

# Nebraska Economic Outlook



FEDERAL RESERVE BANK *of* KANSAS CITY

Nathan Kauffman  
Omaha Branch Executive and Economist  
Federal Reserve Bank of Kansas City

August 23, 2016

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

FEDERAL RESERVE BANK *OF* KANSAS CITY



# Today's Outline

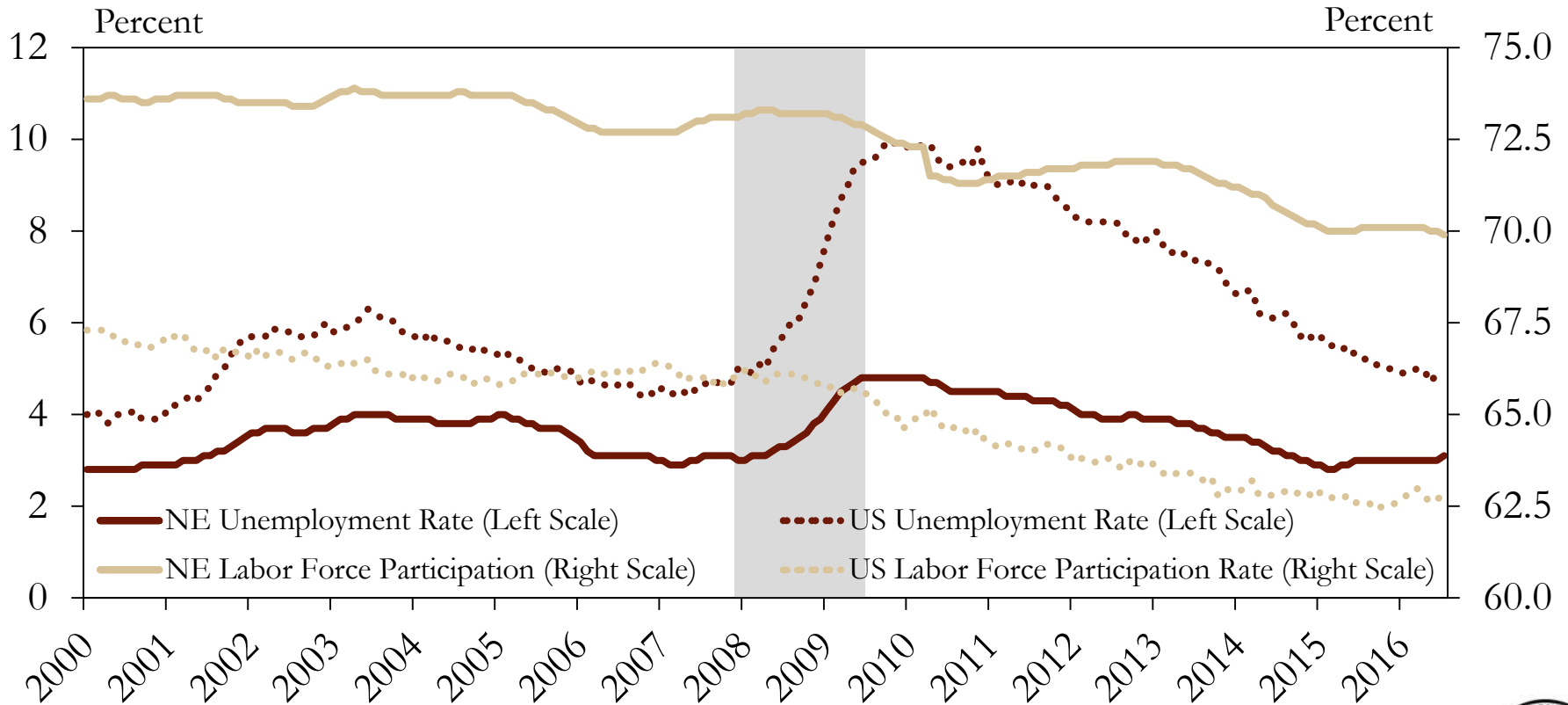
---

- 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



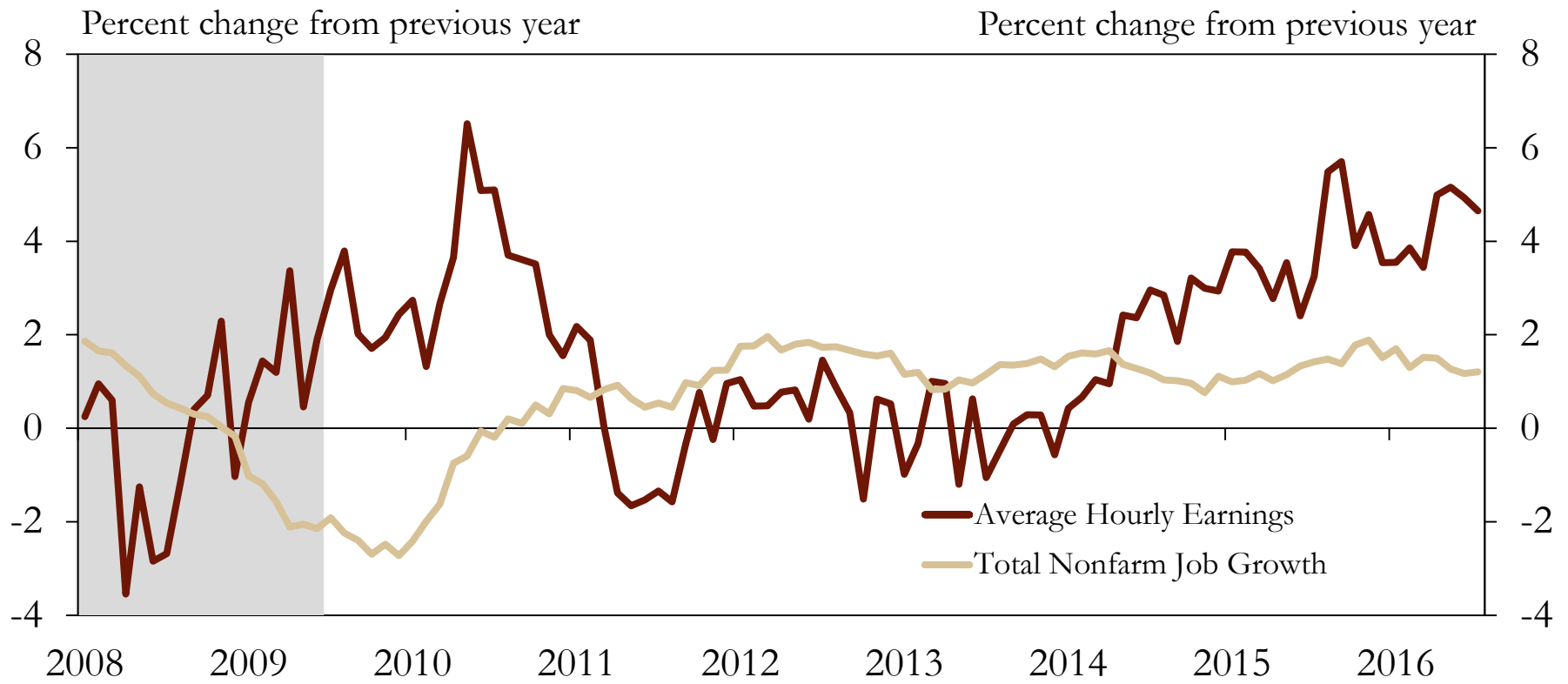
Sources: Bureau of Labor Statistics and Haver Analytics.

FEDERAL RESERVE BANK OF KANSAS CITY



Wages continue to rise, and job growth at the state level has been steady.

## Nebraska Job Growth and Average Hourly Earnings



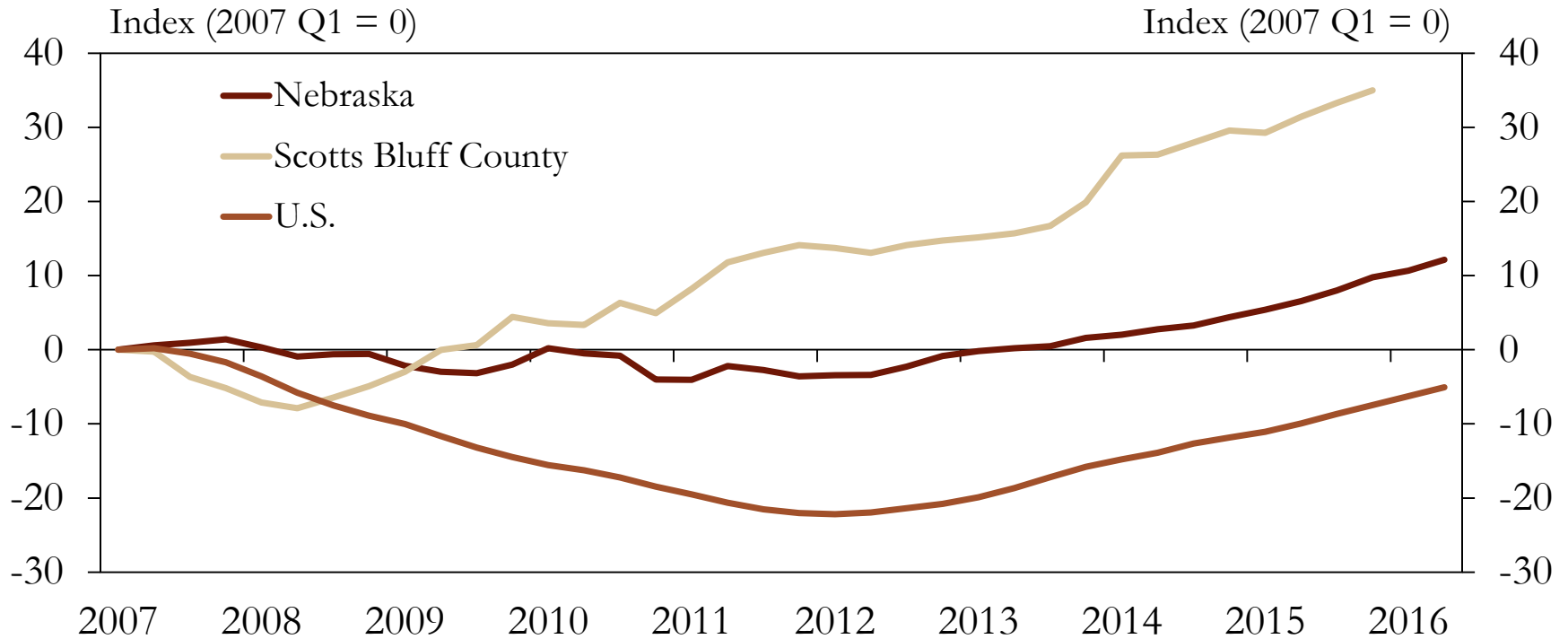
Sources: Bureau of Labor Statistics and Haver Analytics.

FEDERAL RESERVE BANK OF KANSAS CITY



# Home prices have trended higher.

## Median Home Prices

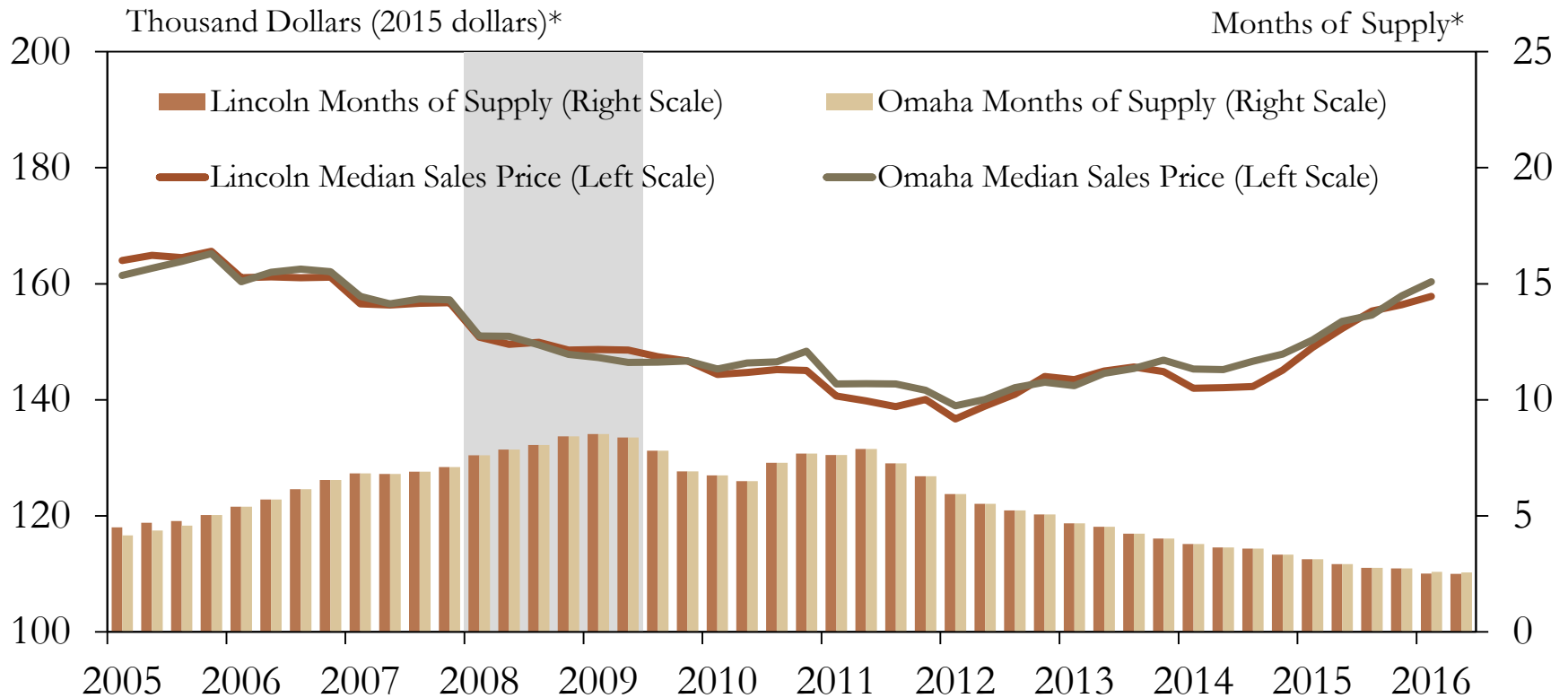


Sources: Zillow and Haver Analytics.



Real estate markets continue to strengthen,  
driven in large part by a limited supply of housing.

## Omaha and Lincoln Residential Real Estate



Sources: National Association of Realtors and Haver Analytics

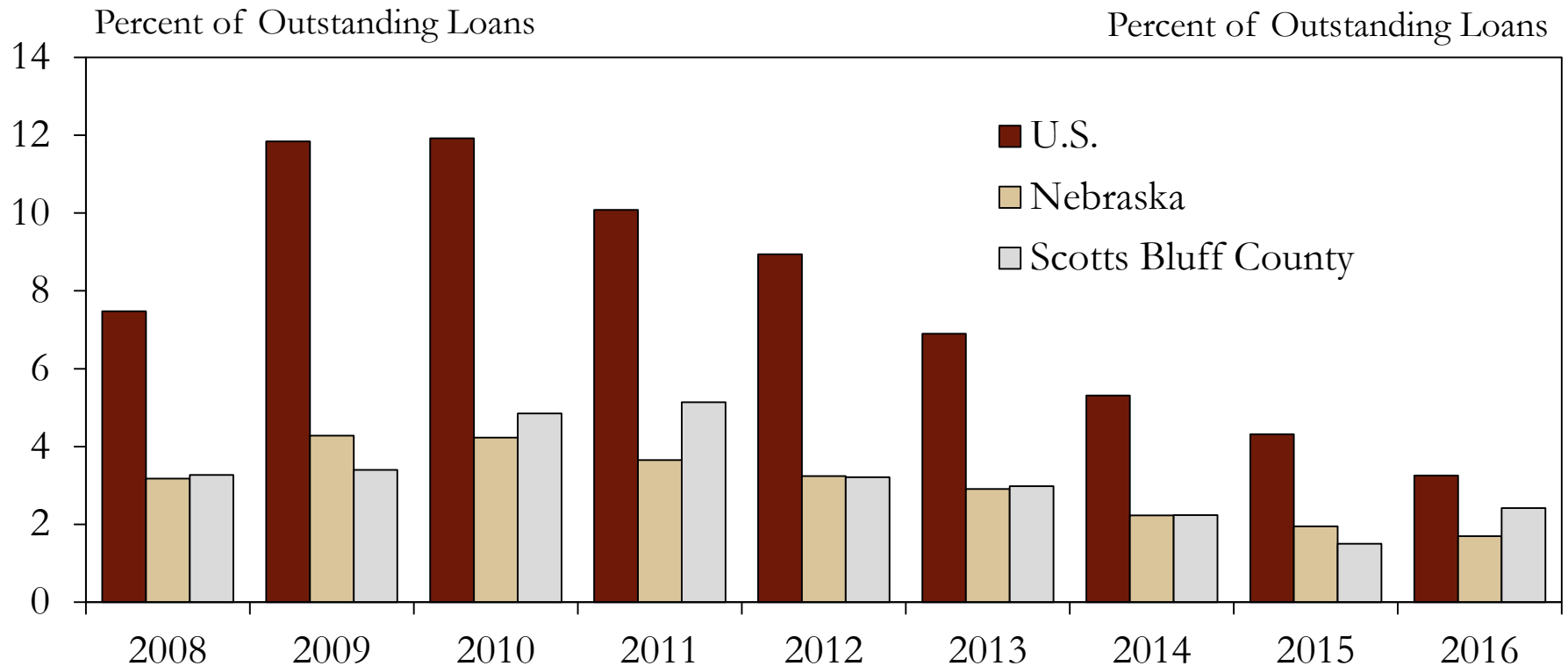
\*Four Quarter Moving Average

FEDERAL RESERVE BANK OF KANSAS CITY



# Mortgage delinquency rates have also continued to trend lower.

## Mortgage Delinquencies – Total Past Due



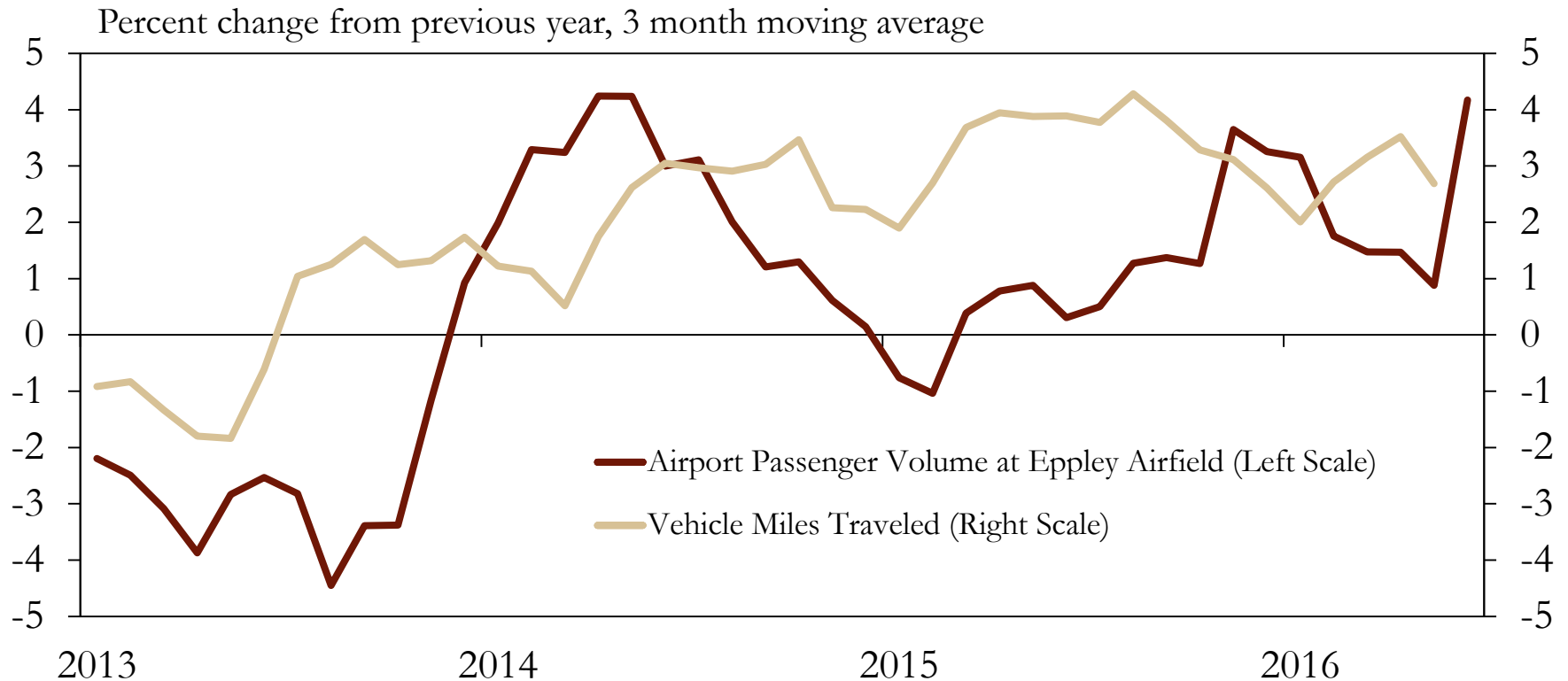
Sources: Federal Reserve Bank of New York's Consumer Credit Panel.

FEDERAL RESERVE BANK OF KANSAS CITY



Some consumer indicators have also shown notable improvements in economic activity.

## Nebraska Travel Statistics



Sources: Omaha Airport Authority, Federal Highway Administration, and Haver Analytics

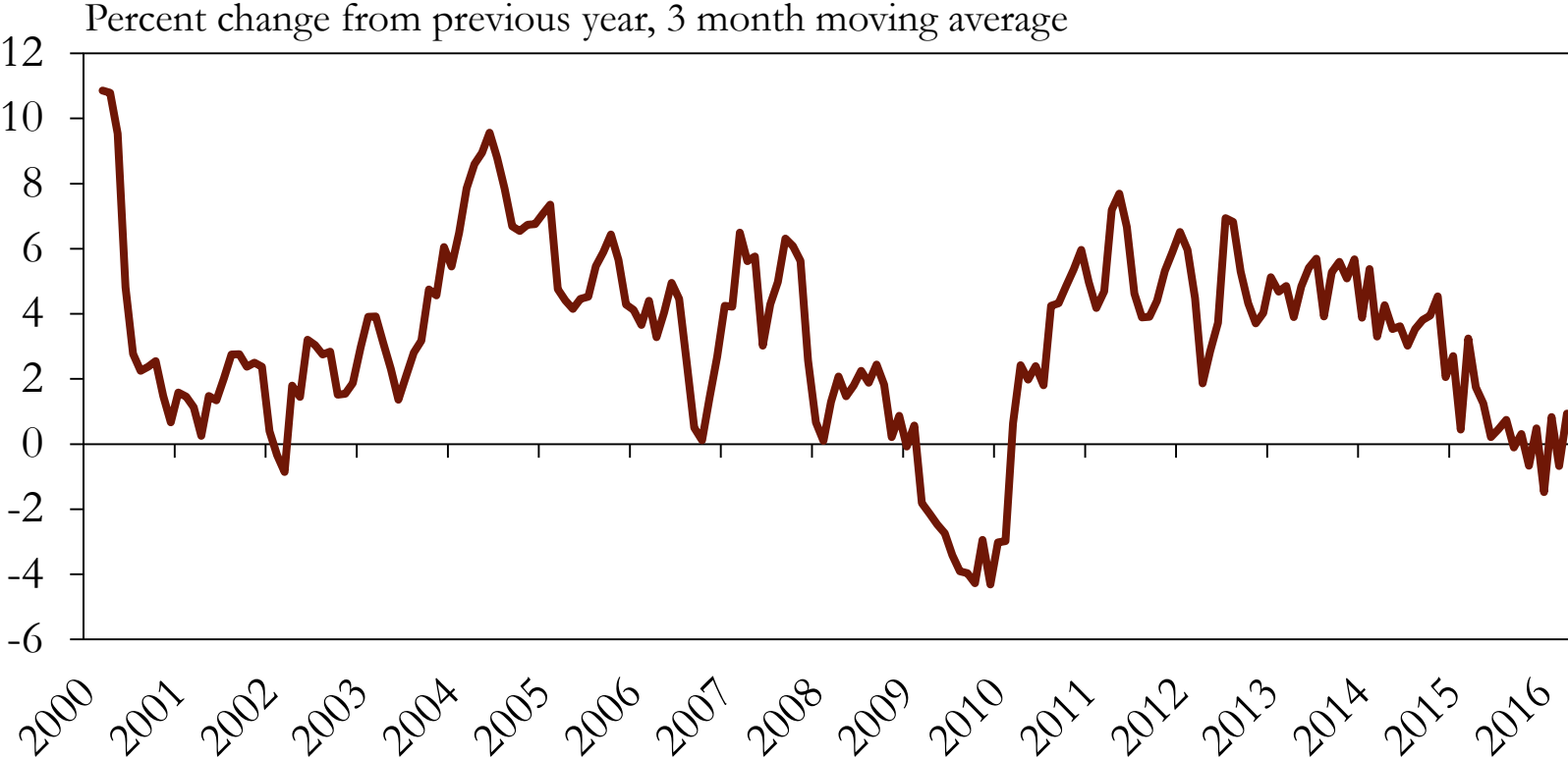
FEDERAL RESERVE BANK OF KANSAS CITY





Recent declines in state retail sales, however, point to some weakness.

### Nebraska Net Taxable Retail Sales

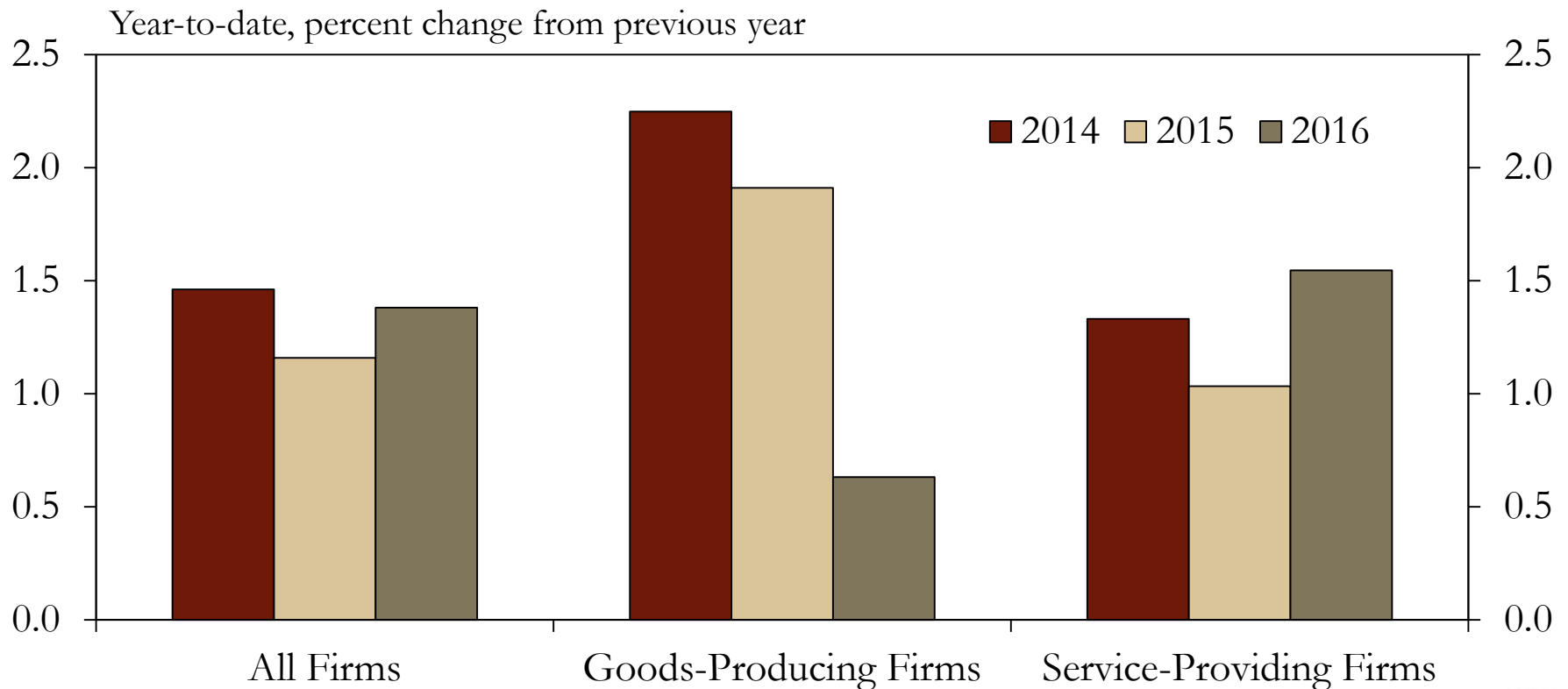


Source: Nebraska Department of Revenue



In contrast to recent years, service-providing firms are driving Nebraska's job growth.

## Nebraska Employment Growth



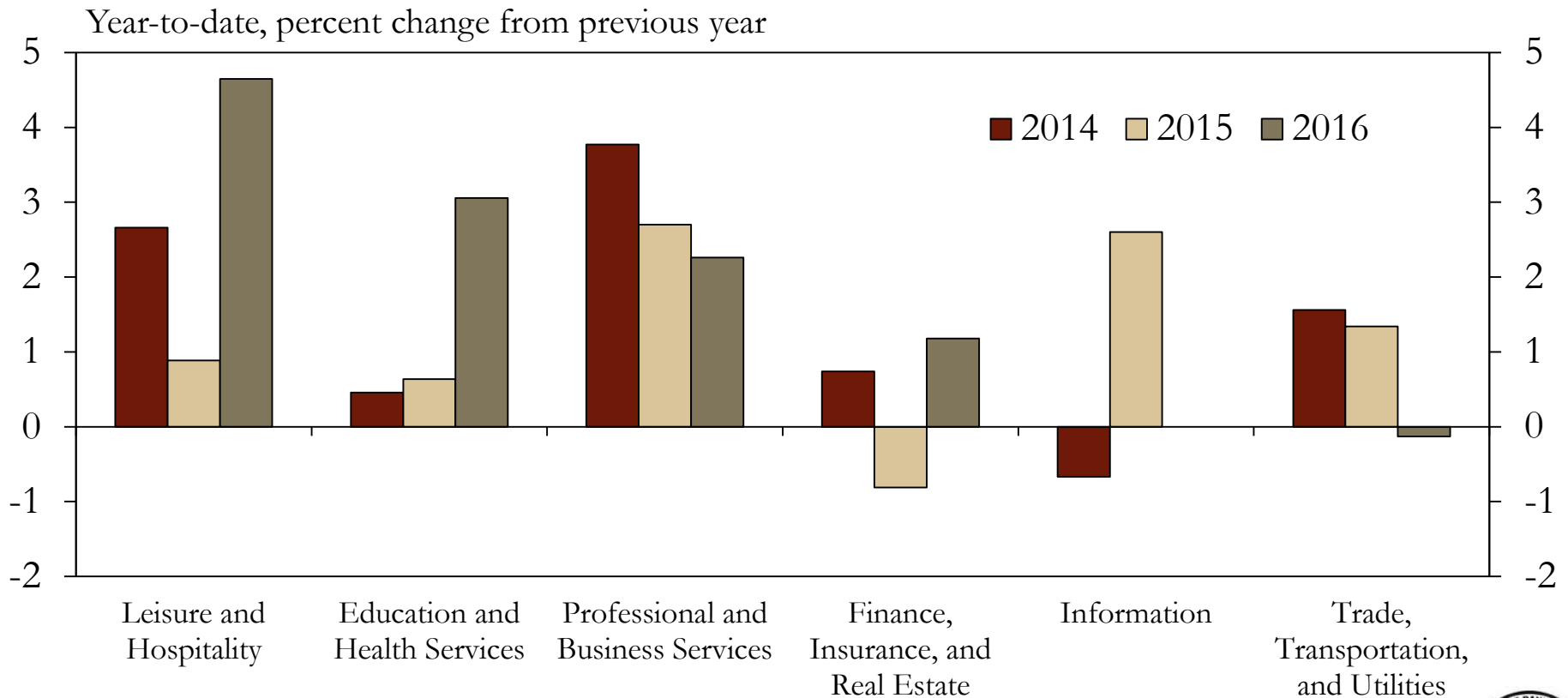
Source: Bureau of Labor Statistics and Haver Analytics.

FEDERAL RESERVE BANK OF KANSAS CITY



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

## Service-Providing Industries Employment Growth



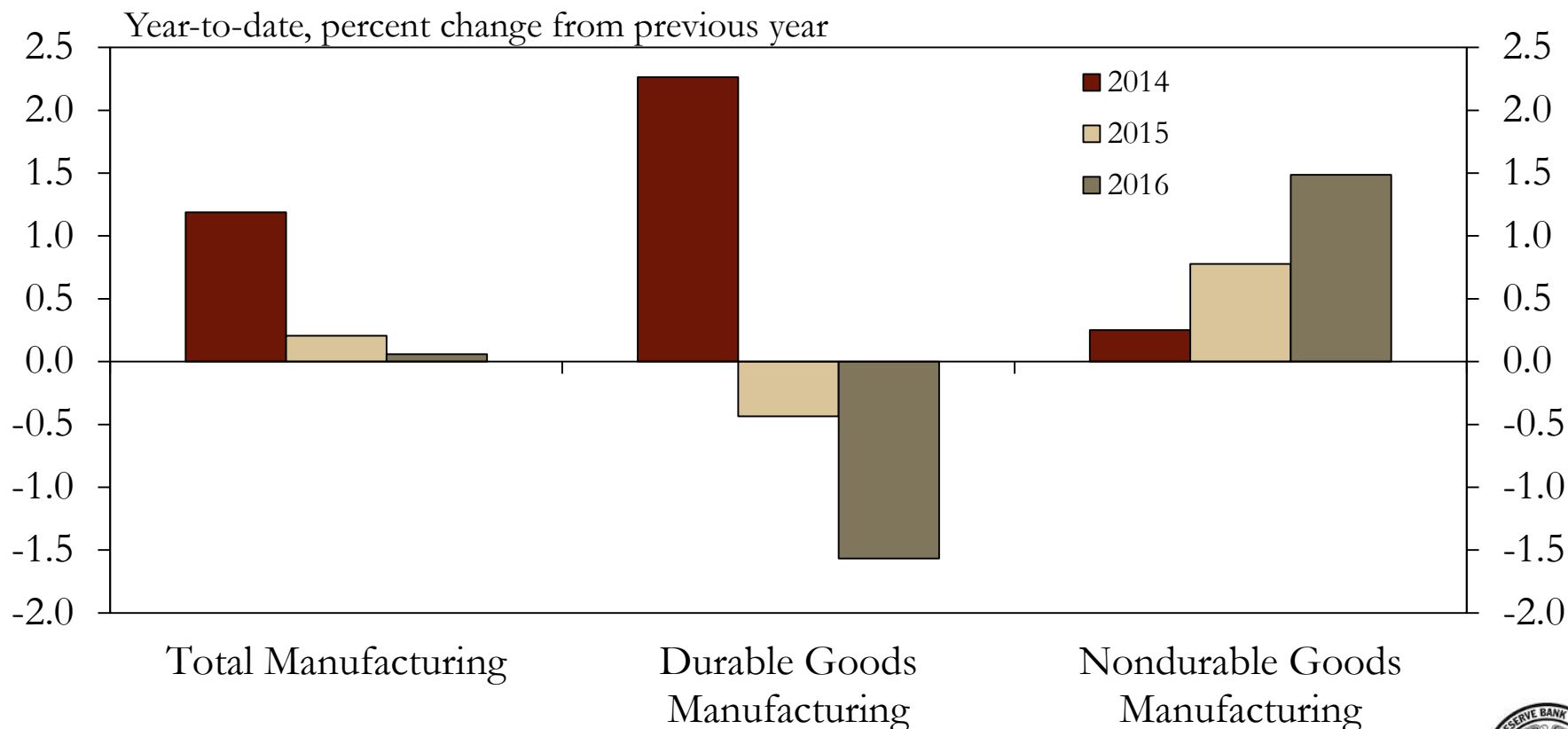
Source: Bureau of Labor Statistics and Haver Analytics.

FEDERAL RESERVE BANK OF KANSAS CITY



# Job growth at durable goods manufacturers has been especially poor.

## Manufacturing Employment Growth



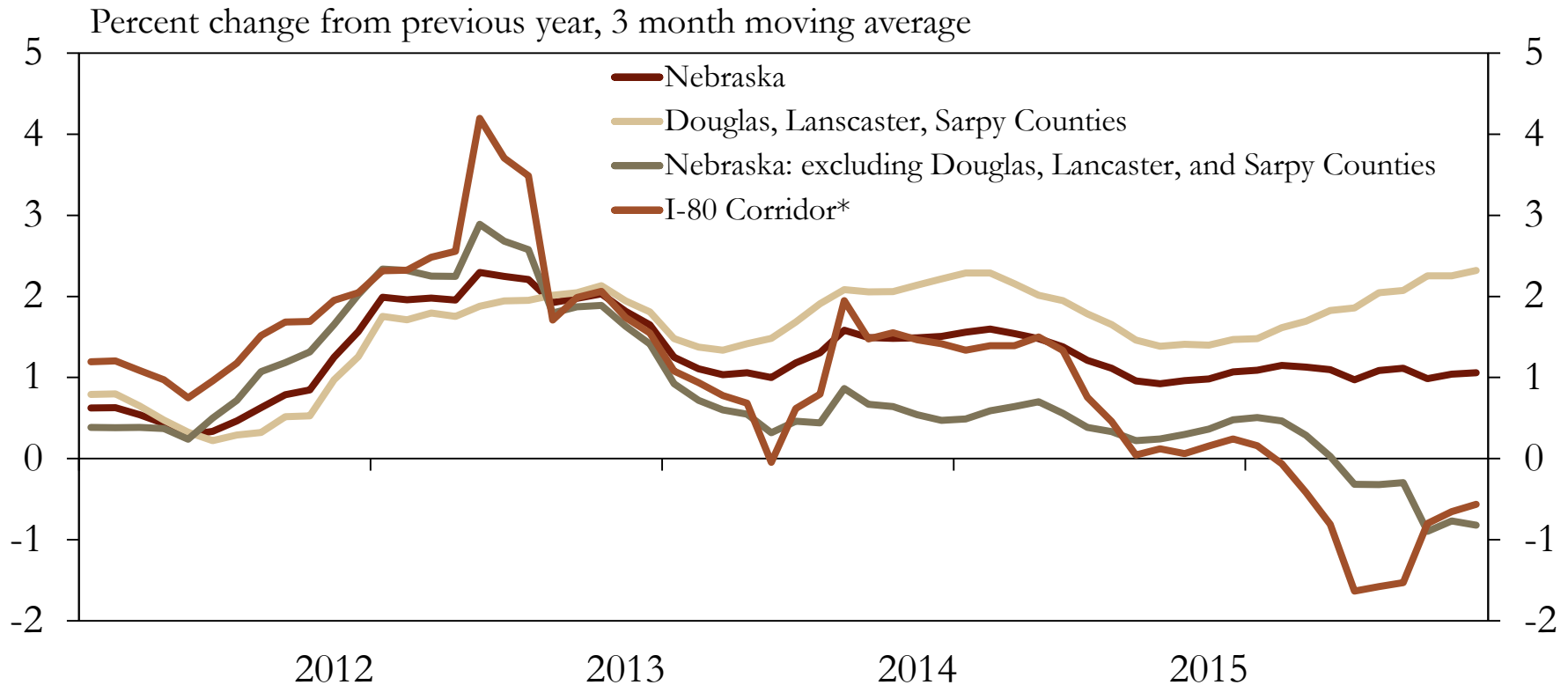
Sources: Bureau of Labor Statistics and Haver Analytics.

FEDERAL RESERVE BANK OF KANSAS CITY



# Job growth has also diverged regionally, with just three counties driving the gains.

## Nebraska Employment Growth by Region



Source: Bureau of Labor Statistics

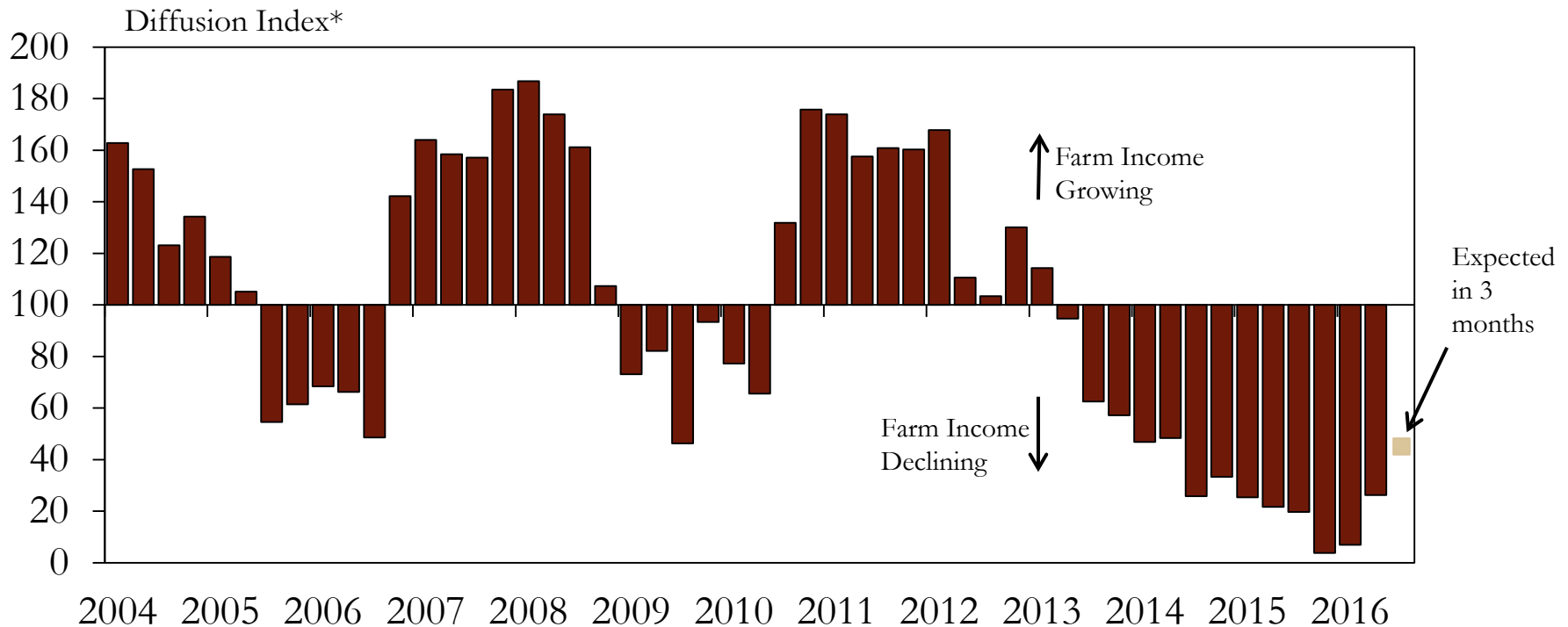
\*I-80 Corridor includes all counties in Nebraska through which Interstate 80 runs, except Douglas, Lancaster, and Sarpy counties.

FEDERAL RESERVE BANK OF KANSAS CITY



# A weakening farm economy has likely contributed to the divergence in Nebraska.

## Nebraska Farm Income



Source: Federal Reserve Bank of Kansas City

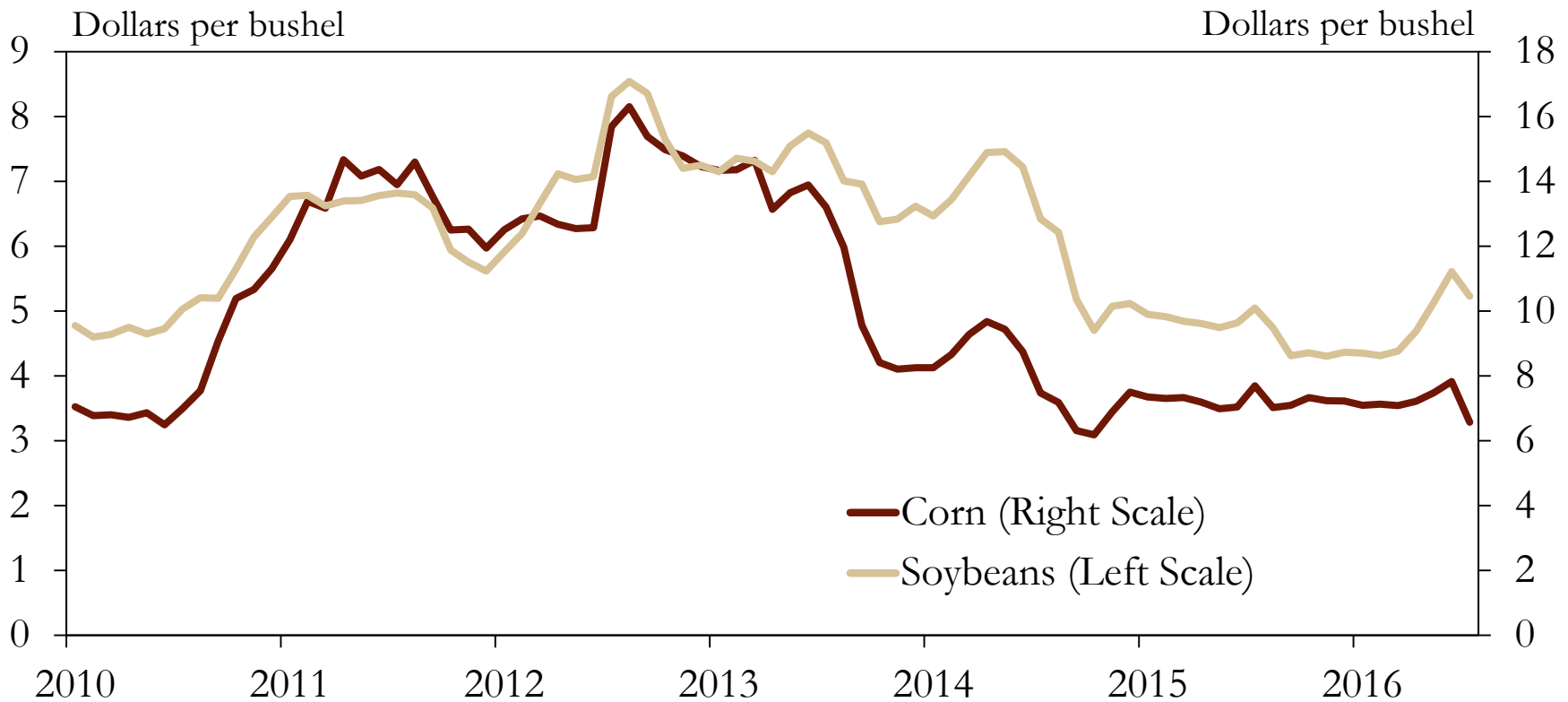
\*Bankers responded by indicating whether farm income during the current quarter was higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

FEDERAL RESERVE BANK OF KANSAS CITY



After a brief spring rebound, crop prices have moved another notch lower.

## U.S. Crop Prices



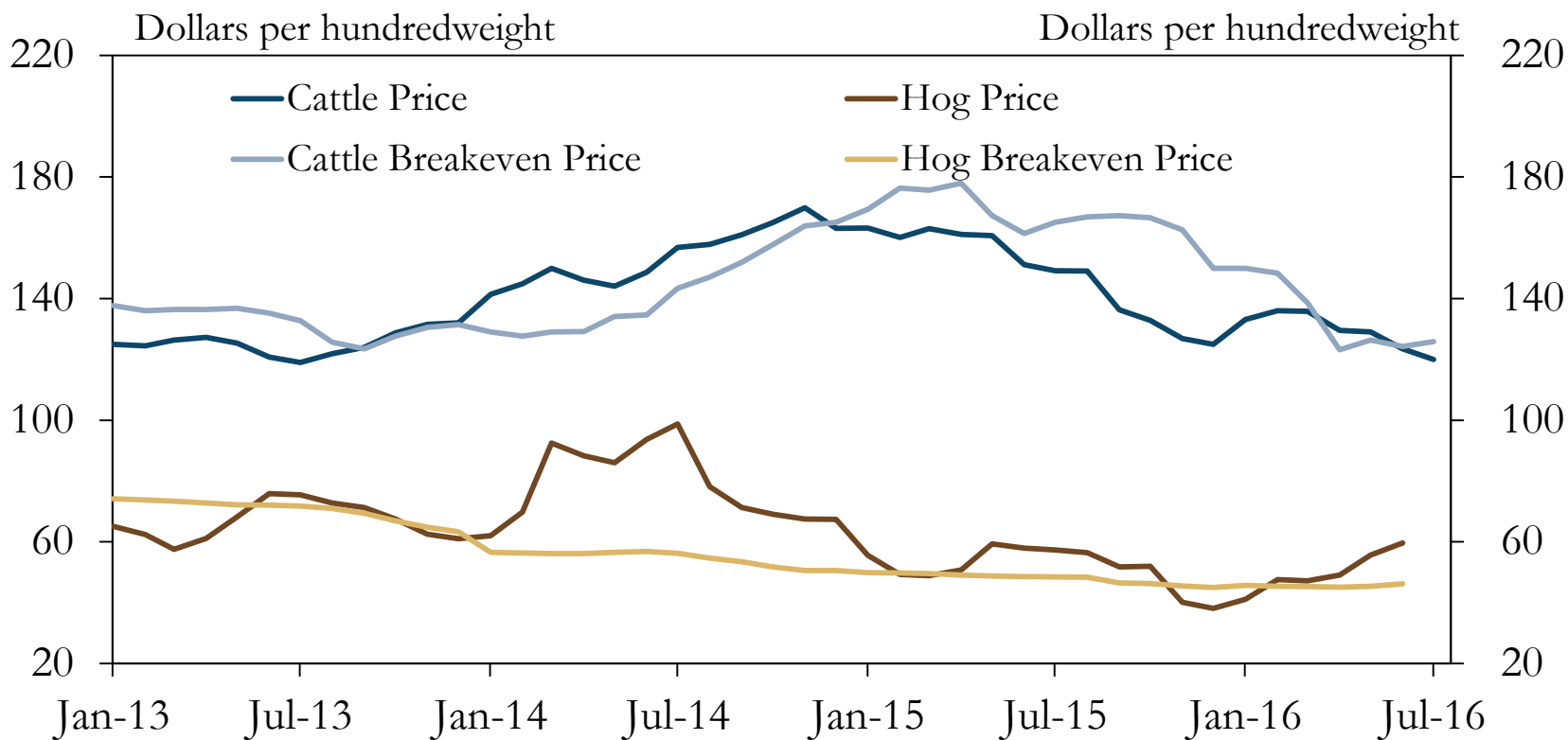
Sources: *Wall Street Journal* and Haver Analytics.

FEDERAL RESERVE BANK OF KANSAS CITY



Losses in the cattle sector have also weighed on the farm economy.

## U.S. Livestock Markets



Sources: USDA, Iowa State University and Haver Analytics.

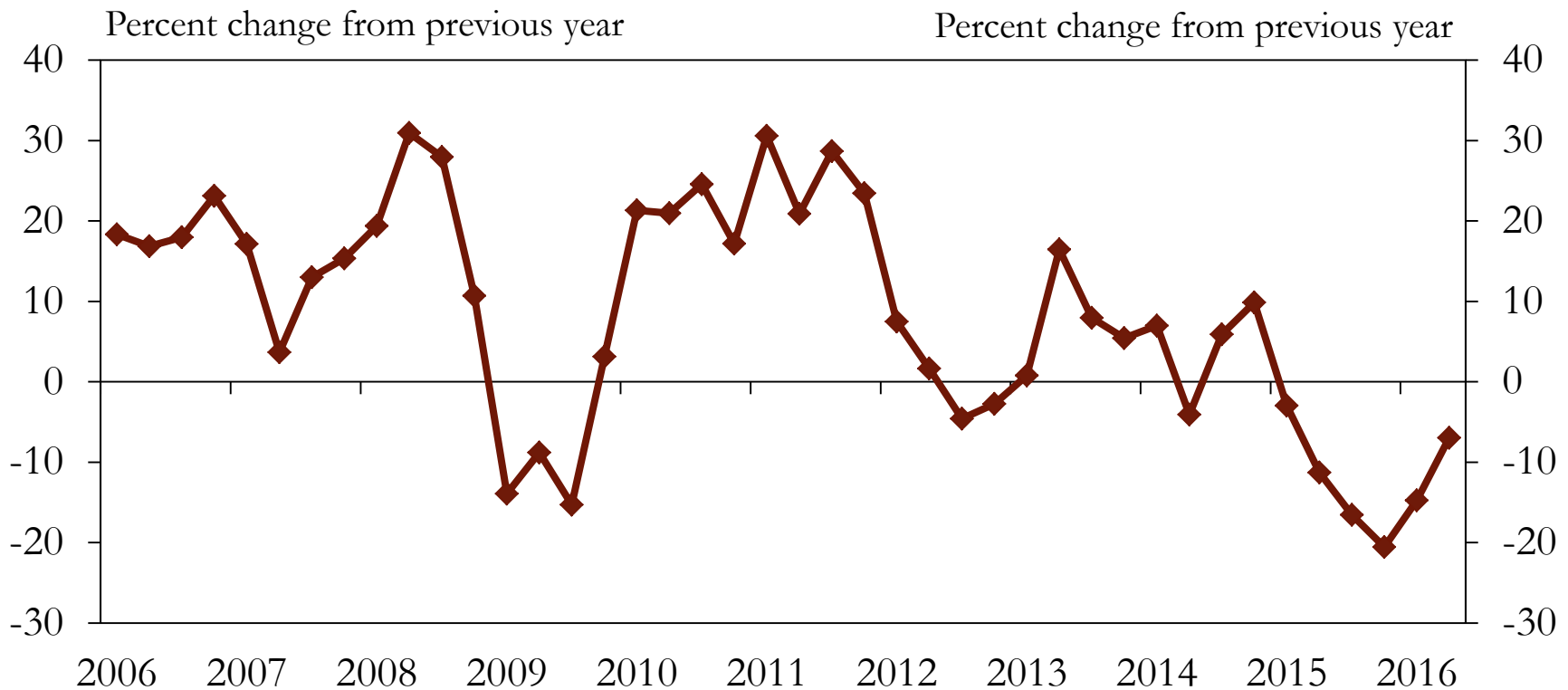
FEDERAL RESERVE BANK OF KANSAS CITY





Nebraska's manufactured exports have continued to decline, though not as sharply as last year.

## Nebraska Manufactured Exports



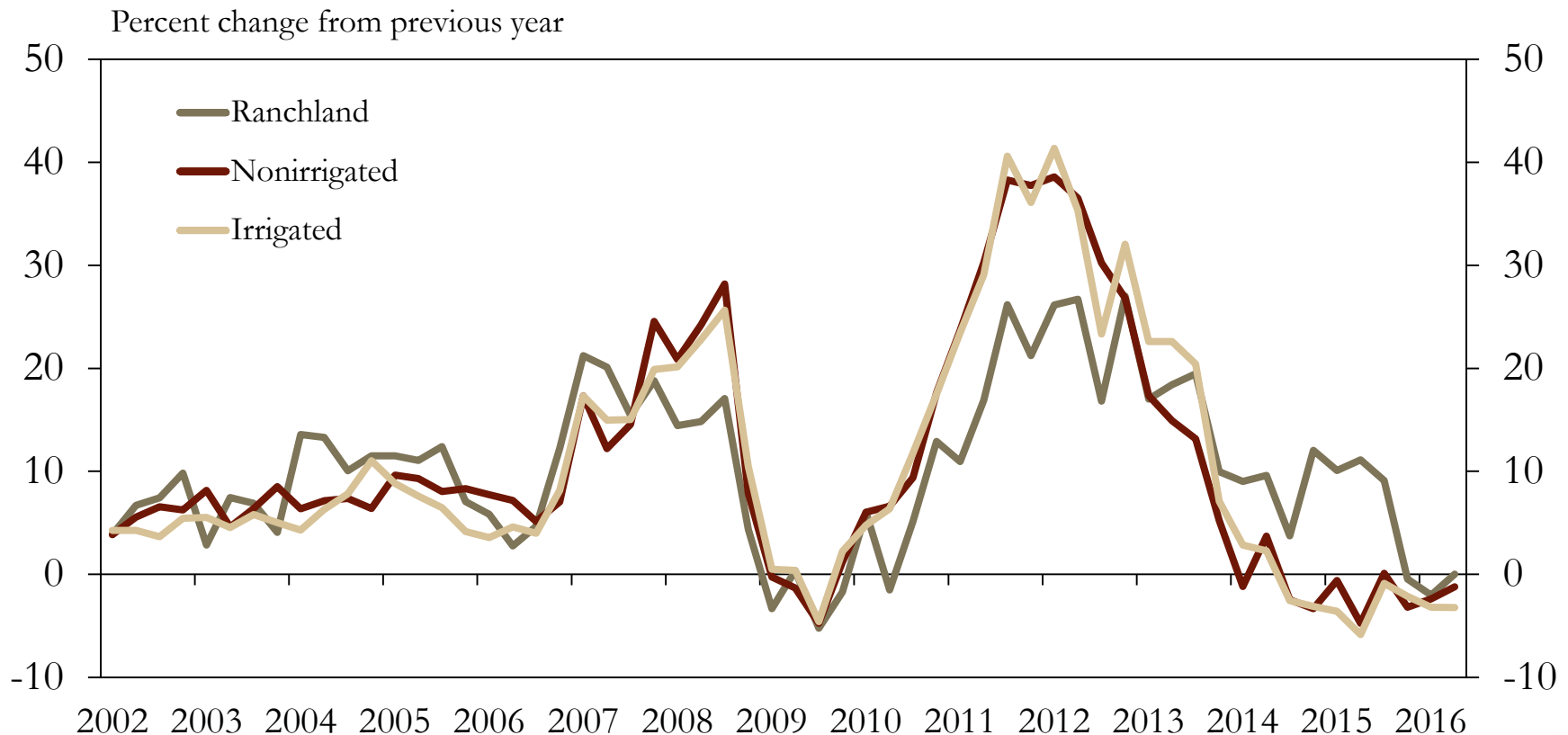
Sources: WISER Trade, Bureau of the Census, and Haver Analytics.

FEDERAL RESERVE BANK OF KANSAS CITY



Despite strengthening residential and commercial real estate markets, farmland values have softened.

## Nebraska Farmland Values



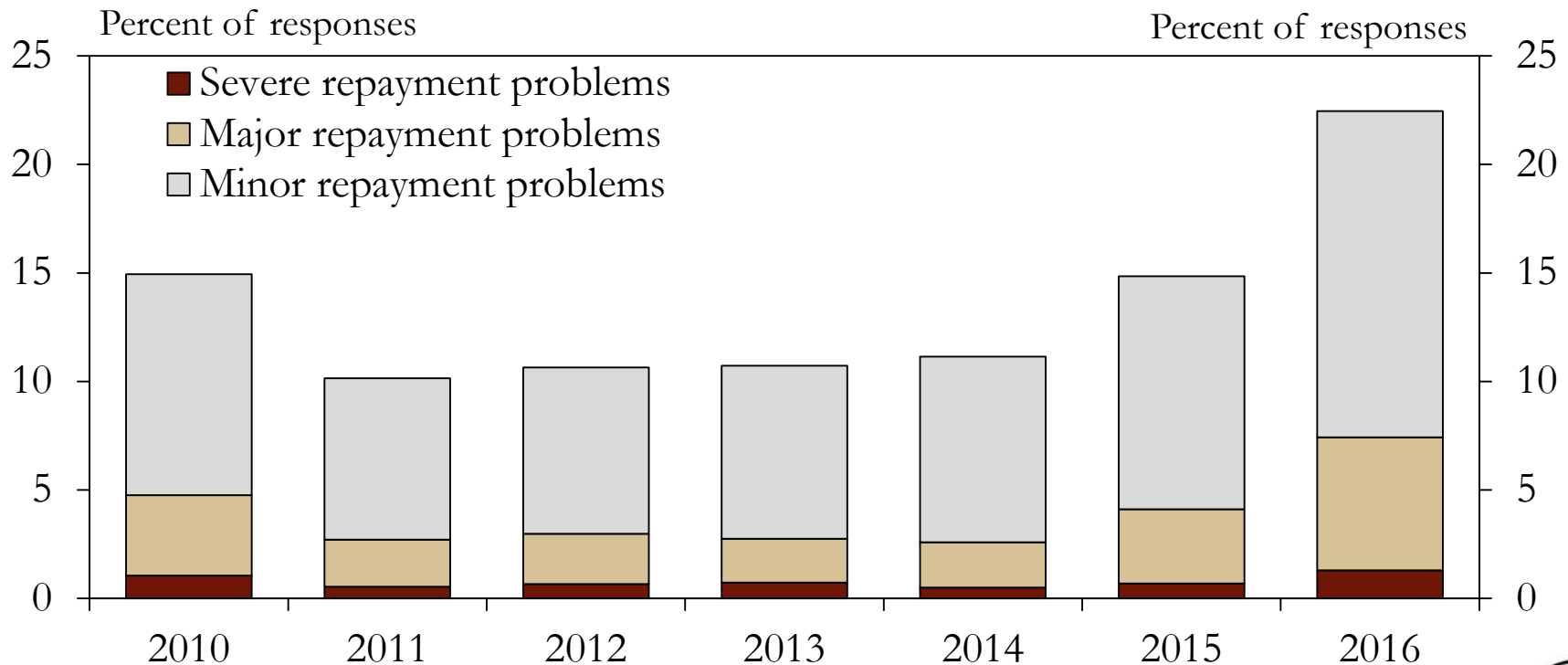
Source: Federal Reserve Bank of Kansas City

FEDERAL RESERVE BANK OF KANSAS CITY



# Farm loan repayment problems have increased somewhat.

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



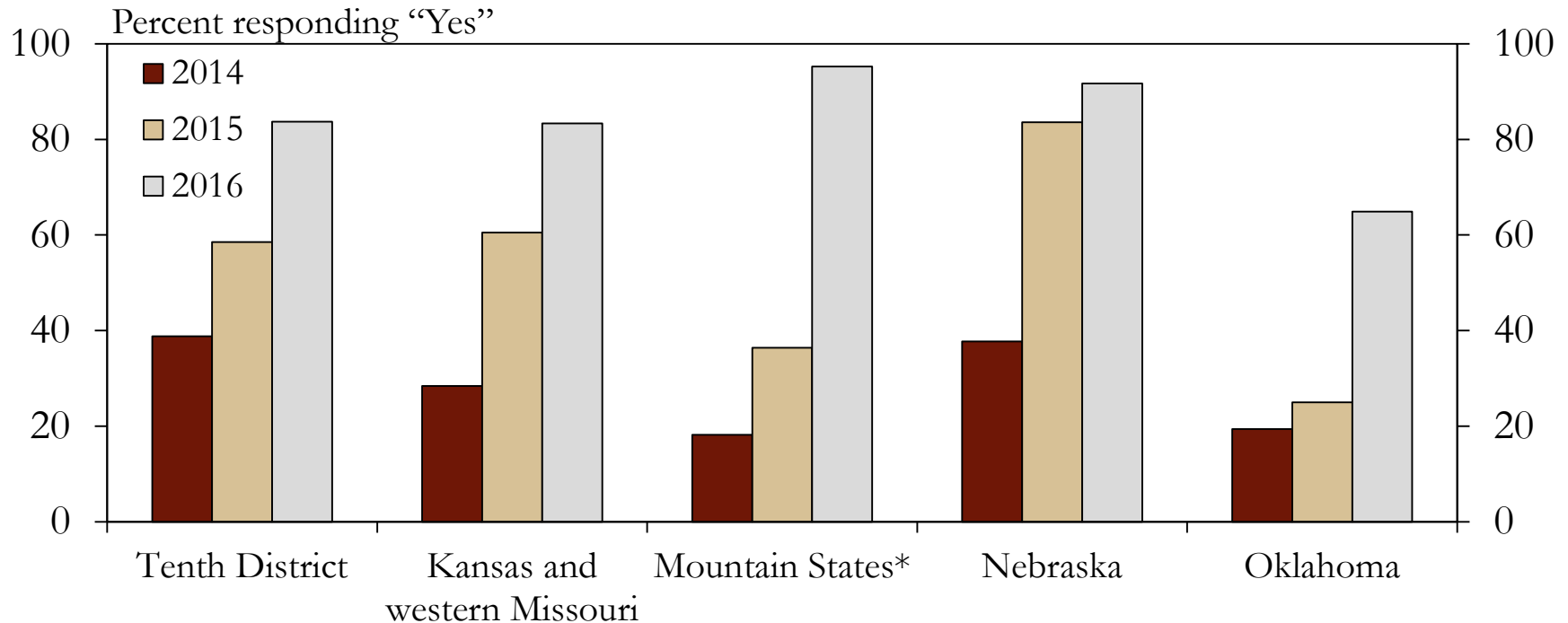
Source: Federal Reserve Bank of Kansas City

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

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?

---

## **Nathan Kauffman**

Omaha Branch Executive and Economist  
Federal Reserve Bank of Kansas City

Email: [nathan.kauffman@kc.frb.org](mailto:nathan.kauffman@kc.frb.org)

Website: <http://www.kansascityfed.org/omaha/>

