Nebraska Economist: Economic Update and Household Finances

Nate Kauffman, Senior Vice President and Omaha Branch Executive
John McCoy, Assistant Economist, Omaha Branch
Outlook Themes

• Nebraska households appear to be in a relatively strong financial position with strong job opportunities, increased wages, and robust levels of saving.

• Large increases in costs associated with housing, however, may significantly constrain the ability of some households to maintain current levels of saving and/or spending.
Unemployment in Nebraska is very low, and labor force participation similar to its pre-pandemic trend.

Sources: BLS, Haver Analytics.
Job growth exceeds pre-pandemic rates, and openings still remain elevated.

Sources: BLS, Haver Analytics.
Earnings from employment have also increased at sharply higher rates than previous years.

Sources: BLS, Haver Analytics.
Though slightly less than previous decades, earnings from work account for the largest share of income.

Sources: BEA, Haver Analytics.
Transfer payments surged during the pandemic but have since returned to historical levels.

Sources: BEA, Haver Analytics.
Real incomes in Nebraska have begun growing again with increased earnings and lower inflation.

Sources: BEA, Haver Analytics.
Since the onset of the pandemic, real incomes in Nebraska have grown more than any other state.

Sources: BEA, Haver Analytics.
On average, Nebraskans have saved about $9,000 per year since the onset of the pandemic.

Sources: BEA, Haver Analytics, staff calculations.
Per capita savings in Nebraska have been higher than the nation since the beginning of the pandemic.

Savings per Capita

(Disposable Income in Excess of Total Consumption)

Sources: BEA, Haver Analytics, staff calculations.
However, a sharp increase in housing costs is a risk to household saving and future consumption.

Sources: BEA, Zillow, Federal Reserve Bank of St. Louis, Freddie Mac, Haver Analytics, staff calculations.
Financing a home purchase at current prices and mortgage rates would reduce household savings significantly.

Nebraska Excess Savings Scenarios

Sources: BEA, Zillow, Federal Reserve Bank of St. Louis, Freddie Mac, Haver Analytics, staff calculations.
Notes: Excess savings are calculated as the difference between disposable income and consumption, including various scenarios of costs associated with housing. The “Low Cost” scenario applies Housing & Utilities expense from the BEA, the “Medium Cost” scenario applies Zillow’s rent index, and the “High Cost” scenario applies the average new mortgage payment derived from the average 30-year fixed rate mortgage and median home values provided by Zillow.
Concluding Thoughts

• Strength in the labor market does not appear to be fading much in Nebraska, despite a small reduction in job openings.

• Real incomes continue to rise as wage gains have recently outpaced inflation, boosting household savings.

• Sharp increases in housing costs, however, may be an important indicator to monitor when considering the future strength of household finances.