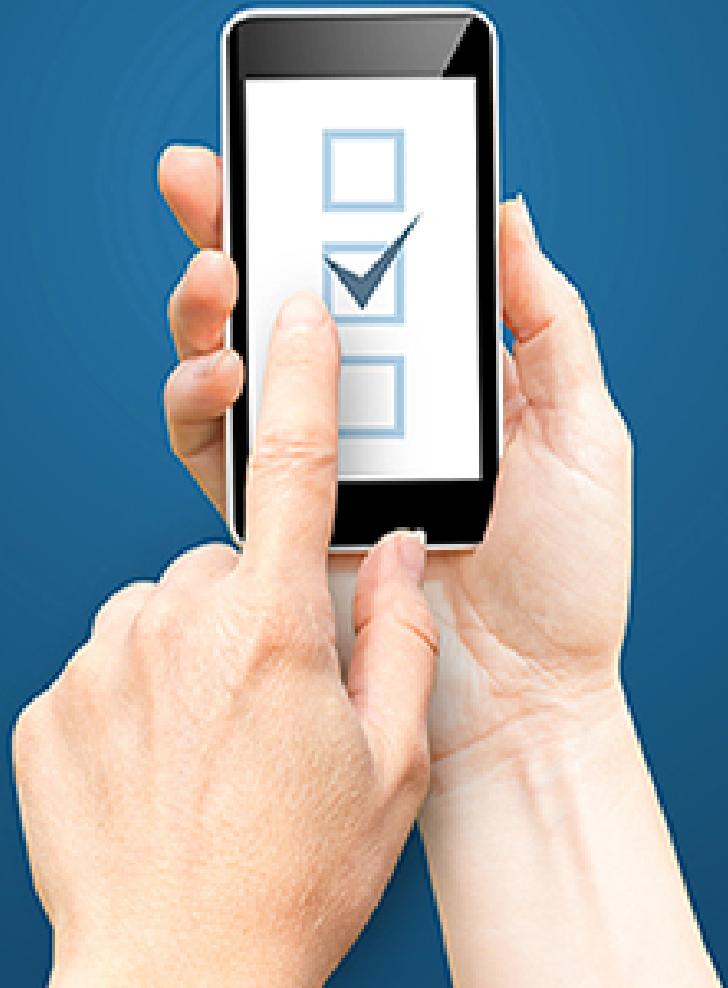


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# A Perspective on Metro Growth and Prosperity: *How to Measure It?* *How Does St. Louis Stack Up?*

**Charles S. Gascon**  
*Regional Economist*  
*Federal Reserve Bank of St. Louis*  
*February 21, 2018*

The views I will express are my own and do not necessarily reflect the positions of the Federal Reserve Bank of St. Louis or the Federal Reserve System.

# US Outlook: slow growth, low inflation, low rates

- The data suggest that the U.S. has converged to 2 percent real GDP growth.

GDP Forecasts: 2017: 2.5% 2018: 2.5% 2019: 2.1%

- Job growth has been gradually slowing since 2015, Low unemployment is probably not a harbinger of higher inflation.

Un. Rate: 2017: 4.1% 2018: 3.9% 2019: 3.9%

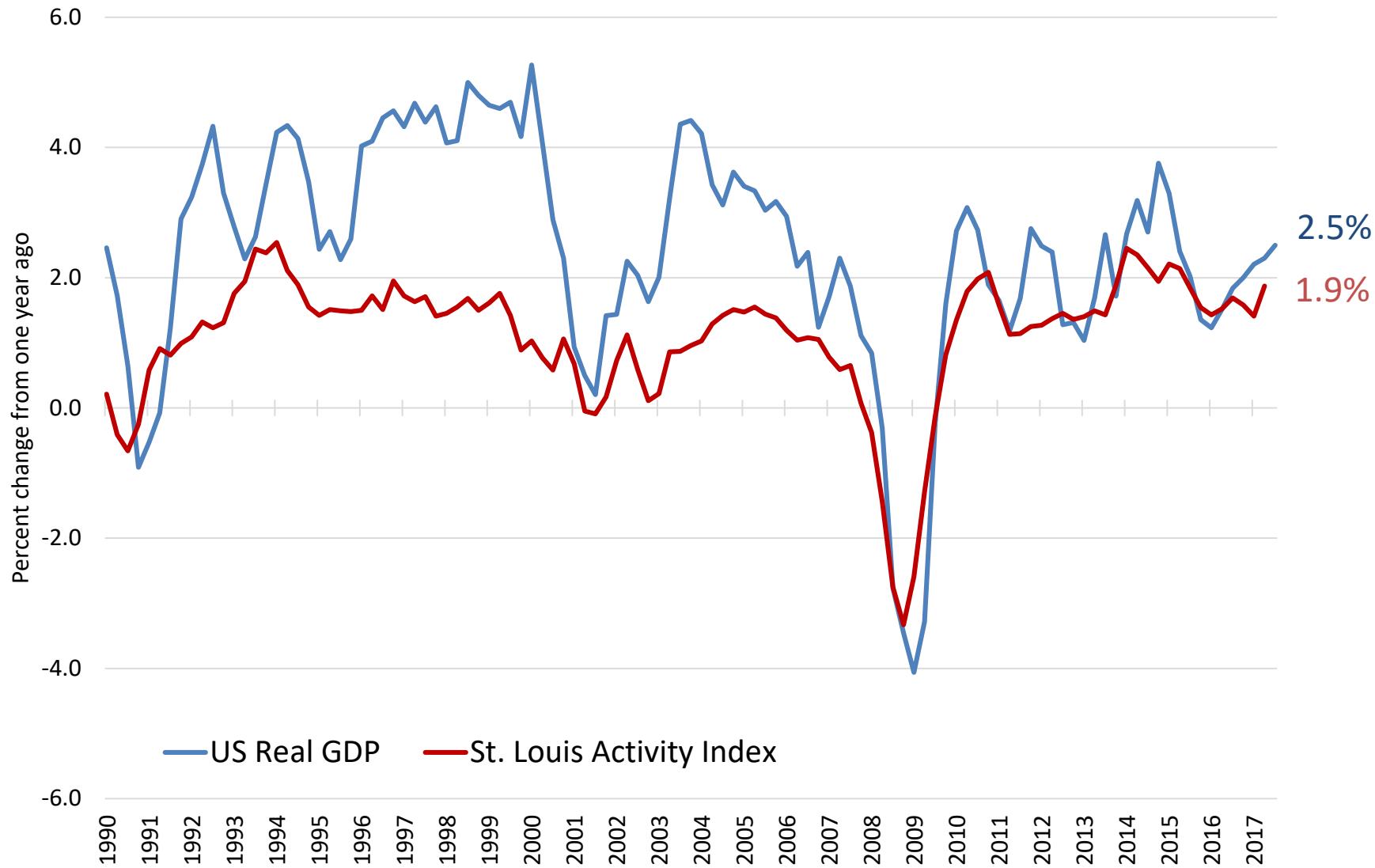
- Inflation surprised to the downside in 2017 but expected to return toward target of 2% over medium term.

PCE Inflation : 2017: 1.7% 2018: 1.9% 2019: 2.0%

- Policy rate is likely to remain appropriate over the near term.

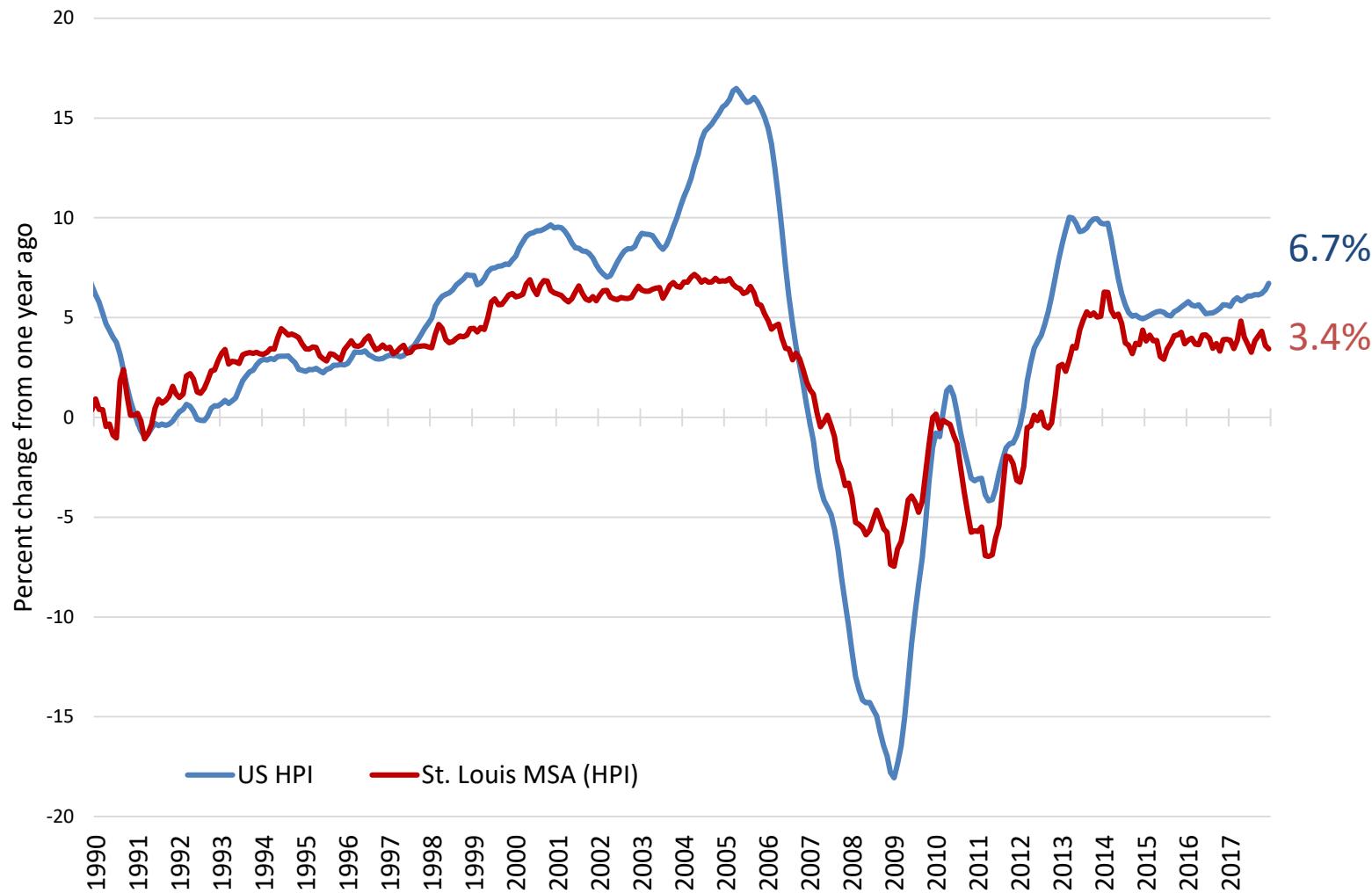
Fed Funds Rate : 2017: 1.4% 2018: 2.1% 2019: 2.7%

# The St. Louis economy follows national trends.



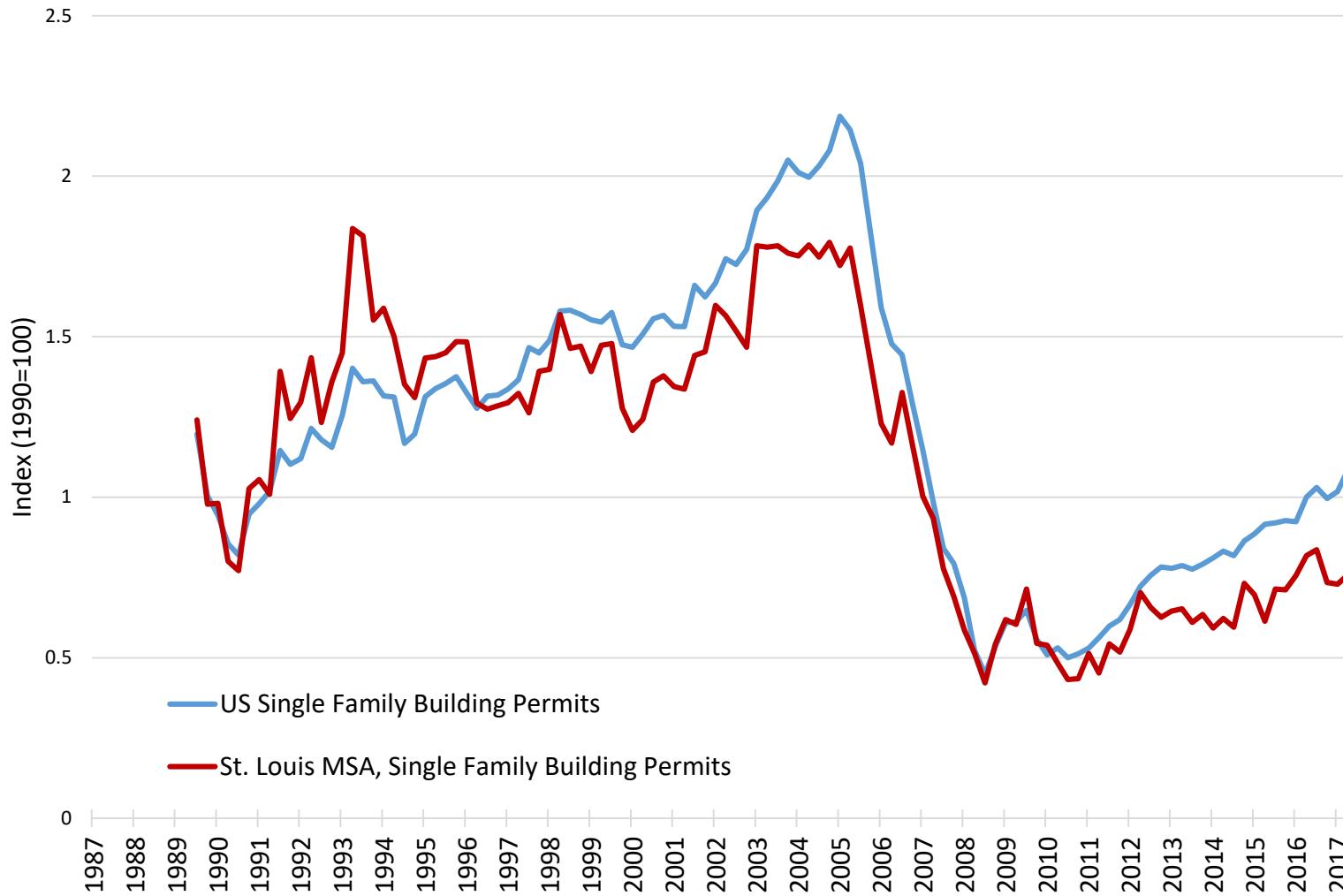
Source: BEA/ St. Louis Fed

# The story is also true for the housing prices...



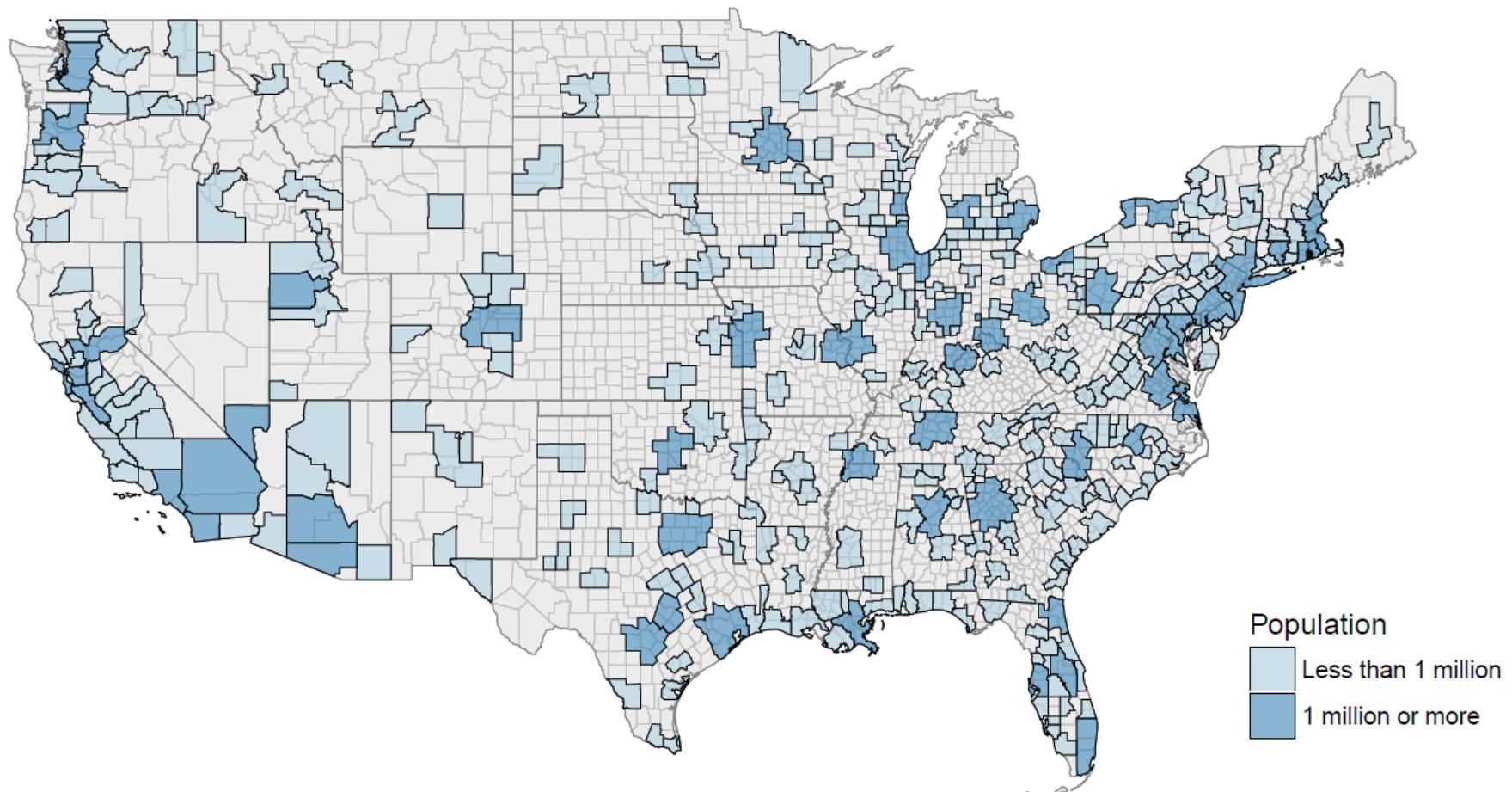
Source: Core Logic

## ...and building permits.

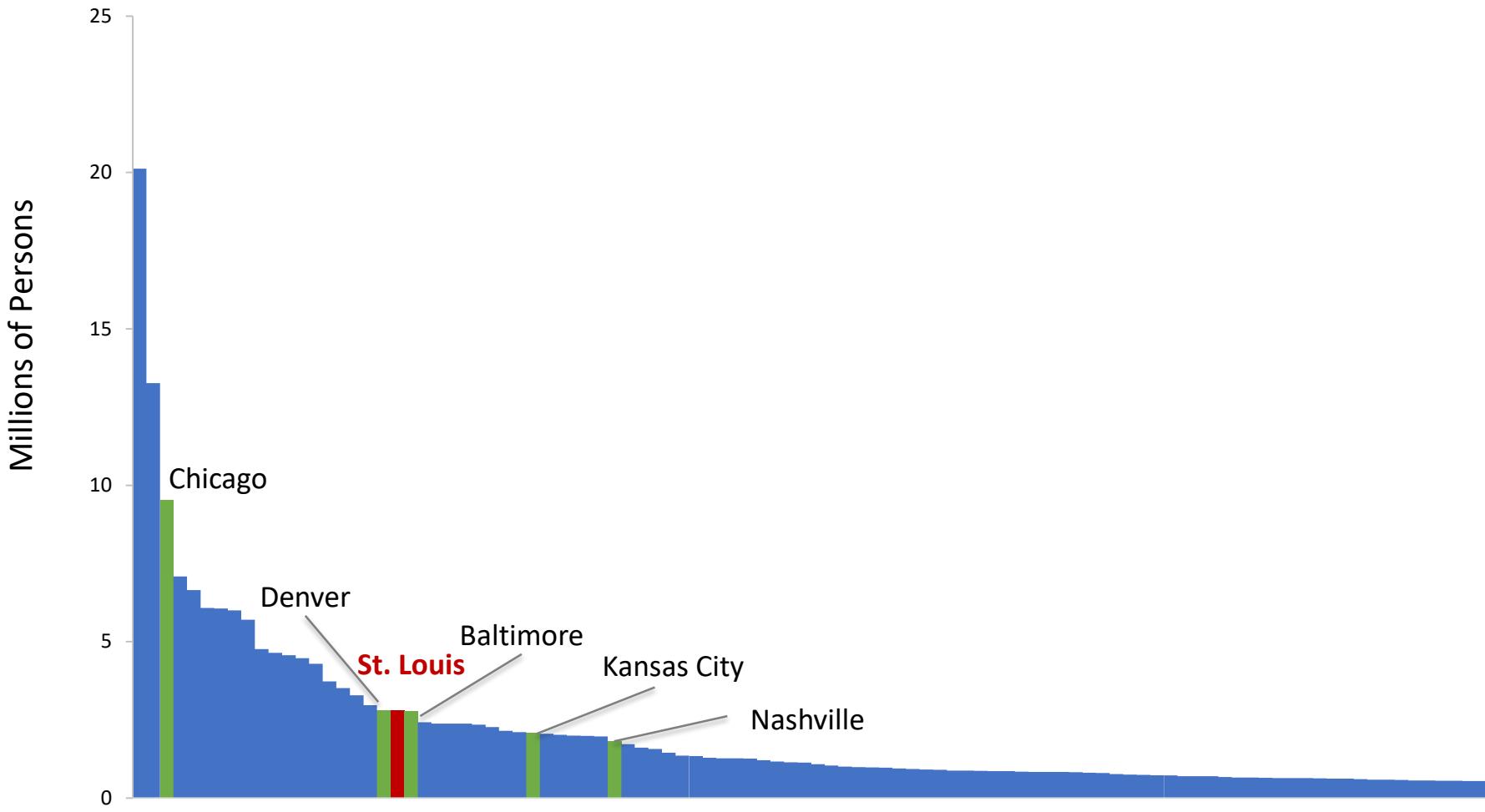


Source: Census Bureau

# Metropolitan Statistical Areas (MSAs) define economic boundaries

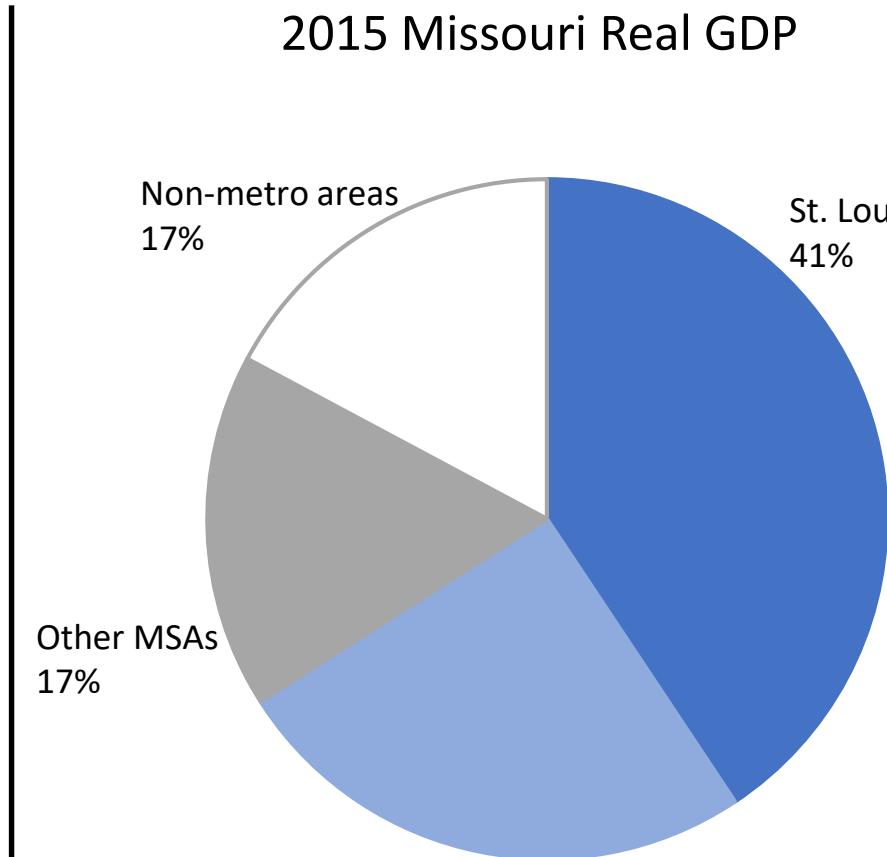
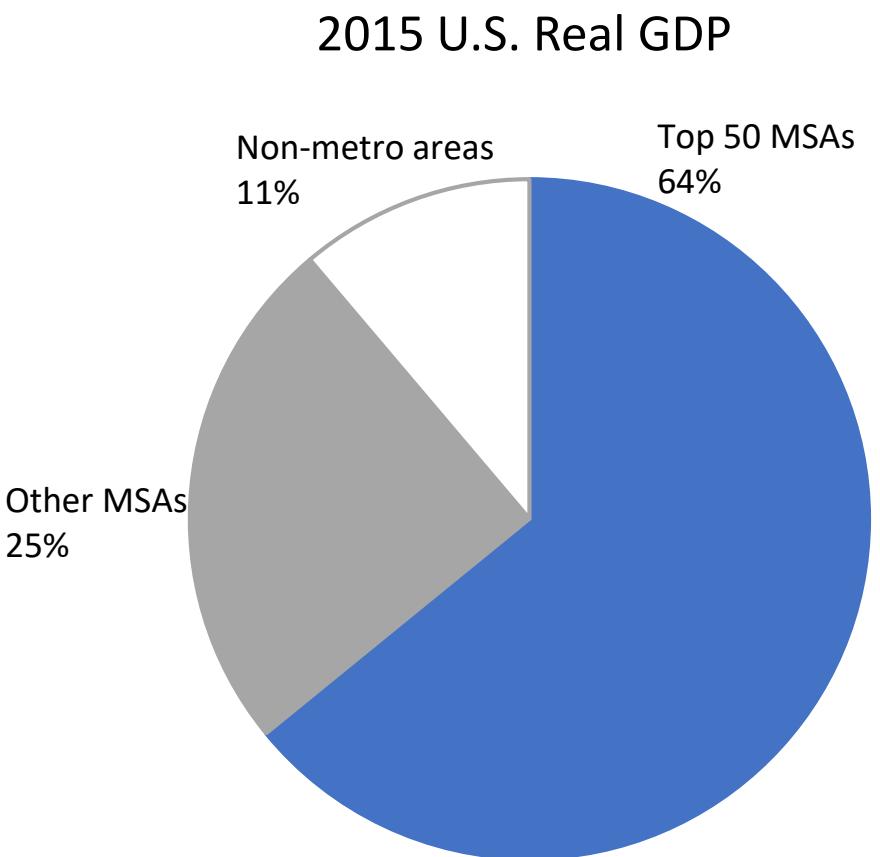


# St. Louis ranks 20<sup>th</sup> in population as of 2015



Source: U.S. Census Bureau

# About 90% of economic activity concentrated in metro areas



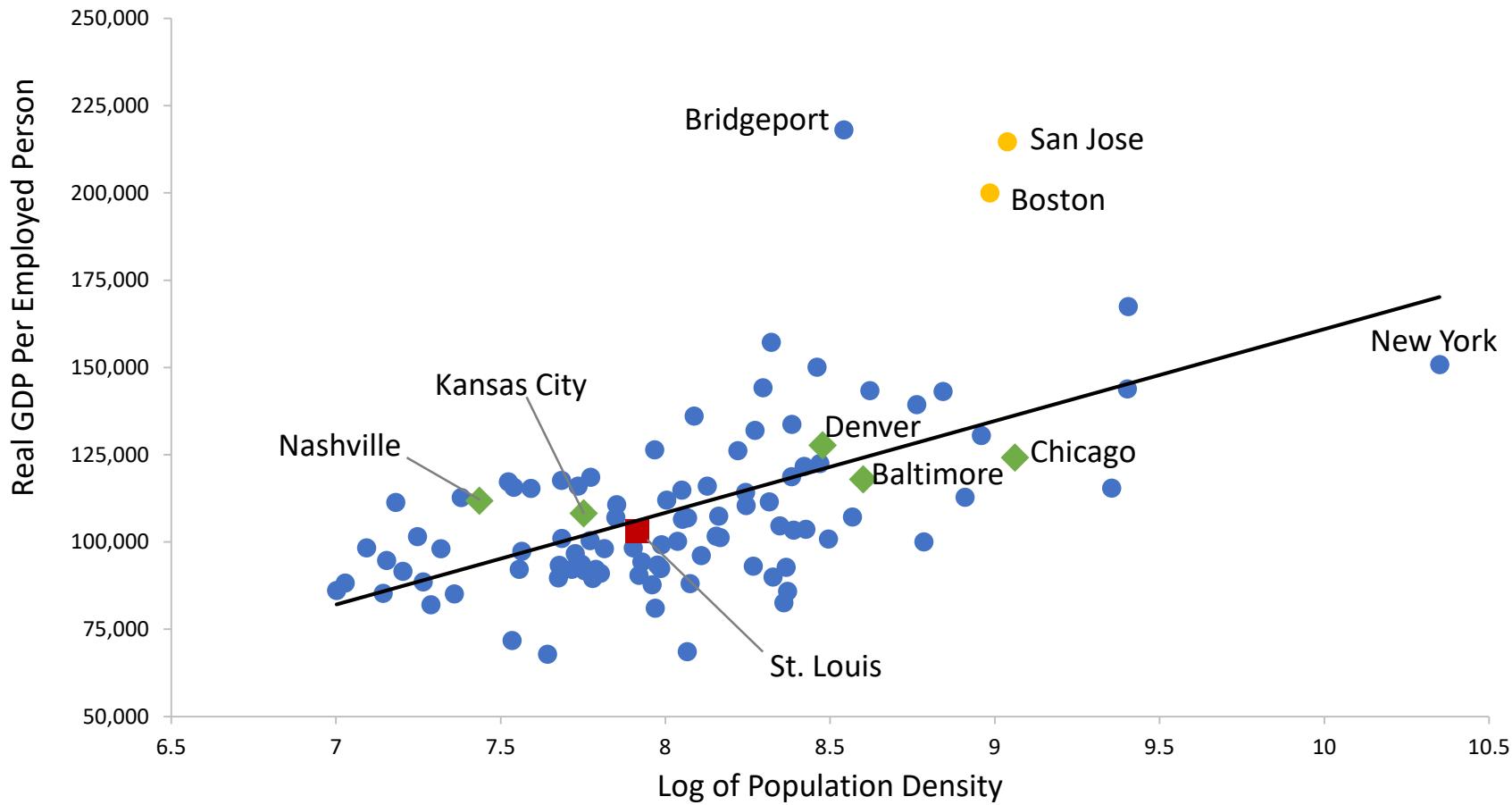
Note: St. Louis and Kansas City MSA GDP allocated to Missouri based on employment shares

Source: Bureau of Economic Analysis

**Agglomeration Economics** helps us understand why our economy is primarily composed of metropolitan areas.

There are benefits that come when firms and people locate near one another in cities.

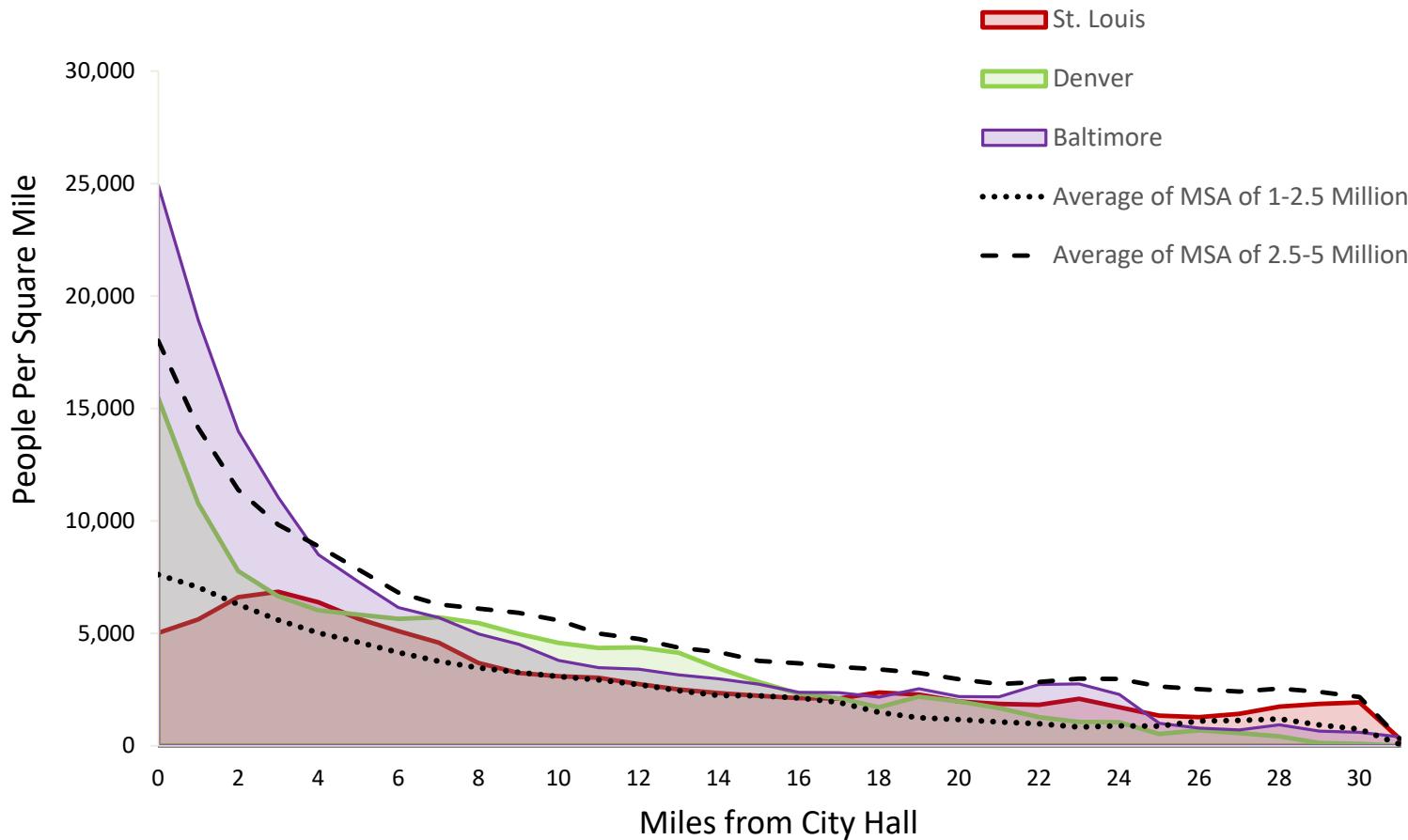
# Positive relationship between population density and worker productivity



Source: U.S. Census Bureau/Bureau of Economic Analysis

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# St. Louis has a profile of a smaller metro area



Source: U.S. Census Bureau

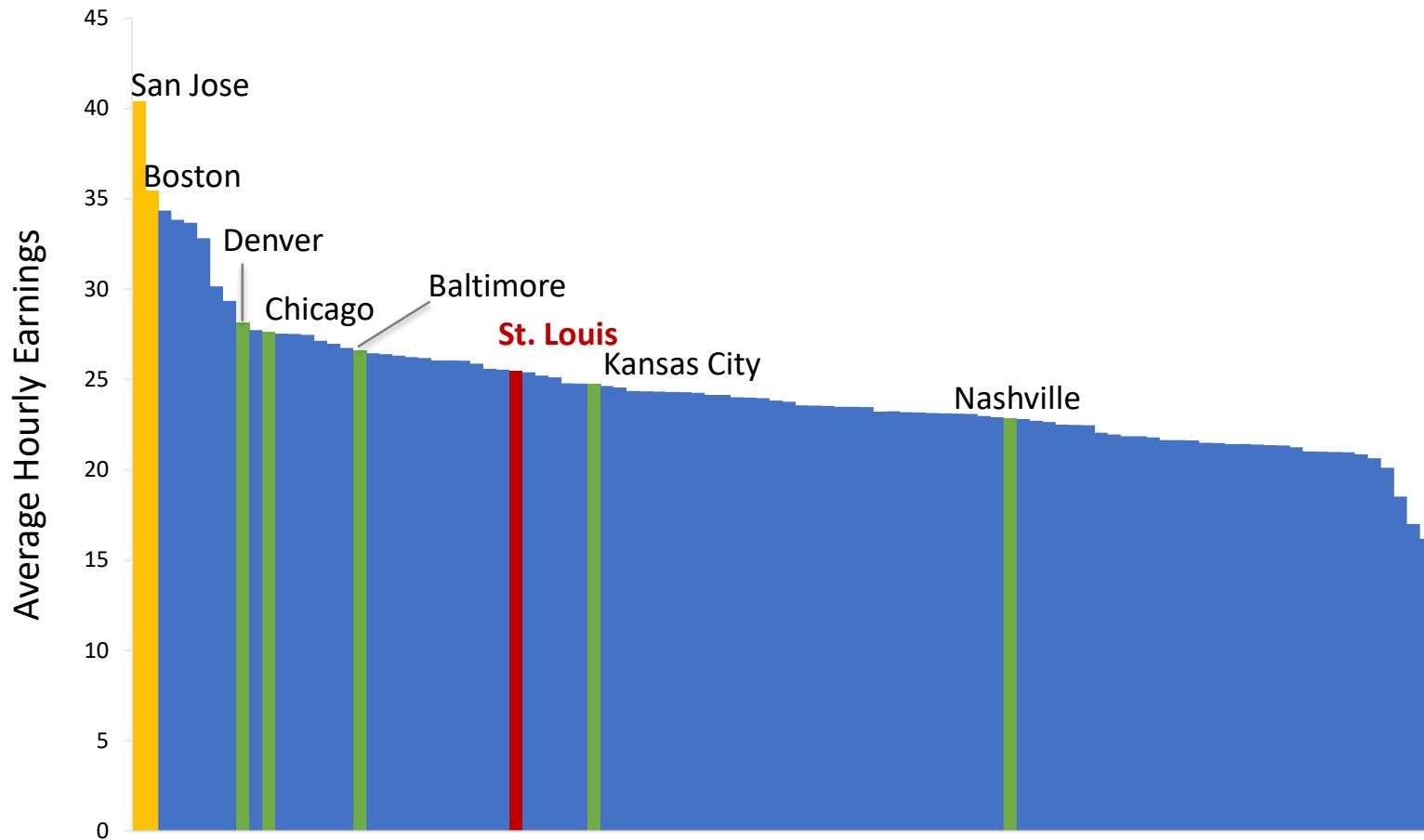
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“If a place is doing well, then employers should be **willing to pay more for workers in that area**, people should be willing to pay more for access to that place, and more people should move to that area.”

-Edward L. Glaeser

*Agglomeration Economics (2010), University of Chicago Press*

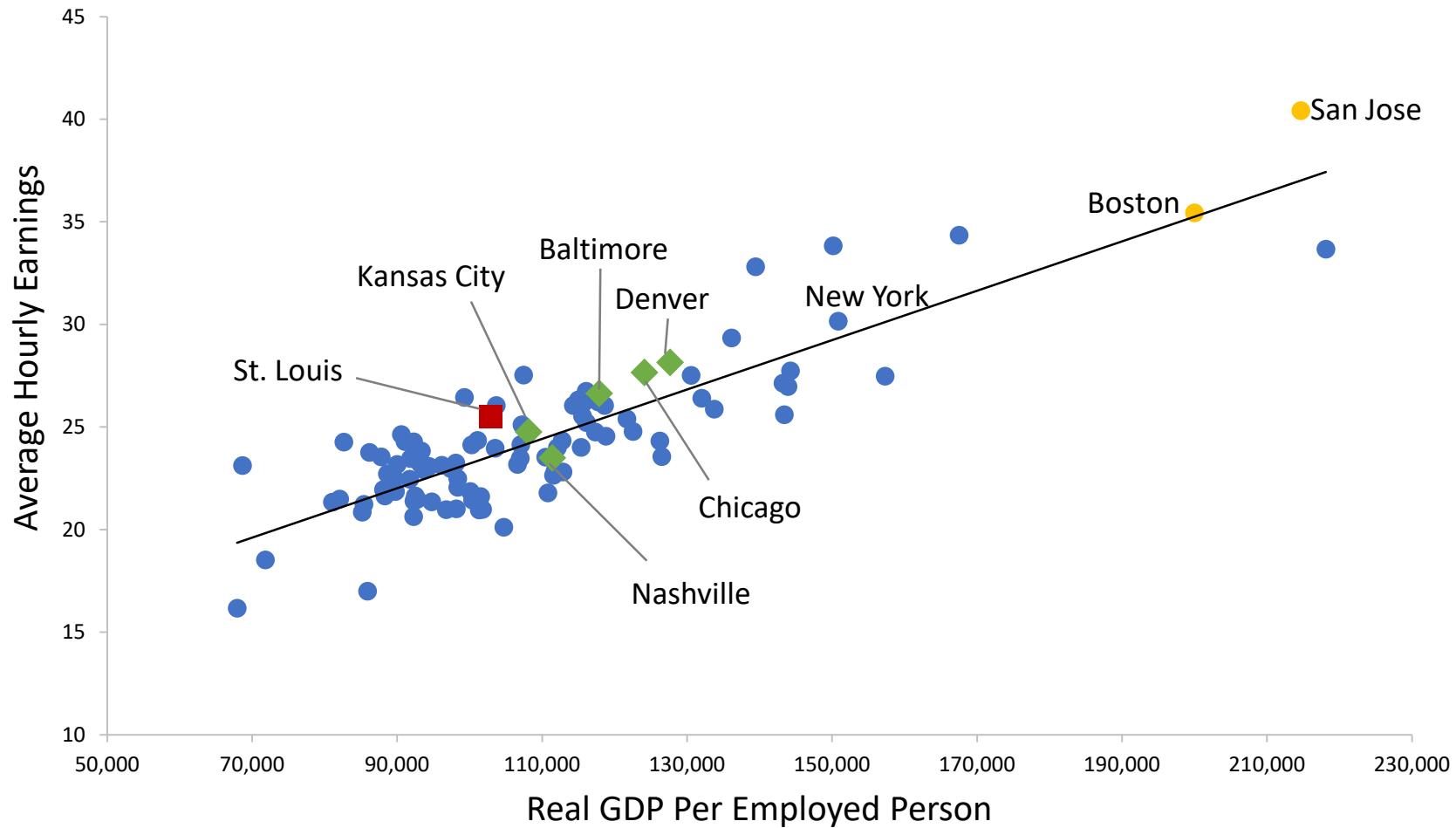
# Wages cluster around \$25/hour



Source: Bureau of Labor Statistics

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# Differences in productivity explain much of the variation in wages across metros.



Source: Bureau of Economic Analysis/Bureau of Labor Statistics

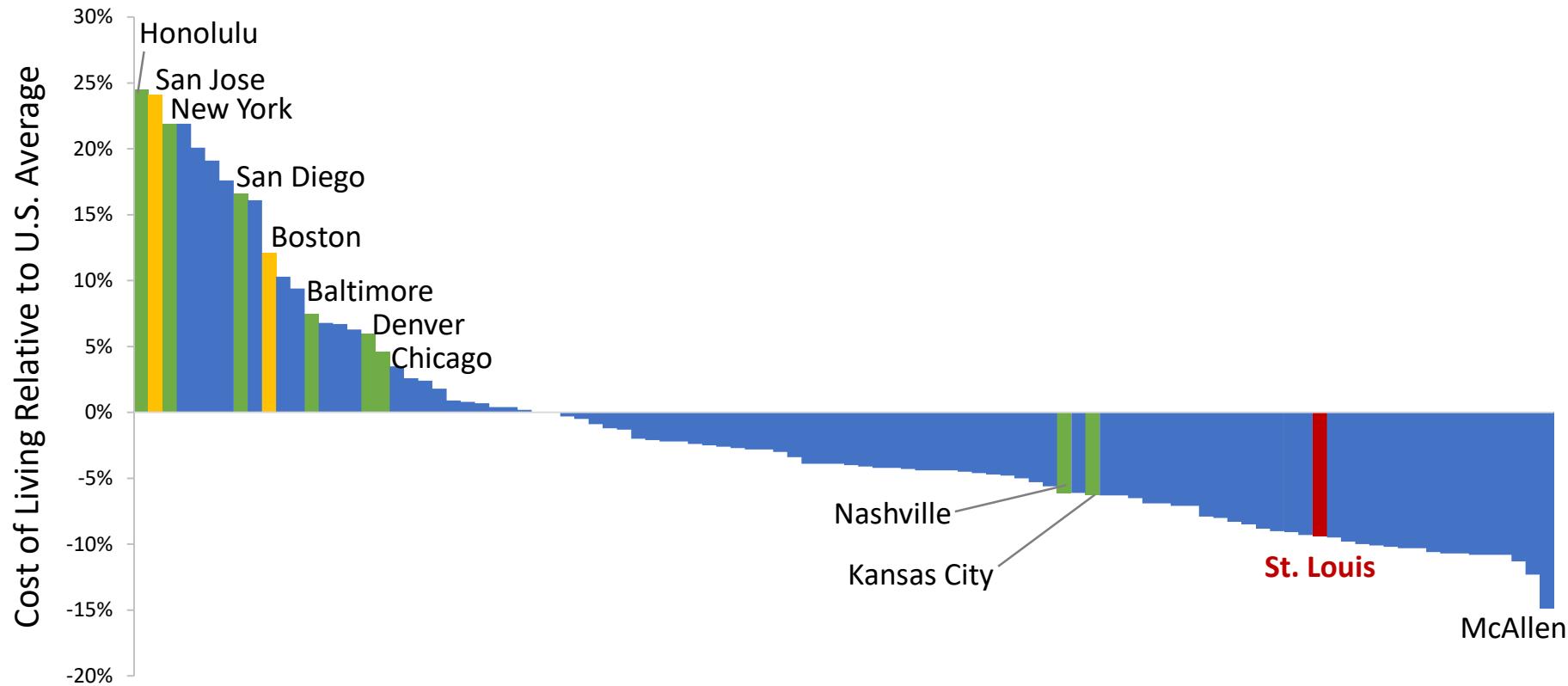
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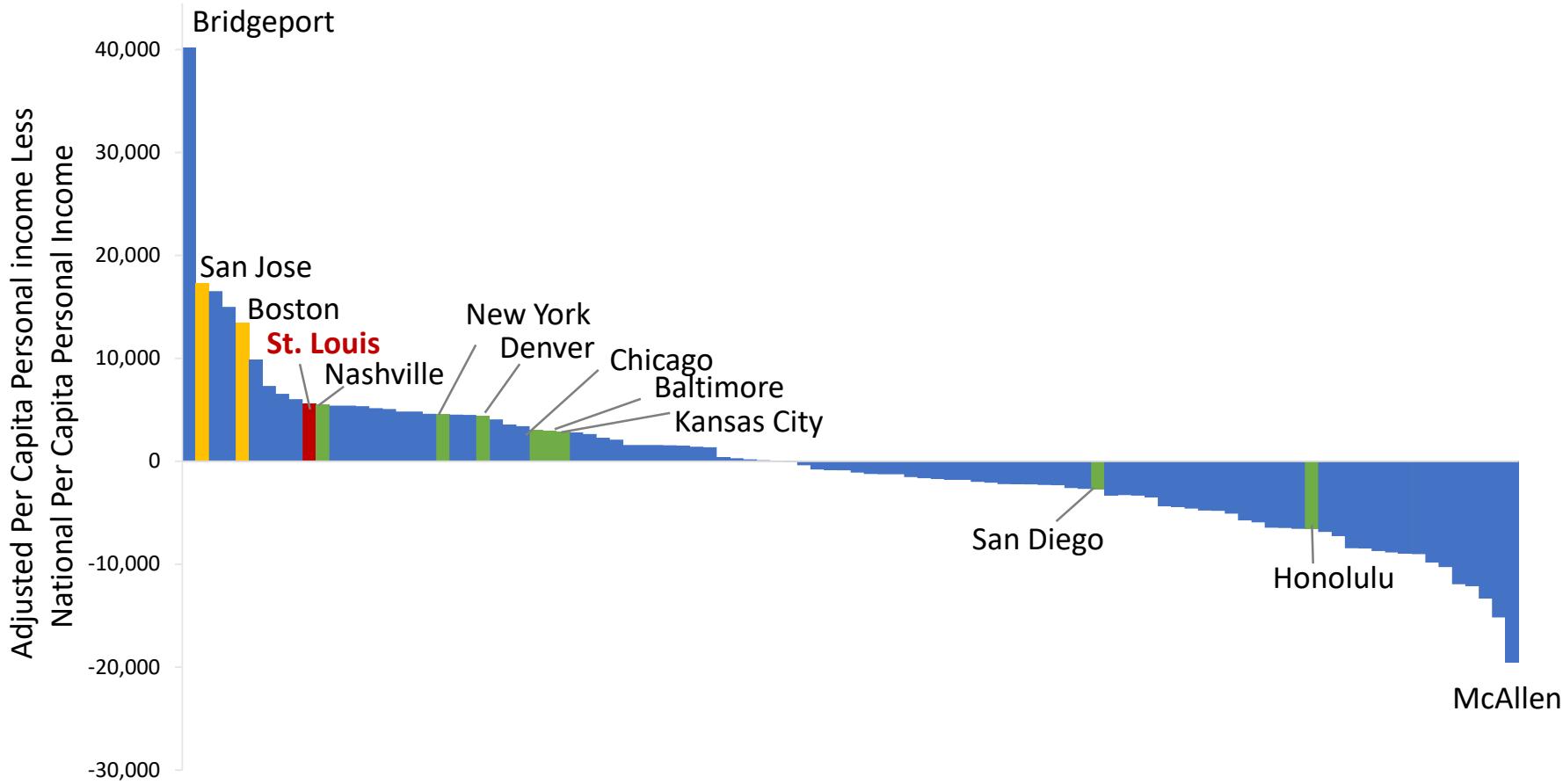
# Cost of living in St. Louis is nearly 10% below U.S. Average



Source: Bureau of Economic Analysis

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# Where are living standards higher than the U.S. average?



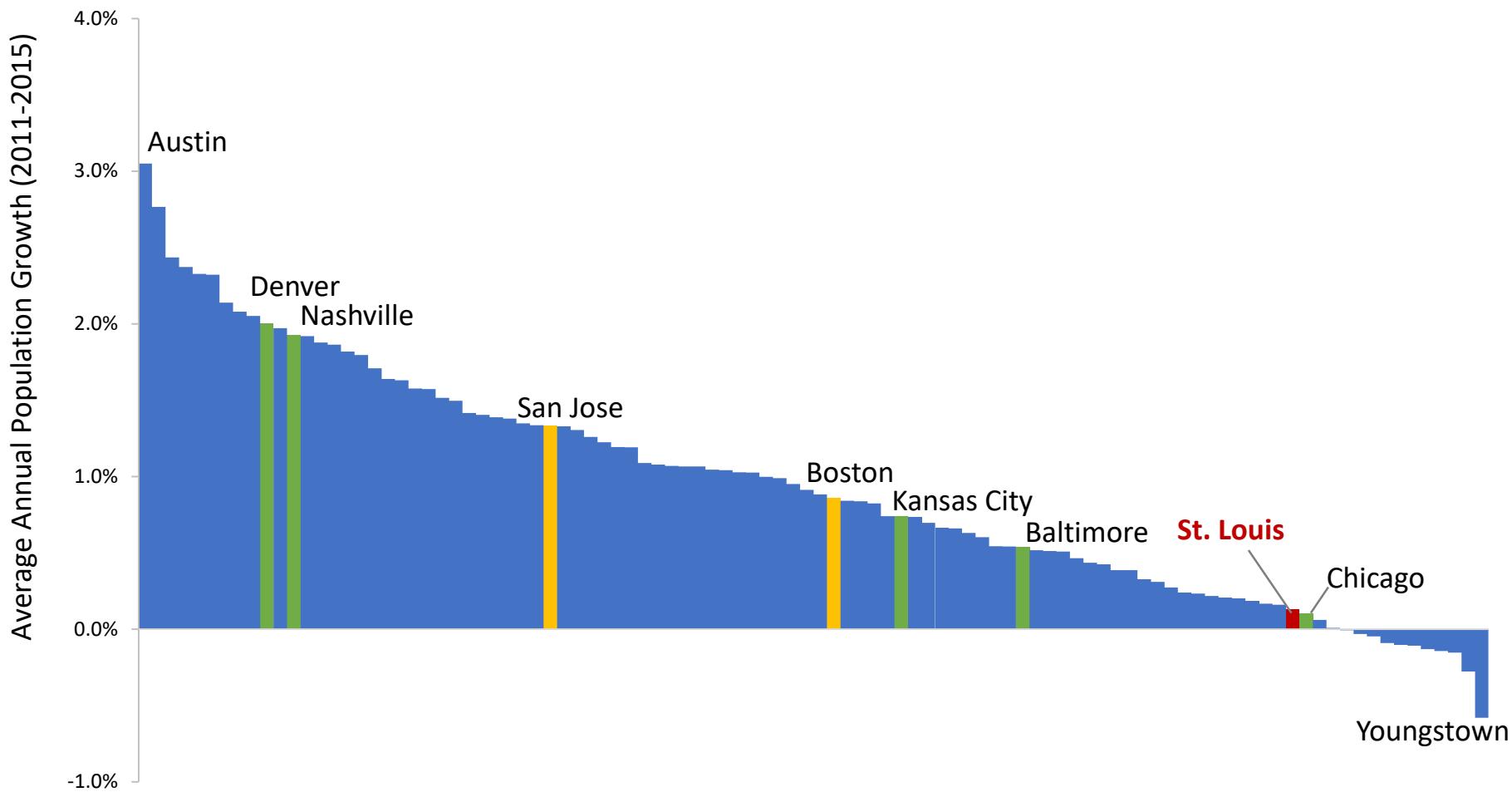
Source: Bureau of Economic Analysis

“If a place is doing well, then employers should be willing to pay more for workers in that area, people should be willing to pay more for access to that place, and **more people should move to that area.**”

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# Austin, Texas has been the fastest-growing metro



Source: U.S. Census Bureau

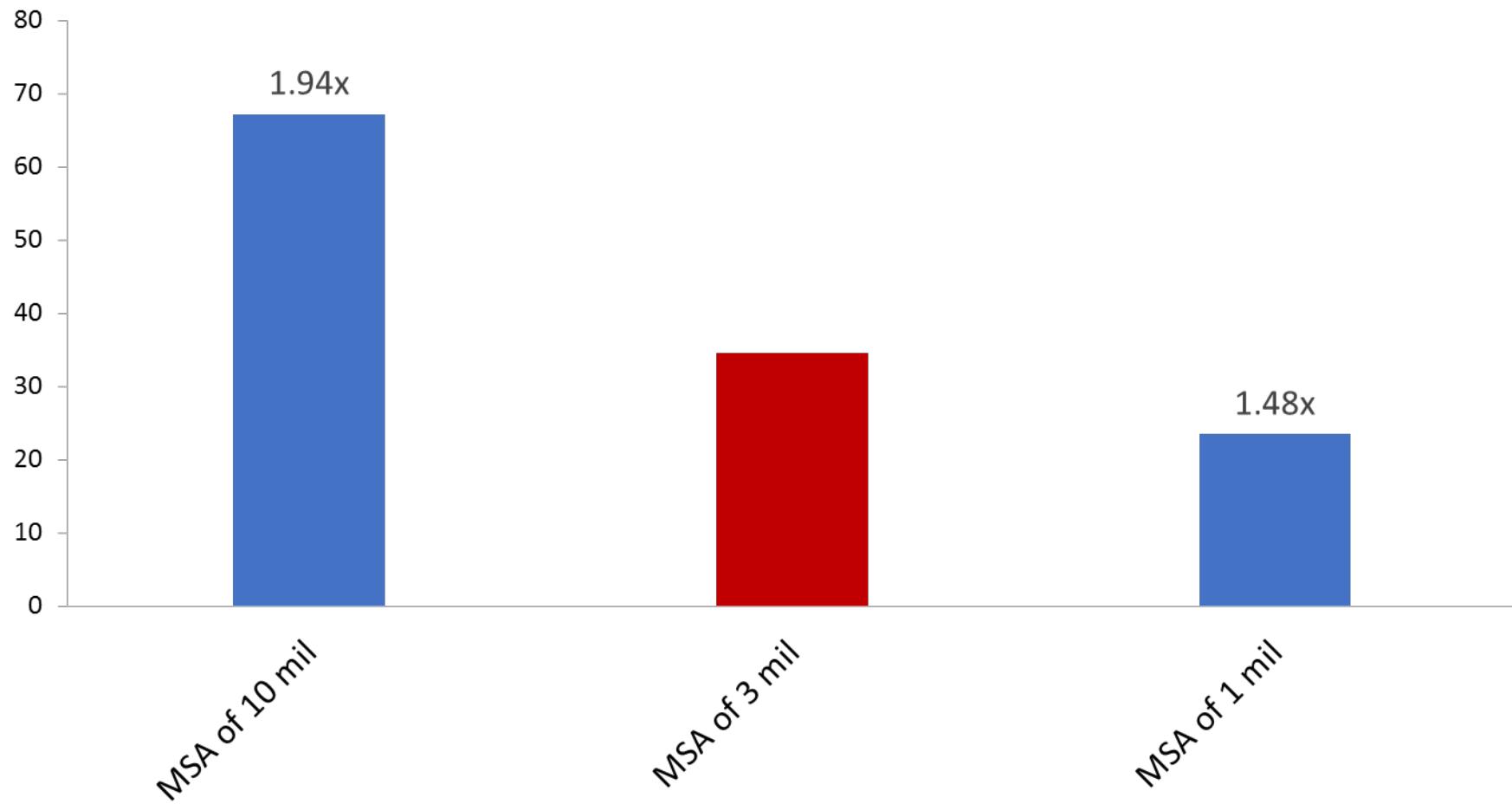
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# Growth is not without costs

- Pollution
- Congestion
- Inequality
- Affordability

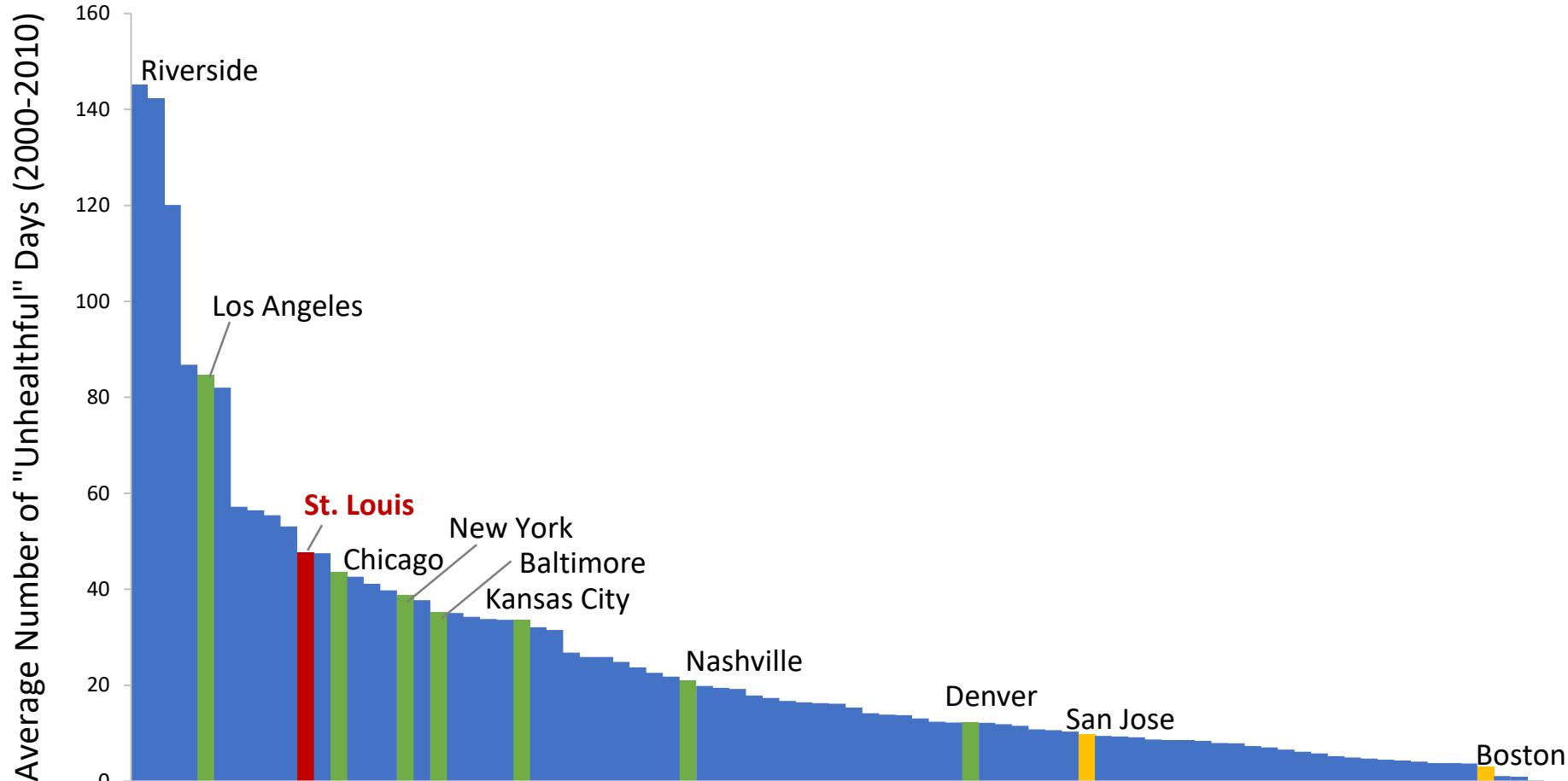
# Population and pollution are positively correlated

Average Air Quality, 2000-2010



Source: Environmental Protection Agency

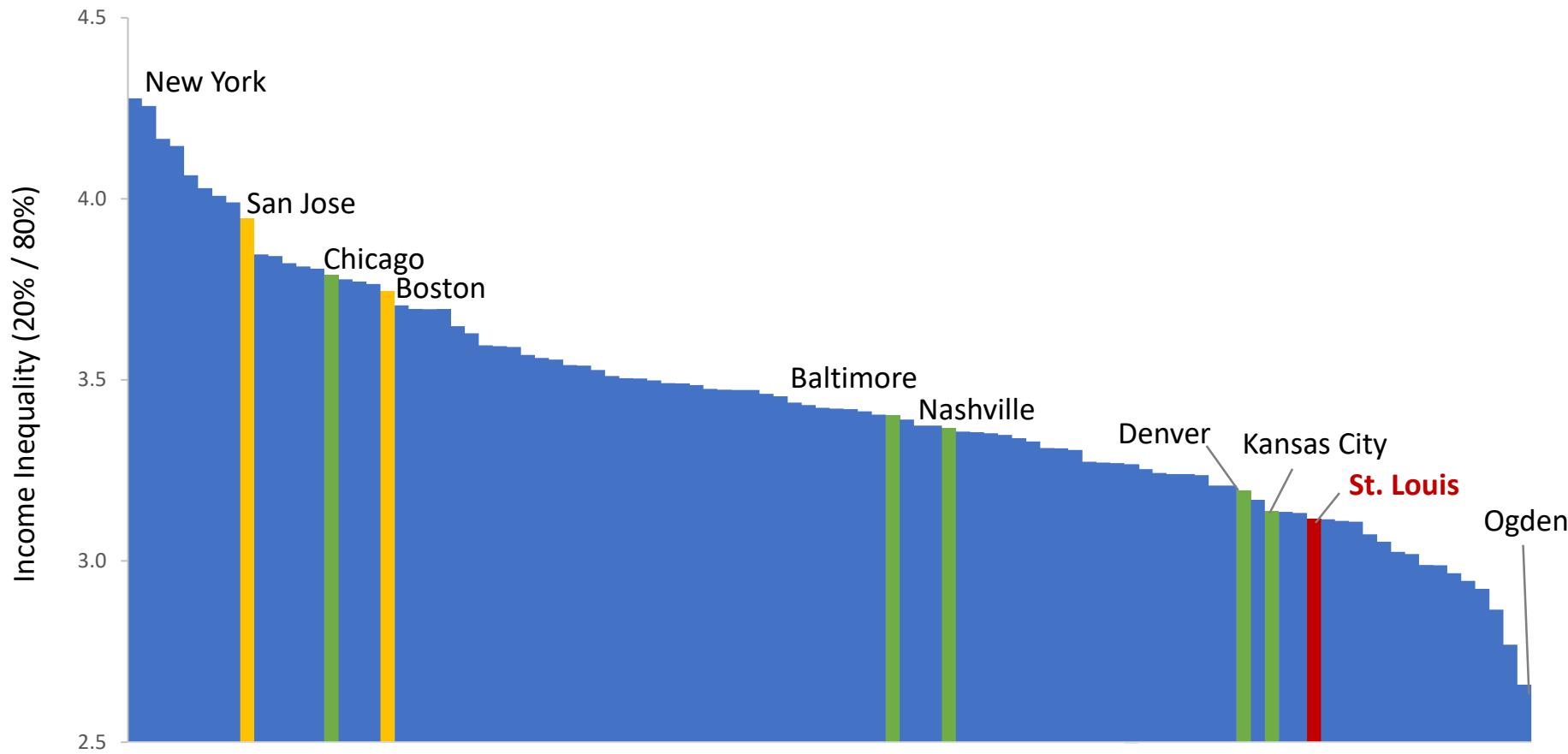
# Air quality mediocre in St. Louis



Source: Environmental Protection Agency

30

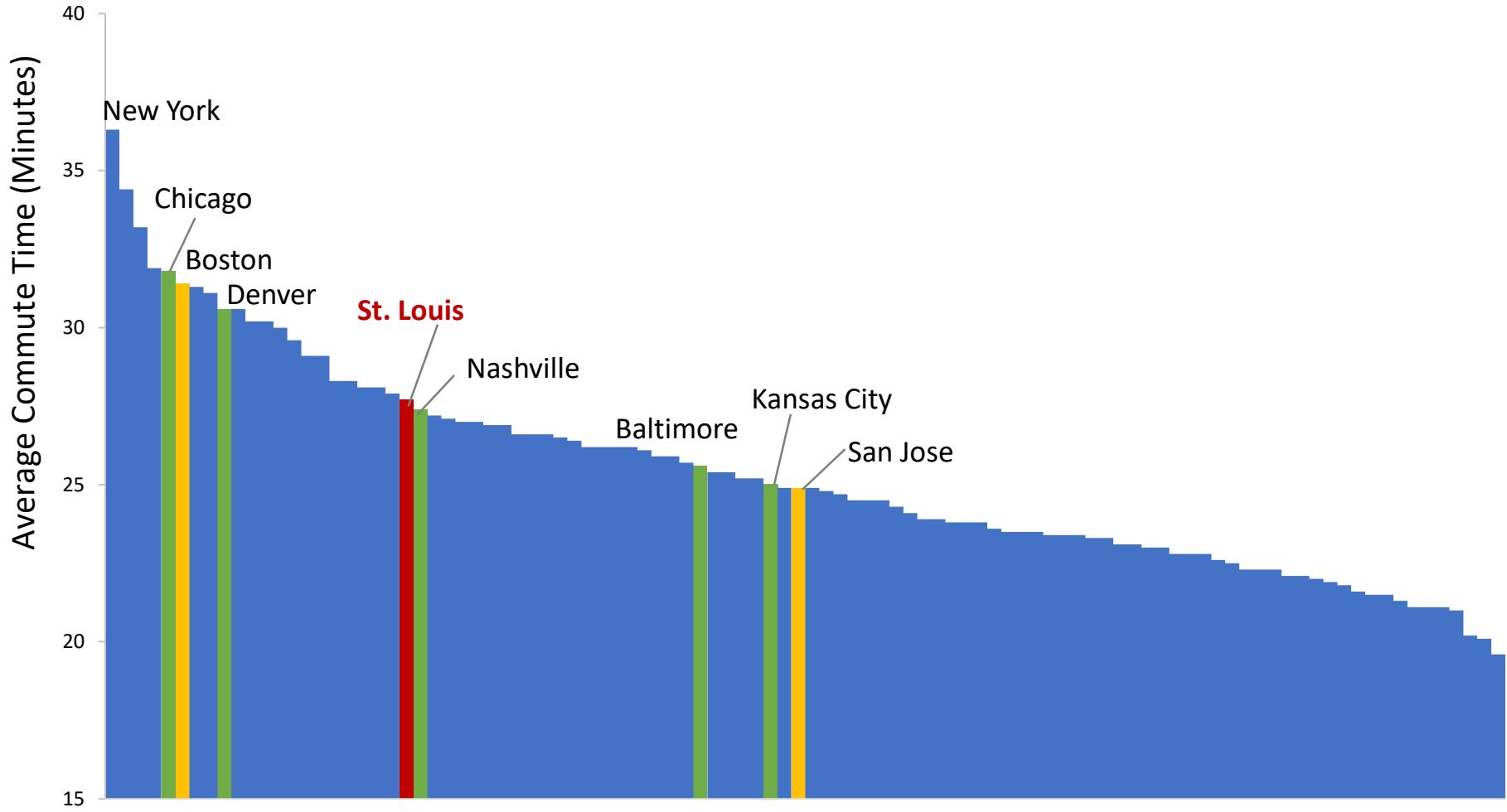
# Inequality generally higher in larger MSAs



Source: Glassman (2016)

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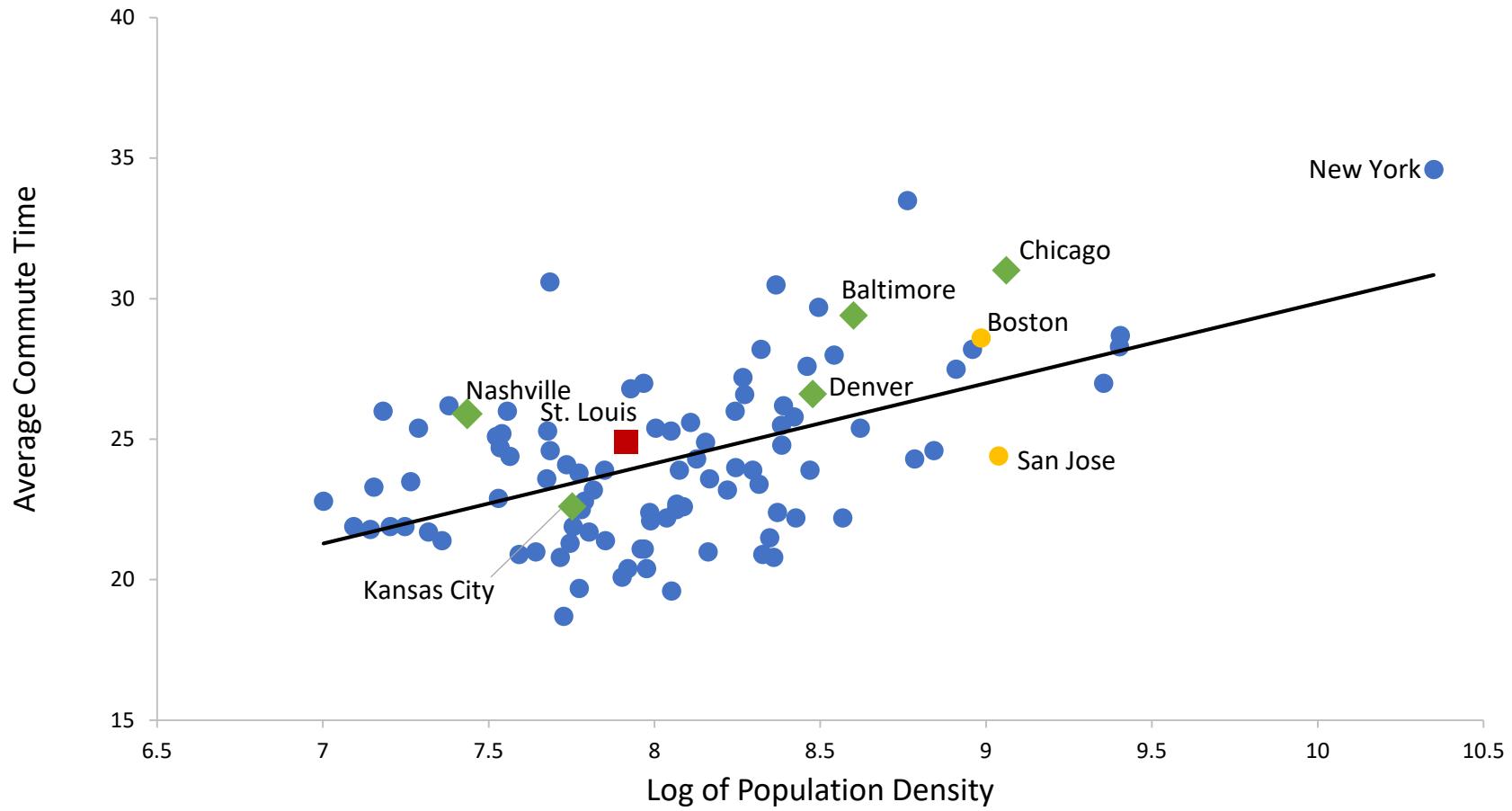
# We spend an average of 25 minutes commuting to work



Source: U.S. Census Bureau

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# Commuting times increase with population density



Source: Glassman (2016)

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# Final Report Card

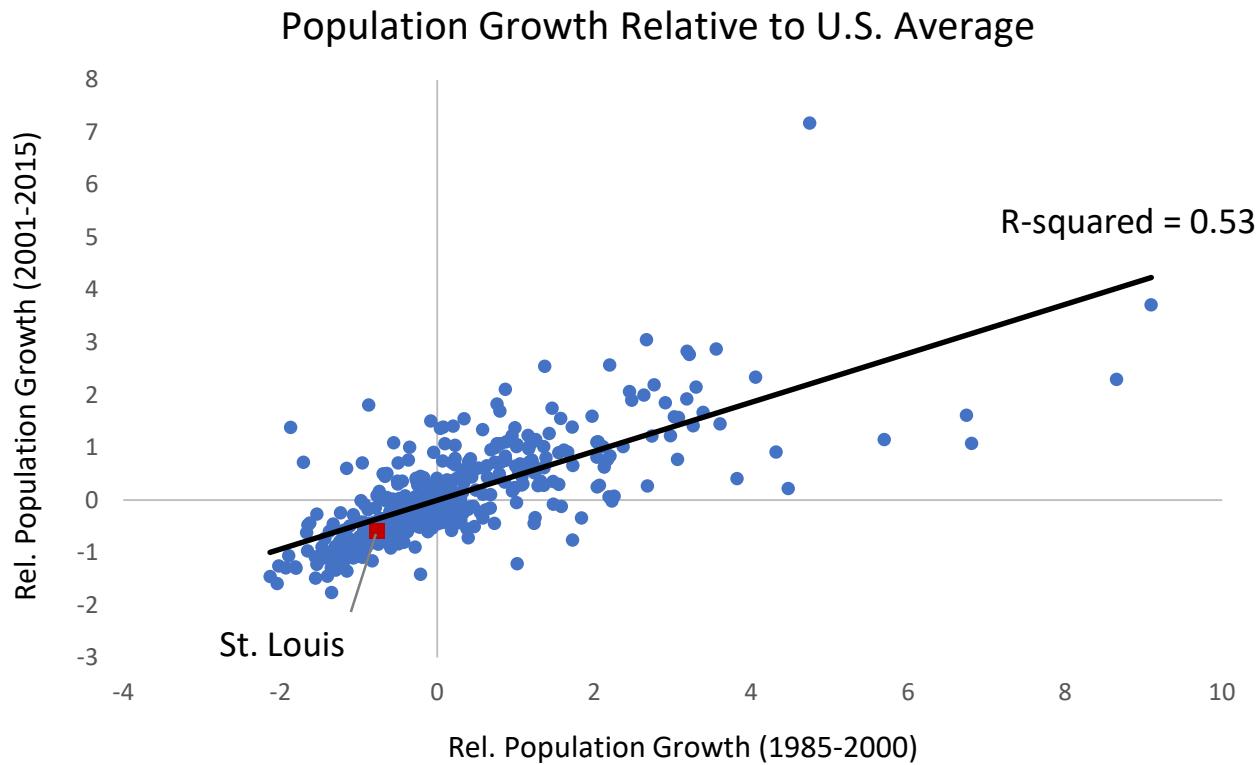


Metric	Grade
Avg. Hourly Earnings (Wages)	B-
Cost of Living	C-
Population Growth (2011-2015)	C
Adj. Per Capita Income	B
Productivity (GDP/Worker)	C+
Population Density	D
Commute Times	B-
Inequality (80%/20%)	B+

Data are for 2015 unless noted

# LOOKING AHEAD

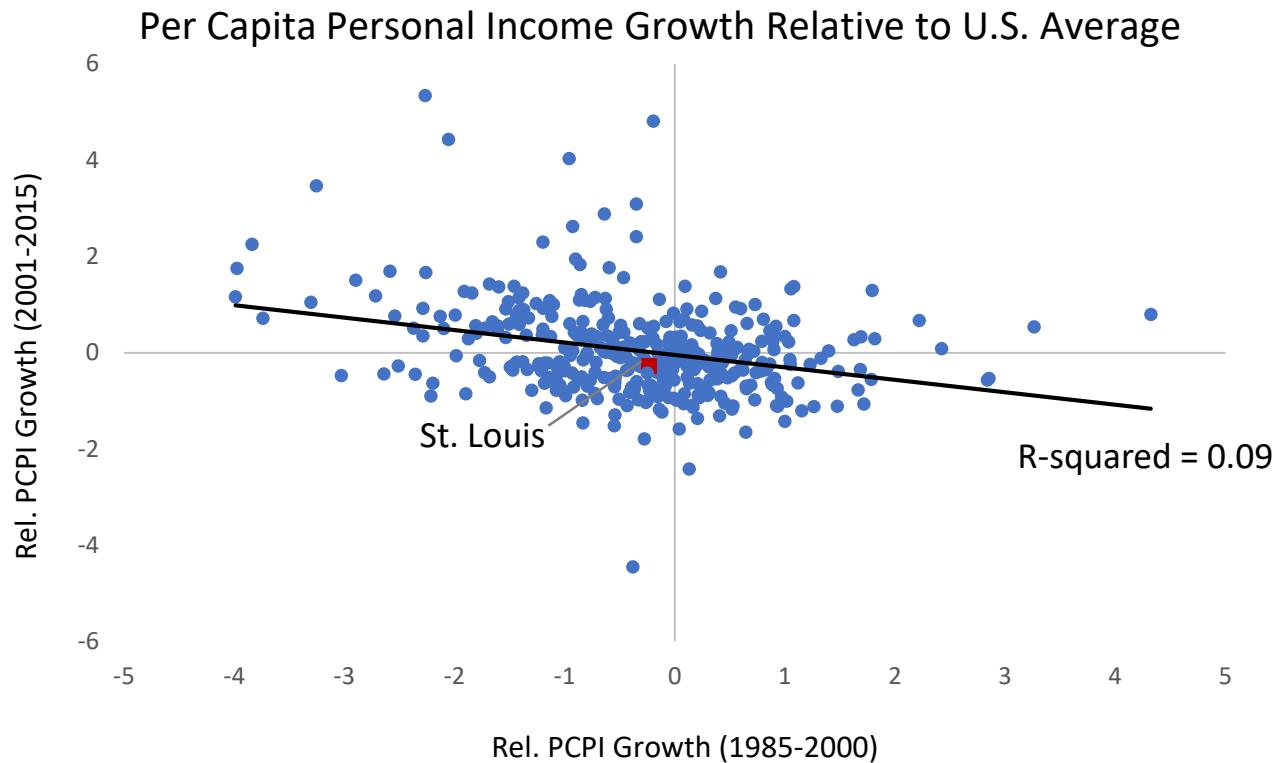
# Population growth is persistent...



Source: Bureau of Economic Analysis

30

**...growth in living standards is not.**



Source: Bureau of Economic Analysis

30

## Final Thoughts

With a few exceptions, major metros are more similar than different.

There are challenges to population growth that metros must manage in order to improve well being.

MSAs can increase output from adding workers or increasing productivity.

Increasing educational attainment and population density may increase productivity.

Attracting workers to a low-cost of living area may require paying high-cost wages.

# Interested in more regional research and data?

[stlouisfed.org/regional](http://stlouisfed.org/regional)

The screenshot displays the homepage of the St. Louis Fed Economic Research website. At the top, the St. Louis Fed logo and the text "ECONOMIC RESEARCH FEDERAL RESERVE BANK of ST. LOUIS" are visible, along with "REGISTER | SIGN IN" and a search bar. Below the header, a navigation menu includes "FRED Economic Data", "Information Services", "Publications", "Working Papers", "Economists", and "About". A "St. Louis Fed Home" link is also present. The main content area features a large image of the United States map with states colored according to their 90-10 wage ratio. A section titled "Regional Research" is highlighted, showing a thumbnail for a "Review" document and a chart titled "Figure 1: St. Louis MSA and U.S. 90-10 Wage Ratios". Other visible sections include "Living Standards in St. Louis and the Eighth Federal Reserve District: Let's Get Real", "How Precise Are Local Unemployment Rates?", and "The Evolution of St. Louis's Wage Distribution". A large circular seal of the United States is positioned at the bottom of the page.

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Regional Research

Living Standards in St. Louis and the Eighth Federal Reserve District: Let's Get Real

Review

Despite slow economic growth recently, living standards are relatively high in the St. Louis metropolitan statistical area (MSA). For example, the St. Louis MSA ranks in the top 6 percent of MSAs based on real per capita personal income and in the top 16 percent based on real median household income.

Last updated: 10-05-2017

How Precise Are Local Unemployment Rates?

Regional Research

Many gauge the health of local labor markets based on the difference between the local and national unemployment rates. What is often overlooked is that these rates, statistically speaking, often could be the same.

Last updated: 09-28-2017

Figure 1: St. Louis MSA and U.S. 90-10 Wage Ratios

St. Louis United States

SOURCE: Authors' calculations and BLS DES.

The Evolution of St. Louis's Wage Distribution

Economic Synopses

Rebecca Cowin and Charles Gascon found there is less wage inequality in the St. Louis MSA than in the nation.

Last updated: 09-28-2017

UNITED STATES

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