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# The Economic Recovery in Rural America



The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

# Today's Roadmap

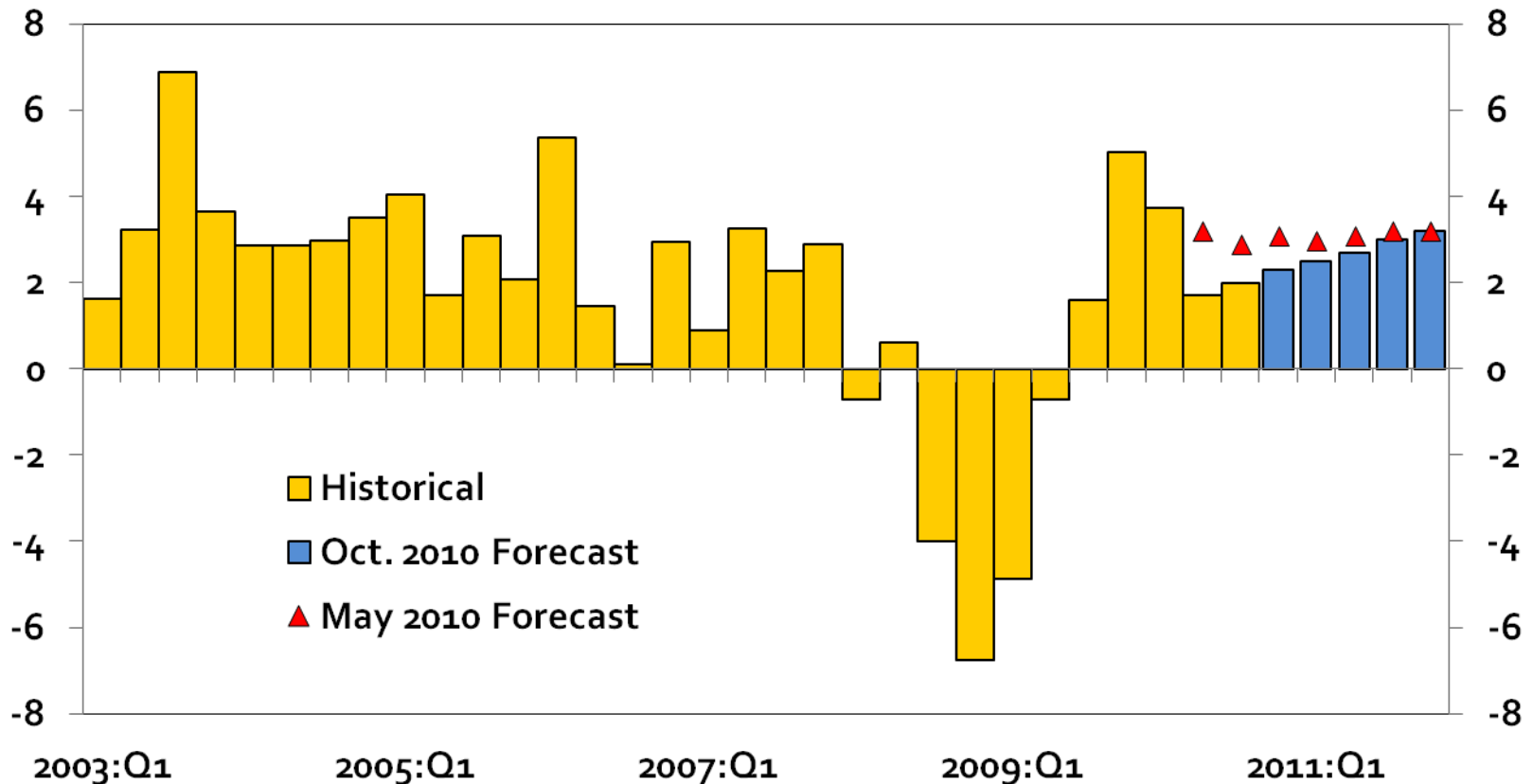
- A modest economic recovery is underway.
- Rural America is leading the recovery.
- Additional monetary stimulus could have implications for rural economies.
- What happens after a commodity price boom?



# Will the summer lull in economic conditions persist?

## Real U.S. GDP Growth

Annualized percent change

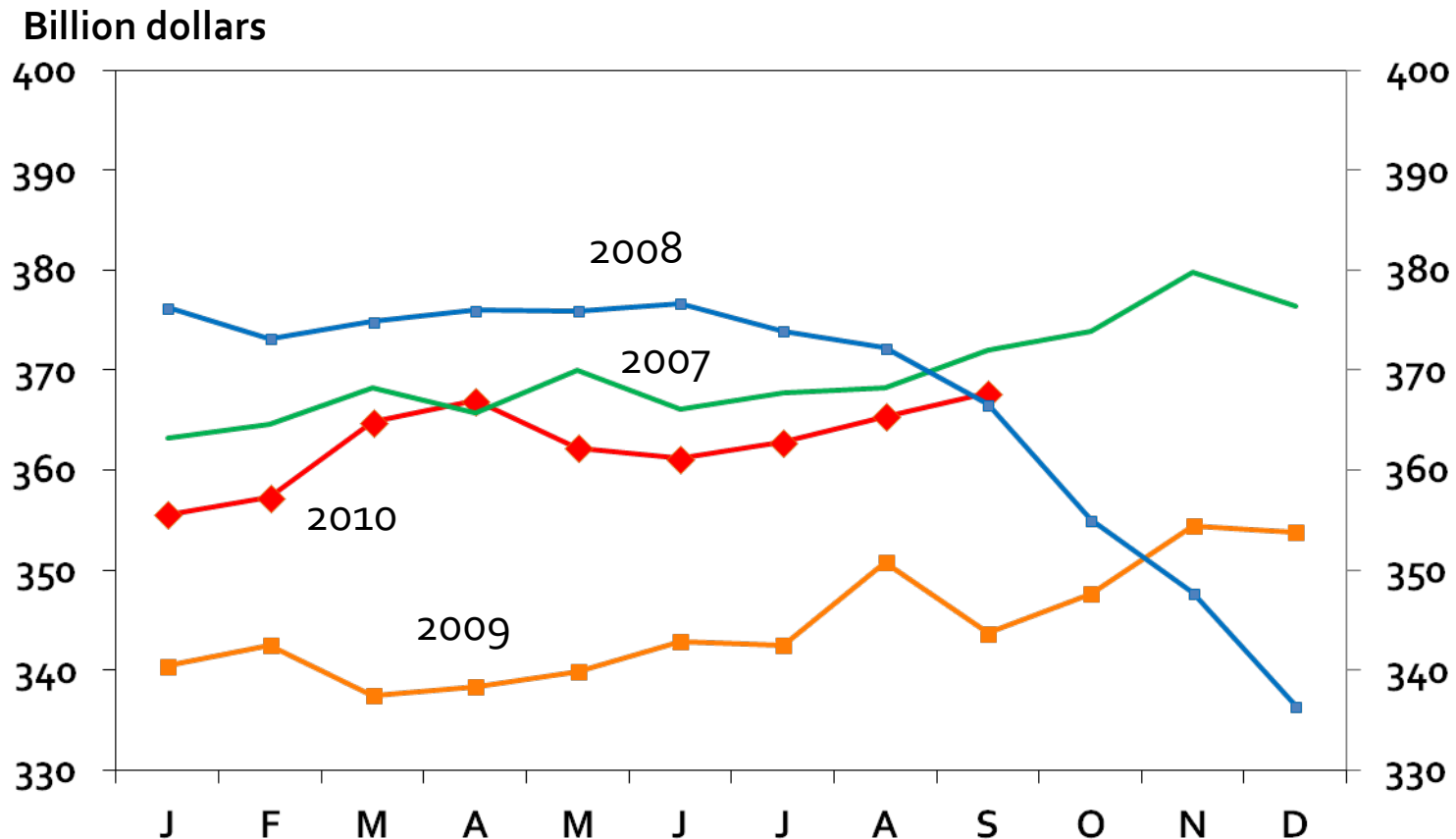


Calculations based on Bureau of Economic Analysis data



# Consumer spending is on the rise.

## U.S. Monthly Retail and Food Sales



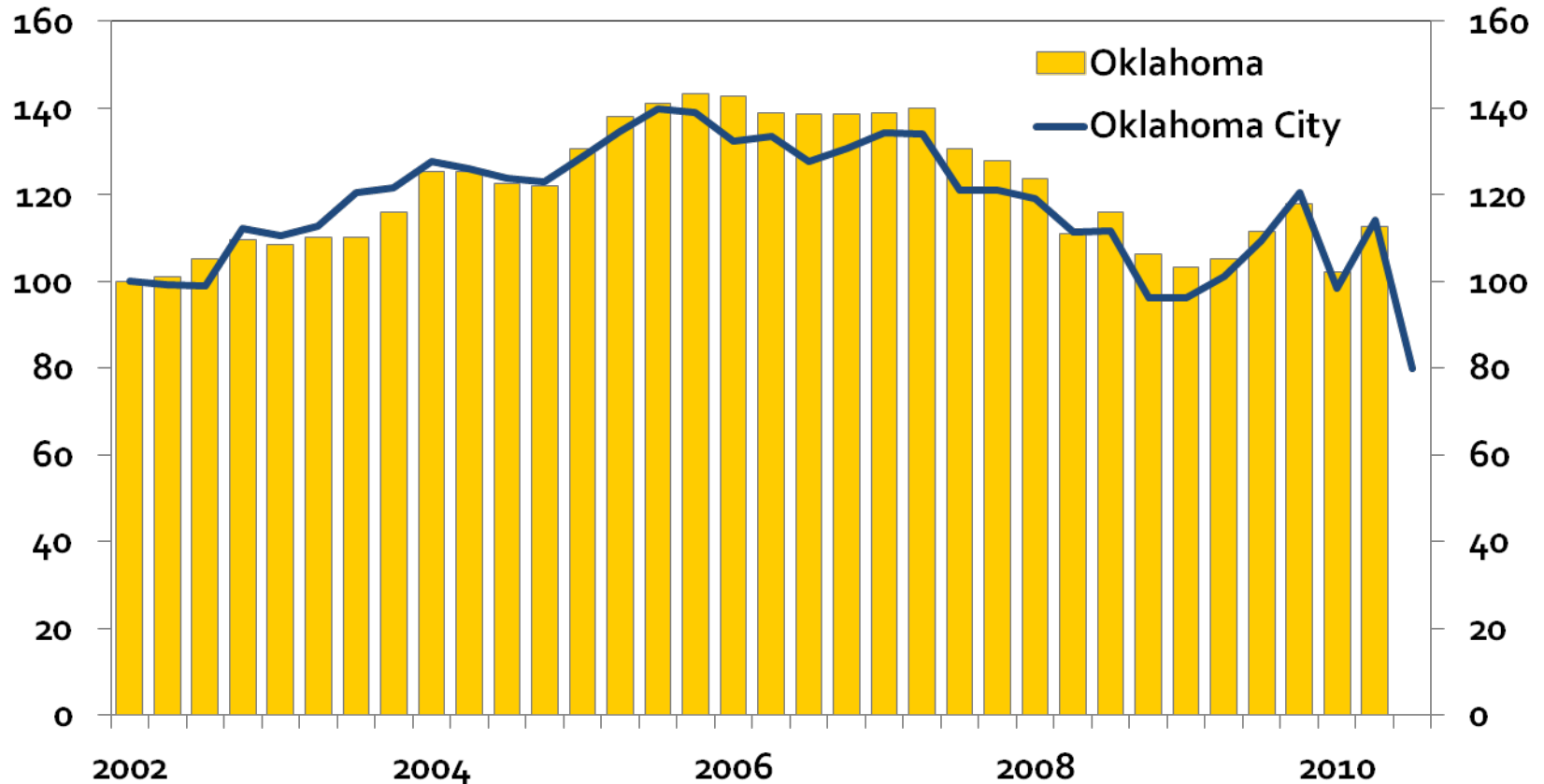
Source: U.S. Census Bureau



# After the end of the tax credit, housing remains an economic headwind.

## Oklahoma and Oklahoma City Home Sales

Index (2002:Q2 = 100)

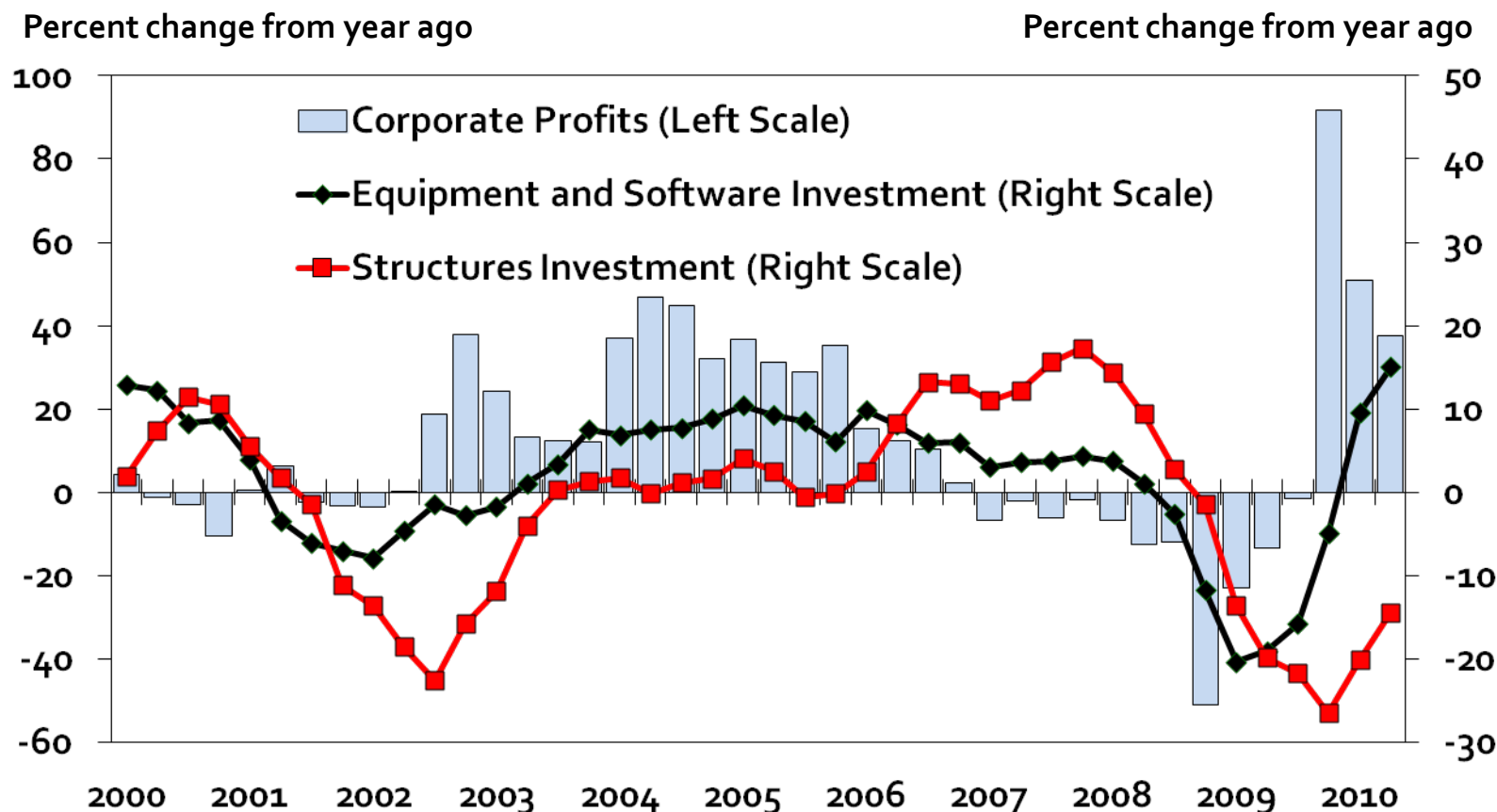


Source: National Association of Realtors and local realtors association



# Corporate profits and business investments are beginning to rebound.

## Corporate Profits and Nonresidential Fixed Investment

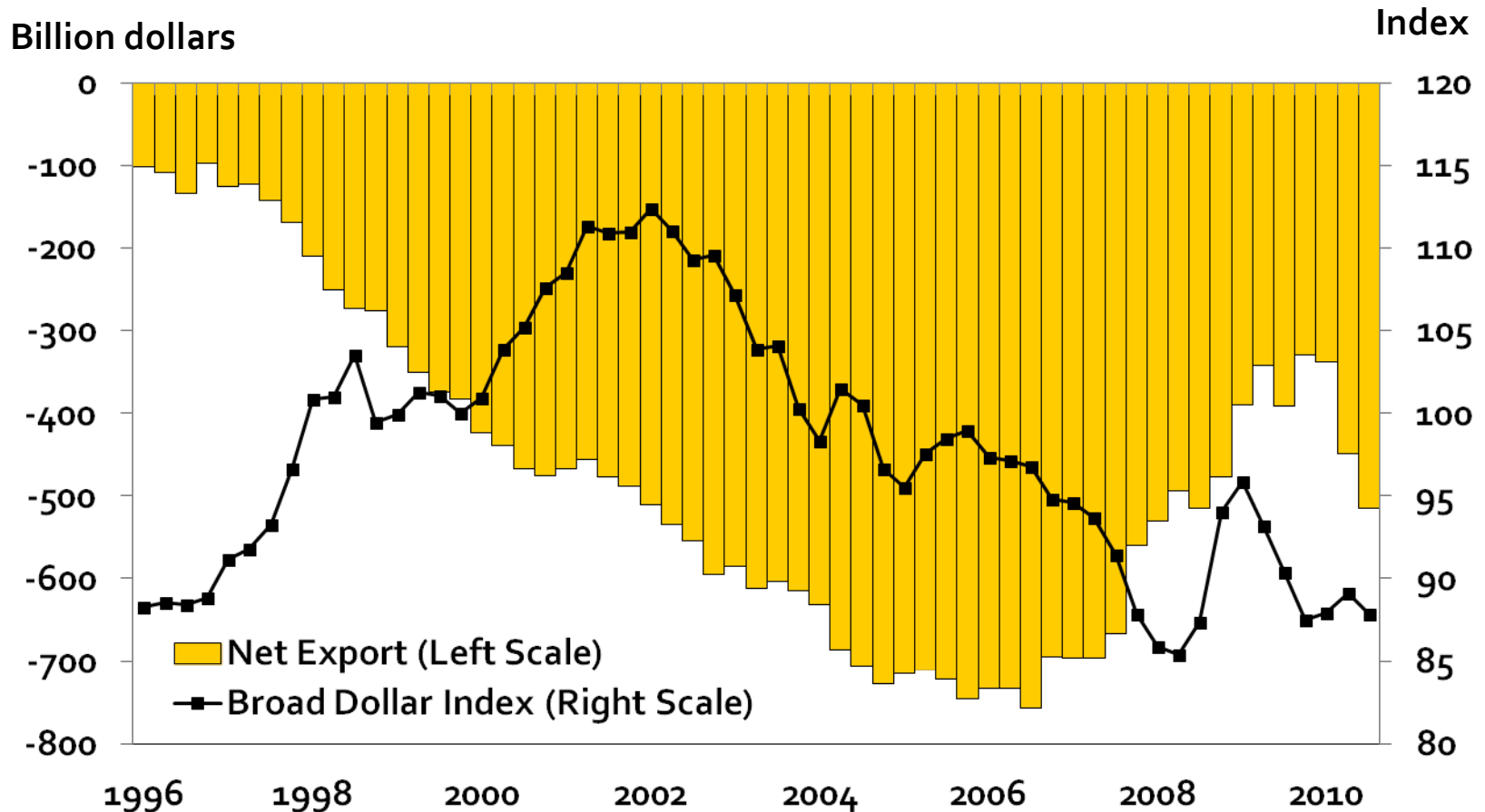


Source: Bureau of Economic Analysis



# Net export activity has eroded recently.

## U.S. Real Net Exports and Value of the Dollar



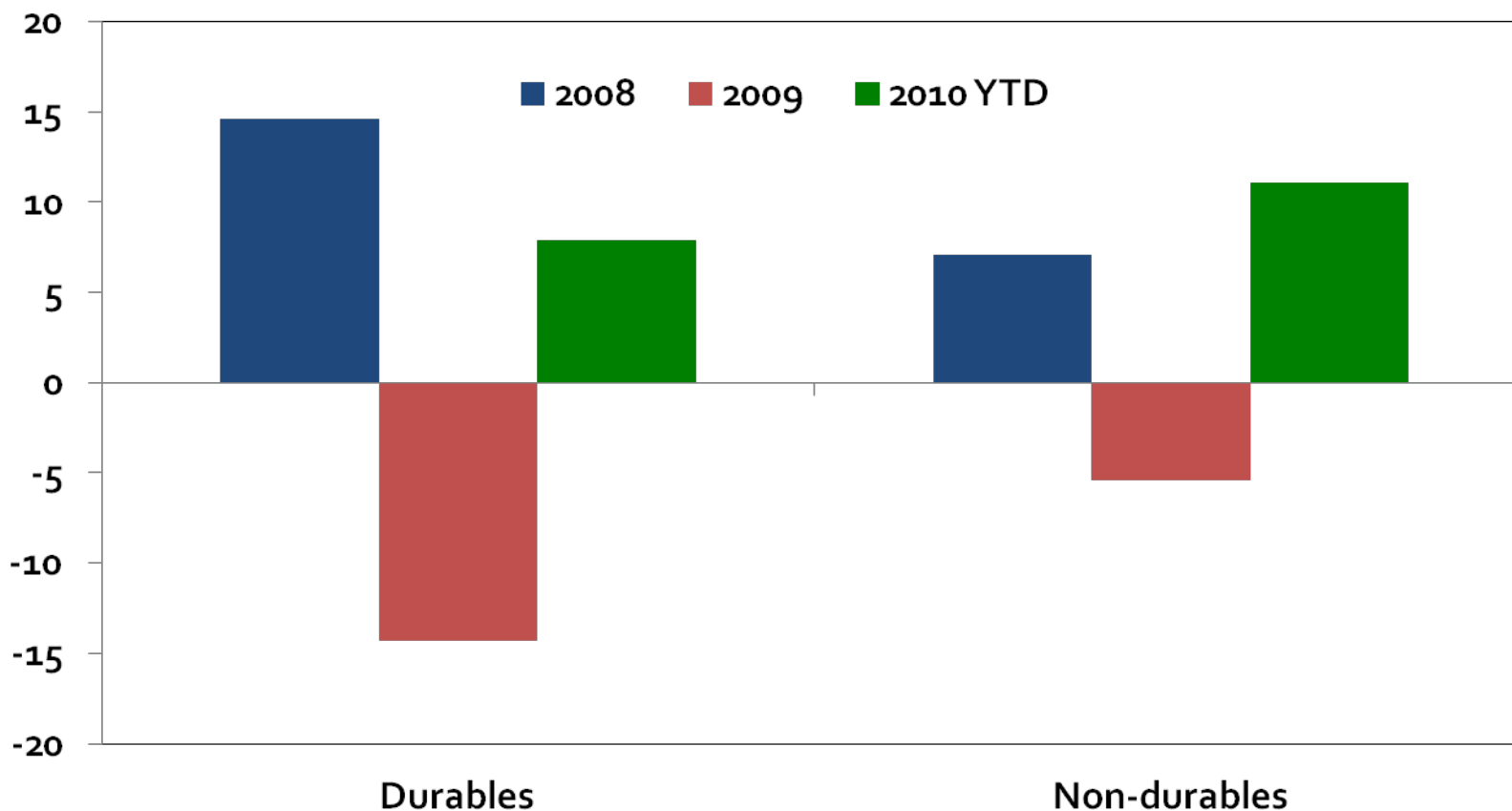
Source: Bureau of Economic Analysis, Federal Reserve Board of Governors,



# Manufactured exports rebound in 2010.

## Oklahoma Manufactured Export Growth

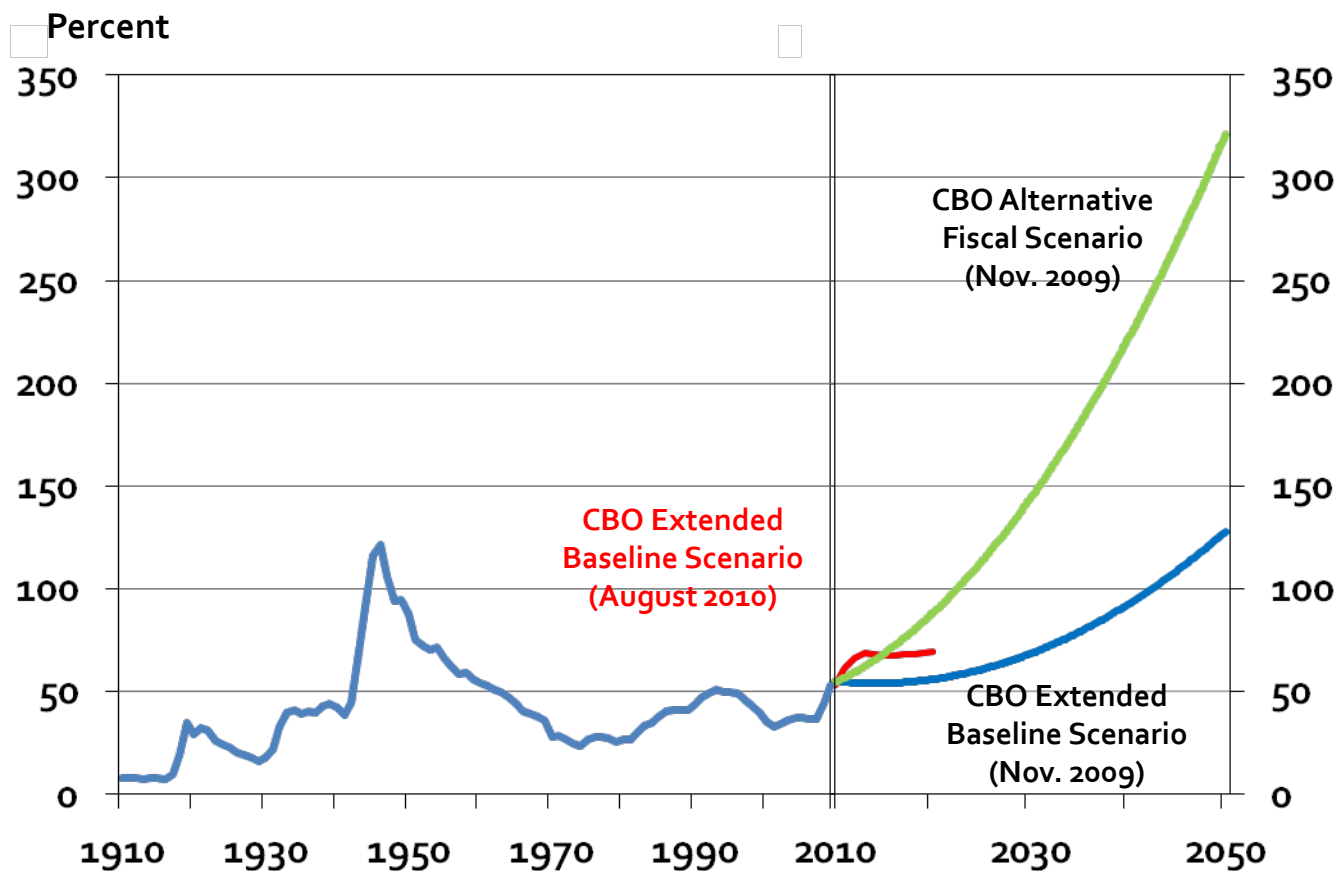
Percent change from year ago





# How will surging federal debt levels affect economic conditions long-term?

## U.S. Debt as a Percent of GDP

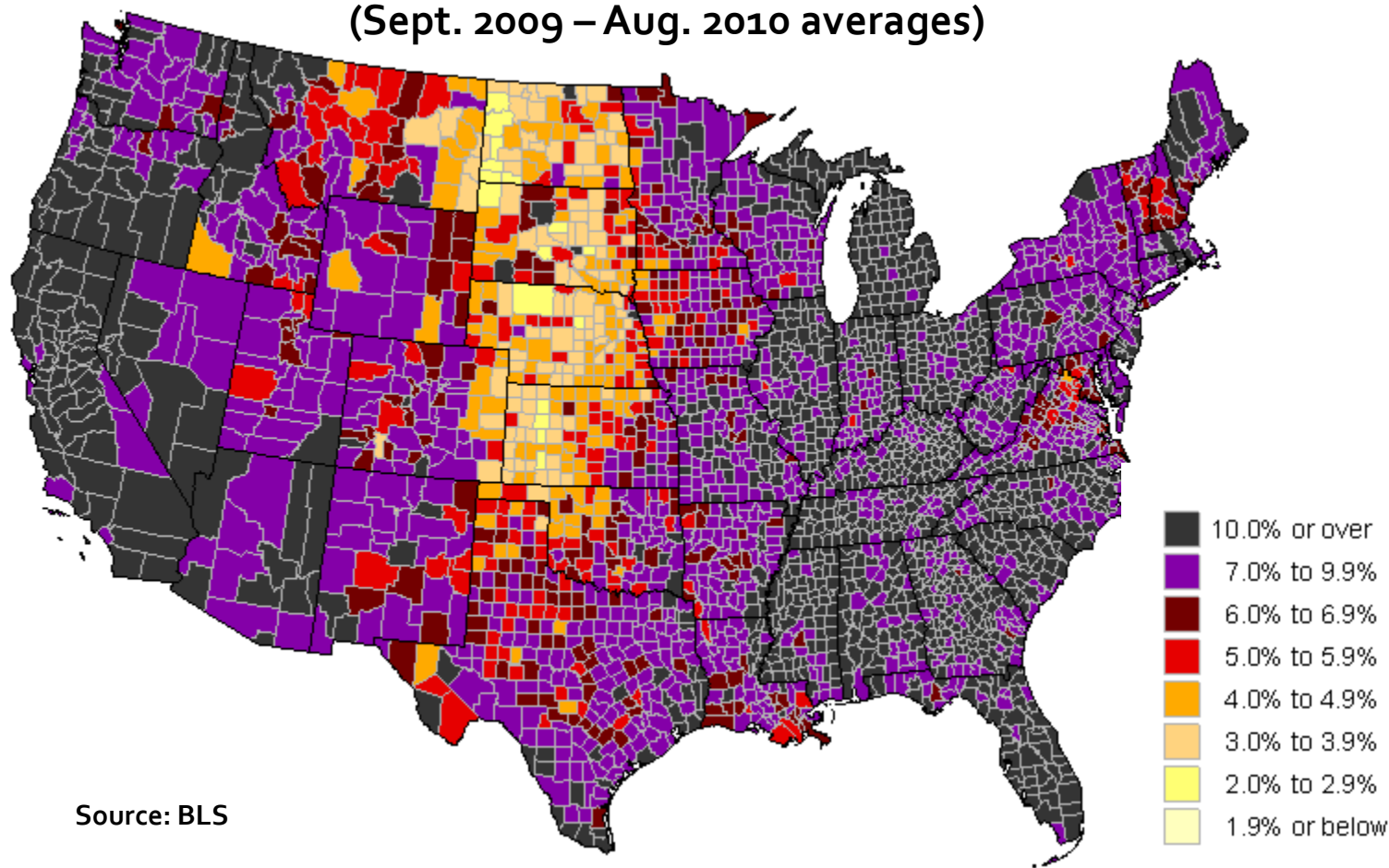


Source: Congressional Budget Office



# *Economic conditions are about jobs, jobs, or the lack of jobs.*

Unemployment Rates  
(Sept. 2009 – Aug. 2010 averages)



Source: BLS



# Today's Roadmap

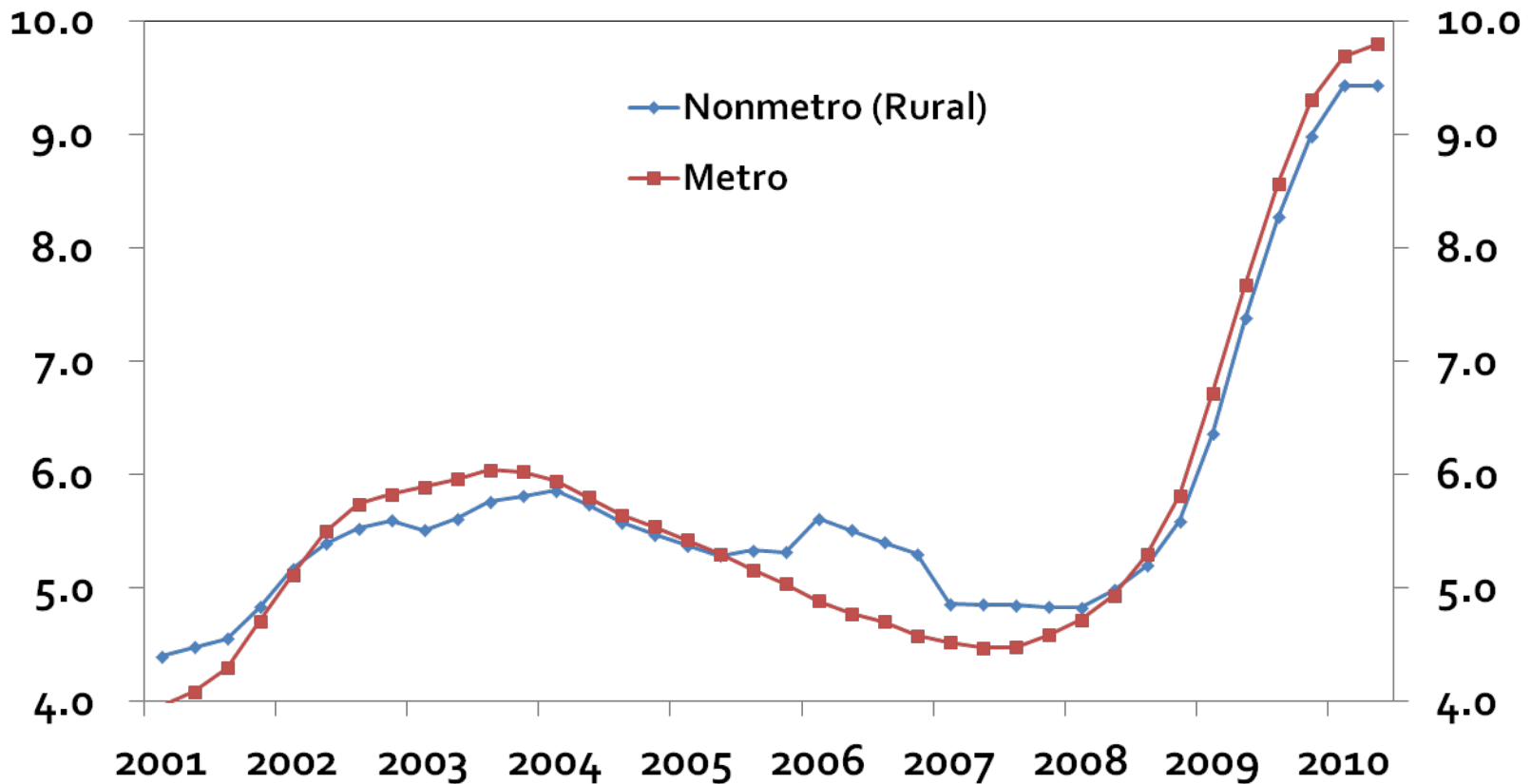
- A modest economic recovery is underway.
- Rural America is leading the recovery.



# Similar to past jobless recoveries, rural labor markets have held up better.

## Metro and Rural Unemployment Rates

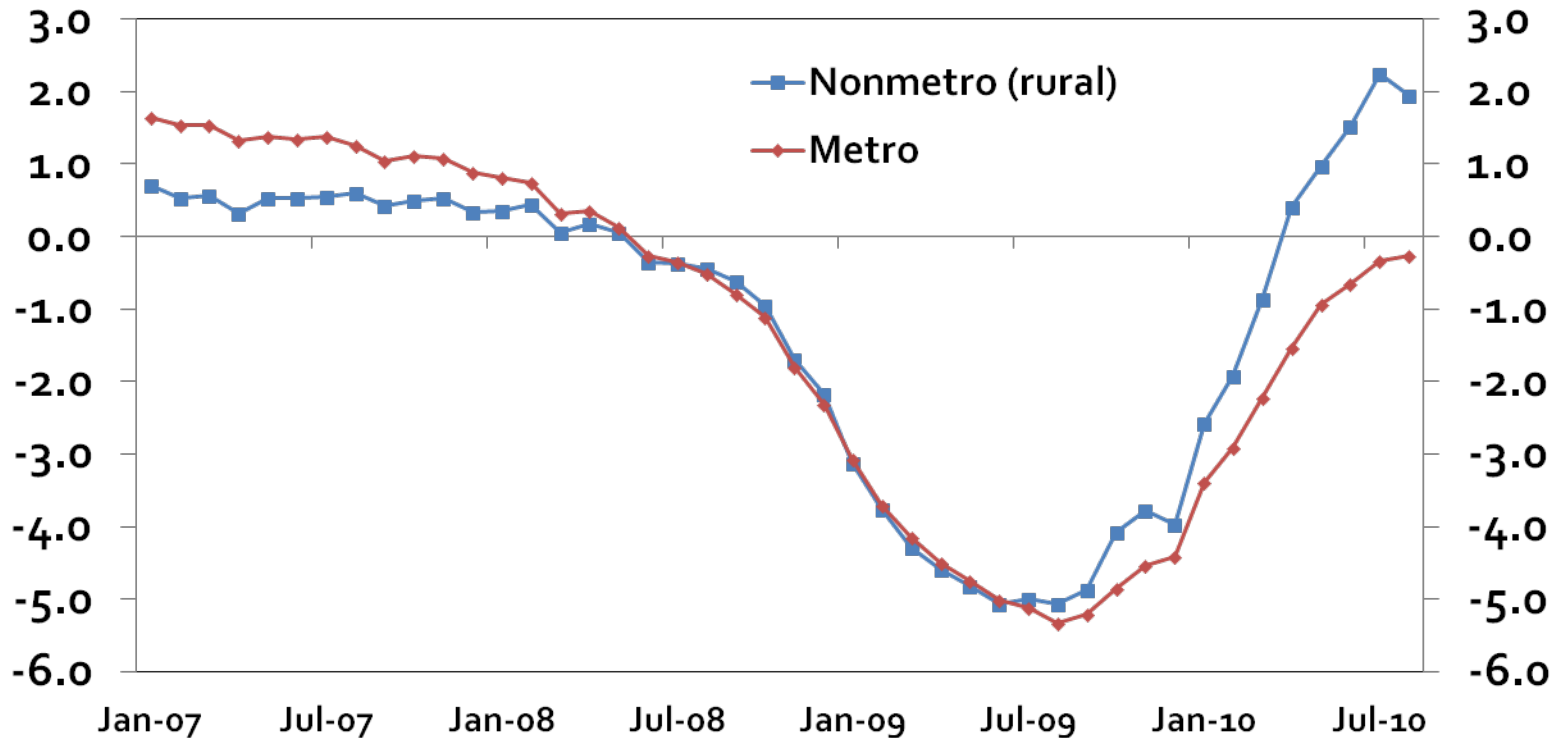
Percent (four quarter moving average)



# Rural America is leading U.S. job growth

## Metro and Rural Employment Growth

Percent change from year ago



Source: Bureau of Labor Statistics.

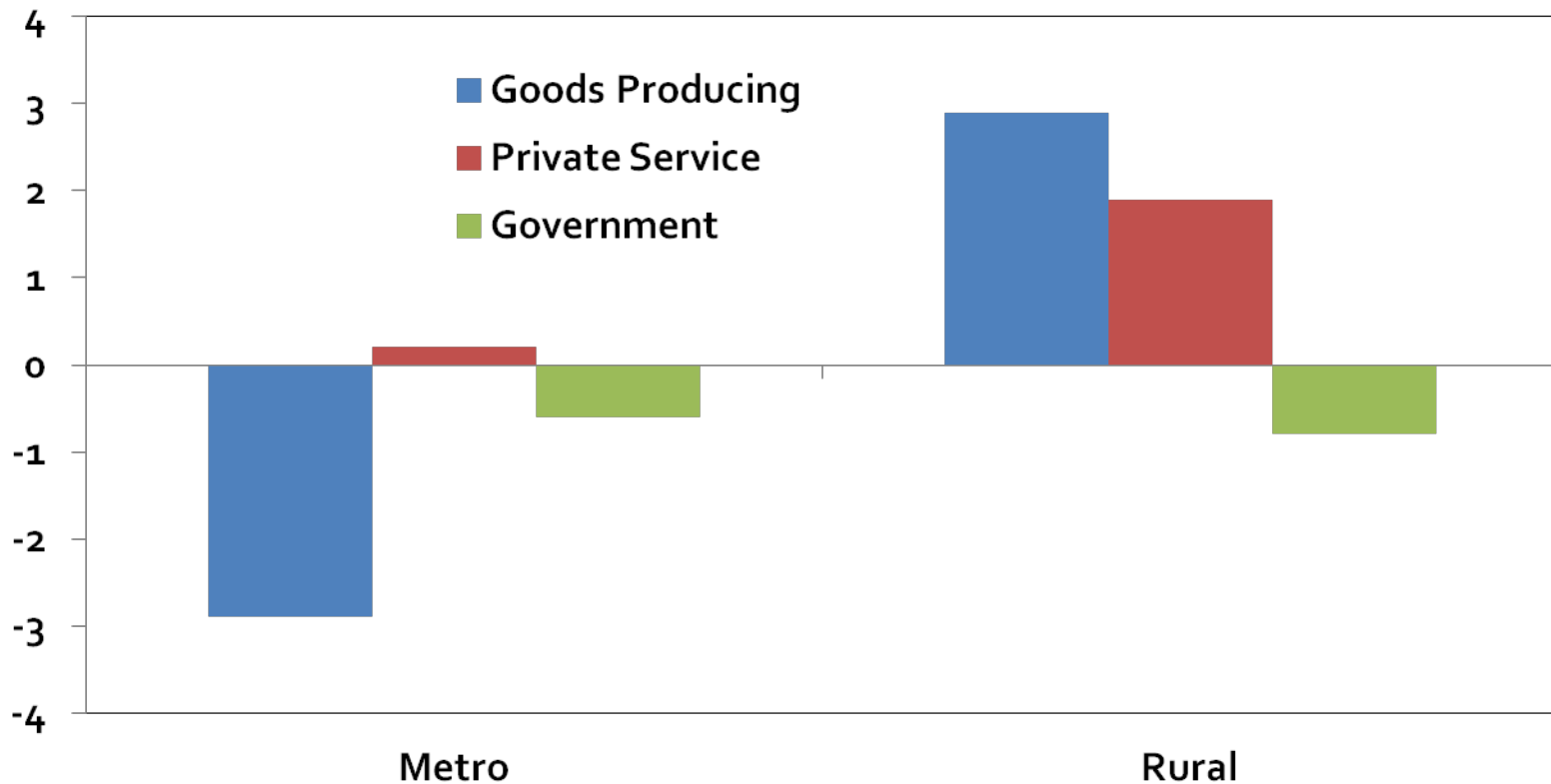
Note: Rural is defined as nonmetropolitan counties.



# Private sector employment is stronger in rural America.

## Metro and Rural Employment by Industry August 2009 to August 2010

Percent change from year ago

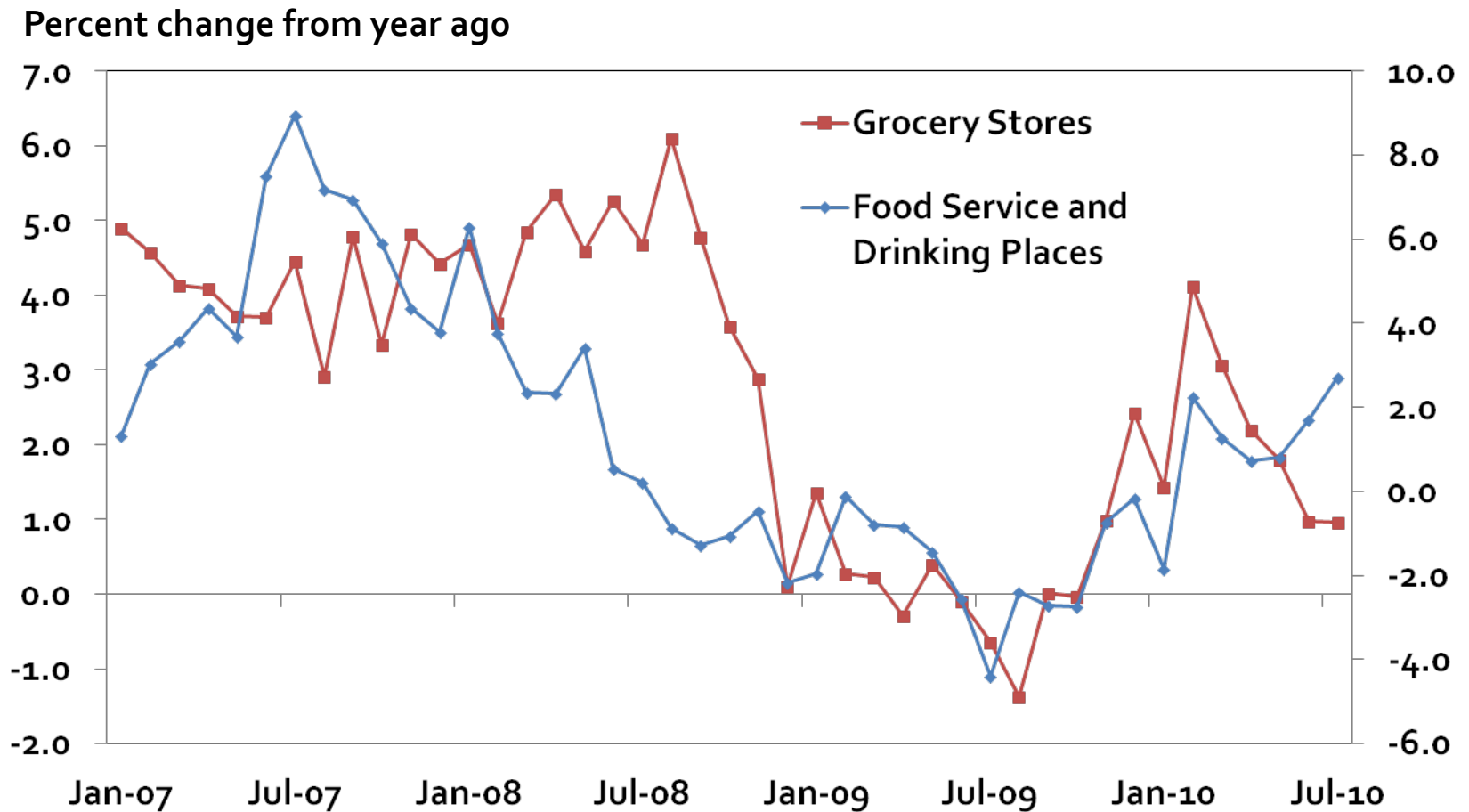


Calculations based on BLS data



# U.S. food expenditures have rebounded.

## U.S. Retail Sales at Grocery Stores and Restaurants

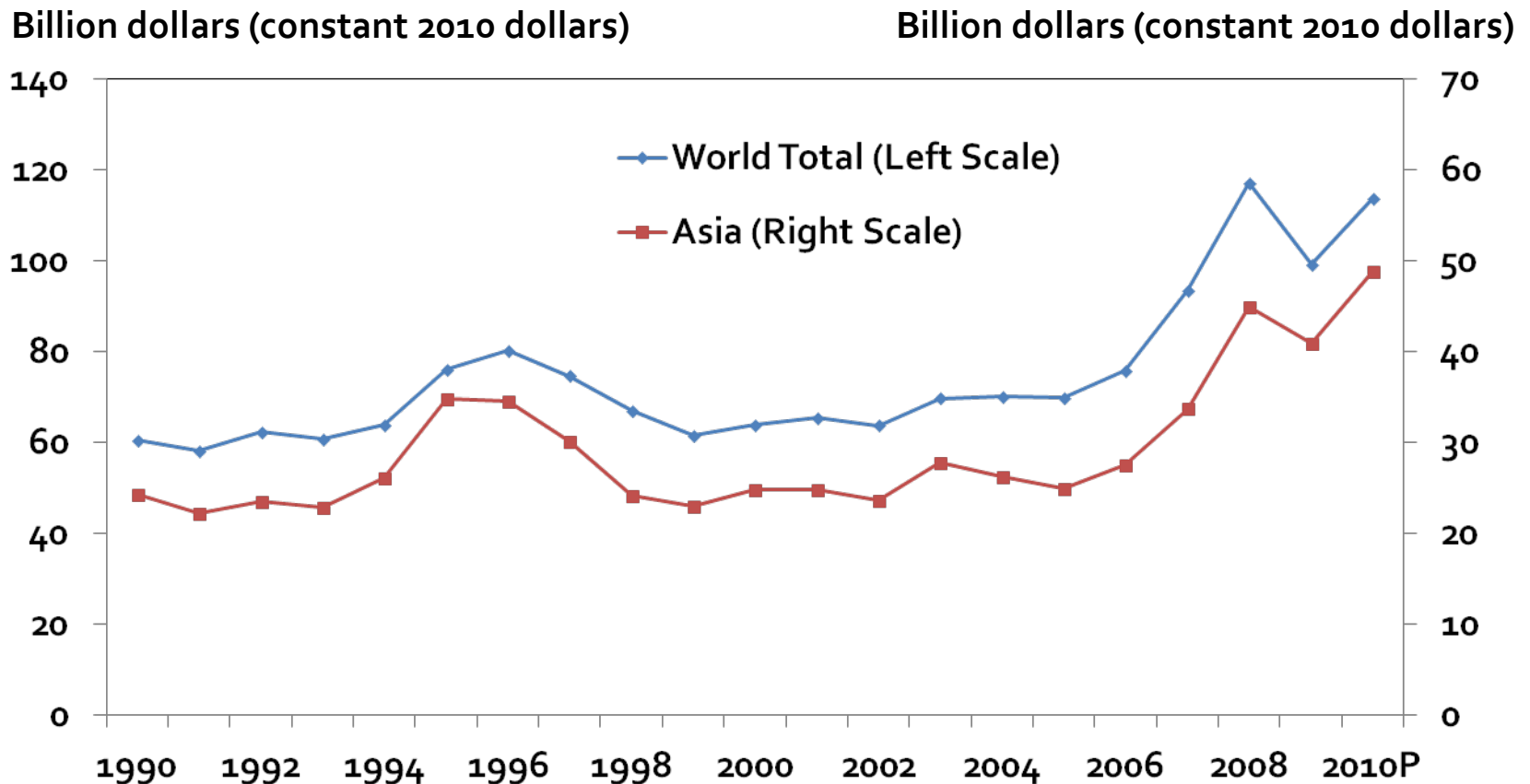


Source: Census Bureau



# U.S. agricultural exports have rebounded.

## Real U.S. Agricultural Exports



Source: USDA

Note: 2010 projections based on export growth through June 2010

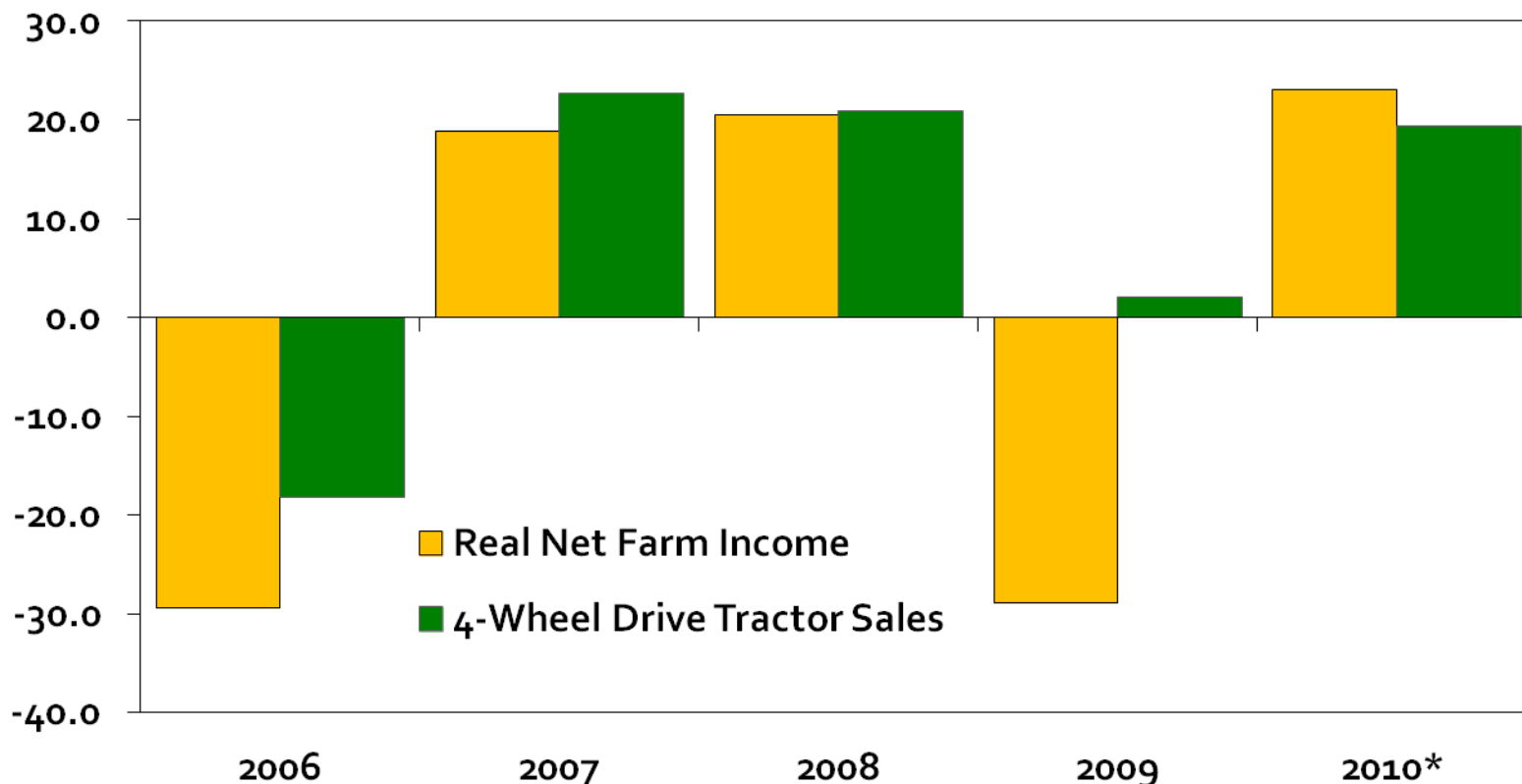




# Stronger farm incomes boost agricultural equipment sales.

## U.S. Real Net Farm Income and Agricultural Equipment Sales

Percent change from previous year



Source: Association of Equipment Manufacturers and USDA

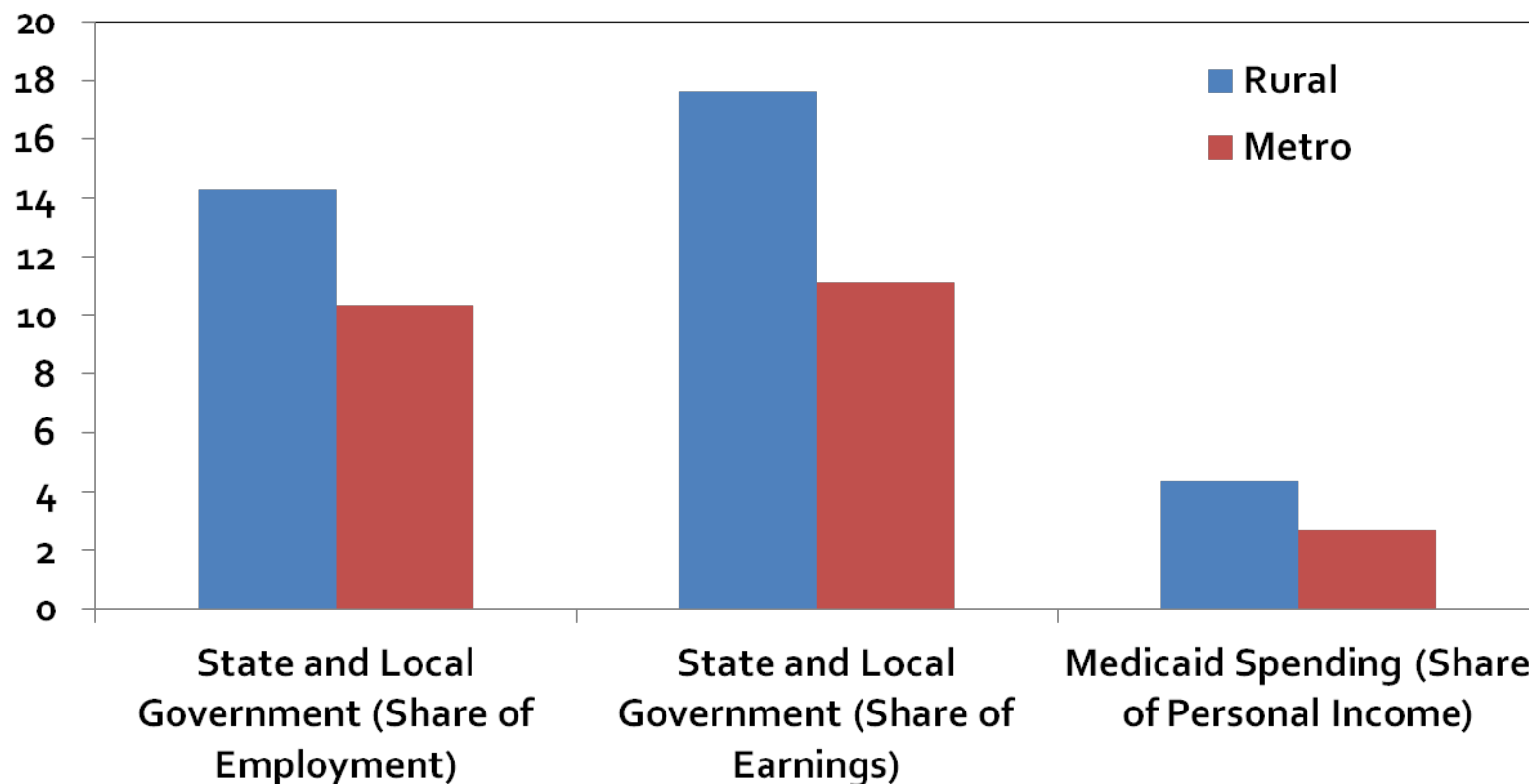
\* Tractor Sales data are year-to-date through July and Net Farm Income forecast for 2010 dated August 31, 2010.



# State and local fiscal challenges could place a bigger strain on rural communities.

## State and Local Government Activity and Medicaid Spending by Metro Status, 2008

Percent



Calculations based on BEA data



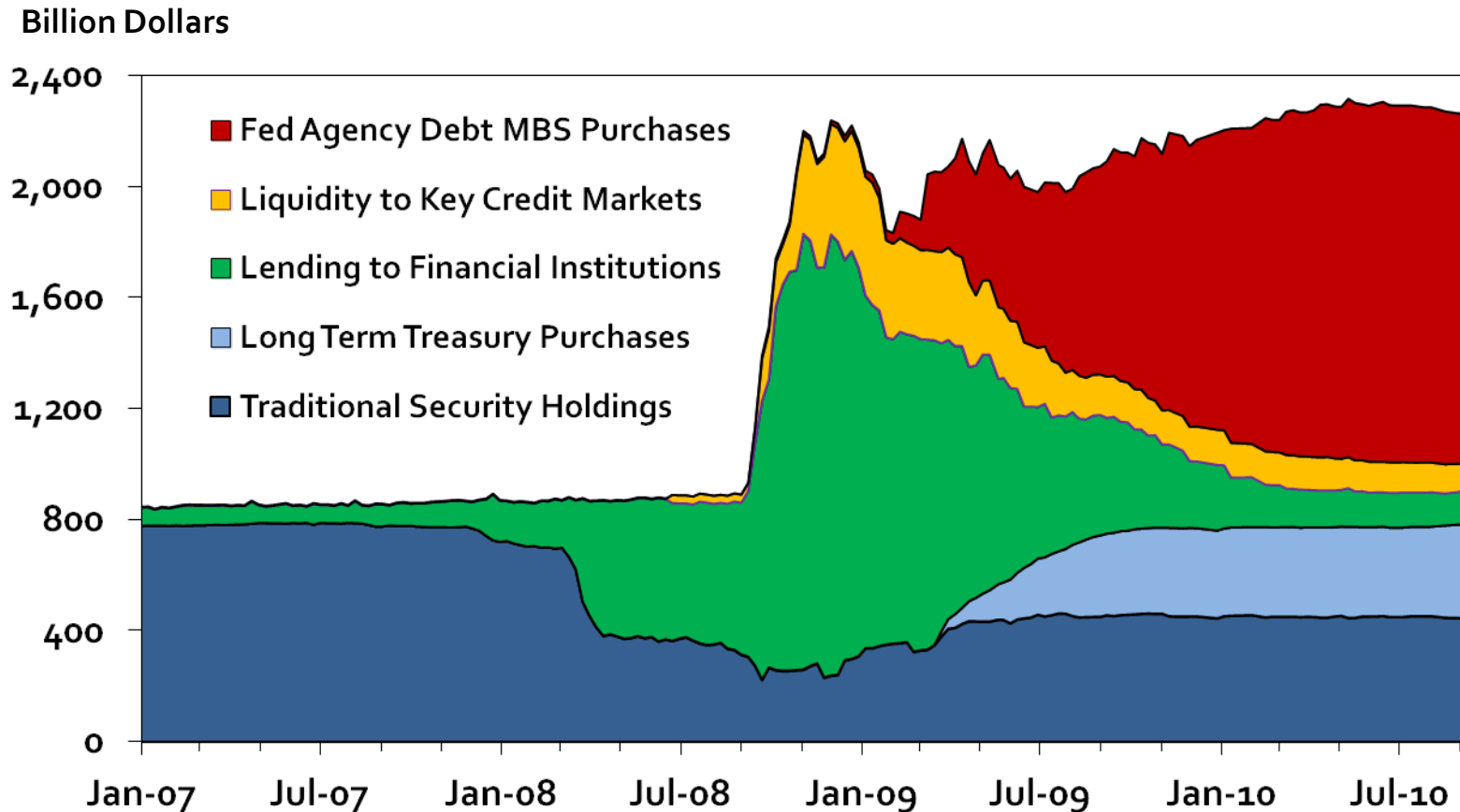
# Today's Roadmap

- A modest economic recovery is underway.
- Rural America is leading the recovery.
- Additional monetary stimulus could have implications for rural economies.



*Quantitative easing (QE) is designed to expand the Federal Reserve balance sheet to lower long term rates.*

## Federal Reserve Balance Sheet: Assets



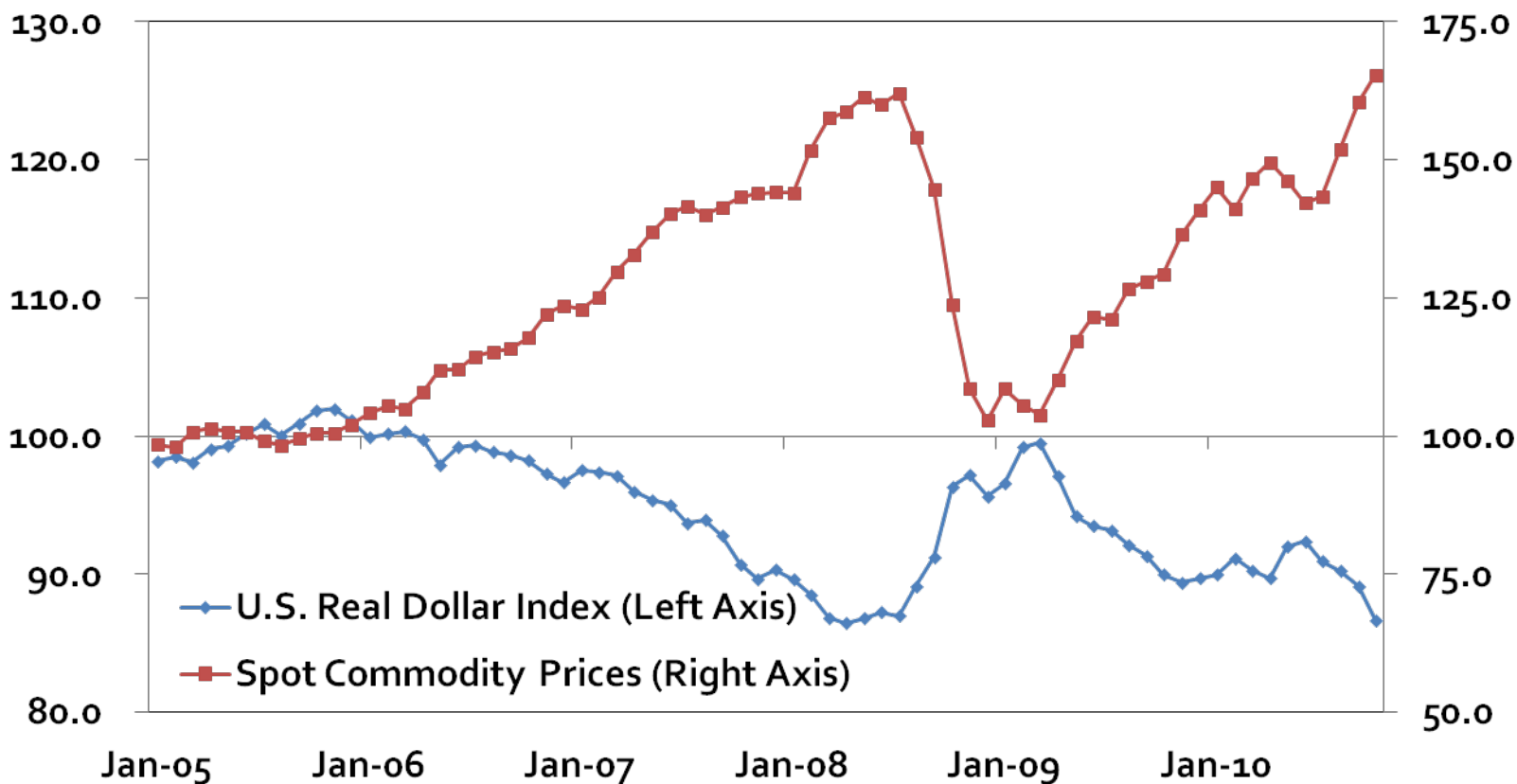
Source: Federal Reserve Bank of Cleveland



# A side effect of QE is a weaker dollar, which is associated with higher commodity prices.

## U.S. Exchange Rates and Commodity Prices

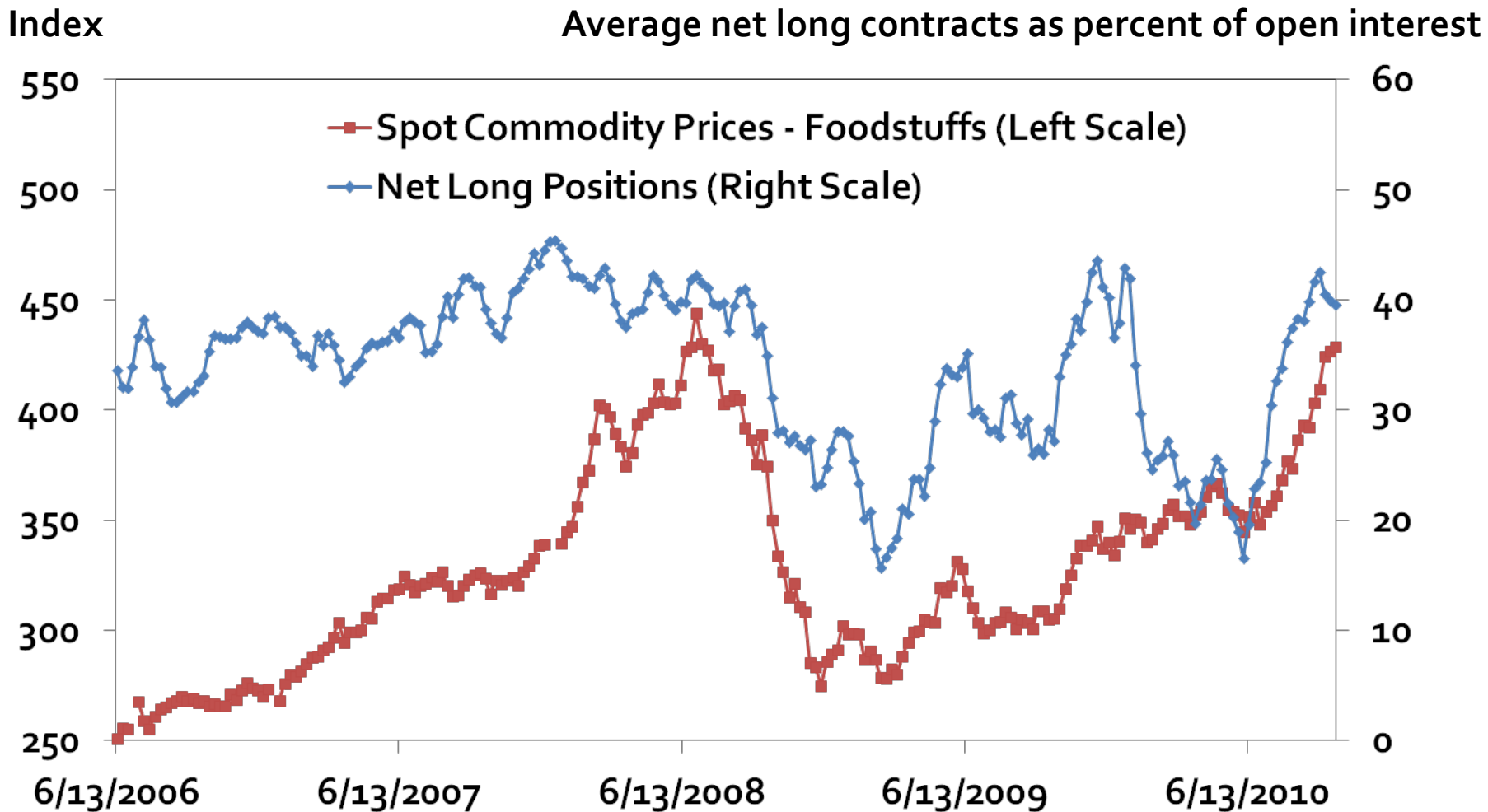
Index (2005 average = 100)



Source: Commodity Research Bureau and Federal Reserve Board of Governors



# Swap Dealers and Managed Money Net Long Positions in Corn, Soybeans, Wheat, Oats, and Rice Markets and Food Commodity Prices

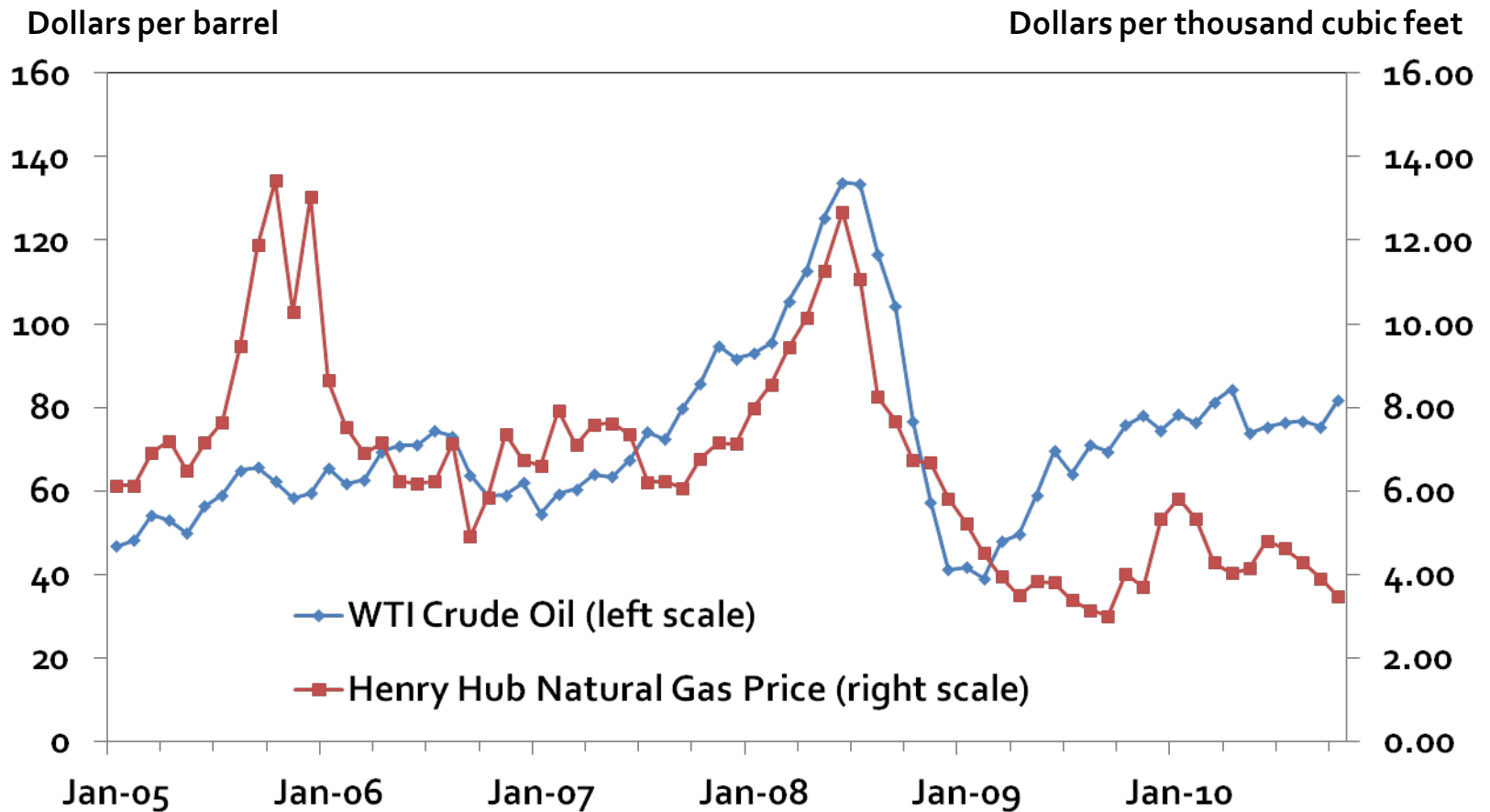


Source: CFTC and Commodity Research Bureau



# Stronger global economies boost energy prices.

## Crude Oil and Natural Gas Prices



Source: Energy Information Administration



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# *Rural America must recognize that the consumer is king.*

**Rising demand lifts all boats.**

**From where will demand emerge?**

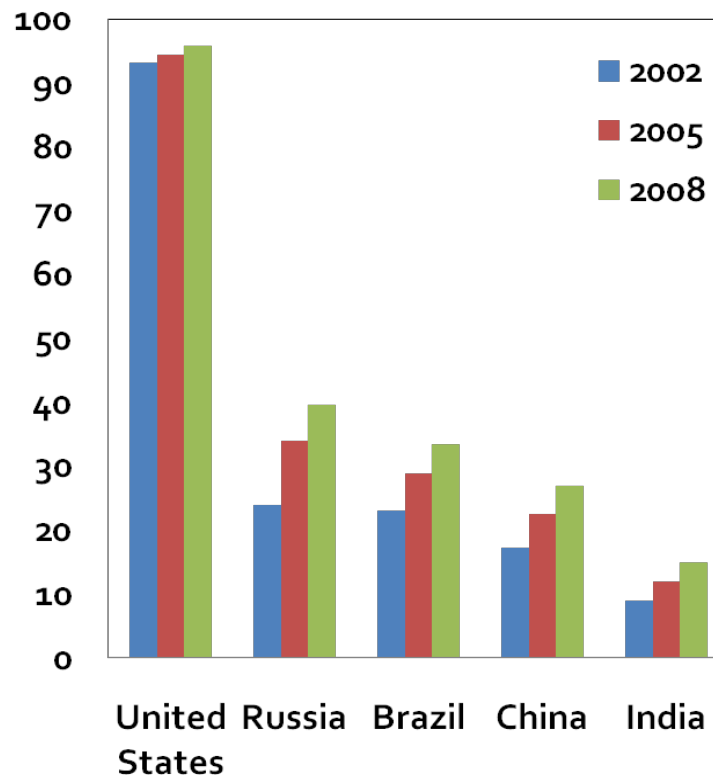
**What types of products do they want?**

## **The Example of Food**

- In 2008, almost half of the world's population earns less than \$2.50 per day.
- At \$2.50 per day, most hunger problems are solved and people start incorporating proteins into their diet.
- Household amenities, such as microwave ovens, also shift food demand.

***What happens to food and energy demand with the microwave?***

**Households Owning a Microwave Oven**  
Percent



Source: USDA

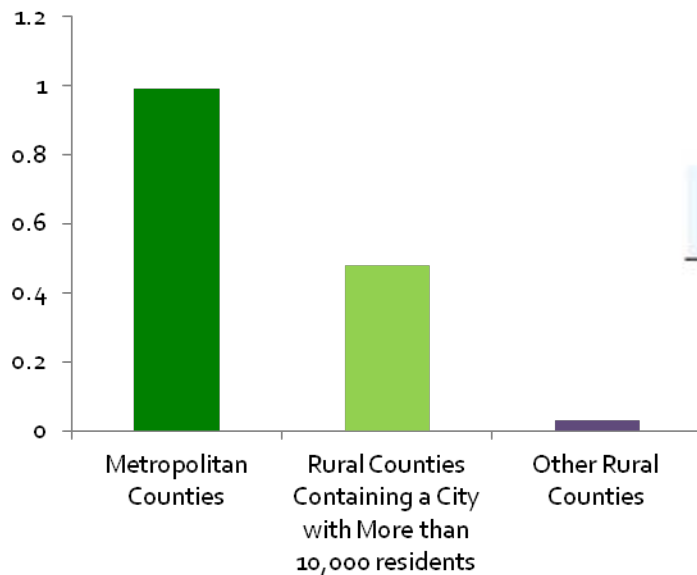


# Rural Oklahoma continues to struggle with population loss.

• Many Oklahoma counties struggle to maintain population levels, which limits labor availability and local demand.

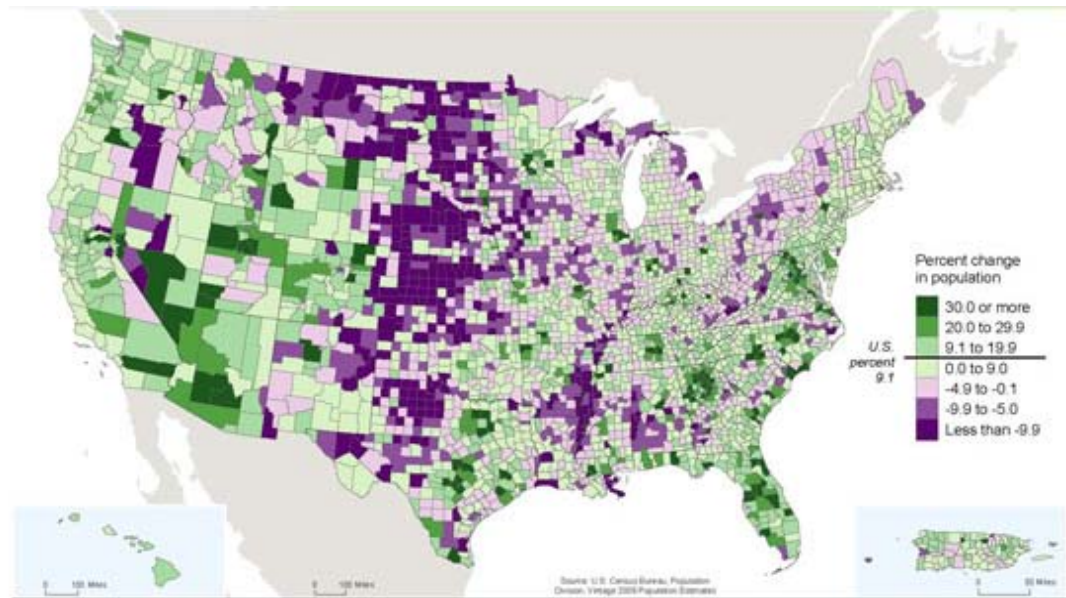
## Oklahoma Population Growth by County Type

Annualized percent change 2000 to 2009



Calculations based on U.S. Census data

## U.S. Population Growth: 2000 to 2009

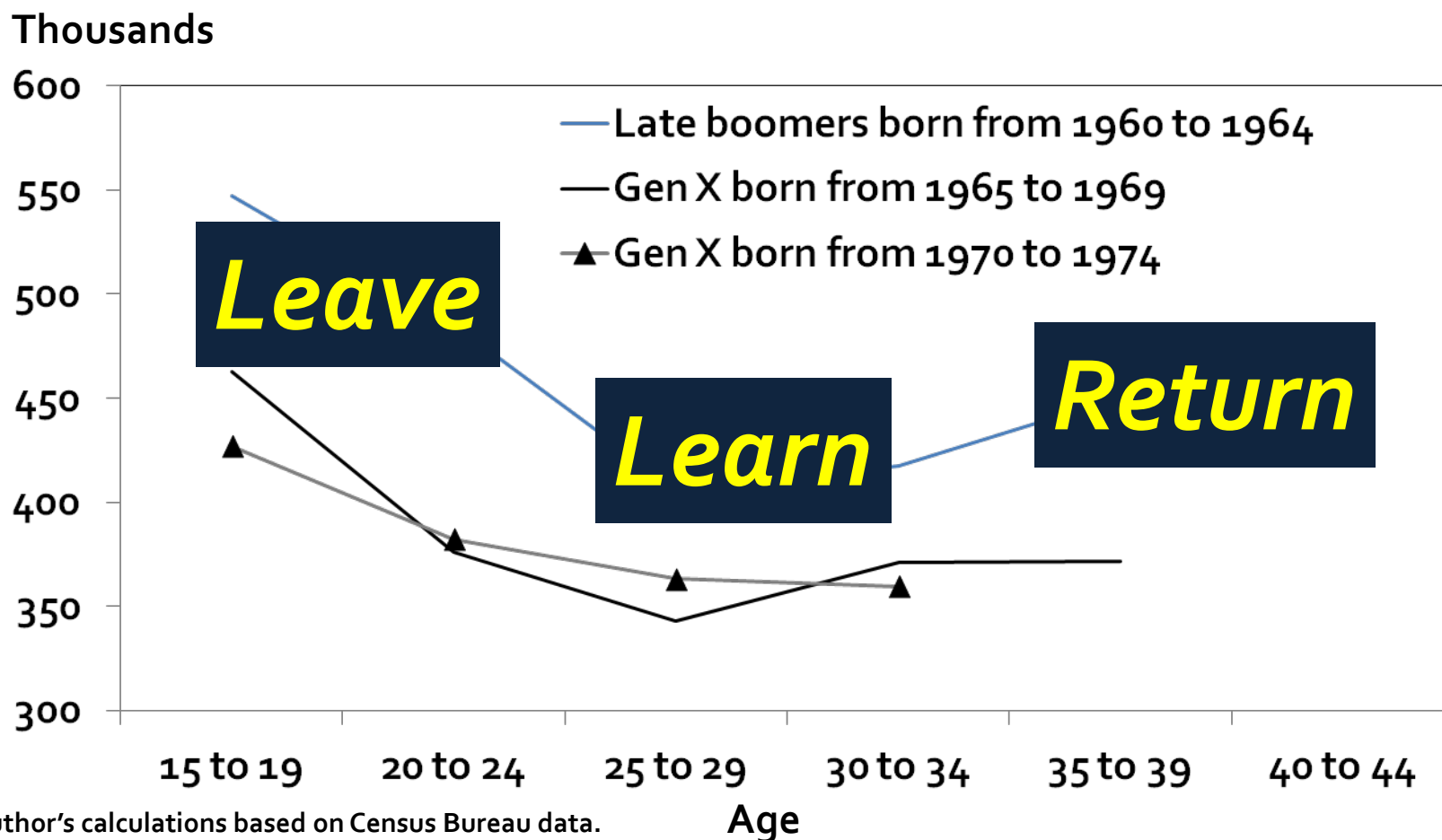


- The quality of local labor pools is also a concern.
- How do Oklahoma's communities attract and retain the best and brightest?



# Can the return of former rural residents lead the charge?

## Population in Tenth Federal Reserve District Rural Counties by Birth Cohorts



Author's calculations based on Census Bureau data.  
Rural areas are based on nonmetro county definitions.



# Conclusions

- A modest economic recovery is underway, led by rural America.
- Rural gains are being led by commodities.
- All commodity booms come to an end.
- What additional economic foundations are being built in rural America?
- How can rural America attract and retain the entrepreneurs and people needed to seize emerging global demand?



# **Federal Reserve Bank of Kansas City Omaha Branch**

**The Main Street Economist:**  
a bi-monthly publication discussing agriculture and rural America

**Agricultural Credit Survey:**  
a quarterly survey of agricultural credit conditions in the Tenth Federal Reserve District

**Agricultural Finance Databook:**  
a quarterly summary of national agricultural finance conditions

**For Additional Information on  
Agricultural and Rural Issues**

**[www.kansascityfed.org/omaha](http://www.kansascityfed.org/omaha)**

