

U.S. & Nebraska Economic Update

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April 18, 2019



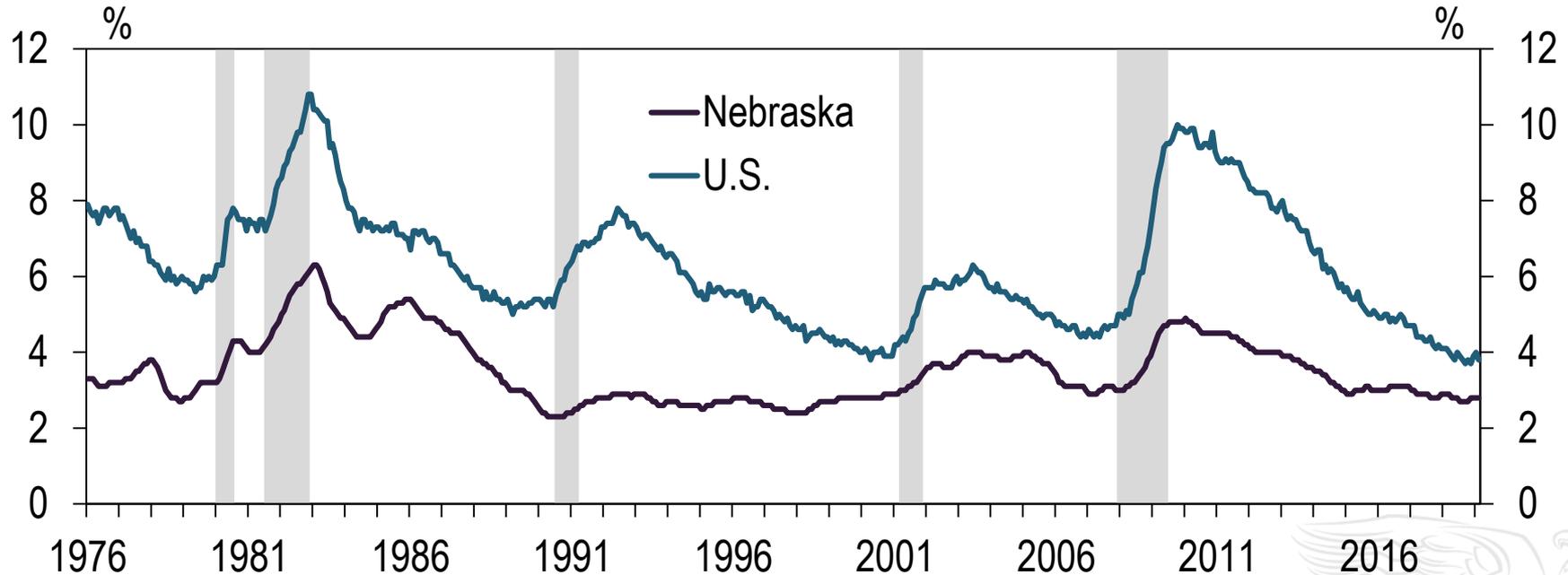
Outlook Themes

- Nebraska's economy has generally remained strong despite:
 - Slower job growth
 - Ongoing challenges in agriculture
 - Some signs of slower growth globally.
- Impacts from recent flooding may be significant, but are still uncertain.



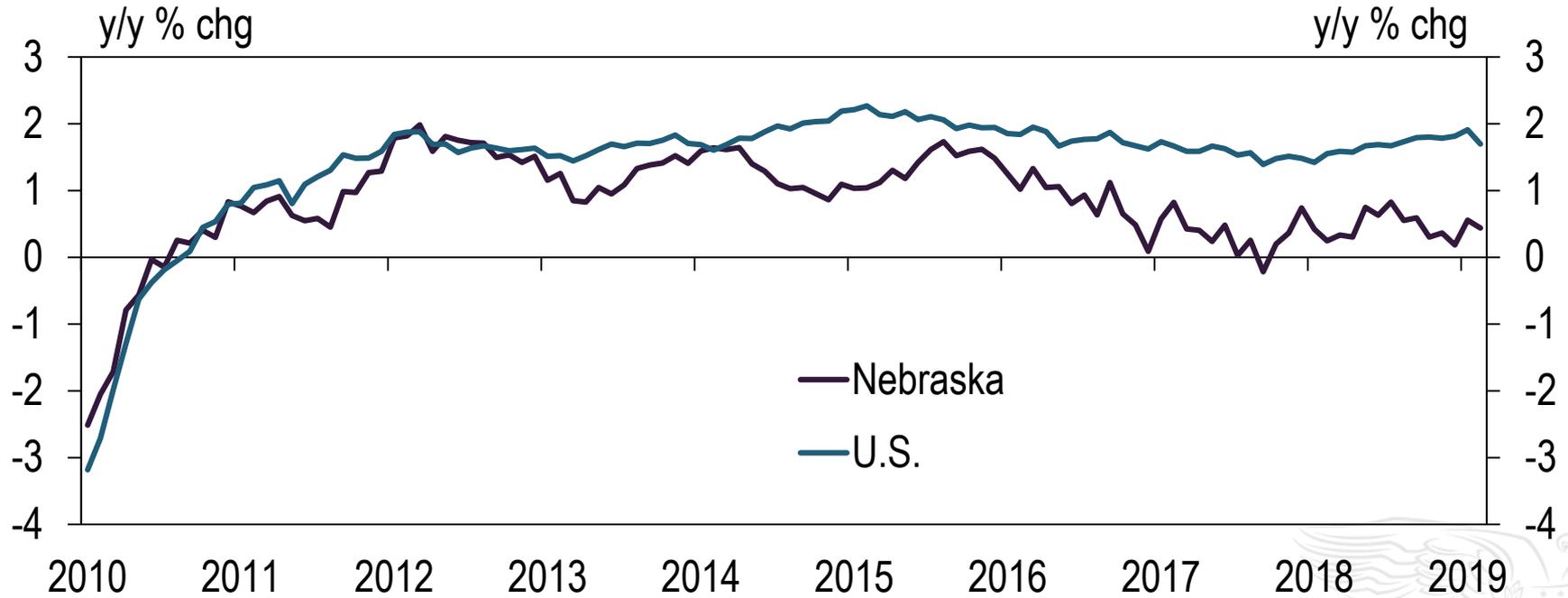
Unemployment in Nebraska was historically low through 2018.

Unemployment Rates



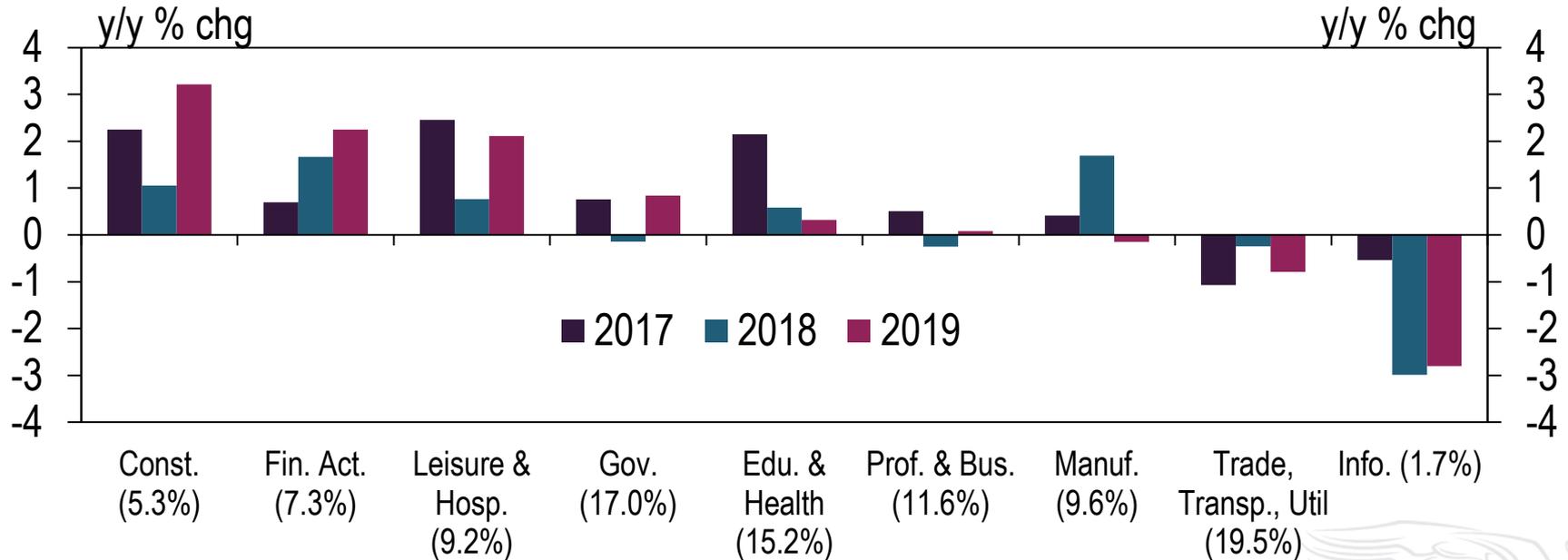
Employment growth remained steady, but modest toward the end of the year.

Employment Growth



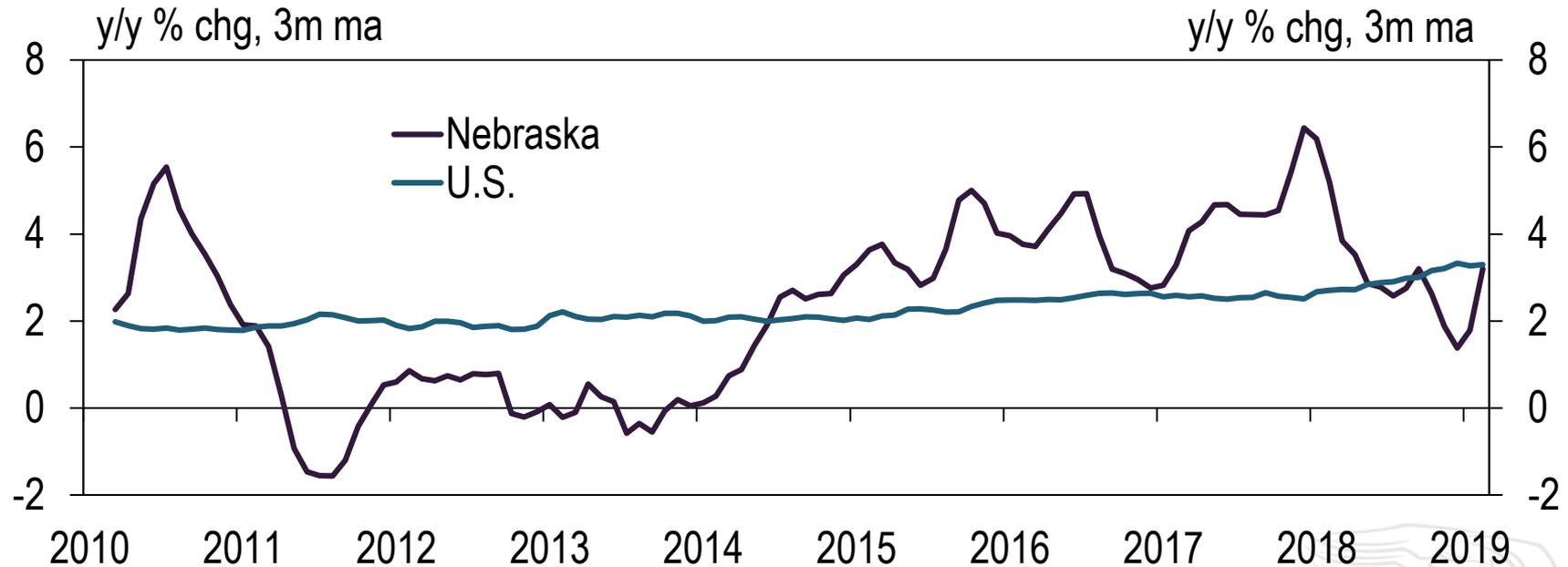
Several key industries have increased the pace of hiring compared with a year ago.

Employment Growth by Industry, January & February



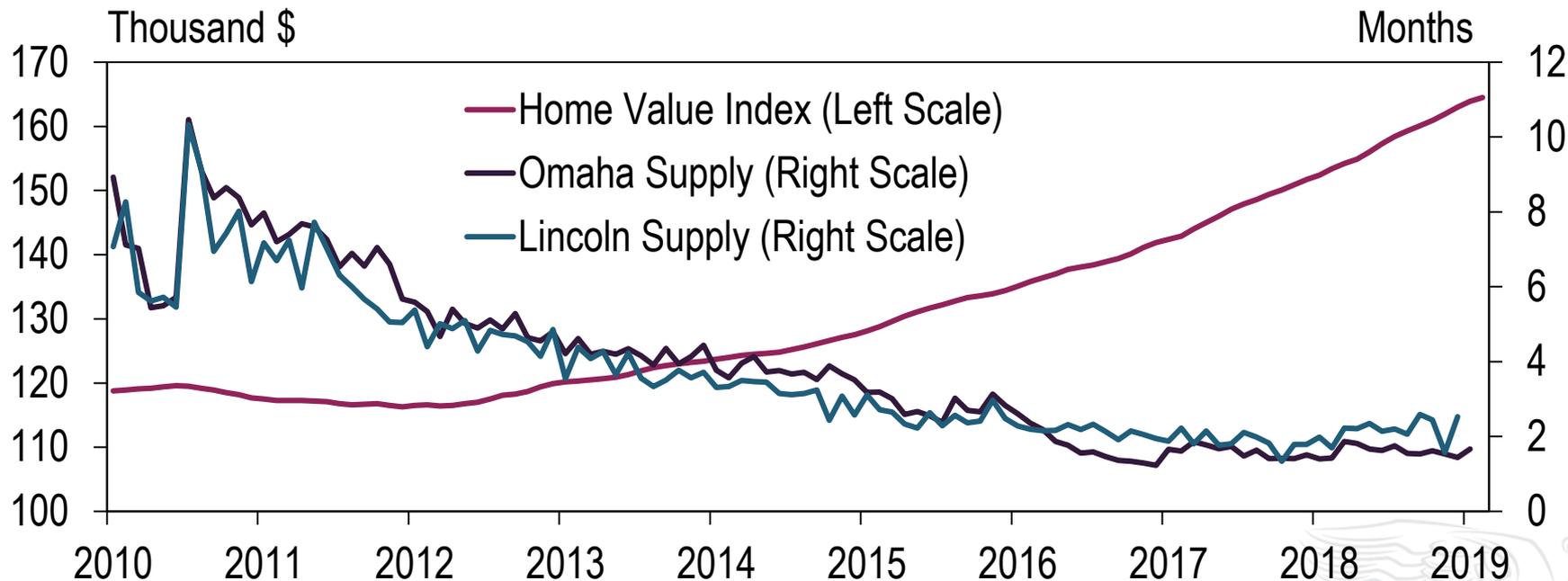
Wage growth softened slightly in the fourth quarter, but remains near the pace of the U.S.

Average Hourly Earnings



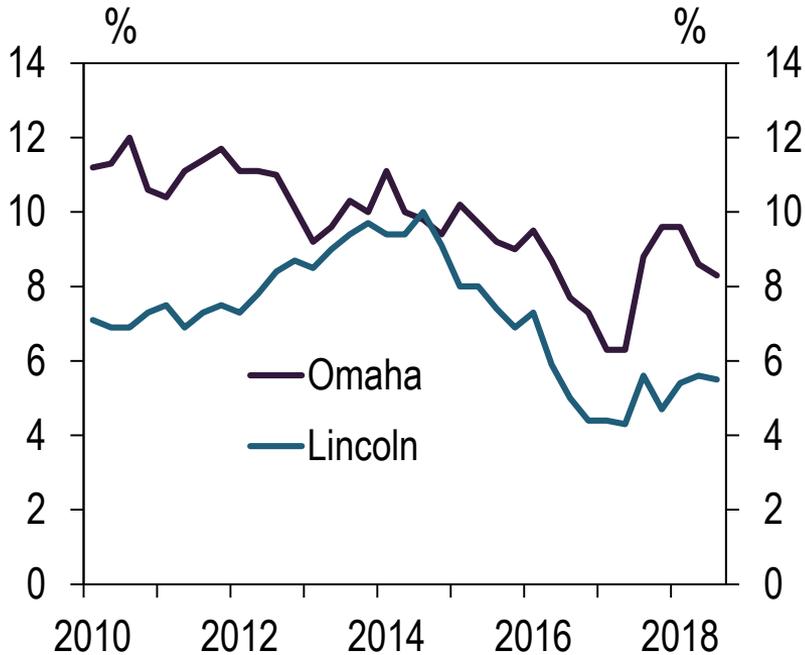
In addition to ongoing strength in labor markets, residential real estate markets still appear to be quite strong.

Residential Real Estate Markets

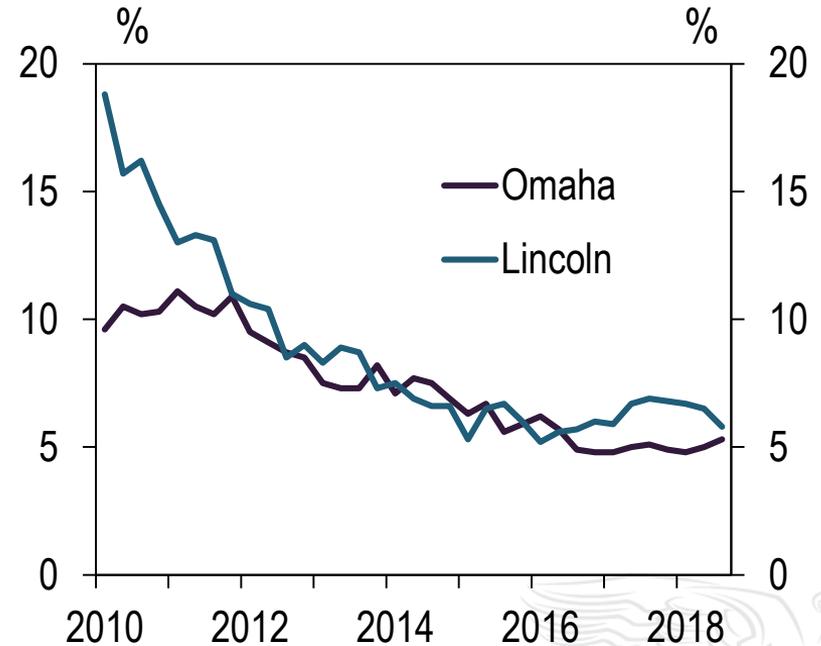


Commercial real estate markets in Omaha and Lincoln have also remained firm as vacancy rates edged lower.

Office Vacancy Rate

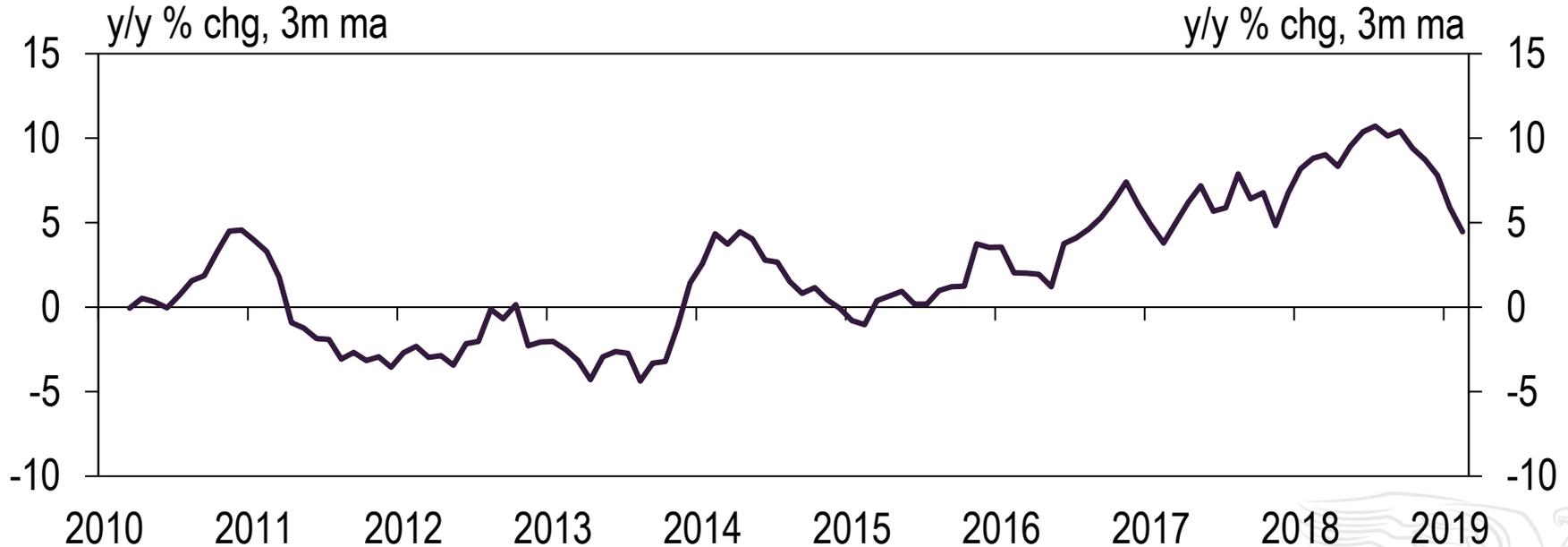


Industrial Vacancy Rate



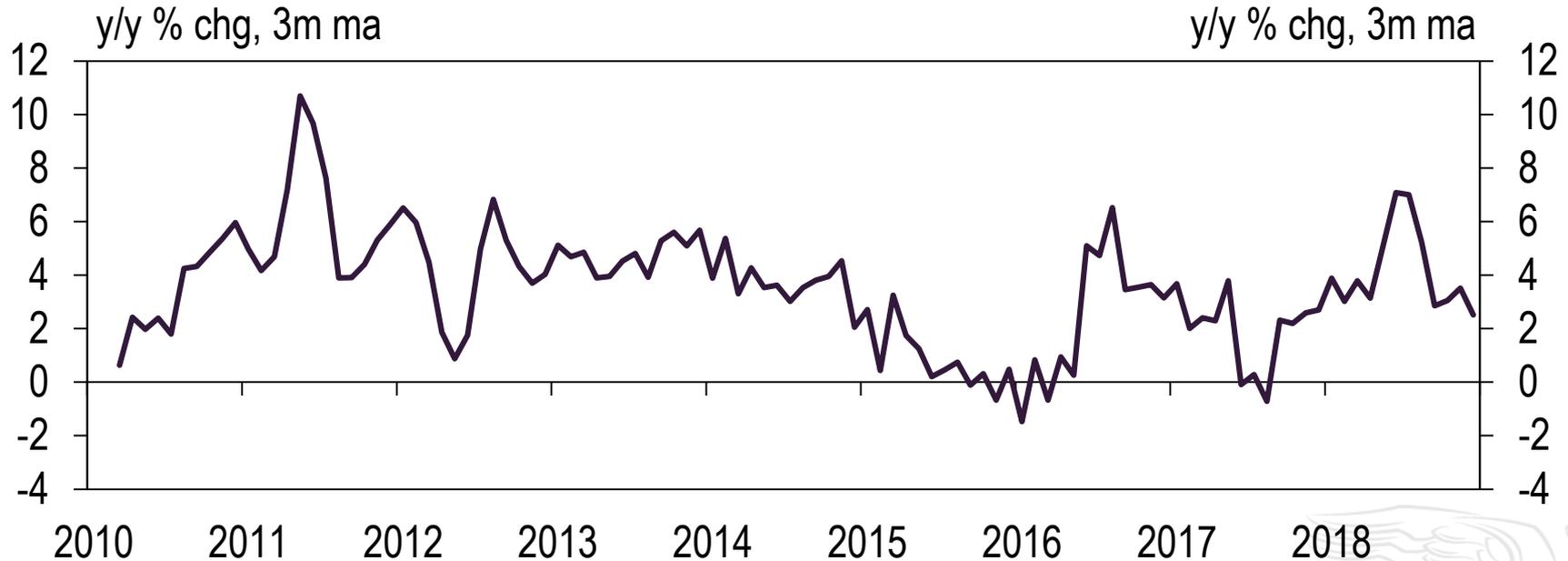
Airport passenger traffic in Omaha continued to increase, but at a slightly slower pace in recent months.

Eppley Airfield Passenger Traffic



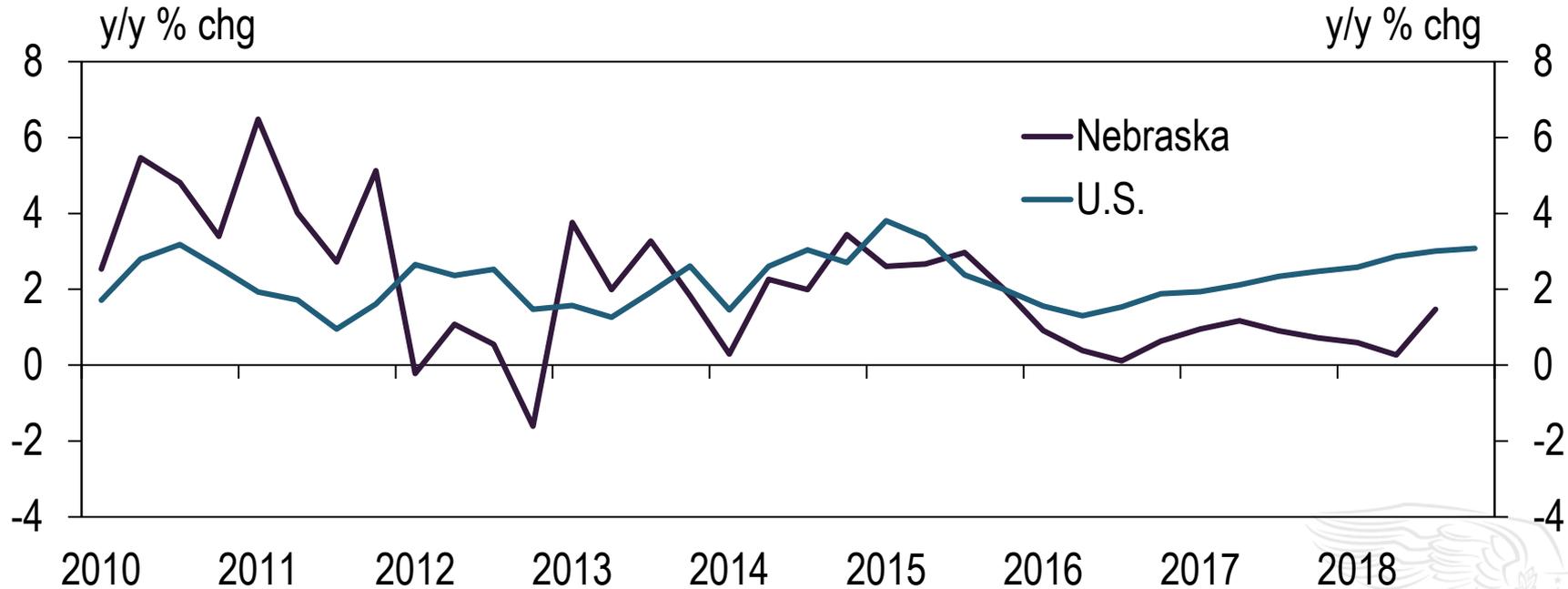
Consumer spending increased modestly in 2018 alongside a strong labor market.

Nebraska Net Taxable Retail Sales



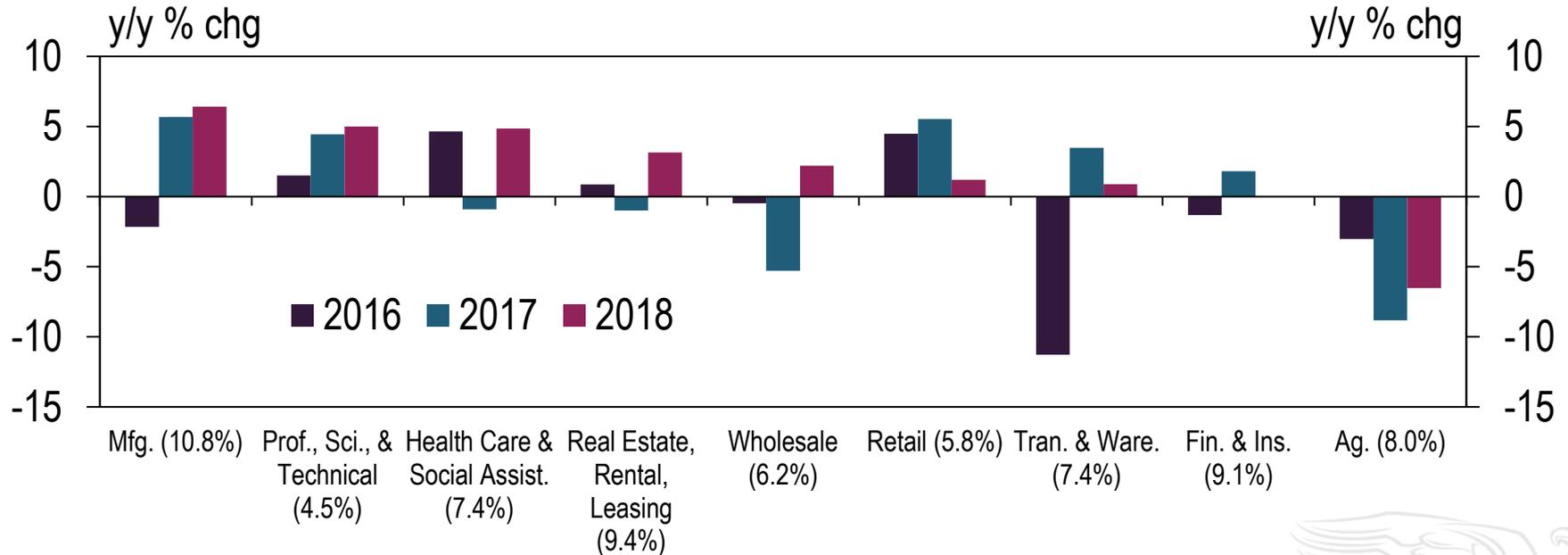
Despite the number of indicators pointing to ongoing strength, economic output in Nebraska slowed in 2018.

Real GDP Growth



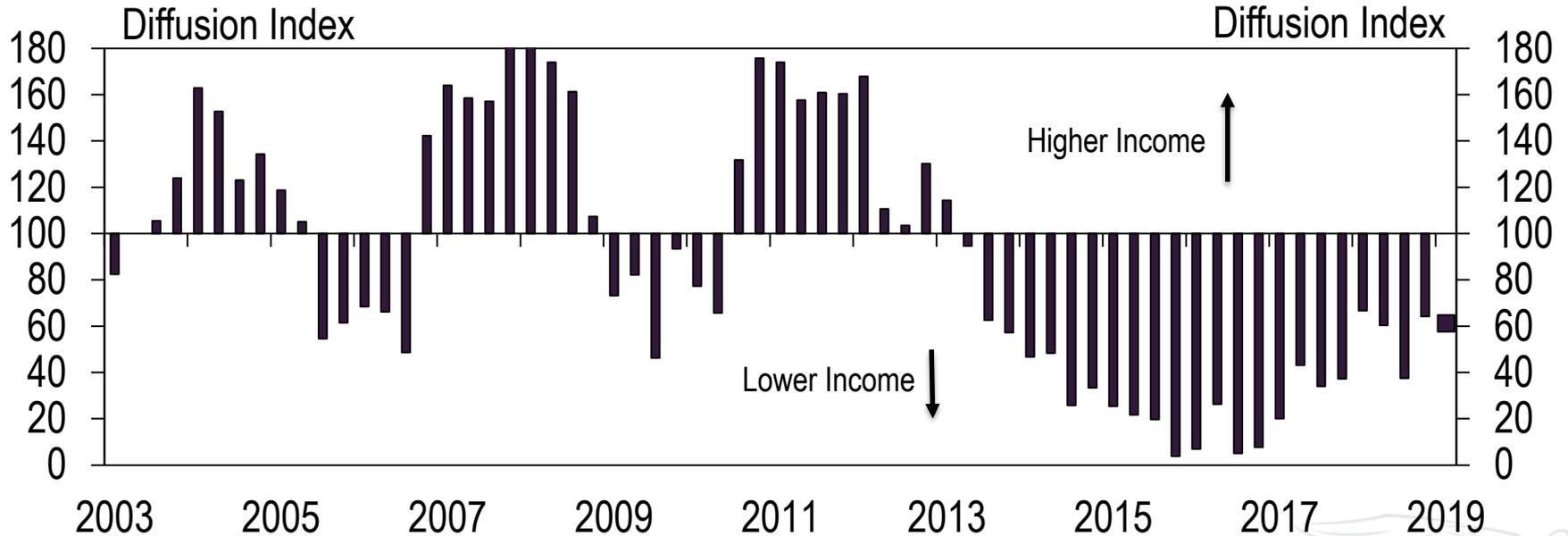
Ongoing challenges in the farm sector have weighed on economic growth each of the past two years.

Nebraska Real GDP by Major Industry, Q3



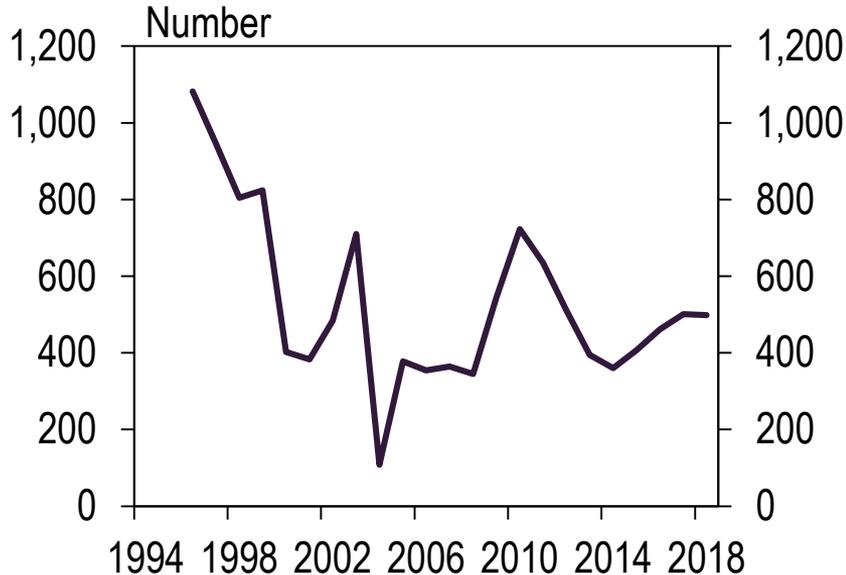
Incomes in the farm sector have continued to decline.

Nebraska Farm Income

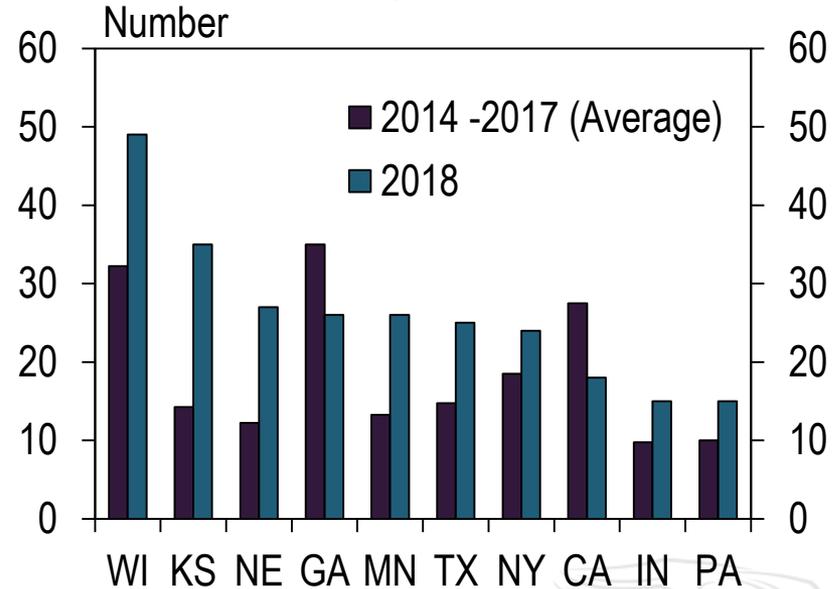


Farm bankruptcies have also increased slightly over the past few years.

U.S. Farm Bankruptcies



Most Farm Bankruptcies in 2018 by State



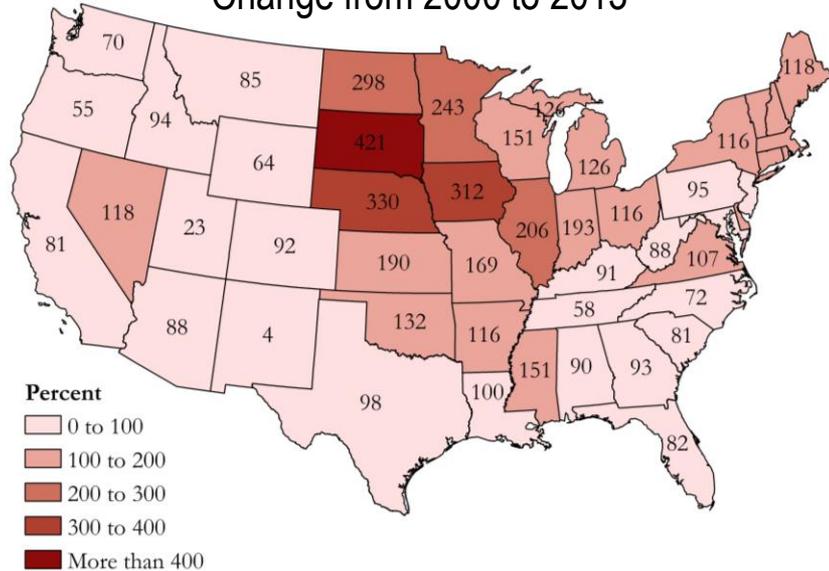
* Includes all chapter 12 filings which are defined as “family farmers” and “family fishermen” with “regular annual income”.

Source: United States Courts

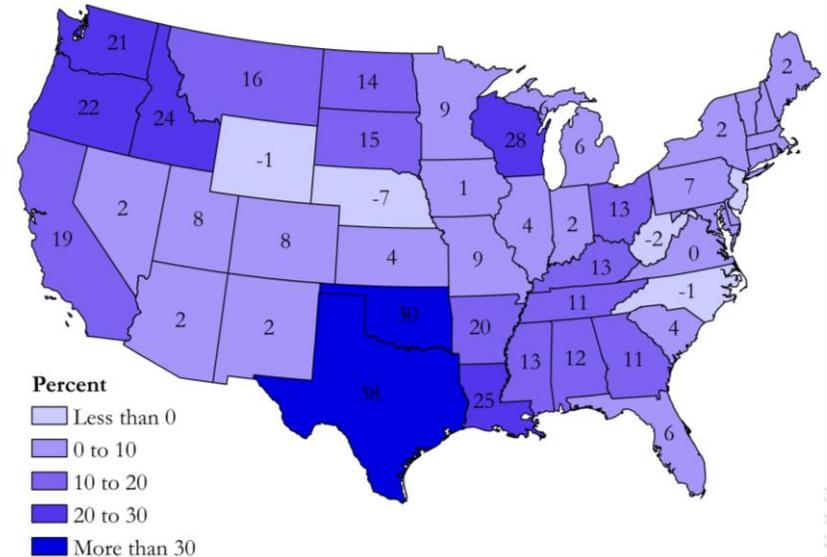


Farmland values have remained relatively stable, despite modest declines in some states.

U.S. Farmland Values
Change from 2000 to 2013

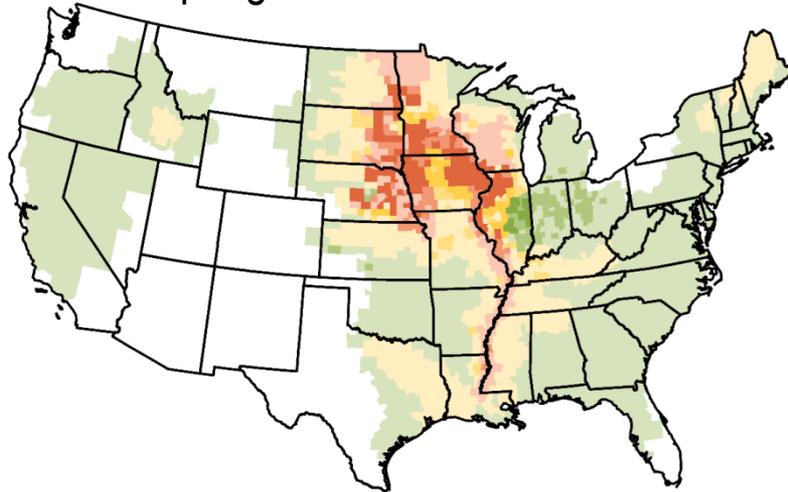


U.S. Farmland Values
Change from 2013 to 2018



The effects of recent flooding could be significant, but may take time to fully assess.

Corn and Soybean Revenues and Spring 2019 Flood Outlook



Corn and Soybean Revenue by Flood Category (\$)

Major

0 - 15 million

15 - 50 million

Greater than 50 million

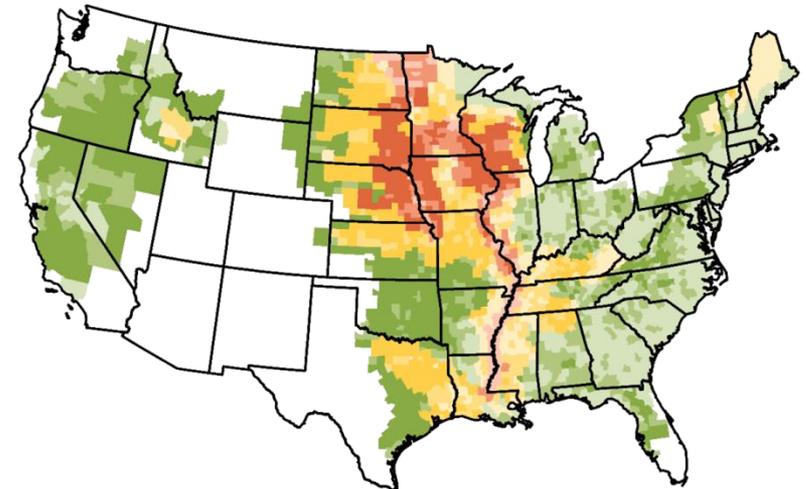
Moderate Minor

0 - 15 million

15 - 50 million

Greater than 50 million

Cattle Inventories and Spring 2019 Flood Outlook



Cattle Inventory by Flood Category

Major

0 - 10,000

10,001 - 30,000

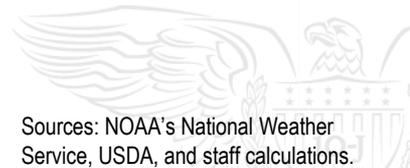
Greater than 30,000

Moderate Minor

0 - 10,000

10,001 - 30,000

Greater than 30,000



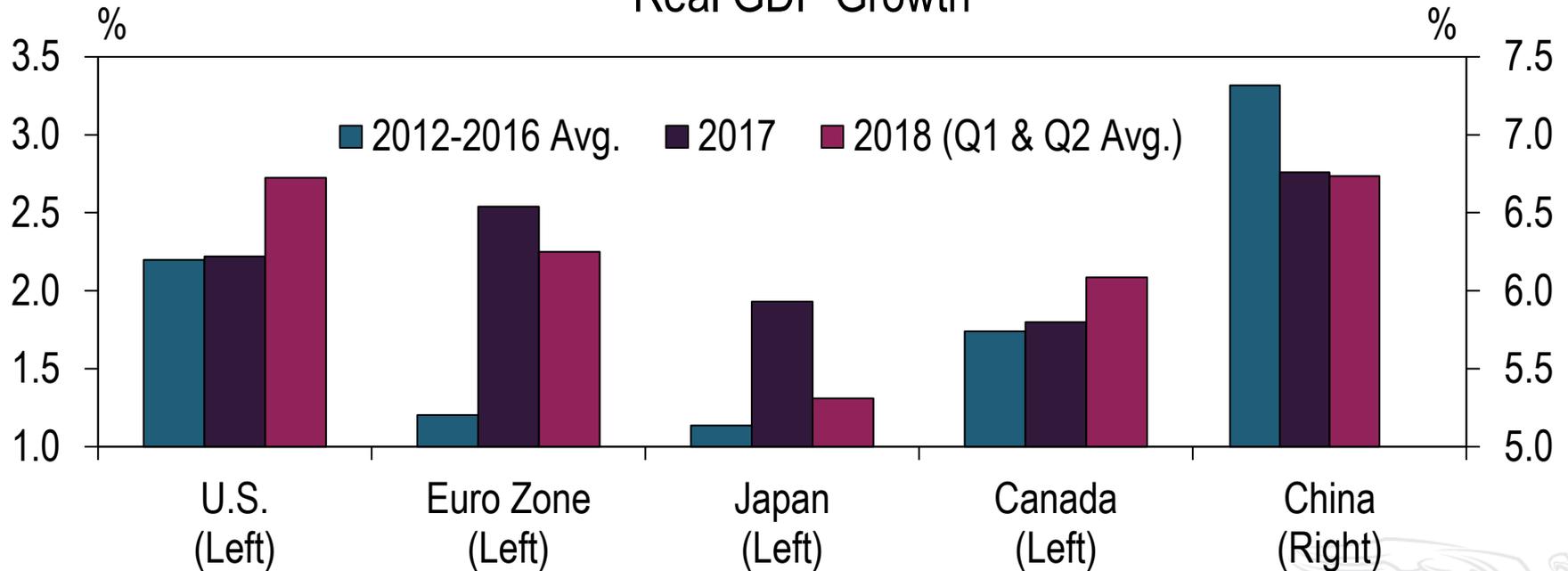
Sources: NOAA's National Weather Service, USDA, and staff calculations.

Global Economics, Trade and Monetary Policy



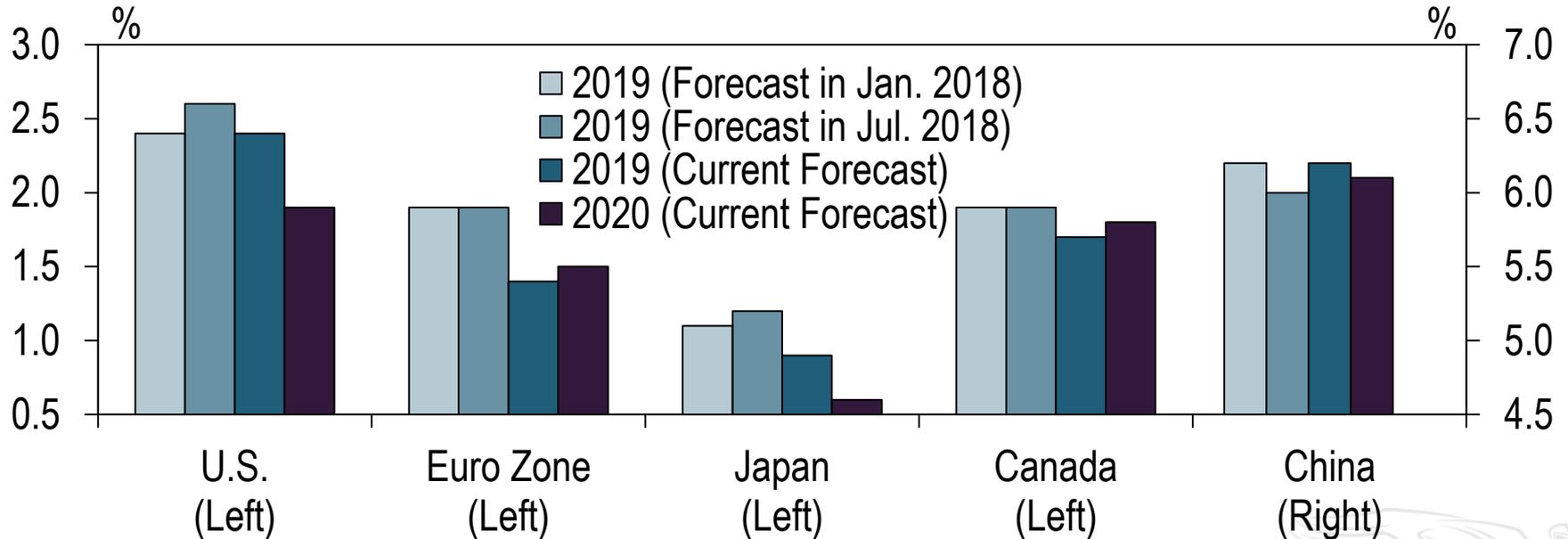
In 2017 and early 2018, a relatively strong global economy supported robust demand for food and ag products.

Real GDP Growth

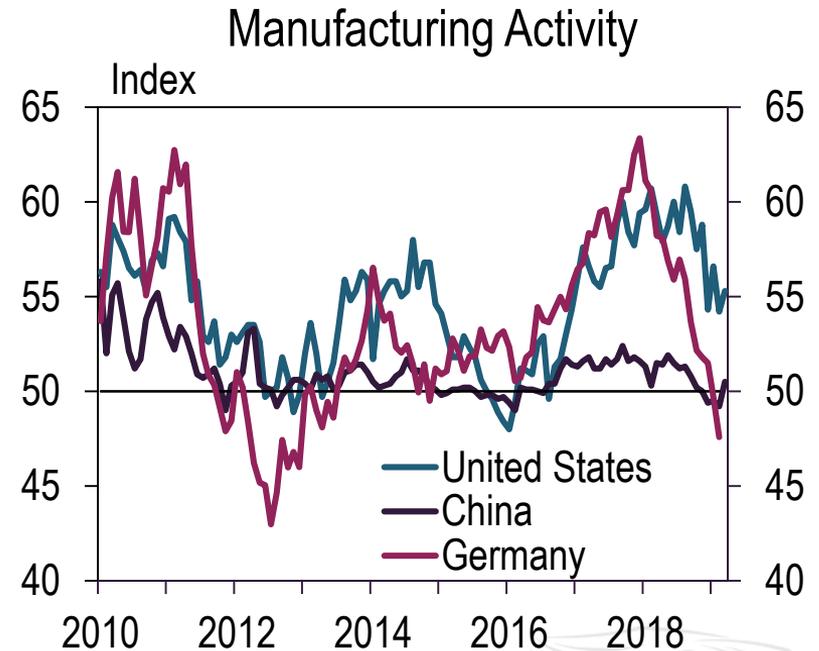
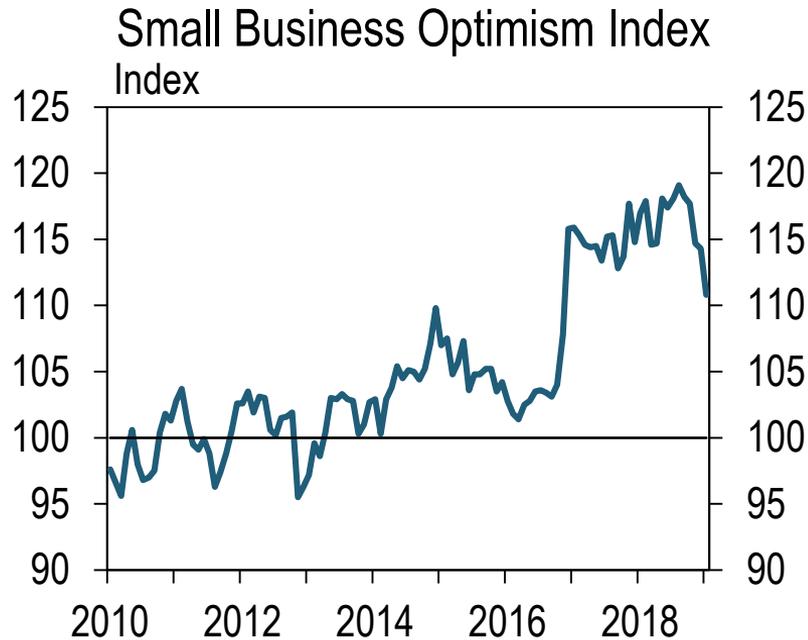


Over the past year, however, growth projections have been revised lower.

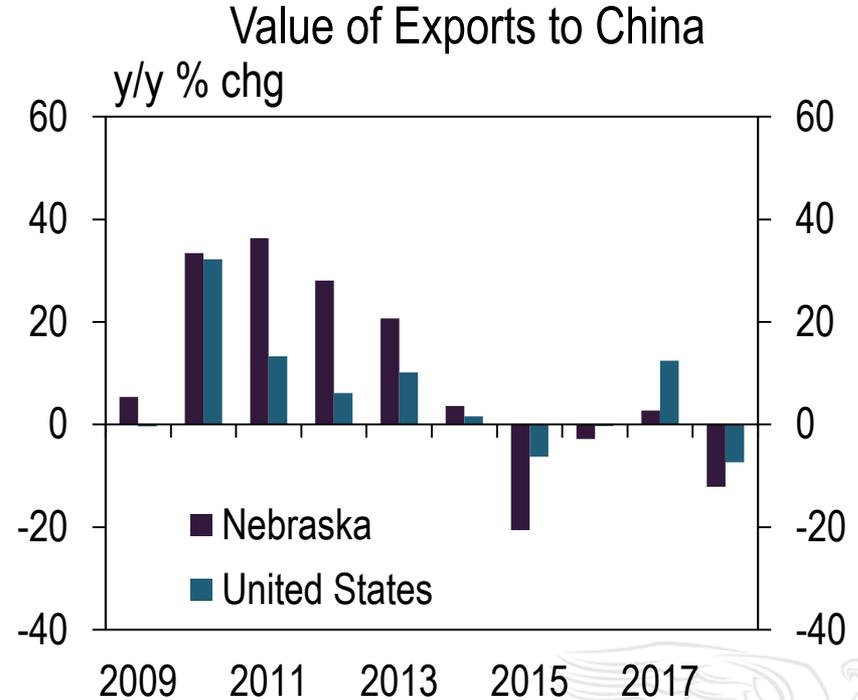
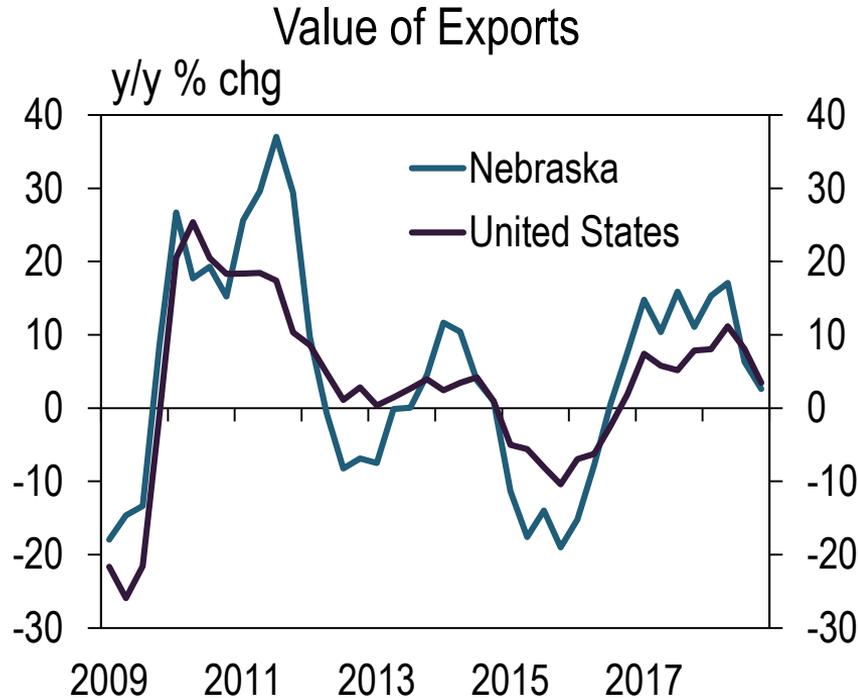
Real GDP Growth Forecasts



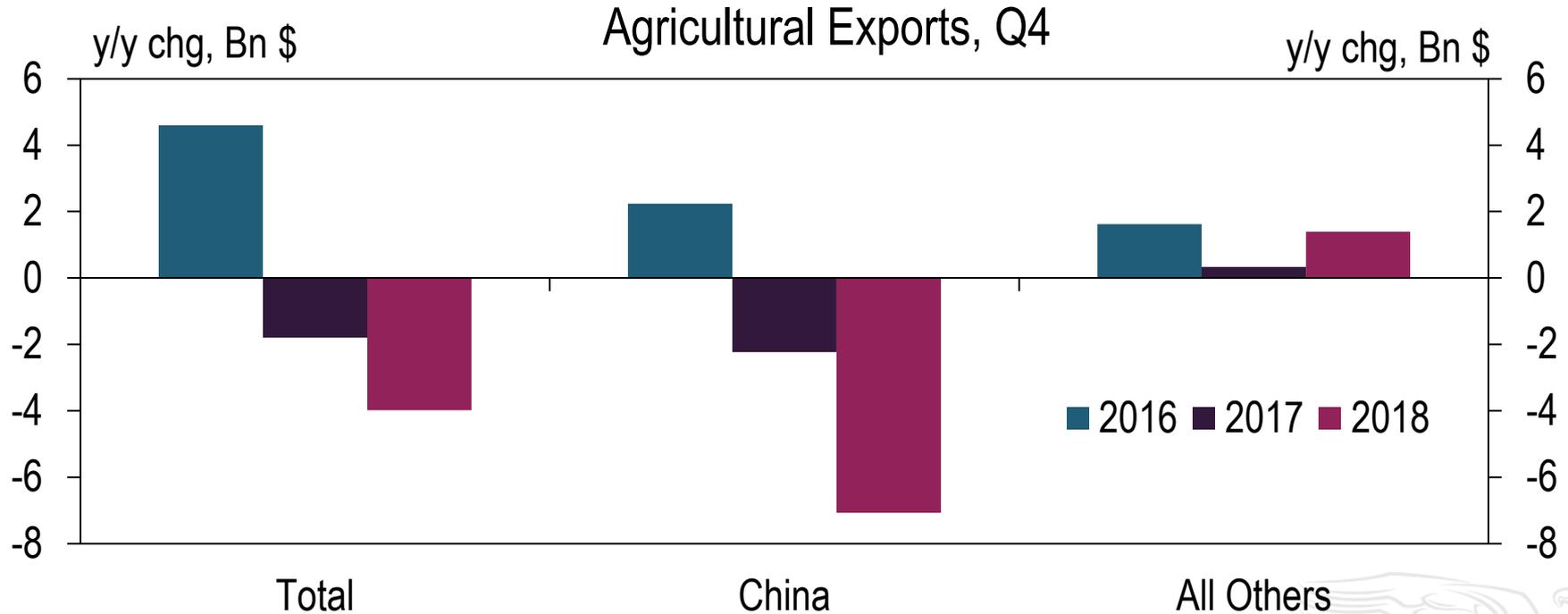
Business optimism has slowed recently and the pace of manufacturing activity has also softened.



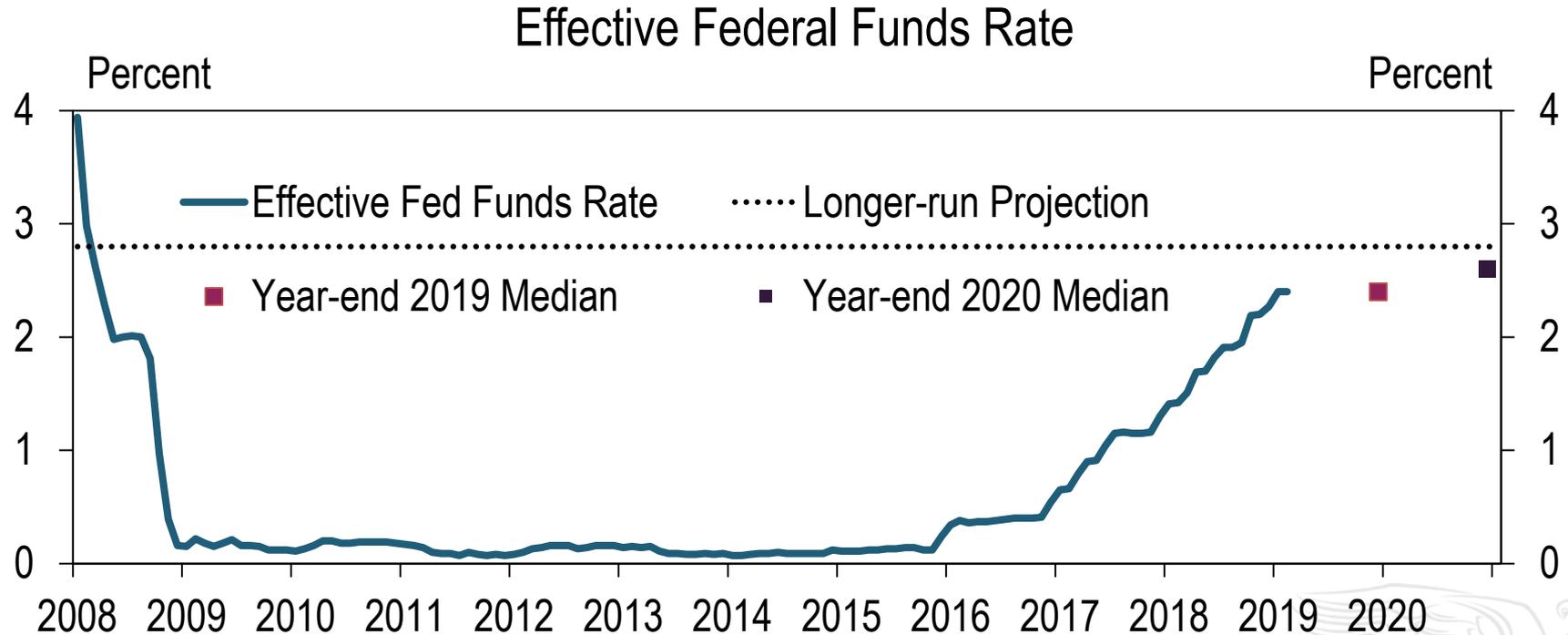
Export growth also slowed as trade disputes intensified through 2018 and lingered toward the end of the year.



Ag exports to other regions have increased despite a sharp drop in exports to China.



Benchmark interest rates increased modestly in 2018.



Concluding Thoughts

- Challenges in agriculture appear likely to persist in 2019 alongside low commodity prices and concerns about recent flooding.
- Despite the challenges in rural areas of the state, growth in metro areas seems likely to continue, albeit modestly, alongside strong labor markets.



Questions?

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