U.S. & Nebraska Economic Update

Nate Kauffman – Omaha Branch Executive
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Regional Federal Reserve Banks are important to the structure of U.S. monetary policy.
The U.S. economy is in the midst of its longest economic expansion on record...

U.S. Real Gross Domestic Product (GDP) Growth

Note: 2019 data through Q2.
Sources: U.S. Bureau of Economic Analysis and Haver Analytics.
... but economic growth appears to be slowing.

Real GDP Growth

Sources: The World Bank, Wolters Kluwer (Blue Chip Forecasts) and Haver Analytics.
Manufacturing activity has shown signs of weakness, raising questions about spillovers.

Manufacturing Activity

*As of September 2019. All others are annual averages.

Sources: Caixin, HIS Markit and Haver Analytics.
In the U.S., consumer spending has supported economic growth.

Contributions to U.S. Real GDP Growth

Annual percent change

Sources: The World Bank, Wolters Kluwer (Blue Chip Forecasts) and Haver Analytics.
Despite a recent increase, unemployment in Nebraska remains at historic lows.

Unemployment Rate

Note: Gray bars indicate NBER-defined recessions.
Sources: BLS, Haver Analytics.
Some key industries have increased the pace of hiring compared with a year ago.

Employment Growth by Industry

Year-to-date, percent change from previous year

<table>
<thead>
<tr>
<th>Industry</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Const.</td>
<td>(5.3%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fin. Act.</td>
<td>(7.3%)</td>
<td></td>
<td></td>
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<tr>
<td>Prof. &amp; Bus.</td>
<td>(11.7%)</td>
<td></td>
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<tr>
<td>Gov.</td>
<td>(17.0%)</td>
<td></td>
<td></td>
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<tr>
<td>Leisure &amp; Hosp.</td>
<td>(9.0%)</td>
<td></td>
<td></td>
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<tr>
<td>Edu. &amp; Health</td>
<td>(15.2%)</td>
<td></td>
<td></td>
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<tr>
<td>Manuf.</td>
<td>(9.7%)</td>
<td></td>
<td></td>
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<tr>
<td>Trade, Transp., Util.</td>
<td>(19.5%)</td>
<td></td>
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</tbody>
</table>

Note: Percentages refer to share of total employment in Nebraska attributed to each industry.
Sources: BLS, Haver Analytics.
The employment situation remains tight across the state, albeit for different reasons.

Average 2019 Unemployment Rate

Percent
- Below 3.1
- 3.2 to 3.9
- Above 4.0

Sources: BLS, Haver Analytics.
Nebraska’s rural areas have lost jobs for several years in contrast to consistent growth in metro areas.

Source: BLS, staff calculations.
Some of the challenges in rural areas are likely connected to ongoing weakness in agriculture.

Nebraska Agricultural Credit Conditions

Sources: Federal Reserve Bank of Kansas City, Wall Street Journal.
However, many people continue to relocate in urban locations rather than rural places.

Nebraska Net Migration

Sources: Census Bureau Population Estimates Program, Haver Analytics.
Population growth in Madison County has picked up recently, but generally has trailed statewide growth.

Population Growth

Percent change from previous year

Sources: Census Bureau, Haver Analytics.
Federal Reserve and Monetary Policy
The Fed incorporates a variety of economic information in support of its dual mandate.

Employment and Economic Growth

- Percent change
- Percent

Real GDP (left)
Unemployment Rate (right)

Inflation

- Percent change from previous year

Personal Consumption Expenditures

Sources: BEA, BLS, Haver Analytics.
Recently, the Fed has lowered its target interest rate.

Sources: Federal Reserve Board of Governors, Haver Analytics.
Concluding Remarks

• Labor markets remain strong and U.S. households still appear to be well-positioned.
• However, some signs of slower economic growth have emerged alongside ongoing trade policy disputes and challenges in the manufacturing sector.
• In the long-term, changes in demographics are likely to have a significant impact on economic developments.
Questions?

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