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Rural America At A Glance, 2005



The U.S. economic environment is quite favorable for rural areas. Domestic economic growth in 2005 is expected to be above average, propelled by a rise in wages, business profits, and relatively low interest rates. While world economic growth is slowing, it is expected to remain better than average. This growth and the appreciation of many currencies against the dollar should increase exports of U.S. manufactured goods and farm products, both of which are important to the rural economy. The manufacturing picture, however, will be mixed, with some industries doing well and others stagnating. Expected low, long-term interest rates and strong business profits will support higher business equipment spending and encourage employers to hire more workers.

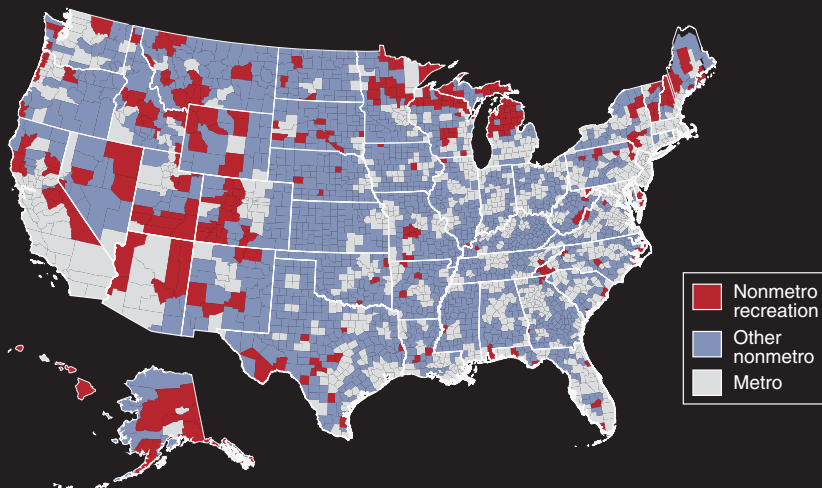
A widening U.S. trade deficit and higher oil and natural gas prices will moderate GDP and job growth. Also, continued Federal Reserve interest rate hikes are expected to eventually soften some parts of the economy.

Rural recreation and tourism are expected to benefit from the strong 2005 economy. The relatively low interest rates, rising personal income, and rising real estate prices of recent years induced many individuals to purchase second houses in rural areas as future retirement homes or as real estate investments. In addition, despite high gasoline prices, this year is expected to see increased travel and spending on recreation and tourism. The recreation and tourism industries are important to many rural communities with cultural or natural amenities.

At the time of this writing, it is difficult to estimate the overall impact of Hurricane Katrina on the South and on the U.S. economy. However, clearly, many areas of the rural Gulf Coast suffered extensive damage with the full economic costs still unknown.

Nonmetro recreation counties

ERS identifies 334 nonmetro counties that are economically dependent on recreation and tourism industries.





Recreation and Tourism Important for Rural Areas

Recreation and tourism have been important for rural development in recent years. The ERS 2004 county typology includes nonmetro recreation as one of the policy types. Over 300 nonmetro counties were designated as recreation counties, using a combination of factors, including share of employment and of earnings in recreation-related industries, share of seasonal housing units, and per capita receipts from motels and hotels.

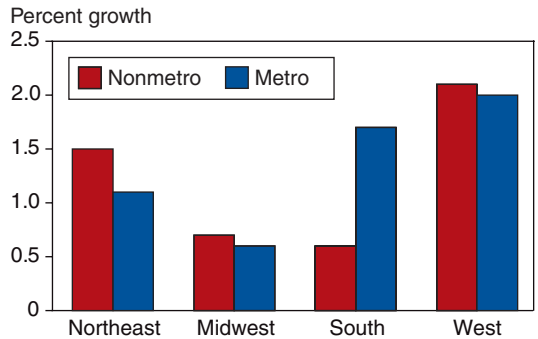
- Nonmetro recreation counties grew almost three times as fast as other nonmetro counties during the 1990s. Recreation and tourism are associated with relatively favorable socioeconomic conditions, including higher employment rates, higher resident earnings and incomes, lower poverty rates, and healthier, better educated residents.
- Recreation development is, in some cases, associated with growth-related strains, such as higher housing costs. Rural recreation areas also have, on average, higher crime rates. Conditions vary by type of recreation activity. For example, Ski Resort counties have among the wealthiest, best educated, and healthiest populations of all recreation county types; however, they also have relatively high rates of reported crime. In contrast, South Appalachian Mountain Resort counties have among the poorest, least educated residents among all recreation county types, with relatively high age-adjusted death rate, but relatively low crime rates.

Employment Growth Strong

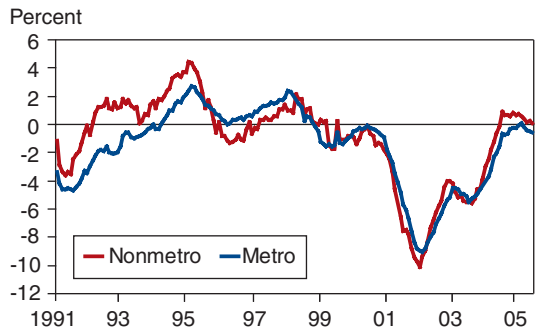
After 3 years of soft labor markets, national employment levels in late 2004 finally surpassed the number of jobs reached at the business cycle peak of March 2001. Employment growth has been substantial over mid-2004 to mid-2005, with nonmetro growth about the same as that for metro areas.

- Nonmetro employment rose about 205,000, or 0.9 percent, between 2003 and 2004, and metro employment by 1.64 million, or 1.4 percent. Both growth rates reflect an acceleration in employment growth from that of 2003. Employment grew the fastest in the West, metro South, and nonmetro Northeast.
- Nonmetro and metro unemployment fell to 5.5 percent in 2004, down from 5.8 percent and 6.0 percent, respectively, in 2003. Both rates were at their lowest since the 2001 recession, and both fell in the first half of 2005.
- The adjusted unemployment rate is a more comprehensive measure of labor market slack, which includes marginally attached workers and one-half of workers who work part-time because they cannot find full-time work. The nonmetro-adjusted rate was 9.8 percent in 2004, compared with 10.3 percent in 2003. The metro-adjusted rate was about the same as the nonmetro rate, 9.5 percent in 2004, compared with 10.1 percent in 2003.

Employment growth, 2003-04



Manufacturing employment change from previous year, January 1991 to June 2005



- In both nonmetro and metro areas, the first 6 months of 2005 marked continued stable manufacturing employment levels after a sharp decline between 2000 and 2003. However, the manufacturing employment picture varies by industry. Over the last 18 months, employment grew in some durable manufacturing industries, such as wood, nonmetallic minerals, and fabricated metal, while employment in computer, electrical, and transportation equipment was flat. Employment losses continued in nondurables, such as textiles and apparel, as the industry's decades-long shift to developing countries continued.

- The loss of over 800,000 U.S. textile and apparel jobs over the last decade disproportionately affected rural areas in the Southeast. Since January 1, 2005, the Multifiber Arrangement quotas governing textile trade for more than 30 years have been largely removed, boosting clothing imports by the United States and the European Union, and shifting the source of their imports toward Asia. Special textile safeguards available to World Trade Organization members have been applied by the United States and other countries to slow the growth of China's exports of some products, including cotton trousers and knit shirts.

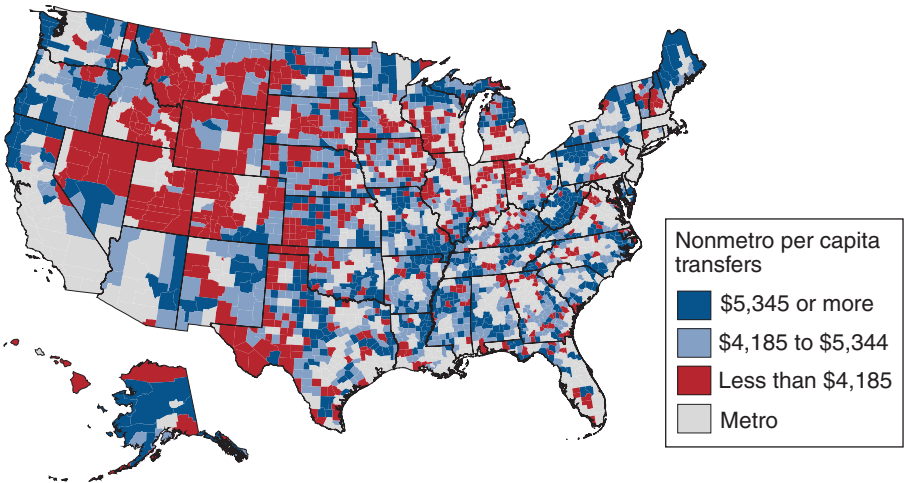
Rural Poverty Is Low but Southern Rates Remain High



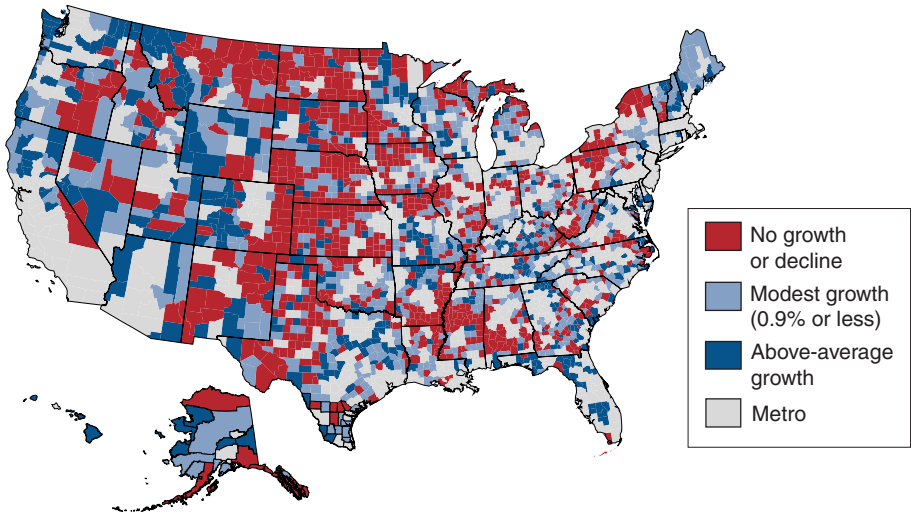
Nonmetro poverty rates have been at their lowest since 1980, staying at or below 14.2 percent for the last 5 years for which estimates exist. This encouraging finding is tempered by the continuing lag of nonmetro areas behind metro areas in numerous indicators of well-being, including household income, poverty, and child poverty rates. Nonmetro areas also have important regional differences, with the South facing markedly higher poverty and lower income than other regions.

- In the nonmetro South, 17.7 percent of the people were poor in 2003, while in the metro South, 13 percent were poor. Over the last 15 years, poverty in the nonmetro South has been at least 4 percentage points higher than in the metro South.
- Median household income in the South was \$39,812 in 2003, which was about \$5,000 less than in any other U.S. region. For nonmetro households in the South, median household income was just slightly over \$31,000 per year, in contrast to \$42,000 for metro households in the South.
- In 2003, 11.6 percent of nonmetro households were food insecure, about the same as the rate for metro households (11.1 percent). Rates in both nonmetro and metro areas were essentially unchanged from those in 2002: 11.6 and 11.0, respectively. In 2003, nearly one in five nonmetro children (18.7 percent) lived in food-insecure households, essentially unchanged from 2001 (19.0 percent) and about the same as the metro share in 2003 (18.1 percent). Food security is defined as access by all household members at all times to enough food for an active, healthy life.
- Of the \$1.275 trillion in Federal, State, and local government transfers to individuals in 2003, \$243.4 billion went to nonmetro residents and \$1.031 trillion to metro residents. However, nonmetro residents received slightly more per capita (\$4,923) than did metro residents (\$4,275). Real per capita transfers increased by less than 2 percent in both nonmetro (1.8 percent) and metro (1.6 percent) areas during 2002-03. Growth in transfers had subsided from over 6 percent per year during 2000-01 and 2001-02. Social Security, Medicare, and Medicaid benefits (that account for 82 percent of all transfers to both metro and nonmetro individuals) fell back to pre-recession growth rates of between 1 and 2 percent. Per capita unemployment insurance benefits declined during 2002-03, but by half as much in nonmetro (-1.2 percent) as in metro (-3.6 percent) areas. These drops are in contrast to the 40- and 68-percent jumps in per capita unemployment benefits to nonmetro and metro areas during 2001-02.

Nonmetro per capita government transfer payments, 2003



Nonmetro population change, 2003-04

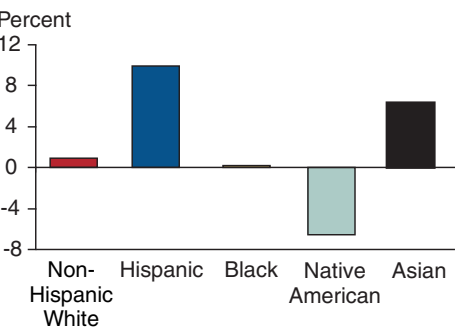


Slow Population Growth Continues, but Immigration Increases Rural Diversity

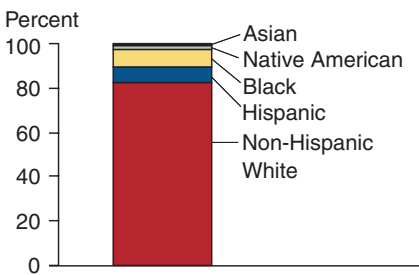
Between July 2003 and July 2004, nonmetro America added 255,000 people, a 0.51-percent growth rate, a slight rise over that for the previous 12 months (0.49 percent), and less than half the current metro growth rate (1.08 percent). Population loss in the Great Plains continued, as did population gain in the nonmetro West.

- Over 900 nonmetro counties, out of a total of 2,052, lost population during 2003-04. These counties are concentrated in the Great Plains, Corn Belt, Mississippi Delta, and Appalachia. The dominant trend contributing to population loss continues to be high outmigration among young adults, typically seeking better job opportunities in metro areas. In addition, most of these counties are losing population through natural decrease—more deaths than births—that coincides with an aging population.
- During 2003-04, domestic migration (movement from metro or other nonmetro counties), accounting for 30 percent of nonmetro population growth, was focused heavily in 300 counties with recreation-based economies. Although they included 15 percent of the nonmetro population in 2003, these counties attracted over 80 percent of domestic migration growth.
- Immigration from abroad accounted for one-quarter of nonmetro population growth during 2003-04 and lowered or completely offset population loss in over 1,000 nonmetro counties. These counties are more sparsely populated and isolated, on average, and depend more on agriculture and related industries than do other nonmetro counties.
- Between 2001 and 2004, the nonmetro Hispanic/Latino population grew by 10 percent, now representing the most rapidly growing populace in nonmetro areas. However, Hispanics constituted just 6 percent of the nonmetro population in 2003, compared with 14 percent of the metro population.

Average percent change in nonmetro population by race and ethnicity, 2001 to 2004



Nonmetro population composition by race and ethnicity, 2003



Selected Economic and Social Indicators

Indicator	Nonmetro	Metro
Population growth (July 2004, percent)	0.51	1.08
Civilian unemployment rate* (2004, percent)	5.5	5.5
Employment growth (2003 to 2004, percent)	0.9	1.4
Median household income* (2003, dollars)	35,112	46,060
Poverty rate (2003, percent)*	14.2	12.1
Poverty rate by region* (2003, percent)		
Northeast	12.0	11.2
Midwest	9.7	11.1
South	17.7	13.0
West	14.6	12.3
Food-insecure households* (2003, percent of households)	11.6	11.1
Children in food-insecure households* (2003, percent of children)	18.7	18.1
Per capita transfer payments (2003, dollars)	4,923	4,275
*Data use 1993 OMB classification of metro/nonmetro.		

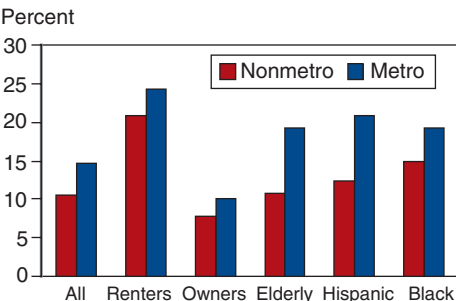
Housing

The very rapid growth of real estate prices in the last several years has led to concern that there is a bubble in housing prices. A major source of the boom is the widespread and increased availability of low-interest-rate credit through various financial instruments. Other important factors behind the rising prices are rising population, higher wages and household income, and increased new construction costs. How much of the recent price boost is a speculative bubble is an open question, and there is concern about possible negative impacts on both individuals and the economy.

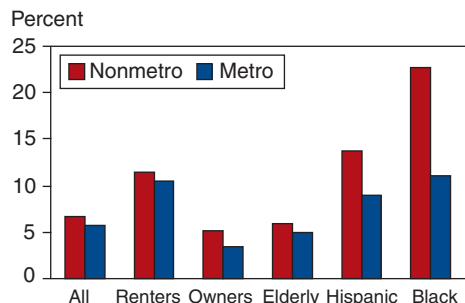
The majority of the most rapidly appreciating markets are metro areas on the west coast, in the Northeast, and in Florida. However, there may be less reason for concern about a boom and bust cycle for rural housing prices. An Office of Federal Housing Enterprise Oversight report shows that nonmetro housing prices since 1980 have been much more stable than have metro prices. Although many homeowners in rural and urban America have high housing expenses relative to their incomes, this is less of a rural problem. Half of all nonmetro homeowners have a mortgage on their home, compared with two-thirds of their metro counterparts. And, the median level of housing expenses as a share of income is 15 percent for nonmetro and 18 percent for metro homeowners. However, poor housing quality is a greater issue in nonmetro than in metro areas. In over 300 nonmetro counties, 30 percent or more of the households lacked adequate conditions, such as a complete kitchen or bathroom.



Households whose housing expenses exceed half of their income, 2003



Households whose homes are physically inadequate, 2003



More Research on Rural America at ERS . . .

USDA's Economic Research Service (ERS) analyzes the ongoing changes in rural areas and assesses Federal, State, and local strategies to enhance economic opportunity and quality of life for rural Americans. Included in this report are the most current indicators of social and economic conditions in rural areas, for use in developing policies and programs to assist rural people and their communities. The following are recent publications featuring research on rural America.

Recreation, Tourism, and Rural Well-Being, www.ers.usda.gov/publications/ERR7/

At A Glance report series. The publications in this collection summarize timely issues related to rural America, including poverty, transportation, children, and education.

www.ers.usda.gov/Emphases/Rural/ata glance.htm

Measuring rurality and the 2004 County Typology Codes, www.ers.usda.gov/briefing/Rurality/

"Policy Options for a Changing Rural America," *Amber Waves*, April 2005.

www.ers.usda.gov/Amberwaves/April05/Features/PolicyOptions.htm

Rural Older Population chapter of the ERS website Briefing Room on Rural Population and Migration. www.ers.usda.gov/briefing/population/older/

Data Sources

This report draws upon the research of the rural economy researchers at ERS. Data used in this analysis come from a variety of Federal sources, including the Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis, Federal Reserve Board, Federal Housing Finance Board, and Office of Federal Housing Enterprise Oversight. The most recent data available are used. Different data series are released at various times, and dates of the most recent data range from 2003 to 2005.

The terms "rural" and "urban" are used synonymously with "nonmetropolitan" and "metropolitan." Estimates through 2004 from the Current Population Survey (CPS) still identify metro and nonmetro areas according to Office of Management and Budget's (OMB) 1993 classification; 2005 estimates use the 2003 classification. Other estimates are based on OMB's 2003 classification, which reflects not only a decade of urban growth and restructuring but also modification of the rules governing metro and nonmetro status. Because some of the data series have a long phase-in period incorporating the 2003 metro/nonmetro classification, some indicators of rural well-being will continue to use the old classification into 2005. Also, the CPS data will be unavailable for much of 2004 because of this phase-in, delaying publication of rural labor market indicators. In addition, estimates of weekly earnings will not be available for 2004-05. Also note that the Census Bureau no longer publishes the metro/nonmetro homeownership rates.

Under the 1993 classification, metro areas were previously defined to include central counties with one or more cities of at least 50,000 residents or with an urbanized area of 50,000 or more and total area population of at least 100,000. Under the 2003 classification, metro areas are defined for all urbanized areas regardless of total area population. Outlying counties are also classified as metro if they are economically tied to the central counties, as measured by share of workers commuting daily to the central counties.

*All photos are from the Economic Research Service, Publishing and Communications Branch Photo CD.

ERS website and contact person

Information on rural America can be found at the ERS website at www.ers.usda.gov/Emphases/Rural. Additional indicators of rural conditions are at the Rural Gallery, www.ers.usda.gov/briefing/rural/gallery/. For more information, contact **Karen Hamrick** at khamrick@ers.usda.gov or 202-694-5426.

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