The Economic Recovery in Rural America
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

Percent change from year ago

- Corporate Profits (Left Scale)
- Equipment and Software Investment (Right Scale)
- Structures Investment (Right Scale)

Source: Bureau of Economic Analysis
Net export activity has eroded recently.
Manufactured exports rebound in 2010.

Oklahoma Manufactured Export Growth

Percent change from year ago

-20 -15 -10 -5 0 5 10 15 20

2008 2009 2010 YTD

Durables Non-durables

Source: WISERtrade
2010 data are through June
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.
Rural America is leading U.S. job growth

Metro and Rural Employment Growth

Percent change from year ago

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

-4 -3 -2 -1 0 1 2 3 4

Metro Rural

Goods Producing
Private Service
Government

Calculations based on BLS data
U.S. food expenditures have rebounded.

U.S. Retail Sales at Grocery Stores and Restaurants

Percent change from year ago

- Grocery Stores
- Food Service and Drinking Places

Source: Census Bureau
U.S. agricultural exports have rebounded.

Real U.S. Agricultural Exports

Billion dollars (constant 2010 dollars)  Billion dollars (constant 2010 dollars)

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

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<thead>
<tr>
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<th>Rural</th>
<th>Metro</th>
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<tbody>
<tr>
<td>State and Local Government (Share of Employment)</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>State and Local Government (Share of Earnings)</td>
<td>18</td>
<td>12</td>
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<tr>
<td>Medicaid Spending (Share of Personal Income)</td>
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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.
A side effect of QE is a weaker dollar, which is associated with higher commodity prices.

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
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?
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?*
Rural Oklahoma continues to struggle with population loss.

- Many Oklahoma counties struggle to maintain population levels, which limits labor availability and local demand.
- The quality of local labor pools is also a concern.
- How do Oklahoma’s communities attract and retain the best and brightest?

Calculations based on U.S. Census data
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