In the second quarter, Nebraska continued to buck national labor market trends. While the average U.S. consumer was mired in a sluggish economy and soft labor markets, Nebraska’s job growth approached 2 percent above year-ago levels, double the national rate. Professional and business services firms added the most workers, with solid job gains at leisure and hospitality firms, health care companies and educational institutions. Brisk export activity also kept Nebraska’s factories humming and employment high. Private sector hiring offset contractions in federal, state, and local government employment. As a result, Nebraska’s unemployment rate slid to 4.1 percent, well below the national average.

Robust labor markets powered Nebraska’s consumer spending. During the second quarter, retail sales in Nebraska jumped almost 8 percent above year-ago levels. The biggest gains emerged in rural Nebraska, where strong farm incomes sparked additional spending on Main Street and supported purchases of farm machinery and equipment. Anecdotal reports suggested that retailers were also able to capture additional Internet-based sales.

After bottoming in 2010, Nebraska’s home sales climbed higher in the second quarter. Stronger home sales trimmed the month’s supply of homes in both Omaha and Lincoln but were unable to spur higher home prices or more housing starts. Demand for rental housing stimulated multi-family building activity. While Nebraska’s commercial construction activity stalled, large-dollar military and public construction contracts helped fill the pipeline for future projects. Farm real estate values rose to record high levels due to favorable growing conditions and high commodity prices.
Employment and Consumer Spending

In the second quarter, Nebraska firms added jobs at the fastest clip in three years. Strong job growth in both metro and rural communities lifted Nebraska employment 1.8 percent above year-ago levels (Chart 1). Job gains were spread across all sectors of the economy and trimmed the state’s low unemployment rate even further. In fact, Nebraska posted the second lowest unemployment rate in the U.S. at 4.1 percent during July.

Additional hiring by private sector firms fueled Nebraska’s job growth (Chart 2). Robust job gains at Nebraska factories pushed the number of good-producing jobs 2.1 percent higher than year-ago levels as construction employment held steady. Hiring within the service-producing sector also advanced as second quarter employment climbed 1.7 percent above a year ago. Professional and business services firms filled the most job openings, increasing staff by more than 7 percent compared to last year. Leisure and hospitality firms, health care companies and educational institutions also added workers. Government payrolls, however, continued to shrink from cutbacks in federal, state and local positions.

Brighter job prospects fueled a jump in consumer spending. Net taxable retail sales increased almost 8 percent above year-ago levels during the second quarter (Chart 3). Nebraska’s retail sales gains were broad-based with brisk sales at retailers and auto dealers. Rural Nebraska enjoyed stronger retail sales as a robust agricultural economy boosted farm incomes and Main Street spending. Vigorous sales prompted some store managers to increase staffing.
Export orders continued to flood Nebraska’s factories. The value of manufactured exports remained 20 percent above year-ago levels in the second quarter (Chart 4). Canada accounted for the largest share of Nebraska’s exports year-to-date at 28 percent, followed by Mexico and Japan at 12 and 9 percent, respectively. Manufacturing employment rose by almost 3 percent compared to the second quarter of last year, and the average workweek held around 41 hours. Strong manufacturing production also spurred employment gains in the transportation and wholesale trade industries.

After bottoming in 2010, Nebraska’s home sales rose further, supported by lower home prices. In the second quarter, existing home sales rebounded to more historical averages (Chart 5). Home sales, however, remained well below the boom from 2004 to 2007 and last year’s spike that was associated with government tax credits. Stronger home sales were supported by slightly lower home prices. With stronger sales and a dip in single-family building activity, home inventories dropped in both the Omaha and Lincoln markets. Developers, however, ramped up construction of multi-family properties in response to strong demand for rental housing.

Echoing national trends, Nebraska’s commercial construction activity stalled in the second quarter (Chart 6). After a modest first quarter rebound, the value of commercial construction contracts fell 30 percent with fewer available projects. However, some large-dollar contracts were on the horizon in both metro and rural areas, most notably for flood control, road improvement and military base expansions.
Agriculture

With favorable growing conditions, Nebraska’s agricultural economy remained strong even though rising input costs could trim future profit margins. Timely rains helped reduce irrigation costs and provided ample moisture for crop and pasture growth. Extreme global weather patterns trimmed crop production and kept crop prices high. Strong export demand supported livestock prices. With most Nebraska crops rated in good or better condition, farm income expectations were high despite rising input costs. Some Nebraska producers curtailed capital spending in the second quarter as the prices for fuel, fertilizer and feed rose sharply (Chart 7).

Nebraska farmland values climbed higher with strong farm incomes and a limited number of farms for sale during the growing season. Compared to the second quarter of last year, Nebraska cropland values soared 30 percent higher and ranchland values jumped 17 percent (Chart 8). Agricultural bankers in Nebraska reported ample funds were available for qualified borrowers and interest rates on farm operating and real estate loans edged down.

Chart 7: Prices Paid by Farmers

Chart 8: Nebraska Farmland Value Gains

Source: USDA

Source: Federal Reserve Bank of Kansas City

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