Nebraska Economic Update
An Unsteady Path to Reclaiming the Summit
Nate Kauffman – Omaha Branch Executive
July 16, 2020

The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
Outline

• Following a long economic expansion, COVID-19 has led to a severe decline in economic activity.

• The crisis appears to have been most severe in mid-April, but there is still a tremendous amount of uncertainty.

• The economic effects of COVID-19 have been significant in Nebraska, but less than in most other states.
Regional Reserve Banks are important to the structure of the Federal Reserve System.
Omaha Branch Board of Directors

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  • CEO, Russel Advisors

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  • Retired EVP and CAO, Union Pacific Railroad

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  • CFO, Omaha Public Power District

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  • President and CEO, Cash-Wa Distributing Co.

• Zac Karpf
  • COO, Platte Valley Bank

• Dwayne Sieck
  • President, Goldenrod Companies
Prior to COVID-19, the U.S. economy was in the midst of its longest expansion on record.

Sources: BEA, BLS, and Haver Analytics.
Nebraska’s economy also experienced more than a decade of growth.

**Nebraska Employment**

- Job Growth (Left Scale)
- Unemployment Rate (Right Scale)

**Nebraska Personal Income & Home Prices**

- Real per Capita Personal Income (Left Scale)
- Median Home Price (Right Scale)

Sources: BEA, BLS, and Haver Analytics.
The economy started the year strong, even as detections of the new coronavirus began to emerge.

**U.S. Stock Market: S&P 500 Index**

**COVID-19 Cases**

*Sources: Yahoo Finance, Johns Hopkins University.*
By the end of March, however, the economy was facing extreme pressure.
Businesses dependent on travel and in-person gatherings were hit particularly hard.

### Air Passenger Enplanements & Crude Oil Prices

- **Index, Jan. 2019 = 100**
- **$/barrel**

- **Eppley Airfield (Left Scale)**
- **U.S. (Left Scale)**
- **Crude Oil Price (Right Scale)**

**Sources:** Omaha Airport Authority, Bureau of Transportation Statistics, EIA, CME, Haver Analytics.

### U.S. Leisure & Hospitality Sector Indicators

- **Average percent change from previous year**

- **U.S. L&H Employment**
- **NE L&H Employment**
- **U.S. Open Table Reservations**

**Sources:** Omaha Airport Authority, Bureau of Transportation Statistics, EIA, CME, Haver Analytics.
What began as a health crisis, has turned into a sharp recession.

U.S. GDP & Unemployment Rate

Peak-to-Trough Change in GDP
- Q4, 2007 – Q2, 2009: -4.0%
- Q4, 2019 – Q2, 2020*: -10.9%

Sources: BEA, BLS, and Haver Analytics.

*GDP for 2020, Q2 is a forecast. In the peak-to-trough calculation, this reflects current consensus that Q2 2020 will be the trough of the current recession.
The recession has had a tremendous economic effect everywhere, even in Nebraska.

Sources: BLS, Department of Labor, Haver Analytics.
Some demographic groups have been more affected by the crisis than others.

**Change in Unemployment Rate by Demographic**

**KC Fed District**

<table>
<thead>
<tr>
<th>Age</th>
<th>2007-2010 (Previous Recession)</th>
<th>2019 - Present (April and May avg.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-24</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>Prime Age</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>55-64</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>Male</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>Female</td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td>White</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>Black</td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>3%</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Sources:** BLS and staff calculations.
Low income groups have also been affected disproportionately.

Effect of Pandemic on Employment Income by Level of Household Income, Week of May 21-26

Source: Census Bureau.
However, Nebraska’s headline economic indicators have led the nation by a wide margin.

Real GDP by State – 2020, Q1
(seasonally adj. at annual rate)

States with Lowest Unemployment Rates, May 2020

Sources: BEA, BLS, and Haver Analytics.
Prior to COVID-19, Nebraska had one of the lowest unemployment rates in the country.

States with Lowest Unemployment Rates, Feb. 2020

Sources: BLS and Haver Analytics.
Nebraska businesses and households were initially affected by COVID-19 slightly less than in other states.

Small Businesses with “Large Negative Impacts”, Week Ending May 2

- Nebraska: 35%
- U.S.: 50%

Households with Loss of Employment Income, Week Ending May 5

- Nebraska: 30%
- U.S.: 50%

Sources: Census Bureau, Haver Analytics.
Businesses in Nebraska did not close as rapidly as other states, and most have reopened.

Number of Businesses Open

Index, Jan. 2020 = 0

Sources: Homebase, Haver Analytics.
Some people, however, may have given up looking for jobs, and are not counting as “unemployed.”

U.S. Labor Force Participation Rate

Sources: BLS, Haver Analytics.
Government support programs have provided short-term relief.

States with Highest Share of Small Businesses Receiving PPP Loans, Through April 16

Sources: SBA, Census Bureau, Staff Calculations.
Note: Share of small businesses receiving PPP loans is calculated by dividing the number of loans by the number businesses with 500 employees or less (Census Bureau SUSB tables, 2017).
The Federal Reserve has also provided significant stimulus through various credit programs.

Source: Federal Reserve Bank of St. Louis.
The road to full recovery may, however, still be arduous.

**Expected Time Until Return to Normal**

Percent of businesses

- By June
- By August
- By October
- October or Later

**NE**

- Survey conducted Apr. 26 - May 2
- Survey conducted Jun. 21 - Jun. 27

**U.S.**

Sources: Census Bureau and Haver Analytics.
The Leisure & Hospitality sector likely faces the most significant challenges in the coming months.

Nebraska Job Growth by Industry

Percent change from previous year

- Leisure & Hospitality
- Trade, Transp., Util.
- Prof. & Business Services
- Educ. & Health Services
- Govt.
- Manufacturing
- Fin. Activities
- Construction

Sources: BLS, and Haver Analytics.
The agricultural sector, already pressured before COVID-19, likely will also face ongoing risks.

Agricultural Commodity Prices

Percent change since Jan. 1, 2020

Sources: CME, WSJ and Haver Analytics.
Concluding remarks

• The virus, and associated risks, will shape the path for the economy back to the summit.

• The path to reclaim the summit, however, may be unsteady, longer than expected, filled with surprises... And tiring.

• We may also find that we have arrived at a very different mountaintop.
For more information...

- Visit our Omaha Branch Website: [https://www.kansascityfed.org/omaha](https://www.kansascityfed.org/omaha)
- Latest issue of the Nebraska Economist

**Nebraska’s Economy Shocked by COVID-19**
By Nathan Kauffman and John McCoy
June 30, 2020

Nebraska’s economy began 2020 on what appeared to be solid footing, but has been shocked in ways bearing little resemblance to anything experienced in modern times.

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