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.

Unemployment and Labor Force Participation Rates

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**

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**

- Thousand Dollars (2015 dollars)*
- Months of Supply*

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**

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

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

**Service-Providing Industries Employment Growth**

Year-to-date, percent change from previous year

- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Finance, Insurance, and Real Estate
- Information
- Trade, Transportation, and Utilities

Job growth at durable goods manufacturers has been especially poor.

Manufacturing Employment Growth

Year-to-date, percent change from previous year

- 2.0
- 1.5
- 1.0
- 0.5
  0.0
  0.5
  1.0
  1.5
  2.0
  2.5

Total Manufacturing
Durable Goods Manufacturing
Nondurable Goods Manufacturing

Sources: Bureau of Labor Statistics and Haver Analytics.
Job growth has also diverged regionally, with just three counties driving the gains.

**Nebraska Employment Growth by Region**

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.

U.S. Crop Prices

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**

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

Farm Loan Repayment Problems – KC Fed District
Second Quarter

- **2010**: Minor repayment problems (15%), Major repayment problems (3%), Severe repayment problems (2%)
- **2011**: Minor repayment problems (13%), Major repayment problems (4%), Severe repayment problems (2%)
- **2012**: Minor repayment problems (12%), Major repayment problems (4%), Severe repayment problems (2%)
- **2013**: Minor repayment problems (12%), Major repayment problems (4%), Severe repayment problems (2%)
- **2014**: Minor repayment problems (12%), Major repayment problems (4%), Severe repayment problems (2%)
- **2015**: Minor repayment problems (11%), Major repayment problems (4%), Severe repayment problems (2%)
- **2016**: Minor repayment problems (10%), Major repayment problems (5%), Severe repayment problems (3%

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
Concluding Points

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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