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## The Missouri Economy: Even With Tentative Steps Forward Missouri Families Face Long Road to Economic Stability

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While the current recession has caused significant hardship for Missourians, a review of economic data from the last decade indicate that the decline for Missouri's working families started years ago, beginning with the economic downturn in 2001. Missouri families saw little gain even during recovery periods in the middle of the decade and actually were worse off during the recovery than they were at the start of the decade:

- Median income in Missouri fell from \$53,330 to \$46,906 or by more than \$6,000 between 2000 and 2008 when adjusted for inflation. This was the third largest decline in Median Income in the nation.<sup>1</sup> Even during the economic recovery over the last decade, Missouri's median income remained below 2000 levels. At the high point of recovery in 2005-2006 Missouri median income was \$47,321 when adjusted for inflation.<sup>2</sup>
- The number of Missourians living in poverty increased steadily since 2000 and reached 13.1 percent or 780,000 individuals by 2008.<sup>3</sup>
- The number of Missourians facing unemployment reached 9.5 percent in August 2009, nearly three times the level of 2000.<sup>4</sup>
- The number of Missourians receiving Supplemental Nutrition Assistance Program benefits (formerly Food Stamps) more than doubled over the last decade.<sup>5</sup>

The current recession has left these Missourians even farther behind. As a result, if Missouri is to overcome the cumulative impact of the last ten years of decline, working families will need a period of strong, sustained economic growth *combined with implementation of state policies* to ensure that the economic recovery is broadly shared.

### The National Economic Outlook

In recent weeks, there have been some hopeful signs that the nation's overall economy may be turning around. In fact, many leading national economic forecasters expect positive economic growth to return in the current quarter. Several indicators suggest that positive predictions may be accurate. For example, the

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<sup>1</sup> U.S. Census Bureau Historical Tables

<sup>2</sup> IBID #1

<sup>3</sup> IBID #1

<sup>4</sup> U.S. Bureau of Labor Statistics

<sup>5</sup> Missouri Department of Social Services

second quarter of 2009 showed that declines in Real Gross Domestic Product (GDP) slowed. The one percent decline in the GDP represents a substantial improvement over the performance in recent quarters.

<b>US Real Gross Domestic Product (GDP)</b>		
Year	Quarter	Percent Change Annual Rates
2008	3	-2.7%
2008	4	-5.4%
2009	1	-6.4%
2009	2	-1.0%
Source: U. S. Department of Commerce		

The *Philadelphia Federal Reserve Bank Survey of Professional Forecasters* now projects 2.4 percent Real GDP growth this quarter, while the *Wells Fargo/Wachovia Economic* forecast released on September 9th is for 3.7 percent growth.

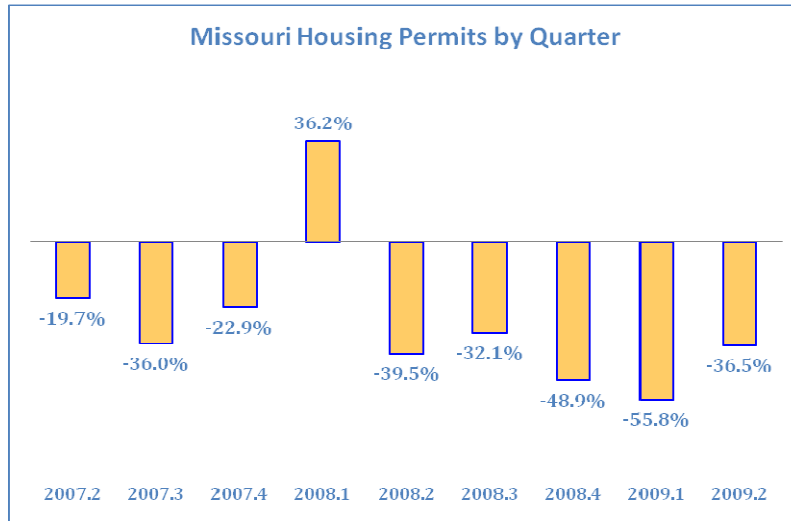
Additional hopeful signs include:

- The *U.S. Index of Leading Economic Indicators* increased in four consecutive months; beginning in April, running through July.
- Stock market performance has improved since early March. From March 9<sup>th</sup> through the close on September 16<sup>th</sup>, the *Standard and Poors Index* rose about 58 percent. While the markets remain about 31 percent under the level attained in October of 2007, this rally is certainly moving in the right direction.
- Interest rates remain extremely low and Federal Fiscal Stimulus dollars are being pumped into the economy.

However, these optimistic indicators do not signal that an end is near for struggling Missouri families. Improvements in the labor market tend to lag behind economic rebounds. Without significant employment growth, the unemployment rate may continue to increase in Missouri.

## The Current Missouri Economy

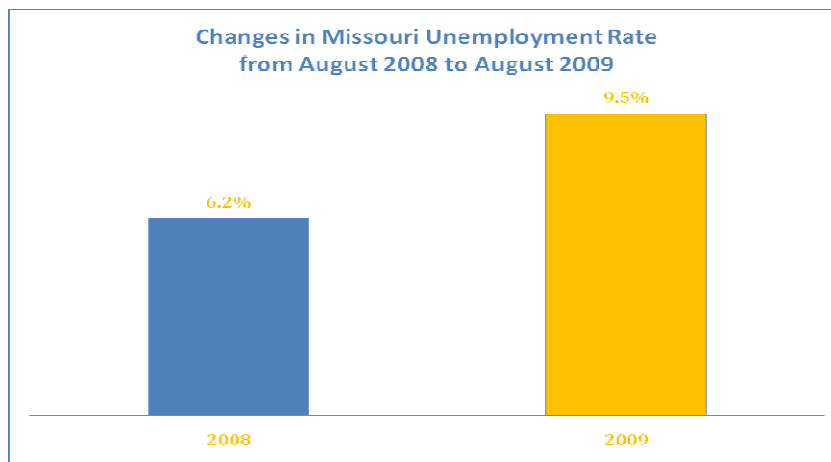
The early signs of national economic recovery have yet to impact Missouri's weak economy. During the first quarter of Fiscal Year 2010 (July 1 – September 30, 2009), state net General Revenue collections dropped by 10 percent compared to the previous year.<sup>6</sup> In addition, housing permits, one frequently cited economic indicator, show a dramatic drop during the last year.



Source: U.S. Census Bureau Data

Unemployment data also indicate that a very weak economy persists in Missouri:

- Between July of 2008 through July of 2009, Missouri lost 71,600 payroll jobs.
- Non-farm employment dropped 1.9 percent from the first quarter of 2008 to the first quarter of 2009.
- In August 2009 the Statewide Unemployment Rate rose to 9.5 percent, a significant increase over the 6.2 percent rate during August of 2008.
- More than 285,000 Missourians were unemployed in August 2009.<sup>7</sup>



Source: Bureau of Labor Statistics Data

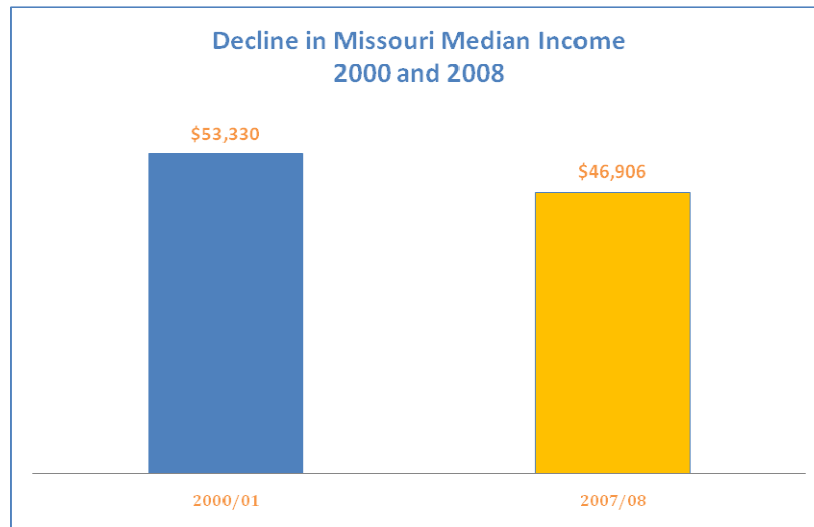
<sup>6</sup> Missouri State Office of Administration, Division of Budget & Planning

<sup>7</sup> U.S. Bureau of Labor Statistics

## Missouri Families Face a Decade of Decline in Wages

While the current economic crisis has added to the burden for many Missouri families, it is important to note that this is just the most recent in a series of setbacks, beginning with the down economy of the early 2000s. Even the economic recovery, between 2004 and 2007, brought little relief.

Median income in Missouri fell from \$53,330 to \$46,906 or by more than \$6,000 between 2000 and 2008 when adjusted for inflation. This was the third largest decline in median income in the nation.<sup>8</sup> Even during the economic recovery periods over the last decade, Missouri's median income remained significantly below 2000 levels. In the 2005-2006 recovery period Missouri median income was \$47,321 when adjusted for inflation.<sup>9</sup>



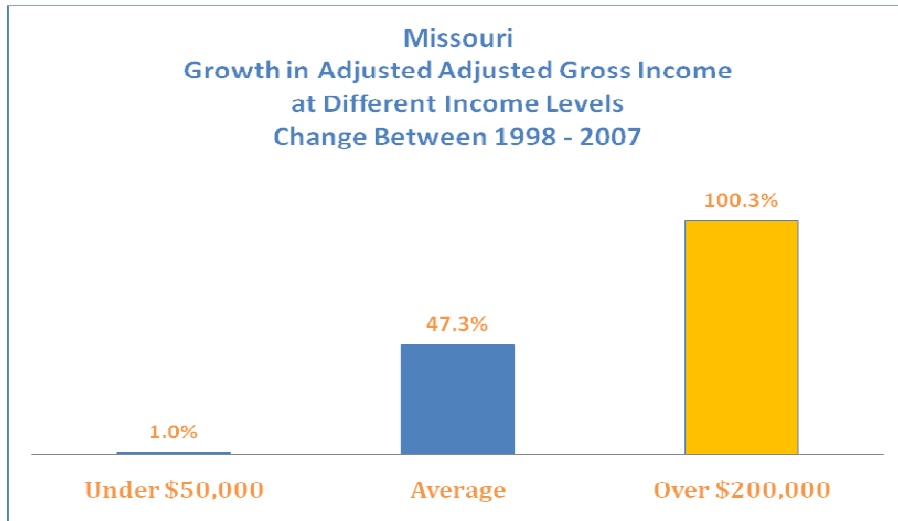
Source: U.S. Census Bureau, CPS Data

The income gap in Missouri also grew considerably during the last decade. Data published by the Internal Revenue Service indicates that over the last ten years, those in the upper income class did quite well, while incomes of lower/middle class Missourians were stagnant. From 1998 through 2007, Federal Adjusted Gross Income for those with incomes at \$200,000 per year and above grew by 100.3% or more than doubled. Over that same time frame, incomes for those reporting with incomes at \$50,000 and under grew only 1%. The average income for Missourians who reported incomes under \$50,000 per year was \$19,126 in 1998, but fell to \$17,408 in 2007 in nominal dollars.<sup>10</sup> The numbers demonstrate that the Missourians with the least to lose have lost the most economic ground over the last decade and were already falling behind prior to the recession.

<sup>8</sup> U.S. Census Bureau Historical Tables

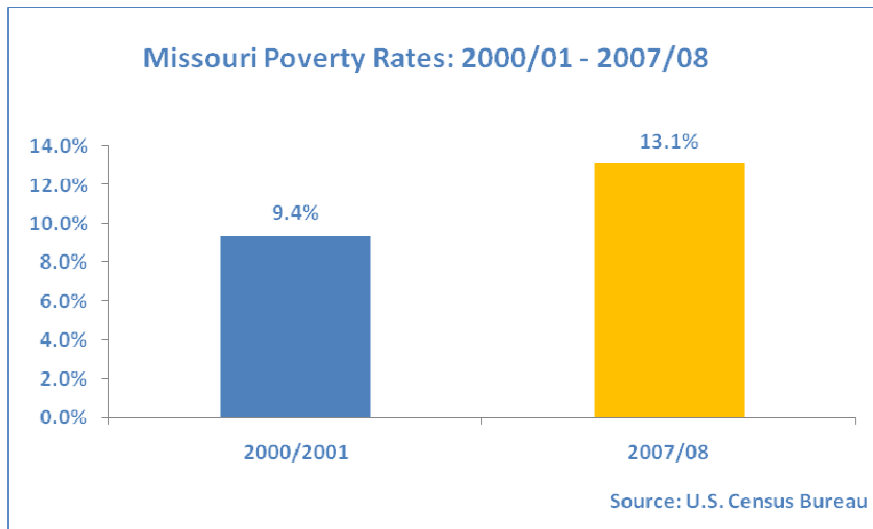
<sup>9</sup> U.S. Census Bureau Historical Tables

<sup>10</sup> Internal Revenue Service Data



Source: Internal Revenue Service Data

Not Surprisingly, Poverty in Missouri also grew during the last decade. According to the most recent data from the U.S. Census Bureau, 581,207 Missourians lived in poverty in 2000, a rate of 10.6 percent. By 2008, Missouri's poverty rate was 13.1 percent, or 780,000 individuals. Even during the relatively strong economic years in the middle part of the decade, the number of Missourians in poverty *increased about 34 percent*.<sup>11</sup> It would seem likely that this number has grown further in the first half of 2009.



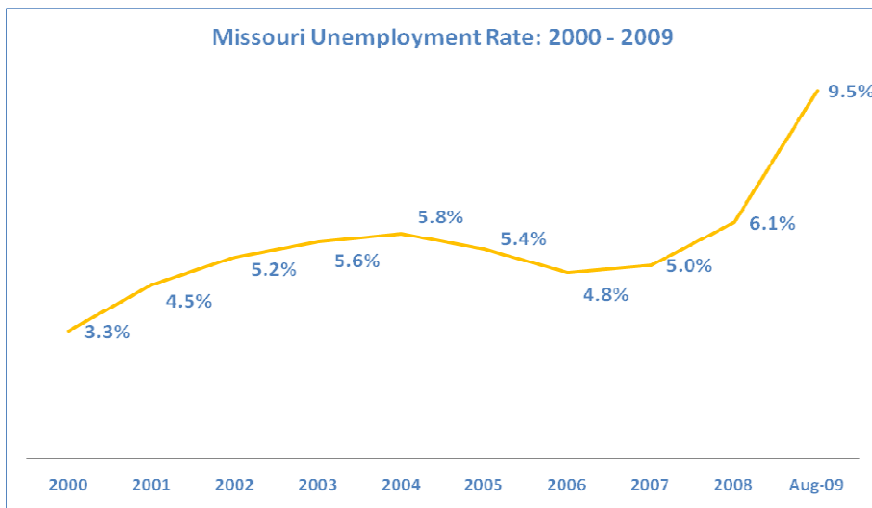
Source: U.S. Census Bureau

Source: U.S. Census Bureau

<sup>11</sup> U.S. Census Bureau Historical Tables

## Missouri Families Face a Decade of Decline in Employment

Employment remained elusive for many Missourians during the last decade. As noted above, the Missouri Unemployment Rate reached 9.5 percent by August of 2009. The decade began with about 98,000 unemployed in Missouri for an Unemployment Rate of 3.3 percent. This rate increased to 5.8 percent in the aftermath the 2001-2003 economic crises. Unfortunately, state unemployment remained stubbornly high even in the relatively good economic years of 2004 through 2007. In 2006, the number of unemployed in our state averaged about 145,000 and the rate averaged 4.8 percent.<sup>12</sup> Current unemployment will need to be cut roughly in half just return to the levels seen those relatively prosperous years.



Source: Bureau of Labor Statistics

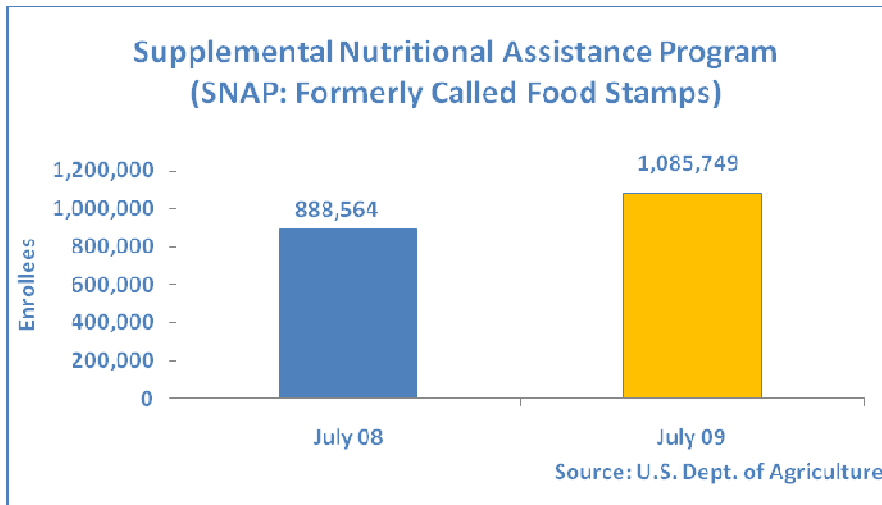
## Missouri Families Face a Decade of Decline and Significant Increase in Public Supports

The cumulative effects of growing unemployment and lost wages have pushed many families to the economic brink. With nothing left to squeeze from the family budget and no job on the horizon, an increasing number of Missouri families must turn to public supports.

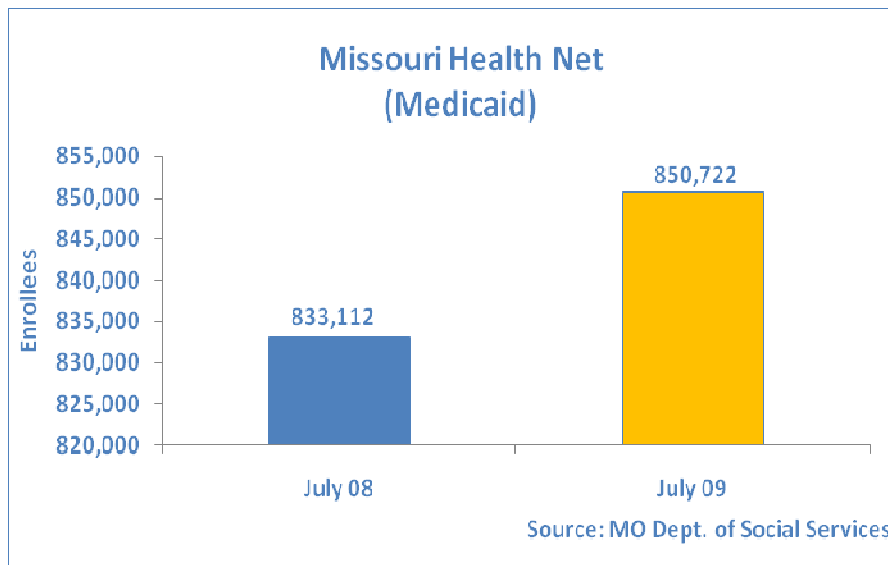
There has been dramatic growth in the number of Missourians using the *Supplemental Nutrition Assistance Program* (SNAP), formerly known as Food Stamps. In the year 2000, about 417,000 Missourians were enrolled in this program. By 2007, that number had roughly doubled to about 824,000. The current economic downturn has seen another surge. As of June 2009, 1,071,194 Missourians were utilizing SNAP benefits, a 19 percent increase since June of 2008.<sup>13</sup>

<sup>12</sup> Bureau of Labor Statistics

<sup>13</sup> Missouri Department of Social Services Data



Use of Missouri’s Medicaid program, Missouri Health Net, is also on the rise, despite significant changes in eligibility requirements in 2005. In June 2008, Missouri Medicaid enrollment stood at about 832,000. As of June 2009, this number had climbed to 871,081, or an increase of 4.7 percent for the year.<sup>14</sup>



## An Economy That Works For All Missourians

Although the current recession has left Missourians even farther behind, the economic crisis for Missouri families was a decade in the making. As a result, if Missouri is to overcome the cumulative impact of the last ten years of decline, families will need a period of strong, sustained economic growth *combined with implementation of state policies* to ensure that the economic recovery is broadly shared.

<sup>14</sup> Missouri Department of Social Services Data

State lawmakers can help to ensure that a strong foundation is created that will allow all Missourians to grow and prosper. Lawmakers must ensure adequate revenue for the variety of public services that families depend upon in good times and bad, such as education and investments in public transportation. Additional investments should be made in supports such as child care and health care that provide critical work supports for families and businesses.

In addition, lawmakers should also consider enacting a State Earned Income Tax Credit to encourage workforce participation and allow families at the most fragile end of the income scale to keep more of their income until they attain economic stability.

Finally, State legislators should also take advantage of opportunities to expand unemployment insurance. In 2009 the legislature did authorize a temporary expansion of benefits offered through the federal government, but did not pass a permanent expansion of unemployment insurance. In the upcoming legislative session, we have a chance to protect more Missouri workers who face long odds in the current job market.

*The Mission of the Missouri Budget Project is to advance public policies that improve economic opportunities for all Missourians, particularly low and middle income families, by providing reliable and objective research, analysis and advocacy. Contact the MBP through our website at [www.mobudget.org](http://www.mobudget.org)*