

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

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

Summer, 2007 Volume 9, No.4



C O N T E N T S

- 3 The National Outlook
- 5 The Regional Outlook

Executive Summary

First quarter growth in Gross Domestic Product fell to a meager 0.6%. The decline in the housing market and a decline in government spending were the major factors in the slowdown. Growth should recover in the second quarter, but analysts now expect GDP growth to be in the 2.2-2.4% range for all of 2007

Southeast Missouri experienced a good start to 2007 as personal income and retail sales grew strongly. Employment declined slightly while unemployment rose, but most of these latter changes were due to seasonal factors.

Southeast Missouri Business Indicators

Center for Economic & Business Research

Donald L. Harrison College of Business

Dean of the Donald L. Harrison College of Business

Dr. Gerald McDougall

573.651.2603

gmcDougall@semo.edu

Associate Dean

Dr. Gary Johnson

573.651.2324

ggjoJohnson@semo.edu

Director, CEBR

Dr. Bruce Domazlicky

573.651.2013

bdomazlicky@semo.edu

Director of MBA Program

Dr. Kenneth Heischmidt

573.651.2912

kheischmidt@semo.edu

Director of International Programs

Dr. Peter Gordon

573.651.2914

pgordon@semo.edu

Chair of the Accounting & MIS Department

Dr. Joseph Wen

573.651.2908

hjwen@semo.edu

Chair of the Department of Economics & Finance

Dr. Rebecca Summary

573.651.2945

rsummary@semo.edu

Chair of the Department of Management & Marketing

Dr. Judith Wiles

573.651.2913

jwiles@semo.edu

Southeast Missouri Business Indicators is a quarterly publication of the Center for Economic & Business Research. It is devoted to disseminating and analyzing basic economic data for the region of Southeast Missouri. Permission is given to reproduce the contents of this publication, provided that proper attribution is given.

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

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

For information regarding the Donald L. Harrison College of Business, visit the College's website:

<http://www.semo.edu/hcb>

The information contained in this newsletter comes from government sources and is generally believed to be accurate. Forecasts are meant to give an impression of future economic activity but are not intended to impart recommendations for investment purposes. All forecasts and commentary are the product of the Center for Economic & Business Research and do not necessarily reflect the position of Southeast Missouri State University.

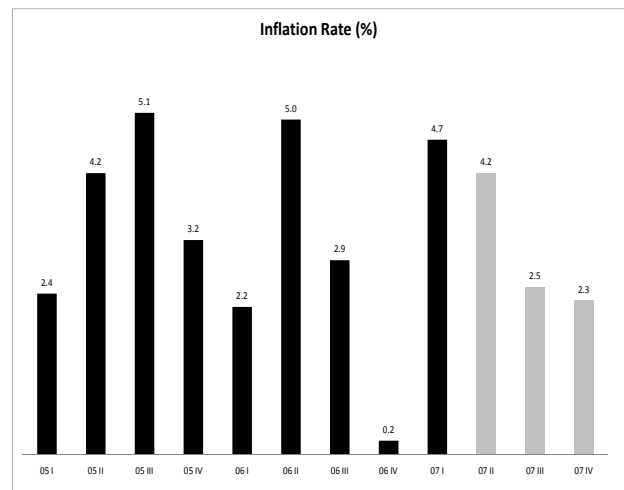
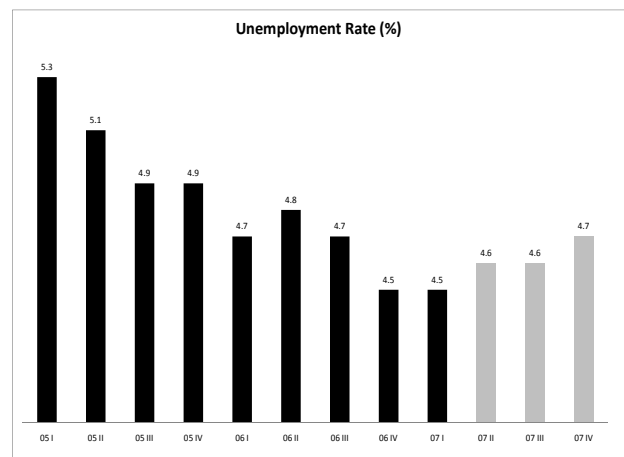
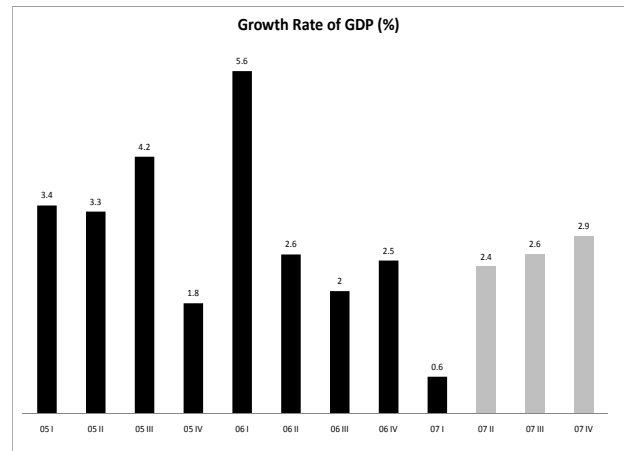
Slow Growth in First Quarter Causes Analysts to Revise their Forecasts for all of 2007

Gross Domestic Product (GDP) grew at an average annual rate of 0.6% in the first quarter of 2007, the lowest rate since the third quarter of 2001, when GDP declined at an average annual rate of -0.3%. The two big factors in the slowdown of GDP growth were the continuing decline in residential investment and a decline in government spending. An uptick in imports and a fall in exports also contributed to the slower growth rate of GDP.

While government spending is sure to pick up in the second and later quarters of the year, residential investment (construction of new homes) is likely to remain soft throughout 2007 and even into 2008. The main reason appears to be an overhang of new homes in the housing market. The result is that new housing starts will likely be in the 1.5 million range for 2007 after averaging close to 2 million per year in 2004 and 2005 and 1.8 million last year. If the average new home costs \$150,000 to construct (a conservative estimate), the loss of GDP will reach \$75 billion per year if housing starts run at 1.5 million versus 2 million. That alone is enough to cut over one half percentage point off GDP growth.

The consumer has remained remarkably resilient given the forces buffeting the economy. Higher energy prices have taken a big bite out of income available for consumer spending on other goods and services. Stagnating, and even falling home prices, have slowed the growth of consumer wealth, another factor that affects consumer spending decisions. Despite these forces, personal consumption expenditures still rose by 4.4% (average annual rate) in the first quarter of 2007. Retail sales did decline in April but recovered strongly in May, so it is definitely too early to count the consumer out.

Given the uneven performance of the economy in the last couple of quarters, the labor market remains strong. The unemployment rate held steady at 4.5% in the first quarter. While it is likely to tick up a couple of tenths of a percent as the year wears on, the labor market should remain healthy in 2007.



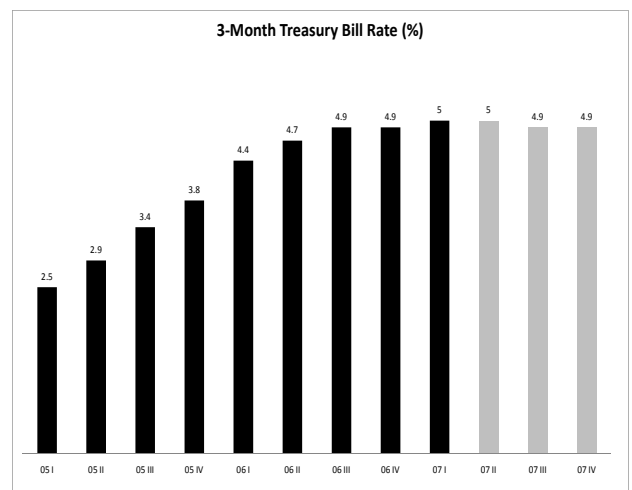
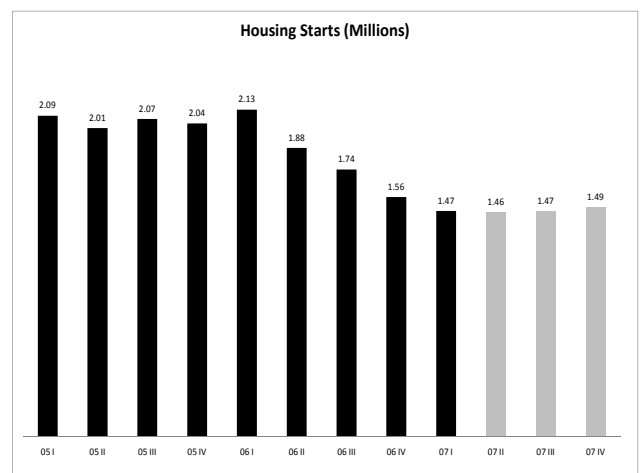
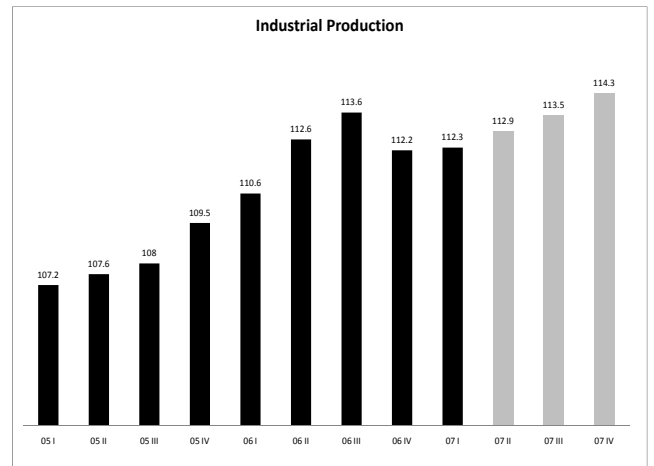
The inflation rate continues to jump around as food and energy prices fluctuate from quarter to quarter. However, the core inflation rate (with food and energy prices stripped out) remains in the 2% per year range. As long as the core rate stays in that range, the Federal Reserve will not be likely to boost interest rates, though the Fed has made it clear that inflation does remain a concern.

Industrial production slowed a bit the last two quarters but is showing signs of reviving. The expectation is for steady growth for the remainder of the year, resulting in a bout a 2% increase for the entire year, which would be a solid, though not spectacular performance.

Interest rates are not expected to make any big moves for the near future. The three-month Treasury Bill rate is at 5% at the present and is forecast to stay near that rate for all of 2007. Of course, if the Fed decides to make any policy change, that rate would be among the first to be affected.

The Federal Government budget balanced has improved considerably this fiscal year. The deficit since October 1 of last year (the start of the fiscal year) was down to \$135 billion through May, a decrease of almost 35% for the same period a year ago. Higher corporate profits and low unemployment rates have boosted revenue growth to 8% thus far, while expenditures have only increased by 2.5% over the previous fiscal year. Continuing improvement in the budget balance may lessen pressure on Congress to let the tax cuts of 2001-3 expire in 2009.

The U.S trade deficit with the rest of the world remains high. In February, the deficit improved, but still ran close to \$60 billion for the month. Right now we are able to run such deficits because the rest of the world is willing to accept and hold the U.S. dollar in payment for the goods and services we purchase abroad. While other countries show no inclination to stop accepting dollars in payment, we as a nation would benefit if we were to spend a little less of our incomes and reduce our trade deficit with the rest of the world.



Southeast Missouri Has Good Start to 2007

Despite the slower economic growth at the national level, southeast Missouri registered a good first quarter. While total employment in the region fell 0.3% from the previous quarter, most of the decline was due to seasonal factors. The increase in employment from 2006 I to 2007 I was almost 4,600, an increase of 1.2%, an indication of a healthy economy.

Unemployment in the region crept up to 6.1% in the first quarter from 5.2% in the previous period. However, once again, most of the increase in the unemployment rate was due to seasonal factors. Despite rising unemployment in the region, some counties still have very low unemployment rates (Cape Girardeau County at 4.3%, Perry County at 4.0%, Ste. Genevieve and Jefferson Counties at 5.5%). Past history indicates that we should see a significant decline in unemployment rates in the second quarter of the year.

Personal income growth remains strong at 5% per year. With inflation running at about 2% per year, this implies that real income (after inflation) is growing at about 3% per year. This increase in real purchasing power translates into higher retail sales, increasing economic activity and higher employment.

Retail sales were particularly strong, rising to over \$2.07 billion in the first quarter. This represents a 5.8% over sales a year ago for the same time period. It would be difficult to overstate the importance of retail trade to economic growth in southeast Missouri and to the generation of jobs.

There are clearly four important retail trade centers in the region: Cape Girardeau County (Cape and Jackson), Butler County (Poplar Bluff), St. Francois County (Farmington), and Jefferson and Franklin Counties, which are part of the huge St. Louis Metropolitan area. There is a smaller sub-center in Scott County (Sikeston) and New Madrid County and in Dunklin County (Kennett).

Southeast Missouri Summary

	2005 IV	2006 I	2006 II	2006 III	2006 IV	2007 I
Bollinger						
Employment	5,616	5,666	5,716	5,594	5,703	5,743
Change (%)	2.2	0.9	0.9	-2.1	1.9	0.7
Unemployment (%)	5.6	5.7	5.0	5.3	5.3	5.9
Personal Income	261,517	266,373	269,695	271,256	274,143	
Change (%)	3.9	5.9	6.0	5.6	4.9	
Retail Sales	13,538	14,962	15,286	15,833	13,108	15,806
Last 4 Quarters	58,390	59,493	59,934	59,619	59,189	60,003
Butler						
Employment	20,452	20,046	20,376	19,862	19,920	20,044
Change (%)	1.1	-2.0	1.7	-2.5	0.3	0.6
Unemployment (%)	5.0	5.3	5.0	5.5	6.2	7.1
Personal Income	1,123,485	1,143,812	1,157,411	1,161,157	1,171,427	
Change (%)	5.2	6.8	6.3	5.4	4.3	
Retail Sales	133,723	139,029	145,907	143,724	130,371	146,507
Last 4 Quarters	551,272	553,845	559,633	562,383	559,031	566,509
Cape Girardeau						
Employment	36,876	37,472	37,806	37,000	37,717	37,985
Change (%)	2.2	1.6	0.9	-2.1	1.9	0.7
Unemployment (%)	4.0	4.2	4.1	4.2	3.7	4.3
Personal Income	2,074,298	2,115,778	2,143,186	2,154,428	2,180,154	
Change (%)	3.4	5.7	6.0	5.7	5.1	
Retail Sales	292,154	320,848	310,405	301,354	296,007	338,446
Last 4 Quarters	1,191,487	1,207,225	1,228,847	1,224,761	1,228,614	1,246,212
Carter						
Employment	2,729	2,565	2,673	2,784	2,863	2,714
Change (%)	0.3	-6.0	4.2	4.2	2.8	-5.2
Unemployment (%)	5.9	6.4	5.5	6.1	6.1	7.2
Personal Income	130,852	133,122	134,736	135,618	137,203	
Change (%)	4.1	6.1	6.0	5.5	4.8	
Retail Sales	9,124	9,677	10,334	11,908	8,972	9,134
Last 4 Quarters	39,067	39,622	40,773	41,043	40,891	40,348
Crawford						
Employment	10,817	10,790	11,334	11,299	11,120	11,034
Change (%)	-1.7	-0.2	5.0	-0.3	-1.6	-0.8
Unemployment (%)	5.7	6.4	5.4	5.6	6.1	7.5
Personal Income	621,108	634,060	644,099	650,563	660,179	
Change (%)	5.5	7.5	7.4	7.0	6.3	
Retail Sales	45,643	45,456	49,153	53,260	45,520	47,677
Last 4 Quarters	189,165	192,334	194,143	193,422	193,389	195,610

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

	2005 IV	2006 I	2006 II	2006 III	2006 IV	2007 I
Dent						
Employment	5,797	5,991	6,170	5,993	6,105	6,062
Change (%)	-0.2	3.4	3.0	-2.9	1.9	-0.7
Unemployment (%)	6.1	6.2	5.7	6.2	6.0	7.0
Personal Income	340,994	347,362	352,033	354,328	358,606	
Change (%)	3.9	6.0	6.1	5.7	5.2	
Retail Sales	34,514	34,469	39,208	40,090	34,228	37,660
Last 4 Quarters	140,584	140,840	145,221	148,281	147,995	151,186
Dunklin						
Employment	13,374	12,966	13,346	12,868	12,964	12,845
Change (%)	1.3	-3.1	2.9	-3.6	0.8	-0.9
Unemployment (%)	7.1	7.7	7.0	7.7	7.0	8.8
Personal Income	806,504	820,968	830,625	836,832	846,287	
Change (%)	4.1	6.1	6.0	5.5	4.9	
Retail Sales	NA	NA	NA	NA	NA	NA
Last 4 Quarters	NA	NA	NA	NA	NA	NA
Franklin						
Employment	50,367	49,674	50,521	50,635	50,698	50,384
Change (%)	-0.6	-1.4	1.7	0.2	0.1	-0.6
Unemployment (%)	4.8	5.8	4.8	5.3	4.9	5.9
Personal Income	3,180,851	3,248,676	3,295,893	3,327,825	3,372,638	
Change (%)	6.1	7.8	7.5	6.9	6.0	
Retail Sales	256,270	246,743	269,144	278,682	244,137	262,472
Last 4 Quarters	1,053,371	1,049,430	1,055,911	1,050,839	1,038,706	1,054,435
Gasconade						
Employment	7,222	7,381	7,655	7,523	7,614	7,564
Change (%)	0.6	2.2	3.7	-1.7	1.2	-0.7
Unemployment (%)	5.0	6.0	5.3	6.0	4.8	5.6
Personal Income	406,496	413,947	419,529	422,637	428,005	
Change (%)	4.1	6.1	6.2	5.8	5.3	
Retail Sales	37,636	36,884	41,951	44,899	41,793	43,363
Last 4 Quarters	152,987	154,049	157,498	161,370	165,527	172,006
Iron						
Employment	4,412	4,566	4,629	4,519	4,567	4,619
Change (%)	-0.3	3.5	1.4	-2.4	1.0	1.1
Unemployment (%)	6.8	6.3	5.2	5.6	5.5	6.5
Personal Income	234,485	238,420	241,313	242,705	245,281	
Change (%)	3.8	5.7	5.7	5.3	4.6	
Retail Sales	17,742	14,401	18,482	17,008	16,011	18,004
Last 4 Quarters	84,090	76,116	73,841	67,633	65,902	69,505

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

	2005 IV	2006 I	2006 II	2006 III	2006 IV	2007 I
Jefferson						
Employment	110,804	110,020	111,897	112,149	112,288	111,593
Change (%)	-0.6	-0.7	1.7	0.2	0.1	-0.6
Unemployment (%)	4.5	5.3	4.5	4.9	4.5	5.5
Personal Income	6,054,259	6,163,023	6,242,350	6,286,048	6,362,797	
Change (%)	4.4	6.3	6.2	5.8	5.1	
Retail Sales	490,097	493,157	538,034	533,085	451,010	509,214
Last 4 Quarters	2,006,248	2,014,988	2,063,384	2,054,373	2,015,286	2,031,343
Madison						
Employment	5,578	5,482	5,609	5,451	5,595	5,561
Change (%)	0.3	-1.7	2.3	-2.8	2.6	-0.6
Unemployment (%)	5.8	5.9	5.3	5.5	5.3	6.3
Personal Income	264,181	269,763	273,984	276,444	280,469	
Change (%)	6.0	7.5	7.5	6.9	6.2	
Retail Sales	23,402	23,995	25,748	24,726	23,504	25,170
Last 4 Quarters	88,156	91,943	96,075	97,871	97,973	99,148
Mississippi						
Employment	5,471	5,326	5,488	5,269	5,407	5,232
Change (%)	2.6	-2.6	3.0	-4.0	2.6	-3.2
Unemployment (%)	6.5	6.8	6.3	7.0	6.6	7.0
Personal Income	291,634	293,791	295,460	294,010	295,307	
Change (%)	0.1	2.0	2.0	1.8	1.3	
Retail Sales	19,030	20,017	21,348	24,241	19,169	22,069
Last 4 Quarters	83,182	83,590	84,217	84,726	84,775	86,827
New Madrid						
Employment	7,585	7,927	8,051	7,772	7,904	7,908
Change (%)	1.6	4.5	1.6	-3.5	1.7	0.1
Unemployment (%)	6.8	6.8	6.4	6.9	6.8	7.7
Personal Income	456,859	464,347	470,951	474,608	480,838	
Change (%)	3.0	4.8	5.0	5.1	5.2	
Retail Sales	69,648	76,125	74,164	73,891	69,044	75,335
Last 4 Quarters	289,930	292,005	293,352	293,828	293,225	292,434
Pemiscot						
Employment	6,965	7,358	7,475	7,269	7,413	7,449
Change (%)	0.8	5.6	1.6	-2.8	2.0	0.5
Unemployment (%)	7.6	7.4	6.7	7.2	6.2	7.0
Personal Income	453,683	467,096	471,382	471,157	477,237	
Change (%)	3.0	6.3	6.2	5.7	5.2	
Retail Sales	30,566	33,092	36,268	37,646	32,340	38,066
Last 4 Quarters	127,268	128,883	133,719	137,572	139,346	144,320

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

	2005 IV	2006 I	2006 II	2006 III	2006 IV	2007 I
Perry						
Employment	9,901	9,773	9,903	9,846	9,906	9,882
Change (%)	-0.9	-1.3	1.3	-0.6	0.6	-0.2
Unemployment (%)	3.6	3.7	3.5	3.7	3.3	4.0
Personal Income	470,118	478,993	485,433	489,294	495,626	
Change (%)	5.0	6.8	6.6	6.1	5.4	
Retail Sales	53,273	54,765	58,208	59,035	54,497	59,823
Last 4 Quarters	223,732	223,967	224,736	225,281	226,505	231,563
Reynolds						
Employment	2,474	2,142	2,313	2,396	2,359	2,332
Change (%)	-2.0	-13.4	8.0	3.6	-1.5	-1.1
Unemployment (%)	7.3	8.2	6.3	6.4	7.2	7.7
Personal Income	145,296	147,814	149,591	150,546	152,263	
Change (%)	4.1	6.0	5.9	5.4	4.8	
Retail Sales	NA	NA	NA	NA	NA	NA
Last 4 Quarters	NA	NA	NA	NA	NA	NA
Ripley						
Employment	6,115	6,040	6,123	5,920	6,124	6,081
Change (%)	3.8	-1.2	1.4	-3.3	3.4	-0.7
Unemployment (%)	5.5	5.8	5.5	6.1	6.2	6.8
Personal Income	286,328	291,742	295,701	298,038	301,884	
Change (%)	4.7	6.7	6.6	6.1	5.4	
Retail Sales	NA	NA	NA	NA	NA	NA
Last 4 Quarters	NA	NA	NA	NA	NA	NA
Scott						
Employment	18,986	18,833	19,406	18,869	19,115	19,070
Change (%)	0.7	-0.8	3.1	-2.8	1.3	-0.2
Unemployment (%)	5.2	5.5	5.1	5.6	5.7	6.0
Personal Income	1,076,108	1,094,563	1,107,696	1,114,254	1,126,793	
Change (%)	4.0	5.9	5.8	5.4	4.7	
Retail Sales	77,322	76,789	84,278	91,367	76,347	85,967
Last 4 Quarters	327,954	324,486	328,680	329,757	328,781	337,959
Ste. Genevieve						
Employment	8,565	9,026	9,274	9,179	9,167	9,096
Change (%)	-0.6	5.4	2.8	-1.0	-0.1	-0.8
Unemployment (%)	5.0	5.0	4.5	4.8	4.5	5.5
Personal Income	459,108	470,011	477,391	482,091	488,883	
Change (%)	3.2	6.0	6.5	6.6	6.5	
Retail Sales	32,684	36,171	39,791	43,037	36,211	38,846
Last 4 Quarters	148,643	148,329	151,410	151,683	155,210	157,885

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

	2005 IV	2006 I	2006 II	2006 III	2006 IV	2007 I
St. Francois						
Employment	25,500	25,633	26,417	25,710	26,011	26,162
Change (%)	0.4	0.5	3.1	-2.7	1.2	0.6
Unemployment (%)	6.0	6.5	5.7	6.0	5.7	6.4
Personal Income	1,402,757	1,432,088	1,455,308	1,462,569	1,479,656	
Change (%)	4.3	6.5	6.7	6.2	5.5	
Retail Sales	159,485	169,198	179,714	173,832	161,573	173,091
Last 4 Quarters	663,756	667,862	680,607	682,229	684,317	688,230
Stoddard						
Employment	14,994	14,732	14,618	14,257	14,656	14,551
Change (%)	2.8	-1.8	-0.8	-2.5	2.8	-0.7
Unemployment (%)	5.3	5.9	5.5	5.9	5.8	7.2
Personal Income	729,423	745,493	756,602	762,137	770,248	
Change (%)	5.8	7.5	7.1	6.3	5.2	
Retail Sales	65,591	61,345	69,635	65,764	58,864	68,539
Last 4 Quarters	252,804	257,183	264,485	262,335	255,518	262,712
Washington						
Employment	9,352	9,173	9,329	9,350	9,362	9,304
Change (%)	-0.6	-1.9	1.7	0.2	0.1	-0.6
Unemployment (%)	8.2	9.1	7.0	7.1	8.3	9.7
Personal Income	485,646	493,315	498,169	500,346	504,894	
Change (%)	4.1	5.7	5.4	4.7	4.0	
Retail Sales	35,895	35,179	38,222	39,458	33,773	39,757
Last 4 Quarters	144,518	145,262	148,228	148,754	146,632	151,210
Wayne						
Employment	5,202	5,167	5,304	5,139	5,156	5,120
Change (%)	0.3	-0.7	2.6	-3.1	0.3	-0.7
Unemployment (%)	6.4	6.7	6.1	6.6	6.8	7.9
Personal Income	275,651	280,948	284,833	287,140	290,921	
Change (%)	4.8	6.7	6.6	6.1	5.5	
Retail Sales	21,089	20,436	22,853	23,897	19,728	22,041
Last 4 Quarters	88,385	87,934	88,707	88,275	86,914	88,519
Southeast Missouri						
Employment	395,154	393,749	401,433	396,653	399,734	398,335
Change (%)	0.3	-0.4	2.0	-1.1	0.8	-0.3
Unemployment (%)	5.2	5.7	5.0	5.4	5.2	6.1
Personal Income	22,031,641	22,455,505	22,753,371	22,906,331	23,181,739	
Change (%)	4.5	6.5	6.4	5.9	5.2	
Retail Sales	1,921,426	1,962,738	2,088,133	2,096,717	1,866,207	2,076,795
Last 4 Quarters	7,904,989	7,939,386	8,073,361	8,069,014	8,013,795	8,128,044

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

Southeast Missouri Business Indicators in addition to being available in print, is also available at the Center for Economic & Business Research website:

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

The newsletter is typically available 2-3 weeks before it is printed and mailed out to over 1200 addresses in southeast Missouri. If you would like to receive notice of when the newsletter is available at the website, send an email to:

bdomazlicky@semo.edu

and asked to be put on the notification list.

If you no longer wish to receive a hard copy of the newsletter, please send an email to the above address, asking to be deleted from the mailing list. You may also call the Center at 573-651-2013 with your preferences.

In addition, we welcome feedback from our readers concerning the newsletter. If you have any comments or suggestions for changes/improvements, please call or email Bruce Domazlicky, Director of the CEBR. We would like to hear from you!