Outline

• The U.S. Economic Outlook
• Nebraska Economic Outlook
U.S. Economic Outlook

• Strengths
• Weaknesses
• Bottom Line
U.S. Economic Forecast - Strengths

- Self-sustaining recovery
  - Growing real wages and consumer spending
  - Improving business investment and housing investment
- Improved economies in Europe and Asia
- Low oil prices and interest rates
- 2017 Deregulation and tax reform
U.S. Economic Forecast - Weaknesses

• Aging of the workforce and challenges with workforce quality
• 2018 Federal spending increases (as large as the tax cut)
• 2018 Tariffs – higher tariffs are tax increases!
• Potential restrictions on immigration
• No plans for entitlement reform
U.S. Economic Forecast—Bottom Line

• Modest improvement in GDP growth if restrictions on immigration and tariffs are limited.
  • No improvement if significant

• In either case there will be solid job growth
  • But, domestic workforce issues will limit job growth
Nebraska Economic Forecast

• Growth in agriculture and key industries
Agriculture

• Challenging Short-Term Conditions
  • Agricultural commodity prices have stabilized but will not rise
  • Decline in federal support from Agricultural Support and Price Loss Coverage programs
    • Rolling average of past prices now reflects post-boom prices.
  • Threats to ethanol will not lead to policy changes
## Forecast Detail – Farm Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$3.8B</td>
</tr>
<tr>
<td>2017</td>
<td>$4.0B</td>
</tr>
<tr>
<td>2018</td>
<td>$4.2B</td>
</tr>
<tr>
<td>2019</td>
<td>$4.3B</td>
</tr>
<tr>
<td>2020</td>
<td>$4.3B</td>
</tr>
</tbody>
</table>
Transportation and Insurance

• Trucking
  • Short-run challenge to industry: labor shortages
  • Long-run challenge to industry employment: driverless trucks

• Insurance
  • Nebraska has a strong competitive position
  • Modest increase in interest rates a plus
Other Sectors

• Construction – Urban-Rural Divide
  • Residential and commercial strength in Omaha and Lincoln
  • Ag related slow; little progress on “workforce housing”

• Manufacturing
  • Good conditions for growth in ag processing jobs
  • Weakness for ag implements; limited machine tool sector
Construction and Mining Employment (1000s of Jobs)

- 1990: 25
- 1992: 30
- 1994: 35
- 1996: 40
- 1998: 45
- 2000: 50
- 2002: 50
- 2004: 52.1
- 2006: 53.2
- 2008: 54.1
- 2010: 51
- 2012: 52.1
- 2014: 54.1
- 2016: 56.1
- 2018: 58
- 2020: 59
Other Sectors

• Services
  • Strength in leisure and hospitality
  • Hospital consolidation limiting growth in health care

• State and local government
  • Limited growth due to ongoing state budget problems
### Bureau of Business Research Presentation

#### Nebraska Economic Outlook

<table>
<thead>
<tr>
<th>Professional, Scientific, and Technical Industries</th>
<th>US</th>
<th>NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Systems Design and Related Services</td>
<td>1.38%</td>
<td>1.07%</td>
</tr>
<tr>
<td>Architectural and Engineering Services</td>
<td>0.98%</td>
<td>0.62%</td>
</tr>
<tr>
<td>Accounting and Bookkeeping Services</td>
<td>0.68%</td>
<td>0.54%</td>
</tr>
<tr>
<td>All other Professional, Scientific, and Technical Industries</td>
<td>3.11%</td>
<td>2.11%</td>
</tr>
</tbody>
</table>

- Legal Services
- Specialized Design Services
- Management and Technical Consulting Services
- Scientific Research and Development Services
- Advertising and Related Services
- Other Professional and Technical Services
Non-Farm Employment

• Despite areas of weakness, the Nebraska job growth rate will match U.S. growth rate

• However, Nebraska lags slightly in 2018 due to remaining pockets of underutilized labor within the U.S.
## Non-Farm Employment Forecast (%)

<table>
<thead>
<tr>
<th>Geography</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nebraska</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td>United States</td>
<td>1.3%</td>
<td>1.2%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>
Measures of Income Growth

• Nebraska population growth will (slightly) lag U.S.
  • Domestic outmigration but higher birth rates

• There will be solid growth in real per capita income
  • Approximately half due to rising real hourly wages and
  • Approximately half due to more jobs and hours
# Measures of Income Growth

<table>
<thead>
<tr>
<th>Measure</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Farm Personal Income</td>
<td>3.9%</td>
<td>4.0%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Taxable Sales</td>
<td>4.2%</td>
<td>3.2%</td>
<td>3.5%</td>
</tr>
<tr>
<td>CPI</td>
<td>1.8%</td>
<td>1.7%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Population</td>
<td>0.7%</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>
Rural vs Urban Divide

• With short-run challenges in agriculture, growth in rural Nebraska will significantly lag urban Nebraska.
  • There will be large differences in population growth.
  • Large differences in the growth in employment in sectors closely tied to population growth.
  • Construction, retail, finance, services
THANK YOU!

Any Questions?
Connect with BBR

Follow us on social media

- LinkedIn: UNL - Bureau of Business Research
- Facebook: UNL - Bureau of Business Research
- Twitter: @BBR_News

You can also subscribe to our newsletter by sending your preferred e-mail address to: bbr@unl.edu