

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

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

Winter, 2007 Volume 9, No. 2



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Executive Summary

The national economy slowed in the third quarter to an average annual growth rate of 2.2%. This was half a percentage point less than the previous quarter's growth rate. The unemployment rate remains low (4.6%). Inflation moderated a bit due to lower energy prices.

The southeast Missouri region saw employment fall by about 1% from the previous quarter, due to a combination of seasonal factors and a slowing national economy. Personal income growth was very strong in the first half of the year. Retail sales continued at a healthy level.

Southeast Missouri Business Indicators

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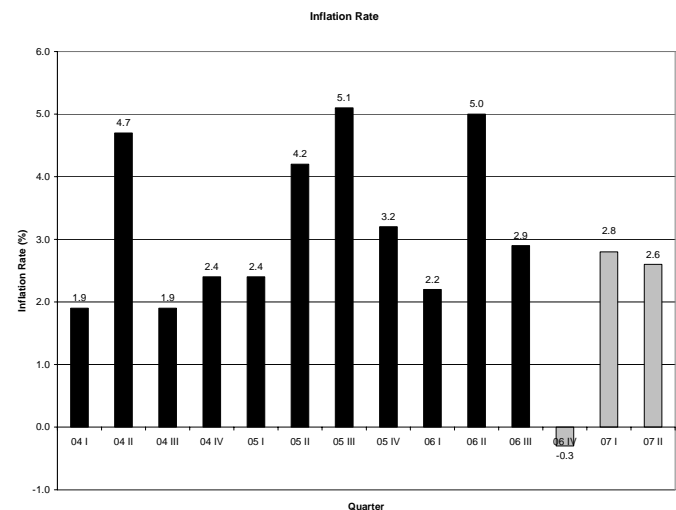
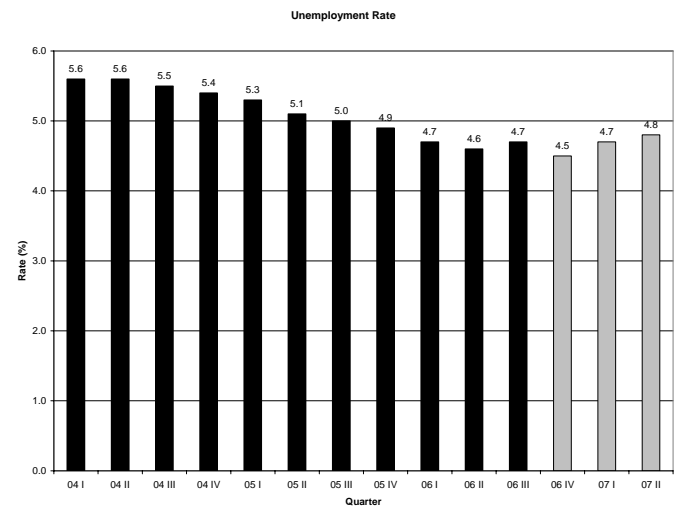
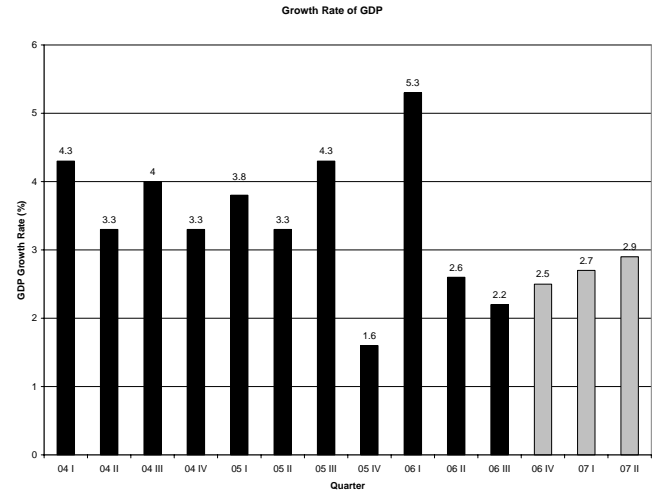
Third Quarter Growth Slows Considerably

The growth rate of Gross Domestic Product (GDP), the nation's measure of production, slowed to 2.2% in the third quarter of 2006, causing economic forecasters everywhere to lower their expectations for 2007. The consensus forecast for 2007 is for growth to average 2.6%, which would be considerably less than the 3.5-4.0% range that the economy has been experiencing the past few years.

The slowdown is due to a number of factors: slumping housing industry, higher energy prices, slowing consumer spending, and higher interest rates, to name a few. Given the current mix of economic variables, it is difficult to see the economy growing much over 2.5-3.0% in the next few quarters.

Despite the slowing economy, the unemployment rate is still at an acceptable level (4.6%) and is not expected to climb above 4.8% in the coming year. What really counts, of course, is job growth. The creation of new jobs has been a bright spot for the economy for the past three years and needs to continue if the unemployment rate is to stay at current levels. Likely, as the economy slows, there will be some reduction in job growth, but not to the extent as to cause a significant rise in the unemployment rate.

Despite fluctuating energy prices, the inflation rate remains modest. In fact, the rate is forecast to register a small decline in the fourth quarter, before resuming increases in the 2.5% range (average annual rate). With slowing labor productivity, the Federal Reserve System is sure to watch for any signs of rising labor costs that will get translated into higher prices. For now,

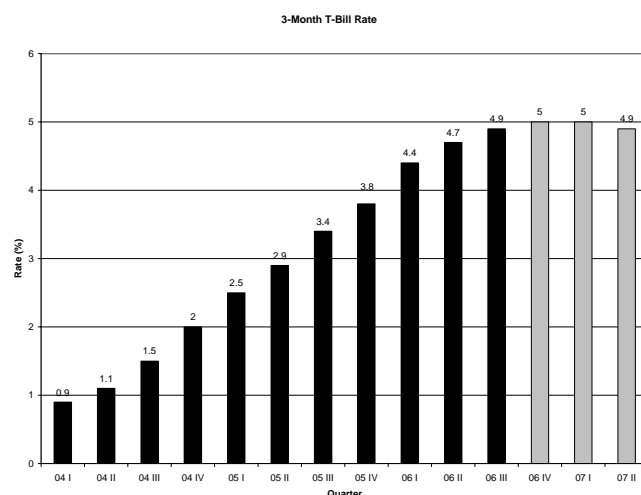
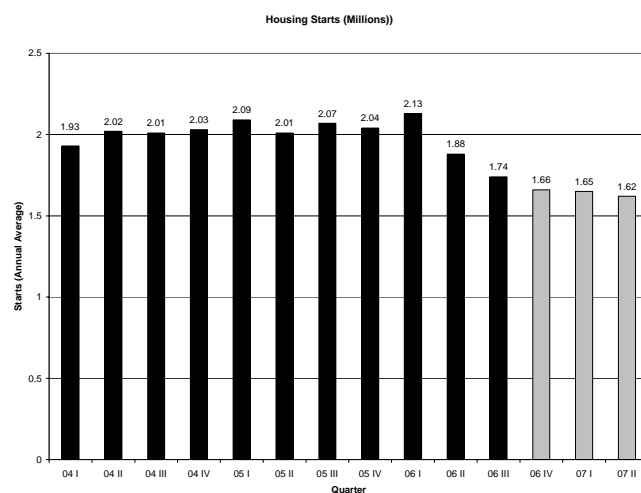
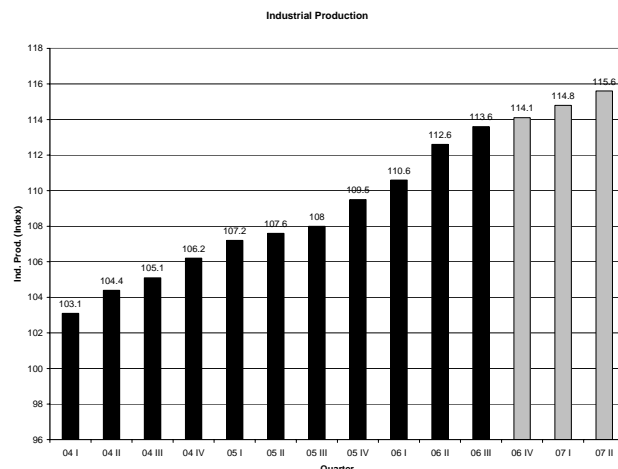


the Fed seems likely to sit on the sidelines and hold short term interest rates constant and see how the economy develops over the next few months.

One worrisome sign is the huge drop (-8.3%) in new orders for durable goods (goods expected to last at least three years). In addition, the index of manufacturing activity (issued by the Institute for Supply Management) fell below 50 in November, an indication that manufacturing activity is contracting. This is a sector that needs to be watched carefully over the next few months to see if the downward trend continues.

Residential construction spending continues to fall. In October, such spending fell for the seventh month in a row, the longest period of decline on record. It is difficult to predict when the residential construction sector will recover. Much of the problem seems to be due to overbuilding. If this is the main problem, it could still take a few more months (or more) to work off the excess inventory. Housing starts, which reached a peak of 2.13 million units (average annual rate) in the first quarter of this year, will continue to fall in the near future to about 1.6 million units annually.

The three-month Treasury bill rate has stabilized at about 5% and is likely to remain at that level, pending any change in policy by the Federal Reserve System. At the same time, long term interest Treasury rates are in the 4.5% range. This "inverted yield curve" is somewhat unusual and is frequently followed by a recession. To date, fortunately, that does not appear to be a likely scenario for the economy.



Southeast Missouri Third Quarter Shows Effects of Slowing Economy

As the national economy slowed during the third quarter of 2006, southeast Missouri saw its employment decline by about one percent over the previous quarter. Almost every county in the region experienced a decline in employment, ranging from a 5.9% decline in Reynolds County to slight increases (0.3%) in Franklin, Washington and Jefferson Counties. Some of this reflects seasonal factors as employment frequently pulls back in the third quarter, but some is related to the slowdown in economy activity at the national level. Given positive seasonal factors and a stabilizing national economy, we are likely to see a resumption of employment growth in southeast Missouri in the fourth quarter that will push total employment back up over 400,000.

Personal income growth remains strong. In fact, personal income is growing at close to a 7% rate on an average annual basis in the first half of 2006. It seems likely that there will be some moderation in personal income growth in the last half of the year, but it should still be quite favorable. Note that there was some downward revision in personal income estimates for most of 2005. This reflects downward revisions in the state quarterly personal income estimates on which the county figures are based. In most cases, the revisions are relatively modest.

Personal income in the twenty-four county region exceeds \$22.5 billion on an average annual basis. Continued growth in personal income is important to the region, particularly to retail sales.

Based on the current growth rate of personal income, retail sales in the fourth quarter during the crucial Christmas shopping season should be fairly healthy in the region.

Data from the most recent quarter on retail sales also point to an expanding economy and a favorable shopping season in the fourth quarter. Retail sales topped \$2 billion in the third quarter of this year. Sales were up 0.4% over the previous quarter. If we compare the previous 12 months with the last year at this time, retail sales are up a healthy 3.2%.

In general, despite the slowdown nationally, the economy in southeast Missouri looks to be in good shape. As we move ahead to 2007, expect personal income to continue to rise in the 5-6% range, retail sales to increase another 3-4%, and employment to rise 1-2%. Barring some unforeseen events, 2007 should be a pretty good year both nationally and locally.

Southeast Missouri Summary

	2005 II	2005 III	2005 IV	2006 I	2006 II	2006 III
Bollinger						
Employment	5,568	5,496	5,616	5,561	5,656	5,520
Change (%)	0.9	-1.3	2.2	-1.0	1.7	-2.4
Unemployment (%)	5.9	5.4	5.6	6.0	4.9	5.2
Personal Income	253,581	255,842	260,261	266,085	270,773	
Change (%)	4.8	4.5	4.0	6.2	6.8	
Retail Sales	14,845	16,148	13,538	14,962	15,286	15,833
Last 4 Quarters	56,746	58,652	58,390	59,493	59,934	59,619
Butler						
Employment	20,404	20,235	20,452	20,578	21,122	20,946
Change (%)	2.1	-0.8	1.1	0.6	2.6	-0.8
Unemployment (%)	5.4	5.0	5.0	5.3	4.7	5.1
Personal Income	1,088,038	1,100,441	1,122,001	1,151,030	1,175,200	
Change (%)	6.3	5.8	6.3	7.5	8.0	
Retail Sales	140,119	140,974	133,723	139,029	145,907	143,724
Last 4 Quarters	539,592	548,893	551,272	553,845	559,633	562,383
Cape Girardeau						
Employment	36,558	36,084	36,876	36,508	37,136	36,238
Change (%)	0.9	-1.3	2.2	-1.0	1.7	-2.4
Unemployment (%)	4.6	4.2	4.0	4.3	4.1	4.1
Personal Income	2,038,645	2,054,156	2,088,983	2,134,835	2,171,248	
Change (%)	4.5	4.2	3.7	5.9	6.5	
Retail Sales	288,783	305,440	292,154	320,848	310,405	301,354
Last 4 Quarters	1,161,079	1,179,346	1,191,487	1,207,225	1,228,847	1,224,761
Carter						
Employment	2,718	2,721	2,729	2,626	2,807	2,814
Change (%)	7.4	0.1	0.3	-3.7	6.9	0.2
Unemployment (%)	6.0	5.6	5.9	6.4	5.3	5.9
Personal Income	125,679	127,009	129,230	132,168	134,597	
Change (%)	5.0	4.8	4.3	6.6	7.1	
Retail Sales	9,183	11,638	9,124	9,677	10,334	11,908
Last 4 Quarters	38,173	38,898	39,067	39,622	40,773	41,043
Crawford						
Employment	11,034	11,004	10,817	10,695	11,203	11,135
Change (%)	4.3	-0.3	-1.7	-1.1	4.7	-0.6
Unemployment (%)	5.8	5.5	5.7	6.5	5.5	5.5
Personal Income	603,686	612,328	625,169	641,584	655,789	
Change (%)	6.5	6.3	6.0	8.1	8.6	
Retail Sales	47,254	53,981	45,643	45,456	49,153	53,260
Last 4 Quarters	187,180	189,386	189,165	192,334	194,143	193,422

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

	2005 II	2005 III	2005 IV	2006 I	2006 II	2006 III
Dent						
Employment	5,919	5,807	5,797	5,718	5,991	5,854
Change (%)	3.7	-1.9	-0.2	-1.4	4.8	-2.3
Unemployment (%)	6.4	6.2	6.1	6.6	5.8	6.2
Personal Income	328,688	331,958	337,557	344,978	351,319	
Change (%)	4.9	4.6	4.2	6.4	6.9	
Retail Sales	34,827	37,030	34,514	34,469	39,208	40,090
Last 4 Quarters	137,103	138,855	140,584	140,840	145,221	148,281
Dunklin						
Employment	13,463	13,209	13,374	13,298	13,480	13,144
Change (%)	1.4	-1.9	1.2	-0.6	1.4	-2.5
Unemployment (%)	7.4	7.1	7.1	7.8	7.0	7.5
Personal Income	786,977	795,898	809,269	827,647	843,084	
Change (%)	5.0	4.8	4.3	6.6	7.1	
Retail Sales	NA	NA	NA	NA	NA	NA
Last 4 Quarters	NA	NA	NA	NA	NA	NA
Franklin						
Employment	50,339	50,653	50,367	50,151	50,935	51,106
Change (%)	1.5	0.6	-0.6	-0.4	1.6	0.3
Unemployment (%)	5.4	5.4	4.8	5.8	4.8	5.1
Personal Income	2,819,144	2,845,035	2,891,909	2,954,144	3,006,044	
Change (%)	4.4	4.3	3.8	6.1	6.6	
Retail Sales	262,663	283,754	256,270	246,743	269,144	278,682
Last 4 Quarters	1,024,051	1,043,237	1,053,371	1,049,430	1,055,911	1,050,839
Gasconade						
Employment	7,239	7,181	7,222	7,118	7,320	7,287
Change (%)	2.2	-0.8	0.6	-1.4	2.8	-0.5
Unemployment (%)	5.4	5.3	5.0	6.3	5.5	5.9
Personal Income	392,379	396,117	402,936	411,702	419,139	
Change (%)	4.7	4.5	4.1	6.3	6.8	
Retail Sales	38,502	41,027	37,636	36,884	41,951	44,899
Last 4 Quarters	149,586	152,633	152,987	154,049	157,498	161,370
Iron						
Employment	4,481	4,426	4,412	4,425	4,586	4,478
Change (%)	1.7	-1.2	-0.3	0.3	3.6	-2.4
Unemployment (%)	7.3	6.7	6.8	6.7	5.3	5.7
Personal Income	222,538	224,605	228,208	233,111	237,109	
Change (%)	4.4	4.2	3.8	6.0	6.5	
Retail Sales	20,757	23,216	17,742	14,401	18,482	17,008
Last 4 Quarters	76,301	82,131	84,090	76,116	73,841	67,633

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

	2005 II	2005 III	2005 IV	2006 I	2006 II	2006 III
Jefferson						
Employment	110,743	111,433	110,804	110,330	112,053	112,430
Change (%)	1.5	0.6	-0.6	-0.4	1.6	0.3
Unemployment (%)	5.0	5.1	4.5	5.3	4.5	4.7
Personal Income	5,875,138	5,934,785	6,038,585	6,174,165	6,288,575	
Change (%)	4.9	4.7	4.2	6.5	7.0	
Retail Sales	489,638	542,096	490,097	493,157	538,034	533,085
Last 4 Quarters	1,934,515	1,974,675	2,006,248	2,014,988	2,063,384	2,054,373
Madison						
Employment	5,693	5,562	5,578	5,600	5,729	5,662
Change (%)	3.0	-1.4	0.3	0.4	2.3	-1.2
Unemployment (%)	6.3	6.0	5.8	5.9	5.1	5.2
Personal Income	254,092	257,878	263,485	270,656	276,755	
Change (%)	7.0	6.8	6.3	8.5	8.9	
Retail Sales	21,616	22,930	23,402	23,995	25,748	24,726
Last 4 Quarters	83,427	84,679	88,156	91,943	96,075	97,871
Mississippi						
Employment	5,521	5,330	5,471	5,317	5,493	5,246
Change (%)	3.4	-3.4	2.6	-2.8	3.3	-4.5
Unemployment (%)	7.1	7.0	6.5	6.8	6.1	6.8
Personal Income	290,026	288,870	291,239	294,259	297,185	
Change (%)	1.5	0.6	-0.1	1.9	2.5	
Retail Sales	20,811	23,732	19,030	20,017	21,348	24,241
Last 4 Quarters	83,352	83,302	83,182	83,590	84,217	84,726
New Madrid						
Employment	7,808	7,465	7,585	7,547	7,778	7,479
Change (%)	2.2	-4.4	1.6	-0.5	3.1	-3.9
Unemployment (%)	7.3	7.2	6.8	7.4	6.7	7.2
Personal Income	449,245	452,323	458,006	466,055	472,604	
Change (%)	5.2	4.5	3.5	5.1	5.2	
Retail Sales	72,817	73,415	69,648	76,125	74,164	73,891
Last 4 Quarters	288,217	287,775	289,930	292,005	293,352	293,828
Pemiscot						
Employment	7,079	6,912	6,965	6,933	7,062	6,899
Change (%)	1.5	-2.4	0.8	-0.5	1.9	-2.3
Unemployment (%)	8.3	7.9	7.8	8.2	7.2	7.7
Personal Income	445,020	446,745	454,617	464,306	471,605	
Change (%)	3.9	3.8	3.3	5.4	6.0	
Retail Sales	31,432	33,793	30,566	33,092	36,268	37,646
Last 4 Quarters	122,012	126,280	127,268	128,883	133,719	137,572

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

	2005 II	2005 III	2005 IV	2006 I	2006 II	2006 III
Perry						
Employment	9,779	9,993	9,901	9,745	9,949	9,951
Change (%)	2.4	2.2	-0.9	-1.6	2.1	0
Unemployment (%)	4.4	3.8	3.6	3.8	3.5	3.6
Personal Income	457,675	464,128	473,210	485,236	495,535	
Change (%)	6.6	6.4	5.7	7.9	8.3	
Retail Sales	57,439	58,490	53,273	54,765	58,208	59,035
Last 4 Quarters	216,953	222,921	223,732	223,967	224,736	225,281
Reynolds						
Employment	2,600	2,524	2,474	2,455	2,681	2,524
Change (%)	8.2	-2.9	-2.0	-0.8	9.2	-5.9
Unemployment (%)	7.1	6.3	7.3	7.4	5.5	6.1
Personal Income	141,018	142,506	144,988	148,285	150,999	
Change (%)	4.9	4.8	4.3	6.6	7.1	
Retail Sales	NA	NA	NA	NA	NA	NA
Last 4 Quarters	NA	NA	NA	NA	NA	NA
Ripley						
Employment	6,105	5,892	6,115	6,133	6,314	6,076
Change (%)	2.5	-3.5	3.8	0.3	2.9	-3.8
Unemployment (%)	6.1	6.0	5.5	5.9	5.1	5.9
Personal Income	272,933	276,061	281,184	287,754	293,261	
Change (%)	5.4	5.2	4.7	7.0	7.4	
Retail Sales	NA	NA	NA	NA	NA	NA
Last 4 Quarters	NA	NA	NA	NA	NA	NA
Scott						
Employment	19,242	18,862	18,986	18,833	19,406	18,869
Change (%)	2.6	-2.0	0.7	-0.8	3.0	-2.8
Unemployment (%)	5.9	5.6	5.2	5.5	5.1	5.6
Personal Income	1,035,191	1,044,374	1,062,030	1,085,087	1,104,609	
Change (%)	4.6	4.4	4.0	6.2	6.7	
Retail Sales	80,085	90,290	77,322	76,789	84,278	91,367
Last 4 Quarters	319,646	325,661	327,954	324,486	328,680	329,757
Ste. Genevieve						
Employment	8,638	8,617	8,565	8,437	8,707	8,682
Change (%)	2.4	-0.2	-0.6	-1.5	3.2	-0.3
Unemployment (%)	5.7	5.0	5.0	5.4	4.8	5.0
Personal Income	445,956	449,568	456,147	464,747	472,210	
Change (%)	4.2	3.9	3.4	5.4	5.9	
Retail Sales	36,710	42,764	32,684	36,171	39,791	43,037
Last 4 Quarters	134,008	149,237	148,643	148,329	151,410	151,683

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

	2005 II	2005 III	2005 IV	2006 I	2006 II	2006 III
St. Francois						
Employment	25,609	25,392	25,500	25,642	26,462	25,966
Change (%)	2.2	-0.9	0.4	0.6	3.2	-1.9
Unemployment (%)	6.5	6.0	6.0	6.4	5.4	5.6
Personal Income	1,370,993	1,384,496	1,409,365	1,444,922	1,476,273	
Change (%)	5.3	5.1	4.6	5.4	5.9	
Retail Sales	166,969	172,210	159,485	169,198	179,714	173,832
Last 4 Quarters	650,339	660,567	663,756	667,862	680,607	682,229
Stoddard						
Employment	14,823	14,581	14,994	14,900	15,183	14,878
Change (%)	1.5	-1.6	2.8	-0.6	5.3	-2.0
Unemployment (%)	5.6	5.4	5.3	5.9	1.9	5.5
Personal Income	761,488	774,204	790,241	813,401	832,905	
Change (%)	5.3	5.1	4.6	7.0	7.7	
Retail Sales	62,333	67,914	65,591	61,345	69,635	65,764
Last 4 Quarters	231,009	238,401	252,804	257,183	264,485	262,335
Washington						
Employment	9,346	9,405	9,352	9,311	9,457	9,489
Change (%)	1.5	0.6	-0.6	-0.4	1.6	0.3
Unemployment (%)	7.9	8.0	8.2	9.2	7.1	6.9
Personal Income	467,269	471,830	479,317	489,544	497,495	
Change (%)	5.2	4.7	4.0	6.1	6.5	
Retail Sales	35,256	38,932	35,895	35,179	38,222	39,458
Last 4 Quarters	139,907	142,343	144,518	145,262	148,228	148,754
Wayne						
Employment	5,275	5,184	5,202	5,177	5,358	5,234
Change (%)	3.9	-1.7	0.3	-0.5	2.2	-1.0
Unemployment (%)	7.1	6.2	6.4	6.8	5.0	5.2
Personal Income	264,982	268,029	272,947	279,407	284,770	
Change (%)	5.4	5.2	4.7	7.0	7.5	
Retail Sales	22,080	24,329	21,089	20,436	22,853	23,897
Last 4 Quarters	87,457	88,223	88,385	87,934	88,707	88,275
Southeast Missouri						
Employment	395,984	393,968	395,154	393,038	401,868	397,906
Change (%)	1.9	-0.5	0.3	-0.5	2.2	-1.0
Unemployment (%)	5.7	5.5	5.2	5.8	5.0	5.2
Personal Income	21,290,381	21,399,186	21,770,884	22,265,088	22,679,083	
Change (%)	5.0	4.8	4.3	6.5	7.0	
Retail Sales	1,954,158	2,104,013	1,921,426	1,962,738	2,088,133	2,096,717
Last 4 Quarters	7,678,563	7,816,244	7,904,989	7,939,386	8,073,361	8,069,014

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

**Economics & Finance Conference
on
Southeast Missouri**

When: April 20, 2007, 10:00 AM - 12:30 PM

Where: Glenn Auditorium, Dempster Hall, Southeast Missouri State U.

What: A special conference to present research related to the southeast Missouri Economy

Tentative Listing of Research to Be Presented:

"The Cost of High School Noncompletion in Southeast Missouri"

"Why Do Students Drop Out of High School?"

"The Returns to Education in Rural Counties"

"The State of the Local Housing Market"

Other Topics to Be Added

Conference Presenters: Economic & Finance Faculty
Economics & Finance Students

The conference is open to all interested parties. There is no charge to attend the conference.