

THE ECONOMIC OUTLOOK FOR ST. LOUIS

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FEDERAL RESERVE BANK OF ST. LOUIS

**THESE COMMENTS DO NOT NECESSARILY REFLECT THE VIEWS OF THE FEDERAL
RESERVE BANK OF ST. LOUIS OR OF THE FEDERAL RESERVE SYSTEM.**

SIGNIFICANT ECONOMIC CHALLENGES FACE THE NATION...

- **ANOTHER JOBLESS RECOVERY**
- **WEAK CONSUMER SECTOR**
- **FRAGILE BANKING SYSTEM**

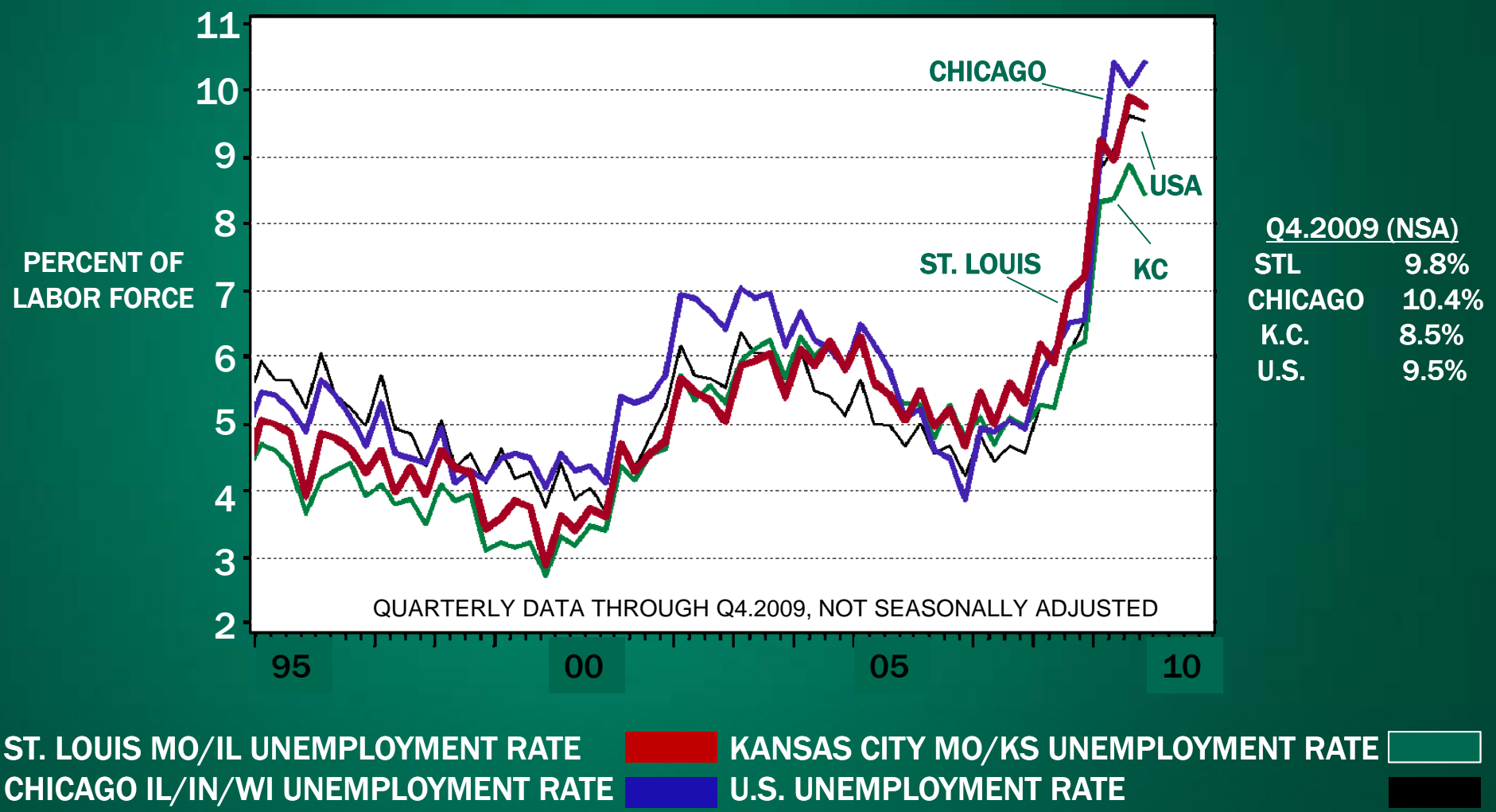
...AND THE ST. LOUIS ECONOMY.

- **STRONG NATIONAL “HEADWINDS”**
- **LOCAL GROWTH CHALLENGES**

BUT, ST. LOUIS HAS KEY STRENGTHS TO BUILD ON

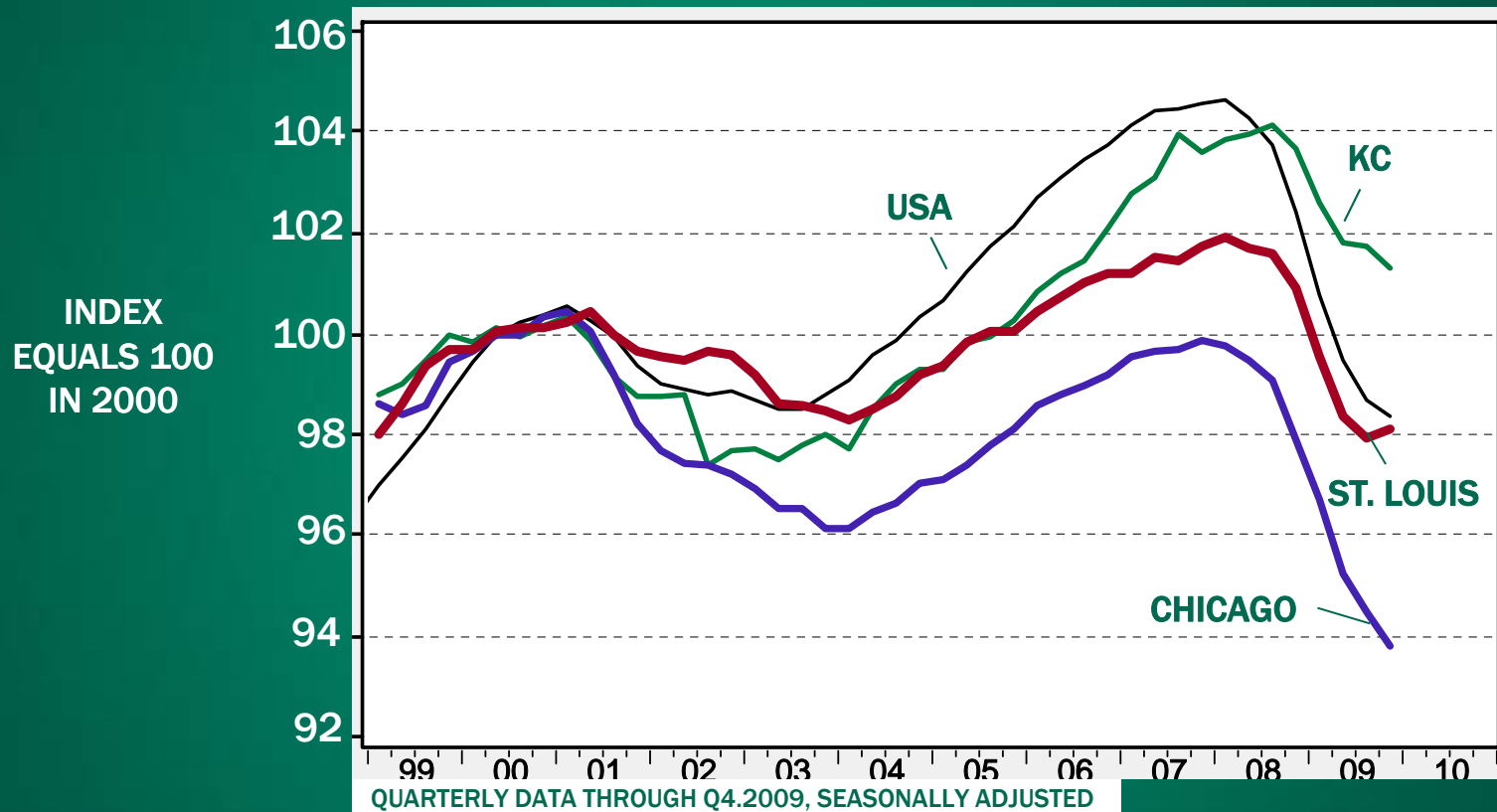
- **WE AVOIDED AN EXTREME HOUSING
BOOM AND BUST**
- **WE RETAIN A DIVERSIFIED
ECONOMY**

ST. LOUIS UNEMPLOYMENT TRACKING THE U.S. RATE



SOURCES: BLS/HAVER

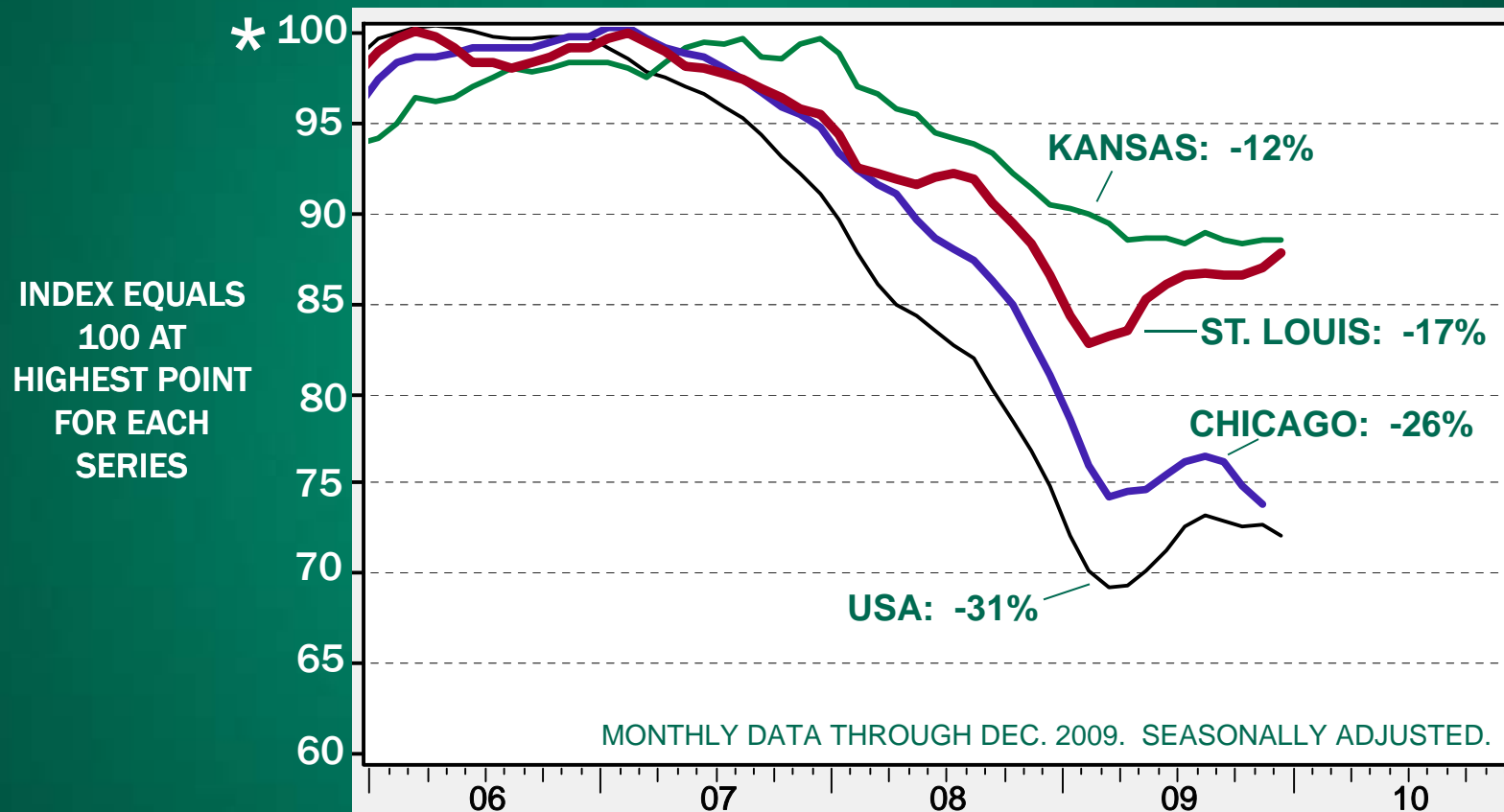
AS ELSEWHERE, NO LONG-TERM JOB CREATION



| | | <u>SINCE 2000</u> |
|--------------------------------------|--------------------------------------|-------------------|
| ST. LOUIS TOTAL NONFARM EMPLOYMENT | ■ | -1.9% |
| CHICAGO TOTAL NONFARM EMPLOYMENT | ■ | -6.2% |
| KANSAS CITY TOTAL NONFARM EMPLOYMENT | ■ | +1.3% |
| U.S. TOTAL NONFARM EMPLOYMENT | ■ | -1.6% |

SOURCES: BLS, BLSILDES, BLS,
BLS/HAVER

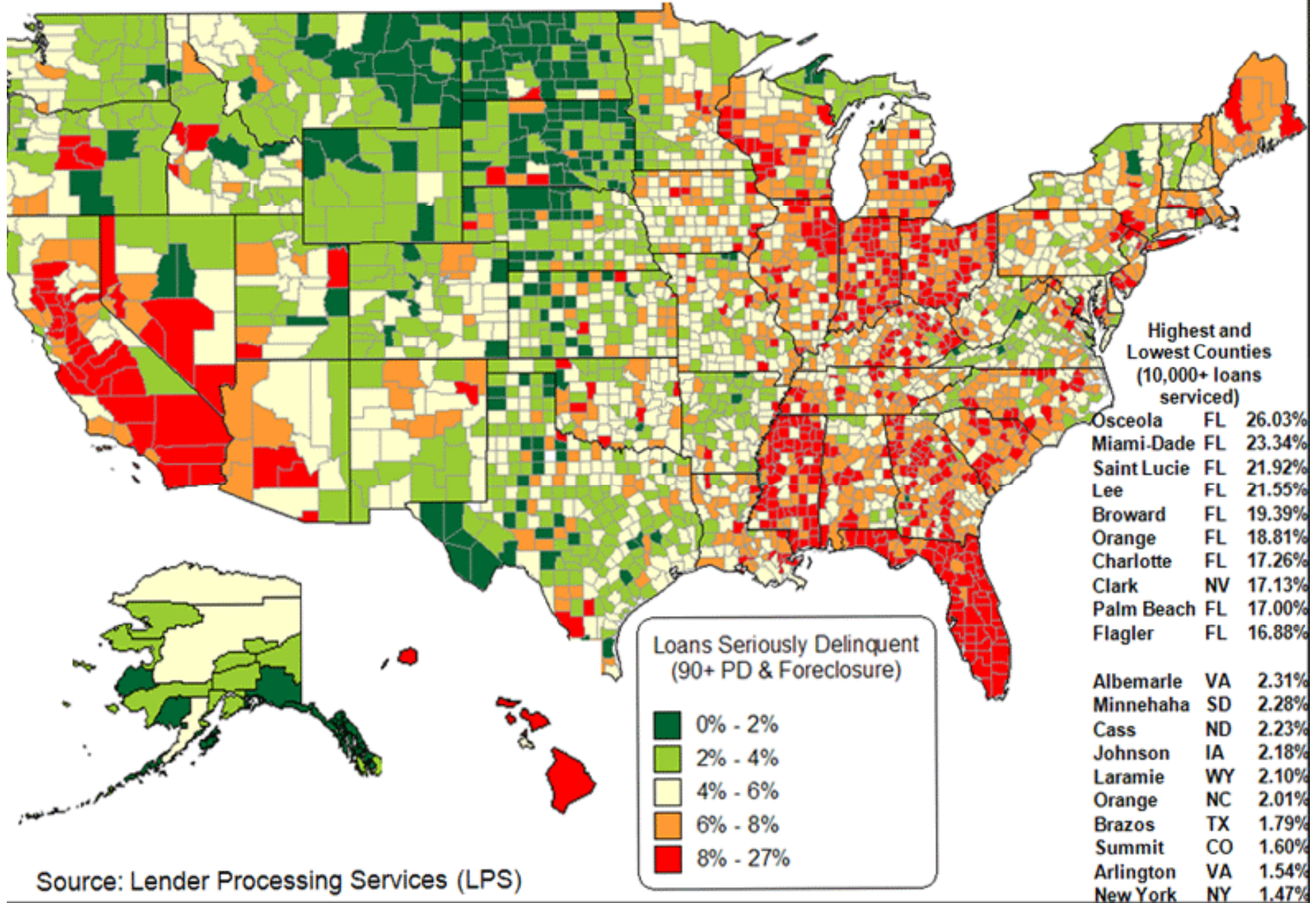
PEAK-TO-TROUGH HOUSE-PRICE DECLINE OF 17%



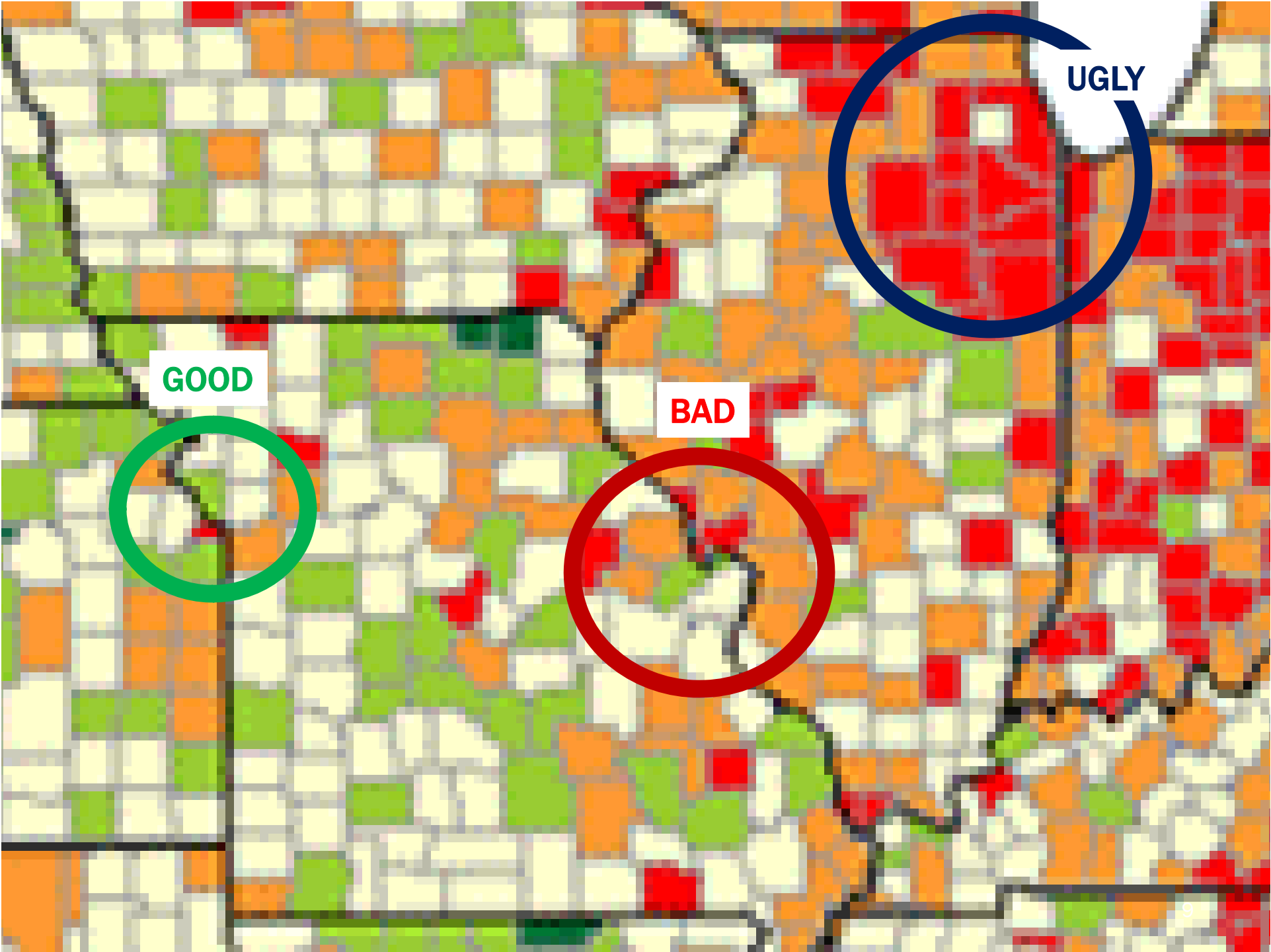
ST. LOUIS MO/IL HOUSE-PRICE INDEX █
 CHICAGO IL HOUSE-PRICE INDEX █
 KANSAS HOUSE-PRICE INDEX █
 U.S. HOUSE-PRICE INDEX █

SOURCES: LP/HAVER/HAVER

Percent of All First Liens Seriously Delinquent by County – October 2009



Source: Lender Processing Services (LPS)

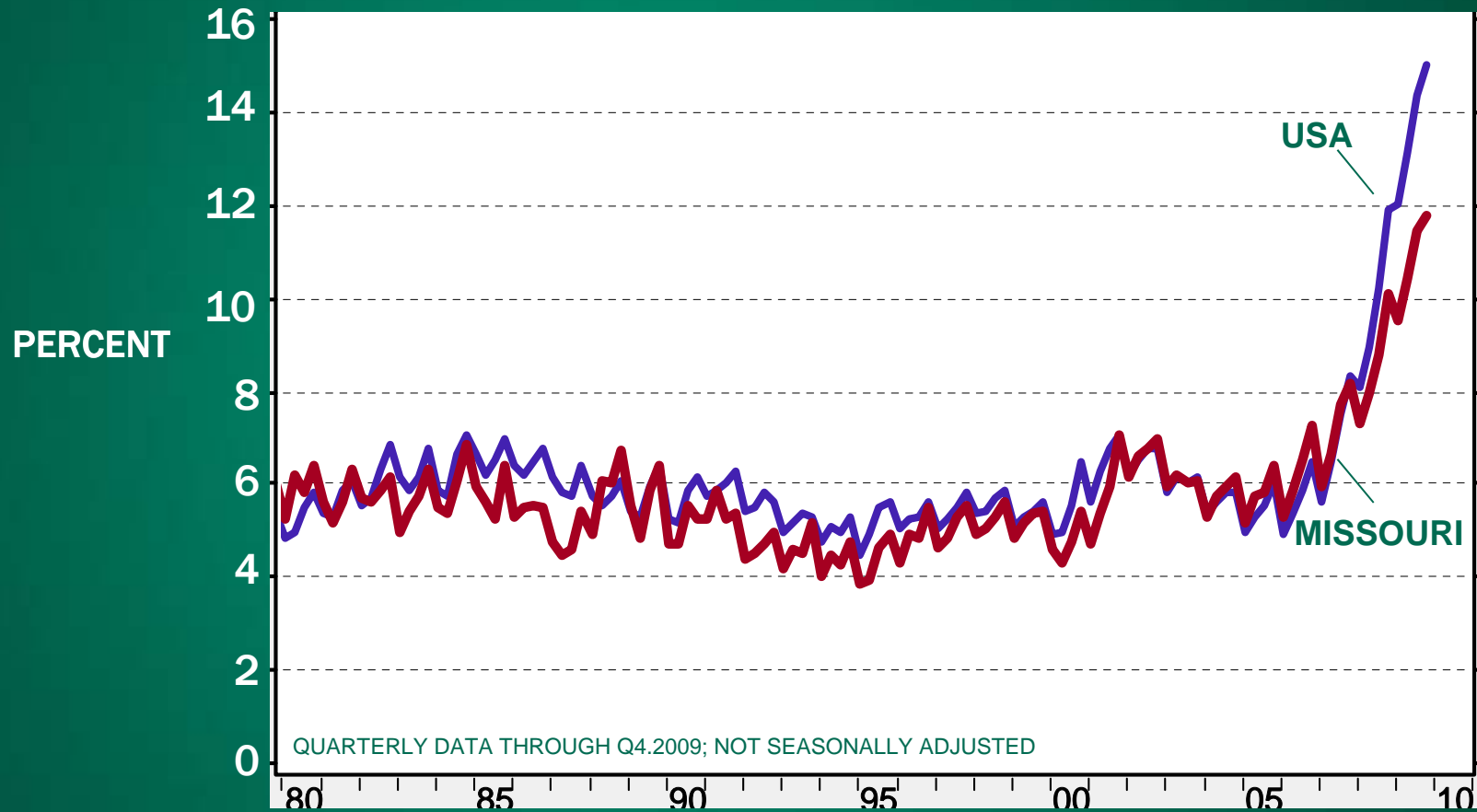


GOOD

BAD

UGLY

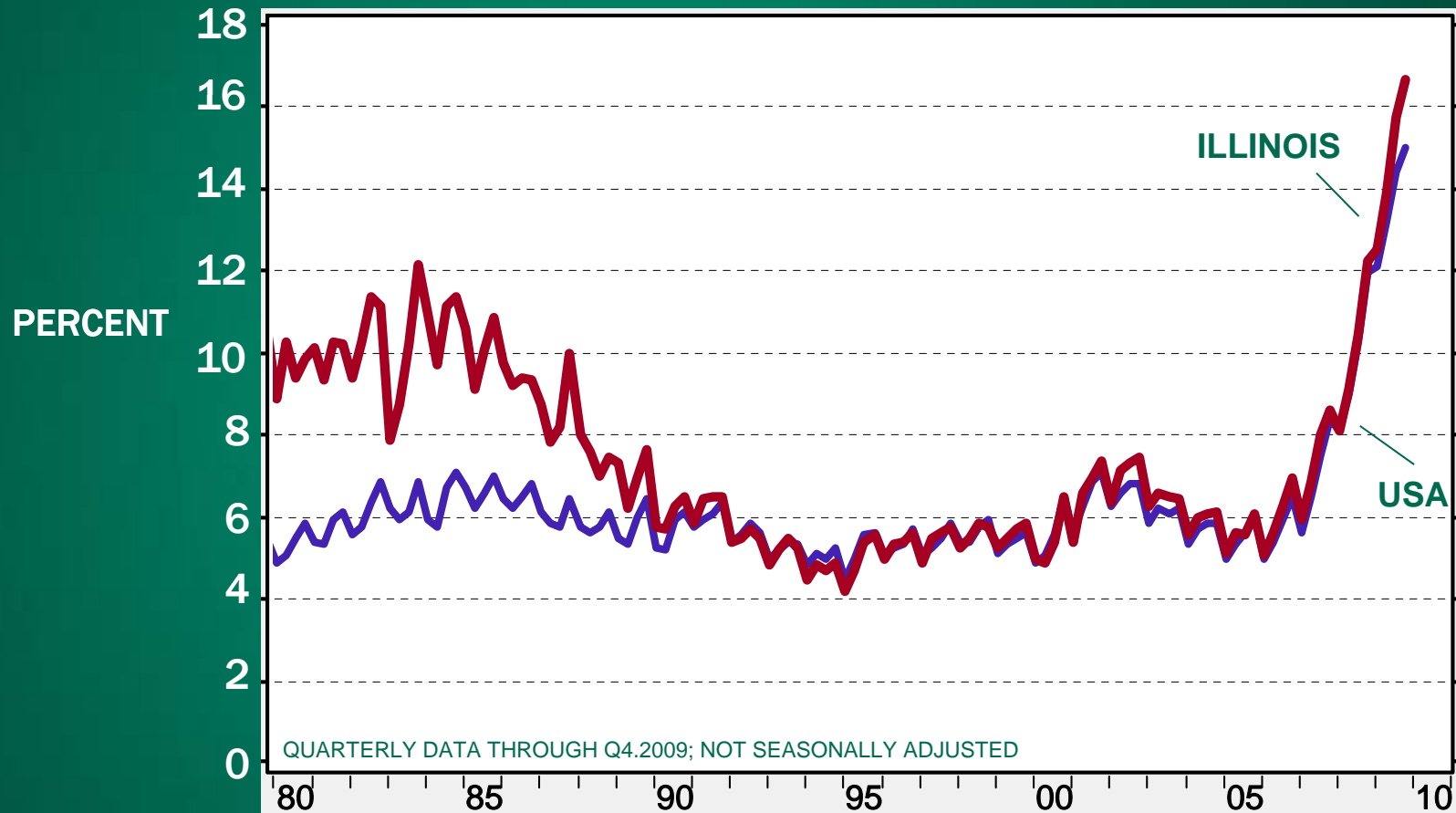
MISSOURI MORTGAGE DISTRESS RISING FAST



MORTGAGE DISTRESS: SHARE OF LOANS DELINQUENT OR IN FORECLOSURE
PERCENT OF FIRST-LIEN MORTGAGES

MISSOURI ■ U.S. ■

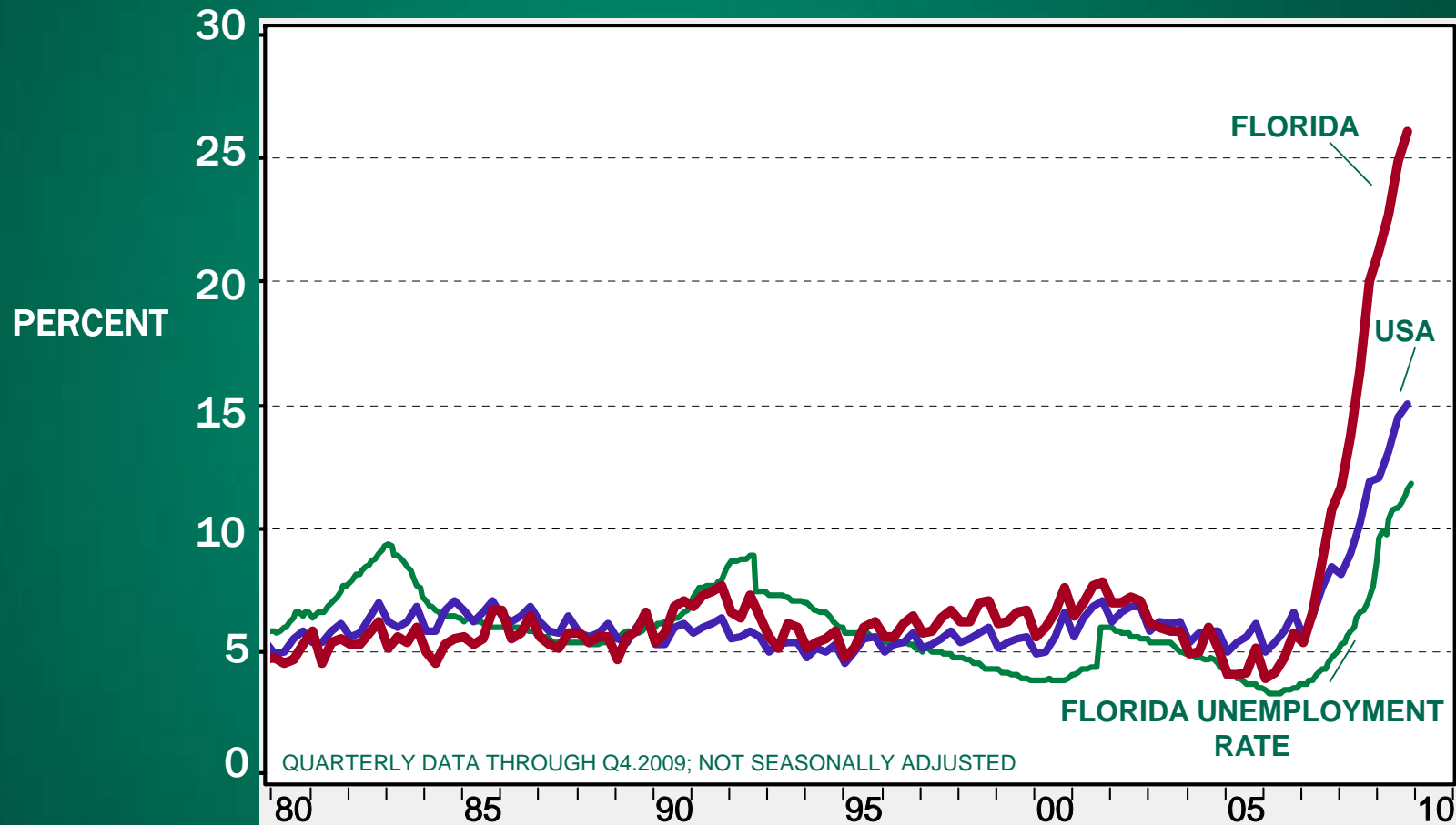
ILLINOIS IS WORSE...



MORTGAGE DISTRESS: SHARE OF LOANS DELINQUENT OR IN FORECLOSURE
PERCENT OF FIRST-LIEN MORTGAGES

ILLINOIS ■ U.S. ■

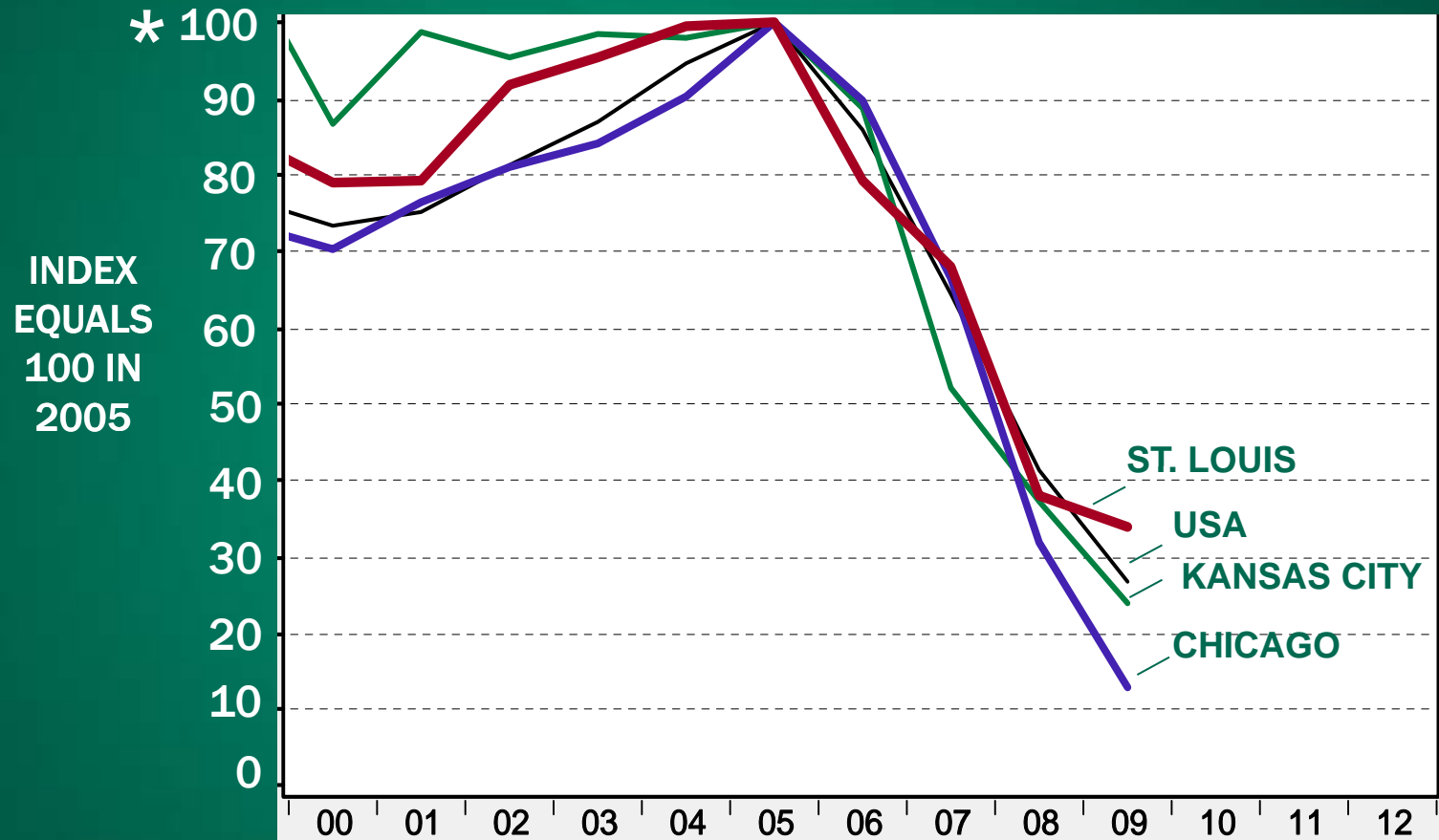
...AND FLORIDA IS A DISASTER



MORTGAGE DISTRESS: SHARE OF LOANS DELINQUENT OR IN FORECLOSURE

FLORIDA ■ U.S. ■ FLORIDA UNEMPLOYMENT RATE

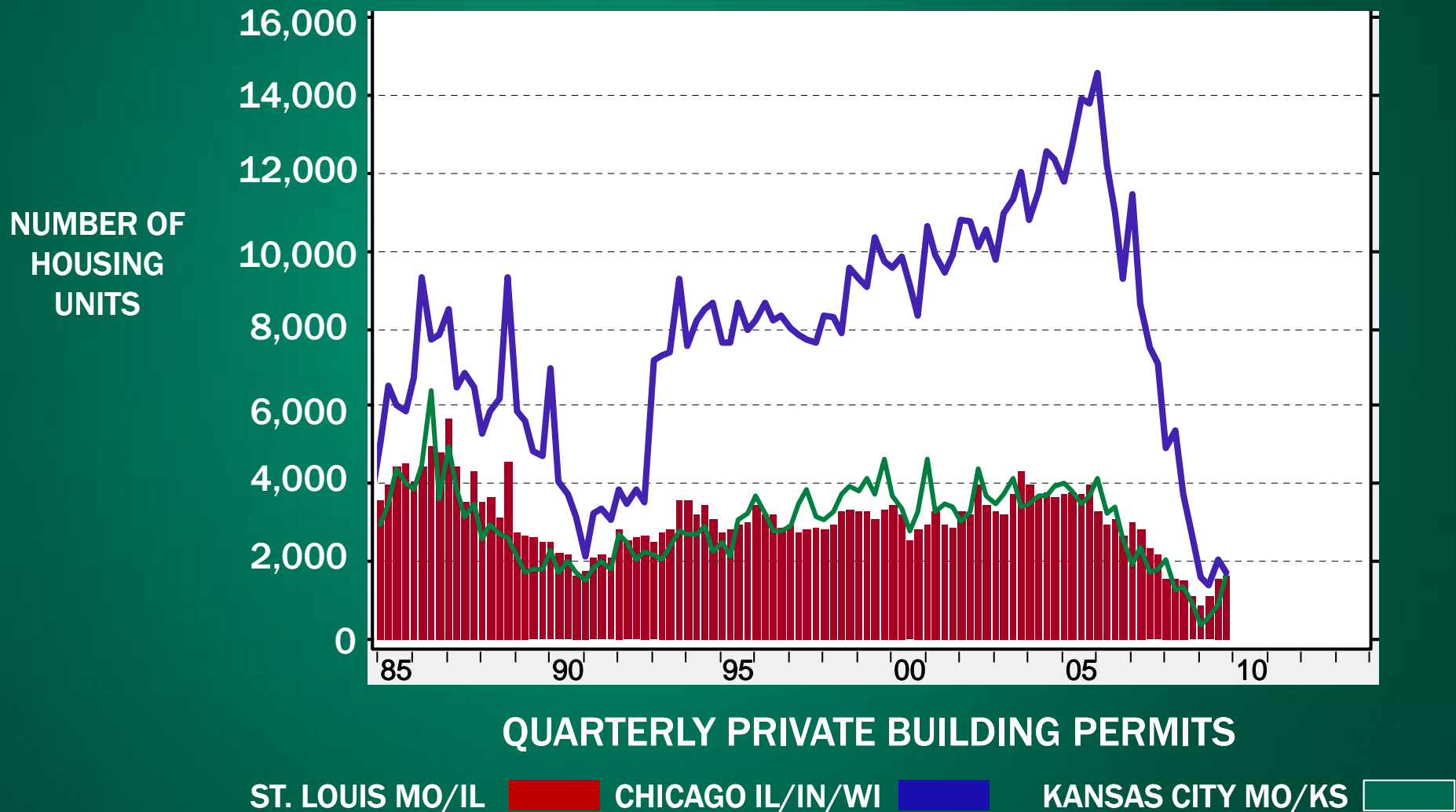
WILL ST. LOUIS FIND THE BOTTOM FIRST?



QUARTERLY PRIVATE BUILDING PERMITS

ST. LOUIS MO/IL CHICAGO IL/IN/WI KANSAS CITY MO/KS US

HOMEBUILDING ACTIVITY REMAINS DEPRESSED

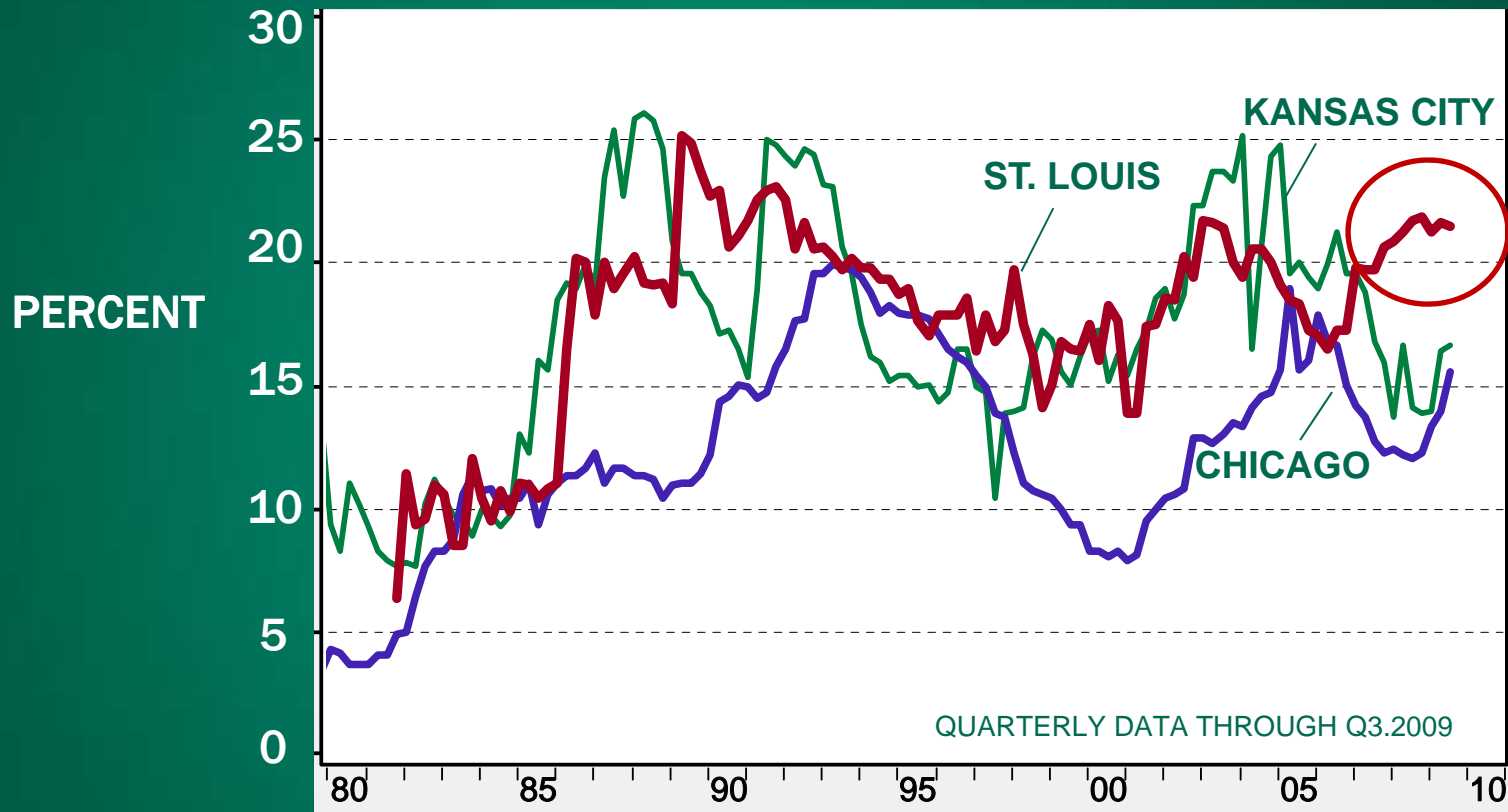


SOURCE: BUREAU OF THE CENSUS/HAVER ANALYTICS

QUARTERLY DATA THROUGH Q4.2009, SEASONALLY ADJUSTED

DOWNTOWN OFFICE VACANCY

ST. LOUIS RATE > 20%



Q3.2009

OFFICE VACANCY RATE IN DOWNTOWN ST. LOUIS

21.5%

OFFICE VACANCY RATE IN DOWNTOWN CHICAGO

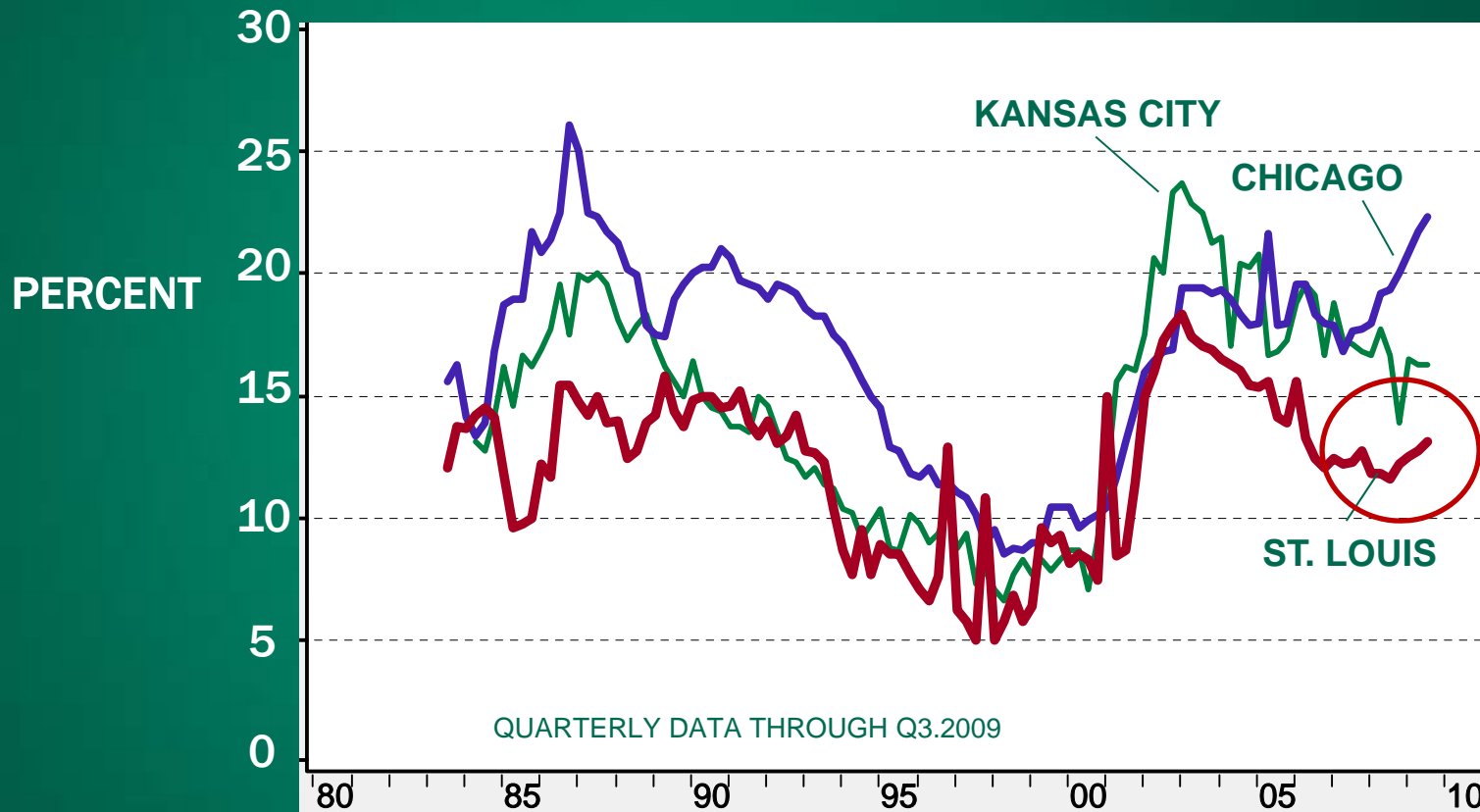
15.5%

OFFICE VACANCY RATE IN DOWNTOWN KANSAS CITY

16.7%

SUBURBAN OFFICE VACANCY

ST. LOUIS RATE < 15%



Q3.2009

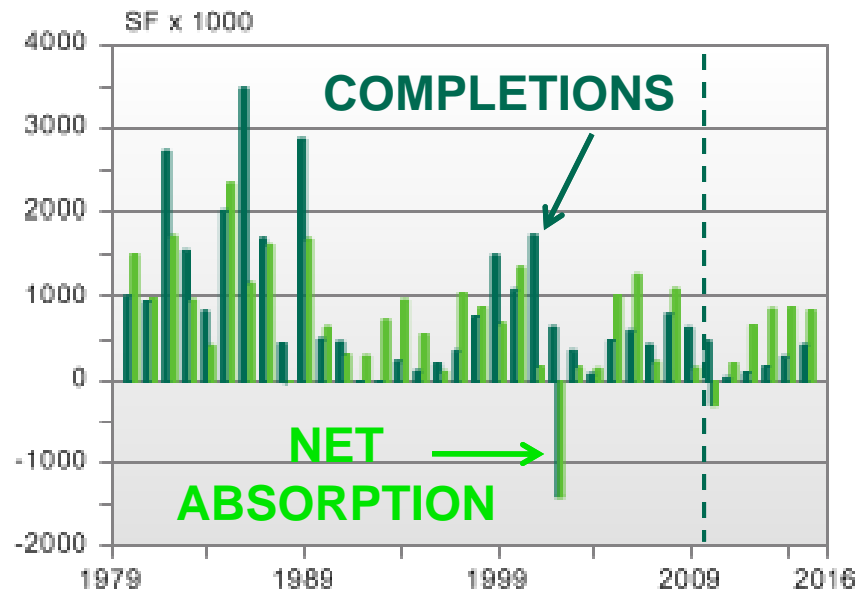
OFFICE VACANCY RATE IN SUBURBAN AREAS OF ST. LOUIS MO/IL ■ 13.1%

OFFICE VACANCY RATE IN SUBURBAN AREAS OF CHICAGO IL ■ 22.3%

OFFICE VACANCY RATE IN SUBURBAN AREAS OF KANSAS CITY MO/IL ■ 16.3%

ST. LOUIS OFFICE MARKET WILL REMAIN SOFT

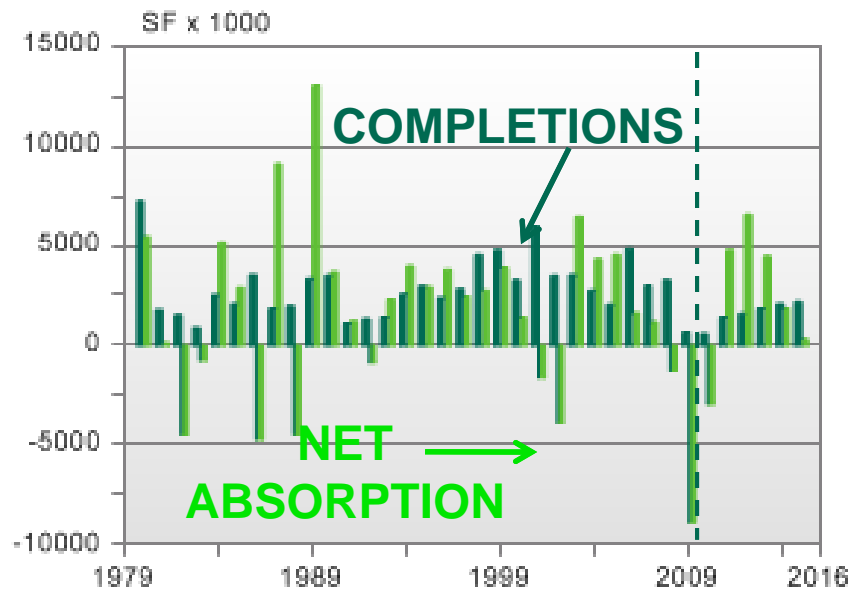
| OFFICE-VACANCY RATES (%) | 2006 | 2009 | 2011 (CBRE FORECAST) |
|--------------------------|------|------|-------------------------|
| ST. LOUIS MSA | 14.6 | 14.8 | 16.0 |
| CITY | 12.9 | 13.7 | 15.3 |
| SUBURBS | 19.1 | 17.0 | 17.2 |



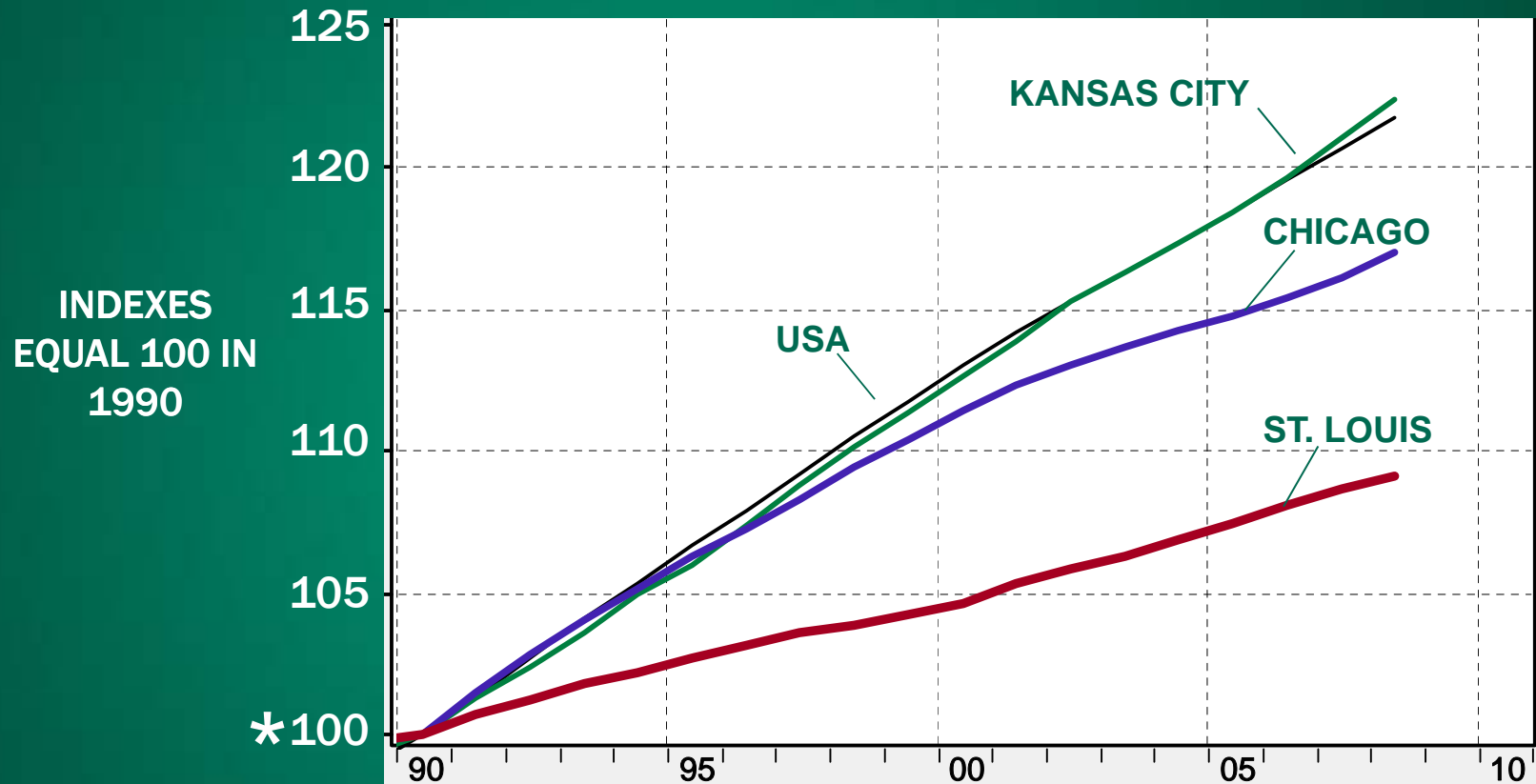
SOURCE: CB RICHARD ELLIS

ST. LOUIS INDUSTRIAL MARKET STABILIZING

| INDUSTRIAL AVAILABILITY RATES (%) | 2006 | 2009 | 2011 (CBRE FORECAST) |
|-----------------------------------|------|------|----------------------|
| ST. LOUIS MSA | 9.5 | 15.1 | 15.0 |
| CENTRAL COUNTY | 9.8 | 13.2 | 13.2 |
| WEST COUNTY | 10.2 | 13.2 | 13.2 |



SLOW POPULATION GROWTH LIMITS REAL-ESTATE SECTORS



| | 1990 | 2008 |
|---------------------------------|------|------|
| ST. LOUIS RESIDENT POPULATION | 2.6M | 2.8M |
| CHICAGO RESIDENT POPULATION | 8.2M | 9.6M |
| KANSAS CITY RESIDENT POPULATION | 1.6M | 2.0M |
| U.S. RESIDENT POPULATION | 250M | 304M |

SOURCE: CENSUS/HAVER

WEAK FINANCIAL SECTOR HAMPERES RECOVERY



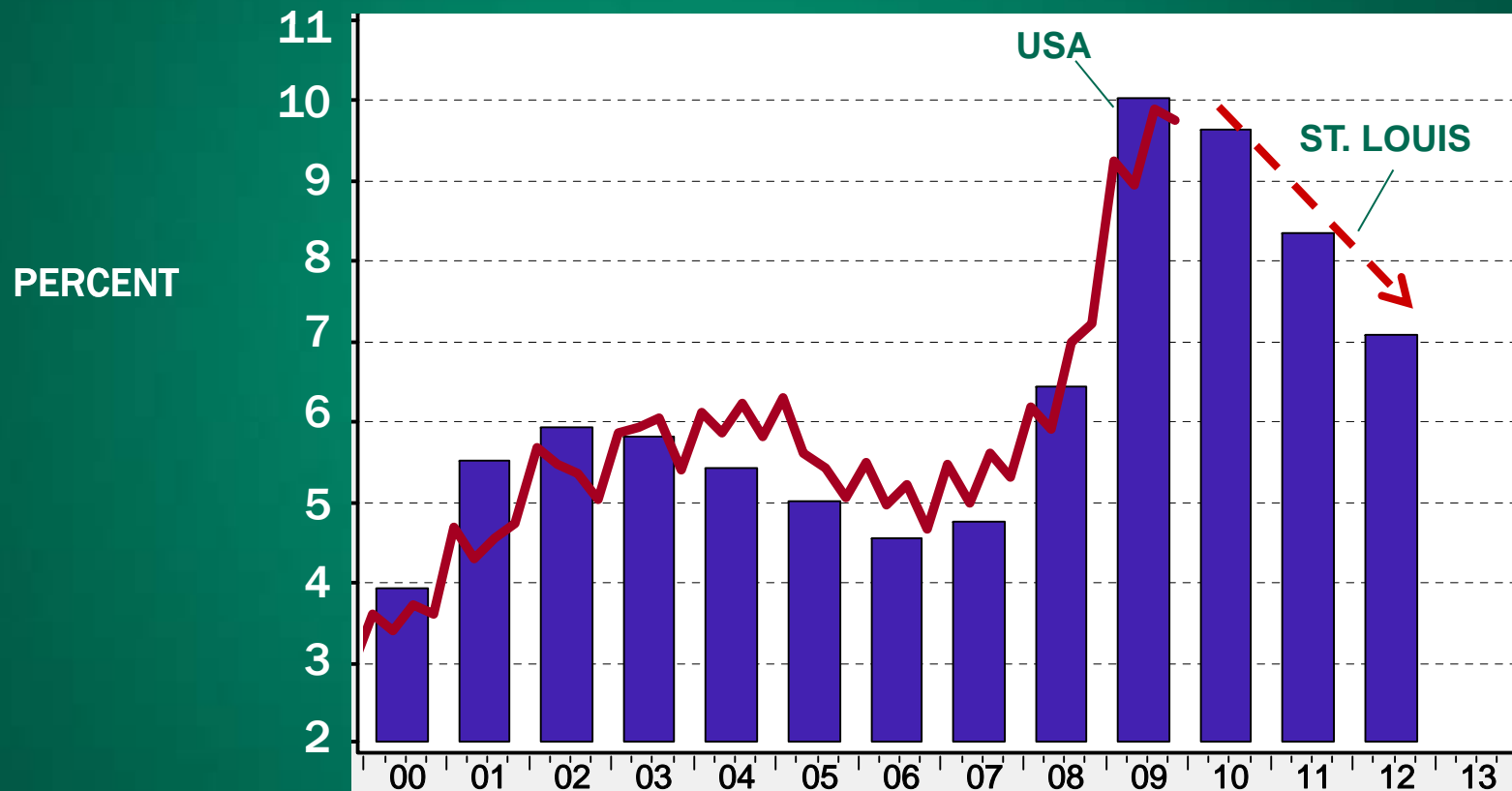
S&P 500 STOCK-PRICE INDEX



FINANCIAL COMPANIES IN THE S&P 500



THE OUTLOOK: STUBBORNLY HIGH UNEMPLOYMENT



ST. LOUIS MO/IL
UNEMPLOYMENT RATE

FOMC PROJECTION OF U.S.
UNEMPLOYMENT RATE, 2010-2012

IN SUM: ECONOMIC RECOVERY IN ST. LOUIS MUST OVERCOME SIGNIFICANT CHALLENGES

- **WEAK NATIONAL ECONOMY**
- **LOW GROWTH POTENTIAL**
- **FINANCIAL FRAGILITY AMONG
BANKS AND CONSUMERS**