

SIMON CENTER FOR REGIONAL FORECASTING 2008 REPORT

Weak Growth for Missouri, U.S. in 2008

The Simon Center for Regional Forecasting at Saint Louis University's John Cook School of Business projects 0.5% growth in Missouri employment in 2008, adding just under 14,000 jobs to the state. The projected growth rate is well below the 1.1% average growth rate for Missouri employment for 1991–2007. The Simon Center forecasts U.S. employment growth to increase by 0.4% in 2008, which is also well below its 1.4% average for 1991–2007. Employment in the St. Louis region is projected to grow by 0.4% in 2008, contributing approximately 5,500 jobs to the region. The expected growth rate for St. Louis employment is significantly below its average of 0.9% for 1991–2007.¹

The Simon Center predicts Missouri real personal income to increase by 1.8% in 2008; the corresponding forecast for the U.S. is 2.1%. Both income growth forecasts are below the 1991–2007 averages for Missouri and the U.S. (2.6% and 2.9%, respectively).

This report also contains the initial Simon Center forecast for real housing price growth in Missouri. The Simon Center forecasts real housing price growth to be –1.8% in 2008. This compares to an average real housing price growth rate of 2.2% in Missouri for 1991–2007 and thus represents a quite bearish outlook for the housing market relative to its recent historical performance.²

The complete set of point forecasts is reported in Table 1 on page 2. The table also reports 1991–2007 averages, one-standard-deviation (68%) confidence intervals for the 2008 forecasts, and the probabilities that the variables will increase in 2008. Figure 1 on page 3 portrays annual growth rates for Missouri and U.S. employment and real personal income for 1991–2007, as well as the 2008 forecast for each variable. Figure 1 indicates that these variables exhibit considerable volatility, and this contributes to a significant degree of uncertainty in the 2008 forecasts. This uncertainty can be quantified by the forecast intervals reported in Table 1. To provide additional insight into the range of likely outcomes, Figure 2 on page 4 presents density forecasts for Missouri and U.S. employment and income growth.

The Simon Center forecasts are generated using time-series econometric models and forecast combining methods. The combining methods use information from a large number of individual models based on a host of regional and national economic variables.³ By utilizing information from many potential predictors, combining methods are able to generate more robust forecasts in environments characterized by substantial model uncertainty and structural instability.

¹The employment forecasts correspond to employment as measured by the Bureau of Labor Statistic's Establishment Survey.

²The Missouri real housing price forecast corresponds to Freddie Mac's Conventional Mortgage Home Price Index. The index uses matched transactions on the same property over time to account for quality changes and uses data from both purchase and refinance-appraisal transactions.

³Research studies related to the methodologies used in the construction of the Simon Center forecasts, as well as other Simon Center projects, are available at <http://pages.slu.edu/faculty/rapachde/Simon.htm>.

Table 1: Simon Center Forecasts for 2008

(1)	(2)	(3)	(4)
Variable	1991–2007 average	2008 forecast	Prob. > 0
<i>Missouri</i>			
Employment growth	1.1%	0.5% [−0.9%, 1.9%]	65%
Real personal income growth	2.6%	1.8% [−0.1%, 3.6%]	83%
Real housing price growth	2.2%	−1.8% [−4.2%, 0.6%]	23%
<i>United States</i>			
Employment growth	1.4%	0.4% [−0.7%, 1.6%]	66%
Real personal income growth	2.9%	2.1% [0.5%, 3.6%]	91%
<i>St. Louis</i>			
Employment growth	0.9%	0.4% [−1.0%, 1.8%]	60%

Notes: figures for Missouri real personal income growth and real housing price growth are based on data available through 2007:3; figures in brackets below the 2008 forecasts in column (3) are approximate 68% confidence intervals for the forecasts.

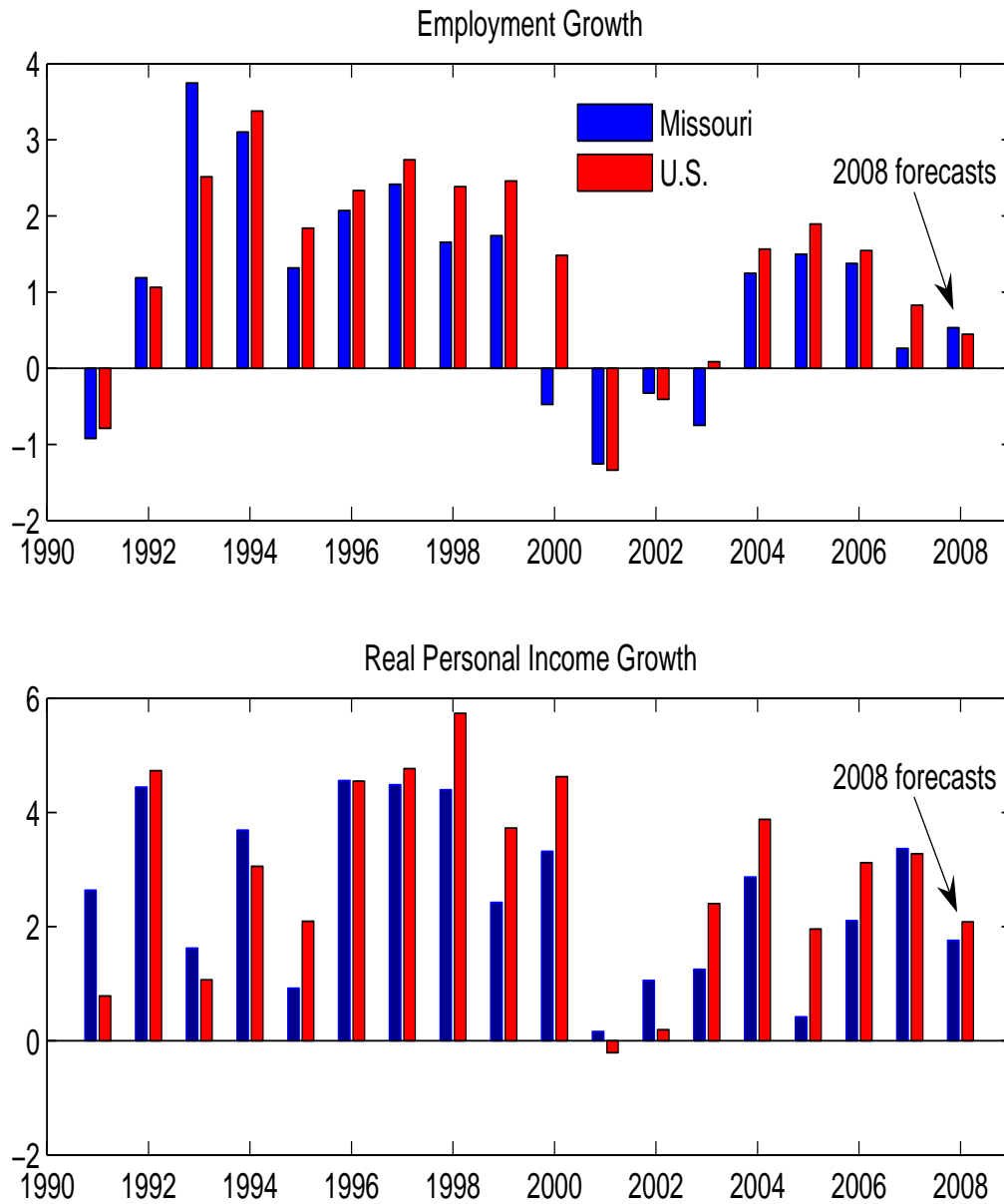


Figure 1: Missouri and U.S. Annual Employment and Real Personal Income Growth, 1991–2007 and 2008 forecasts

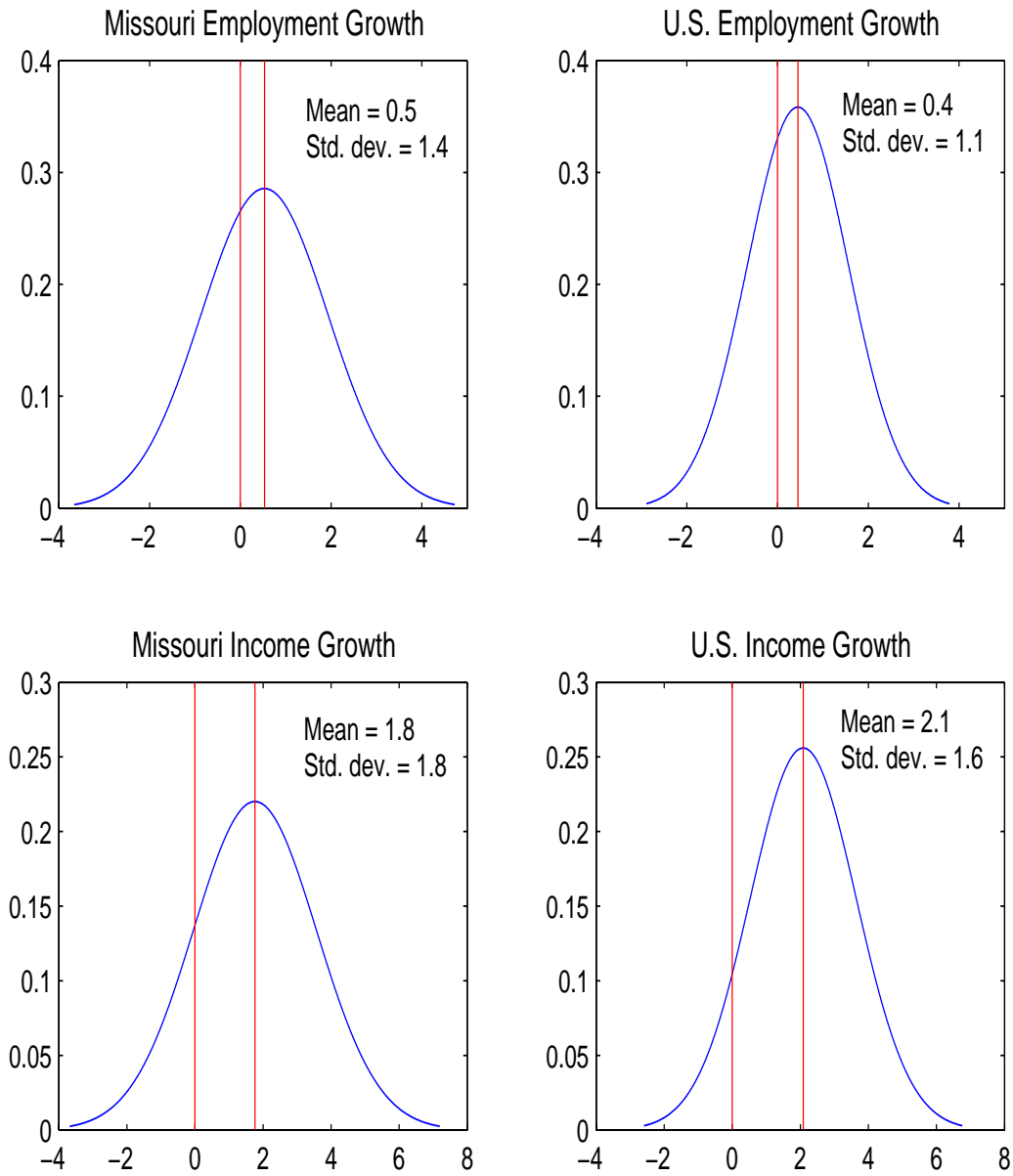


Figure 2: 2008 Density forecasts for Missouri and U.S. Annual Employment and Real Personal Income Growth

Notes: density forecasts have a normal distribution with mean and standard deviation indicated in the figures; red vertical lines indicate zero and the mean of the density forecast.