A Healthy Tenth District Economy

By Tim R. Smith

The Tenth District economy continued to expand at a healthy pace during 1994. A rebound in the region's manufacturing sector joined forces with a booming construction sector and steady growth in services to boost economic growth in the region. While the strength in the district economy was spread across most sectors, mining remained relatively flat and agriculture was weaker.

Economic performance diverged across the seven district states, but not as much as in previous years. The New Mexico economy surged again due to strong growth in construction, services, and manufacturing. Growth in Oklahoma, Colorado, and Missouri was at or above the district average, while growth in Nebraska, Kansas, and Wyoming fell below the district average.

In 1995, the district economy will probably slow somewhat as the national economy slows. District manufacturing may continue to improve, but construction is expected to slow from its recent vigorous pace. The region's key natural resource industries—agriculture and energy—are unlikely to bring much new economic activity to the region in the year ahead. Overall, the district economy is expected to grow moderately in 1995.

This article reviews the district's economic performance in 1994 and explores the outlook for 1995. The first section compares the overall performance of the district and the nation in 1994. The second section focuses on the recent performance and outlook for the district's key industries. The third section surveys growth across district states in 1994 and discusses each state's outlook for the year ahead.

THE DISTRICT ECONOMY IMPROVES IN 1994

The tempo of the district economy picked up in 1994. Despite the improvement, the district economy was unable to maintain its lead over a national economy that gathered momentum.[1] *Employment* growth, one benchmark of economic performance, provides clear evidence of the improvement in the district economy. Nonfarm employment in the district grew 2.8 percent in 1994, slightly more than in 1993 (Chart 1).[2] In the nation, employment growth reached 3.0 percent. The civilian unemployment rate in the district averaged 4.7 percent in the third quarter of 1994, well below the nation's third quarter rate of 6.0 percent rate.

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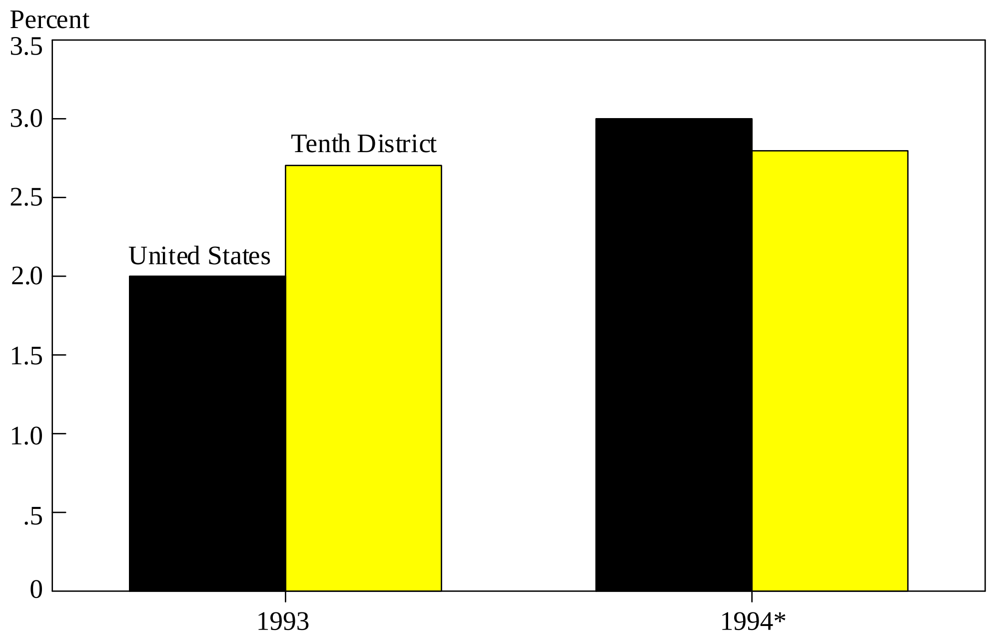
Chart 1

Growth in Nonagricultural Employment

United States and Tenth District



* First three quarters, seasonally adjusted at annual rates.
Source: U.S. Department of Labor.

Although employment growth remained strong in most district states in 1994, it accelerated in only a few states. Jobs grew faster in 1994 than in 1993 in New Mexico, Oklahoma, and Nebraska (Chart 2). Employment continued to grow in Colorado, Missouri, and Kansas, but somewhat slower than in 1993. In Wyoming, job growth slowed markedly from a moderate pace in 1993.

Real personal income growth, another broad measure of economic performance, generally underscored the health of the regional economy (Chart 3).[3] Growth in real nonfarm personal income rose in several district states (Chart 4). Income continued to grow rapidly in New Mexico and picked up in Wyoming, Nebraska, and Missouri. In the district as a whole, income grew 1.7 percent in the first half of 1994, somewhat slower than the 2.1 percent gain recorded in 1993 and slower than the nation's income gain during the first part of 1994.

Growth in the national economy gained momentum in 1994, particularly in the second half of the year. In the year ahead, the national economy is expected to slow from its robust pace at the end of 1994 but still grow moderately. The district economy will probably continue to nearly match the national economy, with some slowing expected in key sectors such as construction.[4]

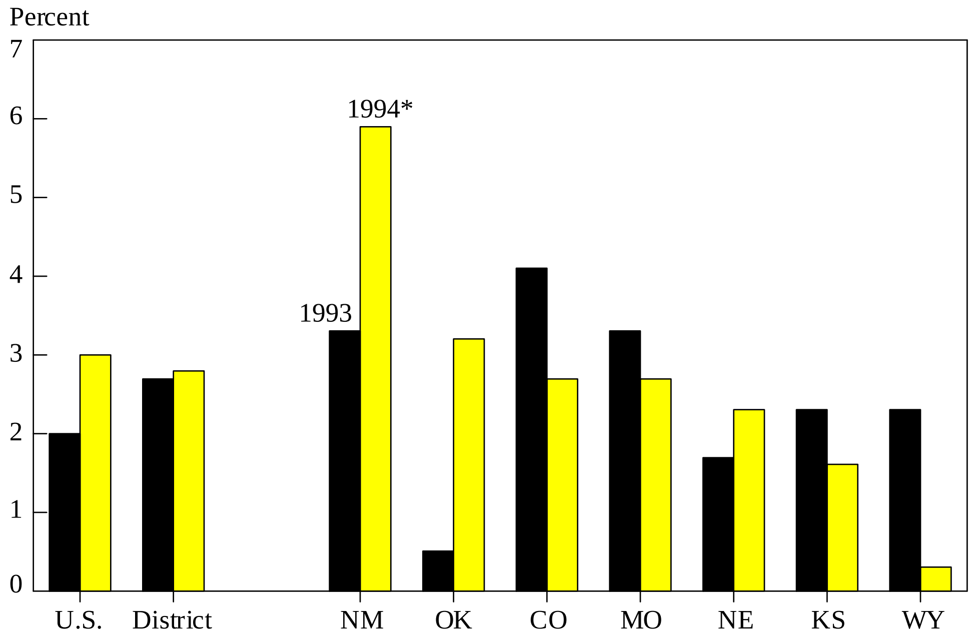
REVIEW AND OUTLOOK BY SECTOR

Growth in the district economy was broad based in 1994, with most industries contributing to the region's strong performance. Construction

Chart 2

Growth in Nonagricultural Employment

Tenth District States



* First three quarters, seasonally adjusted at annual rates.
Source: U.S. Department of Labor.

remained the strongest force during the year, with services and retail trade helping to add district jobs. Manufacturing continued its recovery, led by solid job growth in the durables industries. In the government sector, strong job growth at the state and local levels balanced losses at the federal level. Mining activity stabilized during the year, and agriculture was weaker due mostly to low cattle prices.

District *construction* activity remained robust in 1994. Construction jobs grew 7.5 percent, following an 8.8 percent gain in 1993 (Table 1). The strong job gain in the region was a full percentage point greater than in the nation, but the district's lead over the nation has narrowed over the past two years (Chart 5). In another signal of ongoing strength, the value of district construction contracts awarded in the first three quarters of 1994 was up 9.9 percent from the already high value recorded in the same period a year earlier. Continued strong homebuilding and a surge in nonresidential construction helped maintain the overall momentum in the construction sector.

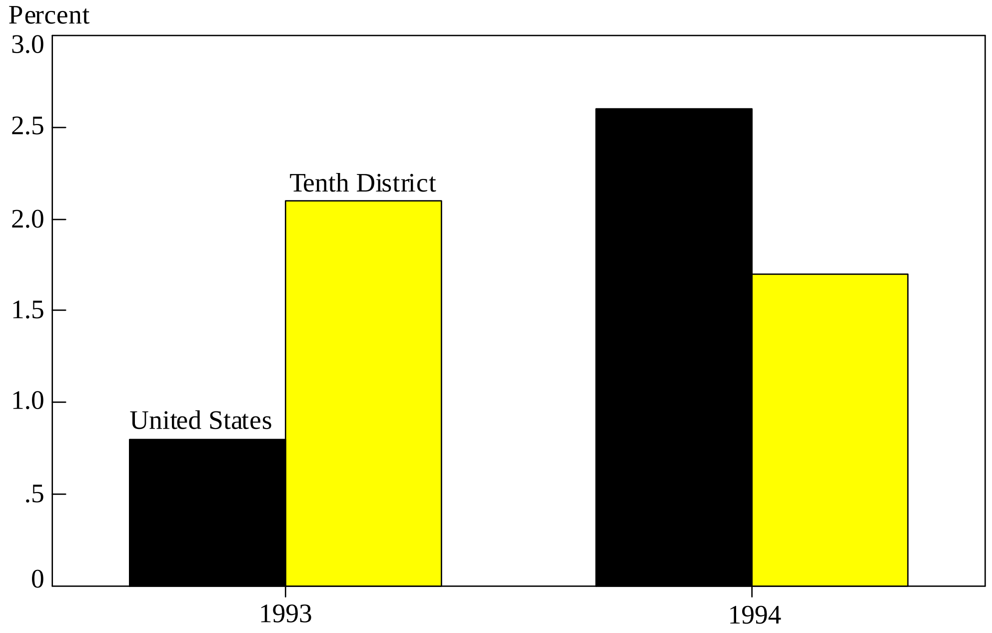
Although mortgage interest rates began moving up during 1994, residential construction was spurred by population growth in the mountain states and strong job and income growth across the region. Homebuilding was especially strong in the first half of the year but weakened somewhat after midyear. Activity in residential construction remained concentrated in single-family dwellings, although multi-family construction made a strong rebound during the year.

Nonresidential construction strengthened markedly across the region in 1994. Office vacancy

Chart 3

Growth in Income

U.S. and Tenth District



Notes: Income growth rates are based on real nonfarm personal income. For 1994, annualized growth rates reflect only seasonally adjusted data through the first two quarters.
Source: U.S. Department of Commerce.

rates continued to fall sharply in all major district cities, stimulating some new office construction. Activity was especially strong in suburban areas, where commercial real estate markets tightened significantly. Public building projects, such as schools, university buildings, and libraries, also boosted nonresidential building activity. The value of nonresidential construction contract awards in the first three quarters of 1994 was 16.3 percent higher than in the same period a year earlier. In the nation, the value of nonresidential building contracts rose only 6.4 percent.

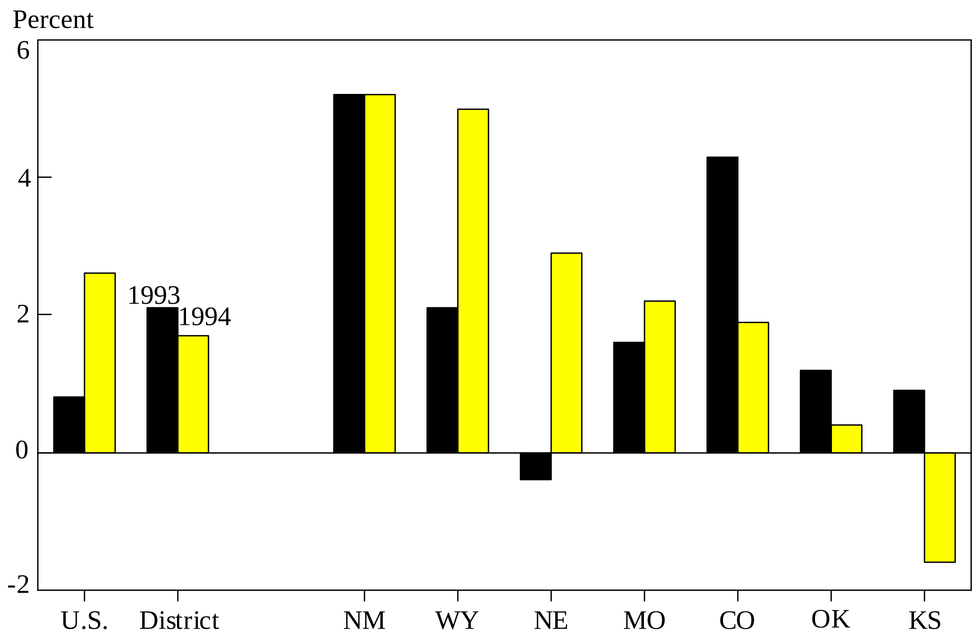
Construction activity probably will slow in 1995. Higher mortgage interest rates are likely to further curb homebuilding in many parts of the region, although homebuilding in the mountain states will be bolstered by a continuing inflow of new residents. Low apartment vacancies in many areas should help sustain the recovery in multifamily residential construction that began in 1994. Layoffs may occur as homebuilding slows overall, but construction of apartments, commercial buildings, and public projects is likely to take up some of the slack in construction labor markets.

The *service and trade* sectors remained solid forces in the district economy in 1994. Service job growth slipped some from its 1993 pace but remained strong (Table 1). The district added service jobs at a rate about one percentage point less than in the nation. Business and health services continued to

Chart 4

Growth in Income

Tenth District States



Notes: See notes, Chart 2.
Source: U.S. Department of Commerce.

expand in Kansas City and the metropolitan areas of the mountain states. Tourism—centered in the Rocky Mountains and southern Missouri—helped boost both service and retail employment in the region. Although growth in wholesale jobs slowed in 1994, growth in retail jobs in the district advanced from a healthy pace in 1993.

If the national economy slows as expected in 1995, the district's service and trade sectors may also slow down. Business and health services are likely to keep adding jobs as the region increases its share of national activity in these sectors. Gains in tourism and retail activity, on the other hand, will be more sensitive to slowing in the national or regional economies.

The district's *manufacturing* sector rebounded further in 1994, adding jobs at a modest pace. The total number of manufacturing jobs rose 0.8 percent, following a similar rise in 1994 (Table 1). Growth of factory jobs in the region was only slightly weaker than in the nation.

The strongest segment of the region's manufacturing sector was durable goods production. Some jobs were lost in the transportation equipment industry due to the closing of an aircraft plant in Tulsa and the idling of an auto plant in Missouri. Still, a vigorous expansion in high-technology manufacturing helped propel overall job growth in durable goods to 2.1 percent.

Nondurables manufacturing weakened consid-

Table 1

Growth in Nonagricultural Employment by Sector, Tenth District States

	Percent change	
	1993*	1994**
Total nonagricultural	2.7	2.8
Manufacturing	.7	.8
Durable goods	.3	2.1
Transportation equipment	-6.9	-5.4
Nondurable goods	1.3	-.8
Food processing	2.0	-1.0
Printing and publishing	2.0	1.0
Mining	-1.8	.3
Construction	8.8	7.5
Service	4.4	4.2
Wholesale trade	2.1	.9
Retail trade	3.0	3.2
Federal government	-1.7	-2.5
State and local government	1.6	3.4
Transportation	2.0	1.1
Finance, insurance, real estate	3.2	.9

* From fourth-quarter 1992 to fourth-quarter 1993.
** First three quarters, seasonally adjusted annual rate.
Source: Department of Labor.

erably in the district in 1994. Employment in food processing, the region's largest nondurables industry, fell 1.0 percent in 1994, reversing a moderate gain the previous year. Another important nondurables industry, printing and publishing, continued to add jobs but at a slower pace than in 1993.

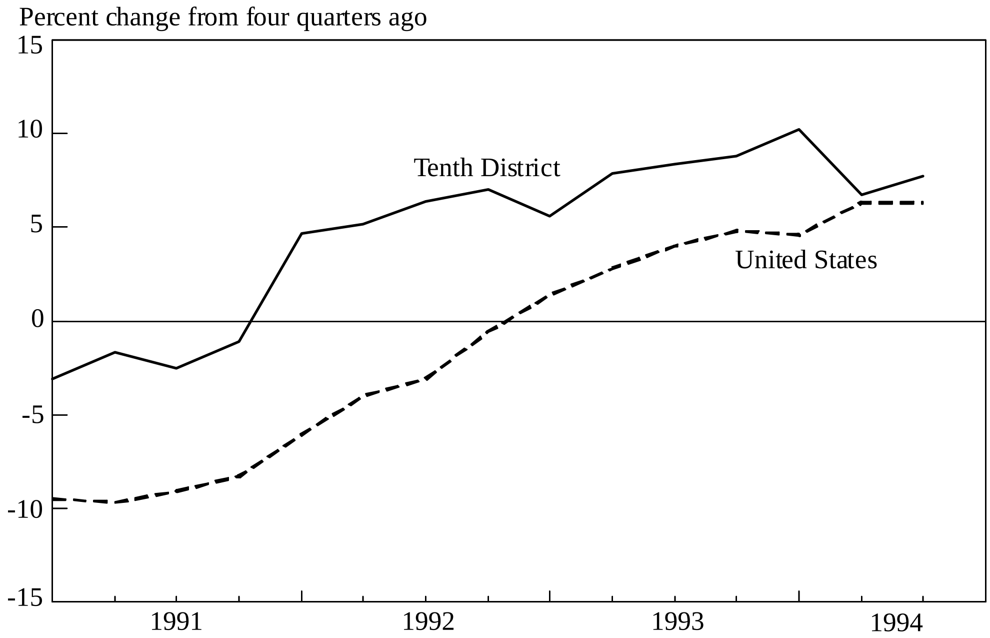
The district's manufacturing sector should continue to improve moderately in 1995. A huge new Intel plant, scheduled to start production of computer chips in New Mexico, reflects the continuing expansion of high-technology manufacturers in the region. And, while sales of automobiles may slow along with the national economy, the aircraft industry will benefit from new product liability laws that promise to stimulate the production of small aircraft. Most defense-related layoffs in manufacturing appear to be over, and prospects for improvement in foreign economies should generate additional exports for district factories.

In the district's important *government* sector, state and local governments added jobs in 1994, while federal job rolls in the region continued to shrink (Table 1). The net result was an increase in total government employment of 2.4 percent.

Government jobs grew in all district states, due mainly to the generally good fiscal health of the individual states. A simple measure of fiscal health is the size of a state's general fund balance relative to its spending. By this measure, fiscal conditions deteriorated slightly in all district states except

Chart 5

Growth in Construction Employment



Source: Department of Labor.

Nebraska. Nonetheless, fund balances remained at or above 5 percent—a level of reserves generally considered desirable—in Colorado, Kansas, Nebraska, Oklahoma, and Wyoming.[5]

The government sector will probably grow at about the same pace in 1995 as in 1994. Federal government employment may fall further before stabilizing, but state and local government employment will probably keep rising as state fiscal conditions remain healthy. As a percent of general fund spending, fund balances are projected to be somewhat smaller in most district states in 1995. Still, five states are expected to maintain balances greater than 5 percent of spending (National Governors Association).

The district's *mining* sector, dominated by energy activity, stabilized in 1994. Modest gains in mining jobs in the region compared favorably to continued job losses in the nation's mining sector (Table 1). In the district, lackluster oil and gas drilling activity was offset by a surge in coal mining and the production of metals and other materials linked to the nation's booming construction sector.

Preliminary production data for the region's key energy resources suggest a mixed picture. Crude oil production continued to slide in district states in the first half of the year, as it did in the nation's other oil producing regions. In contrast, natural gas production in district states during the first half of the year stood 3.4 percent above the same period a year earlier, despite a sharp decline in natural gas prices. Coal production jumped even more, up 11.5 percent in the first nine months of 1994.

Exploration and development activity remained steady during 1994. The drop in natural gas prices was balanced by some firming in oil prices during the year. As a result, the average number of oil and gas drilling rigs operating in the district during the first three quarters of 1994 fell only slightly from the average during the same period in 1993.

The district's mining sector will probably remain stable in the year ahead. While the region's oil production may continue to taper off, environmental concerns are likely to continue to stimulate output of natural gas and low-sulphur coal. Even so, the mining sector's job base will remain small and productivity improvements will continue to limit job gains.

The district's *farm* economy weakened in 1994, although returns were mixed across the region. Crop producers harvested record crops, with the increase in output more than offsetting a corresponding drop in crop prices. Livestock producers, on the other hand, suffered significant losses as cattle and hog prices sank to the lowest levels in recent years. Overall, farm income in the district fell, but farmers remained in sound financial condition. Farm balance sheets were bolstered by a 5.6 percent increase in district farmland values during the year that ended in the third quarter.

The farm economy should improve somewhat in 1995. The district's important cattle industry should return to profitability, helped by low-cost feedstuffs. On the heels of record crops of corn and soybeans, district crop producers will probably encounter low crop prices throughout 1995, but a projected rise in government payments will help maintain farmers' incomes. Overall, district farm income is expected to be flat to slightly higher in 1995.

THE REGION'S GAIN IS SHARED AMONG DISTRICT STATES

The district's healthy economic growth was spread more evenly across the seven individual states in 1994 than in recent years. New Mexico replaced Colorado as the job-growth leader in the region, but most states recorded employment growth near or above the district average. Only in Kansas and Wyoming was job growth significantly below average. Most states should post somewhat rates of job growth in 1995.

New Mexico

The New Mexico economy outpaced all the other district states in 1994. Employment rose 5.9 percent, up from 3.3 percent in 1993 (Chart 2). Robust employment growth pushed the unemployment rate down sharply from 7.7 percent in the fourth quarter of 1993 to 5.6 percent in the third quarter of 1994. Income growth remained strong, exceeding growth in all other states (Chart 4).

Construction activity remained the fastest-growing sector of the New Mexico economy in 1994. The total value of construction contracts awarded in the first three quarters jumped 9.4 percent above the same period in 1993. A new round of homebuilding and industrial construction, combined with projects started the previous year, such as the $1.8 billion Intel plant expansion near Albuquerque, boosted construction employment by a sixth.

New Mexico's manufacturing sector gathered more momentum in 1994. Factory jobs rose sharply, following a solid gain in 1993. Both durables and nondurables industries added jobs at a rapid pace. Job growth in durables industries was led by expansions at the Intel plant and many other high-technology manufacturers. Growth in nondurables industries was led by food processing.

Fueled by the overall strength of the New Mexico and national economies, the state's trade and service sectors surged again in 1994. Both wholesale and retail trade added jobs at a pace well above the national rate of growth in these industries. Employment growth was also strong in services, led by business, health, and financial services. Job growth in trade and services also reflects continued strength in the state's important tourism industry.

The rapid expansion in the New Mexico economy is expected to continue in 1995, though at a somewhat slower pace. While growth in construction activity is expected to slow, other sectors should continue to outpace their national counterparts. Manufacturing and services will remain primary drivers of the state economy.

Oklahoma

The Oklahoma economy improved considerably in 1994 after a lackluster performance in 1993. Although income growth slowed, employment growth jumped to 3.2 percent from weak growth the previous year (Charts 2 and 4). The civilian unemployment rate fell from 6.3 percent at the end of 1993 to 5.9 percent in the third quarter of 1994.

The strongest force in the Oklahoma economy in 1994 was a vigorous construction sector. Construction employment soared 13.6 percent in the first three quarters of 1994, following a healthy gain in 1993. Residential construction slowed during the year as mortgage interest rates rose, but construction of nonresidential commercial buildings and public building projects increased sharply.

Boosted by the overall improvement in the state economy, the trade and service sectors improved markedly. Employment in retail and wholesale trade increased 4.0 percent in the first three quarters of 1994, up sharply from the previous year. Growth in service employment also jumped in 1994 from its more moderate pace in 1993. Large gains in state and local government employment offset continued losses of federal government jobs. As a result, growth of government jobs turned around markedly from the losses incurred in 1993.

The recovery in Oklahoma's manufacturing sector lost some steam in 1994. After posting healthy gains in 1993, factory employment grew only modestly. Layoffs at manufacturers of nondurable goods led to the slowdown. Durables manufacturers, on the other hand, continued to add jobs at a solid pace.

Mining activity in Oklahoma remained stable in 1994. Mining employment continued to trend down, but the recent job losses were small compared to the large drop in 1993. Oil production continued to decline for the tenth consecutive year, and natural gas production fell during the first half of the year, reversing an increase during 1993. Exploration and development activity remained constant. The average number of drilling rigs operating in the state in the first three quarters of 1994 was equal to the same period a year earlier.

The Oklahoma economy will continue to expand in the year ahead, though the gains may be smaller than in 1994. Construction activity, the state's economic engine the past year, is likely to slow somewhat in 1994. Homebuilding activity has already begun to slow, and the surge in commercial building has probably peaked. The state's natural resource industries—agriculture and energy—will remain steady forces, and manufacturing may benefit from improved export prospects.

Colorado

Colorado's economy grew at a healthy pace in 1994, slowing from a more robust pace in 1993. Both employment and income growth fell from their 1993 rates (Charts 2 and 4). Despite a rapidly expanding labor force and a slower rate of job formation, the state's unemployment rate fell from 5.5 percent in the fourth quarter of 1993 to 4.4 percent in the third quarter of 1994.

A continued inflow of population from other regions helped boost Colorado's trade and service sectors in 1994. Together, wholesale and retail trade added jobs at a rate of 5.2 percent, slightly faster than in 1993. Job growth in the service sector slowed somewhat from its robust pace the previous year but remained an important force in the state's buoyant economy. Voters in Colorado chose not to fund the state's tourism board, making it the only state without a state-funded tourism board. Despite the loss of this marketing function and a slight decline in skier visits during the 1993-94 season, the strong national economy helped support Colorado's important tourism industry.

The manufacturing sector in Colorado improved considerably in 1994. Manufacturing employment increased 1.8 percent, much more than in 1993. Most of the gain came in durables goods industries, which added jobs at a brisk 3.0 percent pace. The fastest-growing durable goods industries have been nonelectrical machinery and electrical equipment. Nondurable goods industries also added jobs during the year but at a slower rate than in the previous year.

Construction activity slowed in 1994 from its torrid 1993 pace. The slowing resulted mainly from the end of construction at Denver International Airport and somewhat less homebuilding. Nonetheless, the total value of construction contracts increased slightly in the first three quarters of the year compared with the same period a year earlier. And the state continued to add construction jobs, though at a much slower pace than in 1993.

Colorado's mining sector continued to decline in 1994. Mining employment dropped 2.0 percent, following a drop twice as large the previous year. The average number of drilling rigs operating in the state during the first three quarters was significantly below the average during the same period in 1993. While exploration and development activity fell, production of crude oil held steady during first half of the year, and production of natural gas increased more than in any other district state.

The Colorado economy will continue to grow in 1995 but probably at a slower, more sustainable pace. Manufacturing and services will remain the strongest forces behind the state's economic growth. Moreover, a new round of nonresidential building is likely, spurred by low office vacancy rates and the startup of support service projects near the new airport. Homebuilding will remain moderate but will continue to boost construction of roads, sewers, and retail buildings. Oil and gas exploration is expected to remain steady and is unlikely to bring new jobs to the state.

Missouri

The Missouri economy remained strong in 1994. Job growth slowed slightly, but achieved a healthy pace of 2.7 percent (Chart 2). Real personal income growth improved (Chart 4). Moreover, the state's unemployment rate fell sharply from 6.5 percent in the fourth quarter of 1993 to 4.4 percent in the third quarter of 1994.

Construction was clearly the strongest sector of the Missouri economy in 1994. Homebuilding activity soared, especially in the Kansas City and St. Louis metropolitan areas. Construction of roads, bridges, and other public projects also boosted construction across the state. Nonresidential building also picked up, but not as much as in most other district states. Together, these sources of building activity pushed up construction employment 11.1 percent in 1994, following a similar jump the previous year.

Services surged and retail trade made solid gains in Missouri during 1994. Booming tourism in the southern part of the state remained a strong force. The state also shared in the nation's strength in business and health services. Service employment grew 6.1 percent, mirroring a similar gain in 1993.

Missouri's manufacturing sector held steady during the year. Healthy job gains in durable goods industries were offset by layoffs in nondurables industries. The gains in durable goods restored jobs lost during 1993 when General Motors idled its Wentzville assembly plant for retooling, and defense spending cuts caused other transportation equipment jobs to disappear.

The expansion of the Missouri economy is expected to remain on track in 1995. While some slowing is expected in the pace of construction, other sectors are likely to maintain their momentum. The worst of the defense-spending layoffs is over, and the manufacturing sector should benefit from a healthy national economy and a pickup in economic growth overseas. Services and trade are likely to remain among the fastest-growing sectors of the state's economy, benefiting from strong gains in personal income.

Nebraska

The Nebraska economy posted moderate growth in 1994 as employment growth rose to 2.3 percent from 1.7 percent gain in 1993 (Chart 2). Income growth increased sharply during the year, reflecting strong job growth in high-paying manufacturing and service industries (Chart 4). The state's unemployment rate, which averaged 2.6 percent in third quarter of 1994, remained the lowest among the district states.

Activity in the service sector picked up during 1994. Following a flat performance in 1993, service industries added jobs at a rapid rate of 4.1 percent in 1994. These jobs were spread across the entire spectrum of services but included many high-paying jobs in business, health, and legal services.

Manufacturing continued to boost the Nebraska economy. Durable goods industries were the strongest segment of Nebraska's manufacturing sector, adding jobs at a solid pace throughout 1994. In contrast, nondurable goods industries, dominated by food processing, reduced employment. The net result was a 1.9 percent gain in manufacturing jobs.

Construction helped support gains in the Nebraska economy in 1994 but contributed much less than in the previous year. Contracts for roads, bridges, and other public projects surged during the first three quarters of the year. And, while nonresidential building construction rose, homebuilding slowed considerably. As a result, job growth in construction slowed from its double-digit pace in 1993.

The Nebraska economy may lose some momentum in the year ahead, in step with the expected slowing in the national economy. Nonetheless, the state should achieve moderate gains in employment and income. This outcome will be more likely if the expansion in manufacturing and services remains on track and if farm incomes are boosted by a recovery in cattle prices.

Kansas

The Kansas economy continued to grow moderately in 1994. Although preliminary data show a decline in income, employment growth slowed only slightly to 1.6 percent (Charts 2 and 4). And, the state's unemployment rate fell from 5.3 percent at the end of 1993 to 4.9 percent in the third quarter of 1994.

A surge in construction activity buoyed the Kansas economy in 1994. All categories of construction contract awards increased in the first three quarters of the year from the same period in 1993. While homebuilding and public infrastructure construction picked up, the biggest jump was in nonresidential construction. The general increase in construction activity was reflected in a 6.3 percent rise in construction jobs.

The service sector remained a source of strength in the Kansas economy in 1994, though growing considerably slower than in 1993. Employment in Kansas service industries grew 2.0 percent, compared with 4.7 percent the previous year. Most of the growth remained in the Johnson County suburbs of Kansas City, where business services and telecommunications flourished.

Kansas manufacturing staged a modest recovery in 1994. Layoffs in the aircraft industry, centered in Wichita, remained a drag on the state's manufacturing sector during the year. But the layoffs were not as large as in 1993, when Boeing made sharp cuts to its Wichita work force. On balance, durable goods industries raised employment slightly in 1994, following a big decline the previous year. Nondurable goods industries, dominated by food processing, reduced employment.

The mining sector, dominated by oil and natural gas, stabilized in 1994. After several years of decline, mining employment rose slightly. The job gains came largely from an increase in exploration and development activity in the state's oil and natural gas fields. The average number of active drilling rigs rose from an average of 26 in the first three quarters of 1993 to 32 in the first three quarters of 1994. Although drilling activity picked up, production of oil and gas was mixed, with preliminary data suggesting a fall in oil production and a rise in natural gas production.

The Kansas economy is expected to continue growing moderately in 1995. As in other parts of the district, construction may slow somewhat but remain a strong force in the Kansas economy, especially in the state's metropolitan areas. Metro areas are also likely to remain centers of growth in the state's service sector. The manufacturing sector may improve further as general aviation aircraft production responds to favorable new product liability legislation and an increase in foreign sales. The Kansas farm economy will benefit from improved profits in cattle feeding.

Wyoming

The Wyoming economy was flat in 1994. The total number of jobs in the state leveled off after a healthy jump in 1993. As job growth slowed, however, income growth picked up. And despite weak employment growth, the state's unemployment rate fell from 5.6 percent at the end of 1993 to 5.2 percent in the third quarter of 1994, well below the U.S. unemployment rate.

The only sector showing much strength in 1994 was manufacturing, which accounts for only a small share of the overall state economy. Manufacturing jobs rose 5.8 percent with most of the gain in durable goods industries. Much of the gain came from new or existing small businesses across the state.

Construction activity fell from strong levels in 1993. All categories of construction contracts fell in the first three quarters of the year from the same period the previous year. Construction jobs also fell modestly during this period.

The trade and service sectors reflected the lackluster state economy. Employment at retail establishments rose moderately, but employment at wholesale establishments was flat. The growth in retail employment can be traced in part to strong tourism. Service employment, however, remained unchanged from its 1993 level.

The state's important mining sector remained stable in 1994. As in most other energy-producing states in the district, oil production continued to fall while natural gas production rose. Oil and gas drilling activity fluctuated during the first three quarters of the year but averaged slightly above the same period in 1993. Coal production was up 11.5 percent, as more eastern utilities switched to low-sulphur Wyoming coal. The state's producers of soda ash—used in glassmaking—continued to benefit from strong construction activity in the nation.

The Wyoming economy will probably grow slowly in 1995. The mining sector should remain stable but is unlikely to provide new jobs. The manufacturing sector could bolster the state economy if small companies continue to start up and prosper in the state. The demand for products made in Wyoming could diminish as growth in the national economy slows. Retail trade and services should continue to benefit from the state's position as a major tourist destination.

SUMMARY

The expansion in the Tenth District economy stayed on track in 1994. The manufacturing sector continued to add jobs at a healthy pace. Robust construction activity and steady growth in services continued to boost economic growth in the region. Although the strength in the district economy was generally broad based, mining remained flat and agriculture turned down.

The district economy will probably slow to a more moderate pace in 1995 in step with the national economy. District manufacturing may continue to gain strength as foreign markets for district products improve. Growth in services may slow somewhat, however, largely due to industries such as tourism which are sensitive to the pace of the national economy. Homebuilding is expected to slow considerably from its recent vigorous pace, but some of the slack may be taken up by nonresidential building. Farm income may improve in the year ahead as livestock prices rebound from their low 1994 levels, while the energy sector will likely remain a neutral force.

ENDNOTES

[1] 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 1994; income data, for the first two quarters. Other data are available for various time periods. This article places more emphasis on employment data than on income data because they provide an additional quarter of information about 1994 economic performance.

[2] Discussions of employment growth in this article are based on growth for 1993, calculated from the fourth quarter of 1992 to the fourth quarter of 1993, and growth for 1994, calculated as the annual rate of growth from the fourth quarter of 1993 to the third quarter of 1994. The employment data are from the Bureau of Labor Statistics, seasonally adjusted at the Federal Reserve Bank of Kansas City. While agriculture is an important sector of the district economy, nonfarm employment is used to measure district economic performance because the number of direct farm jobs is small and difficult to measure. Nonfarm employment, however, does capture the indirect effects of agriculture on other sectors of the region's economy.

[3] Discussions of income growth in this article are based on growth for 1993, calculated from the fourth quarter of 1992 to the fourth quarter of 1993, and growth for 1994, calculated as the annual rate of growth from the fourth quarter of 1993 to the second quarter of 1994. The income data are seasonally adjusted real nonfarm personal income data from Data Resources, Inc. Income growth recorded in the second half of 1994 is expected to be much higher than in the first half. Therefore, first-half data are probably not good indicators of 1994 economic performance. This article emphasizes employment data which, although subject to revision, are more complete for 1994.

[4] This view reflects the consensus estimate published in the December 10, 1994, *Blue Chip Economic Indicators*. The estimate is for real GDP growth of 3.7 percent in 1994 and 2.5 percent in 1995.

[5] These preliminary estimates of 1994 fund balances and general fund expenditures are from the National Governors' Association.

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