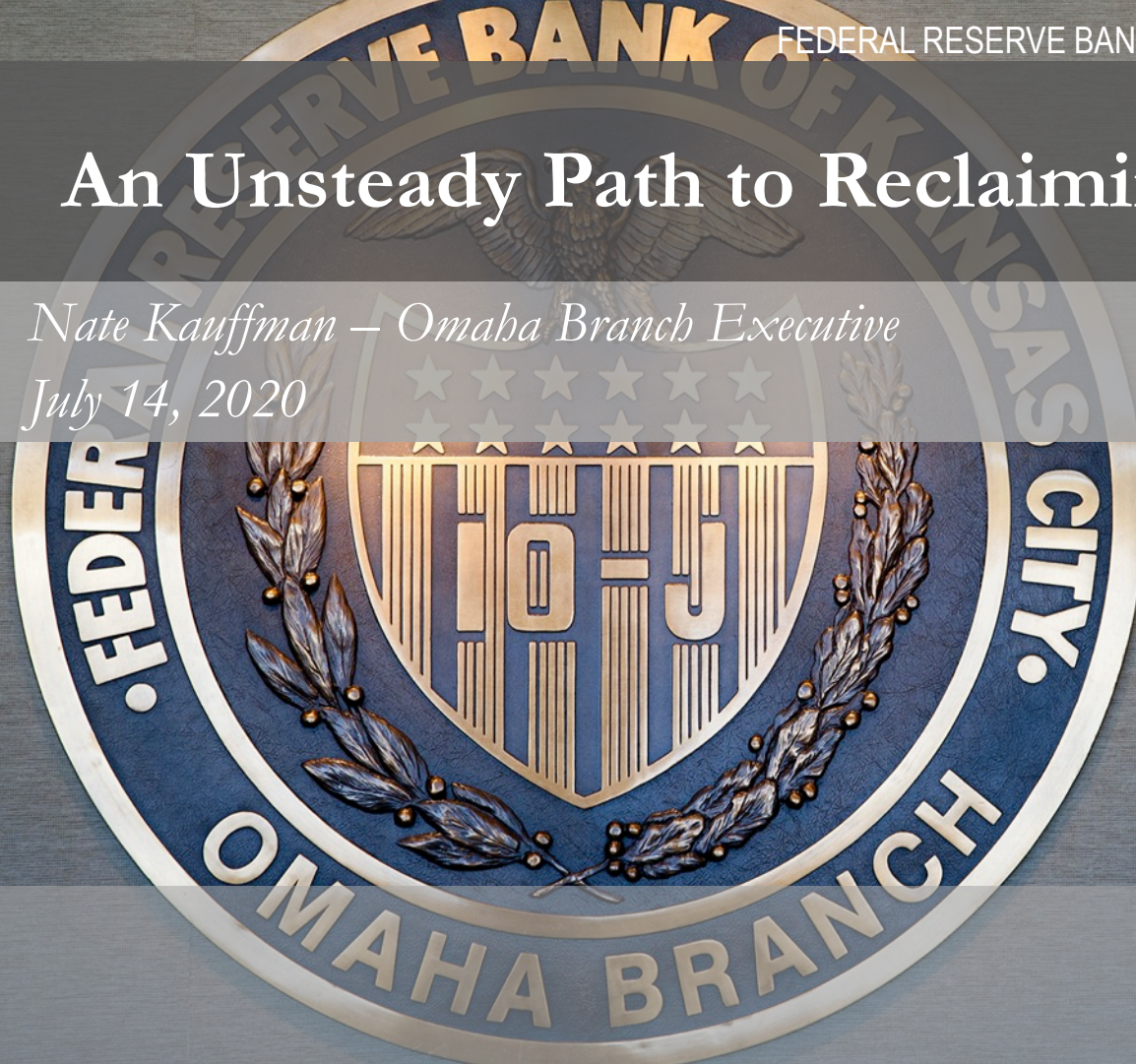


An Unsteady Path to Reclaiming the Summit

Nate Kauffman – Omaha Branch Executive

July 14, 2020



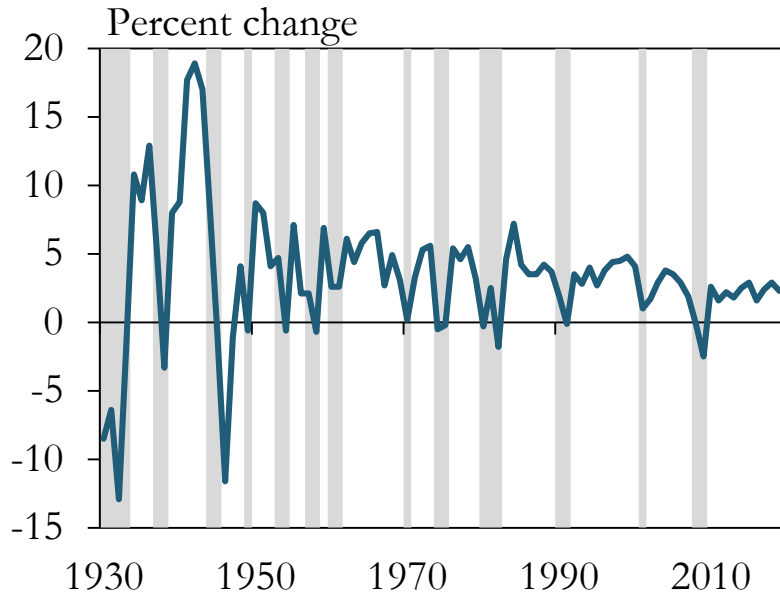
Outlook Themes

- In March and April, the global “shutdowns” connected to COVID-19 had a devastating economic impact.
- Economic conditions have improved somewhat since April, and the impact in Nebraska has been less than elsewhere.
- Some industries and households have been affected more than others, however, and much about the recovery remains uncertain.

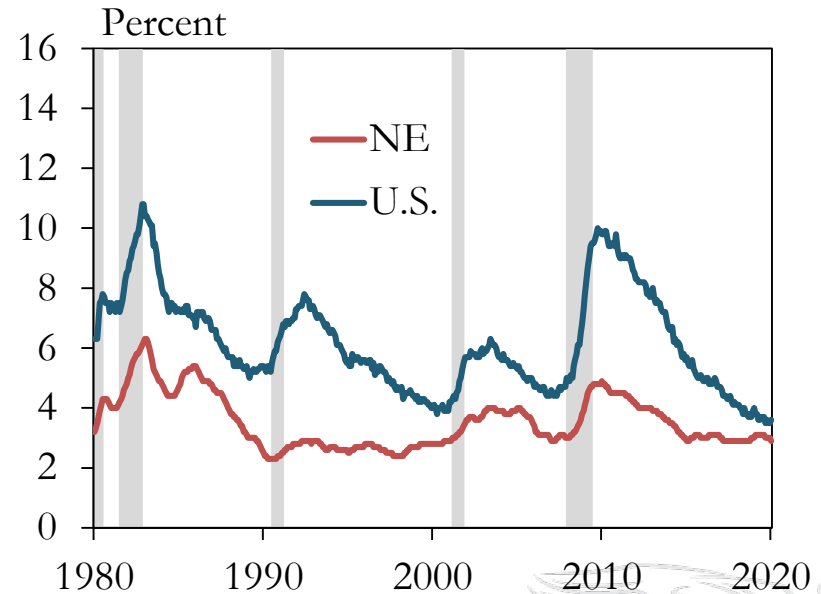


Prior to COVID-19, the U.S. economy was in the midst of its longest expansion on record.

U.S. GDP Growth



Unemployment Rates

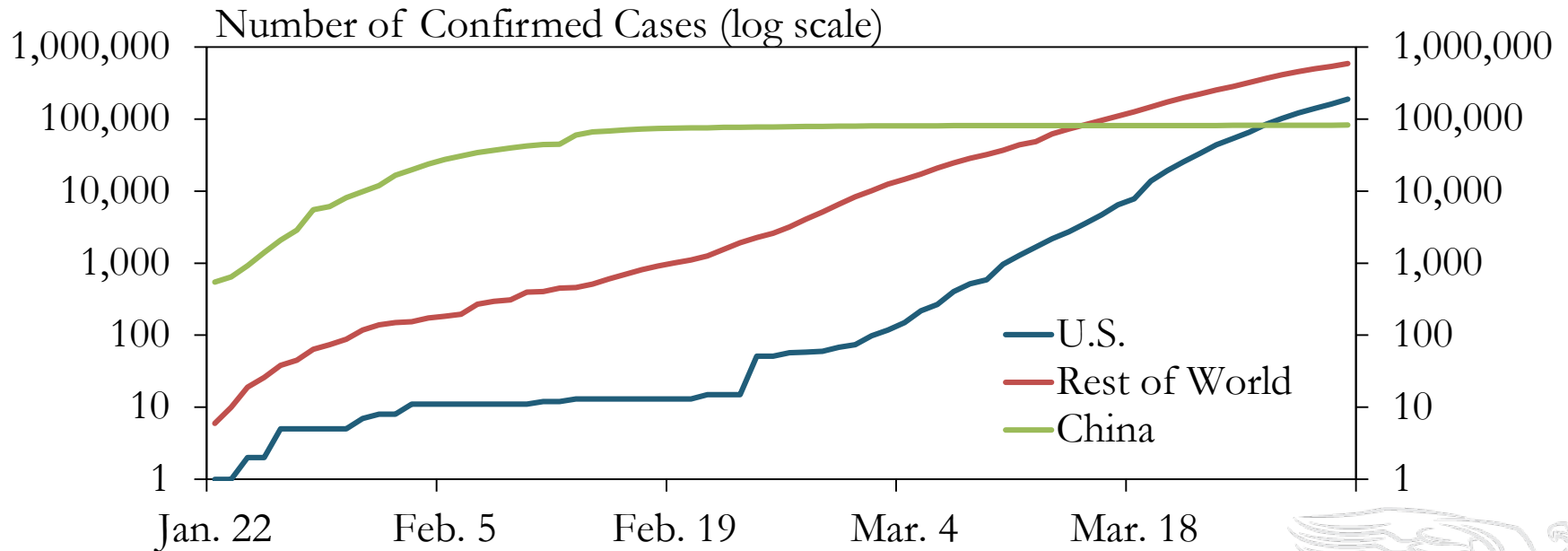


Sources: BEA, BLS, and Haver Analytics.



Confirmed COVID-19 cases began to increase substantially in February.

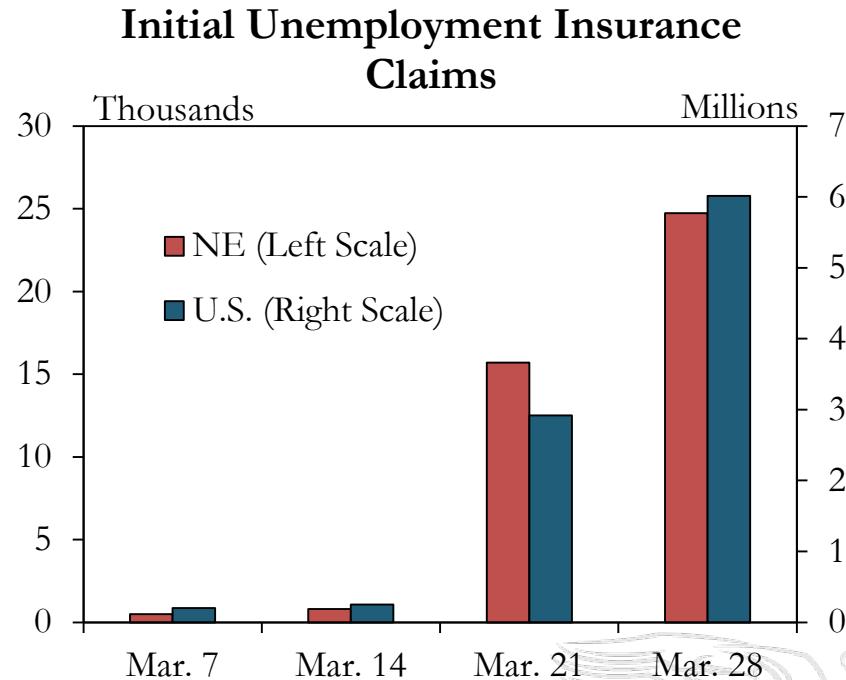
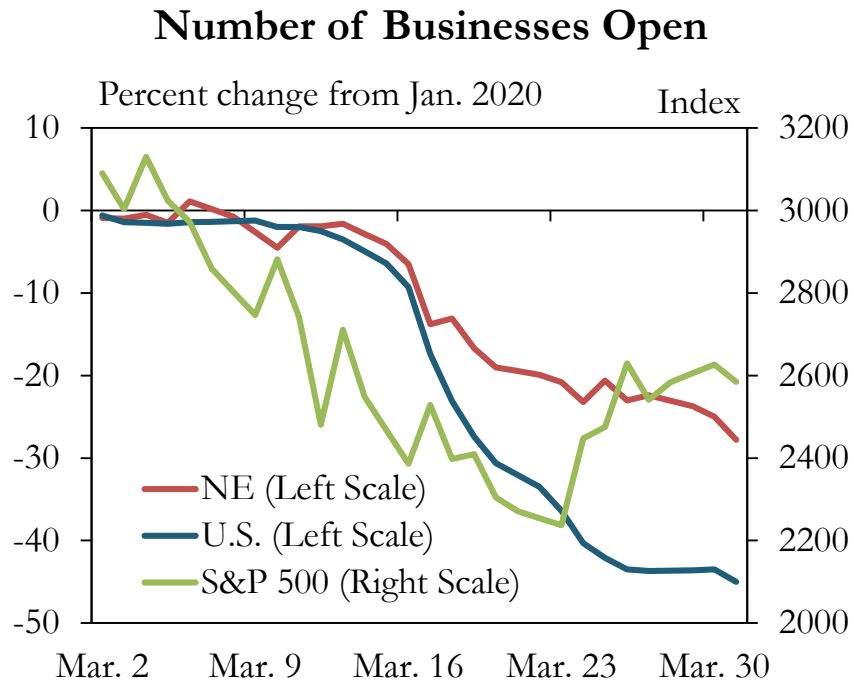
COVID-19 Cases Through March



Source: Johns Hopkins University.



By the end of March, COVID-19 cases had led to a large number of closures and a spike in unemployment filings.

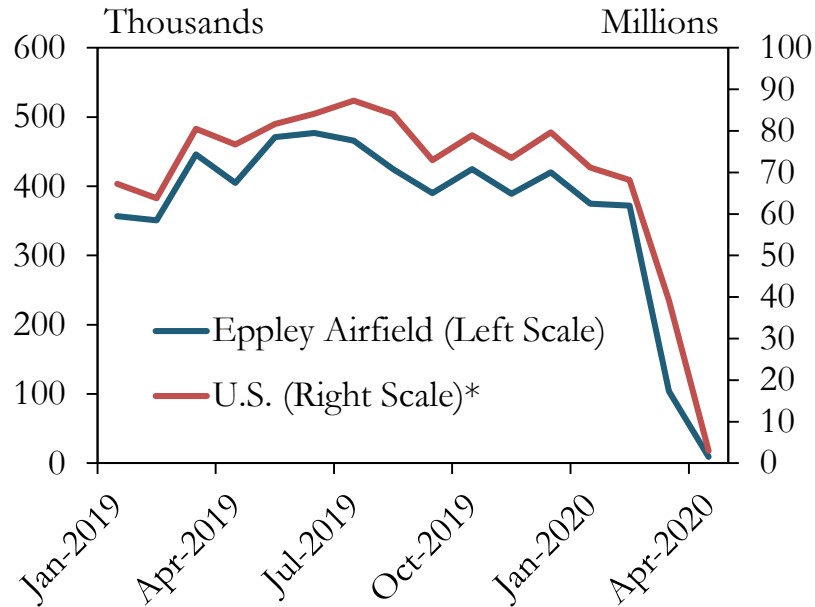


Sources: Homebase, Department of Labor, Haver Analytics, and Yahoo Finance.

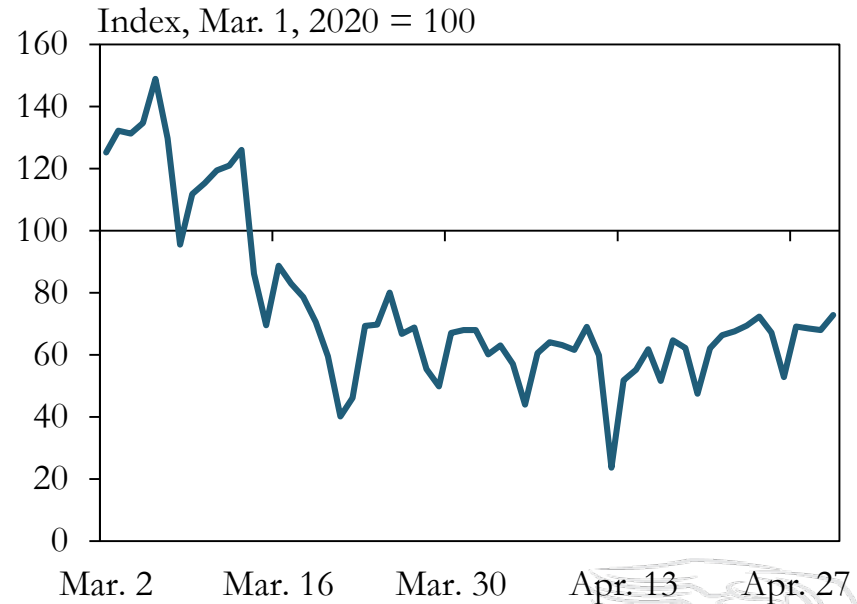


Businesses dependent on in-person gatherings and travel experienced a collapse in activity.

Enplanements



Foot Traffic at Nebraska Businesses



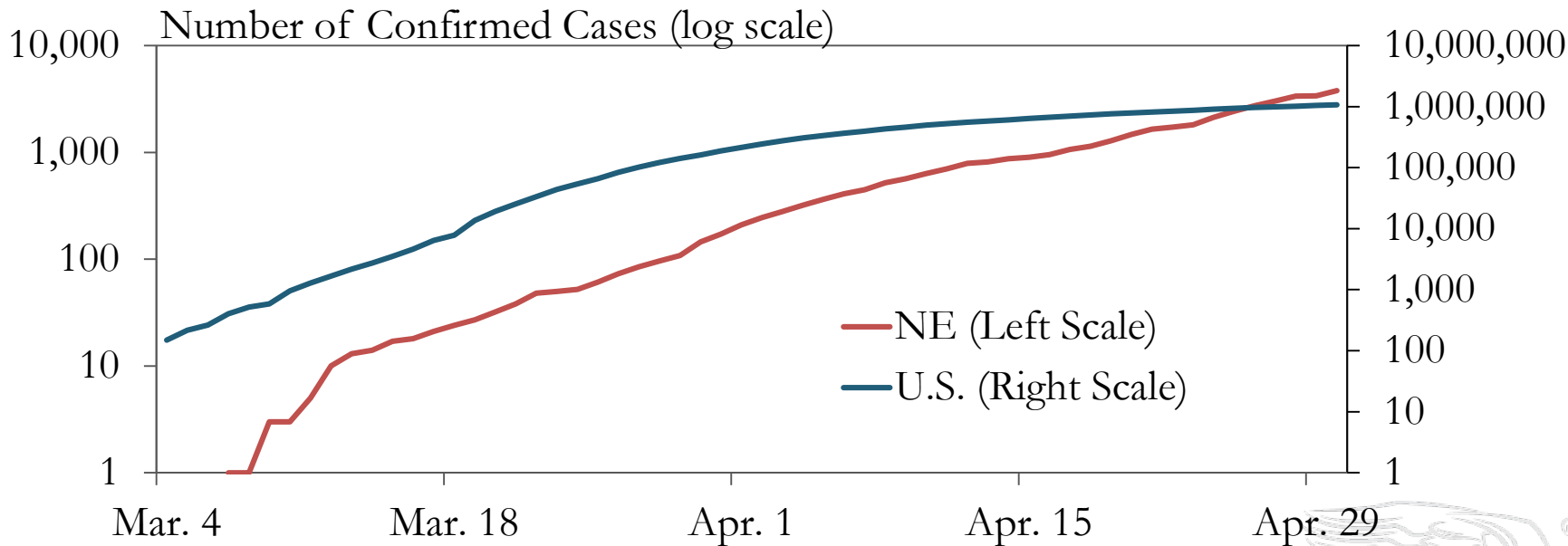
Sources: Omaha Airport Authority, Bureau of Transportation Statistics, Safe Graph.

*Note: U.S. passenger traffic for April 2020 is preliminary.



In April, confirmed cases of COVID-19 in Nebraska accelerated.

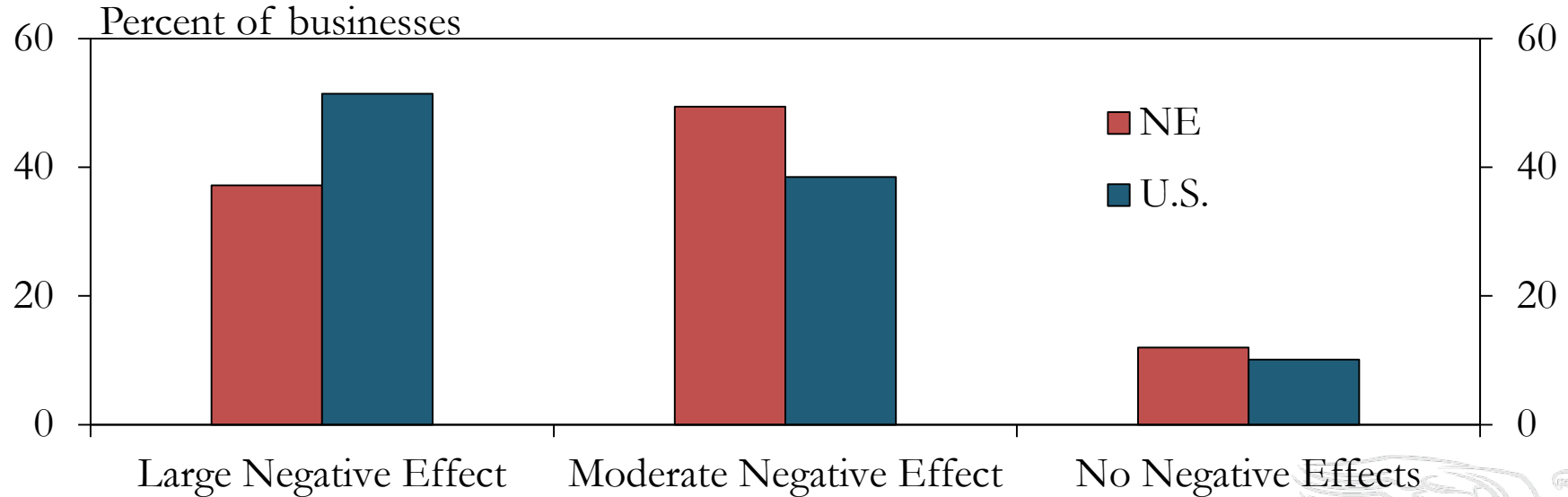
COVID-19 Cases Through April, Nebraska and U.S.



Businesses noted a substantial effect on activity, but slightly less than the nation.

Effect of Pandemic on Businesses

Week of April 26 – May 2

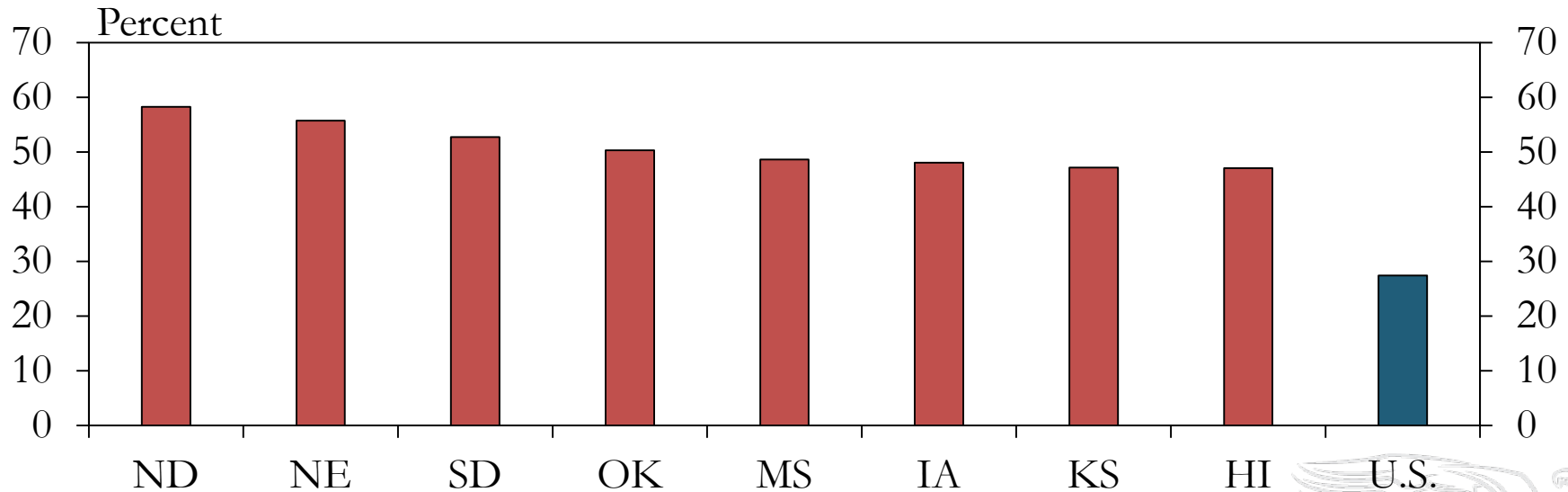


Sources: Census Bureau and Haver Analytics.



A significant uptake of PPP loans in April may have helped in the earlier days of the pandemic.

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



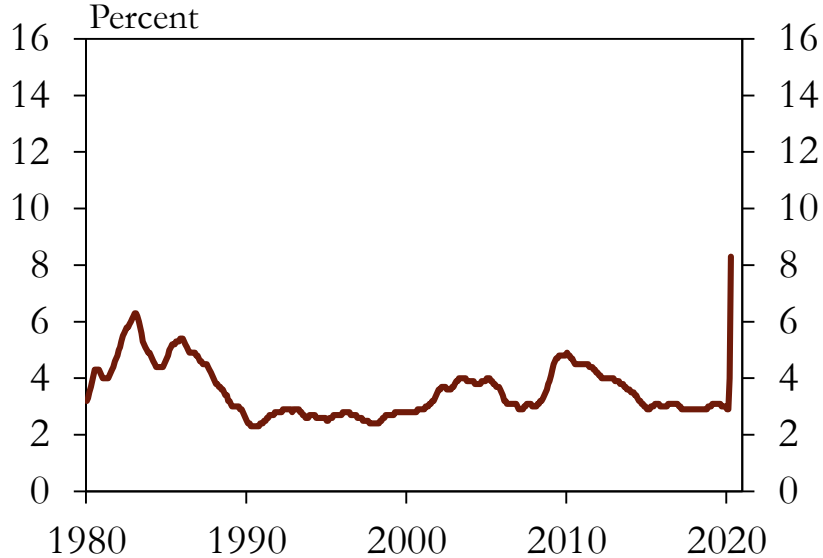
Sources: SBA, Census Bureau, Staff Calculations.

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).

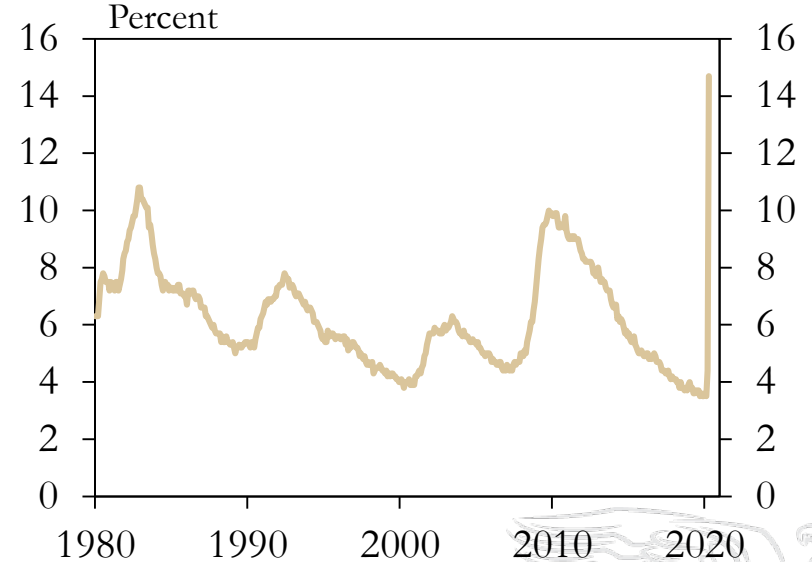


However, unemployment rates spiked several weeks into the crisis.

Nebraska Unemployment Rate



United States Unemployment Rate

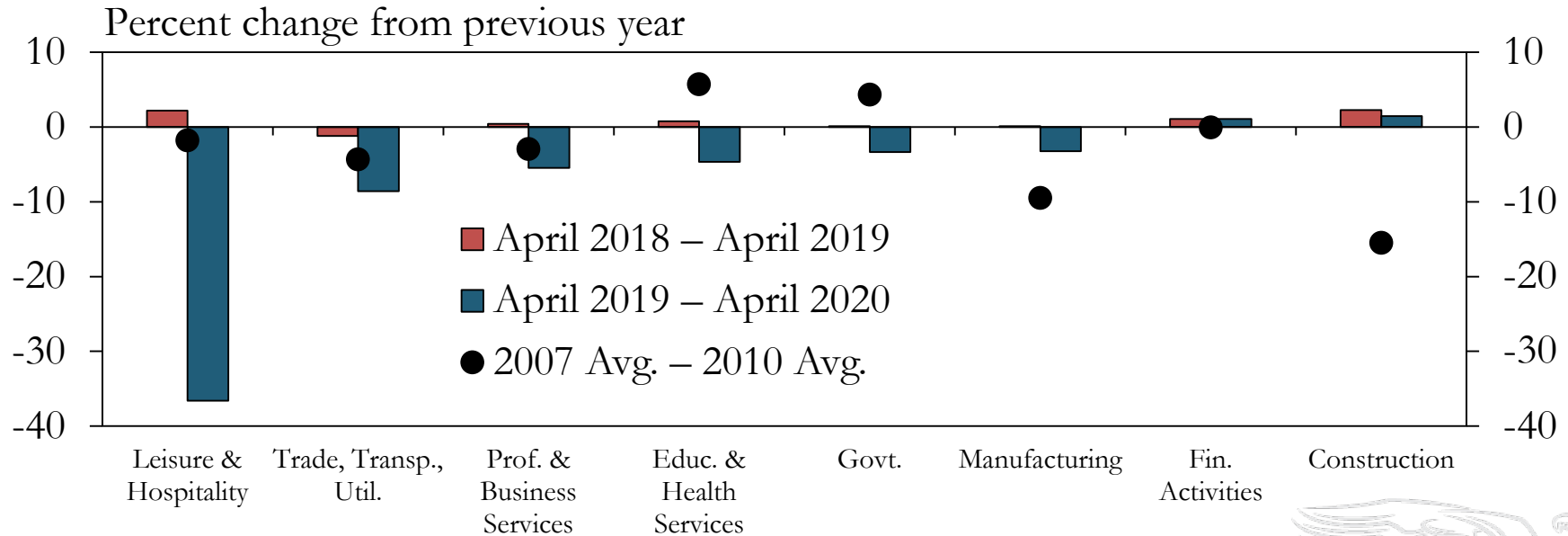


Sources: BLS, and Haver Analytics.



Through April, job losses in Nebraska were most concentrated in leisure and hospitality.

Nebraska Job Growth by Industry

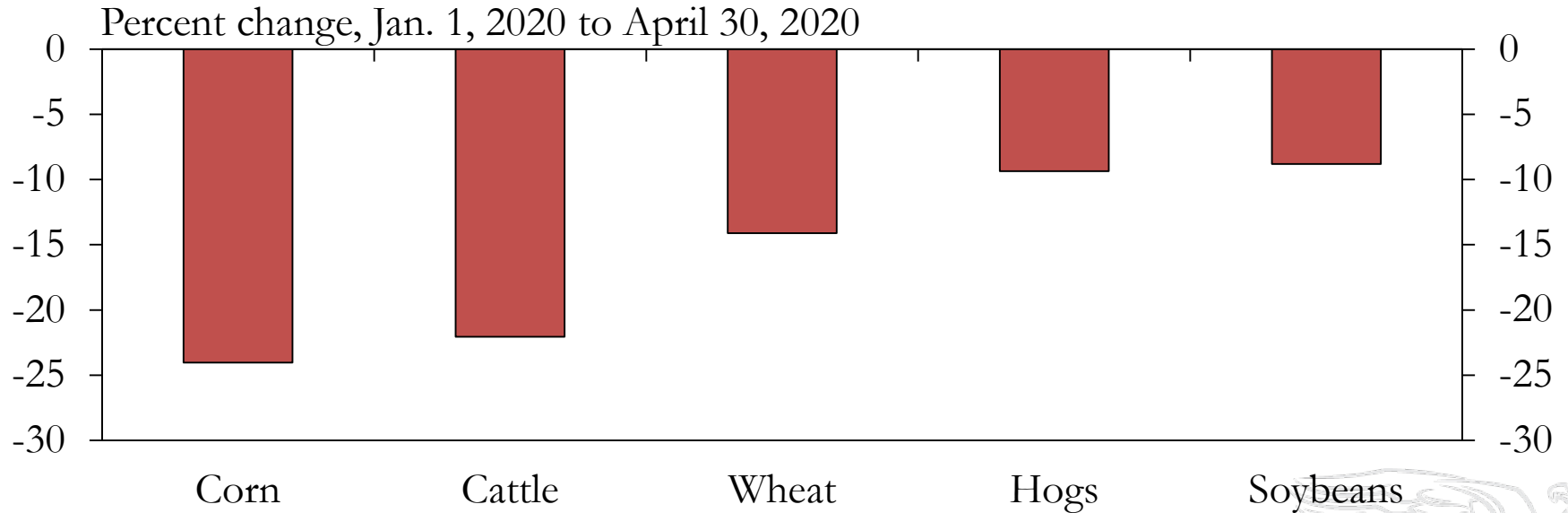


Sources: BLS, and Haver Analytics.



Agricultural commodity prices also weighed heavily on the regional economy.

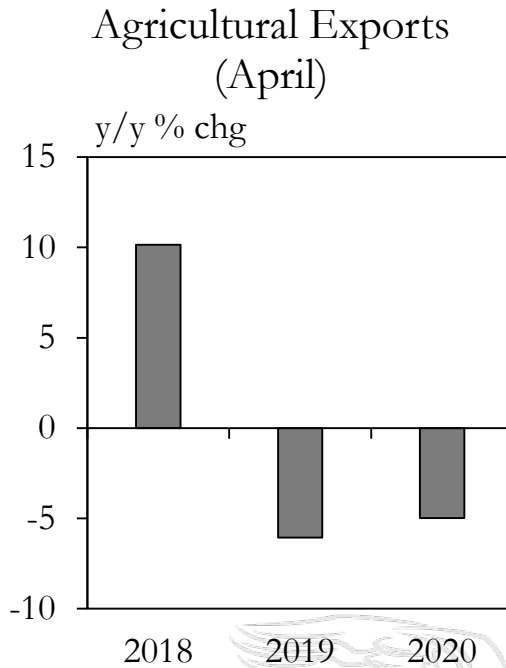
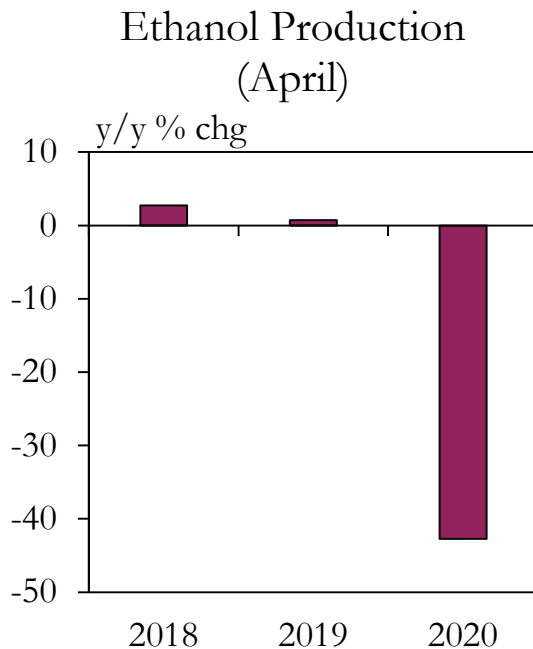
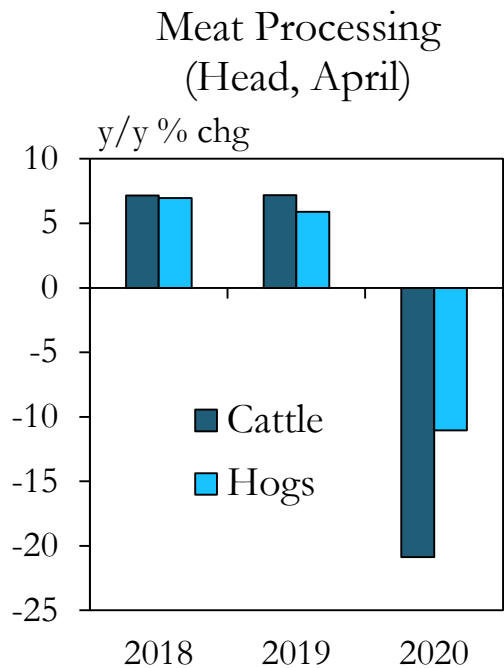
Agricultural Commodity Prices



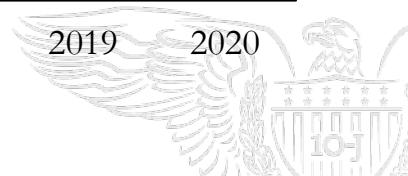
Sources: CME, WSJ and Haver Analytics.



Several key demand factors were primary contributors to the weakness in agricultural markets.

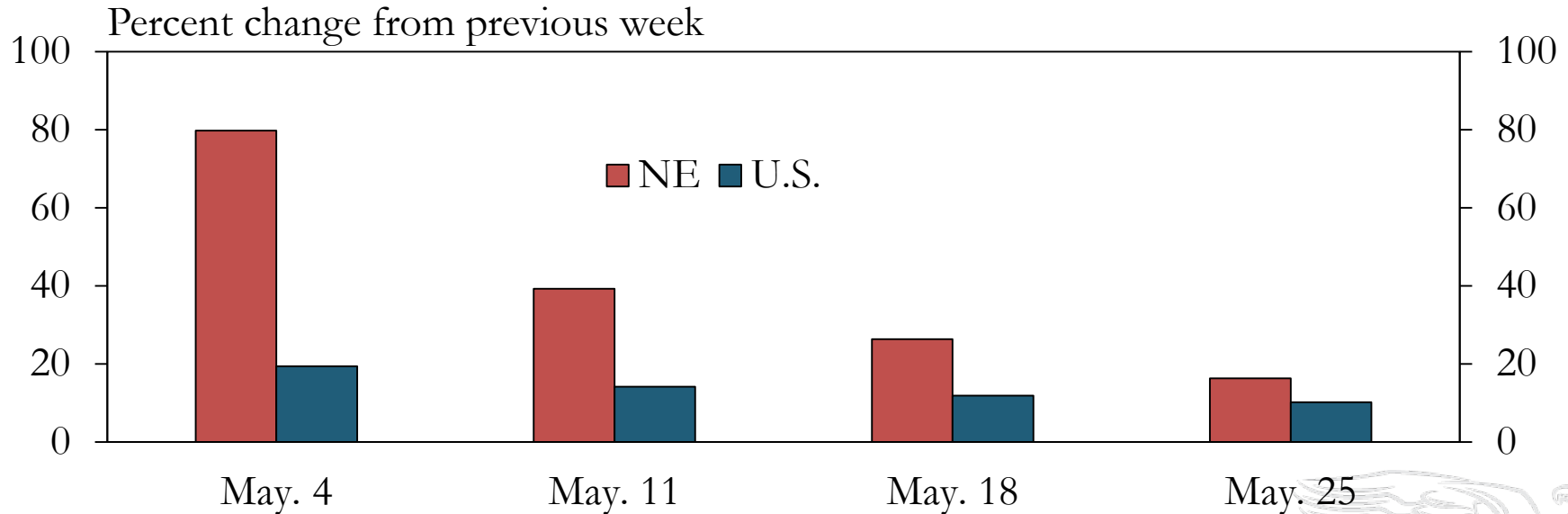


Sources: EIA, USDA.



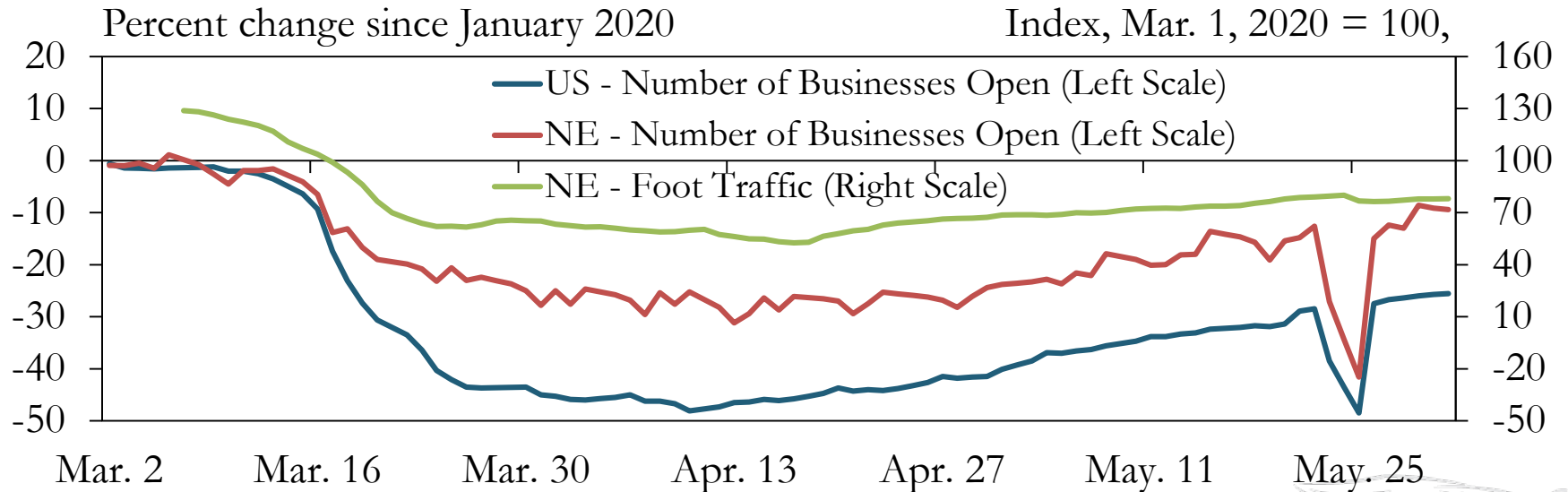
In May, the increase in COVID-19 cases in Nebraska began to soften, despite notable increases in other states.

Increase in COVID-19 Cases, May 2020



Businesses began to reopen gradually.

Business Activity in Nebraska and the U.S.



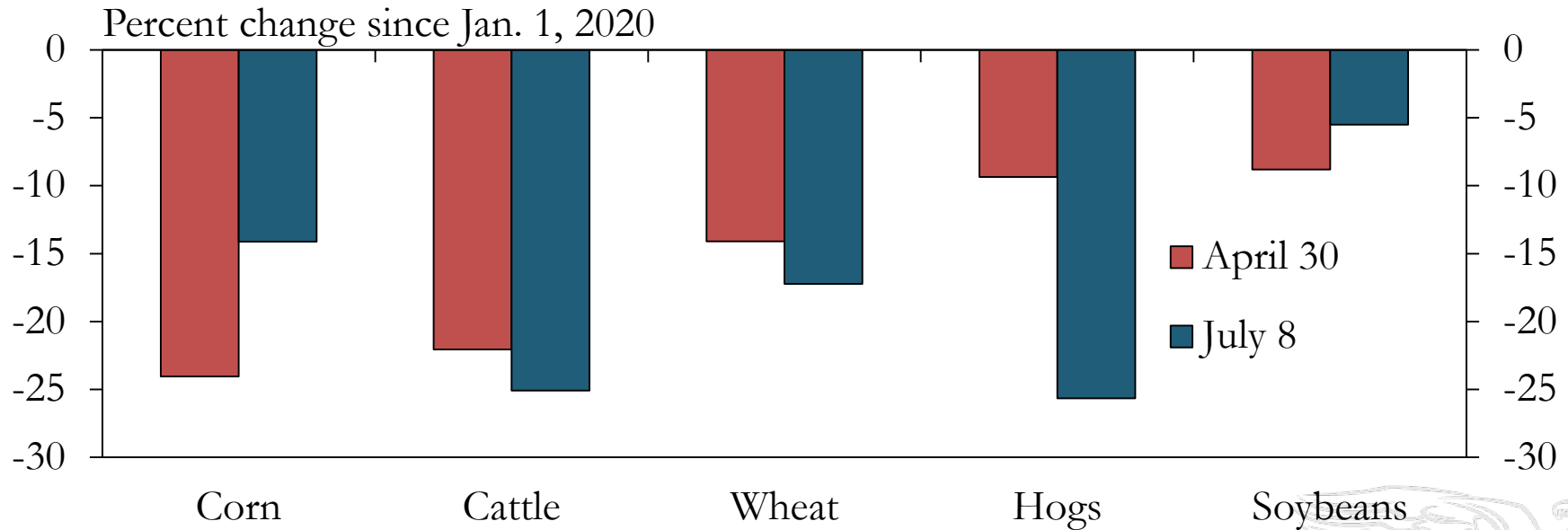
Sources: Homebase, Haver Analytics, Safe Graph.

Note: Foot traffic is calculated using opt-in, anonymized smartphone data by Safe Graph.



Some ag commodity prices have recovered somewhat, but still remain well below the beginning of the year.

Agricultural Commodity Prices

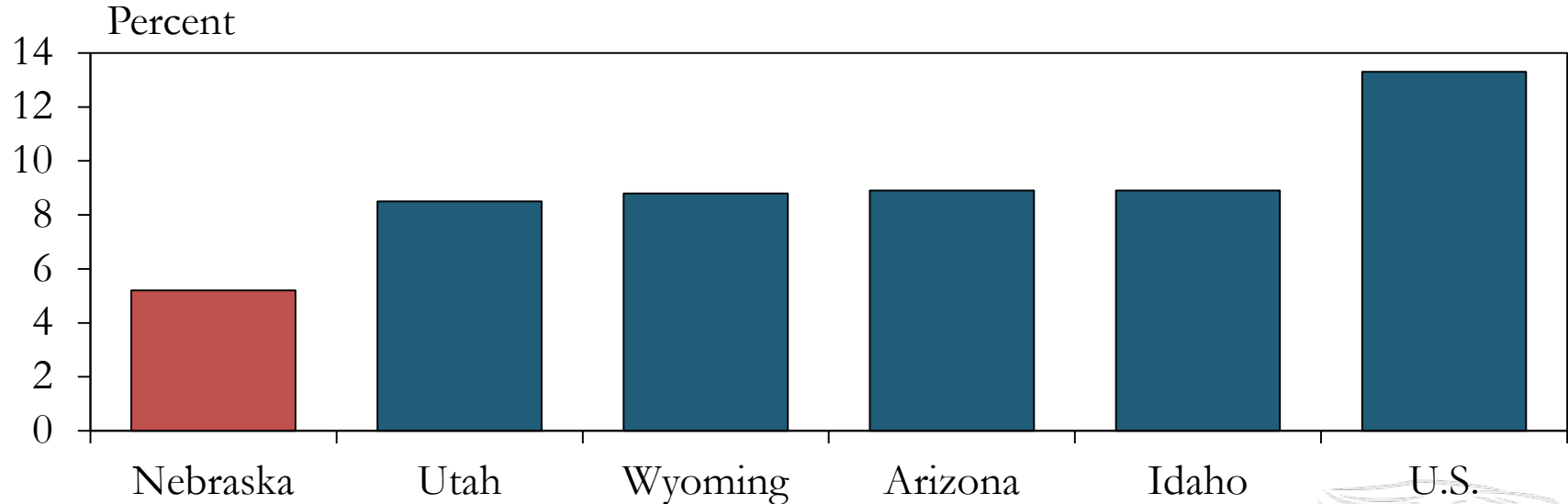


Sources: CME, WSJ and Haver Analytics.



Nebraska's unemployment rate also dropped sharply in May, and is by far the lowest in the country.

States with Lowest Unemployment Rates, May 2020

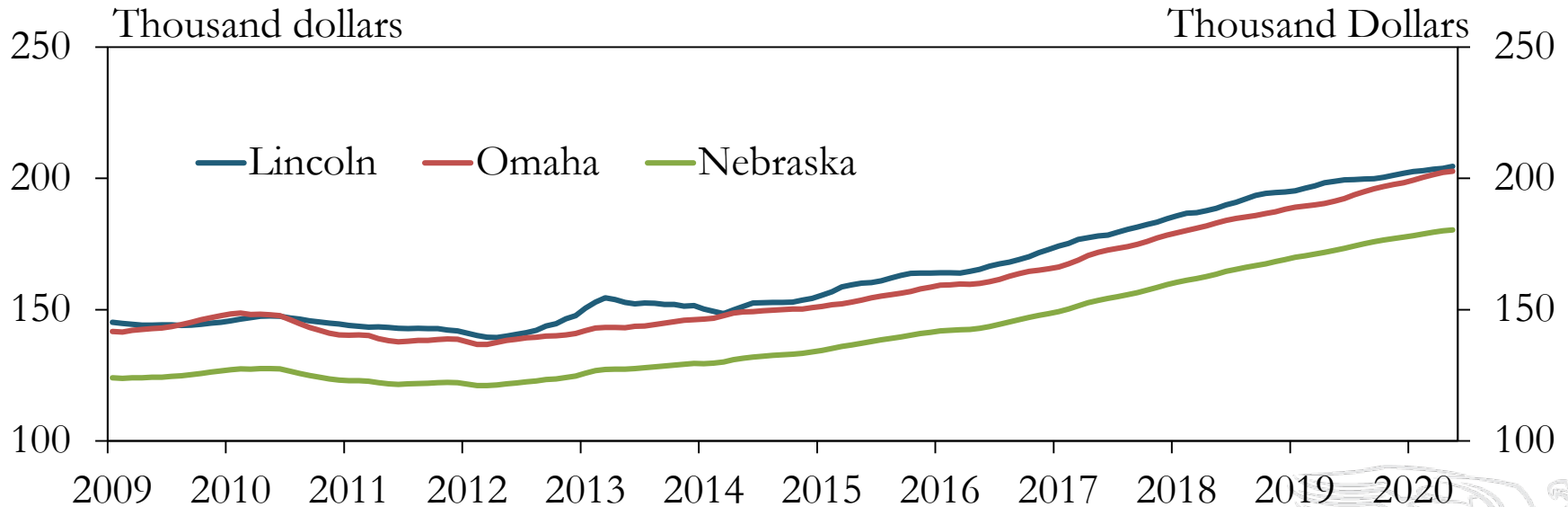


Sources: BLS and Haver Analytics.



And the housing market has remained strong.

Nebraska Median Home Prices

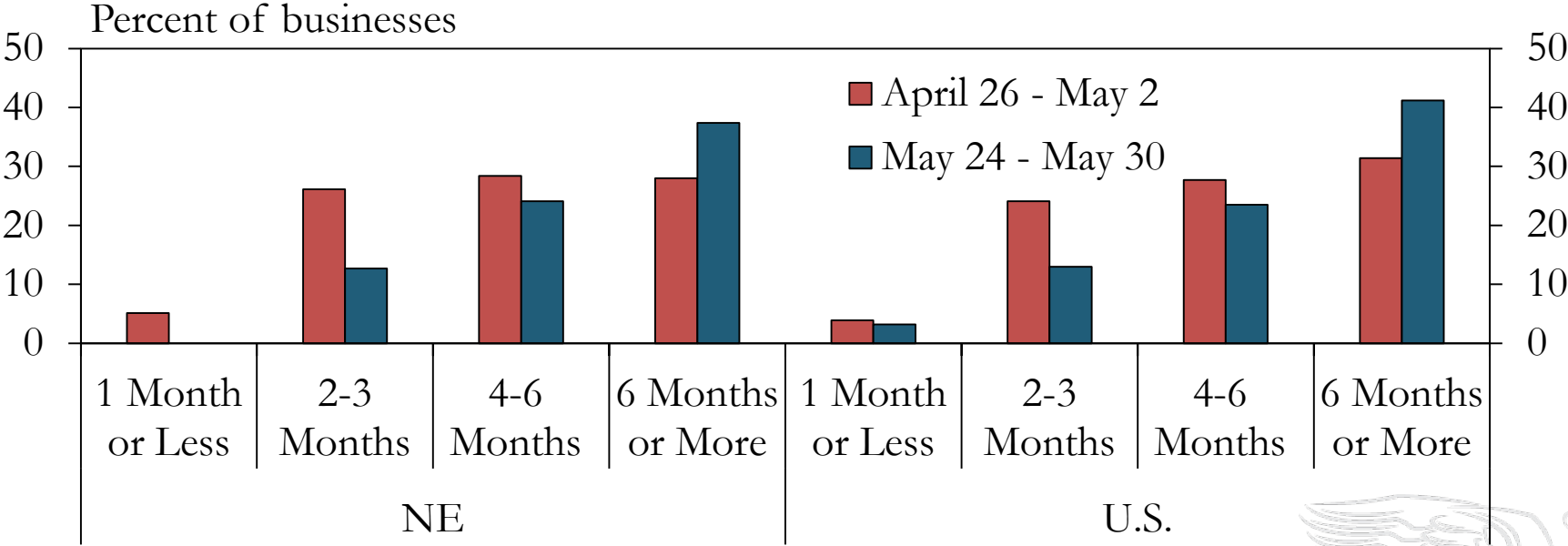


Sources: Zillow and Haver Analytics.



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

Expected Time Until Return to Normal

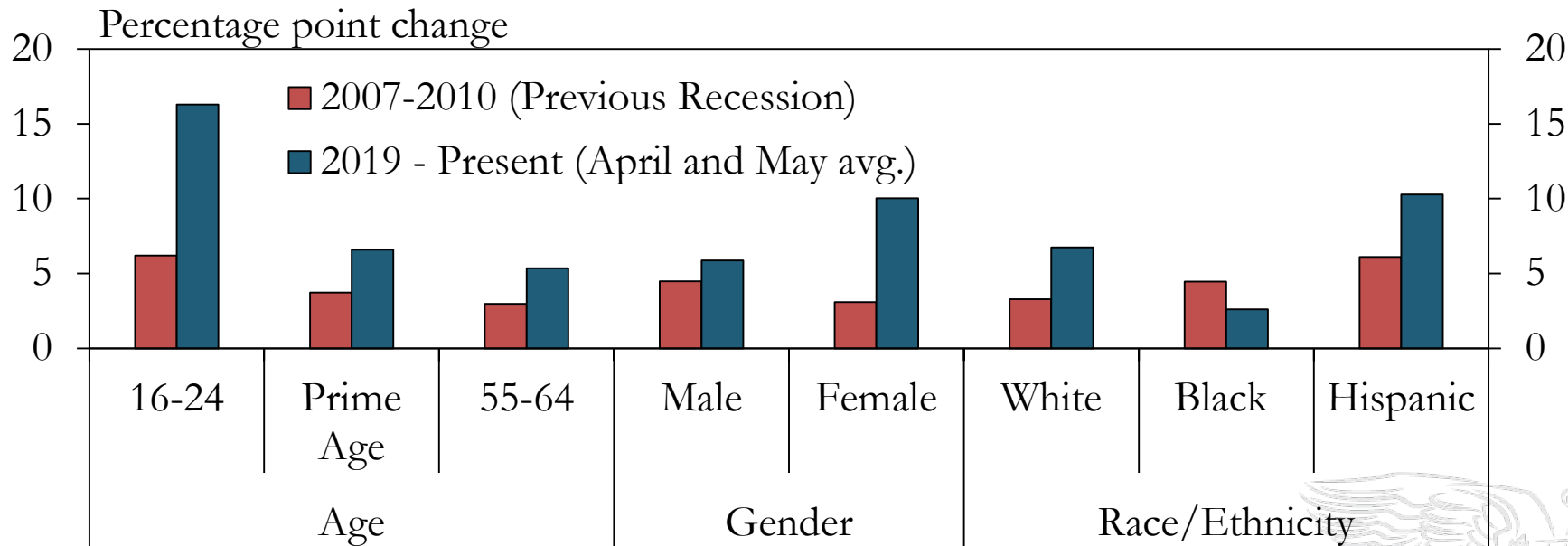


Sources: Census Bureau and Haver Analytics.

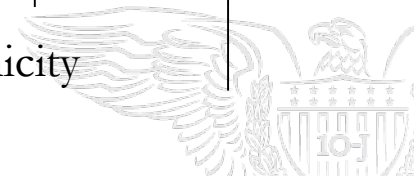


Some demographic groups have been more affected by the crisis than others.

Change in Unemployment Rate by Demographic KC Fed District

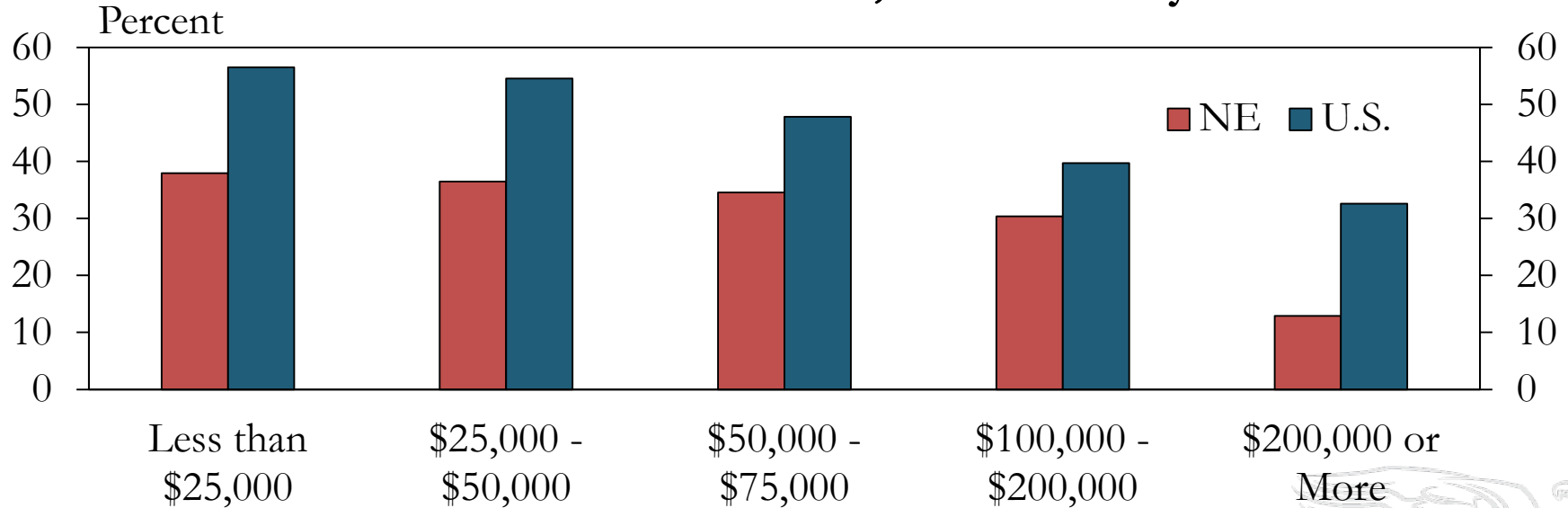


Sources: BLS and staff calculations.



Low income groups have also been affected disproportionately.

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

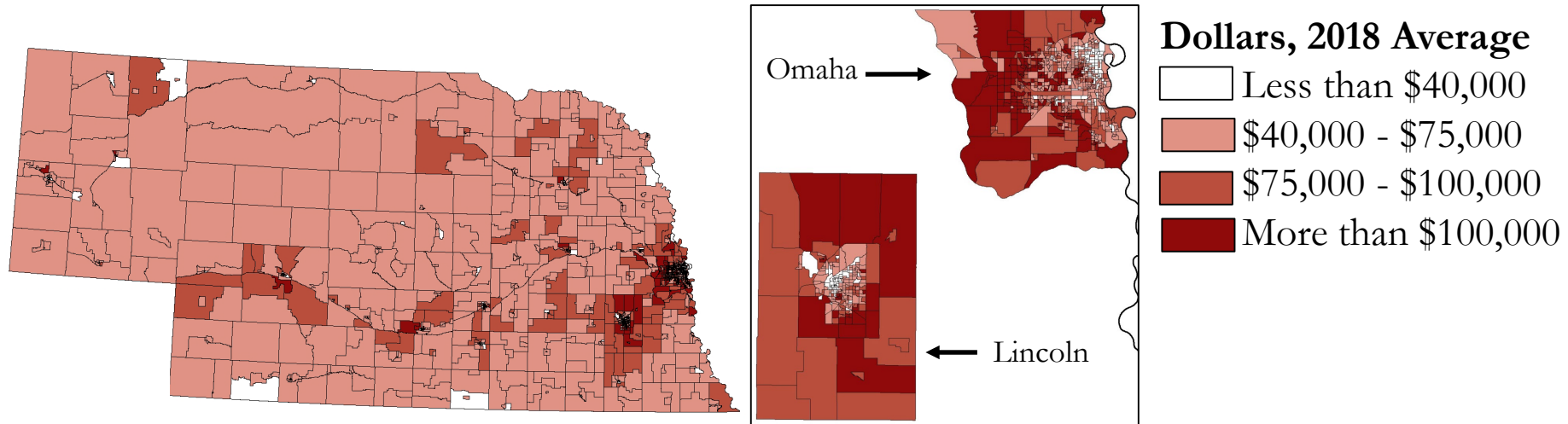


Source: Census Bureau.



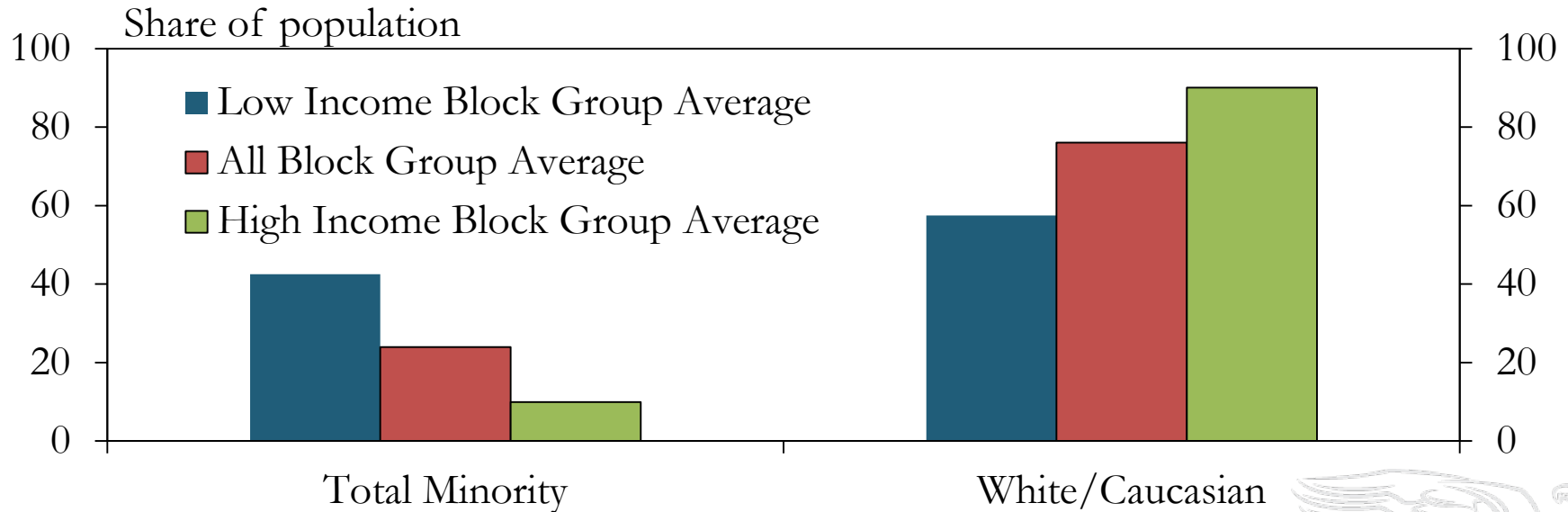
Importantly, even before the crisis, there were significant differences in economic conditions across communities.

Median Household Income



And minority groups account for almost half of the population in these low income regions.

2018 Household Income by Race & Ethnicity



Concluding remarks

- The virus, and associated risks, will shape the path 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.



