Nebraska Economic Update
An Unsteady Path to Reclaiming the Summit
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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.
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Prior to COVID-19, the U.S. economy was in the midst of its longest expansion on record.

**U.S. GDP Growth & Unemployment Rate**

Sources: BEA, BLS, and Haver Analytics.
Nebraska’s economy also experienced more than a decade of growth.
The economy started the year strong, even as detections of the new coronavirus began to emerge.

Sources: Yahoo Finance, Johns Hopkins University.
By the end of March, however, the economy was facing extreme pressure.

Sources: Yahoo Finance, Johns Hopkins University, Department of Labor, Haver Analytics.
Businesses dependent on travel and in-person gatherings were hit particularly hard.

Sources: Omaha Airport Authority, Bureau of Transportation Statistics, EIA, CME, Haver Analytics.
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**

- Following 2001 Recession
- Following Great Recession
- April 2020

**Initial Unemployment Insurance Claims in Nebraska**

Sources: BLS, Department of Labor, Haver Analytics.
Some demographic groups have been more affected by the crisis than others.

### Change in Unemployment Rate by Demographic

**KC Fed District**

<table>
<thead>
<tr>
<th>Age</th>
<th>Gender</th>
<th>Race/Ethnicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-24</td>
<td>2007-2010</td>
<td>2019 - Present</td>
</tr>
<tr>
<td>Prime Age</td>
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<tr>
<td>Hispanic</td>
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</tbody>
</table>

**Percentage point change**

- **2007-2010 (Previous Recession)**
- **2019 - Present (April and May avg.)**

**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

- Less than $25,000
- $25,000 - $50,000
- $50,000 - $75,000
- $100,000 - $200,000
- $200,000 or More

Source: Census Bureau.
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

Sources: BEA, BLS, and Haver Analytics.
Prior to COVID-19, Nebraska had one of the lowest unemployment rates in the country.

States with Lowest Unemployment Rates, Feb. 2020

Sources: BLS and Haver Analytics.
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**

- Nebraska: 30
e- U.S.: 50

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

- Nebraska: 60
e- U.S.: 60

Sources: Census Bureau, Haver Analytics.
Businesses in Nebraska did not close as rapidly as other states, and most have reopened.

Number of Businesses Open

Index, Jan. 2020 = 0

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

Sources: BLS, Haver Analytics.
Government support programs have provided short-term relief.

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

Percent of small businesses receiving loans

Source: 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.

Source: Federal Reserve Bank of St. Louis.
The road to full recovery may, however, still be arduous.

Expected Time Until Return to Normal

Percent of businesses

- By June
- By August
- By October
- October or Later

NE: Survey conducted Apr. 26 - May 2
Survey conducted Jun. 21 - Jun. 27

U.S.: By June
- By August
- By October
- October or Later

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

Percent change from previous year

Leisure & Hospitality  Trade, Transp., Util.  Prof. & Business Services  Educ. & Health Services  Govt.  Manufacturing  Fin. Activities  Construction


Sources: BLS, and Haver Analytics.
The agricultural sector, already pressured before COVID-19, likely will also face ongoing risks.

Agricultural Commodity Prices

Percent change since Jan. 1, 2020

- Corn
- Cattle
- Wheat
- Hogs
- Soybeans

Sources: CME, WSJ and Haver Analytics.
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](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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