brisk in Jefferson City (0.8 percent) and Springfield (1.6 percent). However, their unemployment rates, while lower than the nation's and St. Louis's, were still a bit higher than Columbia's rate. The table also shows that, on average, goods-producing employment (mostly manufacturing) in the Missouri MSAs has declined over the past year by more than 1 percent. This stands in stark contrast with the nation's 1.5 percent gain. The employment picture in the services-providing industries looks better. In particular, services growth has been especially strong in Springfield (2 percent), less so in Jefferson City. Columbia and St. Louis have seen little or no growth in services employment over the past year.

## Coincident Economic Activity Index—St. Louis Zone



SOURCE: Federal Reserve Bank of Philadelphia.

The Philadelphia Fed's coincident index combines information on payroll employment, nominal wages and salaries, the unemployment rate, and average hours worked in the manufacturing sector. It is designed to be a comprehensive measure of economic performance. Indeed, the coincident index is a reasonably good approximation of real GDP at the national and state level (gross state product). In this chart, the index is set equal to 100 at December 2007, which is the peak of the previous business expansion. The chart shows that the recession had a larger impact on Illinois and Missouri than on the nation. Economic activity fell by about 5.5 percent in the nation, but it fell by 8 percent in Missouri and by about 11 percent in Illinois. The chart also shows that economic activity for the nation has currently surpassed its previous peak by about 1.5 percent. However, the level of activity in Illinois and Missouri remains below its previous peak. Moreover, since the trough, economic activity has rebounded proportionately more in Illinois than in Missouri. This trend has continued into 2012, as economic activity has increased by about 1.2 percent year-to-date (through July 2012) in Illinois, but by only 0.6 percent in Missouri. By contrast, the U.S. coincident index has increased by 1.6 percent over the first seven months of 2012.

## Real Personal Income Growth—St. Louis Zone



NOTE: Percent change with respect to previous year.

SOURCE: Bureau of Economic Analysis.

Nominal personal income is a measure of the income received by households from a variety of sources. Unlike real GDP, personal income (PI) is not adjusted for inflation. The largest component of personal income is compensation, which is largely wages and salaries. PI also includes interest and dividend income, transfer payments from the government, and some other sources. At the national level, PI is about 85 percent of GDP. Thus, its growth rate generally tracks nominal GDP closely. The above chart plots the percent change in personal income for the United States and for Missouri and Illinois. In general, income growth in Missouri and Illinois tends to track the U.S. growth rate fairly closely. As the previous payroll employment chart showed, the 2007-09 recession hit Missouri and Illinois harder than the nation as a whole. Moreover, the subsequent rebound in PI growth was modestly stronger for Illinois than for Missouri, but both generally paralleled the nation's growth. However, since early 2011, nominal personal income growth has slowed significantly. For the four quarters ending in the first quarter of 2012, PI has increased by only 0.1 percent in Illinois and by only 0.6 percent in Missouri and for the United States. Part of the slowing in nominal PI growth reflects a slowing in overall inflation.

## Residential Real Estate Activity by MSA

	Total building permits, units year-to-date		House price index, percent change, 2012:Q2/2011:Q2
	July 2012	Percent change	
<b>St. Louis, Mo.-Ill.</b>	<b>2,816</b>	<b>6.2</b>	<b>-0.7</b>
Columbia, Mo.	343	-37.9	2.6
Jefferson City, Mo.	95	-4.0	1.8
Springfield, Mo.	622	-2.4	-0.1
United States	454,275	31.1	-0.6

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

Housing activity in the St. Louis MSA has continued to improve since our previous report, but retrenched modestly in other areas. Year-to-date (through July 2012), building permits for single- and multi-family residences totaled a little more than 2,800 units, an increase of 6.2 percent from the same period a year earlier. This increase, while strong percentage-wise, was markedly smaller than for the nation (31.1 percent). In the other three major areas of the St. Louis zone, housing activity has retreated since our previous report. Building permits are down sharply in Columbia, but have registered more modest declines in Jefferson City and Springfield. Trends in house prices in the St. Louis zone have also been mixed since our previous report. Over the four quarters ending in the second quarter of 2012, prices of homes financed with conventional mortgages have increased modestly in Columbia and Jefferson City, but declined slightly in St. Louis and in Springfield. Nationally, house prices declined by 0.6 percent over the previous four quarters.

[NOTE: Readers are cautioned that building permit data at the state and local level can be extraordinarily volatile, which makes it difficult to discern trends over the short term. For more information on the methodology of housing units authorized by building permits, see [http://quickfacts.census.gov/qfd/meta/long\\_BPS030211.htm](http://quickfacts.census.gov/qfd/meta/long_BPS030211.htm).]