

Rural America At A Glance

2009 Edition

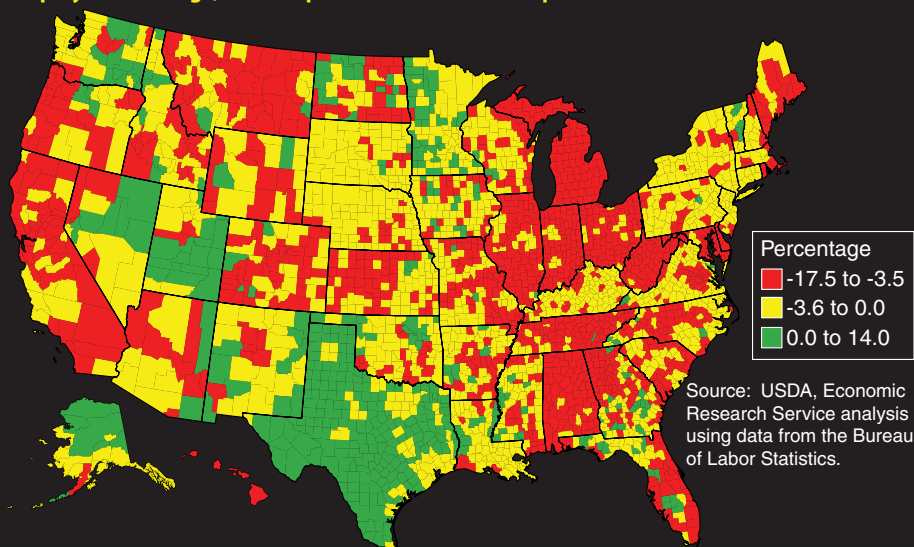
The U.S. economy moved into a recession in late 2007, led by declines in housing construction and related industries, including financial services; high energy costs also played a role. Initially, recessionary effects were mitigated in nonmetro areas by high commodity prices throughout much of 2008, which boosted incomes in farming and mining. Nonmetro areas were also less vulnerable than metro areas to a tightening financial sector.

In late 2008 and early 2009, the recession deepened, with national gross domestic product falling at an annual rate of 6.2 percent. Commodity prices also fell. Nonmetro unemployment rose from 5.2 percent in mid-2008 to 9.2 percent in mid-2009, while metro unemployment rose from 5.3 percent to 9.1 percent over the same period. Both metro and nonmetro areas suffered from the contraction of manufacturing, retail, and other sectors. The overall pace of employment decline, however, was greater in metro areas (-3.8 percent) than in nonmetro areas (-3.0 percent).

Declining housing prices, combined with a sharp rise in high-cost loans, were important factors in the recent mortgage and foreclosure crisis that has affected metro and nonmetro housing markets alike. The most recent data show that nonmetro residents were slightly more likely than metro residents to have obtained high-cost loans just prior to the recession. Foreclosure rates in 2007 and the first half of 2008 were similar in metro and nonmetro areas.

Even before the current recession, nonmetro poverty rates had risen slightly in the years following the 2001 recession, in contrast to the typical trend during an economic expansion. The nonmetro poverty rate, 15.4 percent in 2007 vs. the national rate of 12.5 percent, has exceeded the national poverty rate since 2001. The poverty rate in 2007 for nonmetro children under age 18 was 22.5 percent.

Employment change, second quarter 2008 to second quarter 2009



The nonmetro population continued to grow in 2007 and 2008, but at less than half the rate of the metro population. Recent nonmetro population growth was driven by a rise in births, offsetting a decline in net migration from metro to nonmetro areas.

Nonmetro Employment Decline Began in 2007 and Accelerated in Late 2008

After several years of steady growth, nonmetro employment began to decline in the fourth quarter of 2006, according to seasonally adjusted Local Area Unemployment Statistics data, preceding the national economic downturn that began in late 2007. Nonmetro employment losses accelerated in the second half of 2008 as the recession deepened:

- Seasonally adjusted nonmetro employment in the second quarter of 2008 was down 64,000 from the end of 2006, an annual rate of decline of 0.2 percent.
- During the second half of 2008 and the first half of 2009, nonmetro employment fell a further 694,000, an annual rate of decline of 3.0 percent.

Metro employment declines began later than nonmetro declines. Metro employment grew slowly through 2007 and into early 2008. The subsequent decline in employment, however, was sharper in metro areas than in nonmetro areas:

- Metro employment in the second quarter of 2008 was 826,000 above its 2006 year-end level, for an annual growth rate of 0.5 percent.
- Metro employment declined at an annual rate of 3.8 percent in the second half of 2008 and the first half of 2009, a loss of 4.64 million jobs.

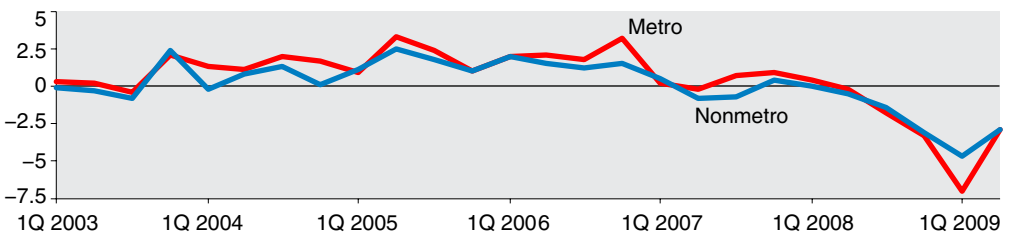
In both metro and nonmetro areas, employment declines were steepest in the first quarter of 2009, but they abated in the second quarter.

A few sectors played leading roles in the employment decline in the 12-month period from second quarter 2008 through second quarter 2009:

- In metro areas, the relatively steep decline in employment was largely due to drops in the two large employment sectors of manufacturing (-11.1 percent) and construction (-10.1 percent). Five other metropolitan sectors (professional and business services, financial activities, transportation and utilities, information, and mining) experienced declines greater than 5 percent over this 12-month period.
- In nonmetro areas, large employment declines were widespread between second quarter 2008 and second quarter 2009, with manufacturing (-9.8 percent) and construction (-13.3 percent) losing the largest absolute number of jobs, followed by transportation and utilities (-11.8 percent), wholesale and retail trade (-2.7 percent), financial activities (-8.2 percent), and professional and business services (-5.2 percent).

Metro and nonmetro employment change, first quarter 2003 to second quarter 2009

Annualized percent change



Q = Quarter.

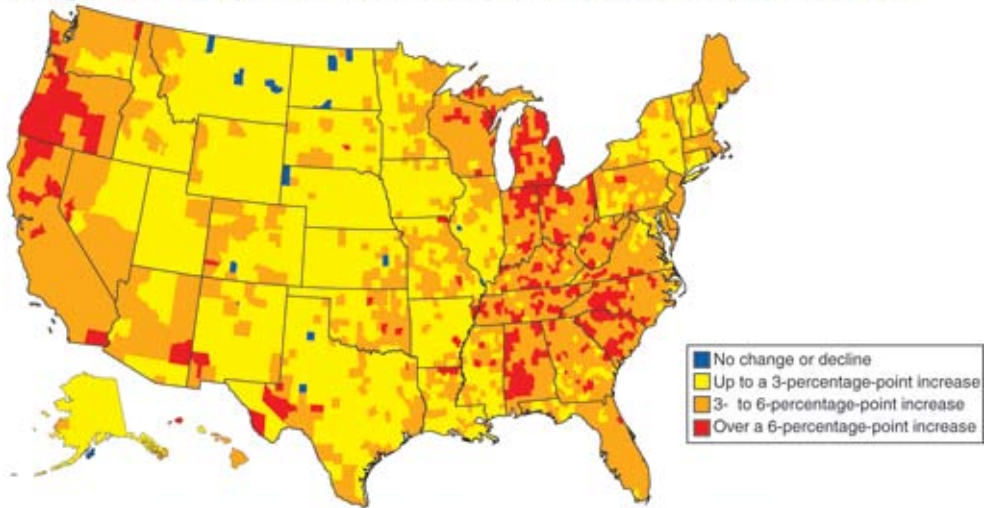
Source: Seasonally adjusted by ERS using data from the Bureau of Labor Statistics.

Regionally, nonmetro employment declines were sharpest in the Southeastern United States, in industrial areas of the Midwest, and in several Western States, including California. Some nonmetro employment growth occurred in Texas, in portions of the Great Plains and intermountain West, and in scattered counties elsewhere.

The decline in nonmetro manufacturing employment between 2008 and 2009 reflects job loss in a wide range of manufacturing industries:

- A long-running decline in many nondurable manufacturing industries such as apparel, textiles, paper products, and printing—together with the more abrupt decline of many durable manufacturing industries in the autumn of 2008 after 4 years of relative stability—resulted in the loss of more than 300,000 nonmetro manufacturing jobs in a single year.
- Some of the sharpest declines in the first half of 2009 were in motor vehicles, machinery, and fabricated metal products, industries in which the nonmetro share of national employment has grown in recent years.

Change in unemployment rates, second quarter 2008 to second quarter 2009



Source: USDA, Economic Research Service analysis using data from the Bureau of Labor Statistics.

Nonmetro Unemployment Surged, Along With Metro Unemployment

As the number of jobs in nonmetro areas fell, the nonmetro unemployment rate rose to 9.2 percent in the second quarter of 2009, up from 5.2 percent a year earlier. This was the highest second-quarter nonmetro unemployment rate since 1983 and the largest second-quarter percentage-point increase since the beginning of the ERS data series in 1973. Metro unemployment rose at a similar rate, from 5.3 percent to 9.1 percent.

The largest increases in both metro and nonmetro unemployment rates since mid-2008 have occurred in the Southeast, the Great Lakes region of the Midwest, and the Pacific Northwest.

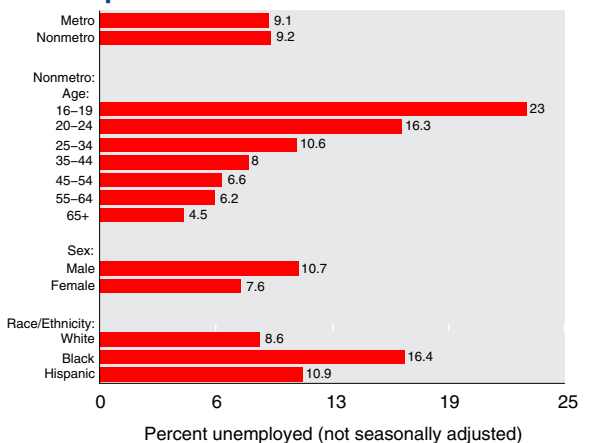
- Increases in the Midwest and Southeast were accompanied by declines in automobile and related manufacturing employment between the second quarters of 2008 and 2009.
- In the Northwest, rising unemployment in the timber industry, closely tied to the housing market, has affected parts of Oregon, Washington, and California.
- A few counties have shown declines or no change in their unemployment rates, including counties that have benefited from an increase in oil and gas drilling; most of these have relatively small total employment levels.

The nonmetro adjusted unemployment rate, which also includes workers who are marginally attached to the job market (those who want to work and were available, but had not actively searched for a job in the past 4 weeks) or who work part-time because they cannot find full-time work, increased markedly from 9.6 to 16.3 percent between the second quarters of 2008 and 2009. Similarly, in the same period, the metro adjusted rate increased from 9.5 to 16.0 percent.

Economic downturns typically affect demographic subgroups differently:

- Men are more likely than women to work in industries sensitive to business cycles. The nonmetro unemployment rate for men increased by 5.3 percentage points (from 5.4 percent to 10.7 percent) and for women by 2.7 percentage points (from 4.9 to 7.6 percent) between the second quarters of 2008 and 2009.
- Nonmetro minorities and teenagers had the highest rates of unemployment in the second quarter of 2009.

Nonmetro unemployment, second quarter 2009



Source: USDA, Economic Research Service using data from the Bureau of Labor Statistics, Current Population Survey.

Nonmetro Areas Are not Immune to National Housing Market Trends

After more than a decade of steady growth, the rate of homeownership across the Nation peaked in 2004 at 69 percent. Nonmetro area homeownership reached a high of 76.3 percent in 2004, declining to 75.2 percent in 2008.

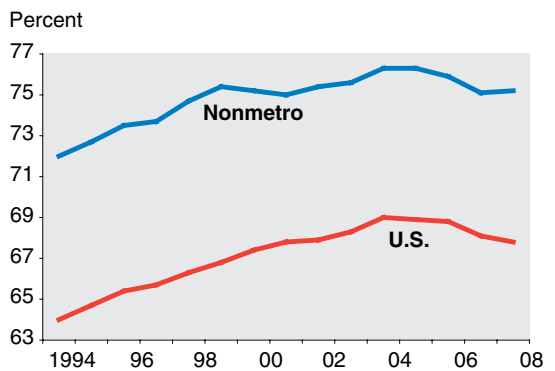
This general growth trend was accompanied by a rise in the subprime mortgage market and an increase in high-cost loans (those with interest rates 3 to 5 percentage points higher than the typical rate for a low-risk loan), which are believed to have contributed to the recent mortgage and foreclosure crisis.

- The subprime mortgage share of the mortgage market reached a record high of 13.5 percent in 2006, at the start of the mortgage crisis. (Data are not available by metro status.)
- High-cost loans comprised 27.7 percent of all conventional housing loans to nonmetro residents between 2004 and 2006, compared with 24.4 percent for metro residents.
- Data from the U.S. Department of Housing and Urban Development (HUD) show that aggregate metro and nonmetro foreclosure rates from the start of January 2007 to mid-2008 were identical, 4.8 percent. However, 56.1 percent of nonmetro counties had foreclosure rates higher than that value, compared with 38.3 percent of metro counties. Foreclosure rates represent the estimated number of foreclosures begun during the period divided by the estimated number of outstanding mortgages in 2006.

According to the HUD risk index (comprising rates of foreclosure, vacancy, unemployment, housing price decline, and high-cost loans), the risk of future foreclosure and abandonment at the start of 2009 was greater in nonmetro areas than in metro areas.

- In 2009, 28.3 percent of nonmetro counties had a very high risk of foreclosure or abandonment and another 24.9 percent were at high risk. In comparison, metro areas with very high and high foreclosure risks made up 18.8 percent and 25.3 percent of all metro counties.
- Very-high-risk nonmetro counties are more likely than other nonmetro areas to be persistently poor and dependent on manufacturing employment and to have low levels of employment and education. They are concentrated in the South and Midwest, with 42.6 percent and 21.7 percent of counties in those regions at very high risk compared with less than 10 percent in the West and the Northeast.

Home ownership rate, total U.S. and in nonmetro areas, 1994-2008



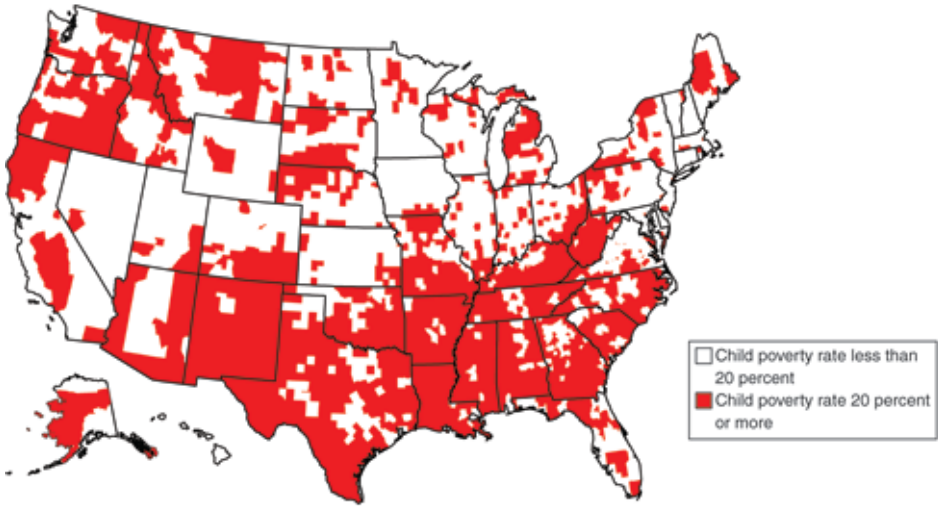
Source: U.S. Department of Housing and Urban Development.

Child Poverty Persistent and Widespread

Despite 6 consecutive years of economic growth, the national poverty rate for all persons was higher in 2007 than during the 2001 recession. This marks the first time on record that poverty has increased during a relatively long economic expansion. That increase was greatest in nonmetro areas and for children below 18 years of age, for whom poverty has been the most persistent.

- The national poverty rate (with poverty defined in 2007 as an annual income of less than \$21,027 for a household with two adults and two children) was 12.5 percent in 2007 compared with 11.7 percent in 2001. The increase was greater for nonmetro areas (from 14.2 percent to 15.4 percent) than for metro areas (from 11.1 percent to 11.9 percent).
- In 2007, 18.0 percent of children below age 18 were poor, compared with 10.9 percent for people 18 to 64 years old and 9.7 percent for people 65 and older. In 2001, the poverty rate for children below age 18 was 16.1 percent, while it was 10.1 percent for each of the other two age groups.
- The 2007 child poverty rate reflects an upward trend since 2000 and is the highest child poverty rate since 1998, when the rate was 18.9 percent.

Child poverty rates, 2007



Source: USDA, Economic Research Service analysis using data from the U.S. Census Bureau's Small Area Income and Poverty Estimate Program.

Though child poverty was widespread in 2007, it was more pervasive in nonmetro than in metro counties, particularly in areas with concentrations of racial and ethnic minorities.

- The nonmetro child poverty rate was 22.5 percent, higher than the metro rate of 17.2 percent.
- In 2007, 58.9 percent of all nonmetro counties had child poverty rates of 20 percent or more compared with 46.0 percent in 2001. The share of metro counties with high child poverty rates also grew, from 22.4 percent in 2001 to 33.7 percent in 2007.
- The highest child poverty rates were found in counties in the Mississippi Delta, counties containing Native American reservations, and counties along the U.S. border with Mexico.

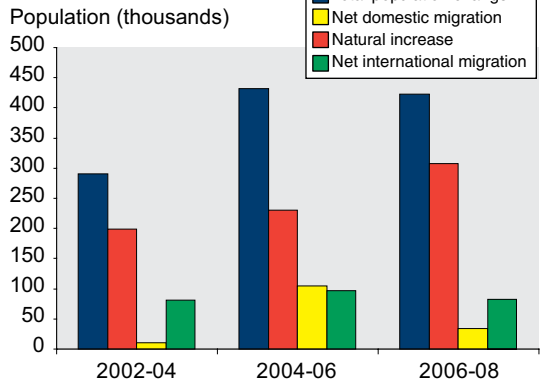
Nonmetro Population Affected by a Drop in Nationwide Migration Rates

Except for a brief period of increased migration to nonmetro areas in mid-decade, metro areas have grown at twice the rate of nonmetro areas since 2000. From 2006 to 2008, nonmetro counties grew by 0.4 percent per year compared with 1 percent for metro counties. Metro counties received a disproportionate share of international immigrants and had higher rates of natural increase:

- Between July 2006 and July 2008, the nonmetro population grew by 423,000, comparable to the gain for the previous 2 years (432,000).
- At the same time, the demographics of nonmetro population growth shifted substantially as population growth from domestic net migration dropped sharply between 2004-06 and 2006-08, offset by a rise in natural increase.
- During 2004-06, a total of 104,000 more people moved from metro to nonmetro areas than moved in the opposite direction, a substantial increase in net migration over previous years. The upward trend was not surprising given the aging of baby boomers into stages of life in which migration to nonmetro increases.

- The subsequent slowing of net migration into nonmetro areas after July 2006—to 34,000 migrants—likely occurred among all age groups because it corresponds with the mortgage foreclosure crisis that began in late 2006 and the onset of the current economic recession in late 2007. Net migration rates dropped most sharply in counties with the highest foreclosure rates.

Components of nonmetro population change, 2002-08

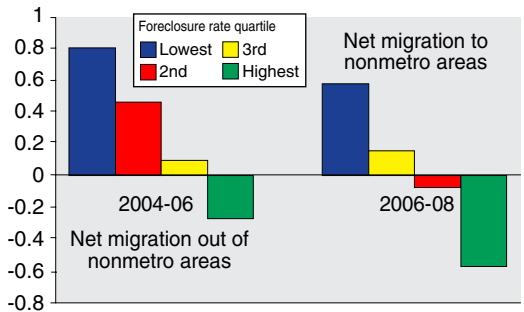


Source: USDA, Economic Research Service using data from the U.S. Census Bureau.

- Nonmetro areas have been affected by a nationwide rise in births, fueled by international immigration and the coming of age of the so-called “baby boom echo” cohort, which has increased the number of women in their childbearing years. The number of births increased by 8 percent between 2004 and 2008 in nonmetro areas, and the number of counties experiencing natural decrease (more deaths than births) fell for the first time in decades.
- However, the metro rate of natural increase remains twice as high as the rate in nonmetro areas, and U.S. births overall will likely resume their long-term downward trend as the baby boom echo cohort ages.

Nonmetro net migration by rate of foreclosure, 2004-08

Net migration rate (percent)



Source: USDA Economic Research Service, using data from the U.S. Census Bureau and the Department of Housing and Urban Development.

More Research on Rural America at ERS . . .

USDA’s Economic Research Service (ERS) analyzes 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 current indicators of social and economic conditions in rural areas. The following recent publications feature research on rural America:

Broadband Internet’s Value for Rural America, by Peter Stenberg, Mitch Morehart, Stephen Vogel, John Cromartie, Vince Breneman, and Dennis Brown, ERR-78, USDA, Economic Research Service, August 2009. www.ers.usda.gov/Publications/ERR78/

Health Status and Health Care Access of Farm and Rural Populations, by Carol Jones, Timothy Parker, Ashok Mishra, Mary Ahearn, and Jay Variyam, EIB-57, USDA, Economic Research Service, August 2009. www.ers.usda.gov/Publications/EIB57/

Baby Boom Migration and Its Impact on Rural America, by John Cromartie and Peter Nelson, ERR-79, USDA, Economic Research Service, August 2009. www.ers.usda.gov/Publications/ERR79/

Rural Broadband At A Glance, 2009 Edition, by Peter Stenberg and Sarah Low, editors, EIB-47, USDA, Economic Research Service, February 2009. www.ers.usda.gov/Publications/EIB47/

Data Resources

This report draws upon the work of researchers at USDA’s Economic Research Service (ERS). Data used in this analysis come from a variety of Federal sources, including the Bureau of Economic Analysis, the Bureau of Labor Statistics, the Census Bureau, the U.S. Department of Housing and Urban Development, and USDA. The most recent data are provided, ranging from 2007 to 2009.

For more on the 2003 definitions of metro and nonmetro areas and how they compare with the 1993 definitions, see <http://www.ers.usda.gov/briefing/rurality/newdefinitions/>

For more on ERS county types, such as farming-dependent, manufacturing-dependent, mining-dependent, persistent-poverty, low-employment, and low-education, see <http://www.ers.usda.gov/briefing/rurality/typology>.

ERS Web Site and Contact Person

Information on rural America can be found at the ERS website at www.ers.usda.gov/emphases/rural. For more information, contact **Lorin D. Kusmin** at lkusmin@ers.usda.gov or **202-694-5429**.

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