

R E G I O N A L

E c o n o m y

A growing Tenth District economy – despite the Asian crisis

The district economy was solid again in 1998, although some pockets of weakness began to emerge. This weakness was largely due to the Asian economic crisis, which dampened demand for the region's key agricultural and industrial exports. The district's energy industry also suffered from generally low energy prices throughout the year.

While the Asian economic flu had a definite influence on the region, most district businesses reported another good year in 1998, as reflected in continued growth in sales, investment, and new jobs.

The district's expansion continues

The district's economic expansion continued for the twelfth straight year in 1998. Employment growth, an important yardstick of overall performance, posted a 2.2 percent advance for the year. While this growth was solid, it was slightly below the 2.3 percent growth in jobs across the country and down from the district's 2.8 percent advance in 1997.

With another year of solid gains in district payrolls, 1998 underscored the conclusion that the

current expansion ranks among the region's best on record. Indeed, the region's solid growth in the 1990s has created the biggest problem facing most district businesses – tight labor markets. As the year came to a close, the district's unemployment rate stood at 3.7 percent, more than half a percentage point under the national rate. Labor markets were even tighter in many of the district's seven states.

Economic growth was somewhat more uneven across district states in 1998, probably reflecting the varying impact of global economic uncertainties. Colorado remained the district front-runner, with 3.2 percent job growth for the year, while Oklahoma and Kansas also grew faster than the nation's pace of 2.3 percent. The remaining district states all grew

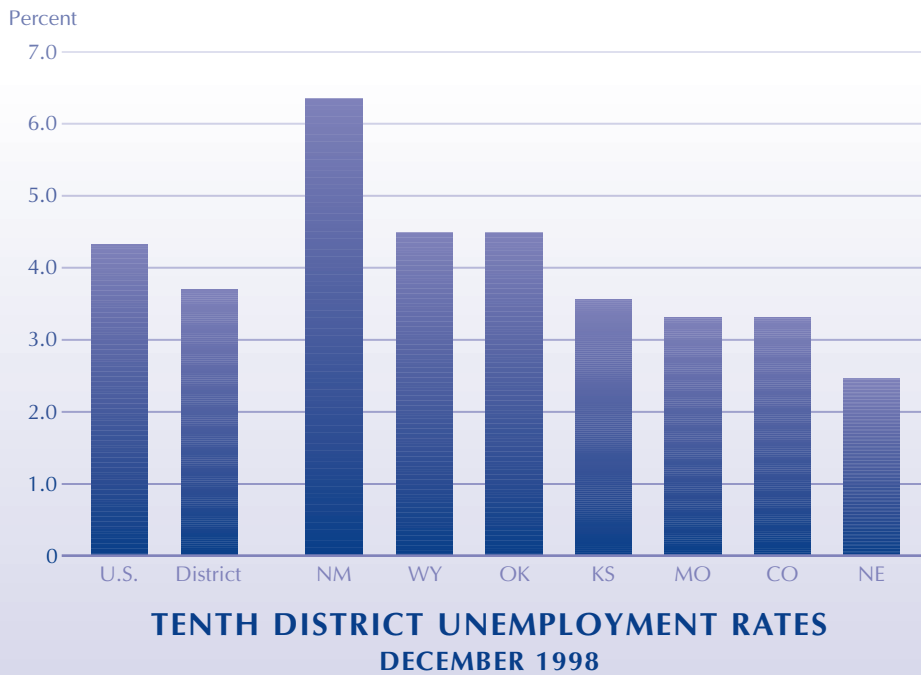
more slowly than the nation. The biggest slowdown in 1998 took place in Missouri, which saw its important manufacturing sector hit hard by the Asian slowdown.

Throughout the year, the district's many farms and factories kept a wary eye as the Asian economic situation unfolded.

Effects of the Asian economic slump

In a climate of slowing but continued growth in 1998, the Asian crisis did take a certain toll on

Solid growth has created the biggest problem facing most district businesses – tight labor markets.



the health of the Tenth District economy. Even though the district represents the Heartland, it still has strong trade links with Asia. District manufacturers ship roughly a quarter of their exports to Asian countries, while fully half of the region's food and agricultural exports are destined for Asian markets. Thus, throughout the year the district's many farms and factories kept a wary eye as the Asian economic situation unfolded.

The biggest impact of the Asian crisis was felt by district agriculture, which entered a major downturn in 1998. Commodity markets were weak all year due to the fall in global demand and especially large supplies of crops and livestock. The weak prices led to an overall drop in district farm earnings of about 15 percent, a drop that was tempered somewhat by a government assistance package passed in October before Congress adjourned.

Another sector that felt the effects of global events was the energy sector. Global demand for energy slumped in 1998, pushing prices down. Prices for West Texas Intermediate crude oil fell as low as \$12 a barrel, the lowest point in several years. The soft prices, in turn, put a damper on both energy production and new exploration. While prices recovered some by yearend, many energy companies posted poor earnings.

Tracking the district's diverse economic performance is an important commitment for the Bank, since district conditions are a critical backdrop for monetary policy decisions. To stay in touch with economic developments, the Bank pays close attention to a wide range of economic indicators. And it listens closely to groups such as the Bank's Economic Advisory Council, important voices for agriculture, small business, and the U.S. consumer. ■

Profile

PAULA MARSHALL- CHAPMAN

Whether your business is hot apple pies or monetary policy, success often depends on nuances like timing and a touch of seasoning – and reaching out to the right people.

Getting quality input from successful business people like Paula Marshall-Chapman, CEO of The Bama Companies, Inc., is essential when crafting monetary policy. Paula, and the other members of the Kansas City Fed's Economic Advisory Council, serve as a reliable voice on how economic forces influence business activity around the district.

"Quality is a journey," Paula says. "In the pie business, we keep in touch with people along the way – our customers, our suppliers, our employees. Without hearing from them, how else can we be sure what quality is?"

For the last 35 years, The Bama Companies, Inc., has been the sole supplier of hot fruit pies to McDonald's restaurants. Today, Bama produces over a million pies and 3 million biscuits daily for McDonald's, Pizza Hut, QuikTrip, Olive Garden, and Cargill Foods. And Bama recently began putting hot apple pies on McDonald's tables in China.

In recognition of her commitment to quality, Paula was named one of Ten Outstanding Young Americans in 1992 by the U.S. Junior Chamber of



Listening to people like Paula Marshall-Chapman helps lay the groundwork for sound monetary policy.

Commerce, and one of the top ten CEOs in America by *Industry Week* in 1993. In 1996, Bama Pies won McDonald's highest quality award for suppliers. And in 1997, Paula was named Entrepreneur of the Year by the Franklin Covey Company, based on her principle-centered leadership.

Unleashing such potential takes more than simply knowing how to bake great pies. "We aren't just in the pie business," Paula says. "We're in the people business, the relationship business. Success depends on helping those we do business with become successful, too – and that means opening a dialogue."

Those are the kinds of values Paula brings to the Economic Advisory Council: leadership, reaching out, open dialogue, quality input – key ingredients in anyone's recipe for success. ■

RURAL

America

New initiatives for the 21st century

The Bank undertook two major initiatives in 1998 aimed at helping rural America better achieve its economic potential in the next century. The Bank held a national conference on rural capital issues in Denver. And the Bank announced the creation of a new rural research center.

Equity for Rural America: From Wall Street to Main Street was held in Denver. The conference brought together experts and decision-makers to discuss rural access to equity capital. Equity is often the forgotten part of rural America's capital mix, yet rural America's economic future depends on the ability of rural entrepreneurs to access Wall Street.

How well do Wall Street and Main Street come together? Conference participants agreed that steps can be taken to more effectively bring Wall Street to rural America. Presenters shared examples of how rural equity capital institutions are bringing capital to rural

businesses and boosting local economic growth in the process. While often successful, these institutions are not widespread. To replicate such institutions elsewhere in rural America, the challenge appears to be finding ways for public-private cooperation in the 21st century.

In October, the Bank also announced the creation of the *Center for the Study of Rural America*. Rural America is home to a quarter of the nation's people and more than half its banks – many of which are in the Tenth District. To better serve this

vital part of our regional and national economy, the Bank is creating the Center to make sure rural America's unique economic and policy issues get the attention they deserve. The new Center, which will produce studies and analyses of



President Hoenig (left) and Center director Mark Drabenstott discuss equity capital markets with rural business leaders.

rural issues, grows out of the Bank's significant tradition of excellence in research on these topics over many decades. The Center will open in mid-1999. ■