



*Missouri Homeownership
Preservation Summit*

**The
Economic Outlook
for Housing**

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The Economic Outlook for Housing

- **National and Missouri economic conditions**
 - **State and US unemployment will remain high.**
 - **Tentative signs of job growth in some areas.**

- **Housing and mortgage markets**
 - **House prices remain at risk.**
 - **Homebuilding will stagnate.**
 - **Mortgage defaults will continue.**



Important Reminder

- **These comments do not necessarily reflect the views of the Federal Reserve Bank of St. Louis or of the Federal Reserve System.**

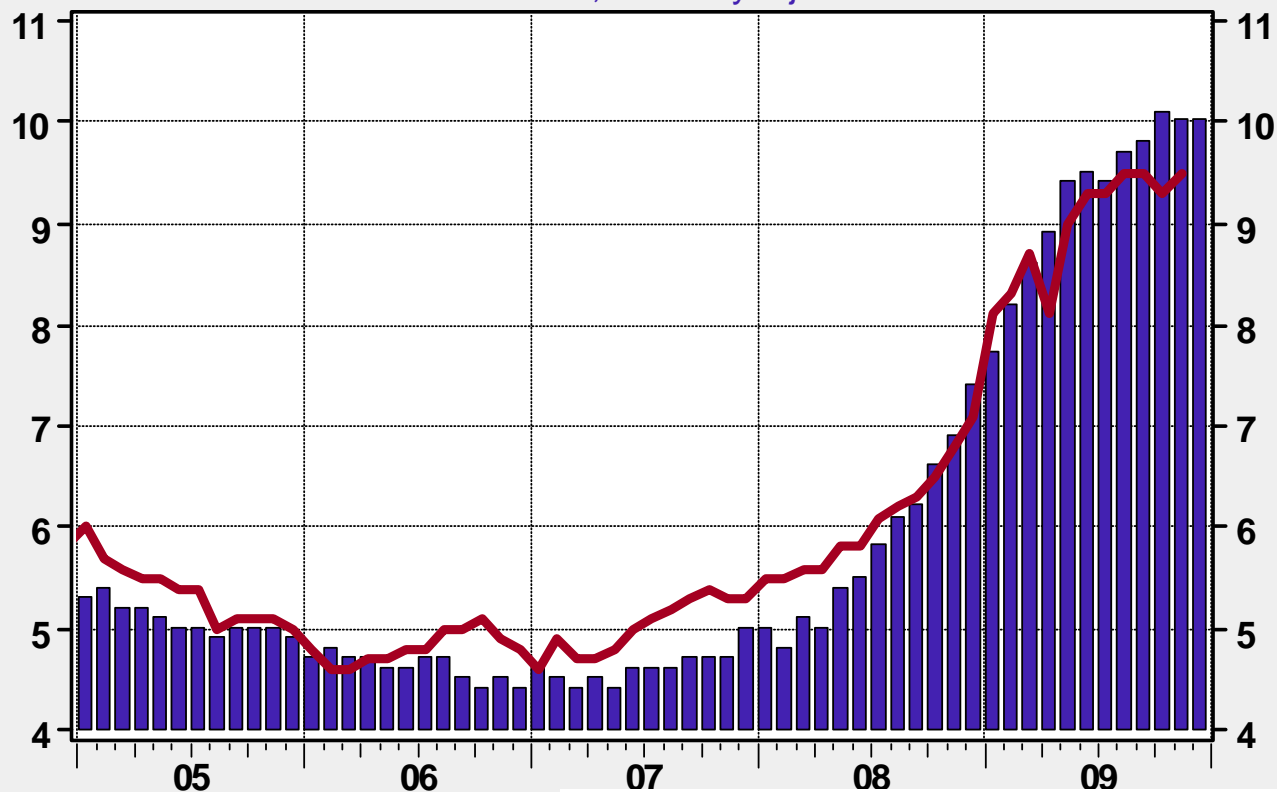


Missouri Unemployment Rate Tracking National Average Higher

Missouri Unemployment Rate
Percent of labor force, seasonally adjusted

US Unemployment Rate
Percent of labor force, seasonally adjusted

Percent

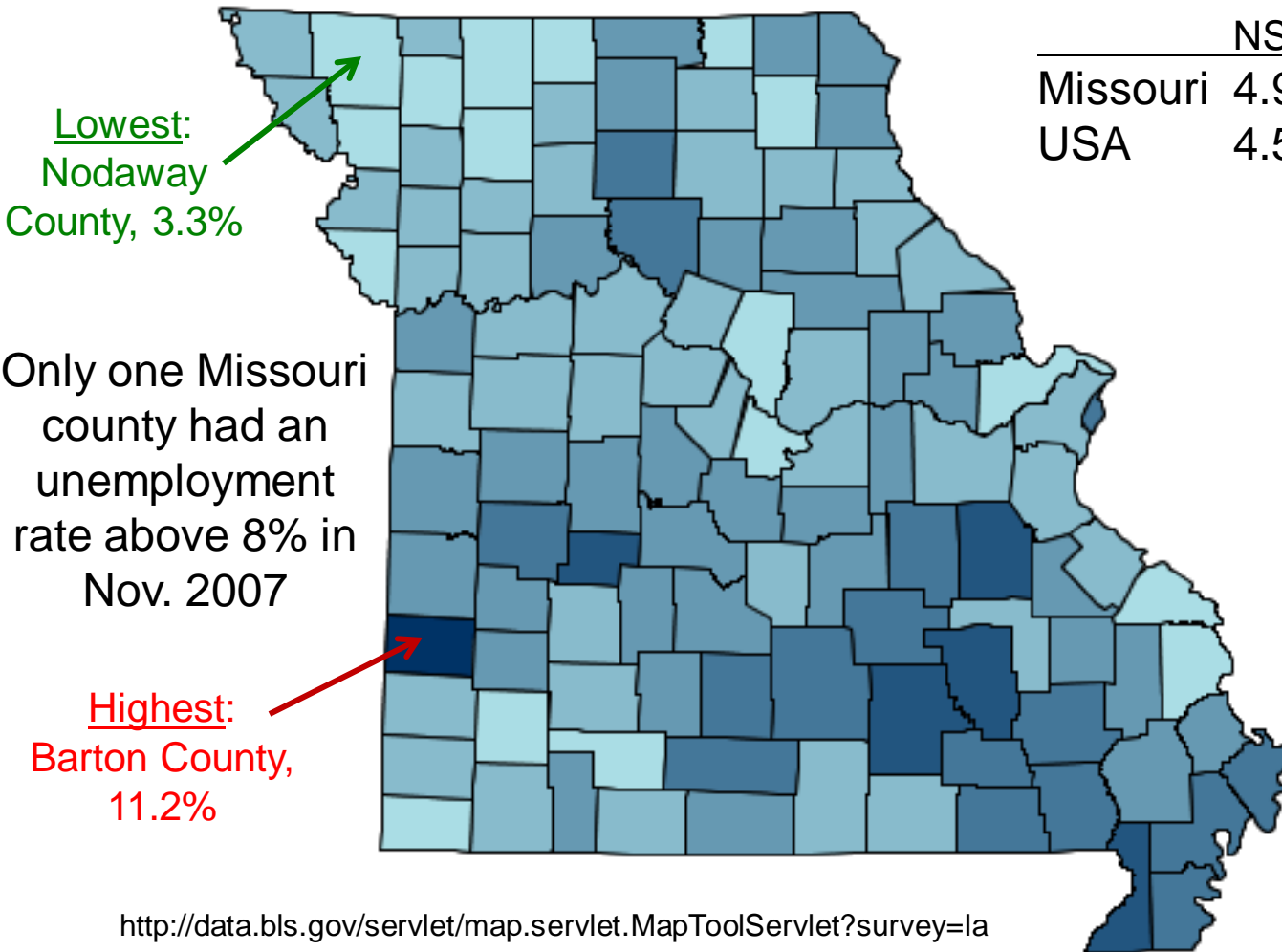


Sources: Bureau of Labor Statistics Monthly data through Nov. 2009 (MO) or Dec. 2009 (US)



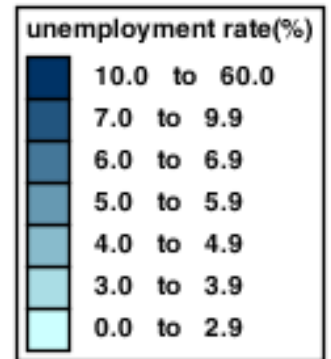
Two Years Ago, Unemployment in Missouri Was About 5 Percent

Unemployment rates by county, not seasonally adjusted, Missouri November 2007



	NSA
Missouri	4.9%
USA	4.5%

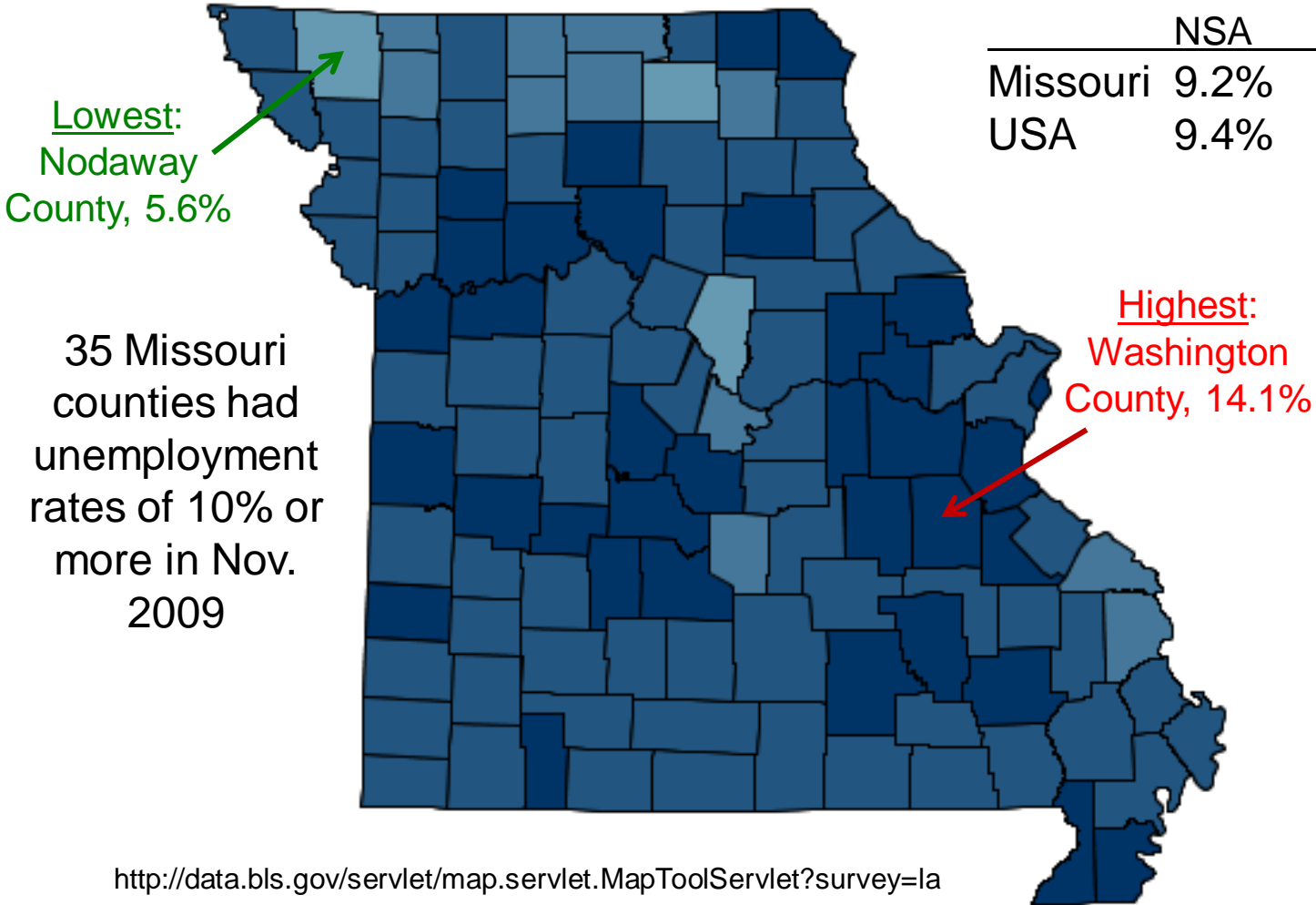
Seasonally Adjusted	
Missouri	5.3%
USA	4.7%





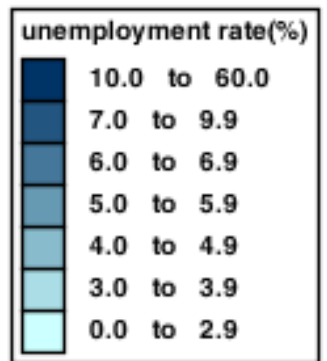
By November 2009, Missouri Unemployment Had Nearly Doubled

Unemployment rates by county, not seasonally adjusted, Missouri November 2009



	NSA
Missouri	9.2%
USA	9.4%

Seasonally Adjusted
9.5%
10.0%



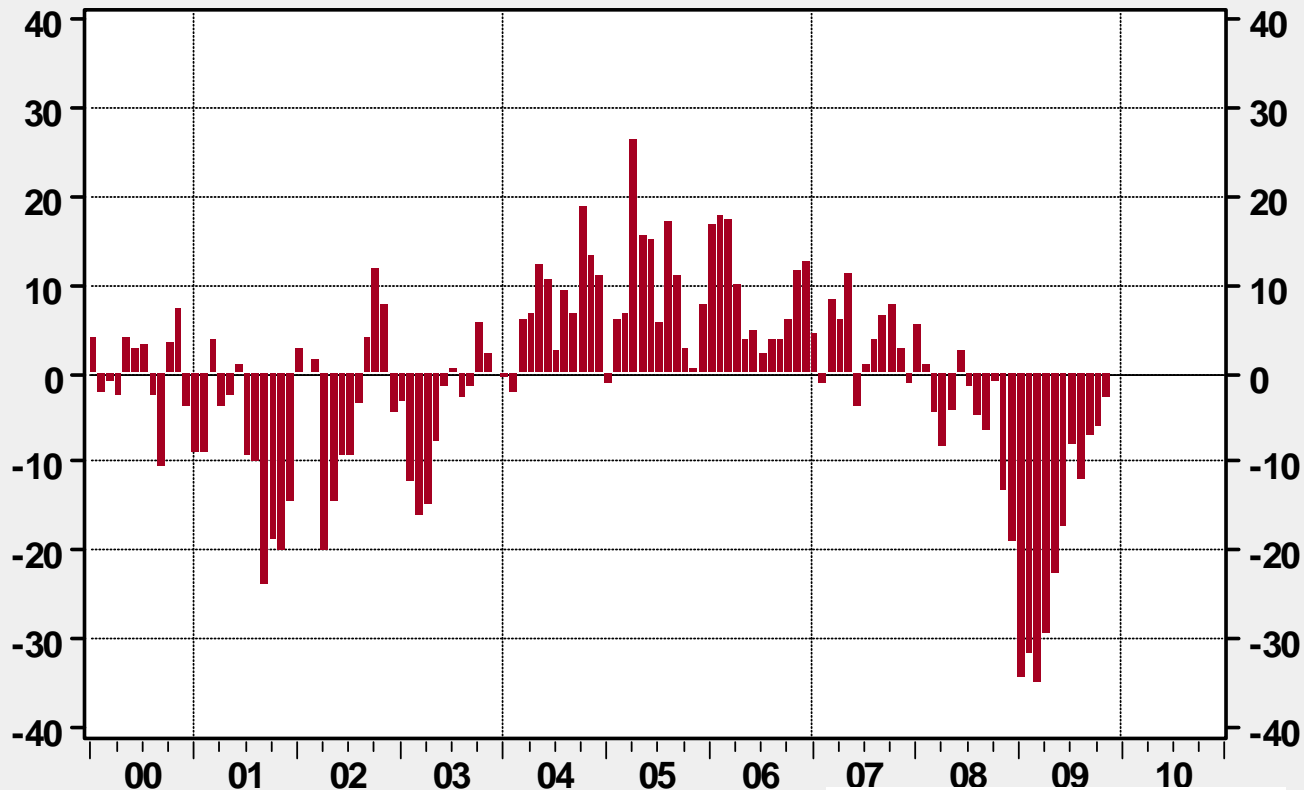


The Worst is Over—Missouri Job Losses Are Slowing

Missouri Nonfarm Employment

Change from three months ago, in thousands

Thousands of employees



Source: Bureau of Labor Statistics /Haver Analytics

Monthly data through Nov. 2009

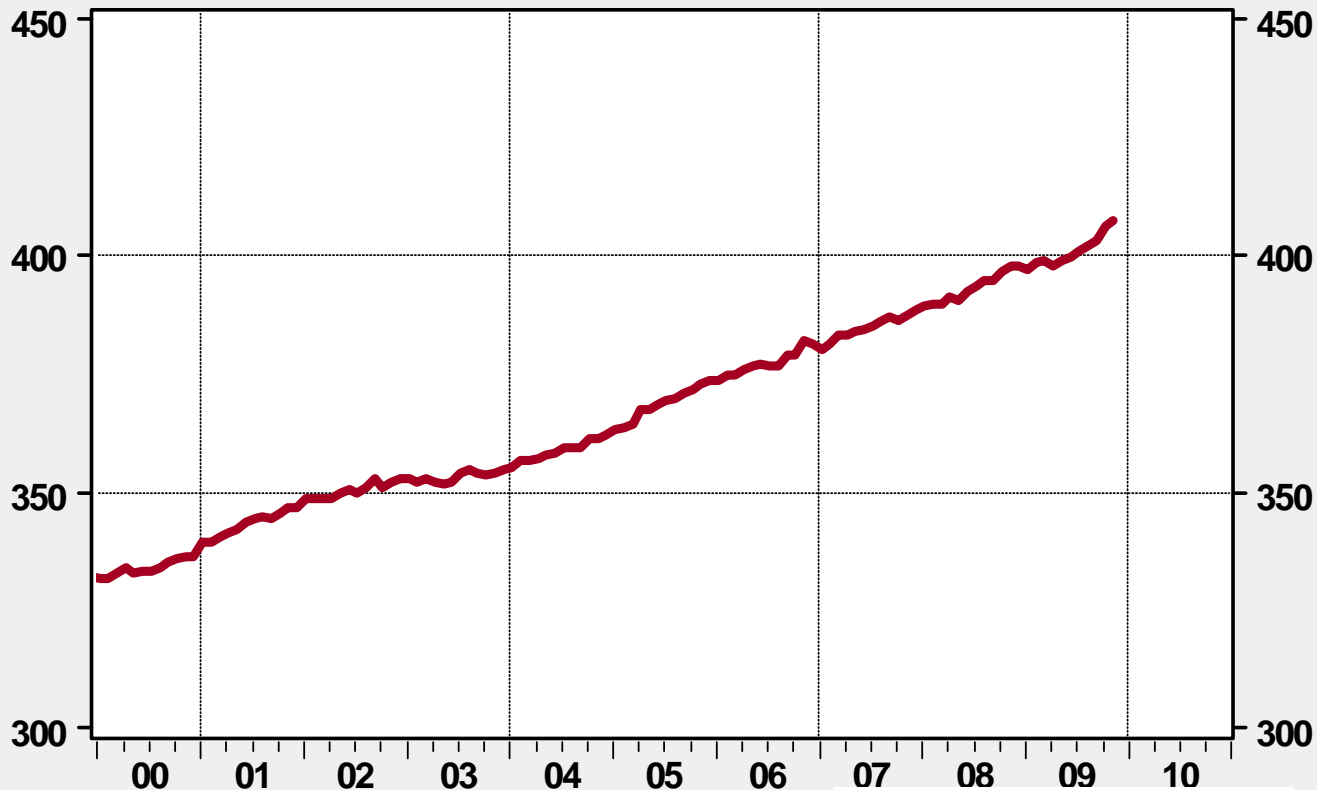


Missouri Education and Health Sectors Are Growing

Missouri Employment in Educational & Health Services

Thousands of employees

Thousands of employees



Source: Bureau of Labor Statistics / Haver Analytics

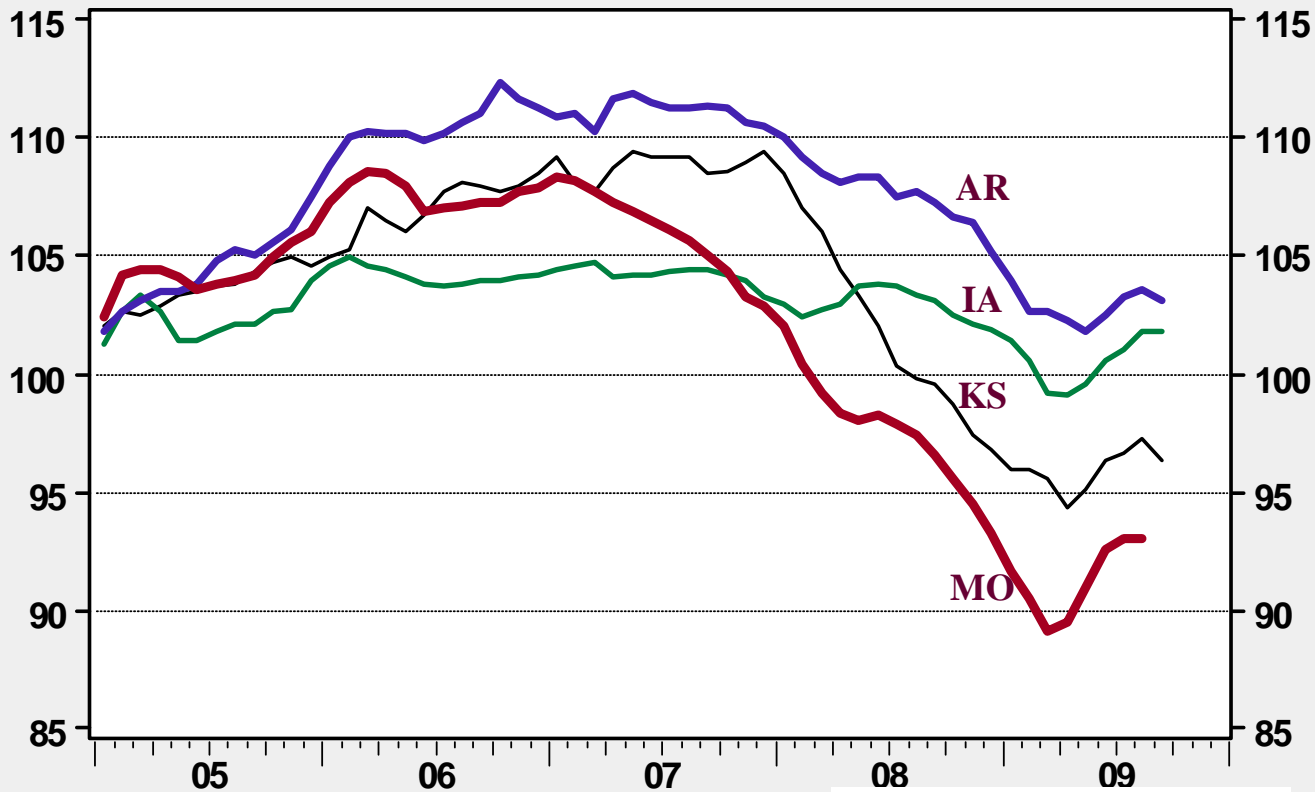
Monthly data through Nov. 2009



Missouri House Prices Among the Weakest in the Midwest

Loan Performance House Price Index, Missouri (SA, 2004 Dec=100) (I)
 Loan Performance House Price Index, Arkansas (SA, 2004 Dec=100) (I)
 Loan Performance House Price Index, Iowa (SA, 2004 Dec=100) (I)
 Loan Performance House Price Index, Kansas (SA, 2004 Dec=100) (I)

Index
 equals 100
 in Dec.
 2004



Peak-to-trough declines

AR -9%
 IA -5%
 KS -14%
 MO -19%

Sources: LP/HAVER/Haver

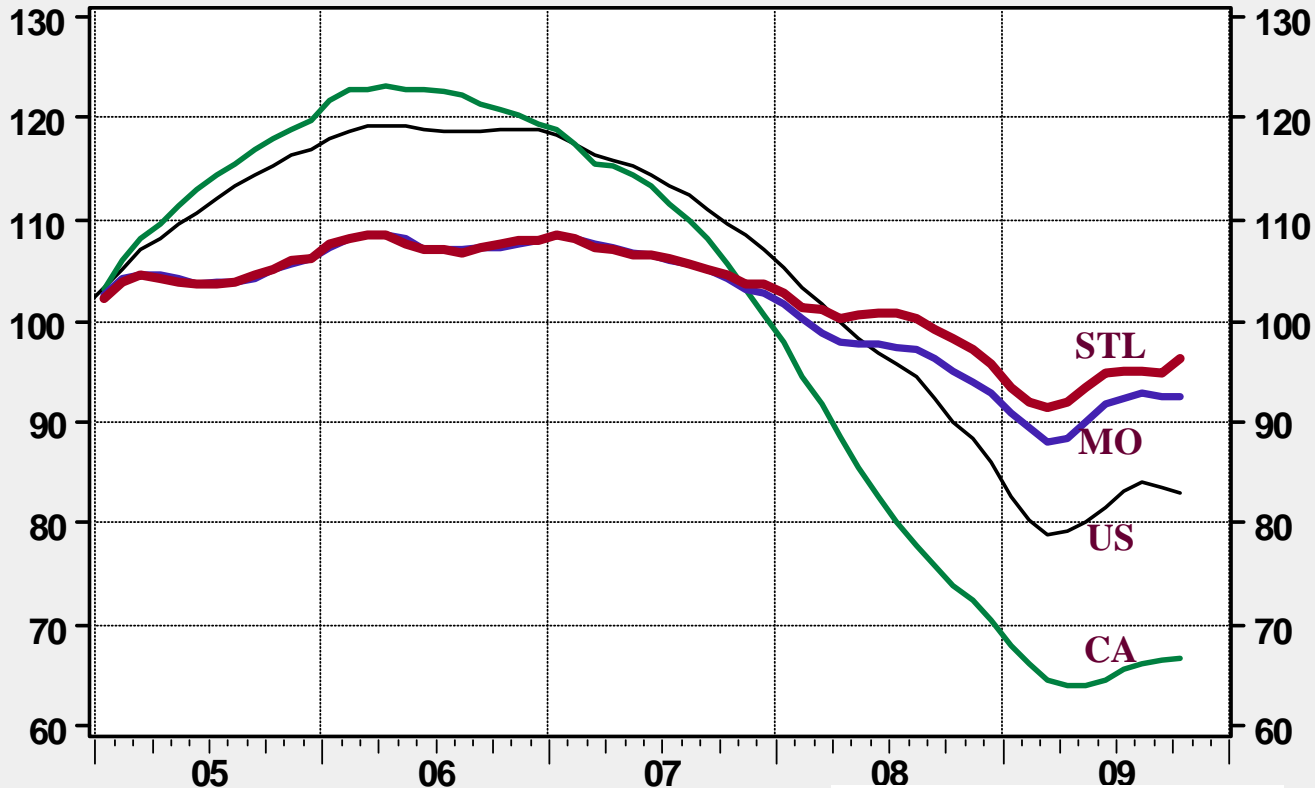
Monthly data through Aug. 2009



But Not As Weak As Elsewhere

House-Price Index for St. Louis MO-IL
 House-Price Index for Missouri
 House-Price Index for California
 House-Price Index for US

Index equals 100 in Dec. 2004



Sources: LP/HAVER/Haver

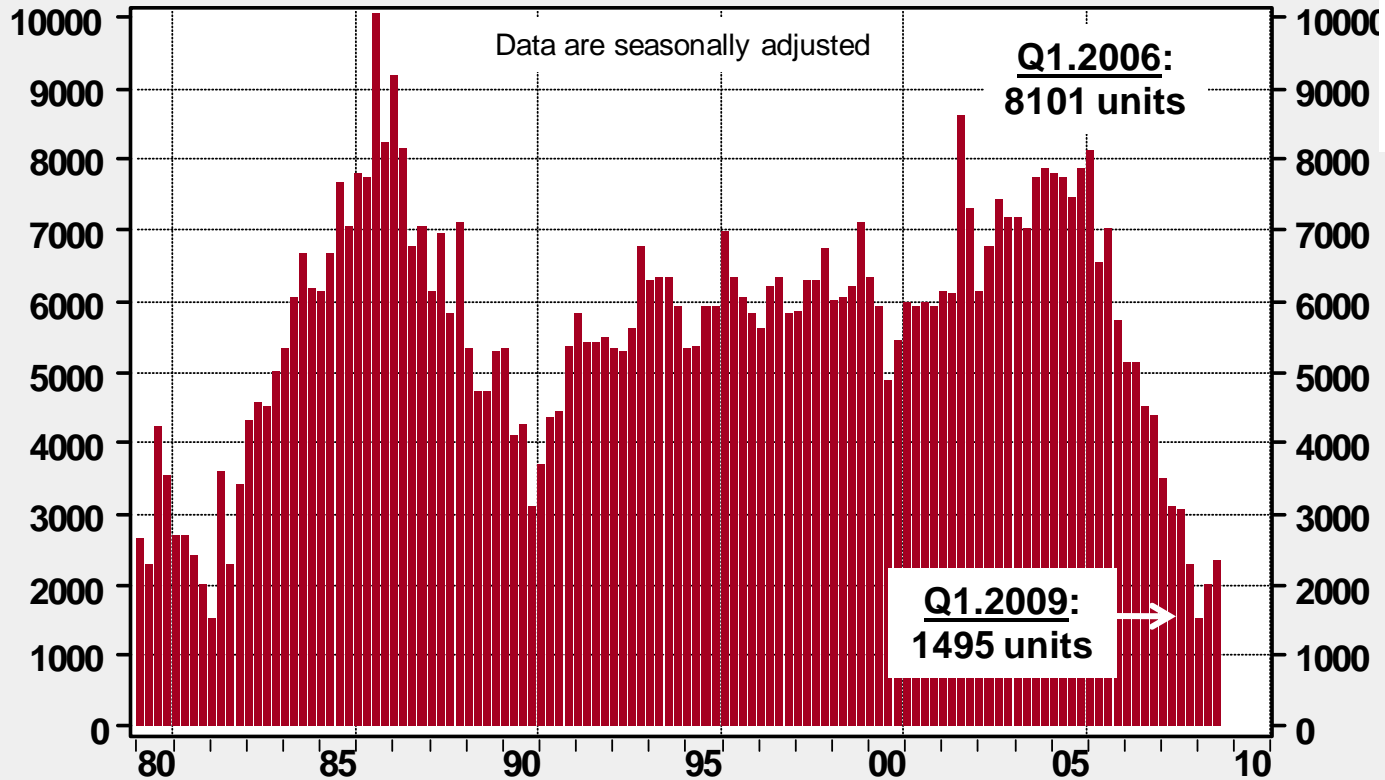
Monthly data through Oct. 2009



Missouri Building Permits Decreased by 82 Percent From Peak to Trough

Missouri Private Building Permits for Housing Construction

Number of housing units



Peak-to-trough change: -82%

Source: Bureau of the Census/Haver Analy Quarterly data through Q3.2009, seasonally adjusted

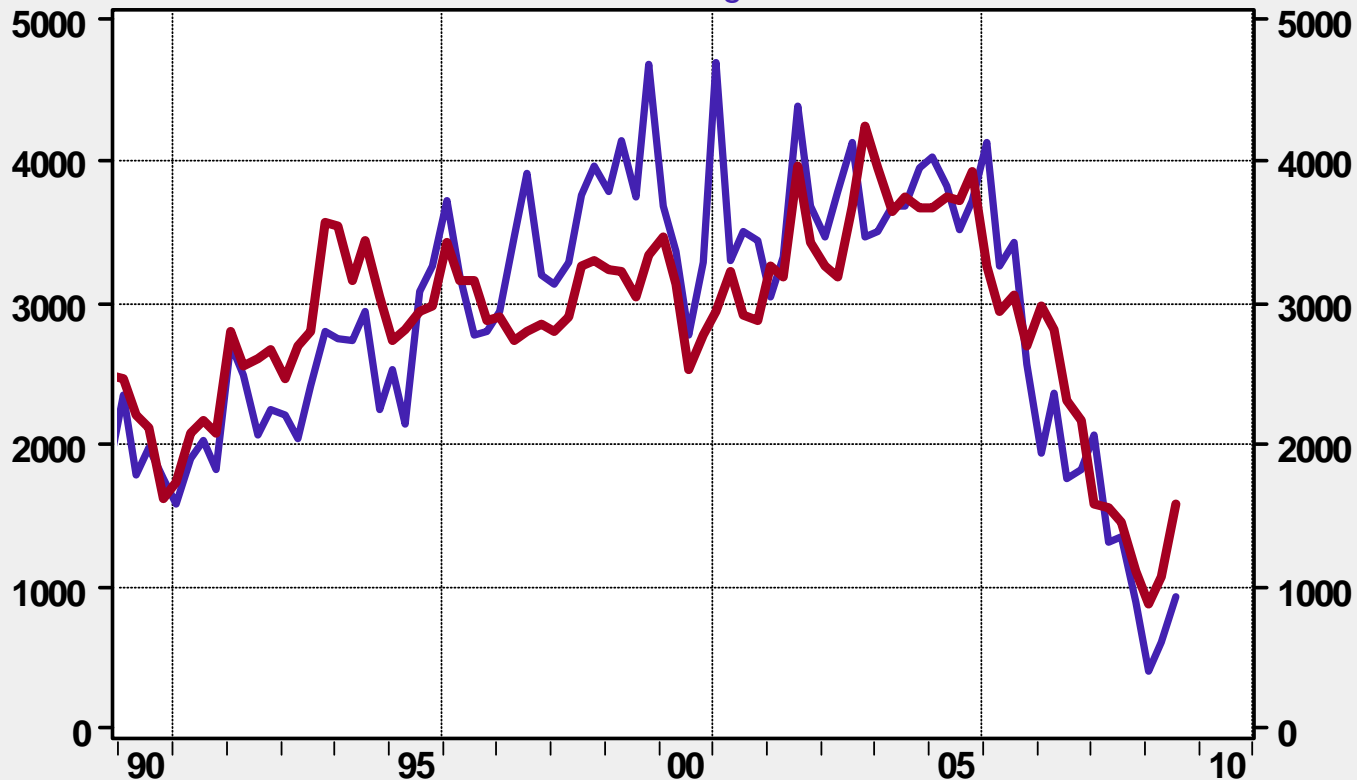


St. Louis and Kansas City Homebuilding Have Bounced Back A Bit

St. Louis MO/IL Private Building Permits for Housing Construction
Number of housing units

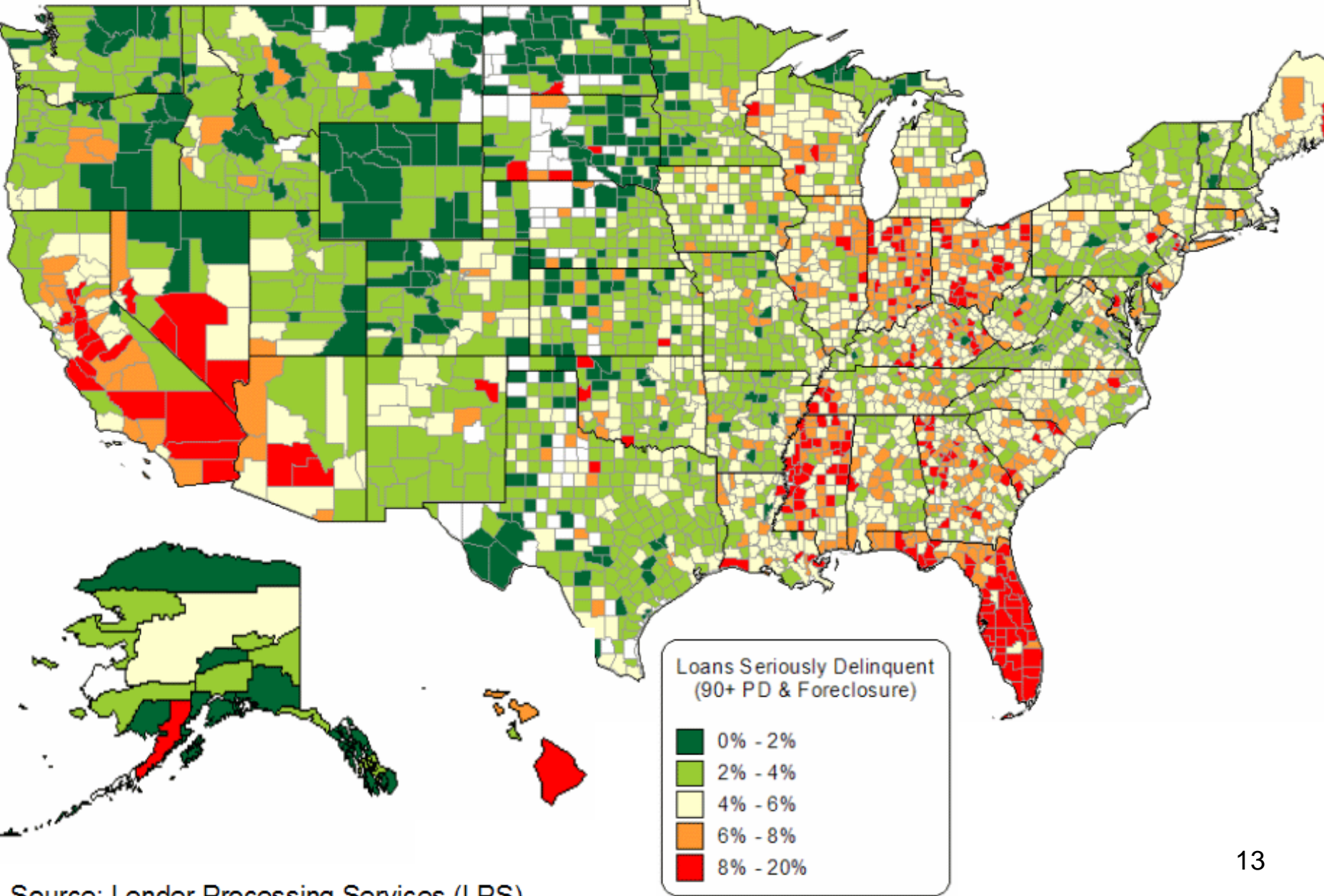
Kansas City MO/KS Private Building Permits for Housing Construction
Number of housing units

Number
of
housing
units



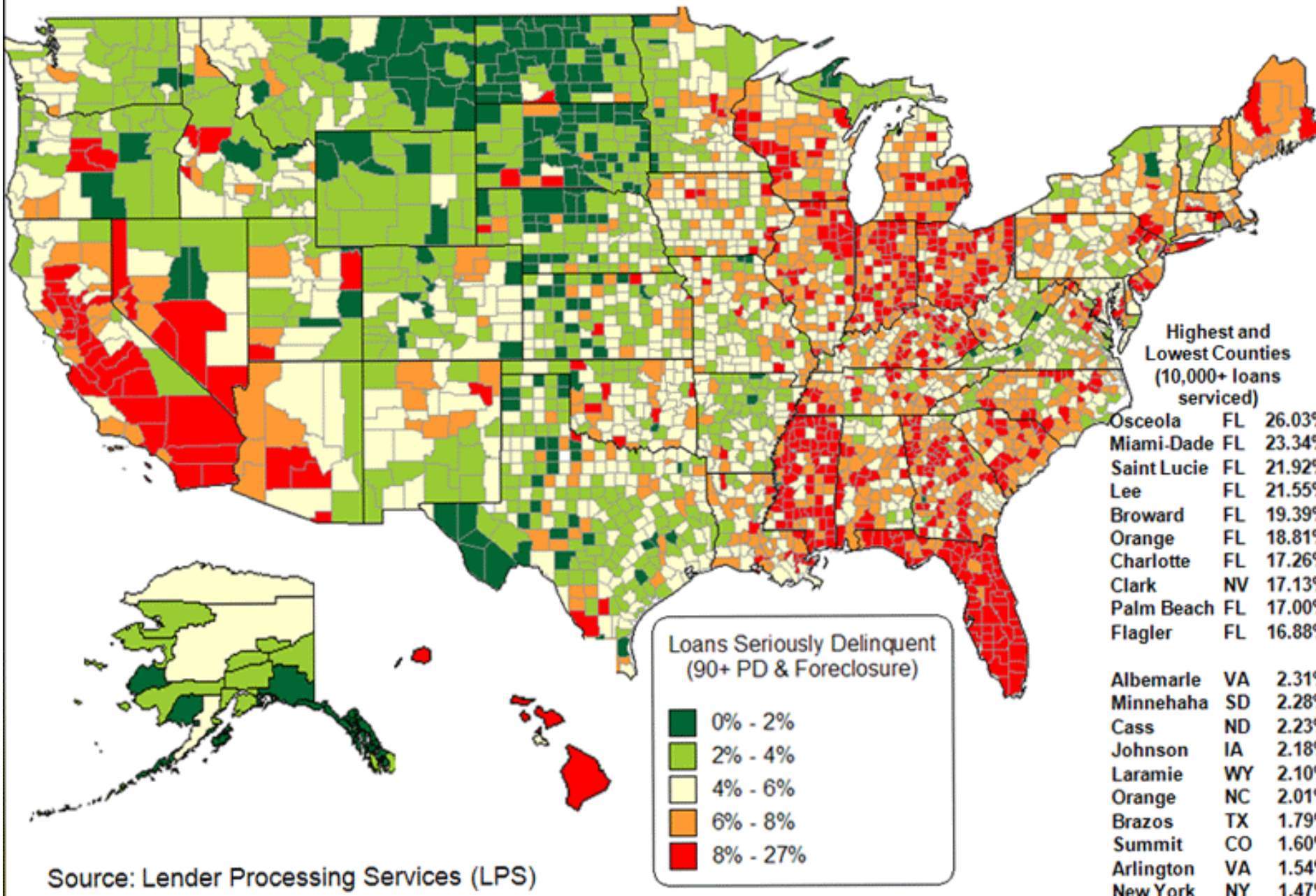
Sources: Bureau of the Census/Haver Analytics Quarterly data through Q3.2009, seasonally adjusted

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

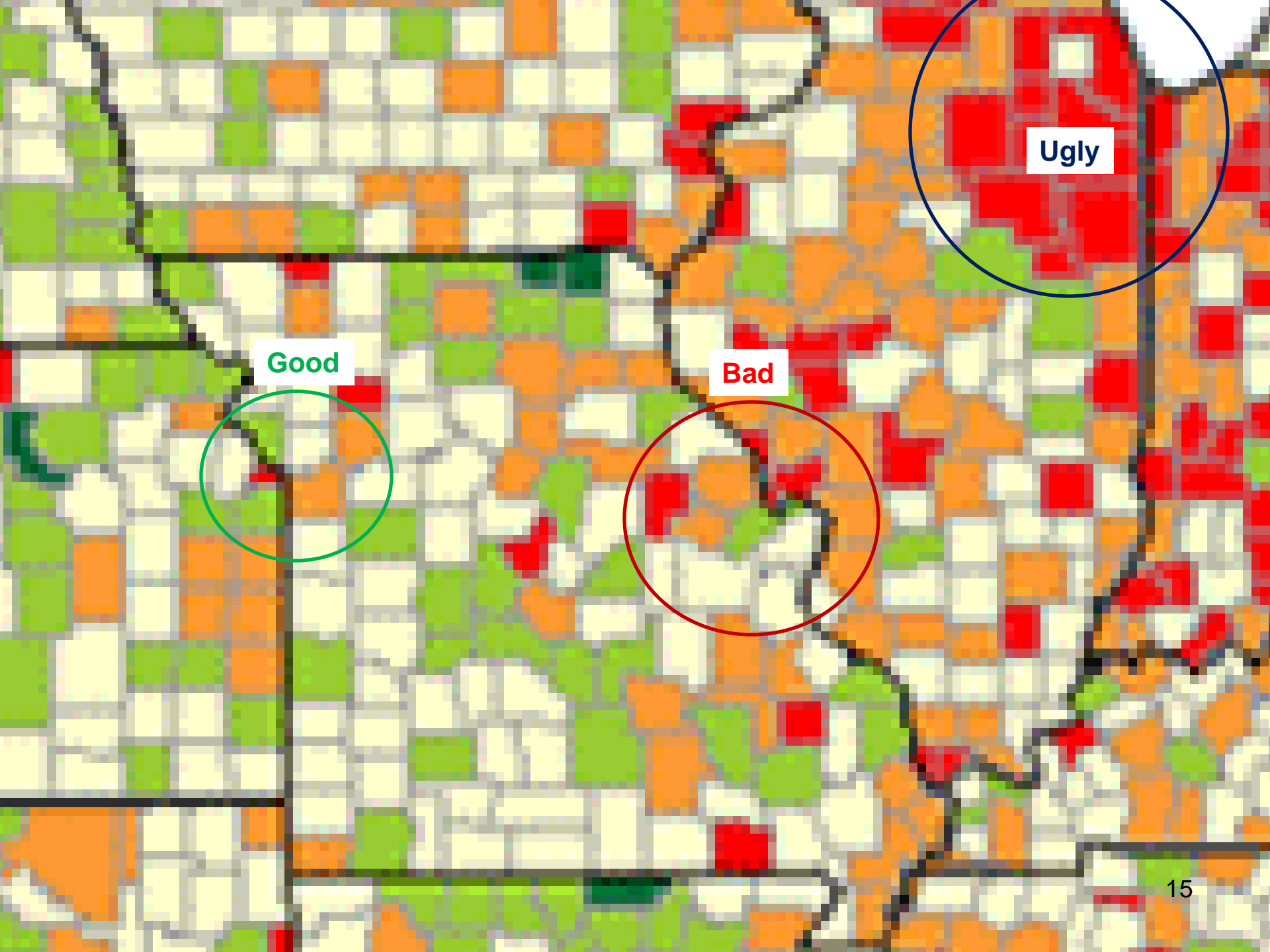


Source: Lender Processing Services (LPS)

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



Source: Lender Processing Services (LPS)



Good

Bad

Ugly



Missouri Mortgage Delinquencies and Foreclosures Likely to Rise During 2010

Share of Missouri First-Lien Mortgages Delinquent or in Foreclosure

Decimal fraction: 0.10 equals 10%

Decimal fraction



Source: Mortgage Bankers' Association

Quarterly data thru Q3.2009

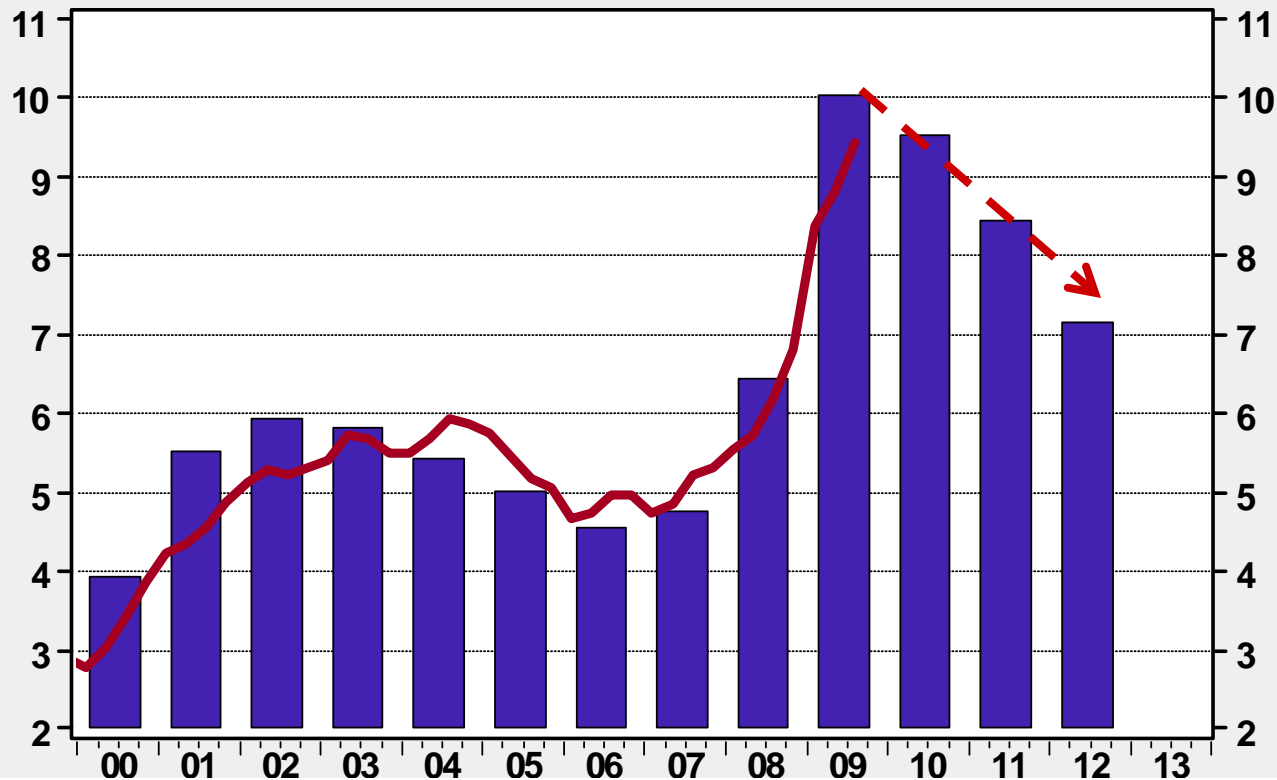


The Outlook for 2010 and Beyond: Missouri Unemployment Will Remain Painfully High

Missouri Unemployment Rate
Percent

FOMC Projection of US Unemployment Rate
Percent

Percent of
labor force



STL: BLS qtrly data thru Q3.2009 (SA); US: BLS annual data thru 2008; Nov. 2009 Fed projections for Q4 of 2009-12.



In Sum: The Economic Outlook for Housing in Missouri and Nationwide is Poor

- **Unemployment will remain painfully high for the foreseeable future.**
- **Housing and mortgage markets could get worse in 2010 before they improve.**
 - **House prices likely to fall further, increasing negative equity.**
 - **Homebuilding not likely to pick up due to a supply glut and weak demand.**
 - **Mortgage defaults will continue at high rates during 2010.**