

Center for Economic & Business  
Research  
Donald L. Harrison College of  
Business

***SOUTHEAST***  
***MISSOURI***  
**BUSINESS**  
**INDICATORS**

Fall, 2006    Volume 9, No. 1

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**Executive Summary**

The national economy slowed in the second quarter to an average annual growth rate of 2.7%. This was about half of the previous quarter's growth rate. The unemployment rate remains low (4.6%). Inflation shows some signs of picking up.

The southeast Missouri region enjoyed one of its strongest periods in the second quarter. Employment rose in every county while the unemployment rate in the region fell to 5%. Retail sales are up and personal income continues to advance at a healthy pace.

## ***Southeast Missouri Business Indicators***

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## U.S. Economy: Soft Landing or Hard Fall?

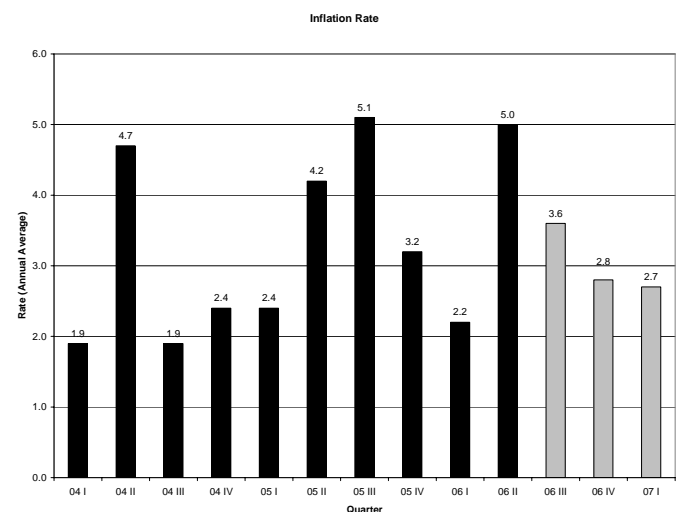
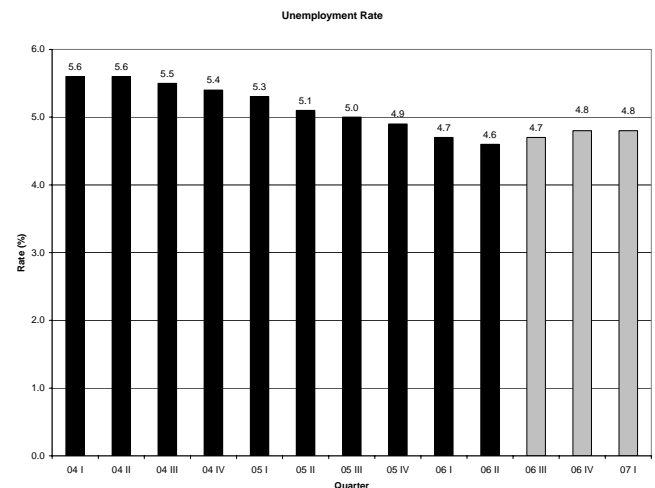
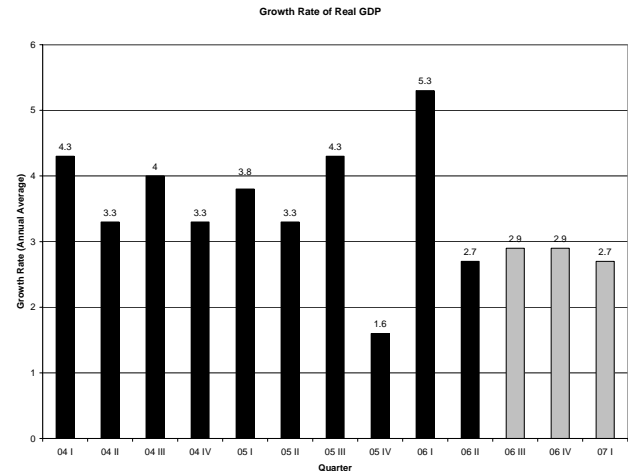
It is easy to identify factors that make one pessimistic when looking at the U.S. economy: rising interest rates, high Federal Government budget deficits, slower growth of the economy, sluggish job creation, weakening housing market, slowing productivity growth, rising energy prices. Focusing on these factors makes it clear why the economy's growth was almost cut in half from the first to the second quarter (5.3% down to 2.7%, average annual rates).

But there still is cause for optimism: corporate budgets are in good shape, consumers continue to spend at a healthy clip, government spending, when added to the mix, will help to keep the economy growing, inflation is still relatively modest, the foreign trade deficit is declining, industrial production is still increasing at a healthy pace.

The rapid growth in Gross Domestic Product (GDP) was clearly not sustainable in the long run. A growth rate closer to the long term average of about 3% per year seems in order. In fact, this is what economic forecasters now expect for the next 12-18 months: GDP growth in the 2.5-3.0% range.

The labor market has weakened somewhat and job growth has been sluggish for the past few months. The unemployment rate, for now, is at 4.6%. Unless job growth picks up, the unemployment rate is likely to move up a tenth of a percent or two, but even with that increase, the rate is low by historical standards.

Inflation remains a wildcard in the economy, mostly due to the volatile energy sector. Core inflation (the inflation rate with energy and food



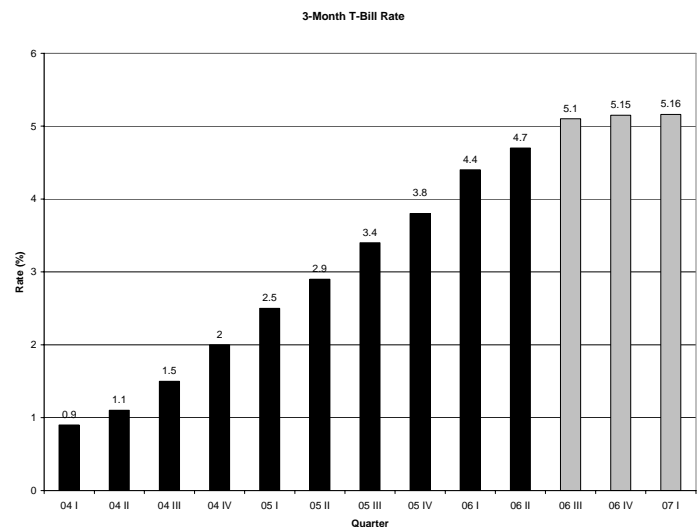
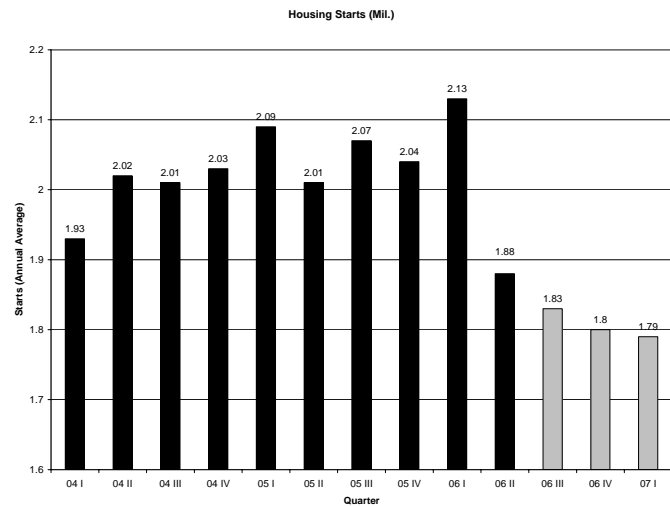
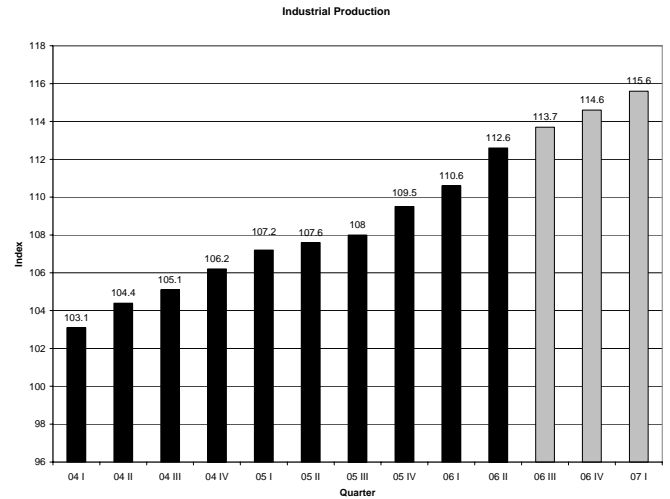
prices taken out) has shown some signs of increasing beyond the Fed's comfort zone of 2% per annum. It is clear that the Fed will boost interest rates further if it is convinced that inflation poses a threat to the economy.

As mentioned, a real bright spot in the economy today is the continued strength of industrial production. The index continues to climb as exports to the rest of the world grow faster than expected.

The housing market continues to show signs of cooling as new home sales are off from year ago levels and new construction is also falling. Rising interest rates are no doubt a big factor in the slowing of the housing sector. If the Fed deems that further increases in interest rates are necessary to keep inflation in check, we can expect further impacts upon the housing sector.

There is even evidence that housing prices are starting to level off and even fall in some locations. How consumers respond to stagnant housing prices will have an impact upon the economy. If housing prices fall, for example, consumers will feel less wealthy, which could lead to lower consumer spending. Since consumer spending is about 70% of all spending in the economy, any slowdown will be felt immediately.

The Fed is trying to walk the tightrope by bringing the economy to a soft landing with higher interest rates and slower growth rates of GDP, while keeping unemployment around 5%. This is going to be a difficult task both in the short run and in the long run. I do not think anyone would be envious of the task ahead for Ben Bernanke and the rest of the Fed Board of Governors.



## **Southeast Missouri Enjoys Outstanding Second Quarter**

The second quarter of 2006 was an especially good one for southeast Missouri. Employment increased in every county and exceeded 400,000 for the region for the first time ever. The unemployment rate, which fell in every county, dipped to 5.0% (down from 5.8% in the first quarter).

Personal income continued its steady growth and reached an average annual rate of over \$22 billion in the first quarter of 2006 (last quarter available). The first quarter level of income in 2006 was 5% higher than the previous first quarter in 2005. Given moderate inflation of about 2% per year, this represents an increase in real income (income adjusted for price changes) of about 3% for the region, which is quite good.

Retail sales also were strong in the second quarter. Total retail sales for the quarter were estimated to be over two billion dollars. For the four quarters ending in 2006 II, retail sales were up about 5.1% over the four quarters ending in 2005 II. It is estimated that retail sales in the region exceeded eight billion dollars for the most recent four-quarter period. It seems a sure bet that retail sales for all of 2006 will exceed the eight billion dollar mark.

Individual counties continue to show outstanding performances. Unemployment in Perry County remains below 4% (3.5%), while Cape Girardeau County's unemployment rate stands at 4.1%. Butler County continues its impressive performance with personal income exceeding \$1.15 billion and retail sales of almost \$560 million for the last four quarters.

The Bootheel counties still tend to lag a bit. Personal income growth is a little slower in the Bootheel (except for Scott and Stoddard Counties), and unemployment is still too high (6-7% generally in several counties). However, like the rest of the region, the Bootheel counties showed significant improvement in the second quarter.

It is particularly encouraging that the region performed so well while economic growth in the rest of the nation was slowing. It is not often that the region can buck national trends; one can only hope for the good news to continue.

The third quarter data will be very important to determining the final outcome for all of 2006. The year should be a good one for the region for the most part. But if the economy maintains its second quarter pace into the third quarter and beyond, 2006 will be a very good year indeed for southeast Missouri.

**Southeast Missouri Summary**

	2005 I	2005 II	2005 III	2005 IV	2006 I	2006 II
<b>Bollinger</b>						
Employment	5,521	5,568	5,496	5,616	5,561	5,656
Change (%)	-1.7	0.9	-1.3	2.2	-1.0	1.7
Unemployment (%)	7.2	5.9	5.4	5.6	6.0	4.9
Personal Income	255,383	258,423	260,228	264,319	267,483	
Change (%)	5.5	5.6	5.2	4.1	4.7	
Retail Sales	13,949	14,845	16,148	13,538	14,962	15,286
Last 4 Quarters	56,956	56,746	58,652	58,390	59,493	59,934
<b>Butler</b>						
Employment	19,994	20,404	20,235	20,452	20,578	21,122
Change (%)	0.5	2.1	-0.8	1.1	0.6	2.6
Unemployment (%)	6.0	5.4	5.0	5.0	5.3	4.7
Personal Income	1,091,826	1,108,817	1,119,311	1,139,496	1,157,079	
Change (%)	7.2	7.1	6.5	5.4	6.0	
Retail Sales	136,546	140,119	140,974	133,723	139,029	145,907
Last 4 Quarters	538,077	539,592	548,893	551,272	553,845	559,633
<b>Cape Girardeau</b>						
Employment	36,245	36,558	36,084	36,876	36,508	37,136
Change (%)	-1.7	0.9	-1.3	2.2	-1.0	1.7
Unemployment (%)	4.8	4.6	4.2	4.0	4.3	4.1
Personal Income	2,055,115	2,077,577	2,089,380	2,121,556	2,146,055	
Change (%)	5.3	5.3	4.8	3.8	4.4	
Retail Sales	305,110	288,783	305,440	292,154	320,848	310,405
Last 4 Quarters	1,160,313	1,161,079	1,179,346	1,191,487	1,207,225	1,228,847
<b>Carter</b>						
Employment	2,532	2,718	2,721	2,729	2,626	2,807
Change (%)	-5.1	7.4	0.1	0.3	-3.7	6.9
Unemployment (%)	8.5	6.0	5.6	5.9	6.4	5.3
Personal Income	126,448	128,079	129,187	131,245	132,863	
Change (%)	5.6	5.8	5.5	4.4	5.1	
Retail Sales	9,122	9,183	11,638	9,124	9,677	10,334
Last 4 Quarters	37,529	38,173	38,898	39,067	39,622	40,773
<b>Crawford</b>						
Employment	10,583	11,034	11,004	10,817	10,695	11,203
Change (%)	-1.4	4.3	-0.3	-1.7	-1.1	4.7
Unemployment (%)	7.4	5.8	5.5	5.7	6.5	5.5
Personal Income	605,058	615,214	622,828	634,917	644,956	
Change (%)	7.1	7.3	7.0	6.0	6.6	
Retail Sales	42,287	47,254	53,981	45,643	45,456	49,153
Last 4 Quarters	183,986	187,180	189,386	189,165	192,334	194,143

(Note: Personal Income & Retail Sales are in thousands of dollars.)

	2005 I	2005 II	2005 III	2005 IV	2006 I	2006 II
<b>Dent</b>						
Employment	5,706	5,919	5,807	5,797	5,718	5,991
Change (%)	-1.7	3.7	-1.9	-0.2	-1.4	4.8
Unemployment (%)	7.4	6.4	6.2	6.1	6.6	5.8
Personal Income	330,707	334,965	337,650	342,820	346,791	
Change (%)	5.6	5.7	5.3	4.2	4.9	
Retail Sales	34,213	34,827	37,030	34,514	34,469	39,208
Last 4 Quarters	136,250	137,103	138,855	140,584	140,840	145,221
<b>Dunklin</b>						
Employment	13,284	13,463	13,209	13,374	13,298	13,480
Change (%)	-0.3	1.4	-1.9	1.2	-0.6	1.4
Unemployment (%)	8.1	7.4	7.1	7.1	7.8	7.0
Personal Income	791,648	802,005	809,546	821,887	831,997	
Change (%)	5.6	5.8	5.5	4.4	5.1	
Retail Sales	NA	NA	NA	NA	NA	NA
Last 4 Quarters	NA	NA	NA	NA	NA	NA
<b>Franklin</b>						
Employment	49,599	50,339	50,653	50,367	50,151	50,935
Change (%)	-0.8	1.5	0.6	-0.6	-0.4	1.6
Unemployment (%)	6.8	5.4	5.4	4.8	5.8	4.8
Personal Income	2,839,356	2,872,980	2,893,821	2,937,001	2,969,671	
Change (%)	5.0	5.2	4.9	3.9	4.6	
Retail Sales	250,684	262,663	283,754	256,270	246,743	269,144
Last 4 Quarters	1,020,550	1,024,051	1,043,237	1,053,371	1,049,430	1,055,911
<b>Gasconade</b>						
Employment	7,082	7,239	7,181	7,222	7,118	7,320
Change (%)	-1.9	2.2	-0.8	0.6	-1.4	2.8
Unemployment (%)	6.7	5.4	5.3	5.0	6.3	5.5
Personal Income	394,902	399,872	402,909	409,219	413,866	
Change (%)	5.2	5.5	5.2	4.2	4.8	
Retail Sales	35,822	38,502	41,027	37,636	36,884	41,951
Last 4 Quarters	148,160	149,586	152,633	152,987	154,049	157,498
<b>Iron</b>						
Employment	4,404	4,481	4,426	4,412	4,425	4,586
Change (%)	-1.3	1.7	-1.2	-0.3	0.3	3.6
Unemployment (%)	8.9	7.3	6.7	6.8	6.7	5.3
Personal Income	224,198	226,788	228,456	231,766	234,337	
Change (%)	5.0	5.2	4.9	3.9	4.5	
Retail Sales	22,375	20,757	23,216	17,742	14,401	18,482
Last 4 Quarters	71,815	76,301	82,131	84,090	76,116	73,841

(Note: Personal Income & Retail Sales are in thousands of dollars.)

	2005 I	2005 II	2005 III	2005 IV	2006 I	2006 II
<b>Jefferson</b>						
Employment	109,115	110,743	111,433	110,804	110,330	112,053
Change (%)	-0.8	1.5	0.6	-0.6	-0.4	1.6
Unemployment (%)	6.3	5.0	5.1	4.5	5.3	4.5
Personal Income	5,910,988	5,987,335	6,036,552	6,132,742	6,206,615	
Change (%)	5.5	5.7	5.4	4.3	5.0	
Retail Sales	484,417	489,638	542,096	490,097	493,157	538,034
Last 4 Quarters	1,940,692	1,934,515	1,974,675	2,006,248	2,014,988	2,063,384
<b>Madison</b>						
Employment	5,475	5,693	5,562	5,578	5,600	5,729
Change (%)	0.5	3.0	-1.4	0.3	0.4	2.3
Unemployment (%)	7.0	6.3	6.0	5.8	5.9	5.1
Personal Income	254,393	258,945	262,300	267,593	272,078	
Change (%)	7.6	6.8	6.5	6.3	6.9	
Retail Sales	20,118	21,616	22,930	23,402	23,995	25,748
Last 4 Quarters	83,060	83,427	84,679	88,156	91,943	96,075
<b>Mississippi</b>						
Employment	5,337	5,521	5,330	5,471	5,317	5,493
Change (%)	-2.6	3.4	-3.4	2.6	-2.8	3.3
Unemployment (%)	8.1	7.1	7.0	6.5	6.8	6.1
Personal Income	294,363	295,264	293,824	295,780	295,805	
Change (%)	2.8	2.2	1.2	0.0	0.5	
Retail Sales	19,609	20,811	23,732	19,030	20,017	21,348
Last 4 Quarters	83,605	83,352	83,302	83,182	83,590	84,217
<b>New Madrid</b>						
Employment	7,643	7,808	7,465	7,585	7,547	7,778
Change (%)	-0.8	2.2	-4.4	1.6	-0.5	3.1
Unemployment (%)	8.3	7.3	7.2	6.8	7.4	6.7
Personal Income	451,958	457,824	460,079	465,148	468,505	
Change (%)	6.2	6.0	5.2	3.6	3.7	
Retail Sales	74,050	72,817	73,415	69,648	76,125	74,164
Last 4 Quarters	286,542	288,217	287,775	289,930	292,005	293,352
<b>Pemiscot</b>						
Employment	6,972	7,079	6,912	6,965	6,933	7,062
Change (%)	-0.5	1.5	-2.4	0.8	-0.5	1.9
Unemployment (%)	9.3	8.3	7.9	7.8	8.2	7.2
Personal Income	449,026	453,518	454,405	461,706	466,746	
Change (%)	4.3	4.7	4.5	3.4	4.0	
Retail Sales	31,477	31,432	33,793	30,566	33,092	36,268
Last 4 Quarters	121,190	122,012	126,280	127,268	128,883	133,719

(Note: Personal Income & Retail Sales are in thousands of dollars.)

	2005 I	2005 II	2005 III	2005 IV	2006 I	2006 II
<b>Perry</b>						
Employment	9,546	9,779	9,993	9,901	9,745	9,949
Change (%)	-2.3	2.4	2.2	-0.9	-1.6	2.1
Unemployment (%)	4.8	4.4	3.8	3.6	3.8	3.5
Personal Income	458,609	466,415	472,087	480,588	487,786	
Change (%)	7.4	7.5	7.1	5.8	6.4	
Retail Sales	54,350	57,439	58,490	53,273	54,765	58,208
Last 4 Quarters	216,720	216,953	222,921	223,732	223,967	224,736
<b>Reynolds</b>						
Employment	2,404	2,600	2,524	2,474	2,455	2,681
Change (%)	0.8	8.2	-2.9	-2.0	-0.8	9.2
Unemployment (%)	9.4	7.1	6.3	7.3	7.4	5.5
Personal Income	141,893	143,711	144,949	147,248	149,065	
Change (%)	5.5	5.7	5.5	4.4	5.0	
Retail Sales	NA	NA	NA	NA	NA	NA
Last 4 Quarters	NA	NA	NA	NA	NA	NA
<b>Ripley</b>						
Employment	5,956	6,105	5,892	6,115	6,133	6,314
Change (%)	0.2	2.5	-3.5	3.8	0.3	2.9
Unemployment (%)	6.6	6.1	6.0	5.5	5.9	5.1
Personal Income	274,372	278,145	280,794	285,498	289,266	
Change (%)	6.0	6.2	5.8	4.8	5.4	
Retail Sales	NA	NA	NA	NA	NA	NA
Last 4 Quarters	NA	NA	NA	NA	NA	NA
<b>Scott</b>						
Employment	18,750	19,242	18,862	18,986	18,833	19,406
Change (%)	-0.7	2.6	-2.0	0.7	-0.8	3.0
Unemployment (%)	6.4	5.9	5.6	5.2	5.5	5.1
Personal Income	1,041,926	1,054,960	1,062,283	1,078,590	1,090,790	
Change (%)	5.3	5.4	5.1	4.1	4.7	
Retail Sales	80,257	80,085	90,290	77,322	76,789	84,278
Last 4 Quarters	325,366	319,646	325,661	327,954	324,486	328,680
<b>Ste. Genevieve</b>						
Employment	8,439	8,638	8,617	8,565	8,437	8,707
Change (%)	-1.6	2.4	-0.2	-0.6	-1.5	3.2
Unemployment (%)	6.8	5.7	5.0	5.0	5.4	4.8
Personal Income	449,530	454,472	457,277	463,260	467,189	
Change (%)	5.1	5.1	4.6	3.4	3.9	
Retail Sales	33,485	36,710	42,764	32,684	36,171	39,791
Last 4 Quarters	132,217	134,008	149,237	148,643	148,329	151,410

(Note: Personal Income & Retail Sales are in thousands of dollars.)

	2005 I	2005 II	2005 III	2005 IV	2006 I	2006 II
<b>St. Francois</b>						
Employment	25,053	25,609	25,392	25,500	25,642	26,462
Change (%)	-0.3	2.2	-0.9	0.4	0.6	3.2
Unemployment (%)	7.9	6.5	6.0	6.0	6.4	5.4
Personal Income	1,377,607	1,397,174	1,408,237	1,431,341	1,452,517	
Change (%)	6.4	6.1	5.7	4.7	5.4	
Retail Sales	165,182	166,969	172,210	159,485	169,198	179,714
Last 4 Quarters	640,533	650,339	660,567	663,756	667,862	680,607
<b>Stoddard</b>						
Employment	14,602	14,823	14,581	14,994	14,900	15,183
Change (%)	-0.4	1.5	-1.6	2.8	-0.6	5.3
Unemployment (%)	6.9	5.6	5.4	5.3	5.9	4.9
Personal Income	760,319	776,030	787,480	802,563	817,676	
Change (%)	7.2	7.0	6.4	7.0	7.5	
Retail Sales	56,966	62,333	67,914	65,591	61,345	69,635
Last 4 Quarters	228,488	231,009	238,401	252,804	257,183	264,485
<b>Washington</b>						
Employment	9,209	9,346	9,405	9,352	9,311	9,457
Change (%)	-0.8	1.5	0.6	-0.6	-0.4	1.6
Unemployment (%)	10.3	7.9	8.0	8.2	9.2	7.1
Personal Income	470,516	476,192	479,921	486,791	492,117	
Change (%)	6.2	6.0	5.4	4.1	4.6	
Retail Sales	34,435	35,256	38,932	35,895	35,179	38,222
Last 4 Quarters	139,671	139,907	142,343	144,518	145,262	148,228
<b>Wayne</b>						
Employment	5,079	5,275	5,184	5,202	5,177	5,358
Change (%)	-0.8	3.9	-1.7	0.3	-0.5	2.2
Unemployment (%)	8.5	7.1	6.2	6.4	6.8	5.0
Personal Income	266,369	270,042	272,625	277,203	280,875	
Change (%)	6.0	6.2	5.9	4.8	5.4	
Retail Sales	30,887	22,080	24,329	21,089	20,436	22,853
Last 4 Quarters	87,295	87,457	88,223	88,385	87,934	88,707
<b>Southeast Missouri</b>						
Employment	388,530	395,984	393,968	395,154	393,038	401,868
Change (%)	-0.9	1.9	-0.5	0.3	-0.5	2.2
Unemployment (%)	6.8	5.7	5.5	5.2	5.8	5.0
Personal Income	21,316,510	21,595,047	21,766,129	22,110,307	22,382,128	
Change (%)	5.7	5.8	5.4	4.4	5.0	
Retail Sales	1,925,541	1,954,158	2,104,013	1,921,426	1,962,738	2,088,133
Last 4 Quarters	7,654,389	7,678,563	7,816,244	7,904,989	7,939,386	8,073,361

(Note: Personal Income & Retail sales are in thousands of dollars.)

# Survey Cape

Be a part of this new initiative to gather real-time data on the state of the Cape Girardeau County economy.

Each month survey participants will be asked to answer 15 questions concerning the state of the Cape Girardeau County economy. The survey should take less than 15 minutes to complete. The survey will include questions about general business conditions in Cape as well as general questions relating to your business.

For the survey to be useful, we need a large number of participants from a variety of businesses: retailing, services, manufacturing, etc. So please consider being a survey participant. The survey will be conducted during the first week of each month, typically Sunday through the following Friday. Results will be made available to survey participants on Saturday, two full days before the results are released to the media for general dissemination. Therefore, by participating in the survey, you will have access to the results before the general public.

The survey is completely **confidential**. Only aggregate results will be reported to the media. Individual survey responses will not be released to anyone. Only the Director for the Center for Economic & Business Research will have access to the individual responses.

If you agree to become a participant in the survey process, you will receive a monthly email alerting you to the availability of the survey as well as the Internet address for the survey. You will have 5-6 days in which to respond to the survey. After the survey closes, you will be given an Internet address that you may access in order to obtain the survey results.

If you are a businessperson in Cape Girardeau County, you can sign up as a survey participant, by going to the following web address:

**<http://www6.semo.edu/cebr>**

There you will find directions for signing up as well as the questions for the first survey to be given during the first week of October.

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Sponsored by: Center for Economic & Business Research, Southeast Missouri State University  
Cape Girardeau Area Chamber of Commerce  
Jackson Chamber of Commerce