

# Nebraska Economic Update

## An Unsteady Path to Reclaiming the Summit

*Nate Kauffman – Omaha Branch Executive*

*July 16, 2020*

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.

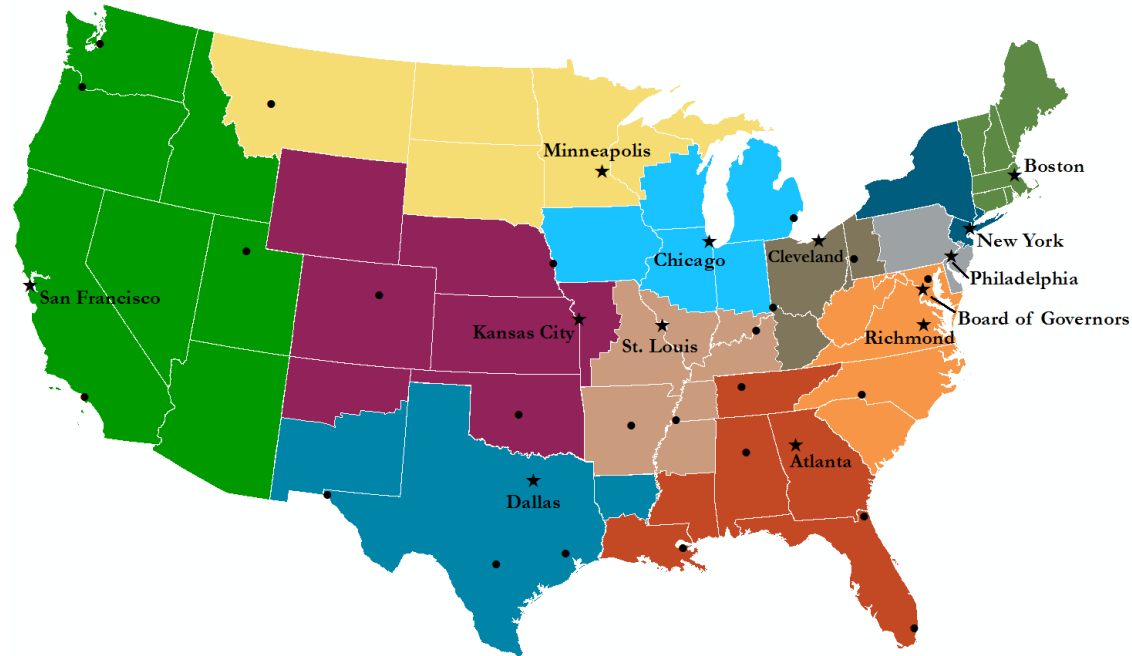


# Outline

- Following a long economic expansion, COVID-19 has led to a severe decline in economic activity.
- The crisis appears to have been most severe in mid-April, but there is still a tremendous amount of uncertainty.
- The economic effects of COVID-19 have been significant in Nebraska, but less than in most other states.



# Regional Reserve Banks are important to the structure of the Federal Reserve System.



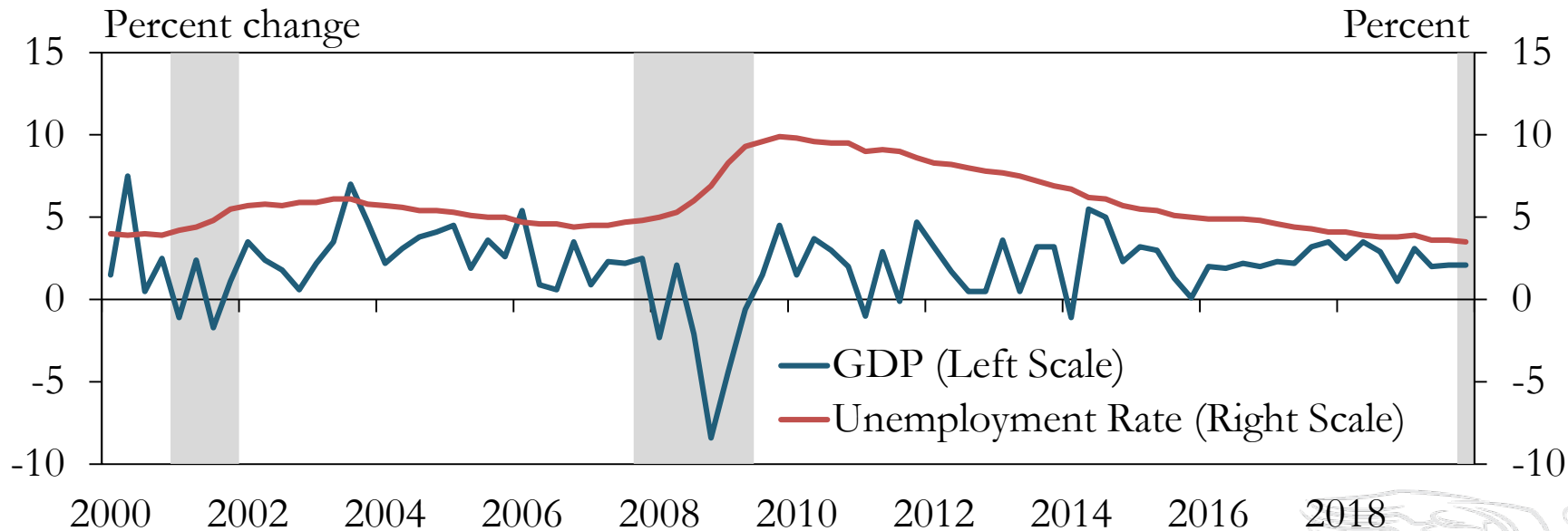
# Omaha Branch Board of Directors

- Kimberly Russel, Chair
  - *CEO, Russel Advisors*
- Eric Butler
  - *Retired EVP and CAO, Union Pacific Railroad*
- Javier Fernandez
  - *CFO, Omaha Public Power District*
- Annette Hamilton
  - *COO, Ho-Chunk, Inc.*
- Thomas Henning
  - *President and CEO, Cash-Wa Distributing Co.*
- Zac Karpf
  - *COO, Platte Valley Bank*
- Dwayne Sieck
  - *President, Goldenrod Companies*



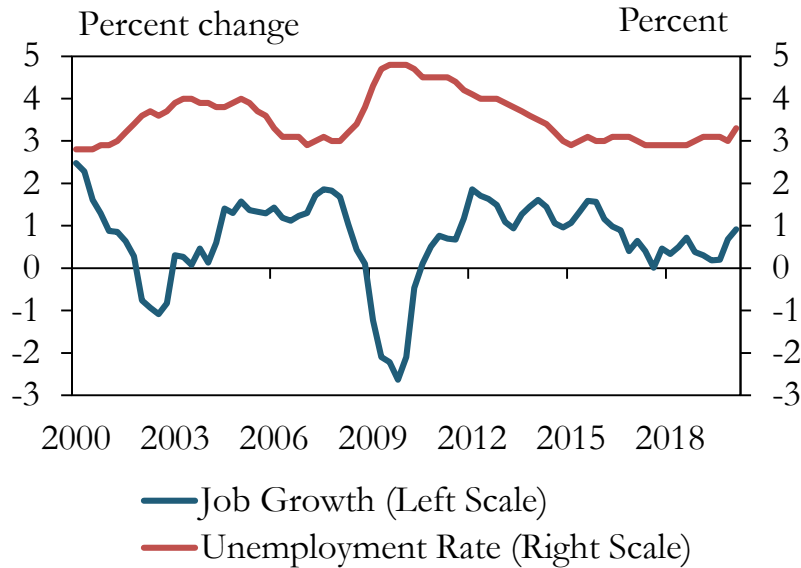
# Prior to COVID-19, the U.S. economy was in the midst of its longest expansion on record.

## U.S. GDP Growth & Unemployment Rate

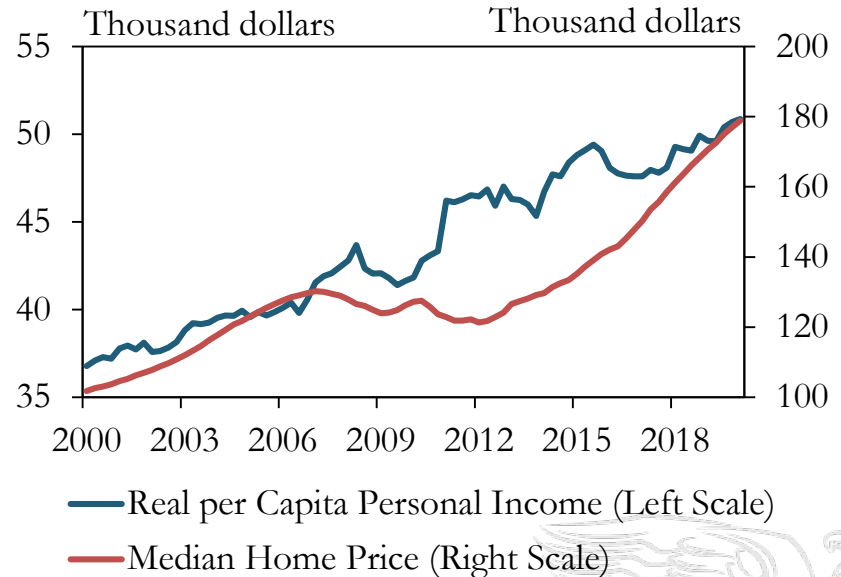


# Nebraska's economy also experienced more than a decade of growth.

## Nebraska Employment

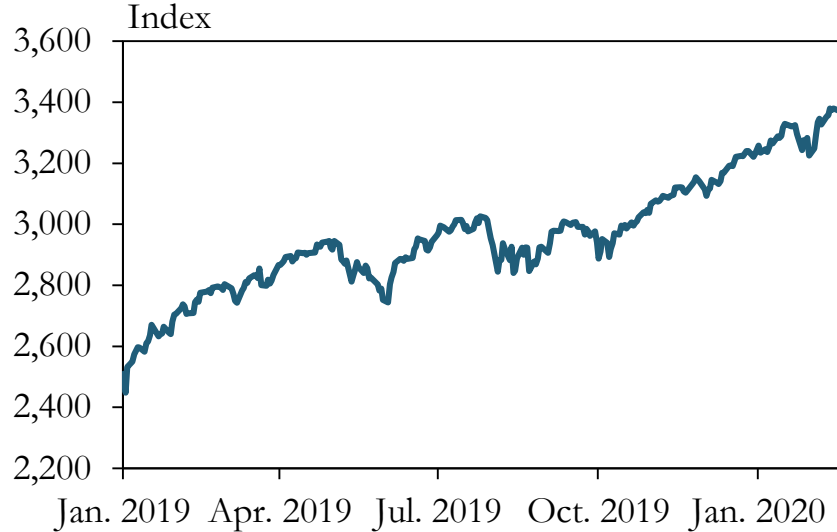


## Nebraska Personal Income & Home Prices

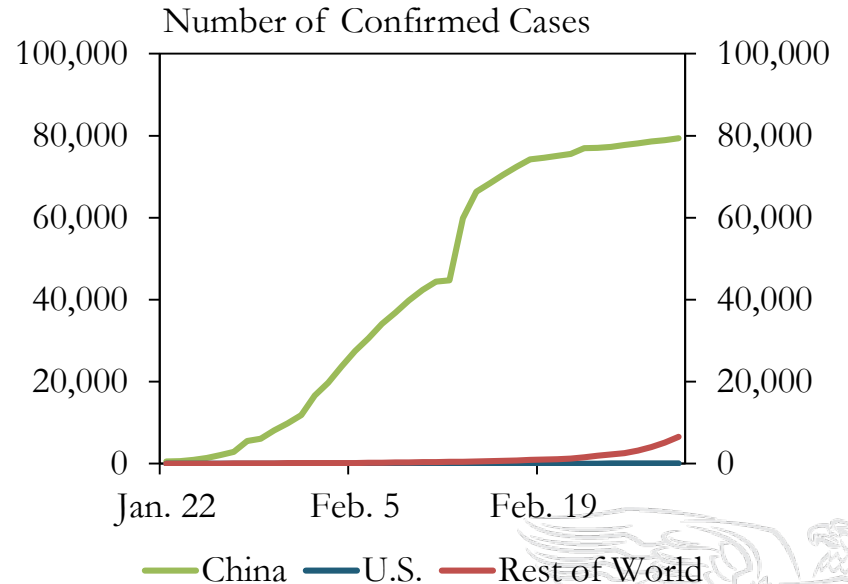


# The economy started the year strong, even as detections of the new coronavirus began to emerge.

## U.S. Stock Market: S&P 500 Index

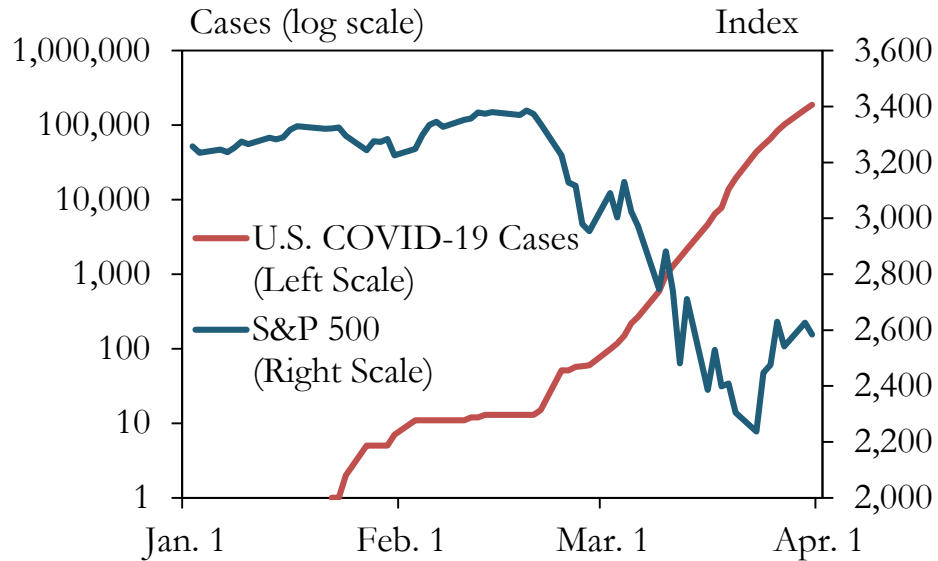


## COVID-19 Cases

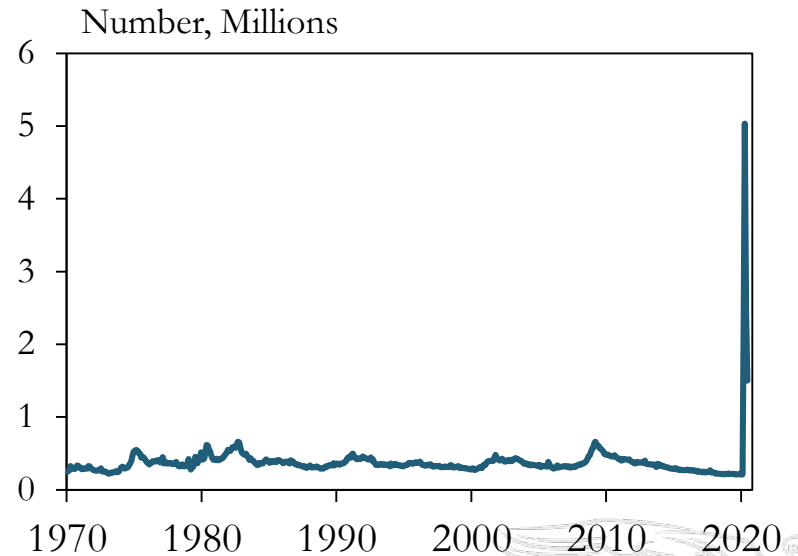


# By the end of March, however, the economy was facing extreme pressure.

## U.S. Equity Market & COVID-19



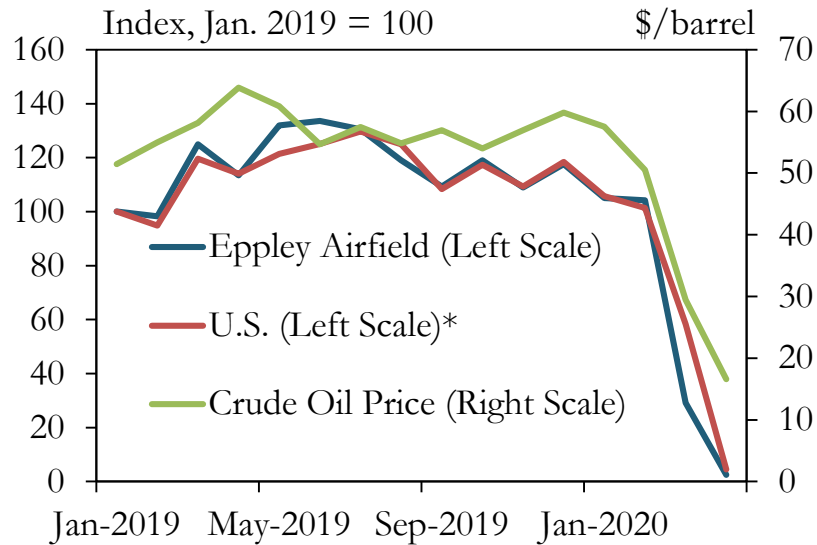
## U.S. Initial Unemployment Insurance Claims



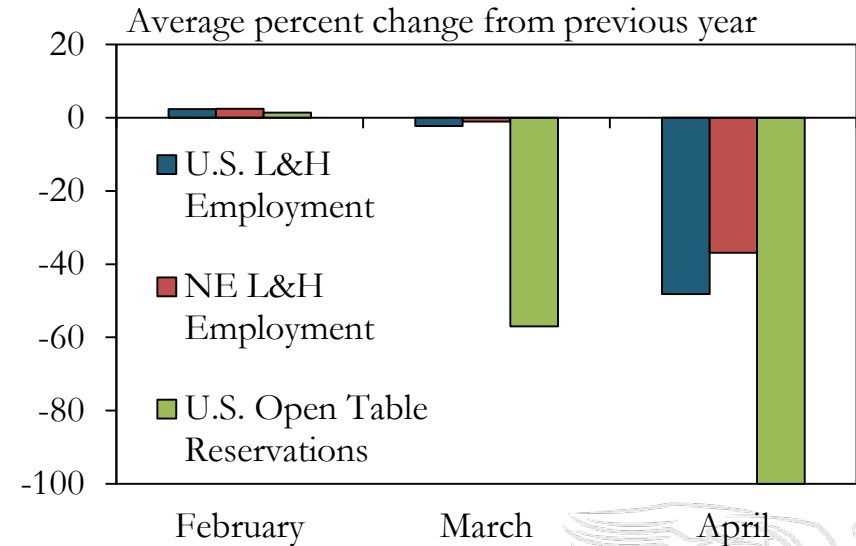


# Businesses dependent on travel and in-person gatherings were hit particularly hard.

## Air Passenger Enplanements & Crude Oil Prices

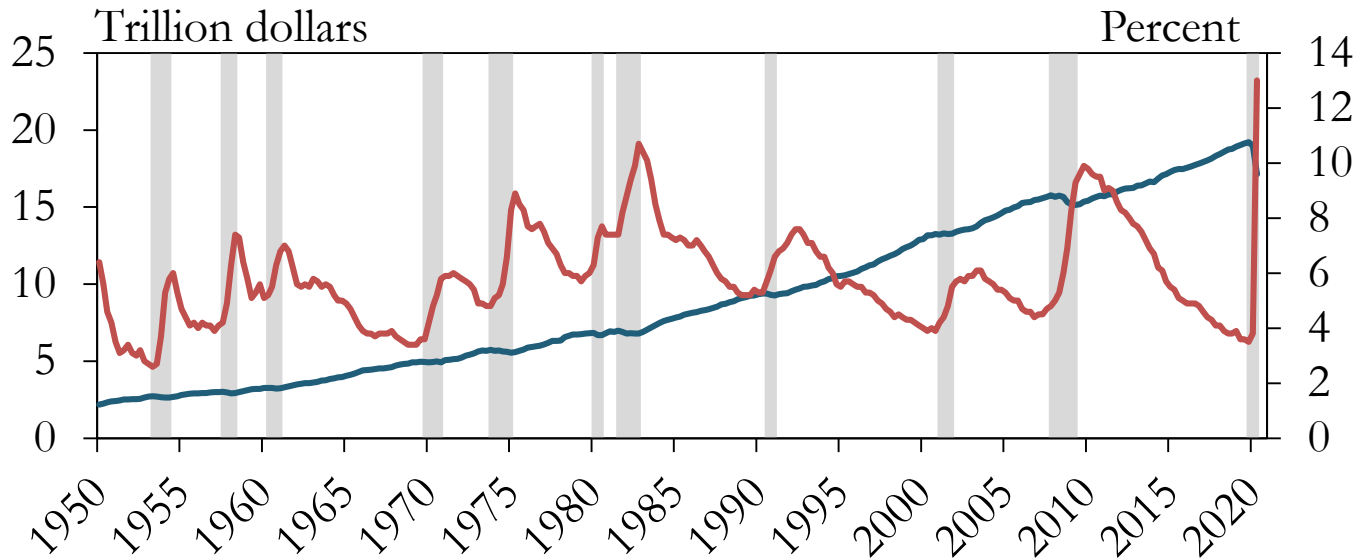


## U.S. Leisure & Hospitality Sector Indicators



# What began as a health crisis, has turned into a sharp recession.

## U.S. GDP & Unemployment Rate



### Peak-to-Trough Change in GDP

- Q4, 2007 – Q2, 2009  
-4.0%
- Q4, 2019 – Q2, 2020\*  
-10.9%

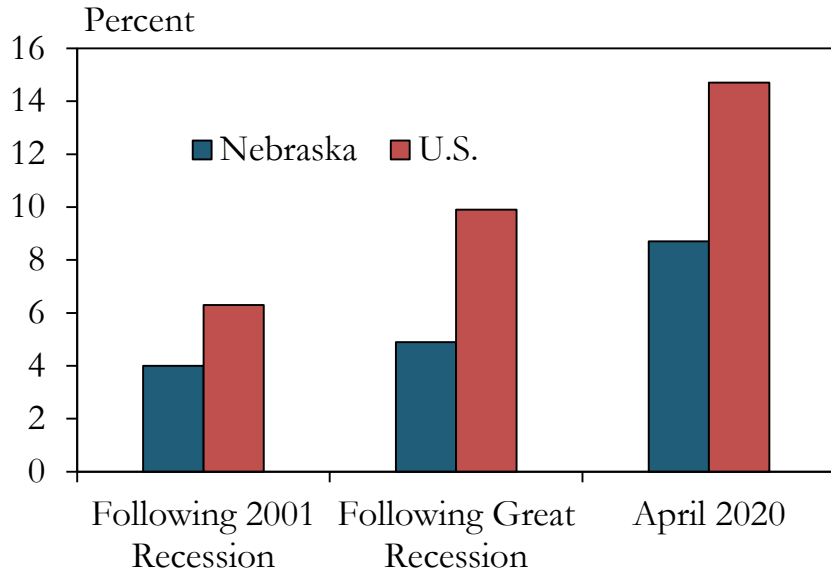
Sources: BEA, BLS, and Haver Analytics.

\*GDP for 2020, Q2 is a forecast. In the peak-to-trough calculation, this reflects current consensus that Q2 2020 will be the trough of the current recession.

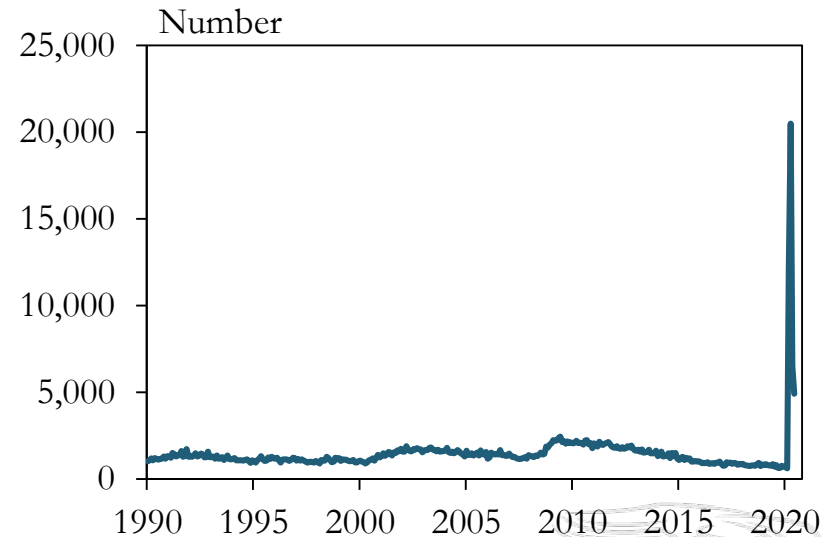


# The recession has had a tremendous economic effect everywhere, even in Nebraska.

## Peak Unemployment Rates

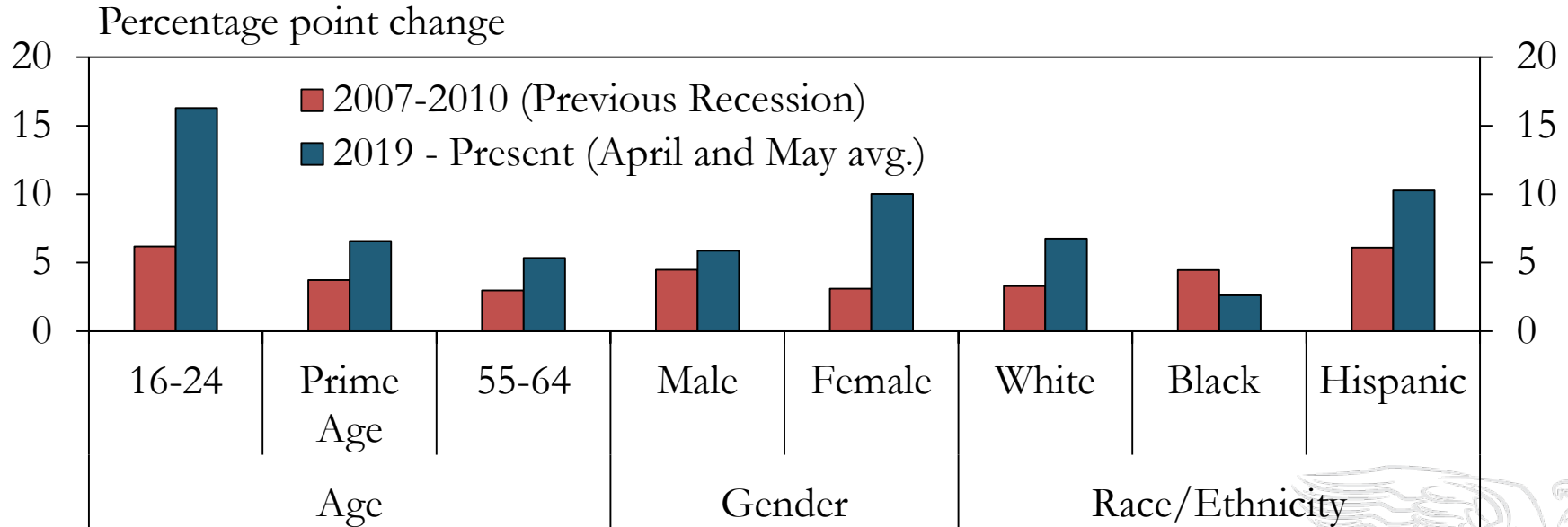


## Initial Unemployment Insurance Claims in Nebraska



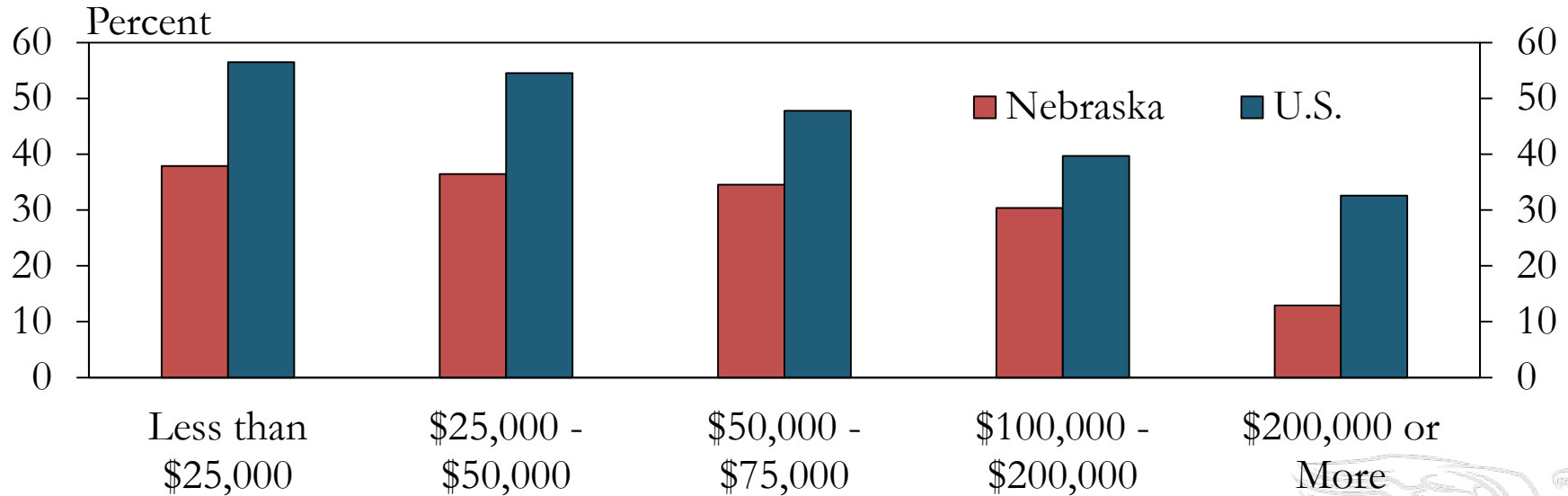
# Some demographic groups have been more affected by the crisis than others.

## Change in Unemployment Rate by Demographic KC Fed District



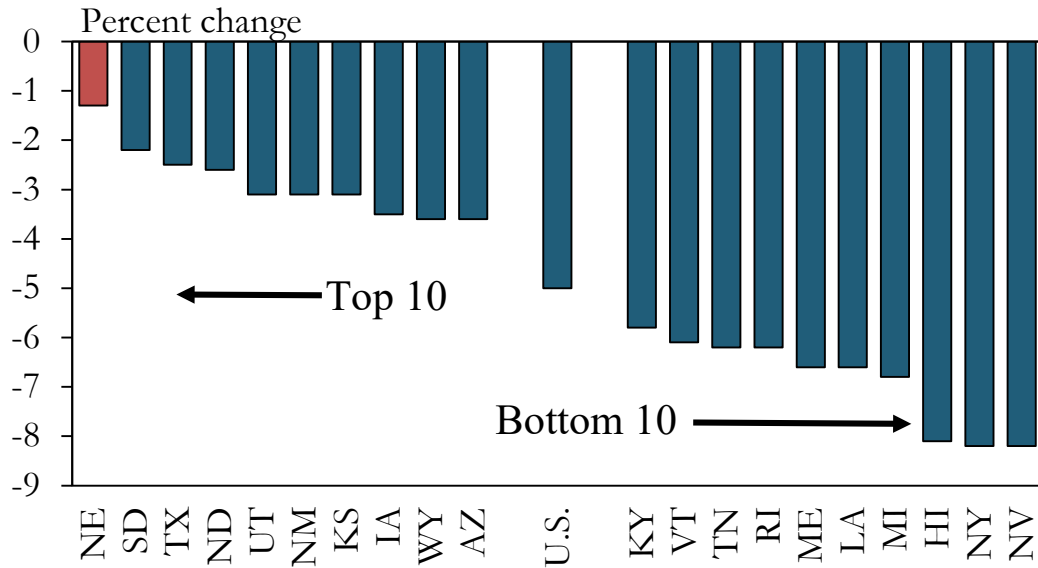
# Low income groups have also been affected disproportionately.

## Effect of Pandemic on Employment Income by Level of Household Income, Week of May 21-26

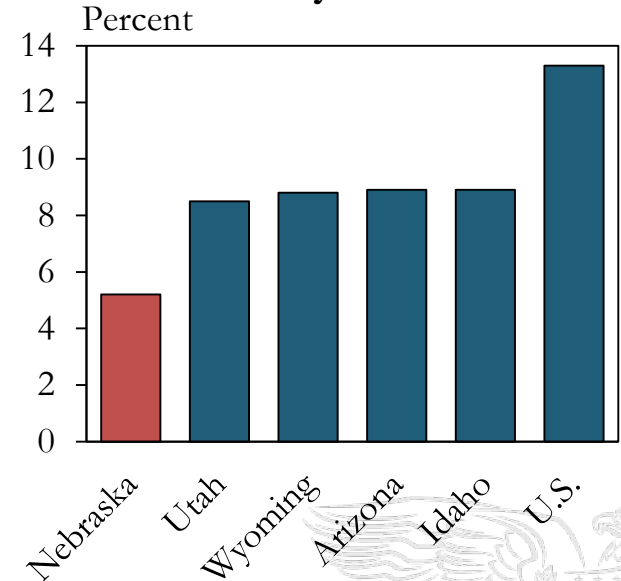


# However, Nebraska's headline economic indicators have led the nation by a wide margin.

### Real GDP by State – 2020, Q1 (seasonally adj. at annual rate)

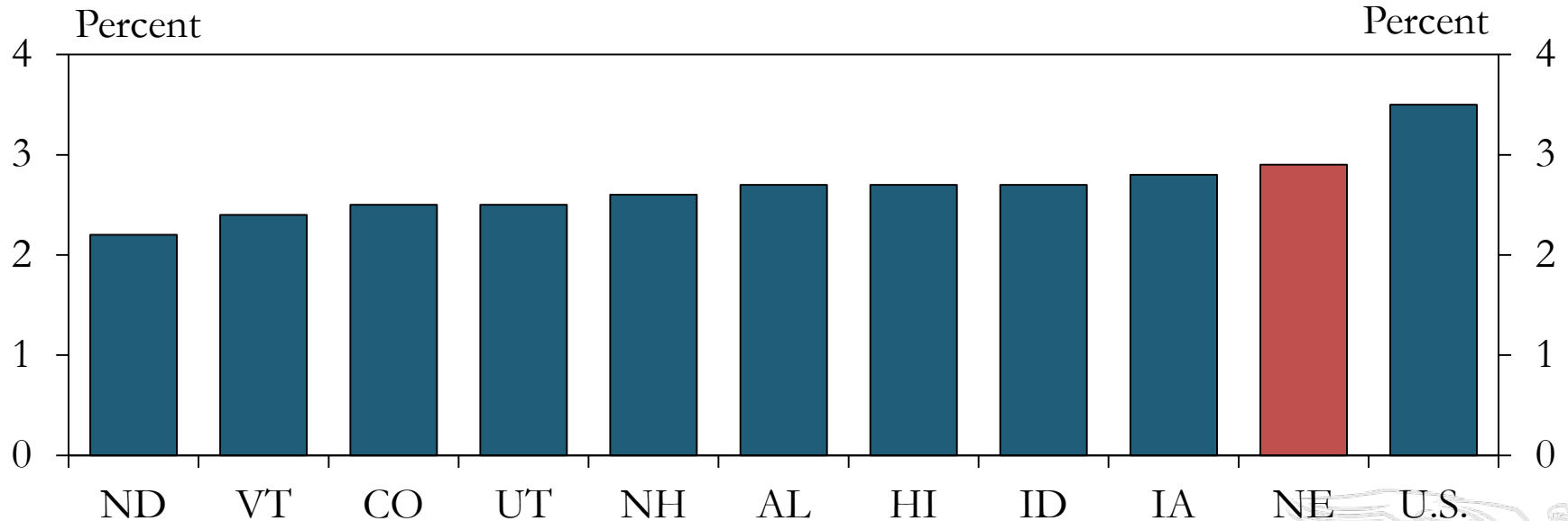


### States with Lowest Unemployment Rates, May 2020



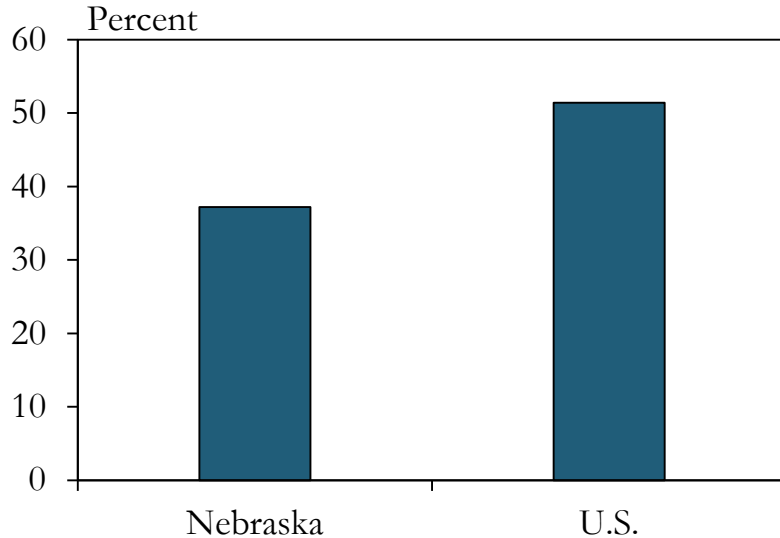
# Prior to COVID-19, Nebraska had one of the lowest unemployment rates in the country.

## States with Lowest Unemployment Rates, Feb. 2020

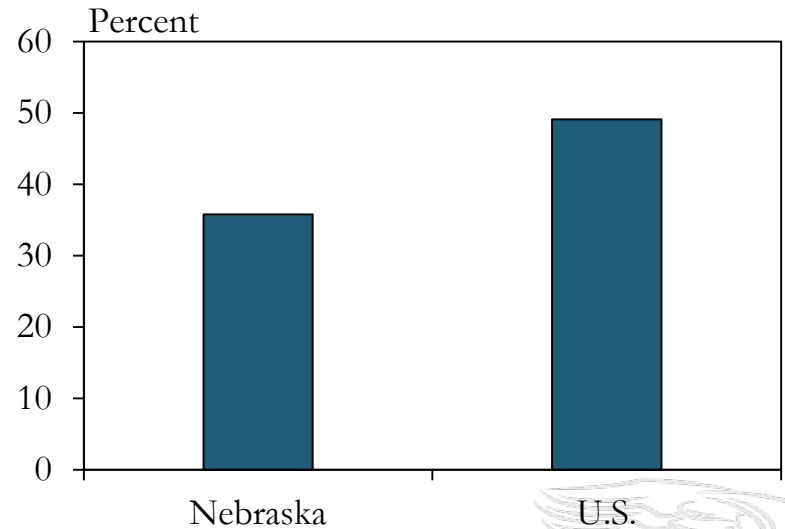


# Nebraska businesses and households were initially affected by COVID-19 slightly less than in other states.

**Small Businesses with  
“Large Negative Impacts”,  
Week Ending May 2**



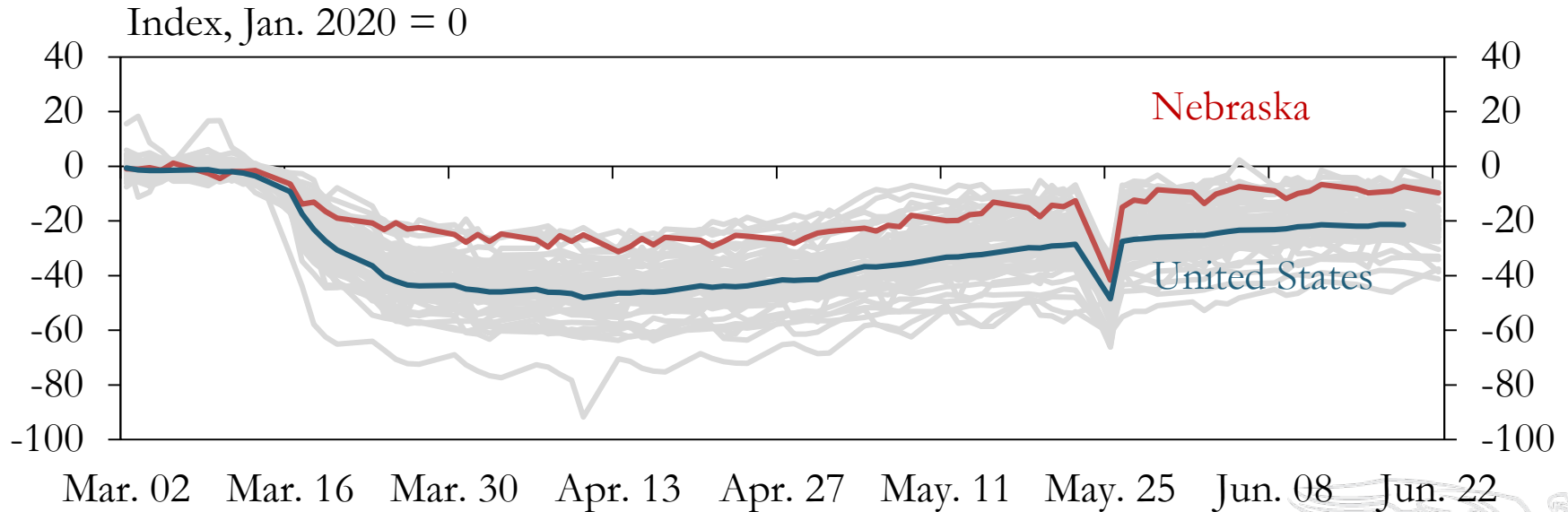
**Households with Loss of  
Employment Income,  
Week Ending May 5**





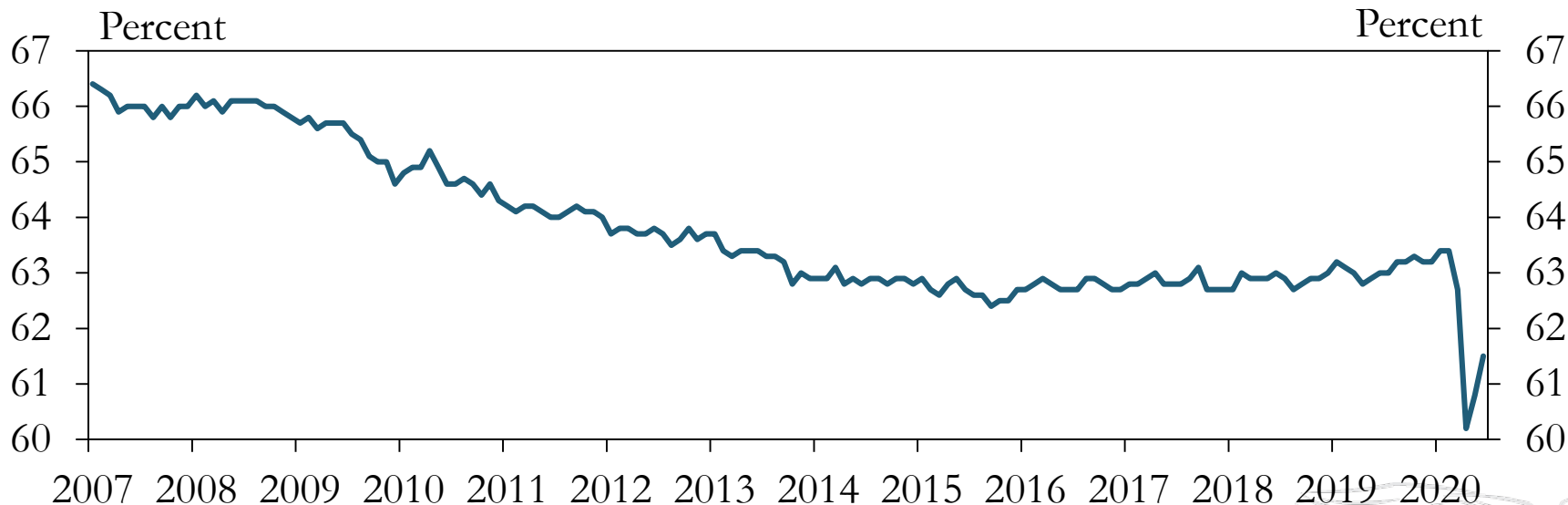
# Businesses in Nebraska did not close as rapidly as other states, and most have reopened.

## Number of Businesses Open



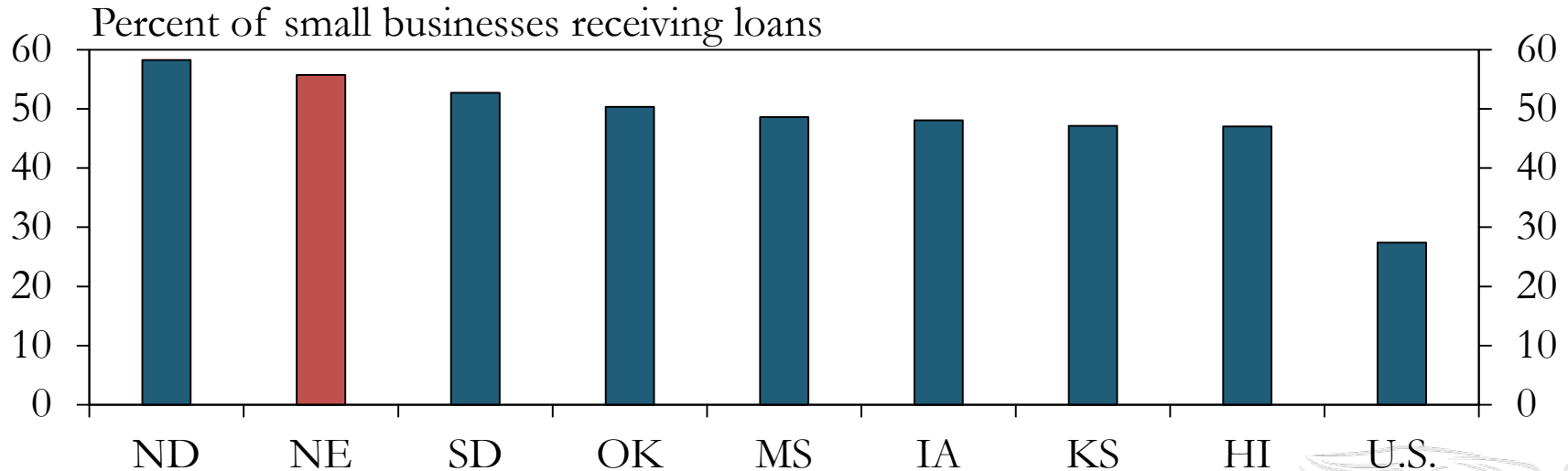
Some people, however, may have given up looking for jobs, and are not counting as “unemployed.”

## U.S. Labor Force Participation Rate



# Government support programs have provided short-term relief.

## States with Highest Share of Small Businesses Receiving PPP Loans, Through April 16



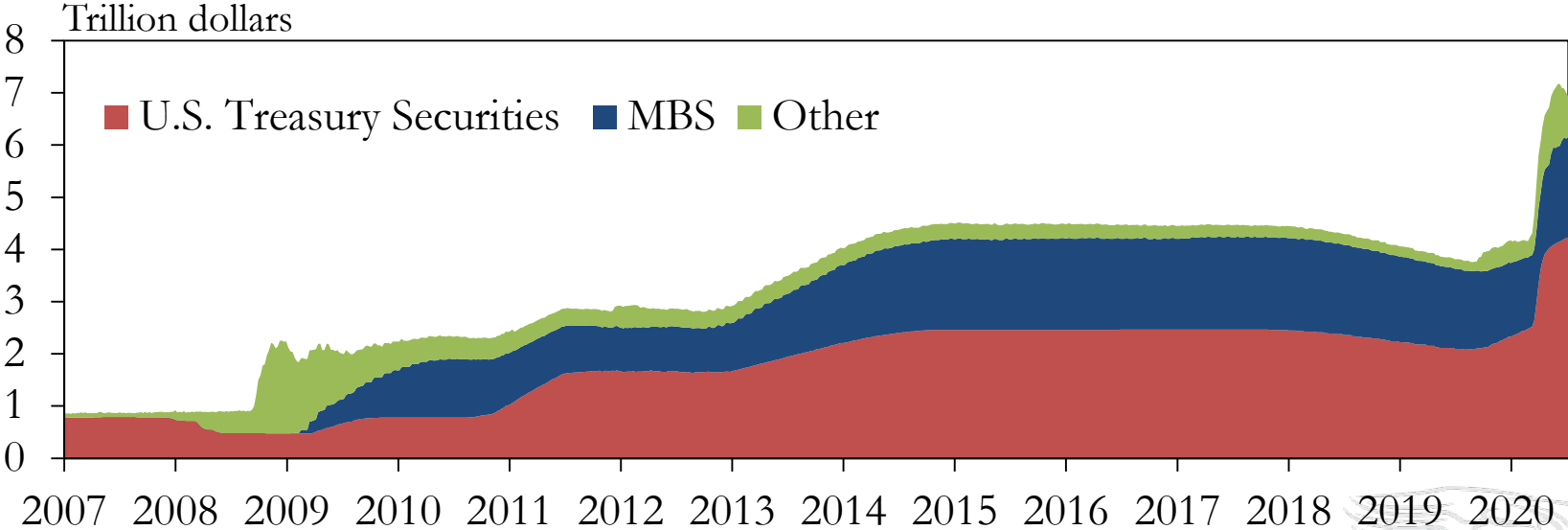
Sources: SBA, Census Bureau, Staff Calculations.

Note: Share of small businesses receiving PPP loans is calculated by dividing the number of loans by the number businesses with 500 employees or less (Census Bureau SUSB tables, 2017).



# The Federal Reserve has also provided significant stimulus through various credit programs.

## Federal Reserve Balance Sheet

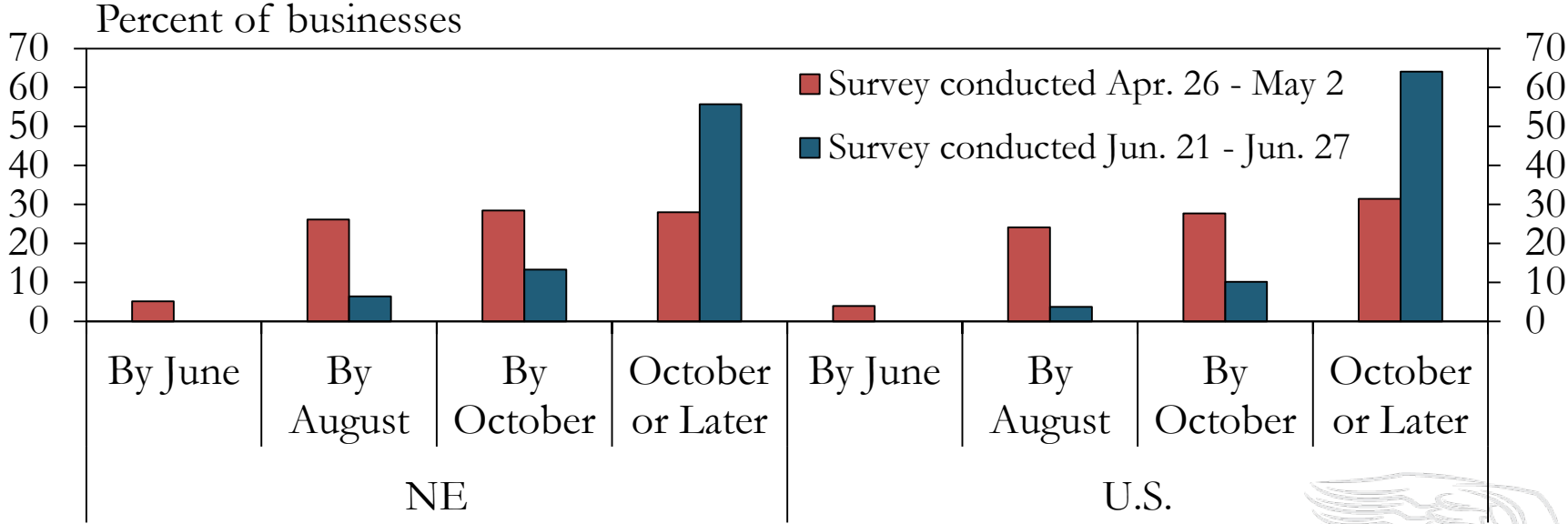


Source: Federal Reserve Bank of St. Louis.

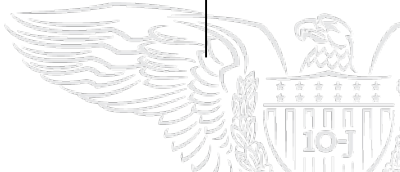


# The road to full recovery may, however, still be arduous.

## Expected Time Until Return to Normal

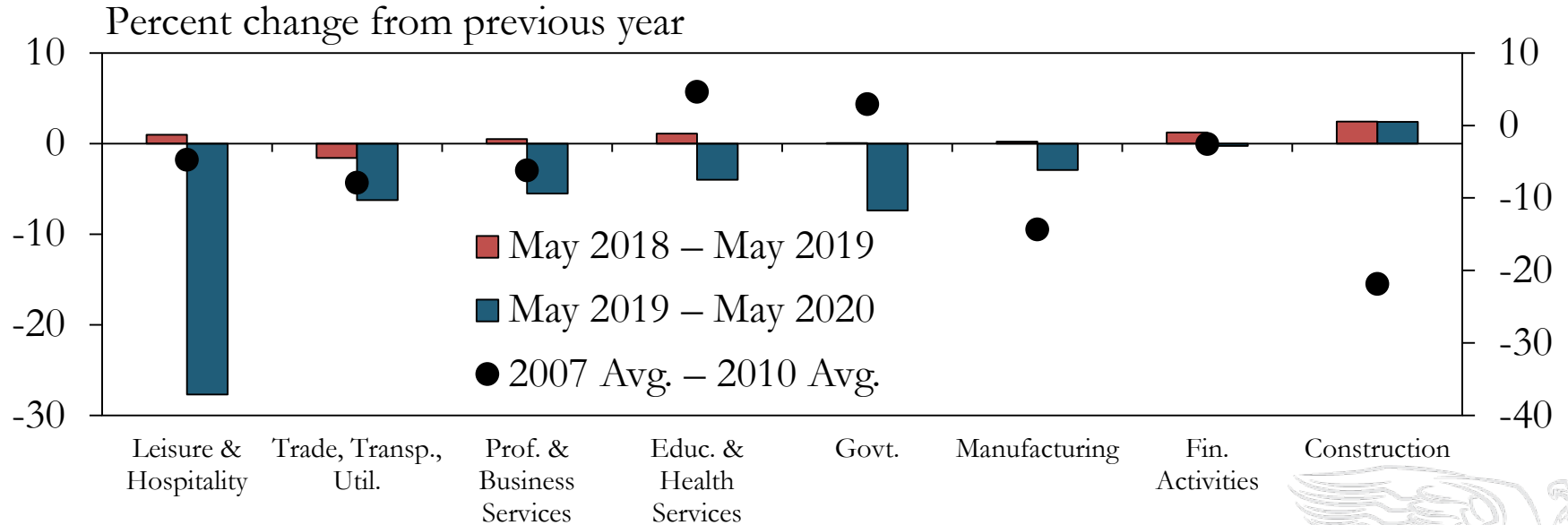


Sources: Census Bureau and Haver Analytics.



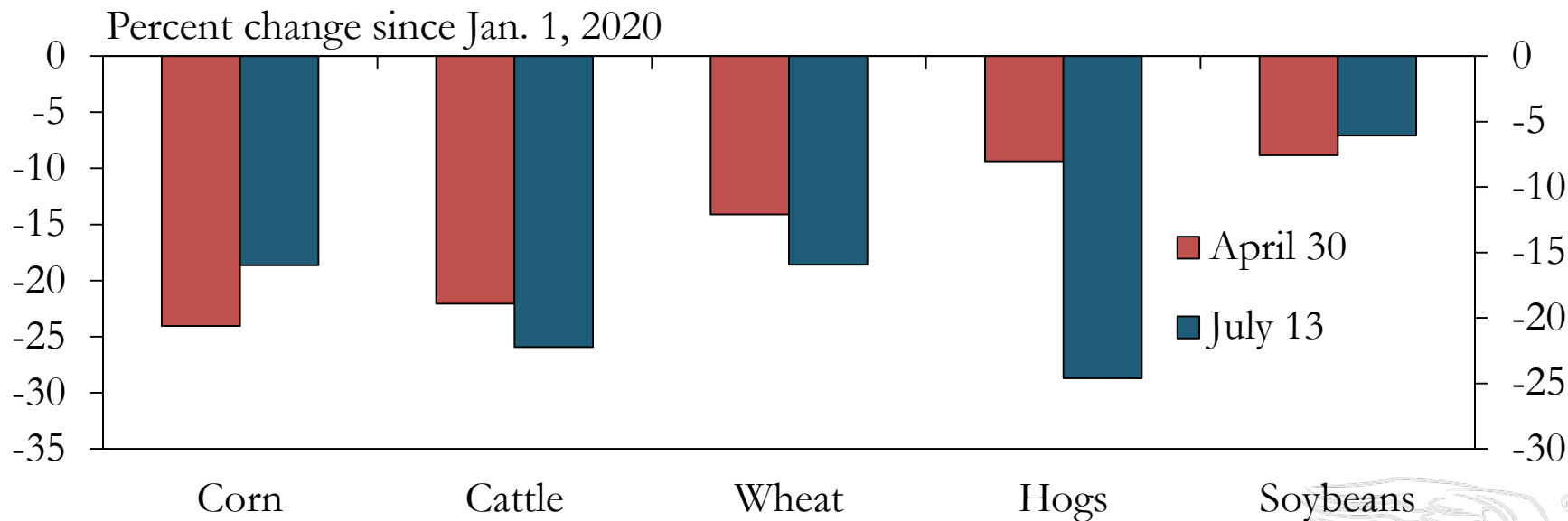
# The Leisure & Hospitality sector likely faces the most significant challenges in the coming months.

## Nebraska Job Growth by Industry



# The agricultural sector, already pressured before COVID-19, likely will also face ongoing risks.

## Agricultural Commodity Prices



# Concluding remarks

- The virus, and associated risks, will shape the path for the economy back to the summit.
- The path to reclaim the summit, however, may be unsteady, longer than expected, filled with surprises... And tiring.
- We may also find that we have arrived at a very different mountaintop.





# For more information...

- Visit our Omaha Branch Website: <https://www.kansascityfed.org/omaha>
- Latest issue of the Nebraska Economist



## Nebraska's Economy Shocked by COVID-19

*By Nathan Kauffman and John McCoy*

*June 30, 2020*

Nebraska's economy began 2020 on what appeared to be solid footing, but has been shocked in ways bearing little resemblance to anything experienced in modern times.

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