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.
Economic growth in Nebraska generally has been positive, but has slowed recently.

Nebraska Real GDP Growth

Source: BEA, Macroadvisers, and Haver Analytics
The drag on economic growth in Nebraska has come from agriculture and manufacturing.

### Contribution to Nebraska Real GDP Growth by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GDP Growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>-0.2</td>
<td>-0.3</td>
<td>-0.4</td>
</tr>
<tr>
<td>Health Care</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Wholesale, Retail Trade</td>
<td>-0.1</td>
<td>-0.2</td>
<td>-0.3</td>
</tr>
<tr>
<td>Real Estate</td>
<td>0.4</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Govt.</td>
<td>-0.1</td>
<td>-0.2</td>
<td>-0.3</td>
</tr>
<tr>
<td>Manuf.</td>
<td>0.3</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2.0</td>
<td>2.1</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis and Haver Analytics.
Unemployment rates in Nebraska have remained low.
Most counties have an unemployment rate lower than the nation.
Job growth has also been relatively steady.

Nebraska Employment Growth

Manufacturing employment has even improved somewhat in recent months.

**Nebraska Manufacturing Employment**

Percent change from previous 3 months, saar

Sources: Bureau of Labor Statistics and Haver Analytics.
Wages in Nebraska strengthened through 2015.

Average Hourly Earnings – Private Sector

Percent change from previous year, 3 mo. avg.

Sources: Bureau of Labor Statistics and Haver Analytics.
Real estate markets in Nebraska also continued to improve through 2015.

Nebraska Residential Real Estate

Housing Starts (Thousands)  House Price Index (2010=100)

Sources: Federal Home Loan Mortgage Corporation, Bank of Tokyo-Mitsubishi UFJ, and Haver Analytics
The supply of homes in Nebraska’s metro areas is considerably lower than before the recession.

Omaha and Lincoln Residential Real Estate
Four Quarter Moving Average

Sources: National Association of Realtors and Haver Analytics
Commercial real estate also strengthened in 2015.

Office Vacancy Rates
Four Quarter Moving Average

Sources: Torto-Wheaton Research and Haver Analytics.
Nebraska’s economy, however, continues to face headwinds.

Value of U.S. Dollar

Commodity Prices

A stronger dollar has reduced U.S. and Nebraska exports.

Value of Exports

Source: WISER Trade, U.S. Census Bureau, and Haver Analytics.
Personal income growth in Nebraska has also weakened.

Real Personal Income

Percent change from previous year

Sources: Bureau of Economic Analysis and Haver Analytics.
Much of the recent weakness has been driven by a softening farm economy.

**Nebraska Personal Income Growth by Industry**

- **Total:** 2013: -37%, 2014: 2%, 2015: 48%
- **Farming:** 2013: -37%, 2014: 48%
- **Manufacturing:** 2014: 6%
- **All Other:** 2015: 10%

Source: Bureau of Economic Analysis
Farm income has declined for three consecutive years.

Nebraska Farm Income and Prices

Source: Federal Reserve Bank of Kansas City
Low agricultural commodity prices could continue to pressure Nebraska’s economy.

Crop Prices

- Corn (Left Scale)
- Soybeans (Right Scale)

Livestock Prices

- Cattle
- Hogs

Sources: Wall Street Journal and Haver Analytics.
Farmland values have also declined, but only modestly thus far.

Nebraska Farmland Values

Percent change from previous year

- Ranchland
- Nonirrigated Cropland
- Irrigated Cropland

Source: Federal Reserve Bank of Kansas City
Concluding Points on the Nebraska Economy

• Areas of strength and weakness in Nebraska’s economy have continued to diverge.

• Metro areas continue to grow – rural growth much weaker.

• Export-oriented, commodity-based industries continue to struggle.

• In contrast to recent years, the farm economy is a headwind.
Questions?

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