Nebraska Economic Outlook

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The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System
Today’s Outline

• There are general signs of strength in Nebraska’s economy, especially at the state level.

• However, some regions and sectors of the economy show greater signs of optimism than others.

• A softening farm economy has continued to weigh on the Nebraska economy, particularly in rural areas.
At a glance, Nebraska’s labor market indicators generally appear healthy.

Sources: Bureau of Labor Statistics and Haver Analytics.
Wages continue to rise, and job growth at the state level has been steady.

Nebraska Job Growth and Average Hourly Earnings

Sources: Bureau of Labor Statistics and Haver Analytics.
Home prices have trended higher.

**Median Home Prices**

Index (2007 Q1 = 0)

- Nebraska
- Scotts Bluff County
- U.S.

Sources: Zillow and Haver Analytics.
Real estate markets continue to strengthen, driven in large part by a limited supply of housing.

**Omaha and Lincoln Residential Real Estate**

Sources: National Association of Realtors and Haver Analytics  
*Four Quarter Moving Average
Mortgage delinquency rates have also continued to trend lower.

**Mortgage Delinquencies – Total Past Due**

<table>
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<th>Year</th>
<th>U.S.</th>
<th>Nebraska</th>
<th>Scotts Bluff County</th>
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<td>2016</td>
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Sources: Federal Reserve Bank of New York’s Consumer Credit Panel.
Some consumer indicators have also shown notable improvements in economic activity.

Nebraska Travel Statistics

Percent change from previous year, 3 month moving average

Sources: Omaha Airport Authority, Federal Highway Administration, and Haver Analytics
Recent declines in state retail sales, however, point to some weakness.

**Nebraska Net Taxable Retail Sales**

Percent change from previous year, 3 month moving average

Source: Nebraska Department of Revenue
In contrast to recent years, service-providing firms are driving Nebraska’s job growth.

**Nebraska Employment Growth**

Year-to-date, percent change from previous year

- **All Firms**
  - 2014: 1.4%
  - 2015: 1.3%
  - 2016: 1.5%

- **Goods-Producing Firms**
  - 2014: 2.2%
  - 2015: 2.0%
  - 2016: 1.5%

- **Service-Producing Firms**
  - 2014: 1.3%
  - 2015: 1.3%
  - 2016: 1.5%

Sharp increases in job gains in a couple key categories have driven the recent growth.

Job growth at durable goods manufacturers has been especially poor.
Job growth has also diverged regionally, with just three counties driving the gains.

**Nebraska Employment Growth by Region**

Percent change from previous year, 3 month moving average

Source: Bureau of Labor Statistics

*I-80 Corridor includes all counties in Nebraska through which Interstate 80 runs, except Douglas, Lancaster, and Sarpy counties.*
A weakening farm economy has likely contributed to the divergence in Nebraska.

Source: Federal Reserve Bank of Kansas City

*Bankers responded by indicating whether farm income during the current quarter was higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
After a brief spring rebound, crop prices have moved another notch lower.

Sources: Wall Street Journal and Haver Analytics.
Losses in the cattle sector have also weighed on the farm economy.

**U.S. Livestock Markets**

Sources: USDA, Iowa State University and Haver Analytics.
Nebraska’s manufactured exports have continued to decline, though not as sharply as last year.

Sources: WISER Trade, Bureau of the Census, and Haver Analytics.
Despite strengthening residential and commercial real estate markets, farmland values have softened.

**Nebraska Farmland Values**

Percent change from previous year

- Ranchland
- Nonirrigated
- Irrigated

Source: Federal Reserve Bank of Kansas City
Farm loan repayment problems have increased somewhat.

**Farm Loan Repayment Problems – KC Fed District**
Second Quarter

Source: Federal Reserve Bank of Kansas City
The downturn in the ag economy appears to be affecting general business activity.

“Is a weakening agricultural economy leading to weaker Main Street business activity?”

Source: Federal Reserve Bank of Kansas City
A Tale of Two Economies in Nebraska

• Generally Positive:
  • Service-based industries
  • Consumer driven economy
  • Metro areas

• More Negative:
  • Goods-producing, commodity-dependent, export-dependent industries
  • Businesses tied to agriculture or energy
  • Rural areas
Questions?

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