

Business Location Trends in the State of Missouri

MSCDC Economic Report Series No. 9702

May 1997

By Michael P. Kelsay

Center for Economic Information, University of Missouri-Kansas City

New job growth and capital investment spending generated by new and expanding industry in the State of Missouri has grown dramatically since the early 1990s. Job growth due to expansion of existing industry outpaced job growth by new industry from 1988-1992 while job growth by new industry has outpaced that of existing industry expansions since 1992. Since 1988, new job growth by expanding industry has been concentrated in the Eastcentral, Westcentral, and Southwest regions, while new capital investment has been concentrated in the Eastcentral, Westcentral, and Central regions. There are major differences in the distribution of new job growth between the Eastcentral and Westcentral regions which include the St. Louis area and the Kansas City area. In the Eastcentral region, 77% of new job growth has been in manufacturing while in the Westcentral region, new job growth has been more balanced with 35% in manufacturing, 33% in services, and 10% in the finance, insurance, and real estate sector. In the manufacturing sector, the Eastcentral region which includes the St. Louis area accounted for 29% of all new jobs created by industry expansion, while 67% of new capital investment by expanding industry occurred in the Eastcentral and Westcentral regions. In the manufacturing sector, new job growth was led by the transportation, food and kindred products, industrial machinery and equipment, and fabricated metal products sectors. Capital investment by expanding industry was led by the transportation and electronic equipment sectors. There is substantial sectoral differences in new job growth and capital investment among regions in the State.

Missouri is attracting new industry as well as providing established industry with a favorable business climate expansion....

Between 1988 and 1996, new and established business expansions totaled 2,833, creating 156,859 direct new jobs and \$11.8 billion in new capital investment, according to the Missouri Department of Economic Development. A new business expansion is defined as a new business that creates new jobs as a result of new capital investment in the State. An existing business expansion is defined as an existing business which creates additional new jobs or capital investment as a result of expanding their operations. Since 1988, the Missouri Department of Economic Development has maintained a data base on new job growth and capital investment by new and established business expansions in the State.¹ Their annual data base is derived from surveys sent to 350 communities in Missouri based upon community profiles, a newspaper clipping service, business staff working with firms interested in business expansion in the State, and review of firms applications for job development training funds and other financing options available in the State.

¹ Caution must be noted in interpreting this data as the data base of the Missouri Department of Economic Development includes only new job growth created by business expansions and does not include firm closings or lay-

During the period 1988-1996, existing business expansions in Missouri have averaged 9,254 direct new jobs and \$872 million in new capital investment annually; new business expansions in Missouri have average 8,175 direct new jobs and \$437 million in new capital investment annually. From the period 1988 to 1992, more new job growth was created by existing industry expansions, while new job growth has been dominated by new business expansions since 1993.

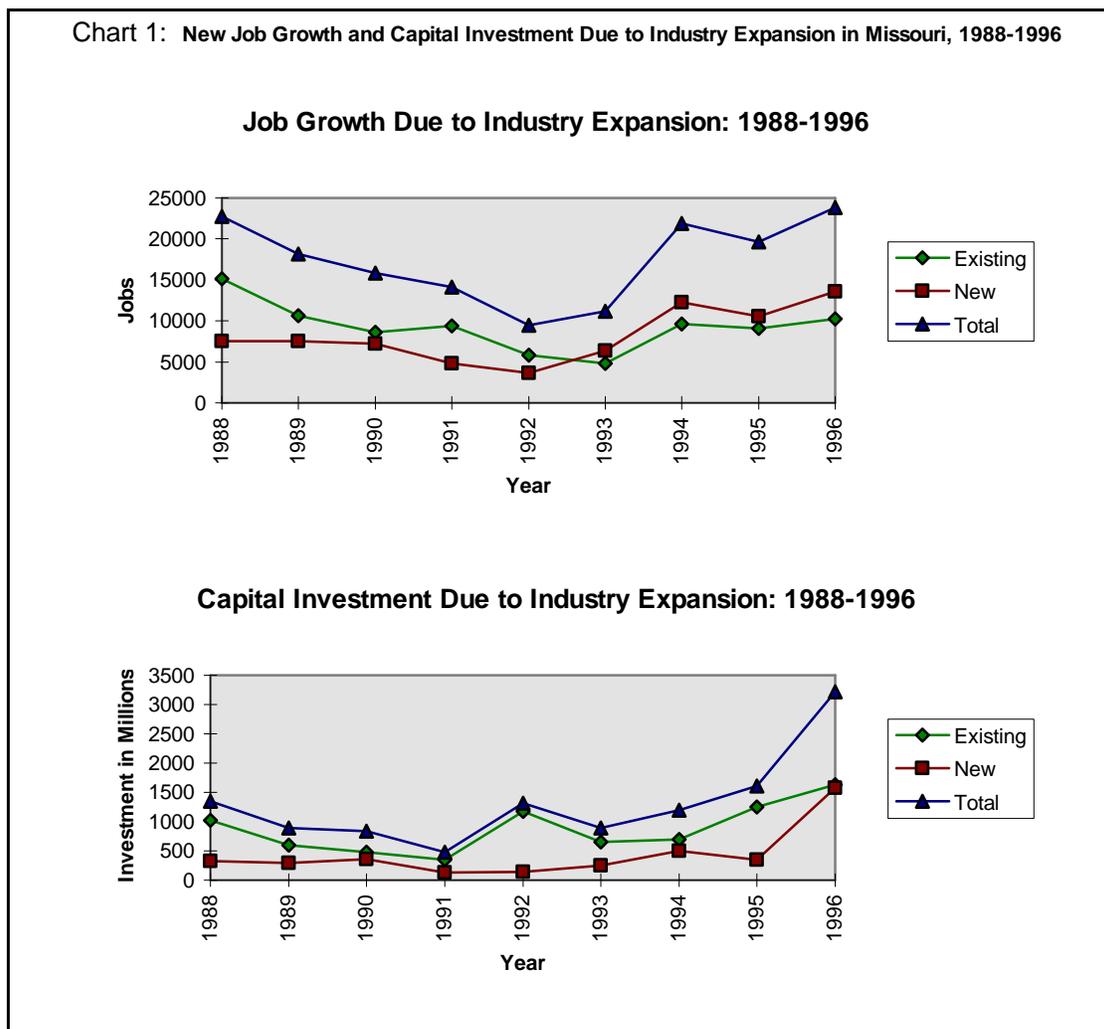


Chart 1 portrays the nine-year trend in new job growth and capital investment by new and expanding industries in Missouri. All investment data have been expressed in 1996 dollars, using the price index for all urban consumers from the BLS. The sensitivity of new job growth and capital investment activity to the business cycle is evident. It is interesting to note that over \$6 billion in capital investment by new and existing firms has occurred since 1994. Of the \$6 billion in new investment since 1994, new casino operations accounted for \$542 million of the capital investment by new and expanding firms in Missouri since 1994.

The geographical pattern of industry expansion....

Between 1988 and 1996, 65% of all new job growth as a result of business expansion in Missouri occurred in the Eastcentral, Westcentral, and Southwest region. Regions have been organized by University Extension Region, as defined by the Office of Social and Economic Data

Analysis. Map 1 depicts the eight University Extension Regions. During the same nine-year period, 77% of all new capital investment by industry occurred in the Westcentral, Eastcentral, and Central regions.

There are major differences in the regional distribution of new job growth due to business expansions by new and existing firms in Missouri. At the state level, 69% of new job growth occurred in the manufacturing sector, followed by the services sector (12%). Between 70% and 85% of new job growth occurred in the manufacturing sector in the Northwest, Southeast, Southwest, Central, and Eastcentral regions; over 85% of new job growth was in manufacturing in the Northeast

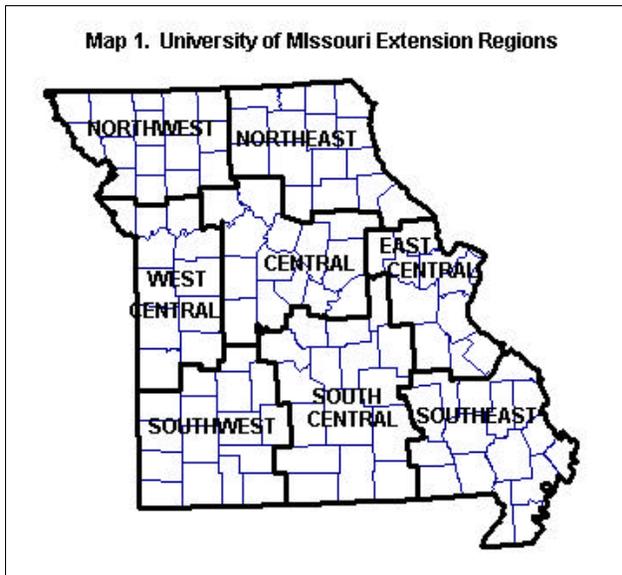
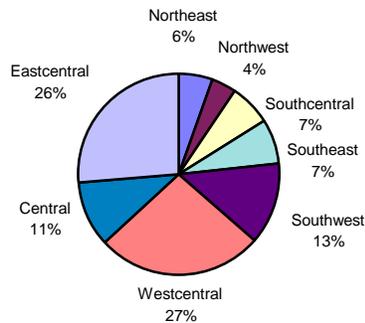
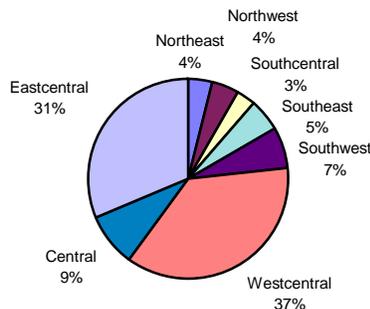


Chart 2: Employment Growth and Capital Investment by University Extension Region, 1988-1996

Job Growth Due to Industry Expansion by University Extension Region: 1988-1996



Capital Investment Due to Industry Expansion by University Extension Region: 1988-1996

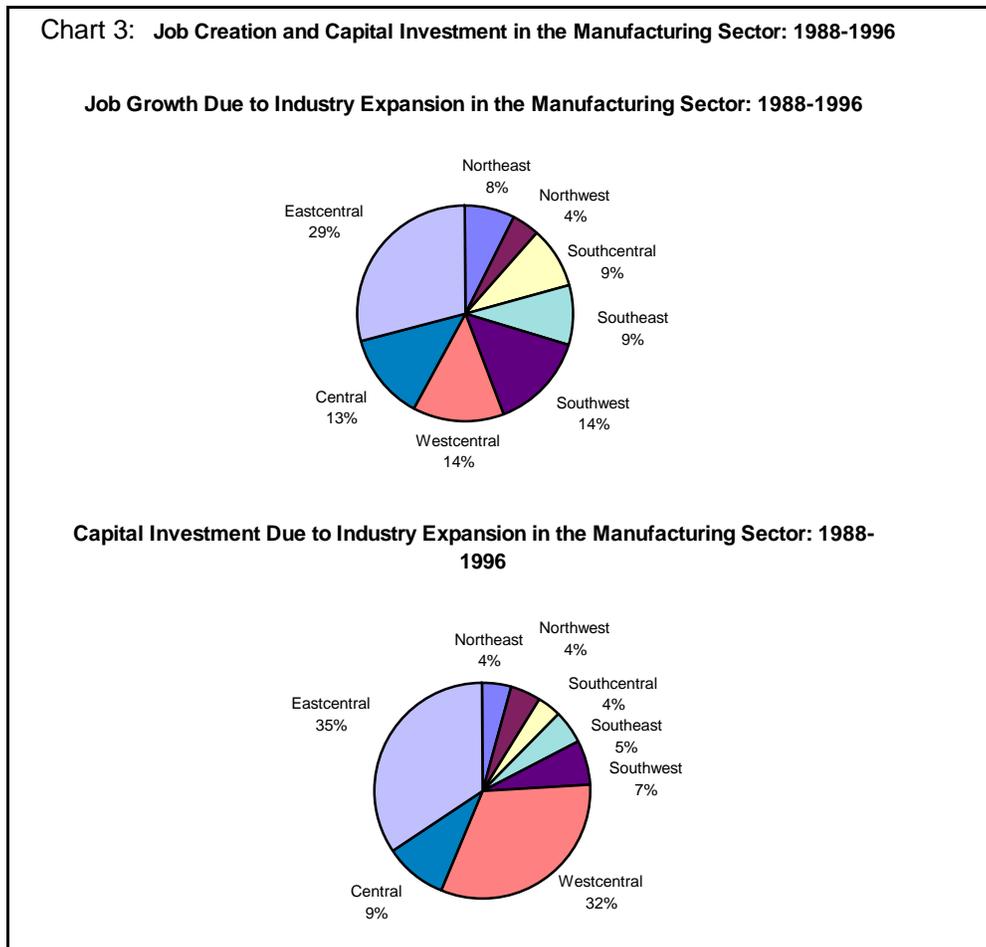


and Southcentral regions. The notable exception occurred in the Westcentral region where the manufacturing sector accounted for only 35% of new job growth by expanding industry. Services, finance, insurance & real estate, and the transportation sector accounted for 33%, 10%, and 9%, respectively, of new job growth.

Chart 2 portrays the nine-year trend in new job growth and capital investment as a result of new and existing industry expansions in Missouri by University Extension region. It is interesting to note the regional differences in new jobs created per dollar of capital investment. The Southwest and Central regions created substantially more jobs per dollar of capital investment that did the Eastcentral and Westcentral regions, reflecting the geographical differences in growth sectors among the regions.

The geographical pattern of industry expansion in the manufacturing sector....

Between 1988 and 1996, new and existing industry expansions in the manufacturing sector totaled 2,249, accounting for 108,229 direct new jobs and \$9.9 billion in new capital investment in Missouri. Growth in the manufacturing sector was dominated by the Eastcentral region which includes the St. Louis area, accounting for 29% of all new manufacturing jobs created in the



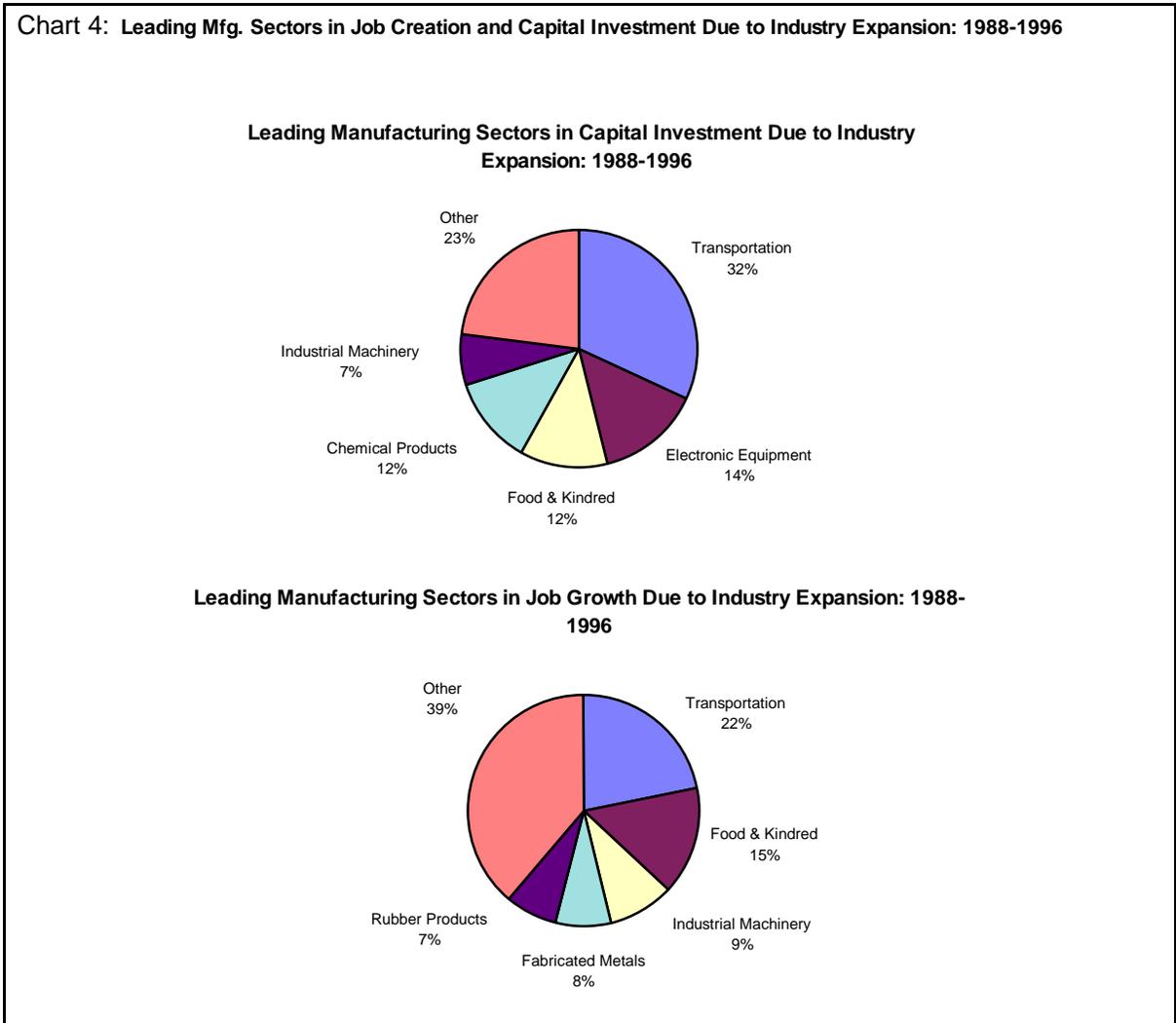
State. Growth in manufacturing jobs as a result of industry expansion outside of the Eastcentral region was balanced among the other regions, with the Southwest, Westcentral, and Central regions accounting for 15%, 14%, and 13%, respectively.

Chart 3 portrays the nine-year trend in new job growth and capital investment in the manufacturing sector. Once again, regions outside of the Eastcentral and Westcentral regions created more jobs per dollar of capital investment in the manufacturing sector.

Manufacturing growth has been led by transportation and food and kindred products...

At the state level, leading industries in new job growth were in transportation equipment (22%), food and kindred products (15%), industrial machinery & equipment (9%), and fabricated metal products (8%) With respect to new capital investment in the manufacturing sector, leading sectors were transportation equipment (32%), electronic & other electric equipment (14%), chemical & allied products (12%), and food & kindred products (12%).

Chart 4 portrays the leading manufacturing sectors in new job growth and capital investment by



expanding industry in Missouri. There is substantial variation of growth industries in the manufacturing sector at the region level. In the Eastcentral region which includes St. Louis area, transportation equipment transportation equipment accounted for 45% of all new jobs created in the manufacturing sector. Food and kindred products was the leading sector in new job growth in the Northwest (33%), Northeast (31%), Central (30%), and Southwest (23%) regions. Industrial machinery was the leading sector in the Southcentral region (27%), rubber products in the Southeast region (20%), and electronic equipment in the Westcentral region (16%).

With respect to new capital investment by expanding industry, transportation equipment was the leading manufacturing sector in the Eastcentral (52%) and Westcentral regions(35%) while food & kindred products was the leading sector in the Northeast (34%), Northwest (31%), and Southwest (22%) regions. Industrial machinery was the leading sector in the Southcentral (51%) and Southeast (15%) regions, while electronic & other equipment was the leading sector in the Central region (28%).