

Rural America At A Glance, 2004

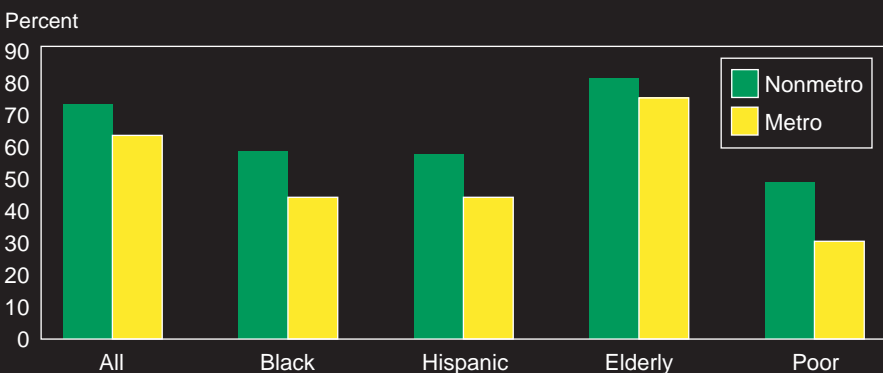
Overall economic conditions continue to be favorable for rural areas. In 2004, the U.S. economic recovery that began in November 2001 became broad-based, with most domestic sectors exhibiting moderate to strong growth. In addition, the U.S. economy, and rural areas in particular, benefited from strong export growth. A significantly weaker dollar in early 2004 relative to early 2002 and strong world income growth point to continued export growth in the near term.

Construction, especially residential construction, has been an important driver of overall economic growth. Nationally, real residential housing investments (in 2000 dollars) grew 4.8 percent in 2002 and 8.6 percent in 2003. Strong housing markets have also boosted economic growth by raising demand for housing-related durables, such as home appliances and furniture, contributing to job gains in some rural areas. Low inflationary expectations, expansionary monetary policy, and overall weak credit demand by businesses, domestically and abroad in 2003, produced the lowest mortgage rates since the early 1960s, for both nonmetro and metro areas. Low interest rates enabled national housing affordability to increase 10.2 percent in 2000-03, despite a 22.3-percent jump in existing housing prices. Nonmetro homeownership rates reached record highs during the period, exceeding metro rates for a variety of household types.

Rural as well as urban areas, however, have struggled with lingering soft labor markets. Despite over 2 years of economic expansion, hiring has been slow to recover. Only in 2004 has there been substantial job growth, including the first increase in manufacturing jobs since 1998. The 2003 nonmetro poverty rate remained stable despite an increase in the national rate.

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. Following 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.

Homeownership rates, 2000





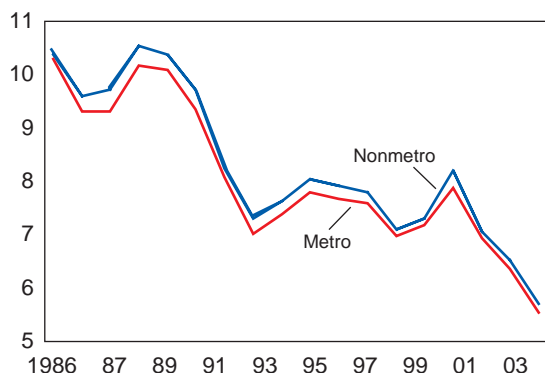
Rural Homeownership at a Record High

While low mortgage rates have promoted record-high rates of homeownership, many rural residents struggle with inadequate housing.

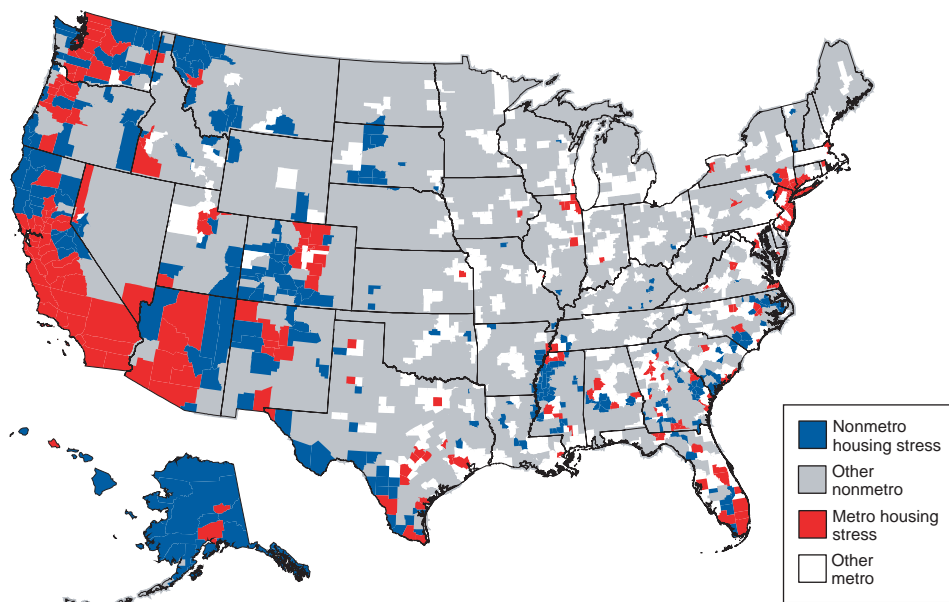
- The homeownership rate for nonmetro households continues to hit record highs, reaching 77 percent in July 2004, well above the 67-percent rate for metro areas but only 1 percentage point above the rate for metro suburbs. Nonmetro homeownership rates also exceed metro rates for various household types, including Black, Hispanic, elderly, and poor households.
- Historically low interest rates on mortgages have helped fuel the growth in nonmetro homeownership. In 2003, for the first time since such statistics have been kept, the average interest rate on new 30-year fixed-rate home mortgages in nonmetro areas fell below 6 percent.
- ERS recently released updated typologies for the Nation's counties. The 2004 County Typology classifies all U.S. counties by economic dependence and by policy-relevant themes. The policy classification includes a new typology which identifies 15 percent of nonmetro counties as housing stressed. In these counties, 30 percent or more of homes are considered too costly relative to household income, are too crowded, or lack certain basic facilities, such as a complete kitchen or bathroom. Housing stress counties had higher proportions of minority, poor, and renter households than other nonmetro counties.

Effective interest rate on 30-year fixed-rate home mortgages

Percent



Housing stress counties, 2000



Lingering Softness in Labor Markets

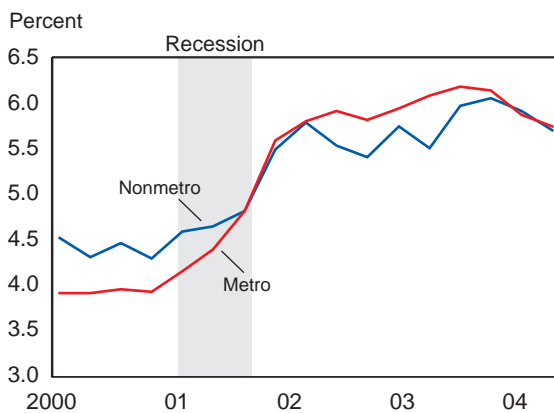
Though rural areas finished 2003 with low unemployment and growing employment, the jobs outlook in both rural and urban areas is clouded by the sluggish labor market characterizing this expansion—the longest post-recession soft labor market of any post-WWII business cycle. After 3 years, the U.S. economy has still not added enough jobs to match the level reached at the business cycle peak of March 2001. This extraordinarily long delay in substantial hiring during a recovery has affected both nonmetro areas and metro areas. However, labor market impacts varied by region and industry.

- The nonmetro unemployment rate was 5.8 percent in 2003, slightly up from 5.6 percent in 2002. The metro unemployment rate also rose slightly to 6.0 percent in 2003 (from 5.8 percent in 2002). The 2003 nonmetro and metro unemployment rates were the highest since 1994.
- Both the nonmetro and metro seasonally adjusted unemployment rates declined from fourth quarter 2003 to first quarter 2004. The nonmetro rate declined from 5.9 to 5.7 percent, while the metro rate declined from 5.8 to 5.7 percent.
- Nonmetro employment increased by 139,000, or 0.6 percent, from 2002 to 2003. In the same period, metro employment rose by about 560,000, or 0.5 percent. Both metro and nonmetro employment gains were concentrated in the South and West.
- In 2003, average weekly earnings for nonmetro workers (\$555) were about 79 percent of the metro average (\$699). From 2002 to 2003, average weekly earnings fell 0.5 percent in nonmetro areas and 0.3 percent in metro areas, after adjusting for inflation. The earnings decline followed several years of gradual but steady increases.
- Over 2000-03, the manufacturing industry lost jobs. By mid-2004, however, manufacturing recovered somewhat, adding jobs in both nonmetro and metro areas. The recovery for durable goods has been more robust than for nondurable goods. Particularly, textiles and printing continue to shed employment. Spurred by home purchases, durable industries—such as wood products and furniture—have gained jobs, helping to accelerate the nonmetro recovery. Durables industries typically concentrated in metro areas, such as computers, machinery, or transportation equipment, have yet to show year-to-year employment gains.

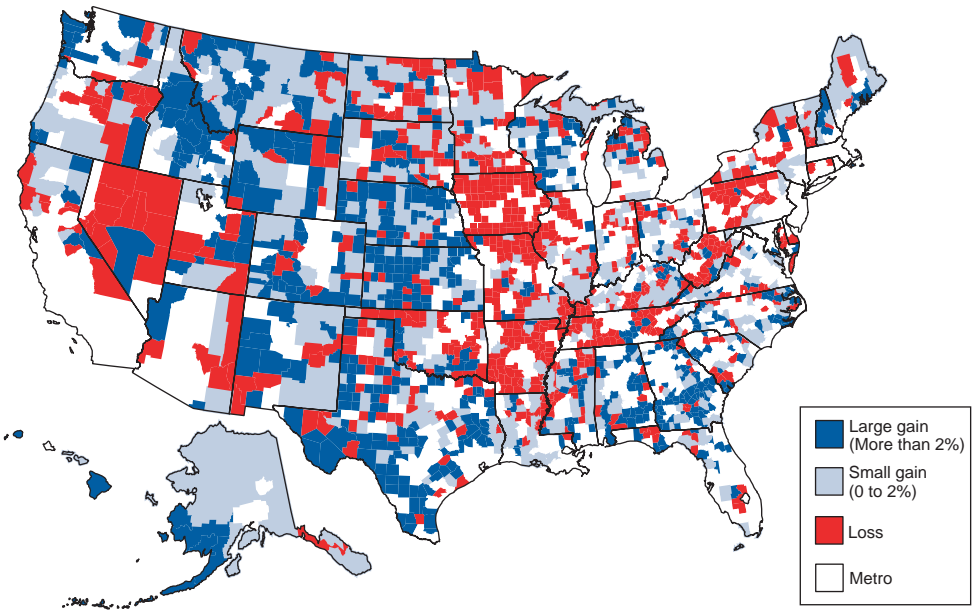
The United States has lost over 800,000 textile and apparel jobs over the last decade. Rural areas have been disproportionately affected by the loss of these jobs over the last few years, especially in the Southeast, where textile and apparel plants are concentrated. With the approaching expiration of the World Trade Organization's Multifibre Arrangement (MFA) at the end of 2004, concerns are high for the 750,000 U.S. textile and apparel jobs that remain. Enacted in 1974, the MFA is a system of bilateral quotas governing textile and apparel shipments. Many developing countries chafed under the MFA's restrictions, and the Uruguay Round Agreement in 1995 included provisions to eliminate these quotas after December

31, 2004. However, the United States has the option of exercising special safeguards, which would cap import growth on textile exports from China through 2008.

Quarterly unemployment rates, seasonally adjusted



Nonmetro employment change, 2002-03

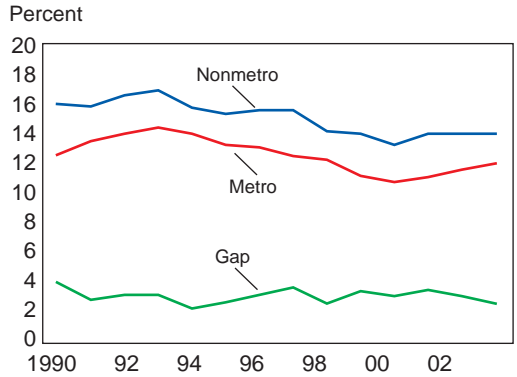


Rural Poverty Rates Stable, But Child Poverty Remains High

Rural areas continued to lag behind urban areas on some indicators of well-being at the beginning of the decade. Nonmetro poverty rates from 2000 to 2003 were low by historical standards, but continued to be higher than metro rates. One in five rural children lived in poverty, and a similar proportion resided in food-insecure households.

- The nonmetro median household income of \$35,112 in 2003 continues to be well below the metro median of \$46,060.
- Among nonmetro households, 14.2 percent, or 7.5 million residents, were poor in 2003, compared with 12.1 percent of metro residents. Although slightly up from 2000, both rates were considerably improved from decade highs of 17.2 percent (nonmetro) and 14.6 percent (metro) in 1993.

Poverty rates



- Children in both metro and nonmetro areas had substantially higher rates of poverty than adults. One in five nonmetro children age 17 or under was in poverty in 2003, a rate of 20.1 percent. The metro rate of child poverty was 17.1 percent. Although substantial, these rates show improvement from decade highs of 24.1 percent in nonmetro areas and 22.3 percent in metro areas in 1993.
- Nonmetro counties make up the large majority (340 of 386) of persistent-poverty counties, which are defined by the ERS 2004 County Typology as those that had 20 percent or more of their populations living in poverty in 1969, 1979, 1989, and 1999, based on the 1970-2000 decennial censuses. Fourteen percent of the Nation's nonmetro population live in persistent-poverty counties.
- In 2002, 11.6 percent of nonmetro households were food insecure. This rate was about the same as the rate for metro households (11.0 percent). The nonmetro prevalence rate was essentially unchanged from that in 2001 (11.5 percent), while the metro rate was higher than in 2001 (10.5 percent). In 2002, nearly one in five nonmetro children (19.0 percent) lived in food-insecure households, essentially unchanged from 2001 (18.6 percent), and also about the same as the metro share in 2002 (17.9 percent). Food security is defined as access by all household members at all times to enough food for an active, healthy life.

Selected Economic and Social Indicators

Indicator	Nonmetro	Metro
Civilian unemployment rate (2003, percent)*	5.8	6.0
Employment growth (2002 to 2003, percent)	0.6	0.5
Average weekly earnings (2003, dollars)*	555	699
Median household income (2003, dollars)*	35,112	46,060
Poverty rate (2003, percent)*	14.2	12.1
Poverty rate by age group (2003, percent)*		
0-17 years	20.1	17.1
18-64	12.5	10.4
65 and older	11.0	10.0
Food-insecure households (2002, percent of households)*	11.6	11.0
Children in food-insecure households (2002, percent of children)*	19.0	17.9
Homeownership rate (July 2004, percent)*	77	67
Per capita Federal payments (FY2001, dollars)*	6,020	6,131
Per capita transfer payments (2002, dollars)	4,747	4,135

*Data use 1993 OMB classification of metro/nonmetro.

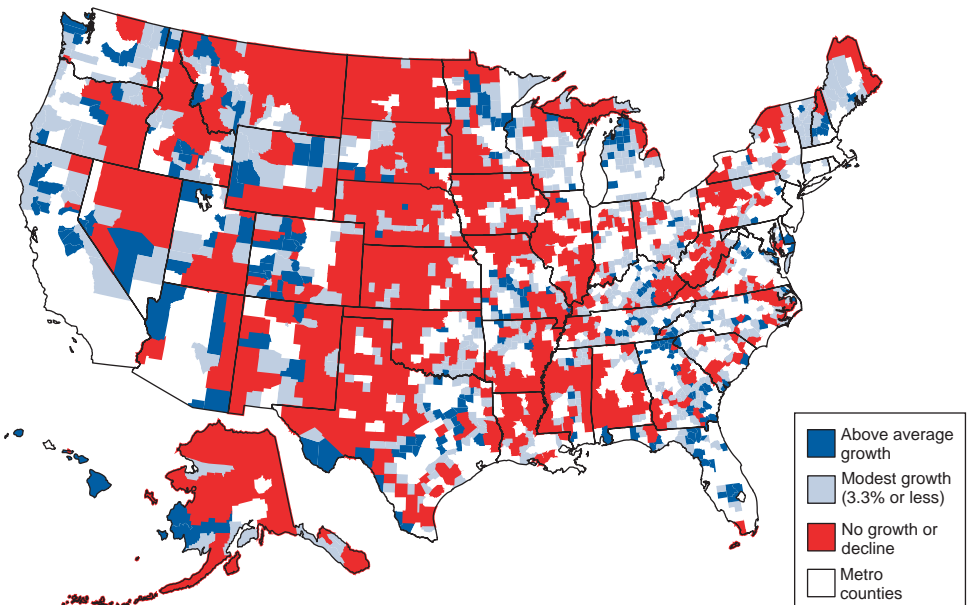
Rural Population Grows, But Many Counties Experience Population Decline

Between April 2000 and July 2003, nonmetro America added 580,000 people, averaging 0.4 percent growth per year. This is well below the current metro growth rate (1.3 percent) and half the nonmetro average during the “rural rebound” of the 1990s. After peaking in the mid-1990s, rural net migration gains dropped as employment growth slowed in nonmetro areas. However, migration continues to fuel rapid population growth in selected nonmetro counties, especially those adjacent to metro areas. In 2002-03, the annual nonmetro growth rate rose from the previous year, the first such increase since 1994-95 and a sign that perhaps the rural population downturn may have ended.

- The number of nonmetro counties losing population rose from around 600 during the 1990s to well over 1,000 since 2000. Population loss affects all regions but is particularly widespread in the Great Plains. Many of these counties also lost population in the 1980s.

continued

Nonmetro population change, 2000-03



- Population in nonmetro counties that rely heavily on farming or mining reverted to population loss after growing modestly during the 1990s. Population losses in many of these counties reflect high outmigration among young adults as well as natural decrease—more deaths than births—associated with an aging population.
- The fastest growing nonmetro counties are located in the South and West and combine both scenic attributes and access to metro jobs. Tourism, recreation, second-home development, and retirement migration also underlie rapid growth in many parts of the Upper Midwest and New England. In addition, the rapid growth of the Hispanic population in nonmetro counties has contributed to growth not only in the West, but also in many Southern and Midwestern counties.

Transfer Payments Important to Rural America

The Federal Government plays an important role in contributing to the economic well-being of rural areas through a variety of programs that send payments to individuals, firms, and communities.

- In fiscal year 2001, nonmetro areas received slightly less Federal funding, per person, than metro areas: \$6,020 versus \$6,131.
- Of the \$1.2 trillion in Federal, State, and local government transfers to individuals in 2002, \$233 billion went to nonmetro residents and \$987 billion to metro residents. However, nonmetro residents received slightly more per capita (\$4,747) than metro residents (\$4,135). Real per capita transfers increased by over 6 percent in both nonmetro and metro areas during 2000-01 and 2001-02, compared with 1- to 2-percent increases during the previous 2 years. Social Security, Medicare, and Medicaid increases accounted for about half of the jump. Unemployment insurance benefit payments also surged during the period, as unemployment increased during and after the 2001 recession.

Data sources

This report draws upon the research of the Food and Rural Economics Division of ERS. Data used in this analysis come from a variety of Federal sources, including the Census Bureau, the Bureau of Labor Statistics, the Bureau of Economic Analysis, and the Federal Housing Finance Board. The most recent data available are used. Different data series are released at various times, and dates of the most recent data range from 2000 to 2004.

The terms “rural” and “urban” are used synonymously with “nonmetropolitan” and “metropolitan.” Estimates from several sources, including the Current Population Survey (CPS), still identify metro and nonmetro areas according to the Office of Management and Budget’s (OMB) 1993 classification. Other estimates, such as those from the 2000 Census, are based on OMB’s 2003 classification.

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 on a daily basis to the central counties. For more information on measuring rurality and the 2004 County Typology Codes, see <http://www.ers.usda.gov/briefing/rurality/>.

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 in 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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