

The Tenth District: Matching a Nation in Recovery

By Glenn H. Miller, Jr.

The Tenth District economy grew slowly in 1991, but it outpaced the national economy, which was hampered by recession and anemic recovery. Weakness was widespread among major sectors of the regional economy, with manufacturing bearing the brunt of the cyclical slowdown. Still, the district's diverse economy outperformed the nation in both income and employment growth in 1991.

Economic performance ranged widely across the seven district states. Nebraska's economy, for example, enjoyed strong growth due to its burgeoning communications and food processing industries. Missouri's economy, meanwhile, sputtered due to a heavy reliance on durables manufacturing, an industry hard hit by the nation's recession.

The district economy will probably grow slowly again in 1992, as the national recovery proceeds at a slow pace.¹ District manufacturing may recover somewhat in the year ahead, but two of the region's key industries, agriculture and energy, will offer little if any economic stimulus. Overall, slow growth in the district may differ little from the sluggish pace of the nation's recovery.

This article reviews the district's economic performance in 1991 and explores the outlook for 1992. The first section compares the overall performance of the district and its individual states with the nation in 1991. The second section reviews the district's diverse industries and considers their outlook. The third section surveys the wide-ranging performance of district states in 1991 and discusses each state's outlook for the year ahead.

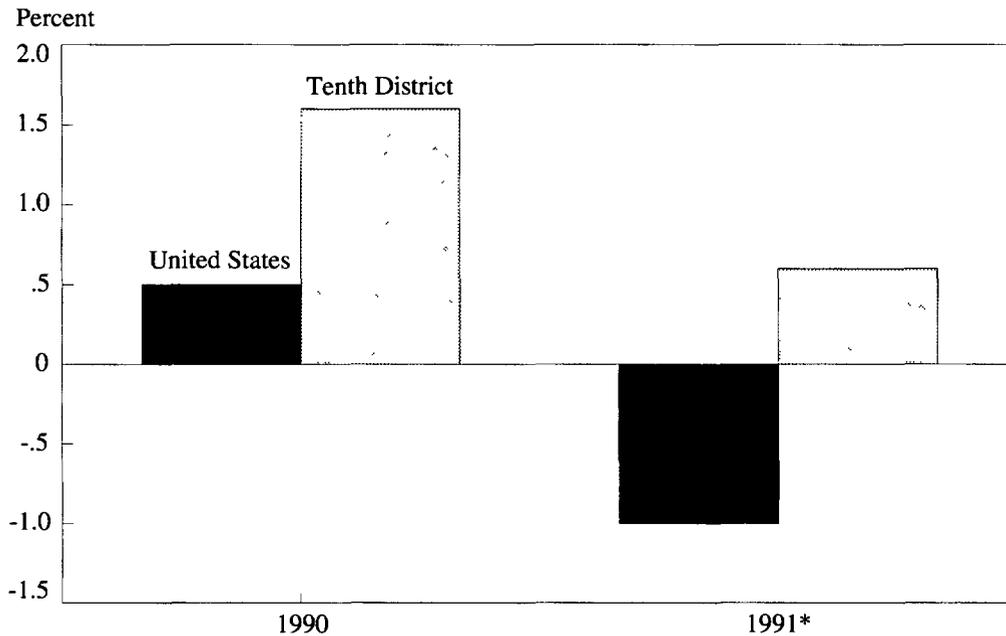
Glenn H. Miller, Jr. is a vice president and economic advisor at the Federal Reserve Bank of Kansas City. Tim Sheesley, an assistant economist at the bank, helped prepare the article.

Continued Slow Growth for the District in 1991

The district continued to grow slowly in 1991. While the nation grappled with a mild downturn and halting recovery, most of the

Chart 1

Growth in Nonagricultural Employment, U.S. and Tenth District



* First three quarters, seasonally adjusted annual rates.
Source: Bureau of Labor Statistics.

district stayed out of recession due to its diverse mix of industries. Still, the district felt the impact of the national recession, especially in places like Missouri that depend heavily on manufacturing.

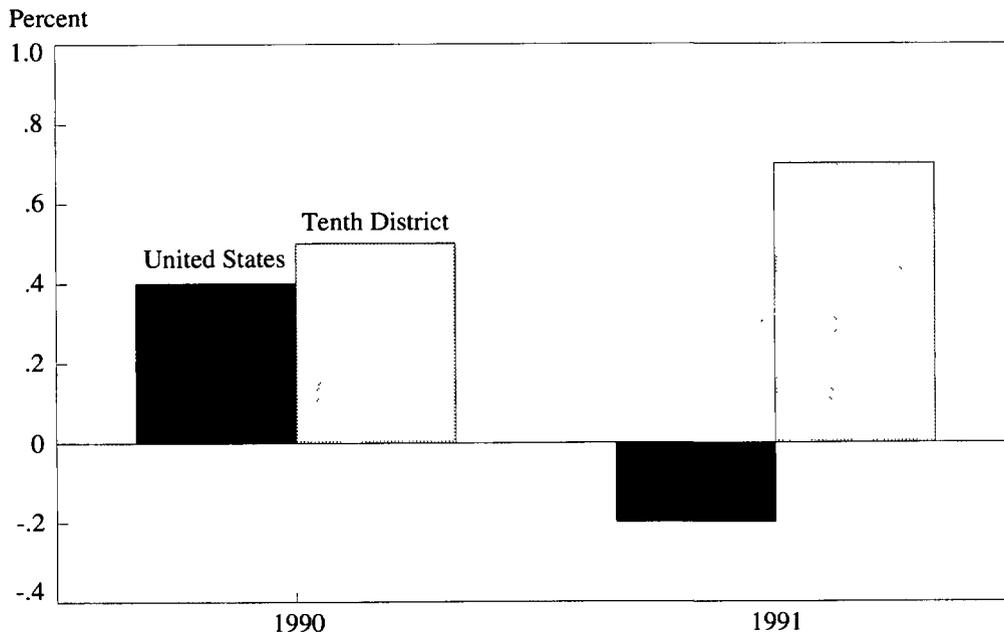
The district's continued growth in 1991 may also be partly explained by the region's severe downturn in the mid-1980s. That economic correction undoubtedly helped lay a solid foundation for stronger performance in recent years.

Two broad measures of district economic performance, employment and income growth, both registered gains in 1991 in contrast with the nation.² Nonfarm employment in the district grew 0.6 percent in 1991, while nonfarm

employment in the nation declined 1.0 percent (Chart 1).³ Average unemployment for the first three quarters was 5.6 percent in the district and 6.7 percent in the nation. Real nonfarm personal income grew 0.7 percent in the district in 1991, compared with a 0.2 percent decline for the nation (Chart 2).⁴

Faster economic growth in the district than in the nation in 1990 and 1991 partly reflects historical relationships during recessions. Recessions have been milder on average in the district than in the nation since World War II. And the district's relative performance in the recession of 1990-91 was even better than in recessions of the past. District employment continued to grow during this recession, even

Chart 2
Income Growth, U.S. and Tenth District



Notes: Income growth rates are based on real nonfarm personal income. For 1991, data for the first two quarters are seasonally adjusted annual rates.

Source: Data Resources, Inc.

as national employment declined.

The district has also grown slightly faster than the nation in the first few months of recovery, even though the district typically grows somewhat more slowly than the nation in early recovery periods. Employment data for the district since the end of the recession are still limited. But data for the third quarter of 1991—the first full quarter of recovery—show that employment in the district grew 0.3 percent, while employment in the nation grew 0.1 percent.⁵

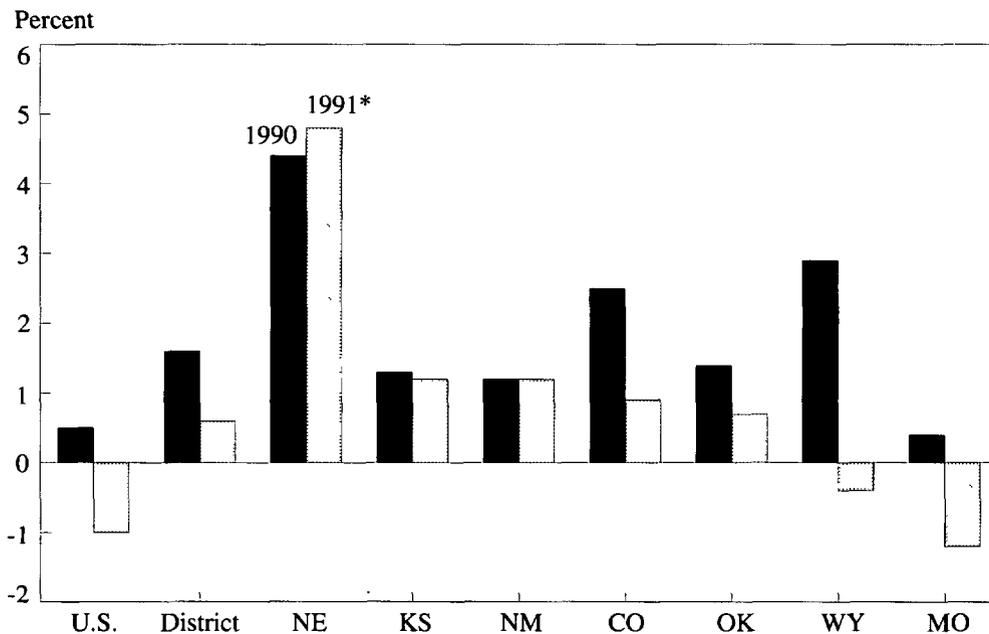
District employment grew 0.6 percent in 1991, considerably slower than the 1.6 percent rate posted in 1990. Employment in five district states grew more slowly in 1991 than in 1990 (Chart 3). The number of jobs grew in

Colorado, Kansas, and Oklahoma, but not as fast as in 1990. Employment in Missouri and Wyoming declined in 1991 after growing in 1990. In New Mexico, jobs grew at the same pace as in 1990. Only in Nebraska did employment grow faster in 1991 than the year before.

Real nonfarm personal income in the district rose 0.7 percent in 1991, slightly faster than the 0.5 percent increase in 1990. Income grew faster in 1991 than in 1990 in Kansas, Nebraska, and New Mexico (Chart 4). Missouri's income decline was smaller in 1991 than the previous year. Income grew more slowly in 1991 than in 1990 in Colorado, Oklahoma, and Wyoming.

Chart 3

Growth in Nonagricultural Employment in Tenth District States



* First three quarters, seasonally adjusted annual rates.
Source: Bureau of Labor Statistics.

Review and Outlook by Sector

The district's diverse mix of industries helped it escape the recession, but most sectors did weaken over the past year. Employment in manufacturing and wholesale trade decreased faster in 1991 than the year before, while employment in mining, retail trade, transportation, and the financial sector declined after making small increases in 1990. Growth gains in construction and services were smaller in 1991 than they had been the year before.

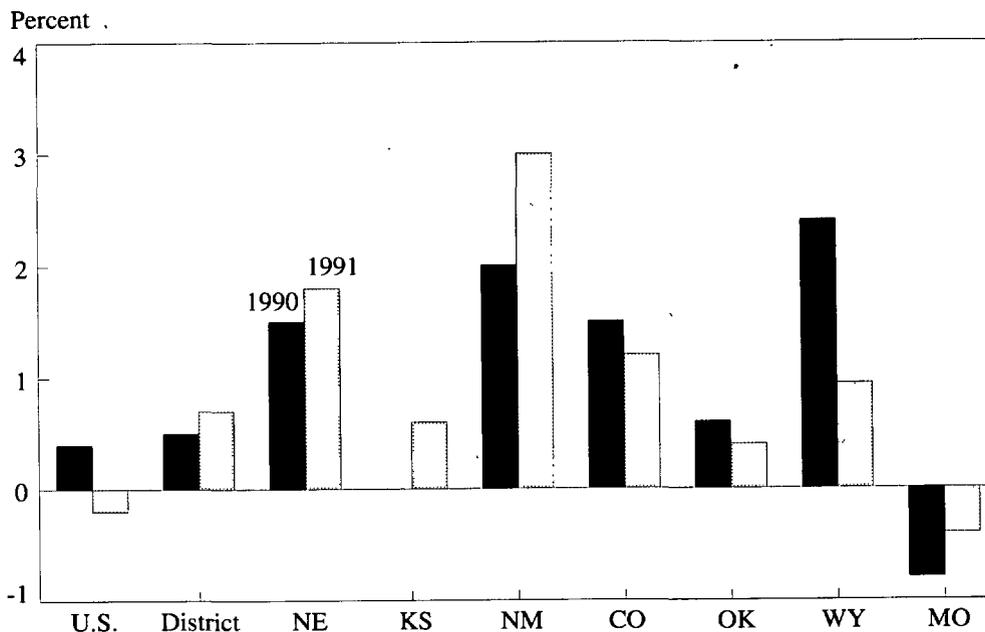
The national economy in 1992 is expected to grow considerably slower than the average for upturns since World War II, and the district economy is likely to reflect that performance.

As a result, most sectors of the region's economy are likely to enjoy only modest growth.

The *farm* recovery, central to the district's economic growth in recent years, lost steam in 1991. After posting record highs in three of the last four years, farm income dropped in 1991. The decline had two sources: reduced livestock earnings due to lower cattle and hog prices, and mediocre earnings for crop producers, due to average crops and poor prices caused by slumping export demand.

Farm income may edge lower in the year ahead. Livestock profits will be weak as producers send record meat supplies to market at a time when consumer demand is growing slowly. Crop prices, on the other hand, may

Chart 4
Growth in Income in Tenth District States



Notes: (See notes, Chart 2.)
 Source: Data Resources, Inc.

continue to rise from low levels in 1991. Grain stocks are tight, setting the stage for much higher grain prices if export demand rises unexpectedly. All in all, while agriculture is unlikely to power strong growth in the district economy, it will continue to provide a solid base for growth (Drabenstott and Barkema).

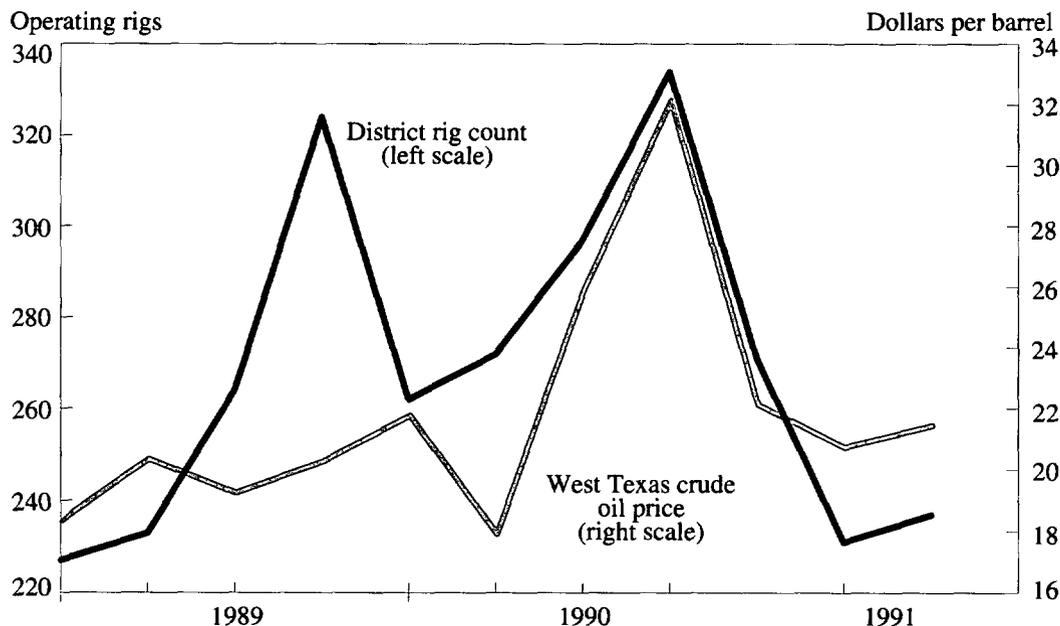
The district's up-and-down *mining* industry was down again in 1991. Following 3.3 percent expansion in 1990, mining employment in the district dropped 3.0 percent in the first three quarters of 1991—close to the national rate of decline (Table 1).

Mining activity in the district is dominated by the energy sector—oil, natural gas, and coal. The region produced about 5 percent more coal

in the first nine months of 1991 than in the same period a year earlier, compared with a small decline in total U.S. production. The limited data available on the district energy industry suggest less strength in the production of oil and gas in the district.

Mining activity responds significantly to changes in energy prices. After events in the Persian Gulf pushed oil prices to their most recent peak in the fourth quarter of 1990, oil prices plunged about a third by the third quarter of 1991. Natural gas prices followed a similar pattern. Consequently, the number of gas and oil rigs operating in district states fell from 334 at the end of 1990 to 237 in the third quarter of 1991 (Chart 5).

Chart 5
Crude Oil Price and District Rig Count



Source: Hughes Tool Company and Platt's.

The energy industry, so important to the district economy, is unlikely to give a significant boost to overall business activity in 1992. Low prices for oil and natural gas—and little prospect for significant, sustained increases—hold little hope for large increases in either development or production. Consequently, the mining sector will probably contribute little if anything to total employment growth in the region.

District *manufacturing* activity slumped dramatically in 1991 after falling off in 1990, a two-year performance much like the nation's industrial sector. Manufacturing employment in the district fell nearly three times as fast in 1991 as the year before (Table 1). Still, the district lost factory jobs at a slower pace than did the nation.

Factory job losses in the district were concentrated in the durable goods industries. Jobs in the transportation equipment industry again dropped substantially, as new car sales and output stayed in the doldrums. Production at district automobile assembly plants in the 1991 model year was 21 percent below 1990 output. And even with the entire industry suffering hard times, the district's share of total U.S. production fell from 13.6 percent in 1990 to 11.6 percent in 1991. General aviation manufacturing in the district also showed some weakness in 1991. Dollar sales in the first three quarters of 1991 were up only modestly from the same period a year earlier, while unit shipments were down.

Nondurables manufacturing in the district

slowed in 1991 but remained stronger than durables manufacturing. Job growth in the region's two major nondurables industries—food processing and printing and publishing—moved in opposite directions. Employment at food processing plants grew substantially faster in 1991 than in 1990. But printing and publishing employment declined in 1991, after posting solid growth in 1990.

Manufacturing typically helps lead the economy out of recession. As consumers seek to satisfy their pent-up demands and businesses strive to restore their inventories, the pace of factory production quickens. But in this recovery, consumer debt burdens are high and businesses are keeping inventories lean. Thus, the manufacturing rebound may well be attenuated in both the nation and the district.

The more cyclically sensitive durable goods sector may see relatively more growth in the district than the less sensitive nondurables sector. But the substantial presence of auto assembly plants and defense industries in some district states may hold down growth overall. On the other hand, should foreign economic growth accelerate and U.S. goods hold their competitiveness, export markets could support some areas of district manufacturing growth this year.

Construction, one of the few pluses for district economic activity in 1991, nevertheless slowed its pace from the year before. Construction jobs continued to grow, but more slowly than in 1990. The value of total construction contracts awarded in the first three quarters of 1991, however, was nearly 10 percent above the same period a year earlier.

Residential construction in the district rose sharply in 1991, partly in response to lower mortgage rates. Total housing permits soared at a 30 percent annual rate in the first three quarters of the year, after plunging 24 percent in 1990. Single-family dwellings accounted for nearly all of the rise, as multifamily building remained

Table 1

Growth in nonagricultural employment by sector, Tenth District states

	Percent change	
	1990*	1991†
Manufacturing	-.5	-1.4
Durable goods	-1.9	-2.6
Transportation equipment	-6.3	-4.8
Nondurable goods	1.4	.4
Food processing	2.6	3.7
Printing and publishing	1.8	-.8
Mining	3.3	-3.0
Construction	2.3	1.5
Services	3.9	1.5
Wholesale trade	-.2	-1.1
Retail trade	1.0	-.1
Federal government	-.7	.8
State and local government	2.5	3.5
Transportation	.6	-.3
Finance, insurance, real estate	.5	-.2

* From fourth quarter 1989 to fourth quarter 1990.

† First three quarters, seasonally adjusted annual rate.

Source: Bureau of Labor Statistics.

depressed. Residential construction growth in the district roughly paralleled the nation's.

Nonresidential construction was also stronger in 1991, as the value of nonresidential building contracts rose slightly. Nonresidential building construction in the district is still restrained by high office vacancy rates in major metropolitan areas. The region's industrial vacancy rates tend to be relatively low, however. The small increase in nonresidential building contracts in the district in 1991 contrasted with a substantial national decline.

Construction, especially home building, also typically helps lead the economy into recovery. As in the case of manufacturing, however, there is reason to believe that construction's contribution may be less in this recovery. The erection of

single-family dwellings is the only construction category likely to come close to its usual role. Earlier overbuilding and the resulting high vacancy rates have depressed the construction of new nonresidential buildings and multi-family housing structures. As a result, construction growth in the district will probably be limited in the year ahead.

The *service* sector is not immune to recession, as was proved again in 1991. While service employment continued to grow in both the nation and the region, the pace of growth slackened substantially. Still, services was one of only two private nonfarm sectors in the district to record employment gains in 1991. And service jobs continued to grow rapidly in some states, such as Nebraska.

The *trade* sector did not fare as well as the services sector. The number of retail jobs in district states decreased slightly in 1991 after a small gain the year before, while the number of wholesale jobs fell faster in 1991 than in 1990.

Modest overall economic growth in the district and the nation in 1992 is likely to limit growth in the trade and services sectors. Relatively slow growth in personal income is expected to limit retail growth. Services spending, generally less variable than spending for goods, should still grow somewhat faster this year than last. Both trade and services activity will benefit from tourism in the district.

Government, which now accounts for about 20 percent of district nonfarm jobs, has long provided an important underpinning for the economies of Tenth District states. Government employment grew faster than any other category in 1991 (Table 1). Nearly all of the increase was at the state and local government level.

Despite the growth of government employment, fiscal stress was common among district states in 1991, due mainly to the weakness in economic activity. A simple yet meaningful indicator of a state's fiscal health is the size of its

general fund balance in relation to its general fund spending. According to this indicator, fiscal conditions improved in 1991 in only one district state, stayed about the same in one other, and deteriorated in the remaining five.⁶ But fund balances remained above 5 percent of general fund spending in five states, a level of reserves considered desirable by both private and public analysts.

With another tough budget year ahead, government will probably not be the fastest growing sector in the district again in 1992. Defense spending is on a downward track, and federal employment in the region will probably change little from last year. Nor is the recent rapid growth of state and local government employment likely to be maintained. State fiscal conditions are expected to stabilize after a difficult year, but officials are cautious about further expansion. In most district states, fund balances as a percent of general fund spending are projected to be smaller or unchanged in 1992, compared with 1991. Four states are projected to maintain balances greater than 5 percent of spending, however (Eckl and others).

Mixed Performance in District States

Growth in most district states was weak in 1991. Employment grew faster than in 1990 only in Nebraska, and declined in Missouri and Wyoming. Only Missouri's weakness surpassed that of the nation. Once again, differences in industrial structure accounted for much of the difference in state performances.

Nebraska

Economic performance in Nebraska improved again in 1991. The state's employment growth led the district and the nation by a wide margin, as it did in 1990 (Chart 3). And, while Nebraska's unemployment rate in the third quarter of 1991

edged up from the end of 1990, it remained just 2.7 percent of the labor force. Real nonfarm personal income also grew somewhat faster in the first half of 1991 than in 1990 (Chart 4).

Nebraska's manufacturing employment growth slowed in 1991 but still outpaced the district as a whole. Factory jobs increased 2.7 percent in Nebraska, while manufacturing employment in the district eroded at a 1.4 percent rate. Non-durables manufacturing, buttressed by the state's strong food processing industry, fueled most of the sector's growth in Nebraska.

Nebraska's relatively small construction sector improved markedly during the year, as employment soared at a double-digit pace. Nonbuilding construction and single-family home building strengthened the rise, while losses in multifamily residential and nonresidential building weakened it.

The trade and services sectors made major contributions to Nebraska's employment growth. Retail trade employment grew more rapidly than in 1990, and faster than in any other district state. Jobs in Nebraska's business and personal services industries were added even faster, although not at the 1990 pace. Employment also grew significantly in the financial sector, a weak area in other district states.

In the year ahead, Nebraska's economy should continue to be among the fastest growing in the district. Nondurables manufacturing and services, anchors of the state's nonfarm economy, are likely to do well as the national economy recovers slowly. And while farm incomes will probably not match earlier peaks, agriculture is likely to serve as a solid support for the Nebraska economy.

Kansas

Kansas economic growth was slow in 1991, but it still outpaced growth in most other district states. Employment growth was essentially unchanged from the year before, while the state's

unemployment rate drifted down from 4.8 percent in the fourth quarter of 1990 to 4.6 percent in the third quarter of 1991 (Chart 3). Nonfarm real personal income grew slightly in the first half of the year, after remaining steady in 1990 (Chart 4).

Manufacturing employment stayed sluggish in 1991. A modest rise in nondurables jobs barely offset a drop in durables manufacturing employment. Reflecting the nationwide woes of the automobile industry, new car production at the Kansas City General Motors plant fell 21 percent from the 1990 to the 1991 model year. Manufacturers of general aviation aircraft in Wichita recorded a modest rise in net billings but a similarly modest fall in shipments in the first three quarters of 1991, compared with the same period a year earlier.

Kansas mining activity in 1991 mirrored a decline in the district and the nation. Mining employment fell 5 percent in 1991, after climbing more than 8 percent in 1990. As oil and gas prices weakened, the number of active drilling rigs dwindled from 50 in the fourth quarter of 1990 to 32 in the third quarter of 1991. And coal production in the state was 8 percent lower in the first nine months of 1991 than in the same period a year earlier.

Performance in other sectors of the Kansas economy was somewhat mixed. The value of total construction contract awards edged up in 1991, but employment was flat. The number of housing permits jumped through the first three quarters, following a 1990 slump. Within the broad trade and services sector, private employment in 1991 was virtually unchanged from the year before, except among business and personal services industries. Services employment grew faster in Kansas than in either the district or the nation, but the 1991 pace was off from 1990. Government employment, however, grew more slowly in Kansas than in most district states.

Looking ahead, the Kansas economy should

record at least moderate growth in 1992. Modest improvement in the state's manufacturing sector should accompany the nation's economic recovery, but mining activity is unlikely to rebound strongly. Although farm incomes have come off their record highs, agriculture should still bolster the Kansas economy. Agriculture could provide an even bigger boost to the state if grain prices move higher, a development that is quite possible due to low stocks of grain as 1992 began.

New Mexico

The New Mexico economy also continued to grow slowly in 1991. Employment increased 1.2 percent, equal to the rate posted for 1990 (Chart 3). And the state's 6.7 percent unemployment rate in the third quarter matched the level reached in the fourth quarter of 1990. Nonfarm personal income increased somewhat faster in the first half of 1991 than in the year before (Chart 4).

New Mexico's important mining sector weakened in 1991. Employment declined slightly following a moderate rise the year before. The 35 drilling rigs operating in the third quarter were only about half the number operating in the fourth quarter of 1990. And coal production in the first nine months of the year was 7 percent below the amount mined in the same period a year earlier.

Manufacturing activity in New Mexico deteriorated following a weak 1990, but construction turned around. Job ranks thinned sharply in durable goods factories and slightly in nondurable goods plants. Both nonresidential and residential construction improved, and total construction employment was unchanged from the year before. Within the residential sector, permits for new single-family dwellings far outstripped those for multi-family units.

Sluggishness also invaded the state's trade and services sectors. The number of jobs in retail trade establishments grew only slightly,

while growth in services employment was only half that of 1990. This sluggishness in trade and services growth persisted in spite of New Mexico's continued popularity as a tourist destination and an extended summer tourist season.

In 1992, New Mexico's economy may once again experience slow growth. A minimal impact from reductions in defense spending and a stronger mining sector would likely be needed to reinvigorate New Mexico's economic growth in 1992, but both appear unlikely. Strength in tourism should help overcome this year's sluggishness in the trade and services sectors, thereby supporting overall economic activity in the state.

Colorado

Colorado's economy slowed in 1991. Employment growth stalled after setting a moderate pace in 1990, and the state's 4.7 percent unemployment rate in the third quarter was unchanged from its level at the end of 1990. Growth in Colorado's real nonfarm personal income also slowed from 1990 (Chart 4). Strong construction activity kept the state's economic performance from slowing further.

Colorado's manufacturing sector, which slumped in 1990, deteriorated further in 1991. Total manufacturing employment fell 1.4 percent. Most of the state's factory jobs are in plants that produce durable goods, where employment dropped significantly for the second consecutive year. The decline more than offset a modest increase in employment in nondurables manufacturing.

Colorado shared in the national and district declines in mining activity. The state's mining employment tumbled 4 percent in 1991, following a slight rise the year before. The number of drilling rigs operating in the state dipped slightly from the end of 1990 to the third quarter of 1991. Coal production, however, expanded somewhat over the same period.

Construction was a bright spot for the

Colorado economy in 1991. Construction employment grew twice as fast in the first three quarters of the year as in 1990, with all parts of the sector participating in the improvement. Nonbuilding construction, led by such projects as the Denver airport, contributed substantially to the overall advance. Non-residential building activity also contributed significantly. Office vacancy rates in Denver remain high but have fallen over the past couple of years. Residential construction picked up in 1991, as increases in permits for single-family dwellings more than offset further declines for multifamily structures.

Trade and services provided less support to the Colorado economy in 1991 than the year before. Retail trade employment fell after growing moderately in 1990, and services employment growth slowed substantially. The slower growth in trade and services employment may reflect slower growth in tourism. For example, the number of skier visits in Colorado in the 1990-91 season was virtually unchanged from the season before.

In 1992, the Colorado economy will likely record moderate growth. Manufacturing gains will reflect the continuing, albeit slow, national recovery. Construction activity appears to have turned the corner and should contribute to overall growth. A pick-up in the trade and services sector may also be a significant factor in 1992. Tourism's contribution will be vital, as the new ski season begins with large snowfalls and aggressive marketing efforts in the United States and abroad.

Oklahoma

Slow economic growth persisted in Oklahoma in 1991. Real nonfarm personal income grew only at 0.4 percent, after increasing just 0.6 percent in 1990 (Chart 4). The civilian unemployment rate crept up from 6.3 percent at

the end of 1990 to 6.5 percent in the third quarter of 1991. And employment growth at 0.7 percent was just half the pace of growth in 1990 (Chart 3). The leading sources of growth in the state in 1991 were manufacturing and government.

After falling in 1990, manufacturing employment increased at about 2 percent in 1991. Unlike most other district states, Oklahoma's job growth in manufacturing was centered in the state's durable goods factories. The jump in durable goods jobs brought such employment back to its 1989 level. But nondurables manufacturing jobs declined slightly in 1991.

Government employment in 1991 increased faster in Oklahoma than in any other district state except Nebraska. All of the increase came in the state and local government sector, as federal government employment in Oklahoma declined for the second straight year. Oklahoma added state and local government workers to payrolls faster than any other district state and much faster than state and local governments nationwide.

As in other district states and the nation, Oklahoma's energy sector shrank in 1991. Mining jobs fell 4.2 percent, erasing the employment gains made in 1990. The number of drilling rigs operating in the state dropped from 134 in the fourth quarter of 1990 to 98 in the third quarter of 1991. And coal production in the first nine months of the year slipped nearly 9 percent below its level in the same period a year earlier.

Construction activity also worsened in Oklahoma in 1991. Construction industry jobs fell sharply in the first three quarters of the year after edging downward in 1990. While the value of nonbuilding construction contract awards plunged in the first three quarters of the year, nonresidential building construction suffered an even steeper relative decline. Although continuing to improve slowly, Oklahoma City's office vacancy rate remains among the highest

for major metropolitan areas in the nation. Only in homebuilding did Oklahoma post a gain in construction activity. Single-family dwellings accounted for all of the relatively substantial increase in the number of housing permits issued in the first three quarters of the year.

The trade and services sectors suffered from the generally sluggish behavior of the Oklahoma economy. Employment in retail establishments inched upward in the first three quarters of the year, while employment in the business and personal services industry dropped. Oklahoma was the only state in the district to record a services employment decline in 1991.

Economic growth in Oklahoma may pick up slightly in 1992, compared with its slow pace in 1991. To do so, the state's manufacturing sector will at least have to maintain its 1991 pace and get some help from other industries. While agriculture may be expected to provide some support, Oklahoma's energy sector is unlikely to bounce back sharply. Oil industry participants expect prices to rise only modestly if at all over the next year, despite supply uncertainties and an anticipated small increase in demand.

Wyoming

Wyoming's economy skidded in 1991, following moderate growth in 1990. Employment dipped slightly but retained most of the gains of 1990 (Chart 3). Despite the loss of jobs, the state's unemployment rate also fell—from 5.6 percent in the fourth quarter of 1990 to 4.7 percent in the third quarter of 1991—due to the effects of a shrinking labor force. Real nonfarm personal income in Wyoming climbed 0.9 percent in 1991, much slower than the 2.4 percent rise in 1990 (Chart 4).

Modest improvement in Wyoming's important mining sector provided support for

the state's economy again in 1991. Mining employment advanced 1.5 percent in 1991, not much different from its 1990 pace. The number of oil and gas drilling rigs operating in the state—already at a low level—crept downward from the close of 1990 to the third quarter of 1991. Coal production, on the other hand, was nearly 7 percent higher in the first nine months of 1991 than in the same period a year earlier.

The construction sector turned in a mixed performance again in 1991. Residential building activity climbed, while nonresidential construction fell. The number of housing permits issued swelled after little change for several years. Nonresidential building contracts fell back, however, after several years of improvement. And nonbuilding construction slipped somewhat, returning to 1989-90 levels. Despite these variations within the sector, construction employment in Wyoming posted the same 5 percent gain in 1991 that it had in 1990.

Non-goods-producing sectors of the Wyoming economy were generally sluggish in 1991. A small rise in wholesale trade employment was more than offset by a loss of jobs at retail establishments. Services employment, which increased moderately in 1990, barely rose in 1991. And Wyoming was the only district state to suffer a decline in government employment in 1991.

Wyoming appears to be facing another year of slow growth at best. Achieving even moderate growth would likely require a strong rebound in the livestock sector and a boost to the state's natural gas industry. Tourism may sustain Wyoming's trade and services sectors in some parts of the state.

Missouri

Missouri's overall economic performance in 1991 generally ran counter to that of the rest of the district, more closely resembling that of

the nation. Missouri's 6.8 percent unemployment rate in the third quarter matched the nation's and was 0.8 percentage point above the district average. The number of nonfarm jobs in Missouri fell 1.2 percent, matching the national decline and exceeding the district average (Chart 3). And the fall in Missouri's nonfarm income in the first half of 1991 was closer to the nation's small drop than to the district's modest increase (Chart 4). Such comparisons are not surprising. Missouri's economy—heavily weighted toward manufacturing—is more like the nation's than any other district state.

The 1990 downturn in Missouri manufacturing continued in the first three quarters of 1991. Factory jobs fell 3.8 percent in the state, faster than the decline in national manufacturing employment in 1991 and faster than in the state the year before. Employment in durable goods plants plunged 6 percent in 1991. Non-durables employment also fell over the same period, but more slowly—at a 1 percent rate. A sagging defense industry and slumping automobile production played a large part in manufacturing's decline. The number of new cars assembled in Missouri slipped 19 percent from 1990 to 1991.

Missouri's construction sector was weak in 1991. As in other district states in the first three quarters of 1991, housing rebounded with permits for single-family dwellings leading the way. But the value of nonresidential building contracts fell even more sharply than in 1990, in spite of modest declines in commercial and industrial vacancy rates in Kansas City and St. Louis. Overall, construction employment fell 1.2 percent in 1991, after rising slightly in 1990.

Weak trade and services sectors reflected the overall weakness in the Missouri economy in 1991. Employment in wholesale and retail trade fell faster in the first three quarters of 1991 than in 1990. Missouri's rate of decline in trade

employment matched the nation's and exceeded that of any other district state. The comparative performance of Missouri's services sector was even worse. The state's 0.3 percent increase in services employment was well below the modest rise of 1.5 percent in both the nation and the district.

Because its economic performance so closely parallels the nation's, Missouri's road to recovery is likely to be slow paced. While manufacturing activity should pick up as firms again add to inventories, auto assembly may still be restrained and production of defense-related goods is likely to be further diminished. Strong growth in other sectors of the Missouri economy will probably be limited until manufacturing regains its health.

Summary

The Tenth District economy outperformed the U.S. economy in 1991, a year of national recession and slow recovery. But economic growth in district states was generally slower in 1991 than the year before. The farm recovery lost momentum, the energy sector fell back, and manufacturing activity slumped further. Only Nebraska's economy was able to swim against the tide, as the district felt the drag of the national downturn.

As the nation continues a relatively slow economic recovery in 1992, the district is likely to find itself in its familiar role of just about matching the national pace. Such a relationship suggests somewhat stronger growth in district states than was recorded in 1991. To be sure, neither agriculture nor the energy sector appears likely to be a powerful locomotive of faster growth. But gains in manufacturing, services, and perhaps construction, should permit the district to join the nation on its slow return toward prosperity.

Endnotes

¹ This view reflects the consensus estimate published in the January 10, 1992, *Blue Chip Economic Indicators*. The estimate is for real GDP growth of 1.6 percent in 1992.

² This article assesses district economic performance using the most recent data available at the time of writing. Preliminary employment data are available for the first three quarters of 1991; income data, for the first two quarters. Other data are available for various time periods.

³ Discussions of employment growth in this article are based on growth for 1990, calculated from the fourth quarter of 1989 to the fourth quarter of 1990, and growth for 1991, calculated as the annual rate of growth from the fourth quarter of 1990 to the third quarter of 1991. The employment data are from the Bureau of Labor Statistics, seasonally adjusted at the Federal Reserve Bank of Kansas City.

⁴ Discussions of income growth in this article are based on growth for 1990, calculated from the fourth quarter of 1989 to the fourth quarter of 1990, and growth for 1991, calculated as the annual rate of growth from the fourth quarter of 1990 to the second quarter of 1991. The income data are seasonally adjusted real nonfarm personal income data from Data Resources, Inc.

⁵ For more detail on district and national performance in recession and early recovery periods, see Miller.

⁶ Balances in 1991 were considerably higher than in 1990 in Wyoming, about the same in Nebraska, and significantly lower in the other five states. Balances were larger than 5 percent of general fund spending in all district states except Colorado and Missouri (Eckl and others).

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