



## The Federal Reserve Board



June 11, 2008

# Federal Reserve Districts

## Eighth District--St. Louis

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Overall economic activity in the Eighth District has remained roughly flat since our previous report. Contacts in the manufacturing and services sectors noted slight increases. Retail and auto sales declined in April and early May compared with a year ago. April year-to-date home sales and residential construction continued to weaken throughout the District compared with the same period in 2007, while commercial real estate market conditions were mixed in the first quarter of 2008 relative to the fourth quarter of 2007. Lending activity at a sample of large District banks decreased moderately in the first quarter of 2008 relative to the fourth quarter of 2007.

### Consumer Spending

Contacts reported that retail sales in April and early May were down, on average, over year-ago levels. Half of the retailers reported decreases in sales, whereas 21 percent reported increases. About 47 percent of retailers reported that sales levels met their expectations, 47 percent reported that sales were below expectations, and 5 percent reported that sales were above expectations. Jewelry and food were strong sellers, while gift items, home décor, and clothing moved more slowly. About 42 percent of contacts reported that inventories were at desired levels; 50 percent reported too-high inventories and 8 percent reported too-low inventories. About 46 percent of retailers expect sales to increase over 2007 levels, and 42 percent expect sales to decrease.

Car dealers in the District reported that, compared with last year, sales in April and early May were down, on average. About 64 percent of the car dealers surveyed reported a decrease in sales, while 27 percent reported an increase. About 38 percent of the car dealers noted increased used car sales relative to new car sales and 71 percent reported increased low-end vehicle sales relative to high-end vehicle sales.

One-third of the respondents reported more rejections of finance applications; none reported more acceptances. About 43 percent of the car dealers surveyed reported that their inventories were too high, and 22 percent reported that their inventories were too low. Half of the car dealers expect increased sales for the summer over 2007 levels, and another 12 percent expect sales to be the same, but 38 percent expect

decreased summer sale.

### **Manufacturing and Other Business Activity**

Manufacturing activity has increased slightly since our previous report. Several manufacturers reported plans to open plants and expand operations in the near future, and a smaller number of contacts reported plans to close plants and reduce operations. Firms in the chemical manufacturing and steel manufacturing industries reported plans to open new facilities and expand production in the District; contacts in frozen foods manufacturing and office supplies manufacturing industries reported plans to expand existing facilities and operations. Firms in the above mentioned industries also reported plans to hire additional workers. In contrast, contacts in the motor vehicle, motor vehicle parts, furniture, and plastic manufacturing industries reported plans to lay off workers and decrease operations. One firm in the electrical equipment and appliance manufacturing industry announced that it will close a plant in the District, and a firm in the frozen foods manufacturing industry announced that it will not rebuild a large operation destroyed by fire.

The services sector has strengthened in most areas of the District since our previous report. Contacts in the business support services industries reported plans to expand operations in St. Louis, Little Rock, and Louisville; a few firms in the financial services industry announced plans to expand operations. Firms in these industries also reported plans to hire additional workers.

### **Real Estate and Construction**

Home sales continued to decline throughout the Eighth District. Compared with the same period in 2007, April 2008 year-to-date home sales declined 18 percent in Memphis and Louisville and 17 percent in St. Louis and Little Rock. Residential construction also continued to decline. April year-to-date single-family housing permits fell in all but one District metro area compared with the same period in 2007. Permits declined 53 percent in Memphis, 40 percent in Louisville and St. Louis, and 33 percent in Little Rock.

The District's commercial real estate market conditions were mixed. The first-quarter 2008 industrial vacancy rates in St. Louis and Louisville decreased over the fourth quarter of 2007, while industrial vacancy rates in Memphis and Little Rock increased slightly. During the same period, suburban office vacancy rates decreased in St. Louis and Louisville but increased in Little Rock and Memphis. Downtown office vacancy rates showed no change in Louisville, decreased in St. Louis and Memphis, and increased in Little Rock. Contacts in Memphis reported slowed development of industrial projects. Contacts in south-central Kentucky reported that commercial construction is relatively strong, with considerable commercial construction planned throughout the Bowling Green area. Contacts in Louisville reported a stable volume of work among nonresidential construction contractors.

### **Banking and Finance**

A survey of senior loan officers at a sample of large District banks showed a moderate decrease in overall lending activity in the first quarter of 2008 relative to the fourth quarter of 2007. During this period, credit standards for commercial and industrial loans tightened somewhat, while demand for these loans varied slightly from moderately weaker to moderately stronger. Credit standards for commercial real estate loans were tightened somewhat during this period, while demand for these loans was moderately weaker. Credit standards for consumer loans ranged from unchanged to tightened somewhat, while demand ranged from about the same to moderately weaker. Credit standards for residential mortgages were tightened, while demand for these loans ranged from about the same to moderately weaker.

### **Agriculture and Natural Resources**

Frequent wet and cool weather conditions since early April have delayed planting and crop growth throughout the District. Planting of the major crops--corn, soybeans, sorghum, cotton, and rice--is behind its 5-year average pace. Corn and soybean planting in Missouri has been delayed more than in other states in the District, but cotton and rice planting is ahead of normal. Emergence of the major crops is also behind its normal pace throughout the District.

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