

REGIONAL ECONOMY



The Tenth District economy grew at a moderate pace in 1996, with growth slowing somewhat from the rapid pace set in 1995. Reflecting the slowdown in overall economic activity, the growth in total employment also slowed, falling behind the nation's pace of employment growth for the first time during the current economic expansion. Economic performance remained uneven across individual district states. New Mexico continued to post the strongest gains due to strength in construction, services, and manufacturing. Economic growth in Oklahoma, while not as strong as in New Mexico, was well above the district average. Colorado and Nebraska posted gains near the district average, while gains in Kansas, Missouri, and Wyoming were more modest.

Construction continued to lead all sectors of the district economy in 1996. Residential construction was strong throughout the district, staying well ahead of its 1995 pace despite some slowing in housing activity as the year progressed. Commercial construction and public building projects, like roads and schools, were also healthy across most parts of the district.

District manufacturing generally improved in 1996, and most factories continued to operate at high levels of capacity. Manufacturing activity was espe-

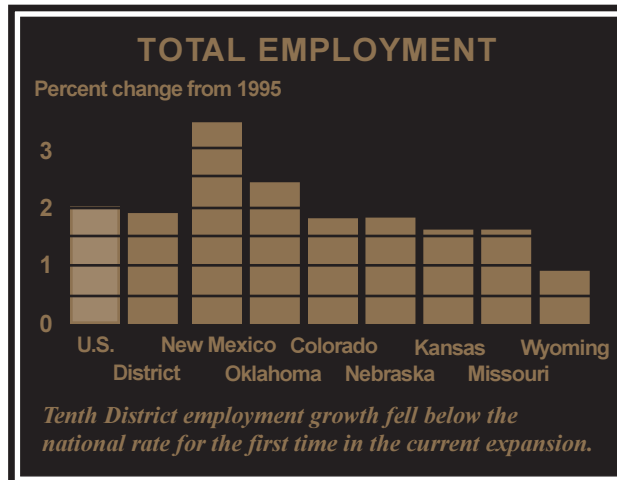
cially strong in the first half of the year before slowing somewhat in the second half. A strong national economy and healthy export markets led to robust production gains for makers of automobiles, high-technology products, and other durable goods. Nondurable goods production, led by the region's important food-processing industry, stabilized in 1996 after posting modest job losses in 1995.

The district's energy industry stabilized in 1996 due to higher energy prices. Jobs in the mining sector, which includes energy production, held steady in 1996 after a sharp decline in 1995. District coal production, centered in Wyoming, continued to post solid gains. Increased coal shipments were achieved with few additions to the district's mining workforce, however, due to

continued gains in efficiency.

Crude oil prices trended higher throughout much of 1996. The higher prices brought limited gains in exploration and development activity, stemming job losses in the energy industry in many parts of the region. Exploration activity was also spurred by natural gas prices that generally stayed above 1995 levels.

The service and trade sectors were solid forces in the district economy in 1996, although their pace of

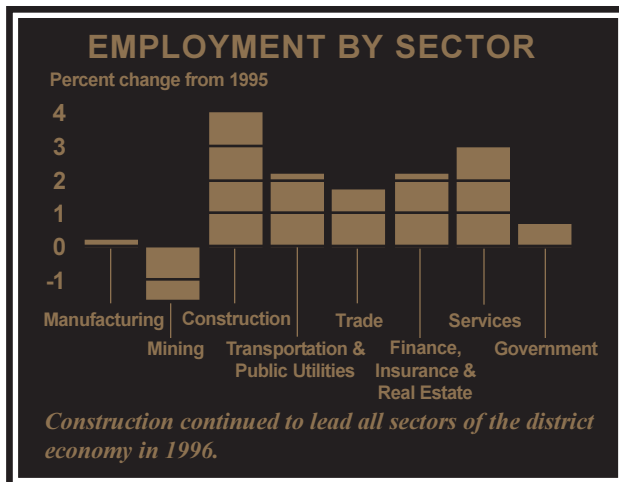




growth slowed considerably from 1995. The service sector added jobs at a moderate pace across the district. Business and health services remained strong in all metropolitan areas of the district. Service growth was also strong in some of the district's rural areas, a welcome change from more sluggish growth in recent years. The district's tourism industry—centered in the Rocky Mountains and southern Missouri—continued to boost overall growth in services and retail trade by drawing strength from the national economy. Another service-related industry, wholesale and retail trade, expanded throughout the district in 1996, but at a considerably slower pace than in 1995.

Tenth district agriculture had a mixed year. Crop producers enjoyed a banner year due to big crops and prices at record levels for several months of the year. District wheat producers had a small crop due to drought conditions in early 1996, but many growers made up for the lost income by planting their wheat fields to grain sorghum. The district's corn and soy-

bean crops were big and prices were high. Offsetting the strong income for crop producers was a year of sizable losses in the district's important cattle industry. As feed costs rose in early 1996, many cattle producers sent more cattle to market, forcing cattle prices down. As a result, cattle feeders lost money for many months of the year, and ranchers posted losses the whole year. As 1996 drew to a close, however, rising cattle prices and lower feed costs signaled a turnaround for the cattle industry.



Looking ahead, the district economy should grow moderately in 1997. While services, construction, and manufacturing may slow somewhat further, they will continue to support steady growth in the region's economy. Energy prices may linger at current high levels for at least part of the year,

helping the energy industry remain stable or post modest gains in 1997. Continued improvement in livestock profits along with generally favorable crop prices should lead to a good year for district agriculture.