Outline

• Perspectives on the Business Cycle
• U.S. Economic Outlook
• Nebraska Economic Outlook
The Business Cycle

•The first rule about economic recessions is…….
The Business Cycle

• There are no rules about economic recessions
The Business Cycle

•The second rule about economic recessions is......
The Business Cycle

• Economic recoveries do not come with an expiration date
The Business Cycle

• All you can do is look at the Strengths and Weaknesses in the economy and assess the state of the economy
U.S. Economic Forecast - Strengths

• Growing real wages and consumer spending
• 2017 tax reform/tax cut and ongoing deregulation
• Low interest rates and energy prices
U.S. Economic Forecast - Weaknesses

- Aging of the workforce and challenges with workforce quality
- Potential for household asset depreciation
- Trade barriers and unproductive trade renegotiations
- Restrictions on immigration
- Federal spending increases (as large as the 2017 tax cuts) and no plans for entitlement reform
U.S. Economic Forecast – Bottom Line

• No recession unless there is a major policy mistake
• GDP growth 2.0% to 3.0% in 2019 and 2020
  • No new major spending increases
  • Limited trade restrictions (a quick settlement)
  • Limited immigration restrictions
• Solid job growth
• Wage growth limited by labor quality issues
Nebraska Economic Forecast

• Struggles for agricultural
• Rural versus urban divide
• A few key underlying strengths
Underlying Strength: Birth Rates

• From July 1, 2017 to July 1, 2018, population growth:
  • Nebraska 0.61%, United States: 0.62%

• Similar results for the previous two years

• Nebraska does face challenges with domestic outmigration but has higher birth rates

• Birth rate per 1,000 women 15-44: US: 60.3, NE: 69.8
Nebraska Agriculture

• Agricultural incomes have fallen back to $2 - $3 billion range

• Lower crop and livestock prices

• Going forward
  • Modest improvement in commodity prices
  • Increased government payments
  • Lower fuel prices and property tax assessments
## Nebraska Agriculture

<table>
<thead>
<tr>
<th>Year</th>
<th>Farm Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$7.46</td>
</tr>
<tr>
<td>2018</td>
<td>$1.95</td>
</tr>
<tr>
<td>2019</td>
<td>$2.44</td>
</tr>
<tr>
<td>2020</td>
<td>$2.54</td>
</tr>
<tr>
<td>2021</td>
<td>$2.58</td>
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</tbody>
</table>
Nebraska Agriculture

• Long-run strength remains
  • Agglomeration
  • Ogallala Aquifer

• For the Nebraska economy, *ag production matters as well as ag income*. A key underlying strength of the Nebraska economy
Construction and Manufacturing

• Construction
  • Broad-based growth

• Manufacturing
  • Growth in most sectors, including machinery manufacturing
  • Especially good conditions for growth in ag processing jobs
Other Sectors

• Services - broad-based growth in health care, business services and leisure and hospitality

• Financial Services – broad-based job growth with possible exception of insurance carriers
Other Sectors

• Retail Trade - job loss due to on-line competition, labor saving investments

• Transportation – job loss due to labor shortages in trucking and pressure on coal hauling in rail
Bureau of Business Research
Economic Outlook

Retail Trade (1000s of Jobs)

- 1991: 100
- 1993: 107.3
- 1995: 108.2
- 1997: 107.3
- 1999: 100
- 2001: 90
- 2003: 80
- 2005: 70
- 2007: 60
- 2009: 50
- 2011: 40
- 2013: 30
- 2015: 20
- 2017: 10
- 2019: 0
Transportation and Utilities (1000s of Jobs)

- 1991: 30
- 2001: 40
- 2005: 53.0
- 2007: 52.1
## Employment Growth Forecast (%)

<table>
<thead>
<tr>
<th>Industry</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Construction</td>
<td>2.5%</td>
<td>2.2%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Transportation &amp; Warehousing</td>
<td>-0.6%</td>
<td>-1.8%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>
Non-Farm Employment

- Nebraska job growth rate will lag U.S. growth
  - Smaller pool of “discouraged” workers
  - Struggles in agriculture
## Non-Farm Employment Forecast (%)

<table>
<thead>
<tr>
<th>Geography</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nebraska</td>
<td>0.9%</td>
<td>0.8%</td>
<td>0.7%</td>
</tr>
<tr>
<td>United States</td>
<td>1.4%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>
Measures of Income Growth

• There will be solid growth in real per capita income
  • Approximately half due to more jobs and hours and
  • Approximately half due to rising real hourly wages
  • **Underlying strength**: workforce quality is relatively high in Nebraska
# Measures of Income Growth

<table>
<thead>
<tr>
<th>Measure</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Farm Personal Income</td>
<td>4.5%</td>
<td>4.4%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Taxable Sales</td>
<td>3.1%</td>
<td>3.2%</td>
<td>2.7%</td>
</tr>
<tr>
<td>CPI</td>
<td>2.0%</td>
<td>1.8%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Population</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>
Underlying Strengths of the Nebraska Economy

• Agricultural production matters as well as agricultural incomes
• Nebraska has relatively high workforce quality
• Nebraska has higher birth rates
THANK YOU!

Any Questions?