Can the Tenth District Survive the Asian Flu?

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Federal Reserve Bank of Kansas City
Can the Tenth District Survive the Asian Flu?

- Tenth District growth remains strong...
Total Employment

Percent change from a year ago

District

U.S.
Total Employment Growth

Percent change from August, 1997 to August, 1998
Can the Tenth District Survive the Asian Flu?

- Tenth District growth remains strong...
- But the Asian financial mess is a threat.
Depreciation in Asian Exchange Rates

July 1, 1997 to Oct. 1, 1998

Percent change

Indonesia | Thailand | Malaysia | Korea | Philippines | Japan | Taiwan | Singapore | China | Hong Kong

-90 | -80 | -70 | -60 | -50 | -40 | -30 | -20 | -10 | 0
Decline in Asian Stock Indices
July 1, 1997 to Oct. 1, 1998

Percent change

Indonesia  Thailand  Malaysia  Korea  Philippines  Japan  Taiwan  Singapore  China  Hong Kong

- Tenth District agriculture has been hurt.
Tenth District Agriculture Has Been Hurt.

- Bulk Commodities
Tenth District Bulk Exports

1997

- Japan: 19%
- Rest of World: 27%
- EU: 17%
- Korea: 4%
- Taiwan: 7%
- Mexico: 9%
- S.E. Asia: 6%
- Canada: 2%
- China: 5%
- Other Latin America: 4%

District Bulk Exports = $7.2 billion
# U.S. Agricultural Exports

<table>
<thead>
<tr>
<th>Share of Production Exported</th>
<th>Wheat</th>
<th>Red Meat $^1$</th>
<th>Corn $^2$</th>
<th>Soybeans</th>
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<tbody>
<tr>
<td>Share of Exports Shipped to:</td>
<td>41</td>
<td>6</td>
<td>19</td>
<td>32</td>
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<tr>
<td>Asia</td>
<td>36</td>
<td>67</td>
<td>36</td>
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<tr>
<td>Japan</td>
<td>13</td>
<td>54</td>
<td>23</td>
<td>16</td>
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<tr>
<td>Korea</td>
<td>6</td>
<td>8</td>
<td>2</td>
<td>6</td>
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<tr>
<td>China</td>
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<td>3</td>
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<td>6</td>
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<tr>
<td>Other Asia</td>
<td>16</td>
<td>2</td>
<td>8</td>
<td>14</td>
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</tbody>
</table>

$^1$ Note: Includes beef and pork.

$^2$ Note: Export shares by country include corn and other feedgrains.
Crop Prices

Dollars per bushel

Corn
Soybeans
Wheat
Tenth District Agriculture Has Been Hurt

- Bulk Commodities
- Processed Foods
Tenth District Processed Food Exports

1997

North America

Japan 42%
Korea 13%
Rest-of-World 17%
Canada 5%
Mexico 9%
S.E. Asia 2%

Asia Pacifc

Hong Kong 3%
China 2%
Taiwan 5%

District Processed Food Exports = $3.2 billion
Decline in U.S. Agricultural Exports to Asia

Fiscal Year-to-Date

Percent Change

*The fiscal year is October to June
The Asian Financial Mess Is A Threat

- District agriculture has been hurt.
- District manufacturers have less exposure.
Asia’s Share of Manufacturing Exports
Tenth District

1997
Asia’s Share of Manufacturing Output
Tenth District
1996

Group of Five
Japan
Group of Four

WY  CO  NE  KS  NM  District  OK  MO

Group of Five
Japan
Group of Four
Exports to Asia as a Share of Sector Output
Tenth District

1995
Manufacturing Employment

Percent change from a year ago

District
U.S.

- District agriculture has been hurt.
- District manufacturers have less exposure.
- Tourism is threatened.
Share of International Visitors By Origin

1997

Asia 34%
Latin America 19%
Oceania 3%
Africa 1%
Europe 43%
Can the Tenth District Survive the Asian Flu?

- Tenth District growth remains strong...
- But the Asian financial mess is a threat.
- Asia and Latin America are still on shaky ground.
## GDP Forecasts for Asia
### August, 1998

<table>
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<td>Indonesia</td>
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<tr>
<td>Latin America</td>
<td>5.2</td>
<td>3.2</td>
<td>4.0</td>
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Source: Asia Pacific Consensus Forecasts
Depreciation in Latin American Exchange Rates
July 1, 1997 to Oct. 1, 1998

Percent change

Brazil  Argentina  Mexico

-25  -20  -15  -10  -5  0
Decline in Latin American Stock Indices
July 1, 1997 to Oct. 1, 1998

Percent change

Brazil  Argentina  Mexico
Can the Tenth District Survive the Asian Flu?

• Tenth District growth remains strong...

• But the Asian financial mess is a threat.

• Asia and Latin America are still on shaky ground.

• Slowing world demand will dampen U.S. growth.