

Jason Henderson
Vice President and Branch Executive
Federal Reserve Bank of Kansas City – Omaha Branch
www.kansascityfed.org/omaha
October 13-15, 2009

Responding to the Financial Crisis and Recession in Rural Areas



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 Outline

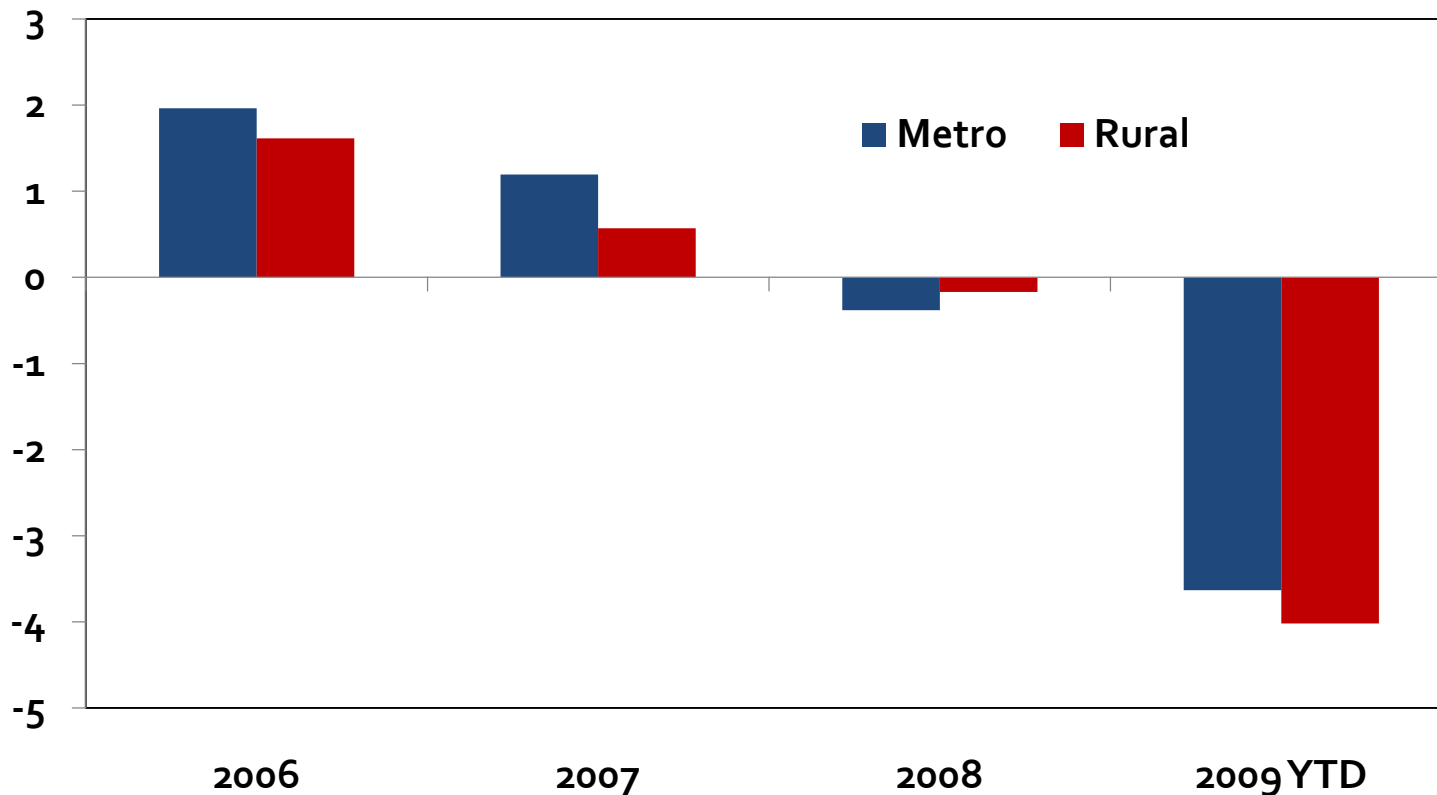
- **The recession and financial crisis in rural U.S.**
- **The recovery hinges on a demand rebound.**
- **Long-term structural challenges remain.**



Strong commodity markets insulated rural communities from the early stages of the recession.

Employment Growth

Annual percent change



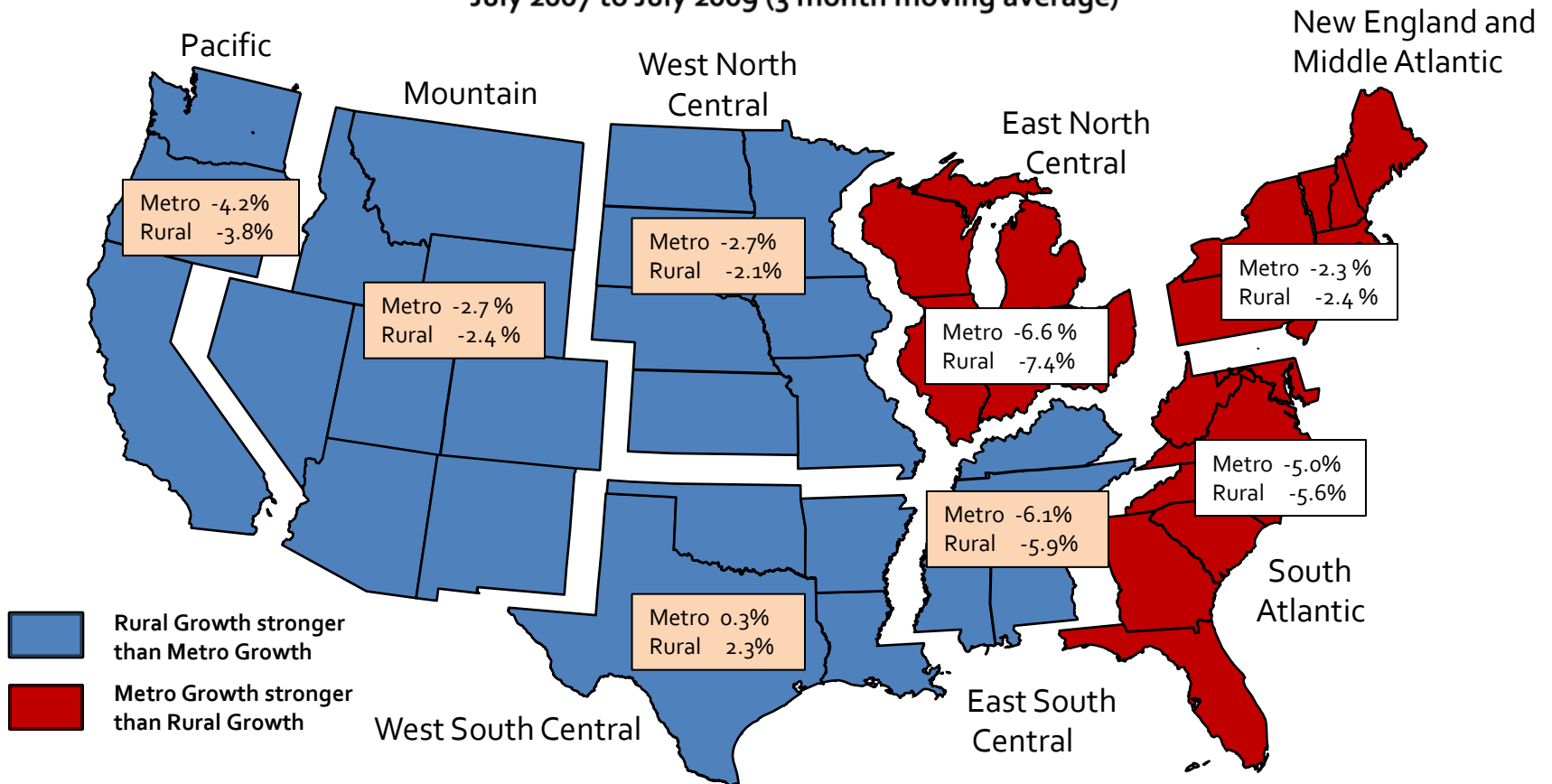
Source: Bureau of Labor Statistics
Year-to-date data through July 2009



Rural economies have held up better than metro economies in many parts of the country.

Employment Growth

July 2007 to July 2009 (3 month moving average)



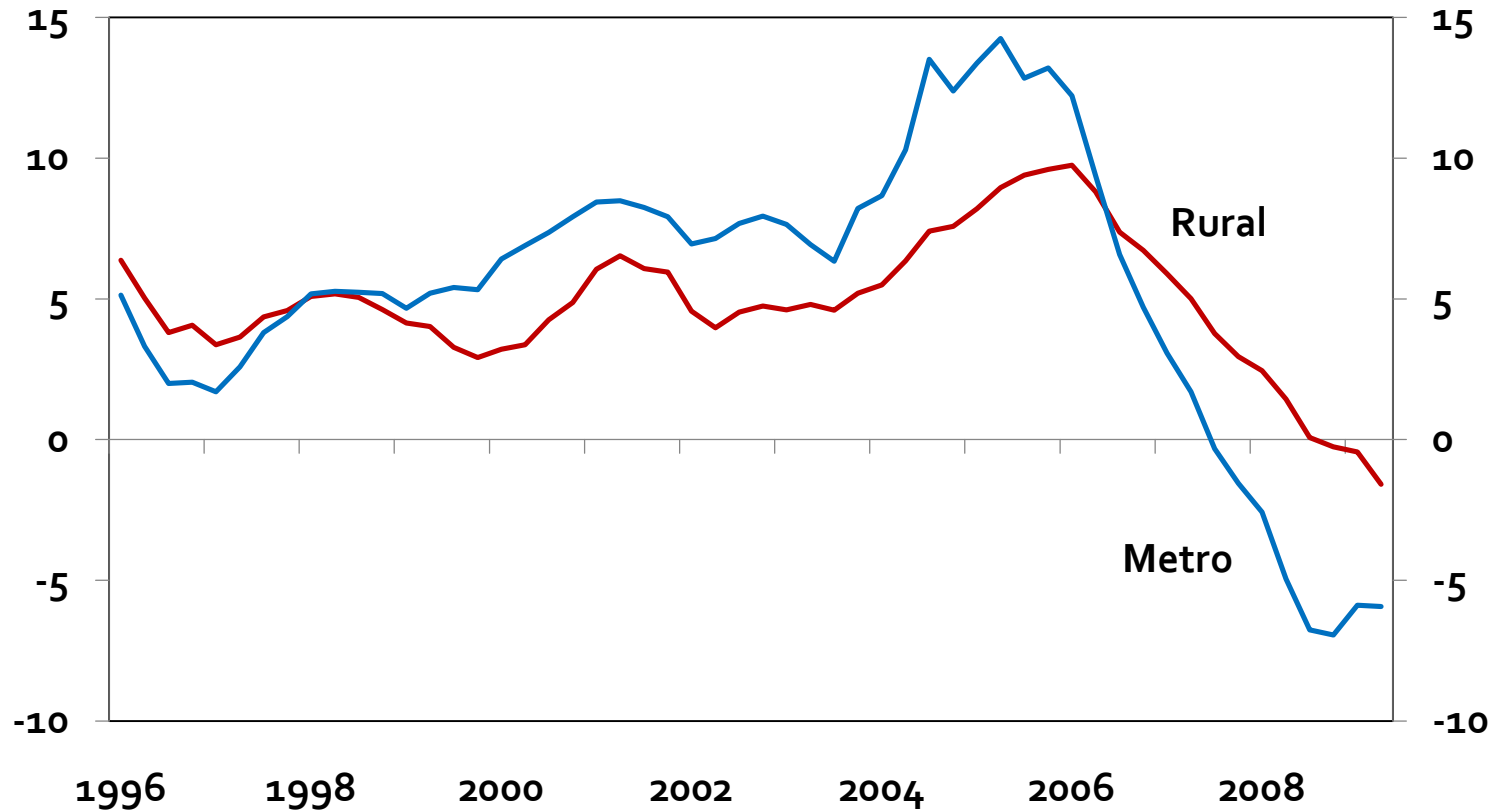
Calculations based on Bureau of Labor Statistics, LAUS data



Rural housing markets are performing better than metro markets.

Residential Housing Price Indices

Annual Percent Change



Source: FHFA and FRBKC calculations



Rural financial markets are strained.

- Rural banks are performing better than metro peers.
- But, to reduce risk, banks have . . .
 - Tightened credit standards on loans.
 - Raised collateral requirements.
 - Shortened loan maturities.
- Risks remain in commercial real estate.



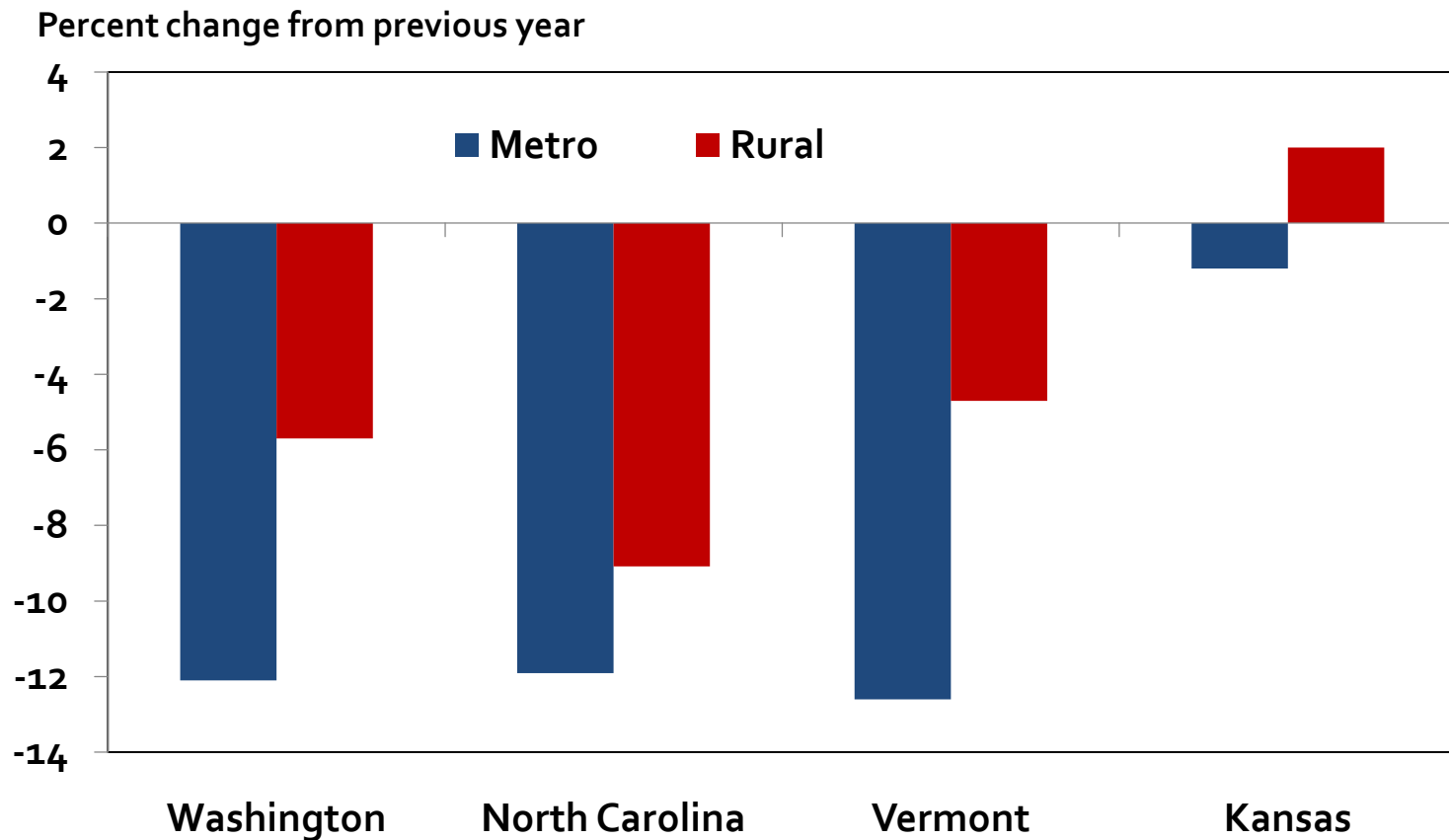
Today's Outline

- **The recession and financial crisis in rural U.S.**
- **The recovery hinges on a demand rebound.**



Consumer spending in rural places has not fallen as dramatically as in metro areas.

Year-to-date Retail Sales Growth 2007 to 2009

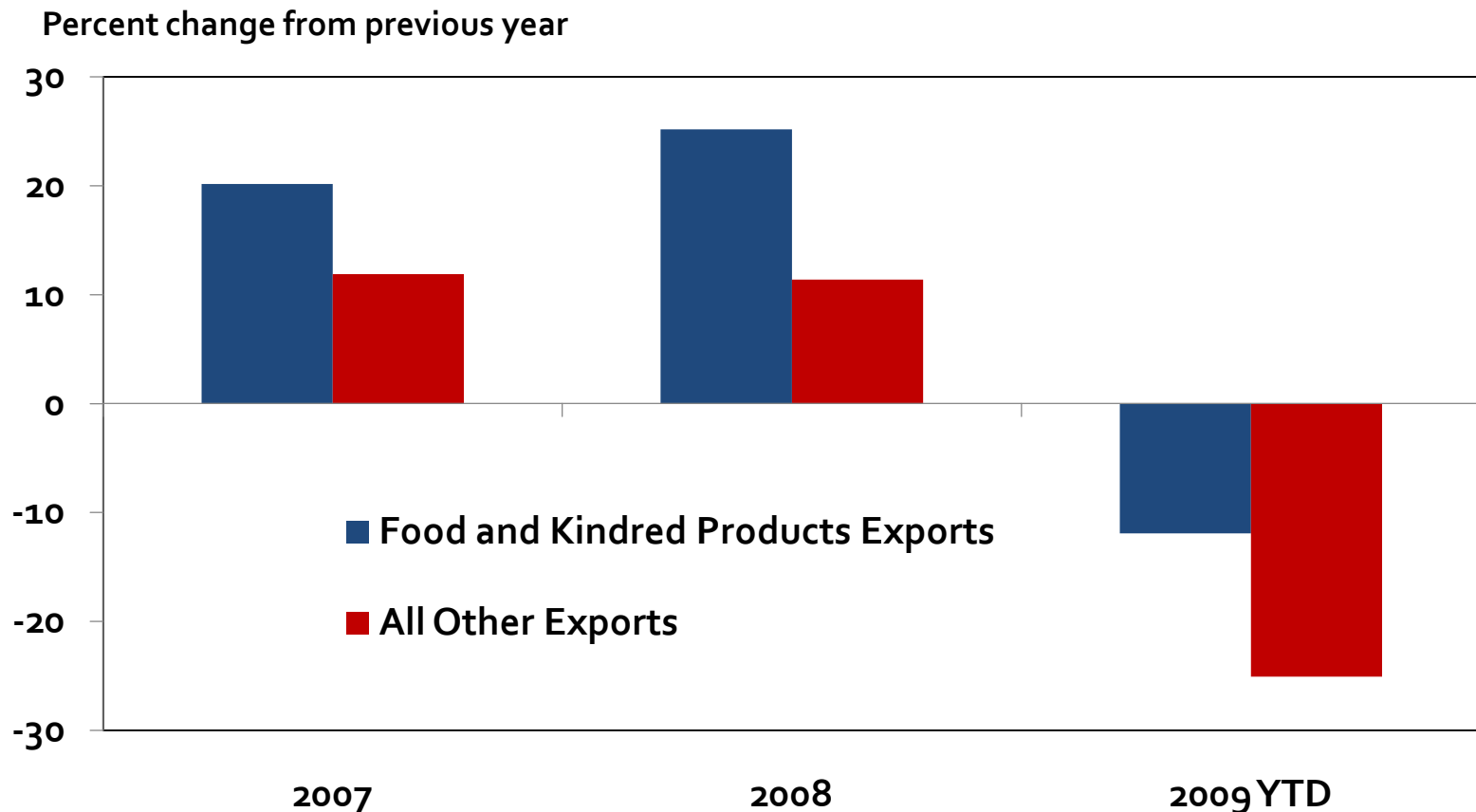


Source: Bureau of Labor Statistics



Will processed food products drive rural export activity?

U.S. Export Growth



Source: WISERTrade



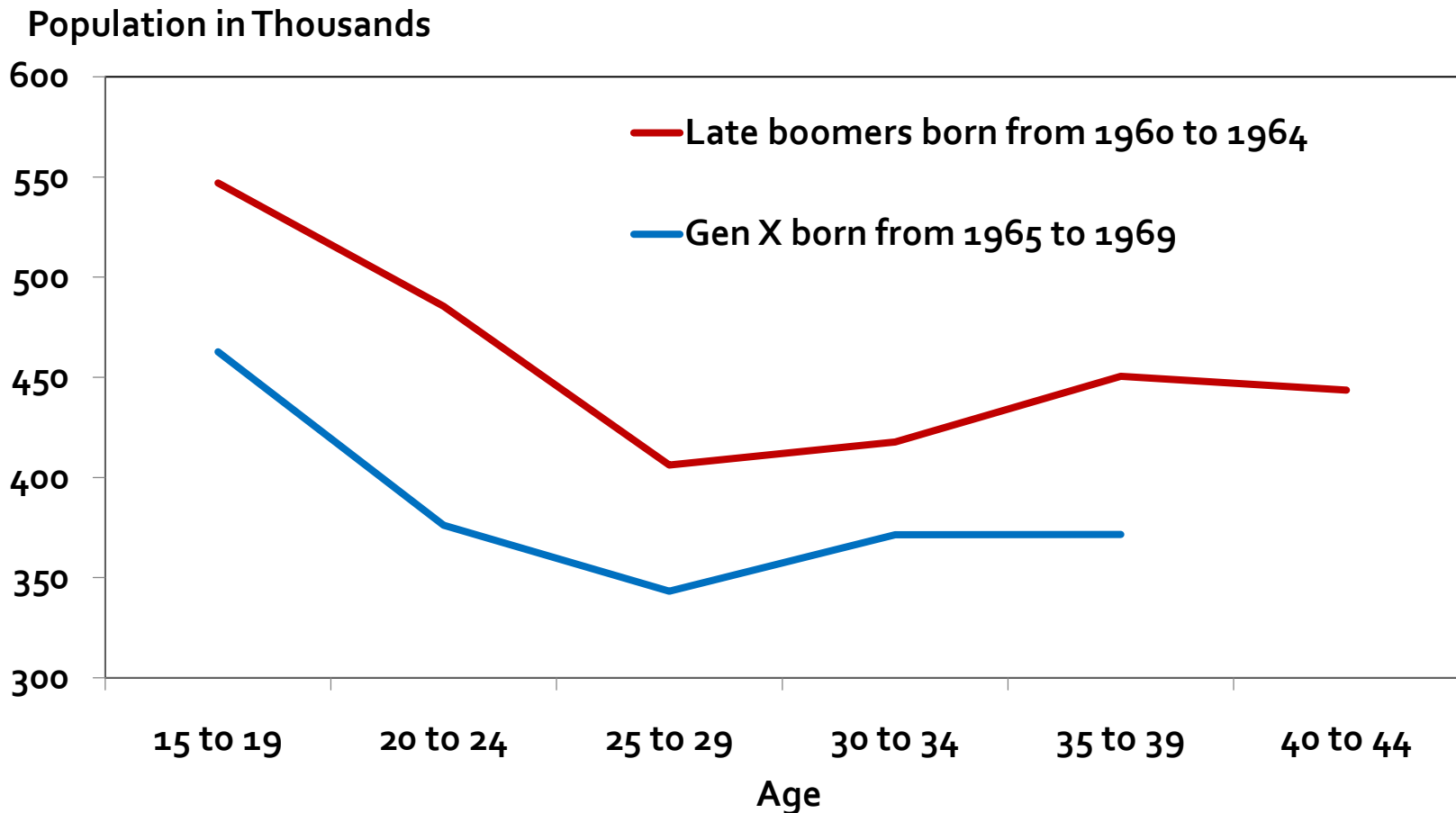
Today's Outline

- **The recession and financial crisis in rural U.S.**
- **The recovery hinges on a demand rebound.**
- **Long-term structural challenges remain.**
 - **Aging populations and migration challenge rural communities.**



Will the return of middle-aged adults offer opportunities for rural communities?

Rural Counties in Kansas City Federal Reserve District



Calculations based on Census Bureau data. Rural areas are based on nonmetro county definitions. The Kansas City Federal Reserve District includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, and portions of Missouri and New Mexico.



Long-term structural challenges remain.

- Aging populations and migration challenge rural communities.
- Rising fixed production costs threaten to intensify consolidation trends.
- The financial crisis has raised deposits in rural commercial banks.
 - Will this continue?
 - Is this a permanent change or a short-term safe haven?



Conclusions

- **The recession and financial crisis have strained rural economies.**
- **In the short term, economic strength will hinge on a rebound in demand.**
- **In the long term, population, migration, consolidation and financial access will remain challenges to rural communities.**
- **Continued focus on entrepreneurship, innovation, and amenities may be the best strategies for rural growth.**



For More Information

Federal Reserve Bank of Kansas City –
Omaha Branch

www.kansascityfed.org/omaha

