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# Regional Economic Update

By Jason Henderson

**T**he Tenth District economy continued to expand at a healthy pace in the third quarter of 1997. Manufacturing activity expanded at a faster pace in the third quarter, and the farm economy continued to improve. Energy posted more modest gains in the quarter, and construction activity declined seasonally. The unemployment rate continued to trend lower as employment levels advanced moderately.

District *employment*, one measure of overall economic performance, rose 0.4 percent in the third quarter. Employment gains were paced by sturdy growth in the manufacturing sector. The construction and service sectors also added to district employment. Compared with the previous year, district employment was 2.1 percent higher. In the nation, employment rose 0.6 percent in the third quarter to a level 2.2 percent above a year ago.

The Tenth District's *unemployment rate* edged lower for the third consecutive quarter to 3.8 percent in the third quarter of 1997. The nation's unemployment rate held steady at 4.9 percent.

Employment growth was healthy across most district states. Kansas continues to lead the district with growth of 3.1 percent over the previous year. Kansas was followed closely by Oklahoma. Nebraska employment grew slightly faster than the district average at 2.2 percent over the previous year. Colorado, Missouri, and New Mexico grew slightly slower than the district average. In the nation, employment growth averaged 2.2 percent.

District *income*, another indicator of overall economic performance, posted another solid gain. Real personal income advanced 0.7 percent in the second quarter, the most recent quarter for which data are available. Compared with a year ago, income rose 3.3 percent. In the nation, income grew 1.0 percent in the quarter and 3.5 percent over the previous year.

*Manufacturing* in the district expanded moderately in the third quarter. Factory managers responding to the bank's quarterly survey of manufacturers

indicated moderate growth in the manufacturing sector in October, and growth was faster than in July. Manufacturing employment rose 0.7 percent above the previous quarter due to strength in durable goods. Compared with a year ago, manufacturing employment was up 1.4 percent. Nationally, manufacturing employment edged up 0.2 percent, 0.5 percent over the previous year.

District *construction* activity in the third quarter displayed the seasonal decline associated with the end of the summer construction season. The total value of construction contracts declined 10.3 percent below the previous quarter, 5.8 percent below year-ago levels. Residential and nonbuilding contracts both registered sizable declines in the third quarter. However, employment levels edged up 0.4 percent in the third quarter and were 2.8 percent above a year ago. Nationally, the total value of construction contracts in the quarter declined 6.7 percent to remain 1.0 percent above year-ago levels.

*Energy* activity in the district continued to advance at a somewhat slower pace in the third quarter as crude oil prices declined slightly. The average number of drilling rigs operating in the district rose 4.3 percent over the previous quarter and 17.5 percent above year-ago levels. Rig activity slowed this quarter as the price of West Texas Intermediate crude oil dipped 1.5 percent from the previous quarter. In the nation, the average number of operating rigs rose 6.1 percent in the quarter and 23.3 percent over the previous year.

The district's *agricultural economy* improved in the third quarter of 1997. Continued recovery in the cattle sector and a good fall harvest lifted farmland values and fueled expectations for continued improvement in farm income this year. Strong demand for farm loans and rising loan repayment rates indicate a healthy farm economy heading into the new year.

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Jason Henderson is a research associate at the Federal Reserve Bank of Kansas City.

## Growth in Employment

Percent change from second quarter 1996 to second quarter 1997

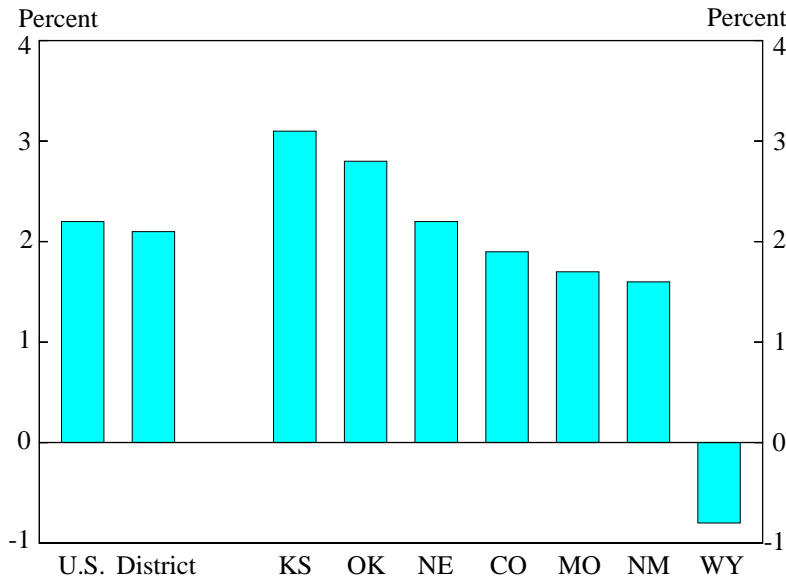


Table 1

### District Economic Indicators

	Tenth District			United States		
	Third quarter 1997	Second quarter 1997	Third quarter 1996	Third quarter 1997	Second quarter 1997	Third quarter 1996
Unemployment rate (SA)	3.8	3.9	4.6	4.9	4.9	5.3
	Percent change from:			Percent change from:		
	Third quarter 1997	Second quarter 1997	Third quarter 1996	Third quarter 1997	Second quarter 1997	Third quarter 1996
Total nonagricultural employment (thousands, SA)	8,986.9	.4	2.1	122,574	.6	2.2
Manufacturing	1,164.9	.7	1.4	18,540	.2	.5
Durables	687.8	1.5	2.9	10,939	.6	1.5
Nondurables	477.1	-.4	-.6	7,601	-.4	-.9
Nonmanufacturing	7,822.1	.3	2.2	104,034	.7	2.5
Construction contracts (index 1980=100, NSA)	200.0	-10.3	-5.8	243.6	-6.7	1.0
Residential	256.8	-11.2	1.8	262.6	-6.1	2.3
Nonresidential building	185.3	-6.2	-7.9	248.4	.5	2.5
Nonbuilding	143.5	-14.9	-17.5	202.4	-19.5	-4.5
Price of west Texas intermediate crude oil (dollars per barrel)	—	—	—	19.71	-1.5	-11.5
Rig count (average, NSA)	236	1.7	14.6	956	2.4	19.1
	Percent change from:			Percent change from:		
	Second quarter 1997	First quarter 1996	Second quarter 1996	Second quarter 1997	First quarter 1996	Second quarter 1996
Real personal income (millions of 1992 dollars, SA)	397,641	.7	3.3	6,056,116	1.0	3.5

SA: Seasonally adjusted. NSA: Not seasonally adjusted.