The Tenth District: Moving Ahead Slowly

By *Tim R. Smith*

The Tenth District economy improved somewhat in 1992, but the pace of growth remained slow. The performance of major sectors of the region's economy was mixed. While the construction sector boomed, weak manufacturing continued to hamper economic growth across the district.

Economic performance differed greatly across the seven district states. The Kansas economy surged due to strong growth in construction and services, and Colorado and New Mexico recorded modest growth. Oklahoma, Wyoming, Missouri, and Nebraska did not fare as well due to problems in manufacturing and trade.

The district economy will probably gather some momentum in 1993 as the national economy picks up. District manufacturing may improve slightly, but the region's robust construction sector may lose strength. Moreover, two of the region's key industries—agriculture and energy—are likely to provide little additional economic stimulus. Overall, the district economy is expected to grow modestly in 1993.

This article reviews the district's economic performance in 1992 and explores the outlook for 1993. The first section compares the overall performance of the district with the nation in 1992. The second section reviews the recent performance and outlook for the district's industries. The third section surveys the wide-ranging performance of district states in 1992 and discusses each state's outlook for the year ahead.

IMPROVEMENT FOR THE DISTRICT ECONOMY IN 1992

While the district continued to grow slowly in 1992, it grew more strongly than in 1991. As the nation struggled to recover from its recession of 1990-91, the district pulled ahead due to its generally favorable mix of industries. But weak manufacturing continued to hamper economic growth in 1992.

Two broad measures of economic performance, employment and income growth, both improved in the district last year and continued to outpace the nation.[1] Nonfarm employment in the district grew 0.6 percent, while nonfarm employment in the nation slipped 0.5 percent (Chart 1).[2] The average civilian unemployment rate for the first three quarters of 1992 stood at 5.6 percent in

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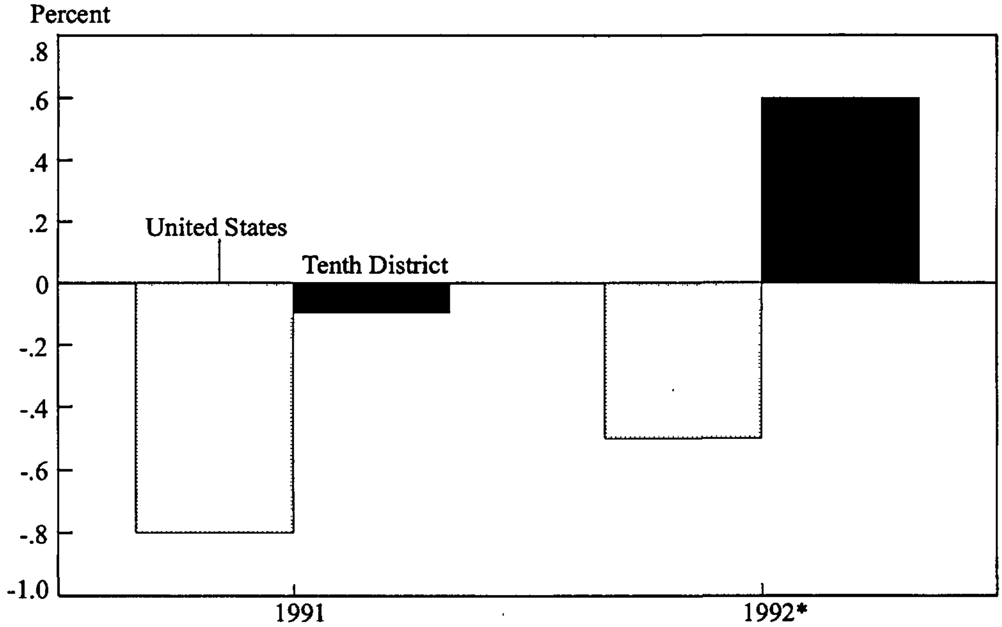
Chart 1
Growth in Nonagricultural Employment
U.S. and Tenth District



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

the district, well below the nation's 7.4 percent rate. Real nonfarm personal income in the district grew 1.8 percent in 1992, compared with 1.6 percent nationwide (Chart 2).[3]

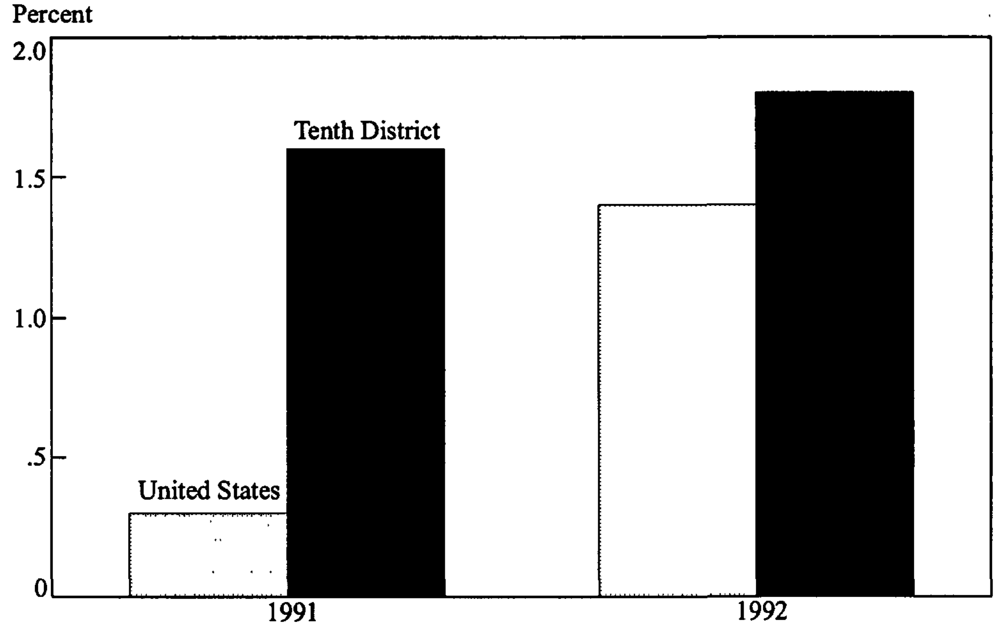
The increase in district employment in 1992 reversed a 0.1 percent decline in 1991. The improvement, however, was not spread evenly across individual district states. Employment in Kansas, New Mexico, and Oklahoma grew faster in 1992 than in 1991 (Chart 3). Jobs continued to grow in Colorado, but not quite as fast as in 1991. Missouri continued to lose jobs, but at a much more modest pace than the year before. And, after rising in 1991, employment in Wyoming and Nebraska ebbed slightly in 1992.

Real nonfarm personal income in the district grew 1.8 percent in 1992, somewhat faster than the 1.4 percent rise in 1991 (Chart 4). Income growth accelerated across most states in the region. New Mexico, Oklahoma, Wyoming, Kansas, and Nebraska all had stronger growth in 1992 than in 1991. Colorado and Missouri, on the other hand, saw income growth slip some from its 1991 pace.

REVIEW AND OUTLOOK BY SECTOR

The district's mix of industries helped soften the blow of the national recession of 1990-91 and also helped the district outperform the nation in 1992. Two keys to the better regional performance were a jump in construction jobs and a less severe decline in manufacturing jobs in 1992 (Table 1). The performance of other sectors of the district economy was mixed. Job losses continued to

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



Notes: Income growth rates are based on real nonfarm personal income. For 1992, annualized growth rates reflect only seasonally adjusted data through the first two quarters.
Source: Data Resources, Inc.

plague many sectors, and performance worsened in the mining, service, wholesale trade, federal government, and transportation sectors. But retail trade, state and local government, and the financial sector all improved in 1992.

The national economy has been growing much more slowly during the current recovery than during most recoveries since World War II, but improvement is expected in 1993. Still, the national economy will probably achieve only moderate growth, constrained by weak growth in foreign economies and continued balance-sheet restructuring by businesses and consumers.[4] An improving national economy will benefit most sectors of the district economy, but few district industries are likely to rebound strongly.

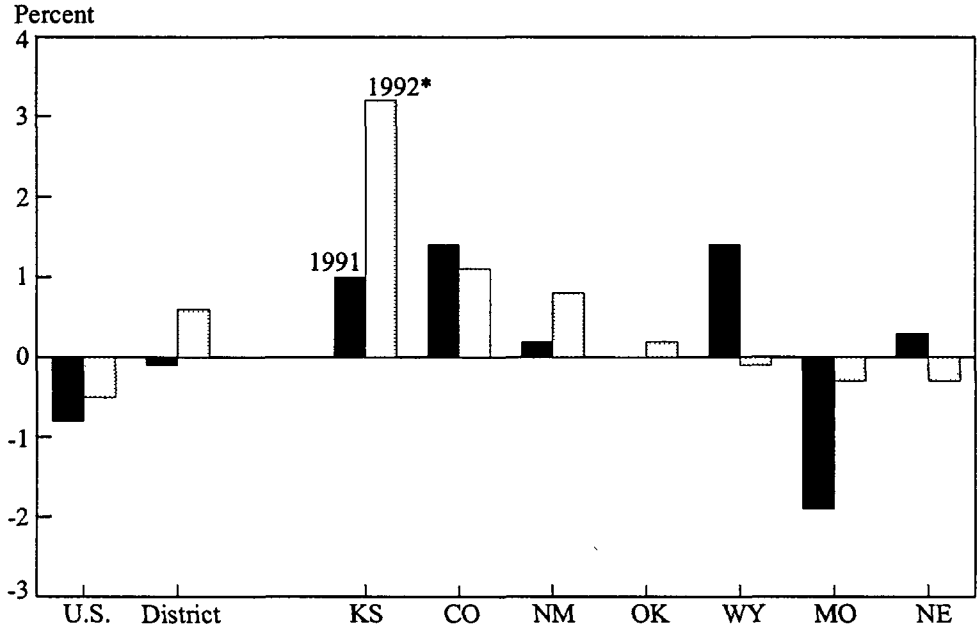
District *construction* activity improved considerably in 1992, providing a strong boost across the region. District construction jobs grew 4.8 percent, following a modest decline the year before (Table 1). In contrast, the number of U.S. construction jobs fell in 1992. The value of district construction contracts awarded in the first three quarters of 1992 was nearly 13 percent above the same period a year earlier. The record now shows that the growth in construction contracts awarded in the district outpaced the growth in the nation throughout both the recession and recovery (Chart 5). Strong homebuilding activity and a surge in public building projects accounted for most of the recent strength in the region.

Residential construction in the district rose sharply in 1992, largely due to lower mortgage interest rates. Residential building contracts

Chart 3

Growth in Nonagricultural Employment

Tenth District states



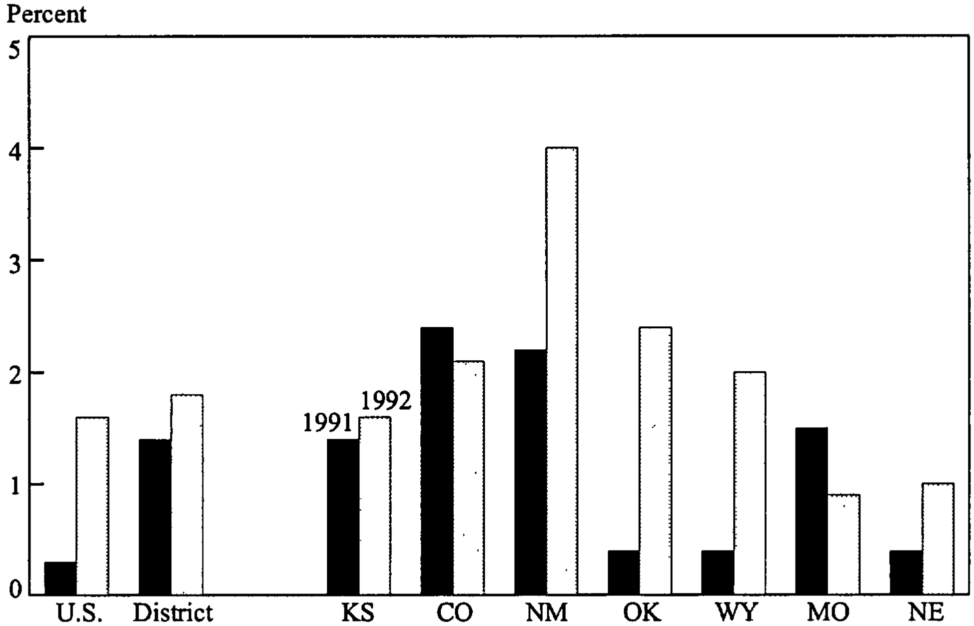
* First three quarters, seasonally adjusted annual rates.
Source: Bureau of Labor Statistics.

soared in the first three quarters, and total housing permits climbed at a 20 percent annual rate in the first three quarters of the year. Single-family dwellings remained the driving force behind the district's residential construction activity, while multifamily construction remained weak. All indicators of residential construction activity were significantly stronger in the district than in the nation.

The region's nonresidential construction sector improved modestly in 1992. A strong rebound in nonresidential construction continues to be postponed by slow overall economic growth in the region and relatively high vacancy rates in some district cities. The value of nonresidential construction contracts awarded in the first three quarters of 1992 was 8.2 percent higher than the same period a year earlier. In contrast, the value of nonresidential building contracts in the nation declined.

Construction growth will probably slow in the year ahead. Even if mortgage interest rates remain relatively low, large housing inventories across the region will take time to be absorbed, curbing additional homebuilding activity. The Denver International Airport has boosted district nonbuilding and nonresidential building contracts, but the effects of this massive public project will diminish as its 1993 opening date draws closer. Some cities may begin to see modest expansion in office and industrial construction, but vacancy rates across the district are generally still high enough to prevent

Chart 4
Growth in Income
Tenth District states



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

a significant rebound in commercial building.

Manufacturing activity improved somewhat in 1992, but continued to hinder district employment growth. The total number of manufacturing jobs fell 1.9 percent, after dropping 2.9 percent the year before (Table 1). In both years, the district lost manufacturing jobs at a steeper rate than the nation.

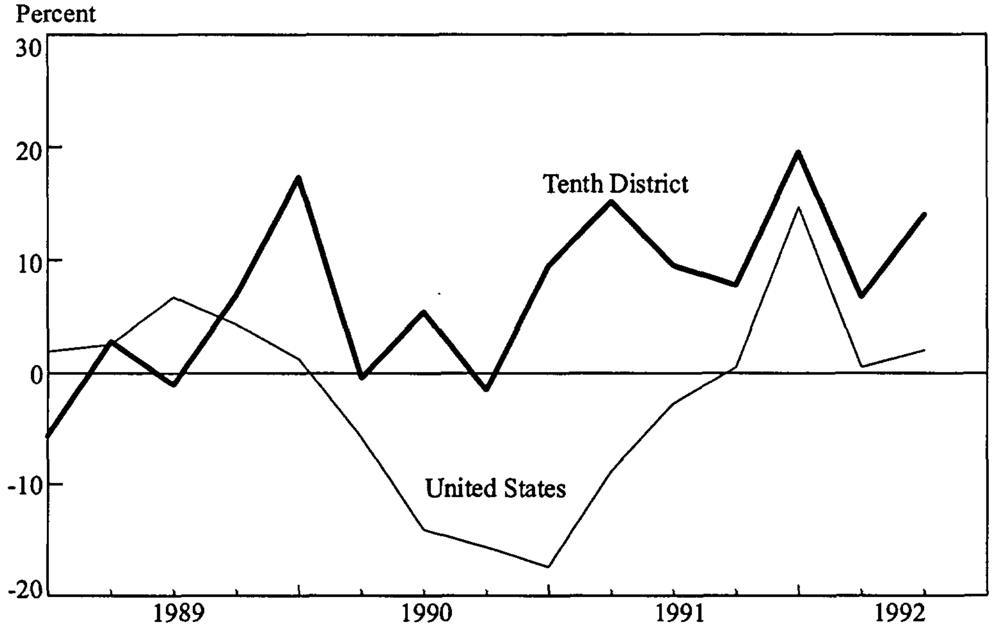
Durable goods production remained the weakest segment of the region's manufacturing sector. Jobs in the important transportation equipment industry again dropped considerably, but the drop was smaller than in 1991. Production at district automobile assembly plants in the 1992 model year jumped 15 percent from the year before. The surge in production helped raise the district's share of total U.S. production from 11.6 percent in 1991 to 13.8 percent in 1992. General aviation manufacturing, another important durable goods industry in the region, weakened somewhat in 1992 due to sluggish domestic and foreign sales of business aircraft. Dollar sales in the first three quarters of the year were down slightly from the same period a year earlier, following gains in each of the previous three years.

Nondurables manufacturing in the district also slowed in 1992, 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 fell slightly, after posting a moderate gain in 1991. Printing and publishing employment rose slightly, after dipping the previous year.

Chart 5

Growth in the Value of Total Construction Contracts

(Percent change from four quarters ago)



Source: F.W. Dodge Division, McGraw-Hill Information Services Company.

Manufacturing in the region may begin to recover in 1993. Consumers who have been paying down debt could begin to satisfy pent-up demand for durable goods, prompting businesses to boost production schedules and begin to rehire workers. But factory production in the district will still be hampered by slower defense-related production and sluggish economic growth abroad.

The district *farm* economy improved in 1992, confounding earlier expectations. Farm income edged up due to strong livestock earnings, big district crops, and lower farm expenses. Still, land values were fairly flat in 1992, suggesting that farmers remain somewhat cautious about the future.

The district's farm economy may post additional gains in 1993. Farm income probably will increase modestly due to wider livestock profits and bigger government payments. After declining for six years, government payments will increase in 1993 because market prices for major crops fell in the last half of 1992 in response to a large harvest of corn, wheat, and soybeans. Overall, district agriculture remains financially healthy and earnings are solid.

The district *mining* industry continued to shrink in 1992. Productivity improvements continued to put downward pressure on mining employment, despite stable or increasing output of many mineral resources across the district. Mining employment in the district fell nearly 8 percent, reflecting a drop in mining jobs nationwide (Table 1).

The region's mining activity is dominated by

Table 1

Growth in Nonagricultural Employment by Sector, Tenth District States

	Percent change	
	1991*	1992**
Manufacturing	-2.9	-1.9
Durable goods	-4.9	-3.2
Transportation equipment	-7.4	-5.7
Nondurable goods	-.0	-.2
Food processing	2.3	-.7
Printing and publishing	-1.8	.4
Mining	-6.6	-7.9
Construction	-1.3	4.8
Service	2.0	.3
Wholesale trade	-.6	-1.3
Retail trade	-.4	-.2
Federal government	.8	-.5
State and local government	1.1	6.1
Transportation	-.7	-1.2
Finance, insurance, real estate	-.6	.0

* From fourth-quarter 1990 to fourth-quarter 1991.
** First three quarters, seasonally adjusted annual rate.

Source: Bureau of Labor Statistics.

the energy sector, which turned in a mixed performance in 1992. Following several years of increases, coal production in the district leveled off in the first ten months of 1992. Preliminary data for the first half of the year suggest that crude oil production in the district continued to trend downward.

The bright spot in the district's mining sector during the year was natural gas. Soaring natural gas prices and tax credits for coal-seam methane gas, which were set to expire at yearend, boosted drilling activity in the region. The average number of gas and oil drilling rigs operating in the district slumped in the first part of 1992. But by October, the rig count had jumped 16.2 percent above its year-earlier level.

Employment in the district's energy sector is unlikely to grow in 1993. Output of the district's low-sulphur coal may increase due to mounting environmental pressures, but productivity improvements made in recent years will limit job gains. Moreover, oil exploration and development activity probably will remain weak since oil prices are expected to remain relatively stable in 1993. While drilling for natural gas is expected to lose momentum as tax inducements expire, higher prices and environmental concerns will likely continue to bolster the region's gas industry.

The *service* sector slowed across the district in 1992. During the national recession, the district's service industries achieved moderate job growth. In 1992, however, service job growth in the region slowed to a snail's pace (Table 1). The weak service job growth in the district compares favorably with the small decline in service jobs posted in the nation. One bright spot in the region's service sector was the important tourism industry. Established tourist areas in the Rocky Mountains fared well in 1992, and strong growth in southern Missouri established it as a major national tourist destination.

The lackluster regional economy did little to revive retail and wholesale *trade* in 1992. The number of retail jobs in the district shrank slightly after a small drop the year before. The number of wholesale jobs fell much faster in 1992 than 1991 (Table 1).

If the national economy improves, the district's service and wholesale trade sectors may grow somewhat faster this year. But retail growth will probably remain limited by sluggish growth in the region. Instead of a substantial net increase in retail activity, recent consumer spending patterns suggest that discount retail activity will continue to grow at the expense of full-price retail activity.

Government, one of the largest sectors of the district economy, continued to expand in 1992. In fact, government employment grew faster than any other category (Table 1). All of the growth was at the state and local levels, while the number of federal jobs fell slightly.

Government jobs grew in all district states, but the fiscal health of the individual states varied widely in 1992. The size of a state's general fund balance in relation to its general fund spending provides a simple measure of fiscal health. By this measure, fiscal conditions improved in 1992 for Colorado and Missouri. Conditions stayed about the same in Oklahoma, and deteriorated in Kansas, Nebraska, New Mexico, and Wyoming. Moreover, fund balances remained at or above 5 percent of fund spending in four states, a level of reserves generally considered desirable.[5]

Growth in government employment is likely to slow somewhat in 1993. Federal employment in the region will probably remain stable in the year ahead. Defense spending cuts will continue to hurt states where military hardware is manufactured—such as Missouri—but favor states with research and development activities—such as New Mexico. State and local government employment may continue to increase in 1993, but at a slower pace than in 1992, as several district states continue to wrestle with tight budgets. Fund balances as a percent of general fund spending are projected to be smaller or unchanged in five district states in 1993. And only three states are projected to maintain balances greater than 5 percent of spending (National Governors' Association).

MIXED PERFORMANCE IN DISTRICT STATES

While economic growth improved on average in the district in 1992, individual states did not share equally in this improvement. Employment grew faster in 1992 than in 1991 only in Kansas, New Mexico, and Oklahoma. Poor performance in key industries slowed job growth in Colorado and caused job losses in Wyoming, Missouri, and Nebraska.

Kansas

The Kansas economy improved markedly in 1992. Employment growth in the state exceeded growth in all other district states by a wide margin (Chart 3). Moreover, the state's unemployment rate fell from 4.2 percent in the fourth quarter of 1991 to just 4.0 percent in the third quarter of 1992, a level well below the nation's unemployment rate. Nonfarm real personal income grew at a rate slightly below the district average but improved from its 1991 pace.

One of the reasons for the strong performance in Kansas was the strength of the state's service sector. Employment in Kansas service industries was up in 1992 from its 1991 pace and, at 3.8 percent, grew much faster than in either the district or the nation. Business and personal services were quite strong, particularly in the Kansas City metropolitan area.

Construction also continued to boost the Kansas economy in 1992. Total construction contract awards were pushed up by a pickup in public infrastructure construction and a swell in home building. As a result, construction employment surged 6.6 percent in 1992, following an increase of about 4 percent in 1991.

Kansas manufacturing weakened in 1992. An increase in nondurables jobs only partly offset a large decline in durables manufacturing employment. New car production at the Kansas City General Motors plant rose 18 percent from the 1991 to the 1992 model year, but other manufacturers of durable goods did not fare as well. For example, makers of general aviation aircraft in Wichita recorded a drop in shipments and a dip in net billings in the first three quarters of the year compared with the same period a year earlier.

Employment in the Kansas mining sector recovered somewhat in 1992 despite weak overall mining activity. After falling sharply in 1991, mining employment in the state increased 2.8 percent in 1992. While stable oil prices and sharply higher natural gas prices restored a small part of the jobs lost the previous year, drilling activity in the state languished until late in the third quarter. As a result, the average number of active drilling rigs fell to only 24 in the third quarter from 32 a year earlier. But in October, the rig count jumped well above its year-ago level.

In the year ahead, the Kansas economy will probably continue to outperform the district and the nation but slacken to a more moderate pace. The brisk pace of construction in the state is unlikely to continue, and a big turnaround in the state's manufacturing sector is unlikely. Food processing, however, could get a boost from an improving national economy. The state's natural gas fields may see some pickup in activity, but the mining sector will probably not repeat the job growth recorded in 1992. On the other hand, strong growth in business services likely will continue to bolster the service sector. And agriculture should continue to lend strength to the Kansas economy.

Colorado

Colorado's economy slowed somewhat in 1992. Both employment and income growth fell slightly (Charts 3 and 4). Meanwhile, the labor force expanded as people moved into the state from ailing regions such as California. As a result, the state's unemployment rate leaped from 5.3 percent at the end of 1991 to 6.2 percent in the third quarter of 1992, due mainly to growth in the labor force. Remarkably strong construction activity buoyed an otherwise lackluster state economy.

Construction stood out as the strongest sector of the Colorado economy during 1992. Construction jobs grew 17.3 percent in the first three quarters, more than three times faster than in 1991. The strength was spread across all parts of the sector. Strong population growth and low mortgage interest rates fueled a surge in residential construction. And public projects such as Denver International Airport and highway improvements continued to boost nonresidential building and nonbuilding construction.

Colorado's manufacturing sector continued to weaken in 1992. After falling 4.2 percent in 1991, employment in the state's factories fell another 2.0 percent in 1992. Job losses were shared among durables and nondurables industries.

Colorado shared in the national and regional declines in mining employment, but its natural gas and coal industries improved in 1992. The state's mining employment dropped 8.9 percent, following an even bigger drop the year before. Some of the drop can be explained by productivity improvements in the mining sector. The number of drilling rigs operating in the state in the third quarter was the same as a year earlier. Nevertheless, a clear upward trend in drilling activity began at midyear as producers of coal-seam methane gas accelerated drilling programs to take advantage of expiring tax credits. Coal production also expanded somewhat in the first ten months of the year.

Trade and services provided little strength to the Colorado economy. A record 1991-92 ski season and strong summer tourism provided a moderate boost to retail employment. But the gains in retail jobs were partly offset by small job losses in wholesale trade and services. While the losses were small, they look particularly striking when compared to solid growth in 1991.

The Colorado economy is likely to grow moderately in 1993 but could slow somewhat from the 1992 pace. Construction will slacken as the Denver airport project winds down, but other public projects and continued strong population growth should maintain building activity at moderate levels. Moreover, office vacancy rates in Denver have fallen considerably over the past few years, providing some support to the commercial real estate market. Improvement in national consumer markets could help the state's manufacturing sector. Trade and services, however, may struggle if groups opposed to a controversial voter referendum are successful in encouraging boycotts of the state's tourist attractions and convention sites.

New Mexico

The New Mexico economy improved in 1992, but employment growth remained sluggish. Employment in the state increased 0.8 percent, up from 0.2 percent in 1991 (Chart 3). The state's unemployment rate jumped to 7.4 percent in the first quarter, but drifted down to 6.9 percent by the third quarter. Despite anemic job growth, nonfarm personal income growth in 1992 was the best among district states due to soaring transfer payments and healthy growth in wages and salaries (Chart 4).

The construction sector contributed to the improvement in New Mexico's economy in 1992. Construction employment grew much more slowly than in Kansas or Colorado, but the small gain in construction jobs in 1992 reversed the decline recorded in 1991. The improvement was driven by public infrastructure and single-family residential construction, particularly in the Albuquerque area.

New Mexico's mining sector continued to decline in 1992. Employment in this important sector dipped sharply, following an even bigger decline the year before. While the job losses stemmed from closings of copper and molybdenum mines, a lackluster energy industry in 1992 provided little offsetting support to the state's mining sector. The number of drilling rigs operating in the state tumbled in the first half of the year but then picked up as expiring tax credits encouraged natural gas drilling. Pipeline expansions have also improved markets for the coal-seam gas produced in the San Juan basin. Coal production in the first ten months of 1992 increased 15.2 percent from the same period a year earlier.

New Mexico's manufacturing sector turned around in 1992. After plunging in 1991, employment at the state's factories grew modestly in 1992. Most of the growth occurred in nondurables industries, while a turnaround in durable goods industries was postponed by a sluggish national economy and defense spending cuts.

The state's trade and service sectors remained sluggish. The number of jobs in wholesale and retail trade fell slightly, after remaining nearly constant in 1991. Service sector employment grew moderately, but at less than half the pace set the year before. Observers of the state economy cite strong tourism and a Medicaid-related expansion in health services as the main reasons for continued growth in the service sector.

In 1993, New Mexico's economy will probably improve again. Unlike some other states in the region, changes in defense-spending patterns could actually favor New Mexico's Air Force bases and research facilities. Manufacturing is likely to get a boost from a healthier national economy. And service employment should continue to benefit from tourism and health care spending in the state.

Oklahoma

The Oklahoma economy was virtually flat in 1992, improving only slightly from the year before. Employment grew only 0.2 percent, but real nonfarm income growth improved considerably (Charts 3 and 4). The civilian unemployment rate slipped from 6.8 percent in the fourth quarter of 1991 to 6.4 percent in the third quarter of 1992. All sectors of the state economy were weak except government, which was bolstered by strong job growth at the state and local levels.

The Oklahoma manufacturing sector faltered again in 1992. Manufacturing employment fell more than 3 percent, compared with a 1 percent decline in 1991. The job losses were concentrated in the state's durable goods factories. While durables manufacturing was generally weak, auto production improved. The Oklahoma City General Motors plant boosted production by a third during the 1992 model year but still failed to restore production to the levels achieved in the late 1980s. Nondurables employment leveled off after rising modestly the year before.

Mining activity in Oklahoma also worsened in 1992. Dominated by jobs in the state's vast oil and natural gas fields, mining employment fell faster in Oklahoma than in both the nation and the district. The average number of drilling rigs operating in the state in the third quarter dipped to 91 from 98 a year earlier. And preliminary data for 1992 suggest production of both crude oil and natural gas declined, despite stable oil prices and much higher natural gas prices. The drop in oil production marks eight straight years of falling oil output.

Oklahoma's construction sector was mixed in 1992. Construction employment fell moderately in the first three quarters of 1992 after a similar decline in 1991. Employment data alone, however, do not reflect the growth that showed up in other indicators of construction activity, such as construction contracts and housing permits. These indicators suggest moderate construction activity during the year with the strongest activity in single-family housing.

The trade and service sectors slumped in 1992. Employment in retail and wholesale trade establishments fell somewhat, due to a generally sluggish state economy. Services employment also slipped, after posting meager gains in 1991. But the service job losses were more than offset by job gains in state and local government, which added jobs five times faster in the first three quarters of 1992 than in 1991.

The Oklahoma economy is likely to grow slowly in the year ahead. A strong agricultural sector will balance other sectors that will remain weak. If natural gas prices remain high, the mining sector will benefit, but job gains will probably be limited. Without stronger export markets or much more rapid growth in the U.S. economy, a recovery in the state's manufacturing will remain elusive.

Wyoming

The Wyoming economy stumbled in 1992 but held on to some of the gains from the previous year. Employment fell slightly in 1992, following modest growth in 1991 (Chart 3). Although the state's unemployment rate jumped during the first part of 1992, it settled at 5.4 percent in the third quarter, only slightly below the 5.5 percent rate at the end of 1991. Despite job losses in 1992, real growth in Wyoming's nonfarm personal income surpassed the district average, a marked improvement over 1991 (Chart 4).

The state's important mining sector followed the pattern of weakness set in the district and the nation. Job losses in the sector were smaller in Wyoming than in most other district states, however, due mostly to a significant pickup in natural gas drilling. The number of operating oil and gas drilling rigs averaged 43 in the third quarter, up from 36 a year earlier. Preliminary data suggest a substantial rise in natural gas production in the state. And the state's production of soda ash—used in glassmaking—received a boost from the strong construction activity in the nation during the year. But crude oil production continued to slide, and coal production in the first ten months of the year was down 2.2 percent from the same period a year earlier.

Construction contributed only modestly to the Wyoming economy in 1992. Construction jobs increased only 2.3 percent, following a much stronger gain in 1991. The slowdown was due to declining activity in the nonresidential and nonbuilding parts of the sector, which was only partly offset by a moderate increase in homebuilding.

The lackluster state economy produced flat trade and service sectors. Employment at retail and wholesale establishments changed little from 1991 levels, while service growth slowed to a snail's pace. Performance of these non-goods-producing sectors would have been even worse without strong summer and winter tourist seasons.

The Wyoming economy may curb its job losses in 1993 but will achieve slow growth at best. A strong livestock industry and more activity in the state's natural gas fields will be the key elements in turning the economy around. In addition, another year of strong tourism should help sustain the state's trade and service sectors.

Missouri

Missouri's economy remained one of the weakest in the district last year. Still, a small drop in Missouri employment compared favorably to the 2 percent decline in 1991 (Chart 3), and the state's unemployment rate rose only slightly in 1992. Real nonfarm personal income grew slowly in 1992 after achieving moderate growth the year before (Chart 4).

The major culprit in Missouri's weak economy was again its manufacturing sector. Job losses at the state's factories were considerable in 1992, though smaller than the year before. The state's important durable goods industries bore the brunt of the job losses, but nondurables industries also felt some of the losses. Defense spending cuts and weak foreign sales continued to buffet the states durables producers. Automobile production, on the other hand, stabilized after two years of double-digit declines.

Construction in Missouri turned around in 1992. Construction employment rose moderately, after dropping sharply the year before. As in other district states, residential construction led the improvement with single-family building permits increasing considerably in the first three quarters. The value of nonresidential construction contracts rose modestly on the heels of a sharp drop in 1991.

Missouri's trade and service sectors outperformed their national counterparts but reflected the overall weakness of the state economy nonetheless. Wholesale and retail employment stabilized after declining in 1991. Meanwhile, the state's business and personal service industries treaded water another year, posting virtually no change in employment. Tourism became an increasingly important dimension of trade and services, particularly in the booming Branson area.

The Missouri economy is poised for slow growth in 1993. Cuts in defense spending will remain a threat to the state's key manufacturing sector, but improved national economic conditions and a strong farm sector may provide some weak growth overall.

Nebraska

The Nebraska economy was flat in 1992. Employment dipped slightly after a slight gain in 1991 (Chart 3). The civilian unemployment rate climbed to 3.2 percent in the third quarter from 2.9 percent at the end of 1991. Still, Nebraska's unemployment rate remained the lowest in the district and far below the national unemployment rate of 7.6 percent. Real nonfarm personal income grew more than twice as fast as the year before, but not fast enough to exceed the regional average (Chart 4).

The state's manufacturing sector remained stable in 1992. Manufacturing employment, dominated by nondurables such as food processing, fell only slightly. Nondurables industries added jobs, offsetting continuing job losses in durable goods industries.

Construction indicators were strong in Nebraska in 1992. The value of construction contracts awarded in the first three quarters jumped considerably from the year before; all construction categories were strong. Permits for single-family homes soared, as did contract awards for nonresidential buildings and public structures, such as roads and bridges. While these indicators suggest a strong construction sector in Nebraska, they did not lead to new jobs. In fact, construction employment fell 1.4 percent after rising slightly in 1991.

Nebraska's non-goods-producing sectors slipped again. Employment in retail and wholesale trade fell 4.6 percent after falling slightly the year before. Service employment held up better, but there has been essentially no job growth in this sector in the past two years. The lackluster job growth possibly reflects the leveling off of growth in business services.

The Nebraska economy should remain stable in the year ahead. Agriculture will continue to serve as a solid foundation for the state economy, and farm incomes may rise somewhat further. Nondurables manufacturing likely will have another good year, benefiting from any acceleration in the pace of the nation's recovery. Nebraska service companies that sell to other regions, such as telemarketing, may also pick up as the national recovery proceeds.

SUMMARY

The Tenth District economy improved in 1992 but achieved only slow growth. Still, employment and income growth in the region outpaced growth in the nation. The performance gap between the district and the nation was largely the result of the district's booming construction sector and a better farm economy. The region's weak manufacturing sector limited district gains in 1992. And while the mining sector slipped, it had little overall impact on the regional economy because of the small total employment in this sector.

As the recovery builds steam in the nation, the district economy should continue to improve in 1993. Agriculture and energy should remain stable, contributing little new growth to the region. And some of the momentum in the construction sector may dissipate during the course of the year. But an improving national economy should bring some limited gains to the district's manufacturing and service sectors.

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 1992; income data for the first two quarters. Other data are available for various time periods.

[2] Discussions of employment growth in this article are based on growth for 1991, calculated from the fourth quarter of 1990 to the fourth quarter of 1991, and growth for 1992, calculated as the annual rate of growth from the fourth quarter of 1991 to the third quarter of 1992. 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 1991, calculated from the fourth quarter of 1990 to the fourth quarter of 1991, and growth for 1992, calculated as the annual rate of growth from the fourth quarter of 1991 to the second quarter of 1992. The income data are seasonally adjusted real nonfarm personal income data from Data Resources, Inc.

[4] This view reflects the consensus estimate published in the December 10, 1992, *Blue Chip Economic Indicators*. The estimate is for real GDP growth of 2.0 percent in 1992 and 2.8 percent in 1993.

[5] These estimates of 1992 fund balances and general fund expenditures are from the National Governors' Association. The four states with fund balances of 5 percent of general fund expenditures or above were Kansas, Nebraska, Oklahoma, and Wyoming.

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