

# Nebraska Economic Update

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The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



# Outlook Themes

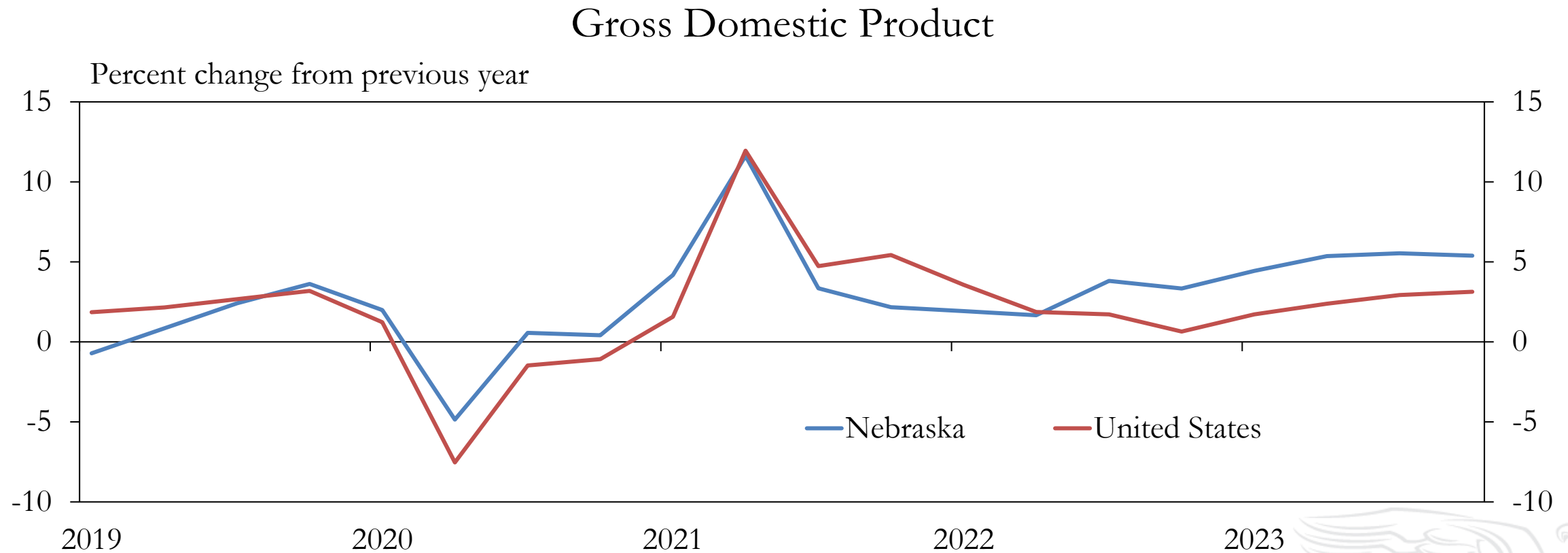
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- Nebraska's economy has been resilient, featuring low unemployment, despite inflationary pressures.
- Despite increases in interest rates, rate-sensitive sectors in Nebraska haven't seen economic activity meaningfully slow.
- Household incomes have remained strong, keeping existing homeowners in a strong financial position.
- The FOMC has communicated a desire for more confidence that inflation is sustainably trending downward when evaluating the outlook for policy.



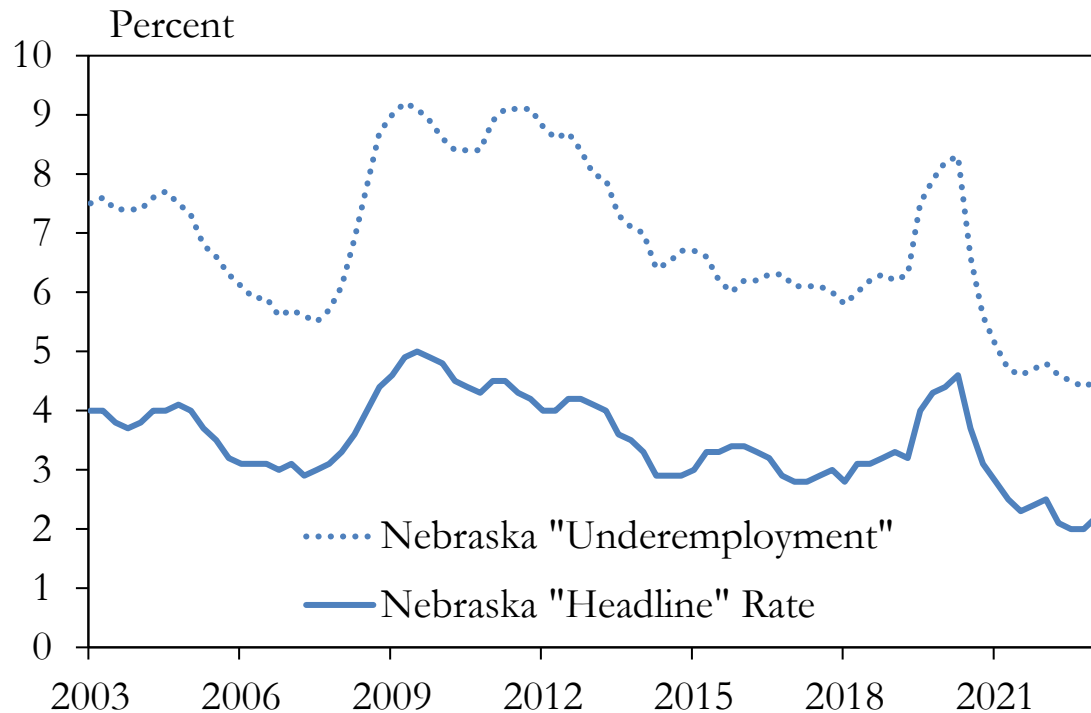


# Economic growth has been strong since the pandemic, particularly in Nebraska.

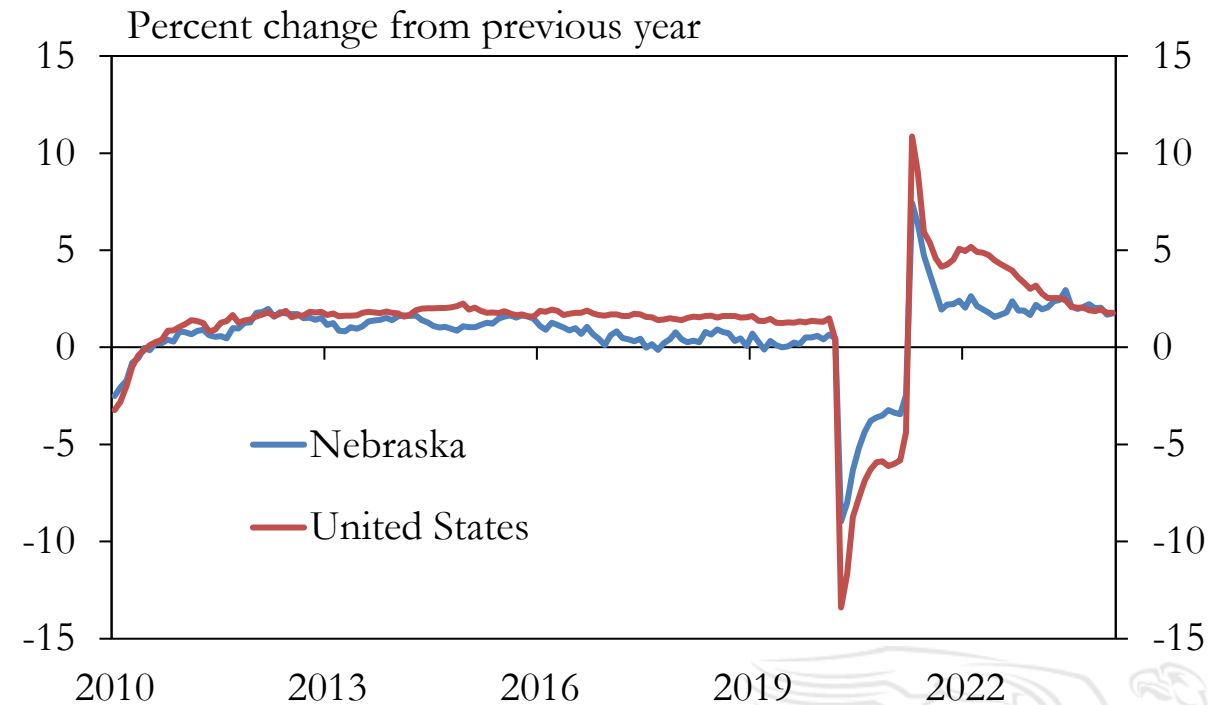


# Unemployment has remained low and job growth has been stronger than prior to the pandemic.

## Unemployment Rates



## Job Growth



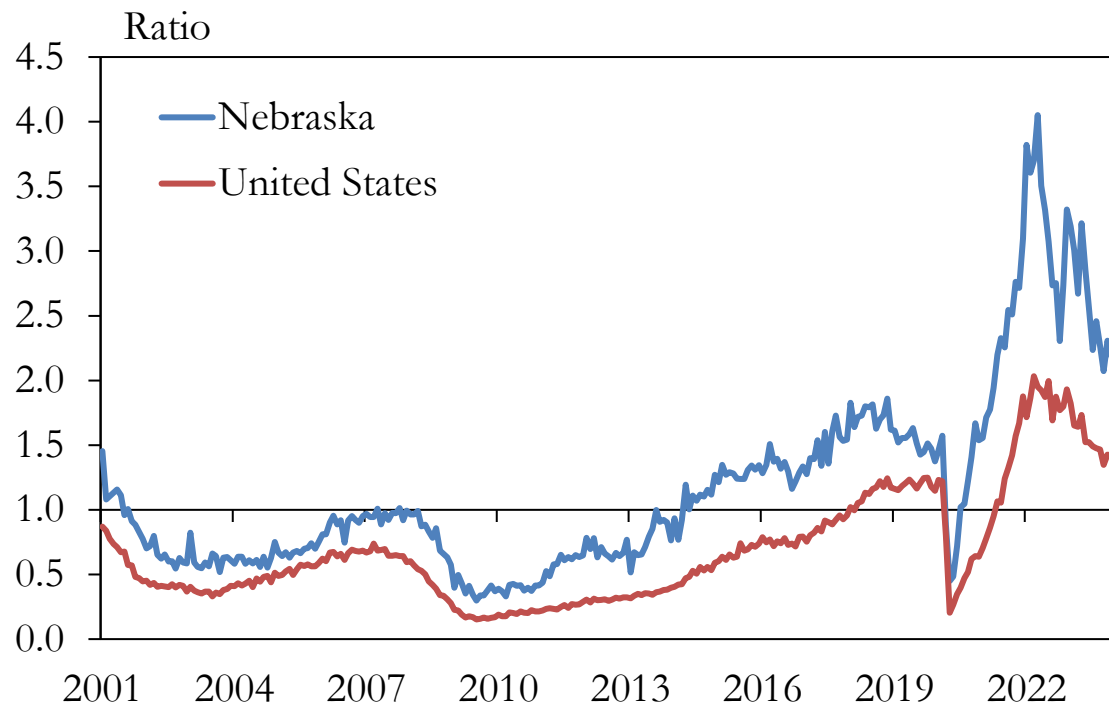
Note: The headline unemployment rate is the share of the labor force that reports as unemployed. The underemployment rate also includes marginally attached workers (those not searching for a job, including discouraged workers) and part-time workers who would like to be full-time, but economic conditions are preventing them from finding full-time work.

Sources: BLS, Haver Analytics.

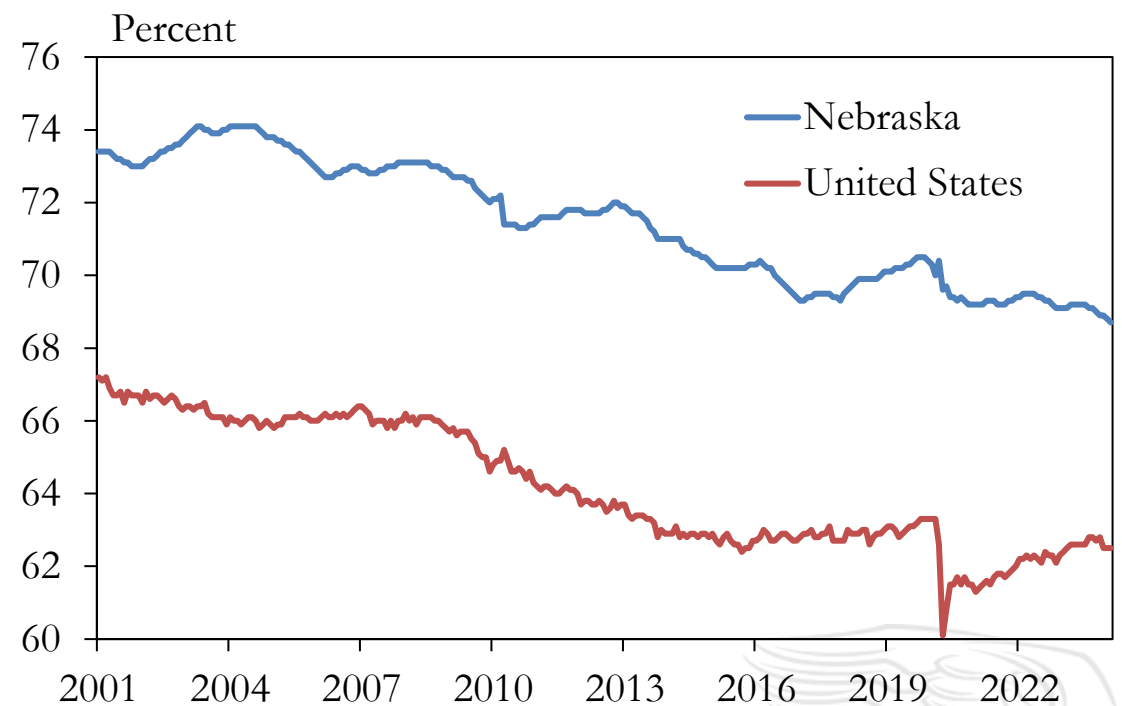


# Job openings have remained elevated, but natural increases to the labor force have likely been fully realized.

## Job Openings-to-Unemployed

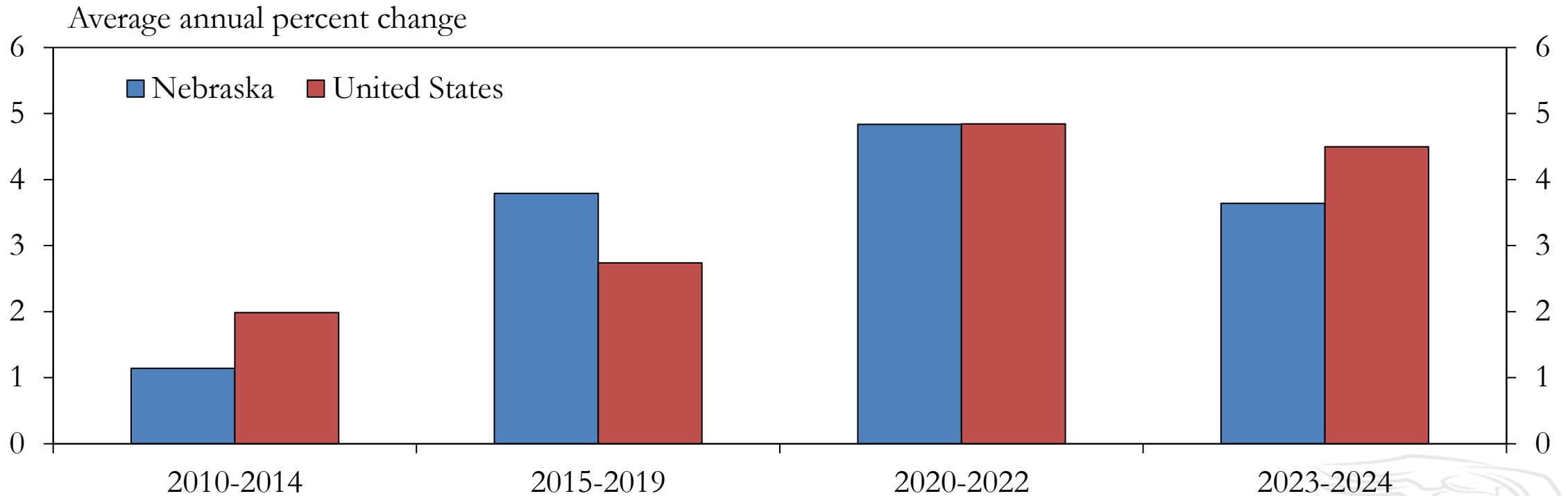


## Labor Force Participation Rate



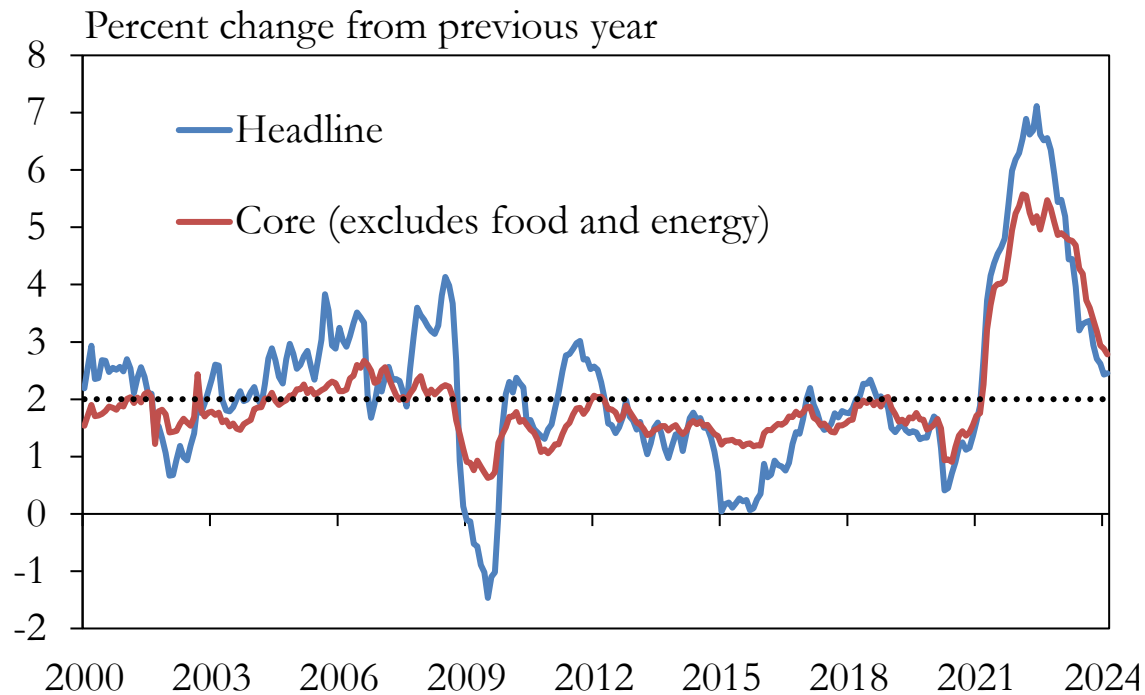
# Wage growth remains elevated, reflecting the tightness of the labor market.

## Average Hourly Earnings

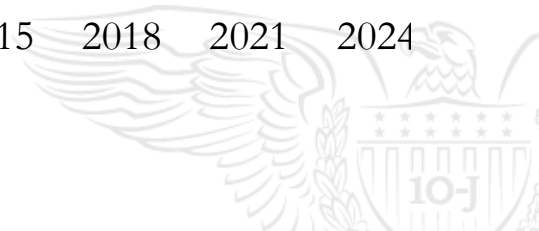
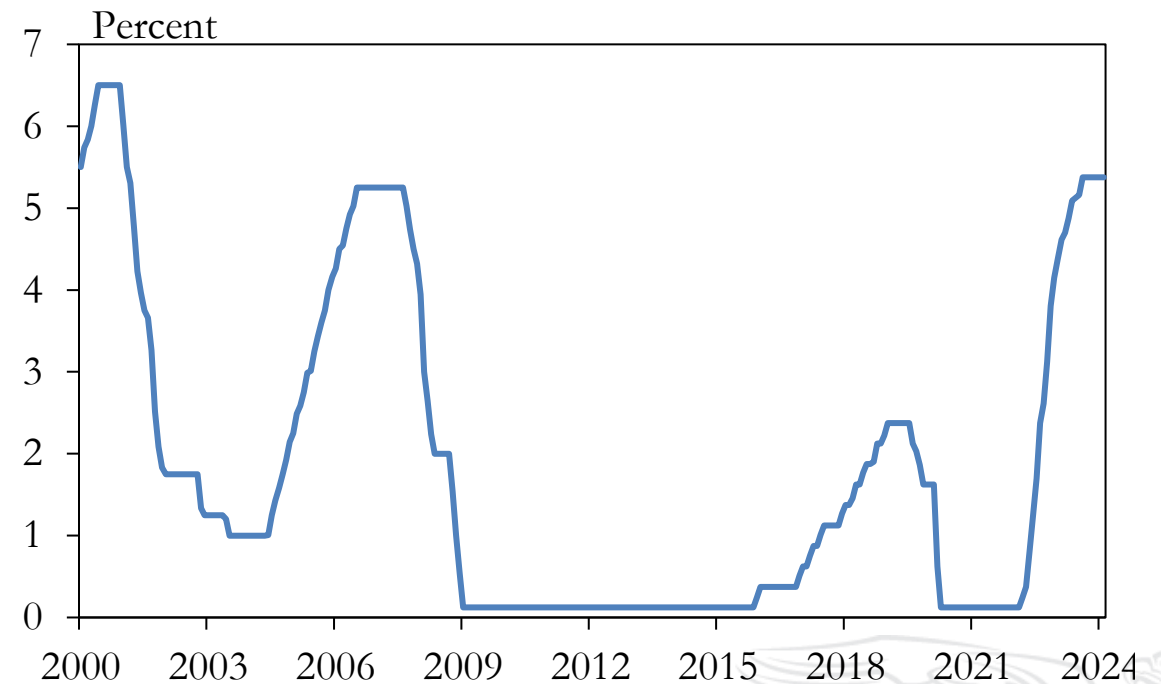


# Alongside tight labor markets and elevated inflation, the FOMC quickly raised interest rates over the last two years.

Inflation

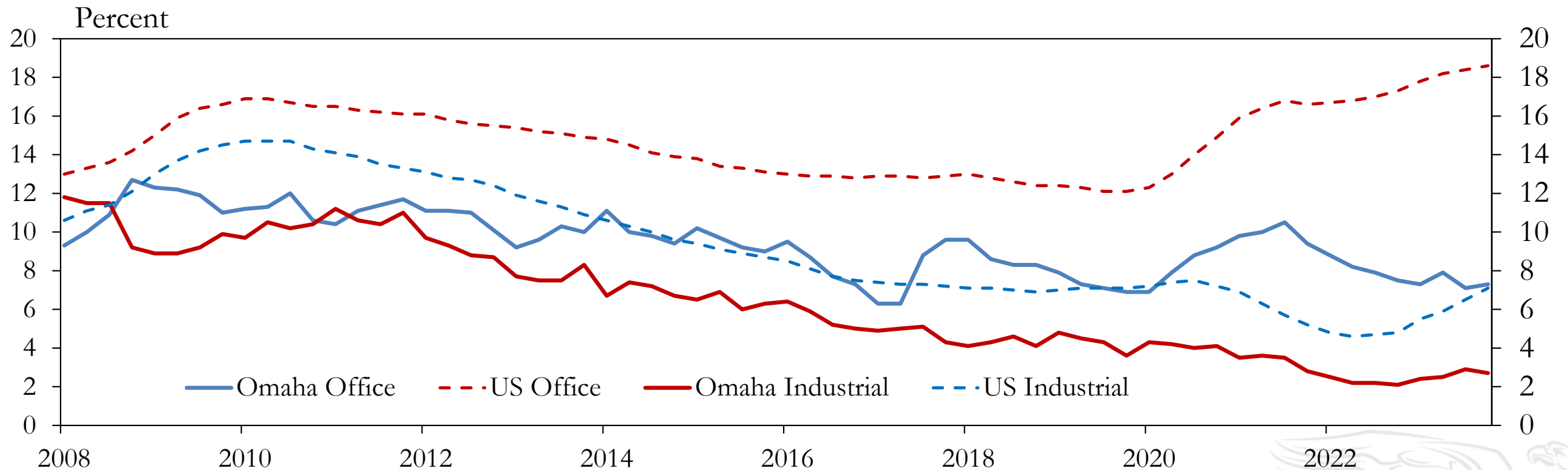


Federal Funds Rate



# Despite higher interest rates and hybrid work policies, commercial real estate vacancy rates have remained low in Omaha...

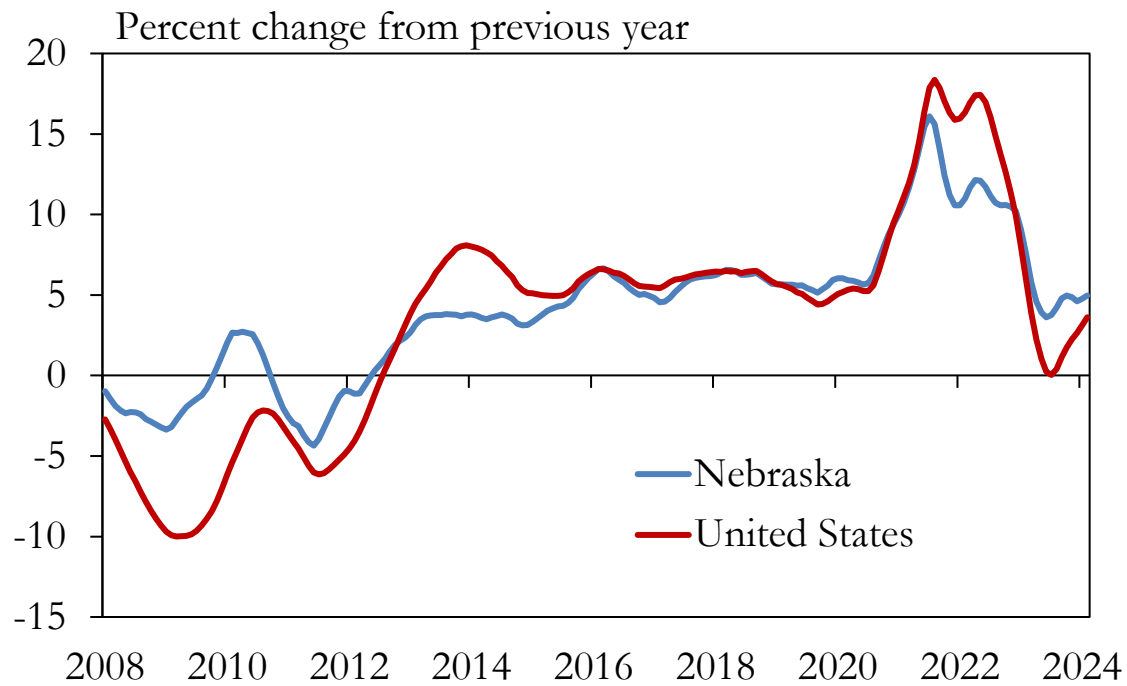
## CRE Vacancy Rates



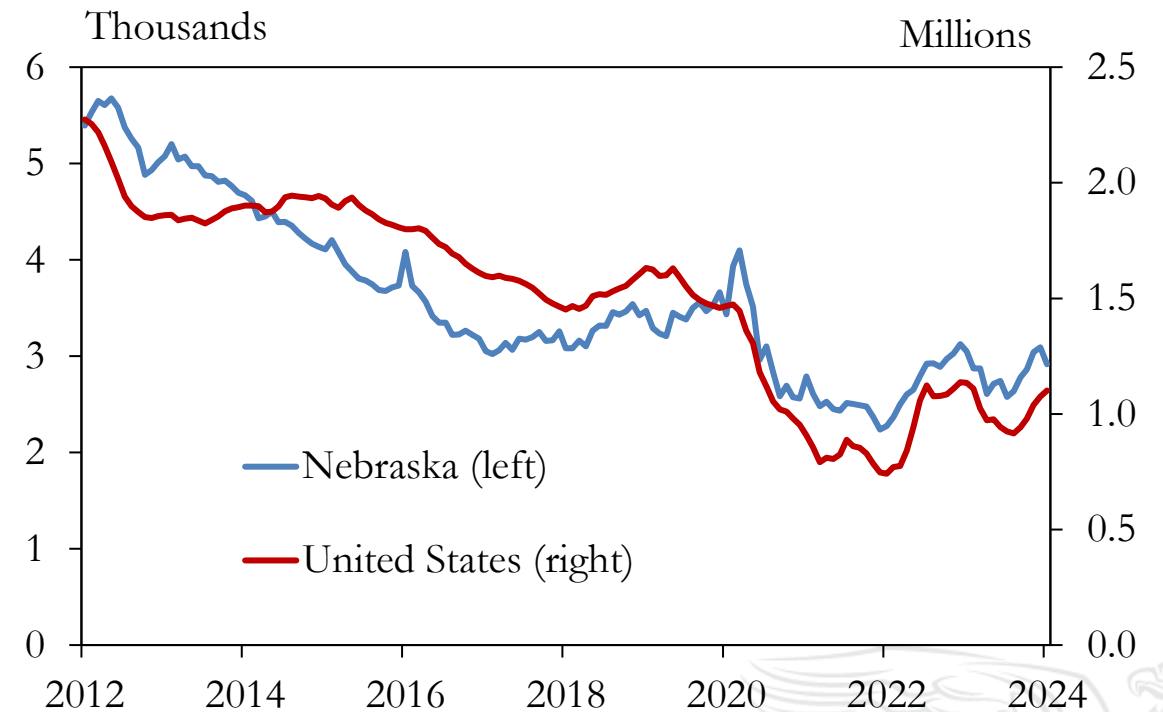


... and residential real estate prices have remained elevated alongside more limited inventories of homes for sale.

Home Prices

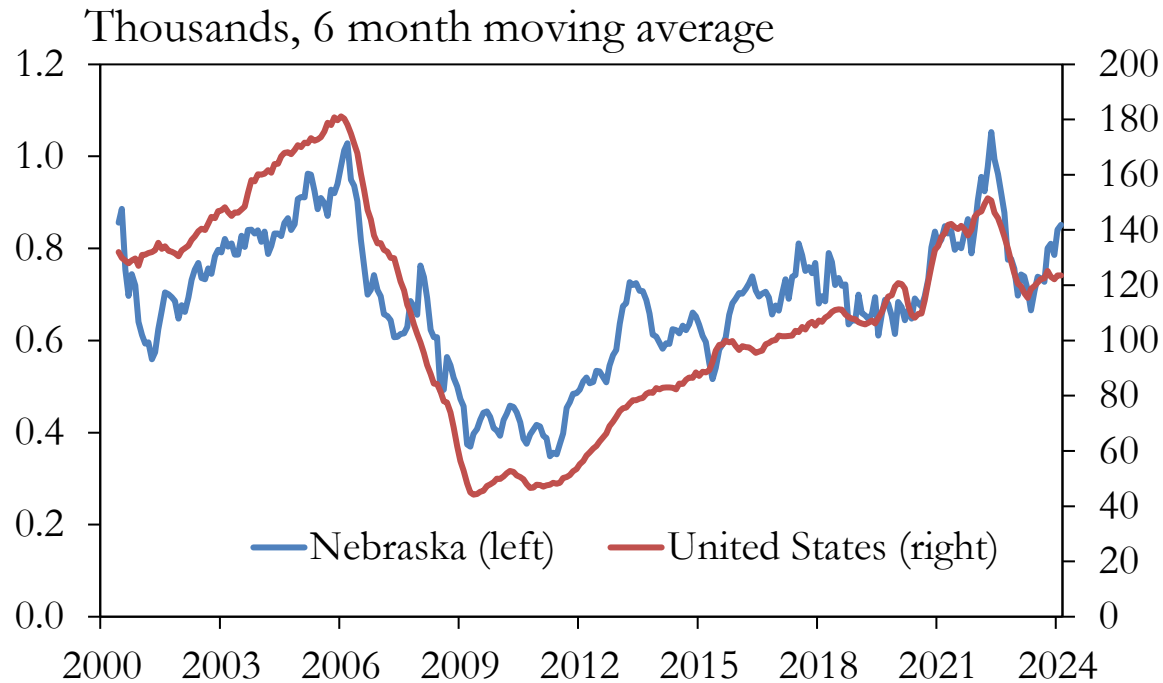


For-Sale Inventory

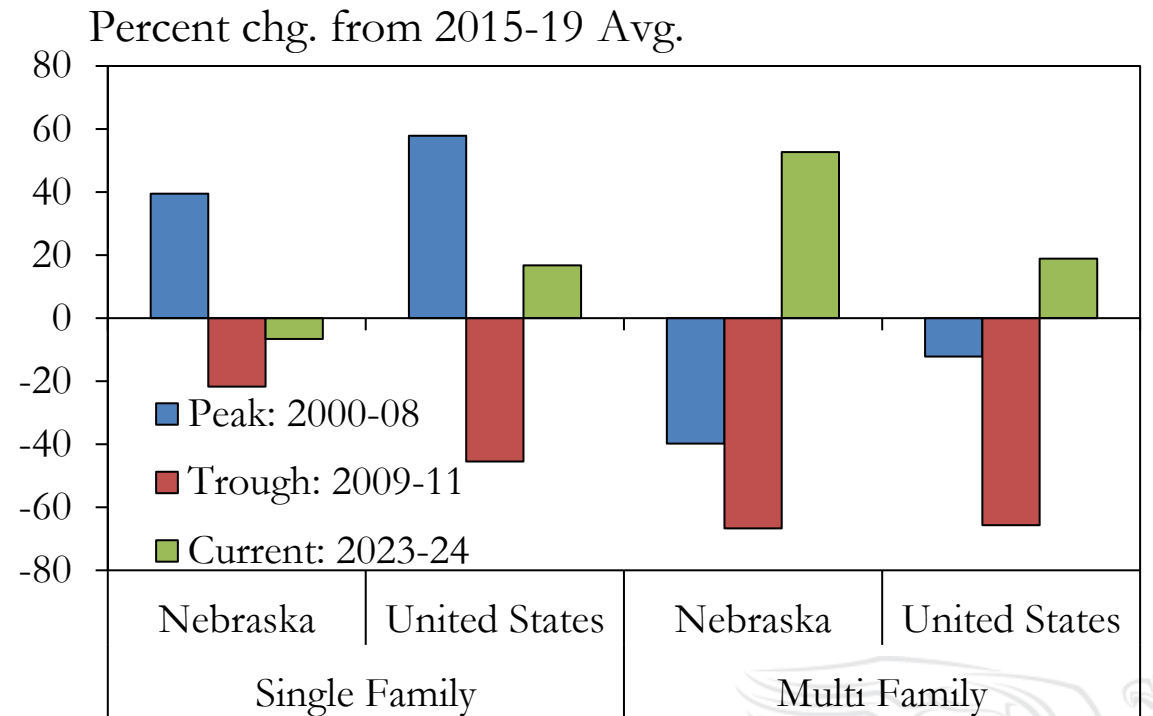


# Housing permits exceed pre-pandemic levels after a surge in multifamily permits over the last year.

Housing Units Permitted

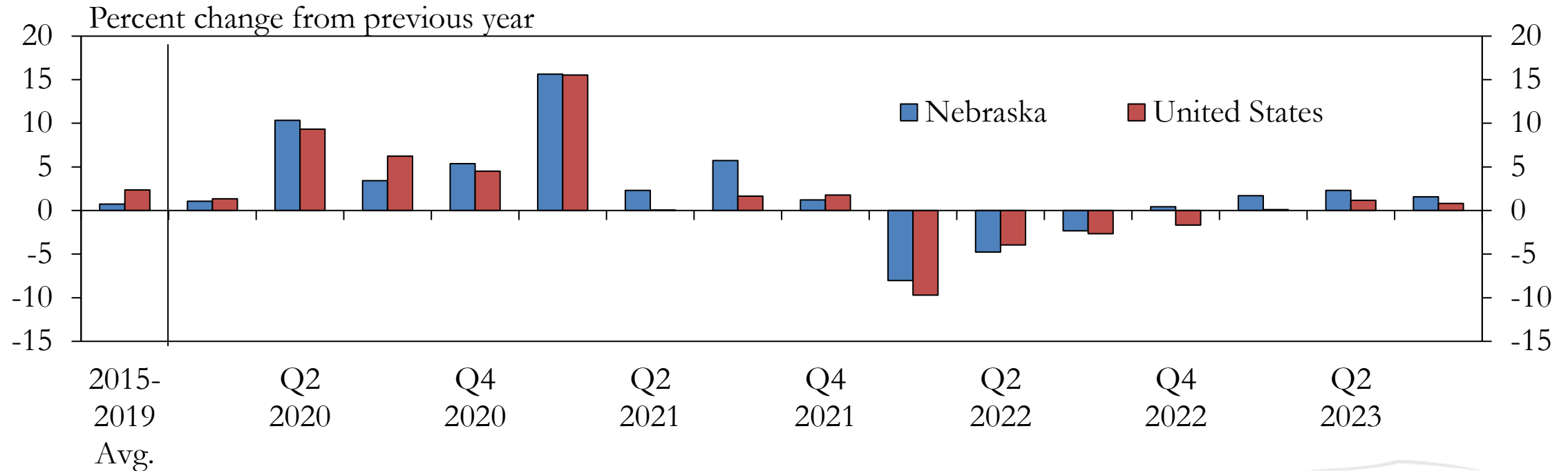


Housing Units Permitted



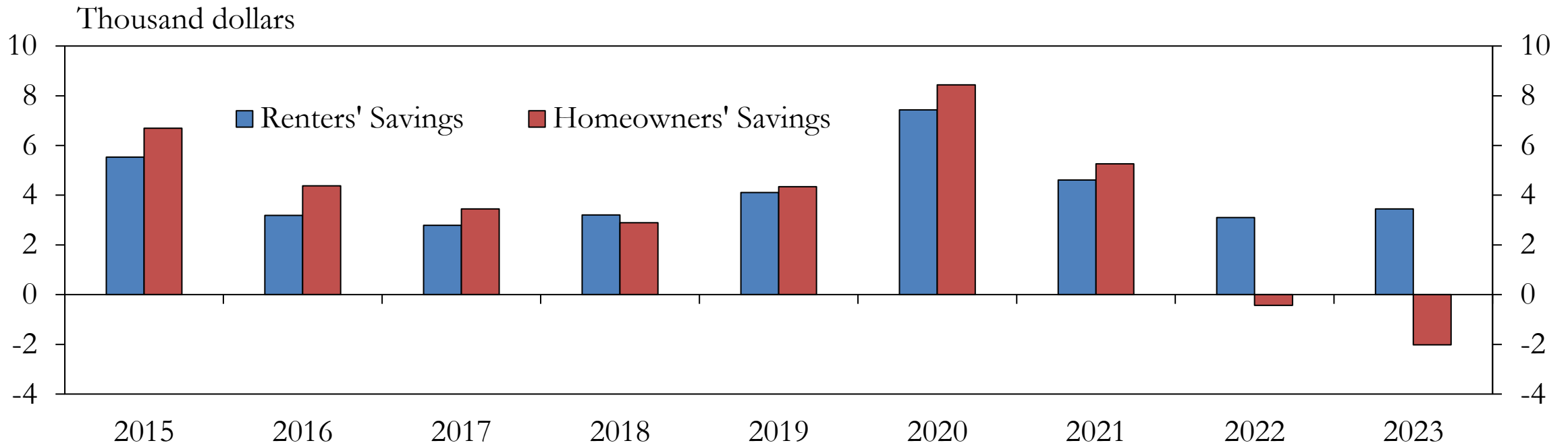
# As earnings have increased and inflation has continued to fall, real incomes have begun to grow again in Nebraska...

## Real Personal Income per Capita



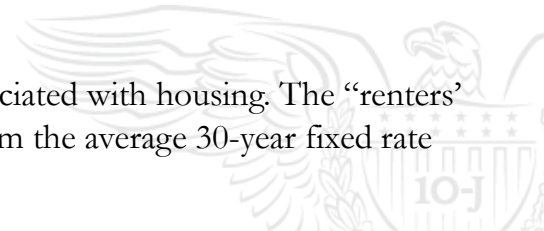
# ... helping keep savings elevated for all but the most recent homebuyers.

## Nebraska Excess Savings Scenarios



Sources: BEA, Zillow, Federal Reserve Bank of St. Louis, Freddie Mac, Haver Analytics, staff calculations.

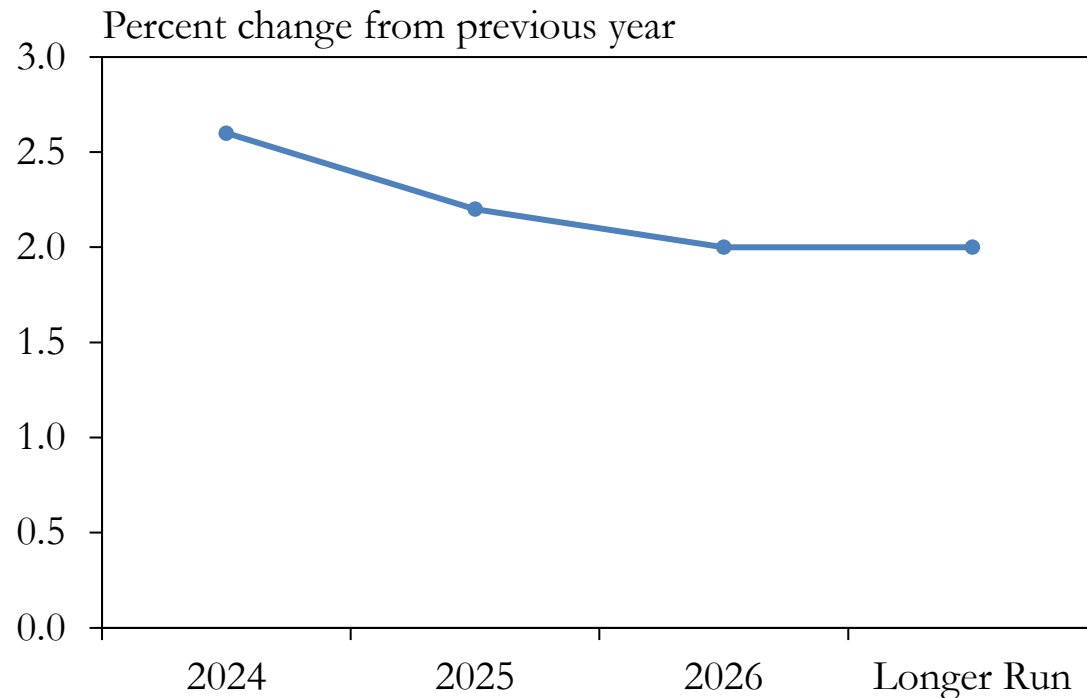
Notes: Excess savings are calculated as the difference between disposable income and consumption, including various scenarios of costs associated with housing. The “renters’ savings” scenario applies Zillow’s rent index, and the “homeowners’ savings” scenario applies the average new mortgage payment derived from the average 30-year fixed rate mortgage and median home values provided by Zillow.



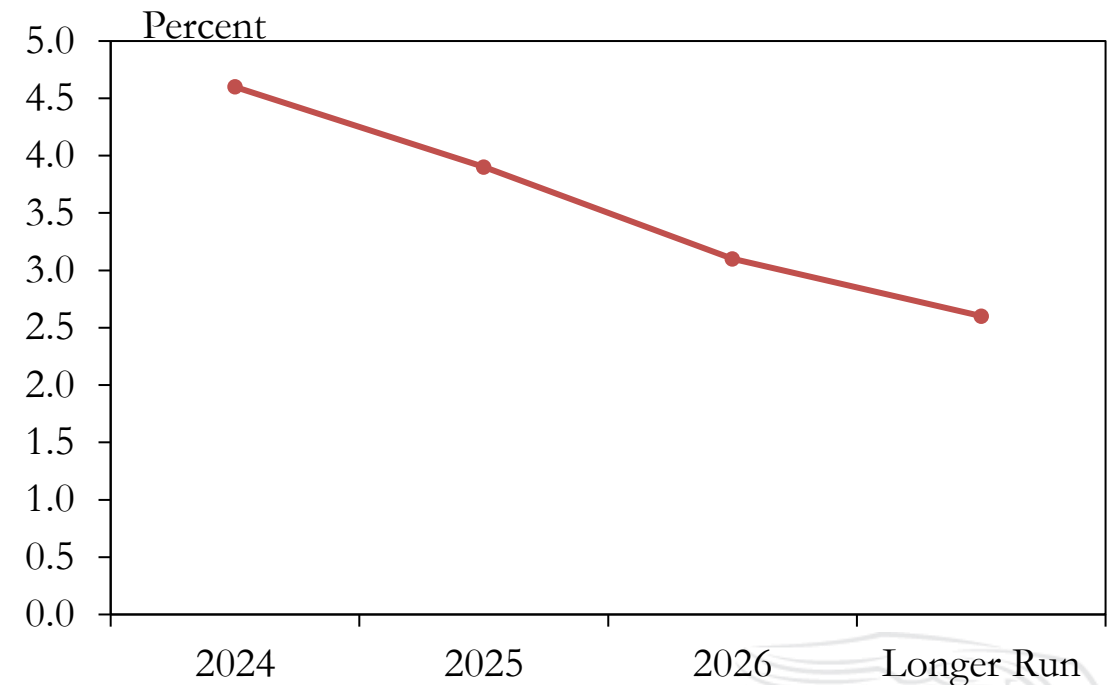
# The FOMC has communicated that the path forward on interest rates depends on inflation continuing to decline in a stable manner.

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FOMC Core PCE Inflation  
Median Projection



FOMC Federal Funds Rate  
Median Projection





# Concluding Thoughts

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- Economic conditions in Nebraska remain strong and most households appear to be in strong financial position.
- Despite increasing interest rates, home prices have remained elevated and building activity has remained strong in Nebraska.
- Home prices and the cost of financing may be challenging for first time homebuyers and relief may require more normal growth in home prices and robust growth in real incomes.

