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

SOUTHEAST MISSOURI BUSINESS INDICATORS

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C O N T E N T S

Executive Summary

Growth in the national economy will slow a bit in 2005 to a more sustainable 3% to 3.5% rate. inflation remains tame and unemployment has fallen to 5.1%. Expect short-term interest rates to rise to about 3.5% by year's end. Housing continues to surprise as we can expect 2 million new starts for the year.

Southeast Missouri is seeing continued expansion as evidenced by retail sales in the region. Such sales increased by 5.4% over a year ago. They are indicative of growing employment and income in the region.

Southeast Missouri Business Indicators

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For further information about the Center for Economic & Business Research and about southeast Missouri, visit the Center's website:

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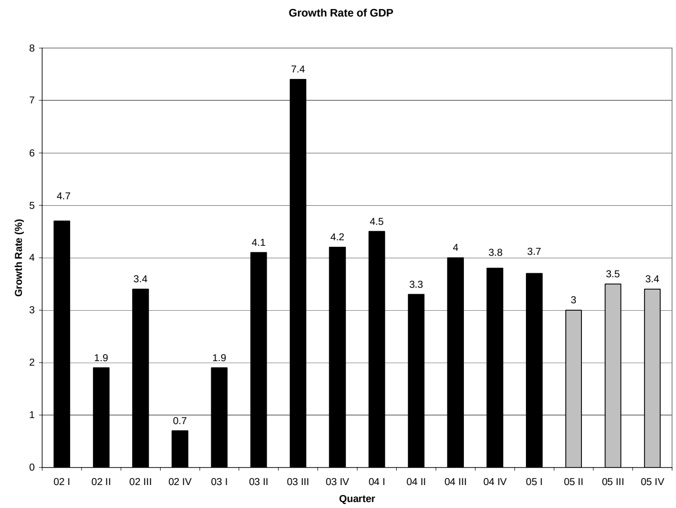
Economy Slows a Bit, but Growth Will Continue

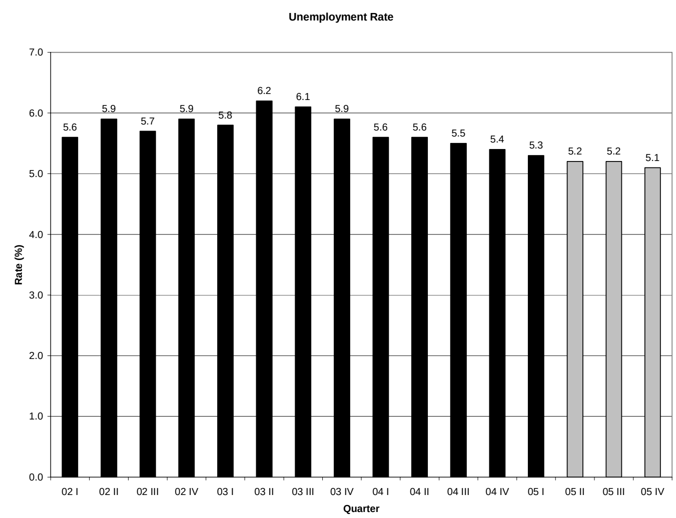
Over the last eight consecutive quarters economic growth has averaged a robust 4.4%, topped by a 7.4% growth rate in the third quarter of 2003. Forecasters now expect growth to slow in 2005, averaging about 3.4 for the entire year. In some respects, this lower figure is actually good for the economy as it is more in line with the long term growth of the economy and; therefore, is realistically more sustainable. Also, a somewhat slower rate of growth will help to keep inflationary pressures from building.

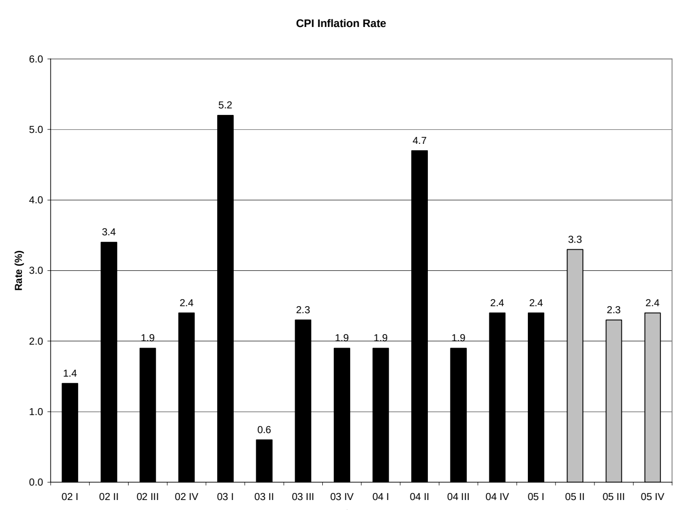
The unemployment rate has fallen considerably from its peak of 6.2% in the second quarter of 2003. By year's end, economists expect it to be at 5.1%. Most economists believe that unemployment rates much below 5% are not compatible with price stability; so we should not expect the rate to go much lower. The labor market, while improving, still is a bit of a conundrum. We seem to have a pattern of strong growth in jobs in one month; then a month of low job creation, etc. That being said, for the year, over 2 million jobs should be created in the economy; and about the same number in 2006.

Inflation, as measured by the Consumer Price Index, remains tame. For the year, we can expect price increases in the 2% to 2.5% range, which is quite acceptable. The usual caveats about the price of energy apply, but for now, the energy market looks stable and no further huge run-ups in the price of gasoline are on the horizon.

Industrial production is on a roll, with steadily increasing output. After being hit hard in the last recession, domestic manufacturing continues to





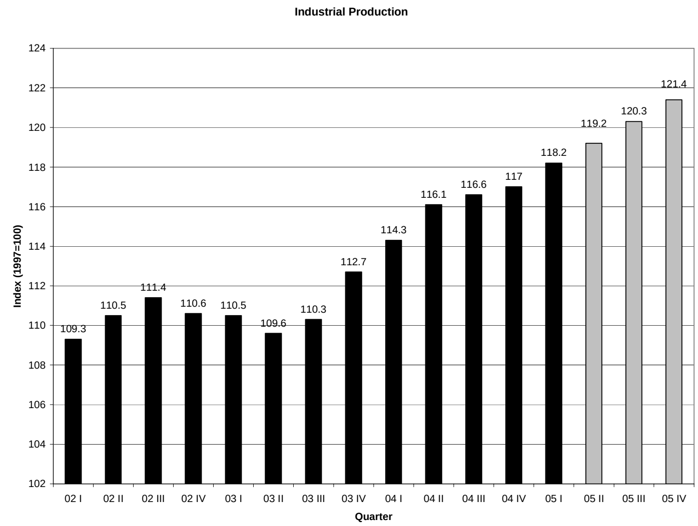


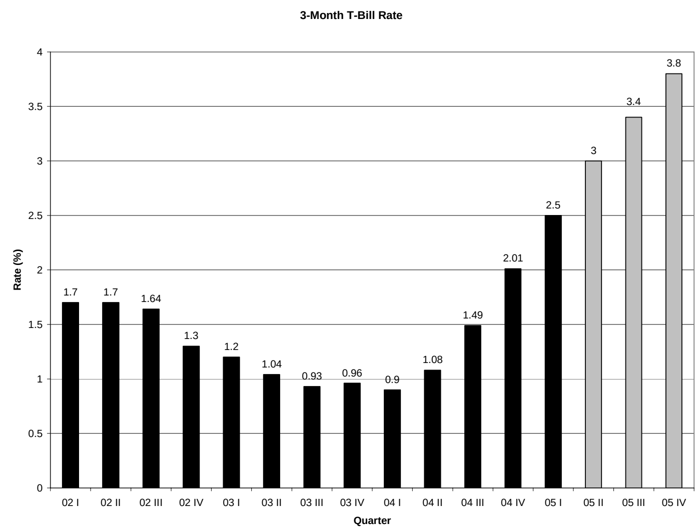
recover as evidenced by the index of industrial production. Over 2 million manufacturing jobs were lost in the last recession, many of which will probably never be reclaimed. To remain competitive in international markets, the manufacturing sector needs to continue to improve its competitiveness through more efficient methods of production that lead to lower costs.

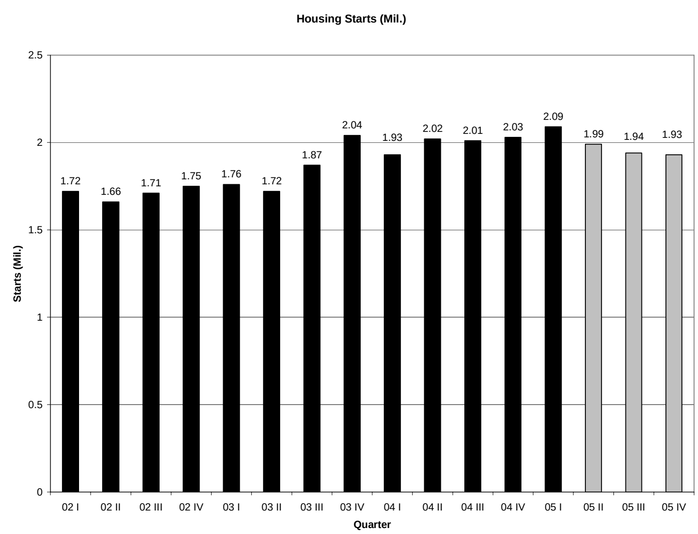
Short-term interest rates are on the rise as the Federal Reserve System increases its interest rate target, now at three percent. Forecasters expect the Fed to add about another one-half percent to short term rates before it decides that rates are more 'neutral' in their effect on the economy.

Interestingly, despite the rise in short term rates, long term interest rates have not risen, but have actually fallen a bit. The upshot is that the yield curve has flattened and demand for housing has remained strong. Housing starts continue at an average annual rate of over 2 million units. This high level of activity in the housing sector has provided a strong base for the economy to stand on for at least the five years and was a major reason why the last recession was not more severe.

The strong housing market has led to much talk of a potential housing bubble. The scenario is for higher longer term interest rates to quell demand for housing, leading to a crash in prices. Certainly, some areas, such as the West Coast and Las Vegas appear to be vulnerable to such a scenario. However, here in the Midwest, where prices have increased at a more restrained pace, a housing bubble seems less likely. That being said, higher long term interest rates do have the potential to usher in a sustained period of stagnating or slowly growing housing prices.







Southeast Missouri: Retail Sales Increase by 5.4% from a Year Ago

Retail sales in the first quarter of the year exceeded %1.925 billion, an increase of 5.4% over the same quarter in 2004. From the second quarter in 2004 through the first quarter of 2005, retail sales totaled $7.645 billion, an increase of 3.8% from the four quarters ending in 2004 I.

Retail sales in a region are driven by two things: income and population. Income in the southeast Missouri region depends crucially upon jobs. Since population in the region is growing only slowly, the growth in retail sales is evidence of an expanding economy overall. Growth in retail sales can be expected to continue in the region, though it will likely be in the 3% to 3.5% range for the entire year.

Note that this quarter's edition does not contain any information on employment, unemployment or personal income. Substantial revisions are being undertaken by the state with respect to generating estimates of county employment and unemployment. New models are being developed along to estimate county employment data. However, there are still some tweaks and changes to be made to the estimates so that even the figures that have been released thus far for 2005 are not final, but are going to be further revised.

The upshot is that the estimates for 2005 are "not to be used" as I was told by a member of the Missouri Department of Economic Development. In addition, previously released estimates of employment and unemployment rates are going to be revised going back to 2000. Finally, estimates of county personal income are made by the Center for Economic & Business Research employing estimates of county employment. Therefore, without a consistent employment series, it is not possible to generate estimates of personal income. I have been told that revised county employment estimates for 2005 and for 2000-2004 will be released sometime in July. When this is done, the Center will update its files and models. This will allow us to once again make forecasts of county employment and unemployment rates and to generate estimates of personal income.

For now, we will report the retail sales figure for the first quarter of 2005 and for the preceding four quarters. These figures are unaffected by the employment estimates from the state.

Retail Sales in Southeast Missouri

County	2005 I	Last Four Quarters
Bollinger	13,949,000	56,956,000
Butler	136,546,000	538,077,000
Cape Girardeau	305,110,000	1,160,313,.000
Carter	9,122,000	38,173,000
Crawford	42,287,000	183,986,000
Dent	34,213,000	136,250,000
Dunklin	NA	NA
Franklin	250,684,000	1,020,550,000
Gasconade	35,822,000	148,160,000
Iron	22,375,000	71,815,000
Jefferson	484,417,000	1,940,692,000
Madison	20,118,000	83,060,000
Mississippi	19,609,000	83,605,000
New Madrid	74,050,000	286,542,000
Pemiscot	31,477,000	121,190,000
Perry	54,350,000	216,720,000
Reynolds	NA	NA
Ripley	NA	NA
Scott	80,257,000	325,366,000
Ste. Genevieve	33,485,000	132,217,000
St. Francois	165,182,000	640,533,000
Stoddard	56,966,000	228,488,000
Washington	34,435,000	139,671,000
Wayne	30,887,000	87,295,000
Southeast Missouri	1,925,541,000	7,654,389,000

Income and Poverty in Southeast Missouri, 2002

Region	Median Household Income	Poverty Rate (%)
Missouri	$40,309	11.3
Bollinger	30,871	14.1
Butler	27,541	17.4
Cape Girardeau	37,875	10.7
Carter	23,934	20.1
Crawford	31,410	14.6
Dent	27,134	17.0
Dunklin	25,292	21.7
Franklin	44,421	7.7
Gasconade	35,411	9.9
Iron	26,492	17.0
Jefferson	48,572	7.3
Madison	27,018	15.6
Mississippi	23,620	23.5
New Madrid	27,209	18.6
Pemiscot	22,722	24.0
Perry	37,264	8.8
Reynolds	24,712	20.9
Ripley	23,708	20.7
Scott	31,670	14.9
Ste. Genevieve	40,745	8.5
St. Francois	31,361	14.5
Stoddard	28,107	15.0
Washington	26,932	20.1
Wayne	23,214	22.4

Source: U.S. Census Bureau
(http://www.census.gov/hhes/www/saipe/index.html)

Population Change in Southeast Missouri, 1900-2000

Region	1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	2000
Bollinger	14,650	14,576	13,909	12,269	12,898	11,019	9,167	8,820	10,301	10,619	12,029
Butler	16,769	20,624	24,106	23,697	34,276	37,707	34,656	33,529	37,693	38,765	40,867
Cape Girardeau	24,315	27,621	29,839	33,203	37,775	38,397	42,020	49,350	58,837	61,633	68,693
Carter	6,706	5,504	7,482	5,503	6,226	4,777	3,973	3,878	5,428	5,515	5,941
Crawford	12,959	13,576	12,355	11,287	12,693	11,615	12,647	14,828	18,300	19,173	22,804
Dent	12,986	13,245	12,318	10,974	11,763	10,936	10,445	11,457	14,517	13,702	14,927
Dunklin	21,706	30,328	32,773	35,799	44,957	45,329	39,139	33,742	36,324	33,112	33,155
Franklin	30,581	29,830	28,427	30,519	33,868	36,046	44,566	55,127	71,233	80,603	93,807
Gasconade	12,298	12,847	12,381	12,172	12,414	12,342	12,195	11,878	13,181	14,006	15,342
Iron	8,716	8,563	9,458	9,642	10,440	9,458	8,041	9,529	11,084	10,726	10,697
Jefferson	25,712	27,878	26,555	27,563	32,023	38,007	66,377	105,647	146,183	171,380	198,099
Madison	9,975	11,273	10,721	9,418	9,656	10,380	9,366	8,641	10,725	11,127	11,800
Mississippi	11,837	14,557	12,860	15,762	23,149	22,551	20,695	16,647	15,726	14,442	13,427
New Madrid	11,280	19,488	25,180	30,262	39,787	39,444	31,350	23,420	22,945	20,928	19,760
Pemiscot	12,115	19,559	26,634	37,284	46,857	45,624	38,095	26,373	24,987	21,921	20,047
Perry	15,134	14,898	14,434	13,707	15,358	14,890	14,642	14,393	16,784	16,648	18,132
Reynolds	8,161	9,592	10,106	8,923	9,370	6,918	5,161	6,106	7,230	6,661	6,689
Ripley	13,186	13,099	12,061	11,176	12,606	11,414	9,096	9,803	12458	12,303	13,509
Ste. Genevieve	10,359	10,607	9,809	10,097	10,905	11,237	12,116	12,867	15,180	16,037	17,842
St. Francois	24,051	35,738	31,403	35,832	35,950	35,276	36,516	36,818	42,600	48,904	55,641
Scott	13,092	22,372	23,409	24,913	30,377	32,842	32,748	33,250	39,647	39,376	40,422
Stoddard	24,669	27,807	29,755	27,452	33,009	33,463	29,490	25,771	29,009	28,895	29,705
Washington	14,263	13,378	13,803	14,450	17,492	14,689	14,346	15,086	17,983	20,380	23,344
Wayne	15,309	15,181	13,012	12,243	12,794	10,514	8,638	8,546	11,277	11,543	13,259
SE Missouri	370,829	432,141	442,790	464,147	546,643	544,875	545,485	575,506	689,632	728,399	799,938

Banking in Southeast Missouri, 2004

County	No. of Offices	Deposits
Bollinger	5	$71,835,000
Butler	19	591,901,000
Cape Girardeau	34	1,175,785,000
Carter	5	81,538,000
Crawford	8	209,808,000
Dent	7	186,114,000
Dunklin	15	415,714,000
Franklin	38	1,443,422,000
Gasconade	9	281,130,000
Iron	8	122,362,000
Jefferson	44	1,493,606,000
Madison	7	156,902,000
Mississippi	7	189,097,000
New Madrid	12	206,260,000
Pemiscot	8	234,926,000
Perry	9	332,507,000
Reynolds	6	63,423,000
Ripley	6	129,391,000
Scott	17	553,889,000
Ste. Genevieve	8	267,183,000
St. Francois	23	695,637,000
Stoddard	22	421,908,000
Washington	8	176,319,000
Wayne	7	105,752,000
SE Missouri	332	9,606,409,000

Source: Federal Deposit Insurance Corporation
(http://www.fdic.gov)

Educational Attainment in Southeast Missouri
Percent of Population 25 or Older with at Least a High School Diploma

Region	2000 (%)	1990 (%)
Missouri	81.4	73.9
Bollinger	70.7	52.7
Butler	70.6	56.9
Cape Girardeau	81.1	74.4
Carter	66.6	56.1
Crawford	69.4	58.6
Dent	66.3	53.9
Dunklin	63.7	51.2
Franklin	77.7	67.6
Gasconade	74.0	61.2
Iron	65.2	56.3
Jefferson	79.4	71.6
Madison	68.6	54.4
Mississippi	61.2	49.3
New Madrid	63.6	52.1
Pemiscot	58.2	49.5
Perry	71.1	56.4
Reynolds	65.2	53.1
Ripley	62.2	48.5
Scott	72.9	62.3
Ste. Genevieve	73.8	62.8
St. Francois	72.3	62.5
Stoddard	66.9	55.9
Washington	62.5	50.6
Wayne	58.7	48.9

Source: U.S. Bureau of the Census
(http://www.census.gov)

Agriculture in Southeast Missouri, 1997 and 2002

County	Sales, 2002 (000)	Sales, 1997 (000)	No. of Farms, 2002	No. of Farms, 1997	Sales per Farm, 2002	Sales Per Farm, 1997
Bollinger	$19,585	$18,945	913	925	$21,451	$20,481
Butler	27,981	33,883	673	785	64,248	82,104
Cape Girardeau	44,318	47,479	1,204	1,298	36,809	36,579
Carter	2,762	3,198	228	232	12,113	13,786
Crawford	9,375	9,129	751	789	12,484	11,570
Dent	10,216	10,205	693	821	14,741	12,430
Dunklin	82,291	112,223	429	519	191,820	216,229
Franklin	39,571	47,543	1,833	1,808	21,588	26,296
Gasconade	18,621	15,137	877	839	21,232	18,041
Iron	3,640	6,473	299	313	12,172	20,682
Jefferson	10,587	9,310	764	784	13,857	11,875
Madison	8,968	6,722	463	433	19,369	15,524
Mississippi	66,009	83,245	247	298	267,244	279,345
New Madrid	98,559	112,887	364	469	270,765	240,697
Pemiscot	69,612	88,056	258	331	269,816	266,031
Perry	30,686	32,203	914	940	33,573	34,259
Reynolds	4,070	3,271	379	345	10,740	9,482
Ripley	9,649	11,387	478	533	20,187	21,364
Scott	71,097	78,750	514	609	138,321	129,317
Ste. Genevieve	17,813	18,235	677	696	26,312	26,200
St. Francois	15,282	13,625	735	742	20,722	18,362
Stoddard	127,448	159,187	960	1,069	132,758	148,912
Washington	7,643	24,097	576	561	13,268	44,398
Wayne	4,655	4,418	445	430	10,460	10,274
SE Missouri	800,438	949,608	15,674	16,569	51,068	57,312

Source:
U.S. Department of Agriculture
(http://www.nass.usda.gov/census/)