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Nebraska Economic Outlook



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.

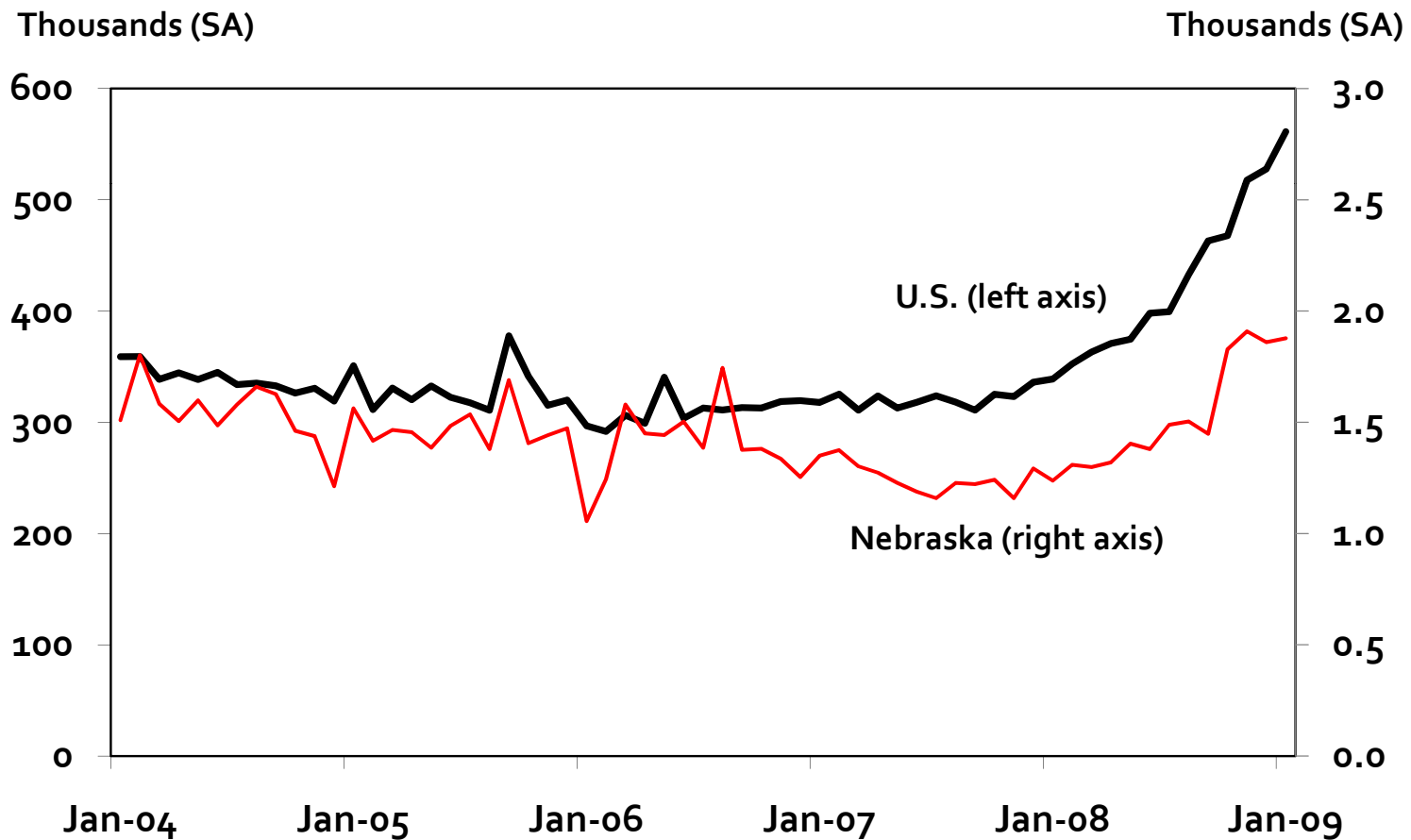
Today's Roadmap

- **Slow, but Stronger Growth in Nebraska**
 - **Job and Income Losses not as Steep.**
 - **A New Balance in the Housing Sector?**
 - **Relative Economic Strength is Broad Based.**
 - **The Farm Boom Fades.**



Job Losses Mount.

Initial Claims for Unemployment Insurance



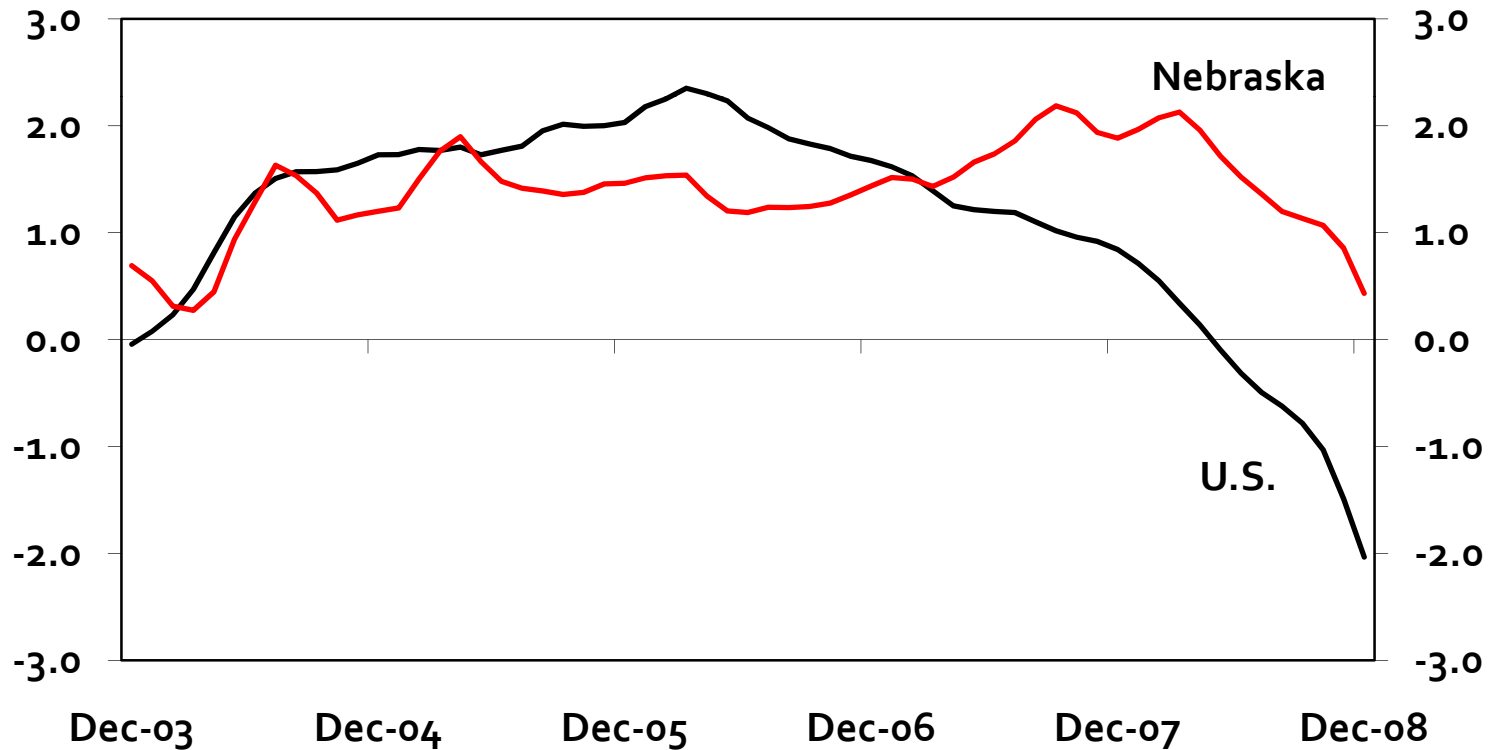
Source: Bureau of Labor Statistics



Nebraska is faring better than the rest of the nation.

Private Non-Farm Employment Growth

Percent change year-over-year (three-month moving average)



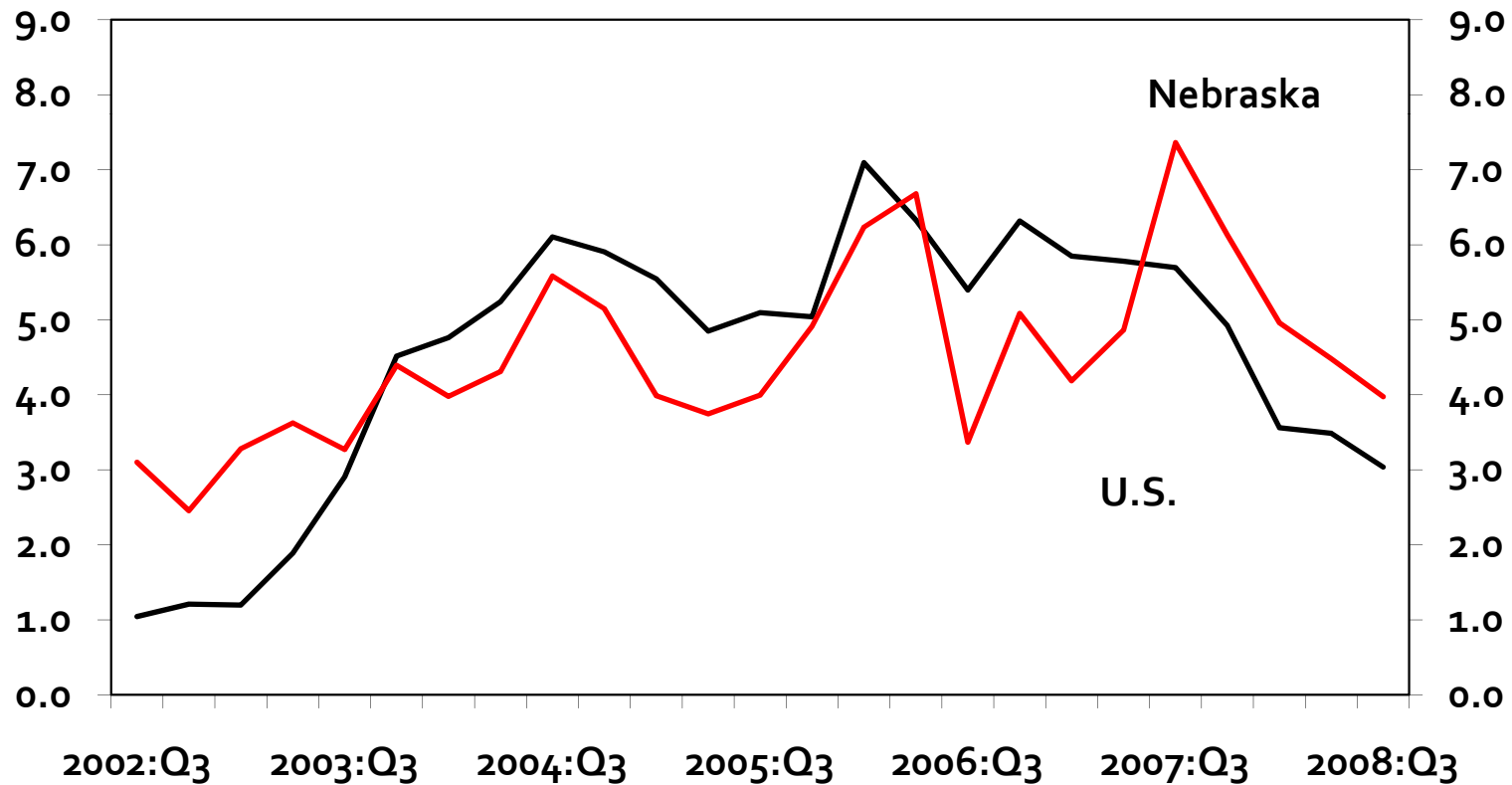
Source: Bureau of Labor Statistics



Wage and Salary Growth is also Stronger.

Wage and Salary Growth

Annual percent change



Source: Bureau of Economic Analysis



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Stronger Construction Activity in Nebraska.

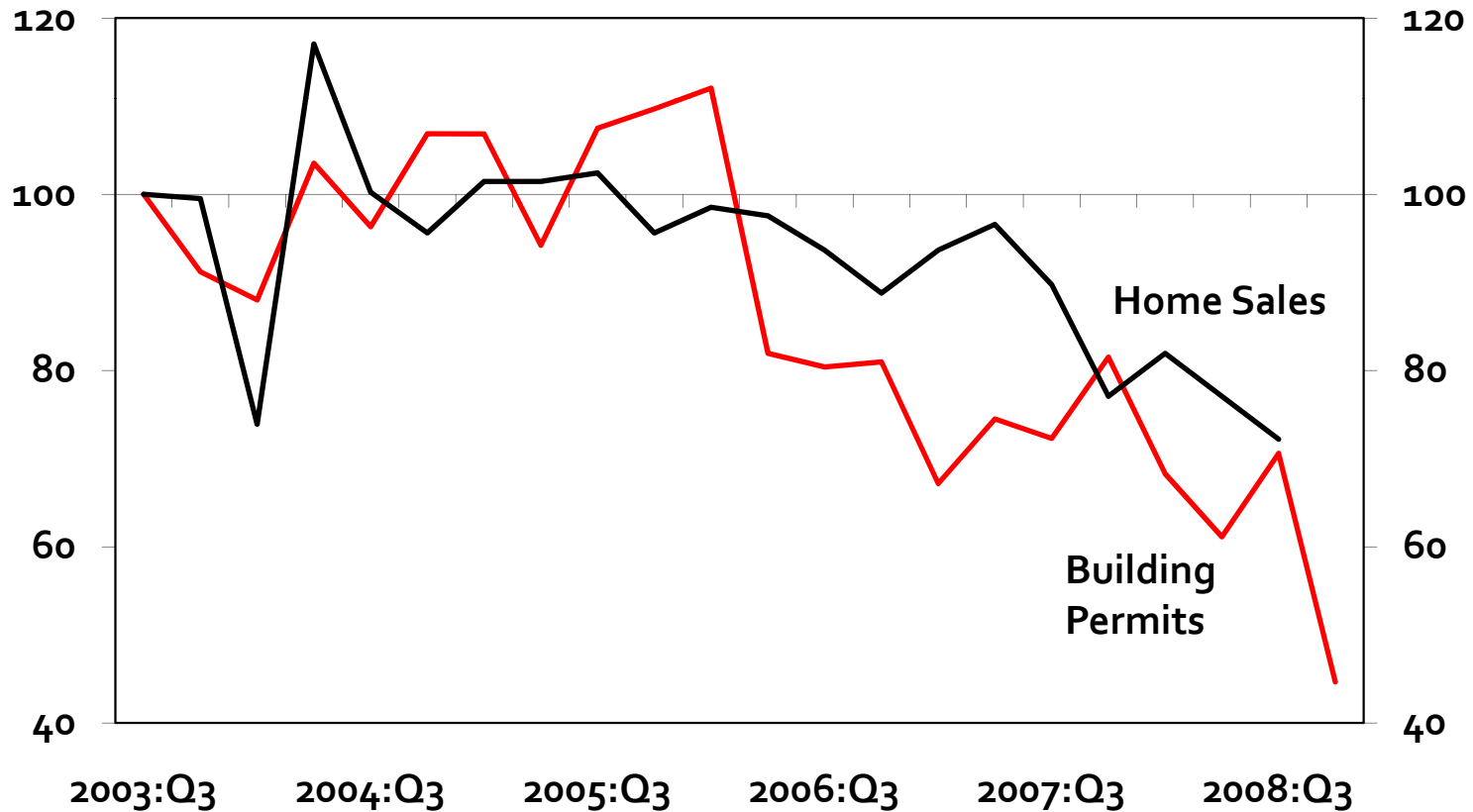
	U.S.	NE
Construction employment (Percent change Dec. 07 to Dec. 08)	-8.8	-2.7
Single-family housing permits (Percent change Dec. 07 to Dec. 08)	-47.5	-27.7
Existing home sales year-to-date (Percent change 3 rd Qtr 05 to 3 rd Qtr 08)	-30.3	-28.2
Repeat sales home prices (Percent change 3 rd Qtr 07 to 3 rd Qtr 08)		
Purchase only	-6.0	-3.6
Including refinanced	-4.0	-0.3
Foreclosure rates (Percent of loans serviced 3 rd Qtr 08)	2.97	1.55

Sources: Bureau of Labor Statistics, Census Bureau, National Association of Realtors, FHFA, Mortgage Bankers Assoc.

Home Sales Need to Outpace Building Activity

Nebraska Building Permits and Existing Home Sales

Index (2003 Q3 = 100)



Source: U.S. Census Bureau and National Association of Realtors



Today's Roadmap

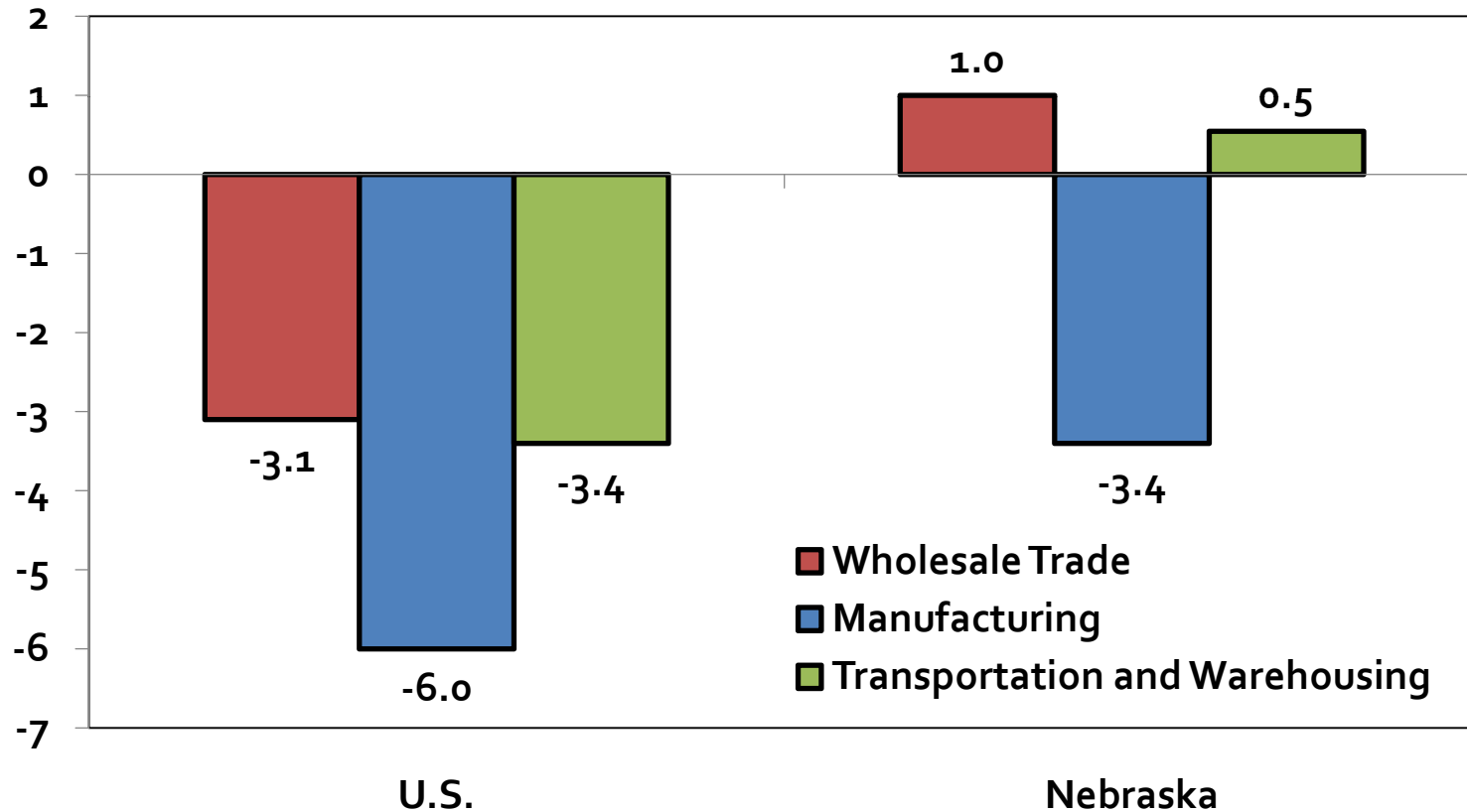
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Manufacturing and Distribution Firms Post Fewer Job Losses.

Manufacturing and Distribution Industry Employment Growth

Percent change from year ago (December 2008)

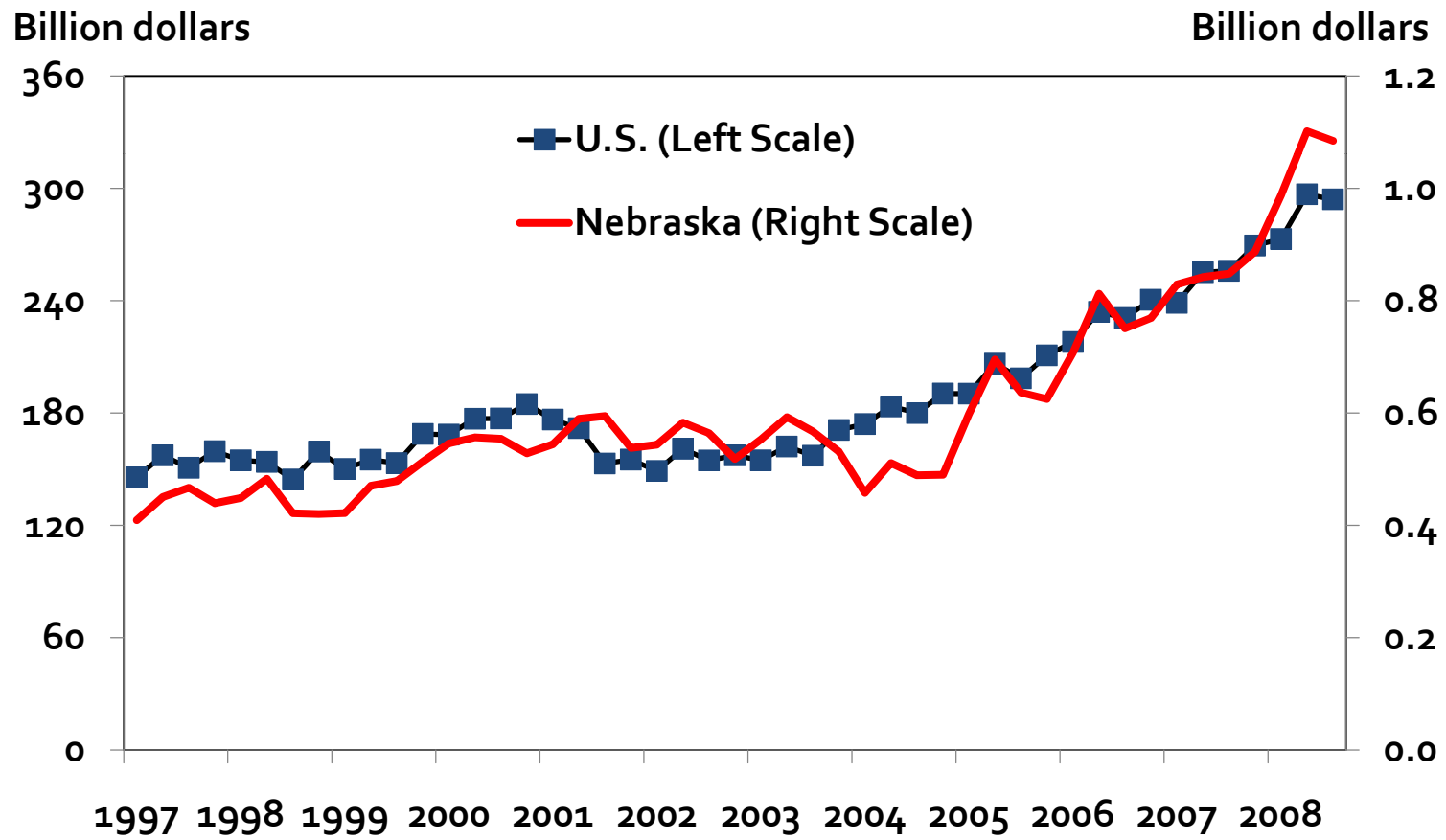


Source: BLS



Export Activity Remained Strong, but is Expected to Ease.

U.S. and Nebraska Manufactured Exports

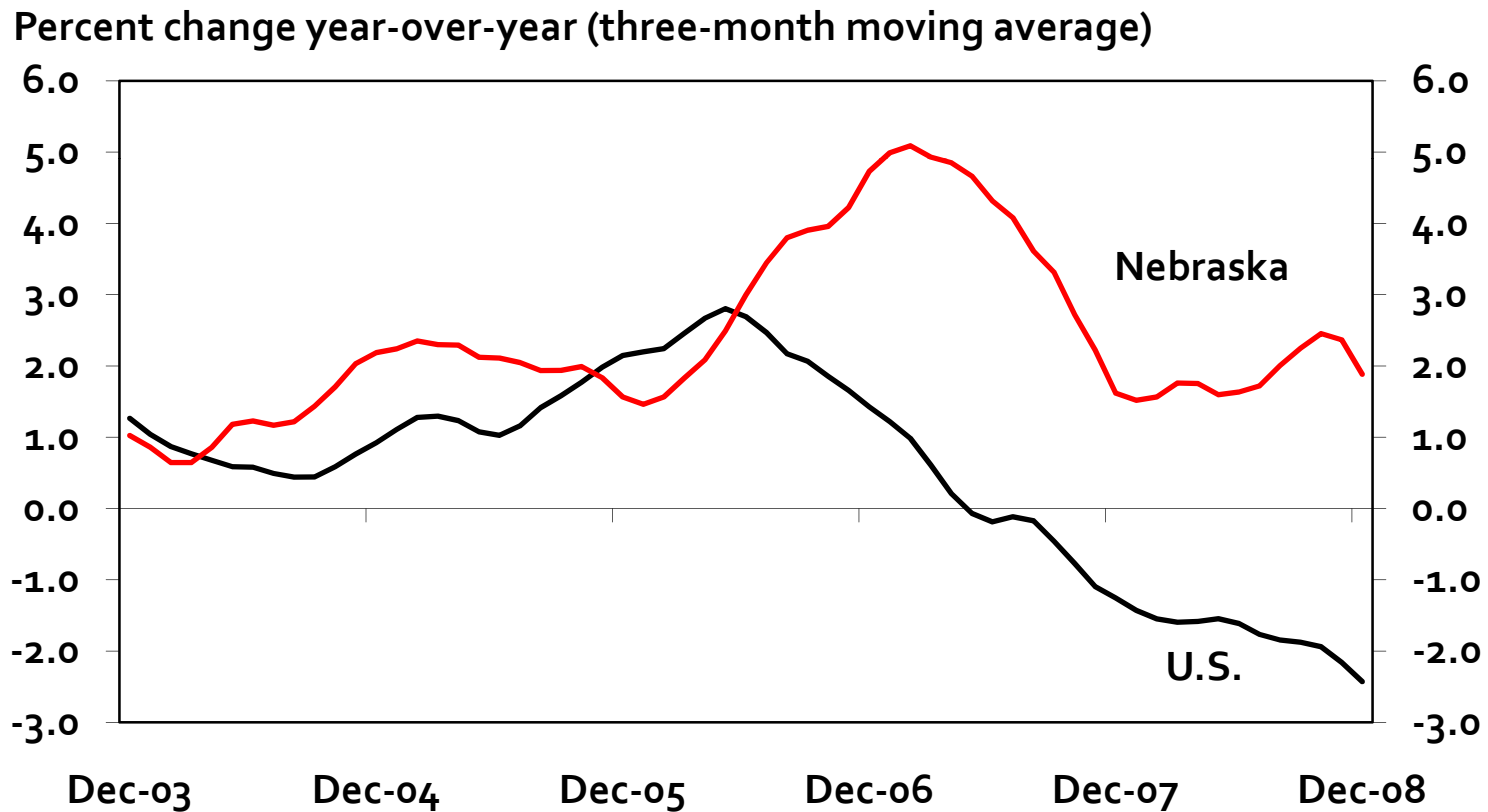


Source: WISERTrade



Financial Institutions Expand Payrolls.

Financial Activities Employment Growth



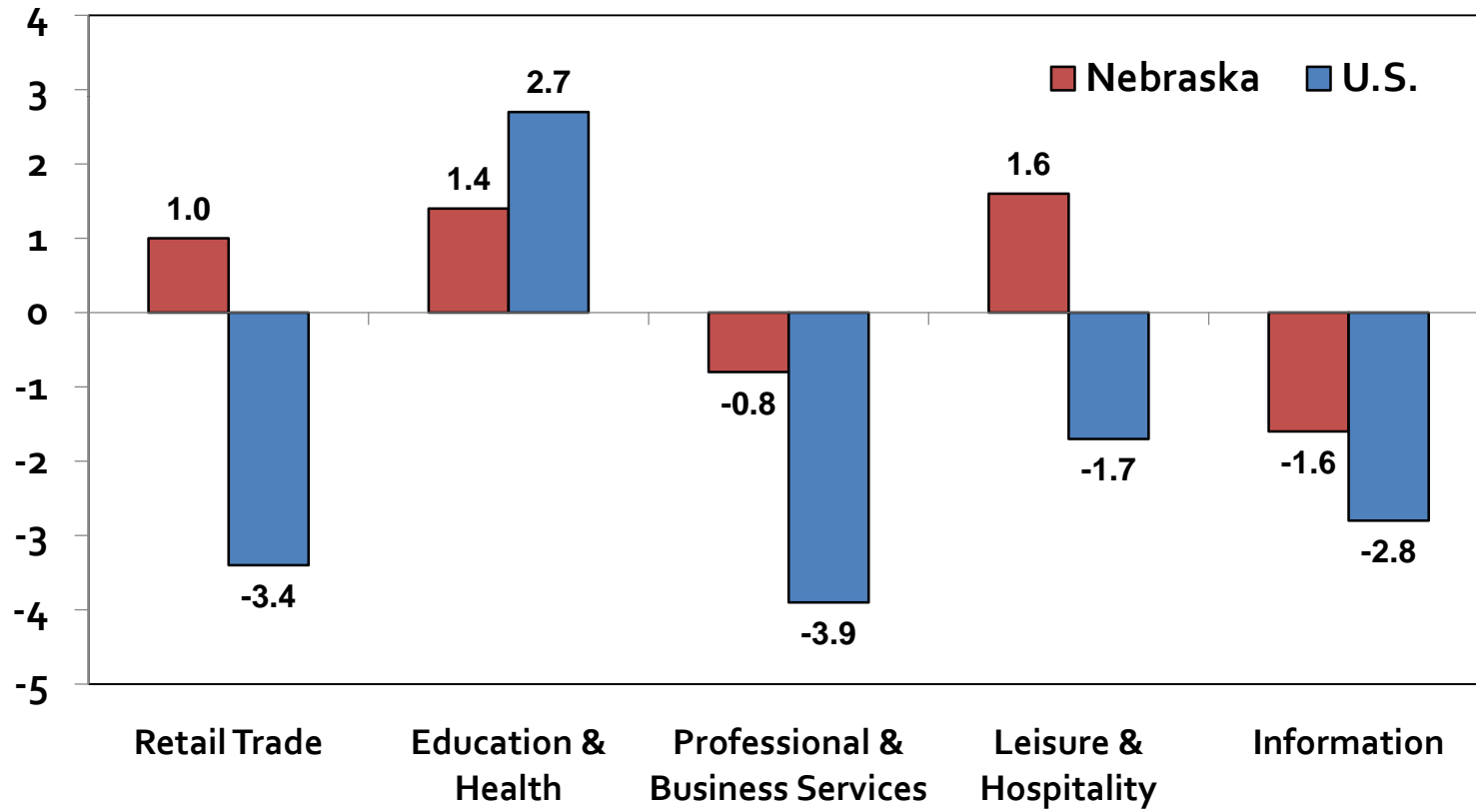
Source: Bureau of Labor Statistics



Trade and Service Jobs Changes Stronger than National Levels.

U.S. and Nebraska Trade and Service Employment Growth

Percent change from year ago (December 2008)

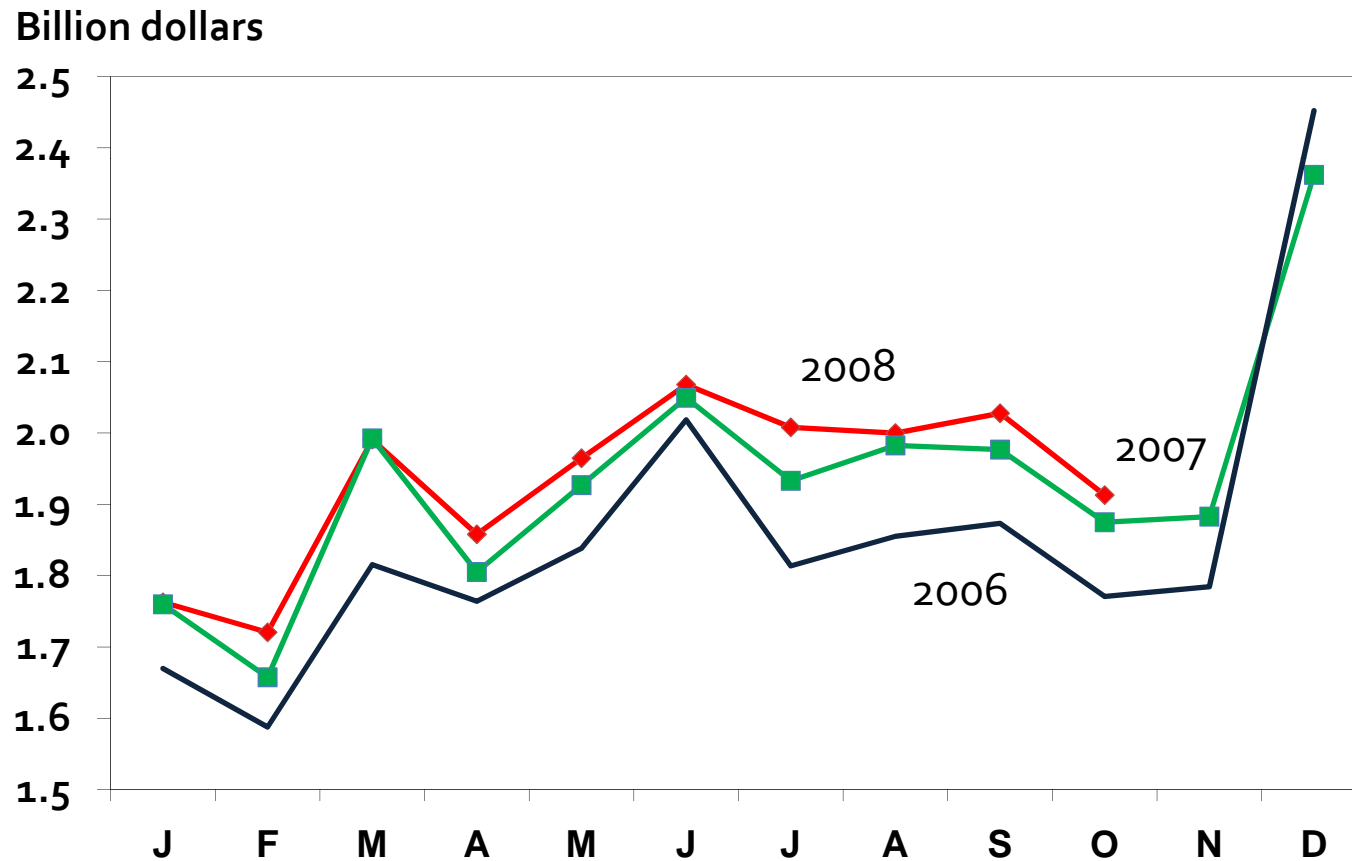


Source: BLS



Aggregate demand will need to rebound.

Nebraska Net Taxable Retail Sales



Source: Nebraska Department of Revenue



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Falling Demand for Farm Products.

- **Rising at-home consumption of food.¹**
 - Grocery store sales rose 0.4 % annually by December 2008
 - Restaurant sales slid 1.7 % annually by December 2008
- **Shift in meat demand to lower-priced poultry²**
 - Beef demand fell 4% in 2008.
 - Pork demand fell 5.6% in 2008.
 - Poultry demand rose 0.7% in 2008.
- **Agricultural exports forecasted to fall 17.3 % in 2009.³**
- **Projections for 2008/09 ethanol corn use fell 2.7% in January.⁴**

¹ U.S. Census, *Advanced Monthly Retail Sales*

² Kansas State University and University of Missouri

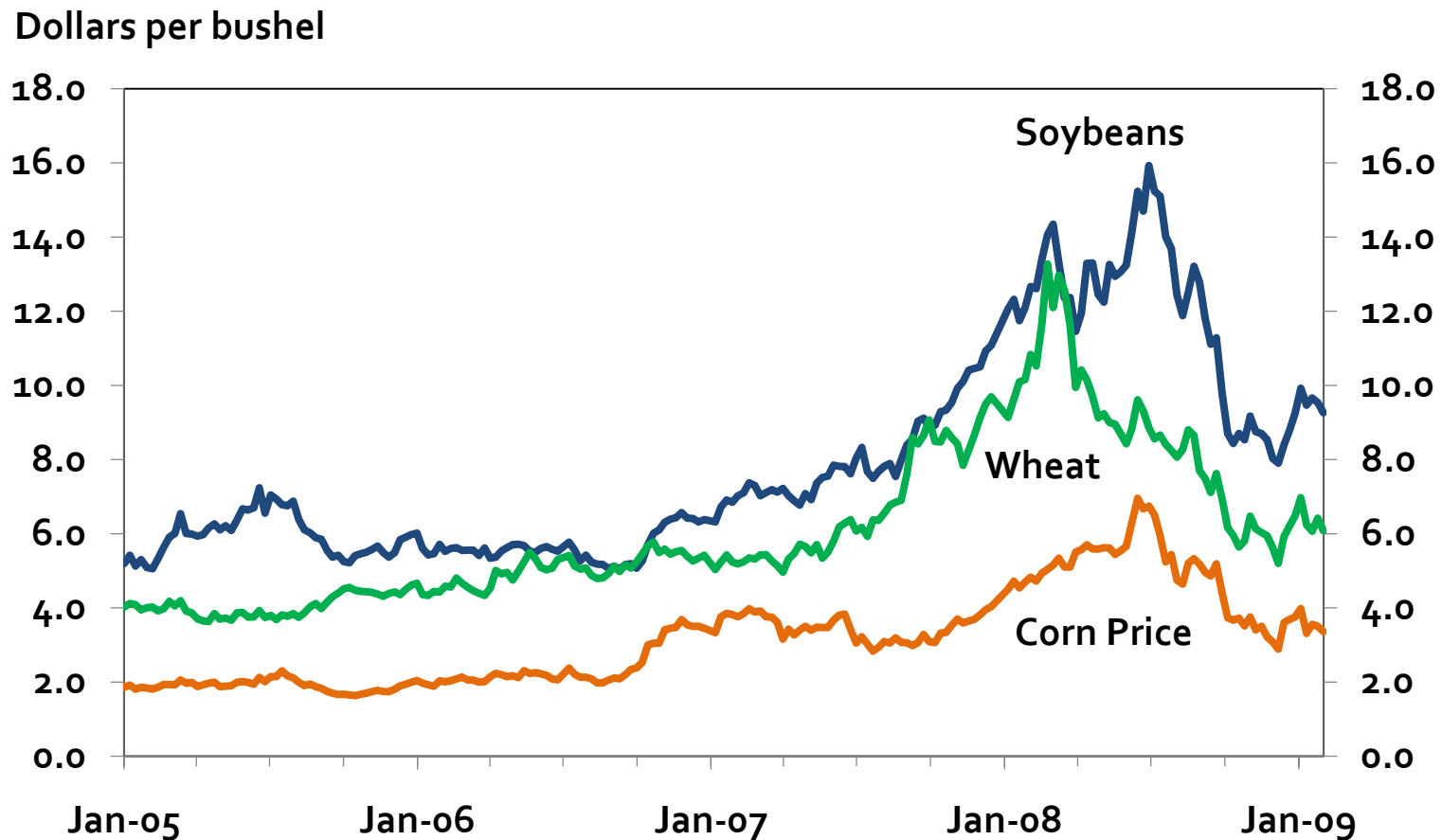
³ USDA, *Outlook for Agricultural Trade*

⁴ USDA, *World Agricultural Supply and Demand Estimates*



The Crop Price Boom Goes Bust.

U.S. Crop Prices



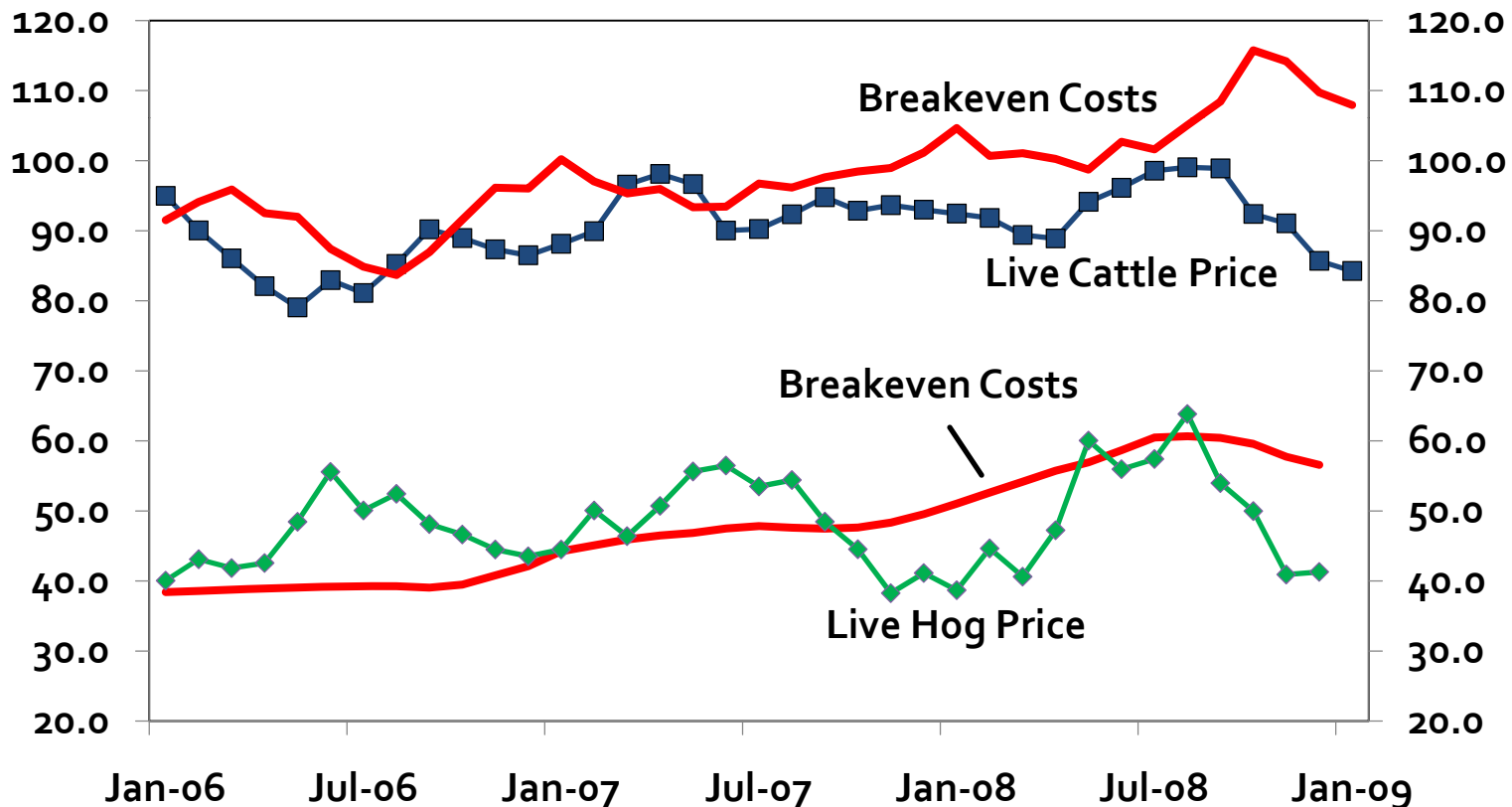
Source: Commodity Research Bureau



Falling Demand and High Feed Costs Cut Livestock Profits.

Livestock Prices and Breakeven Costs

Dollars per hundredweight



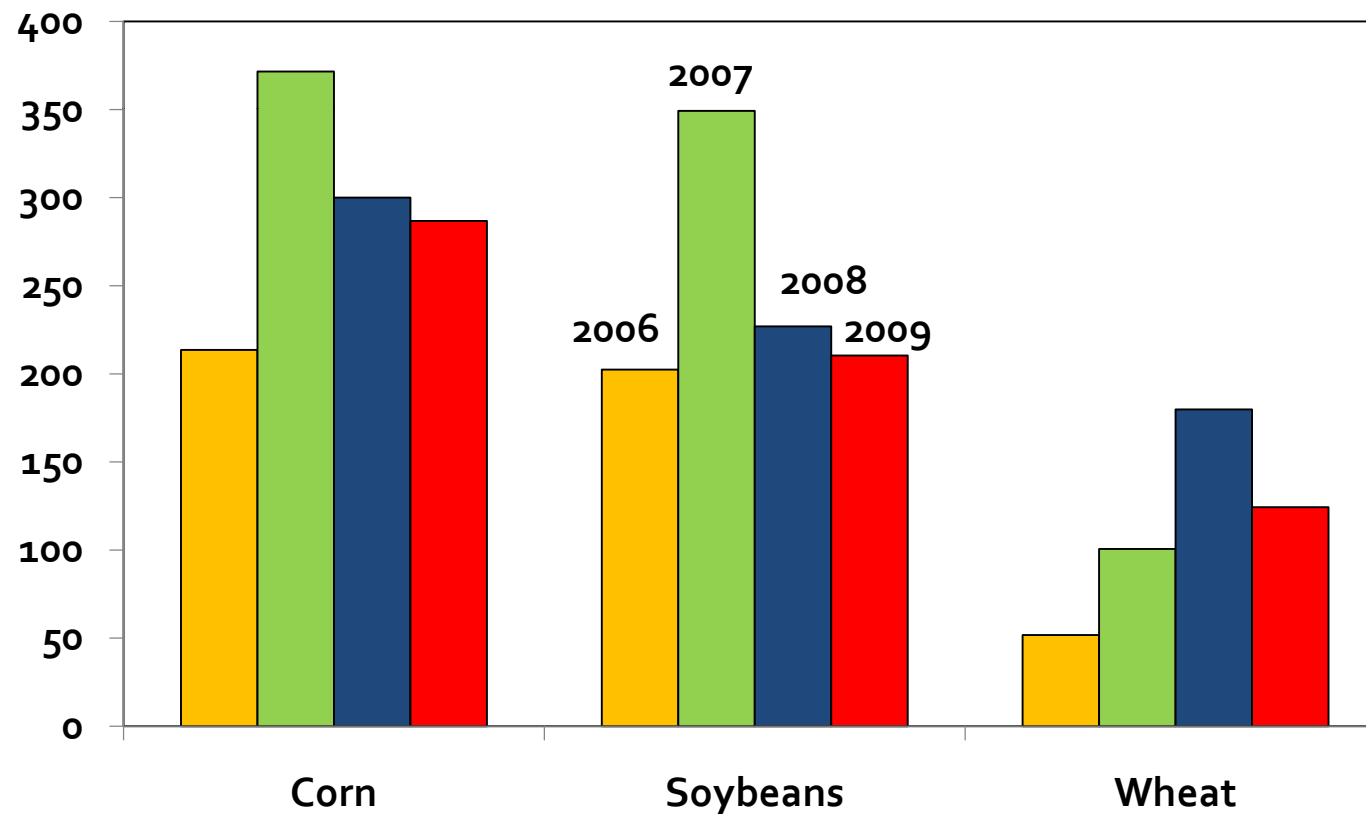
Source: USDA and Iowa State University



Crop Profits are Expected to Decline

Net Returns to Land From Crop Production

Dollars per acre

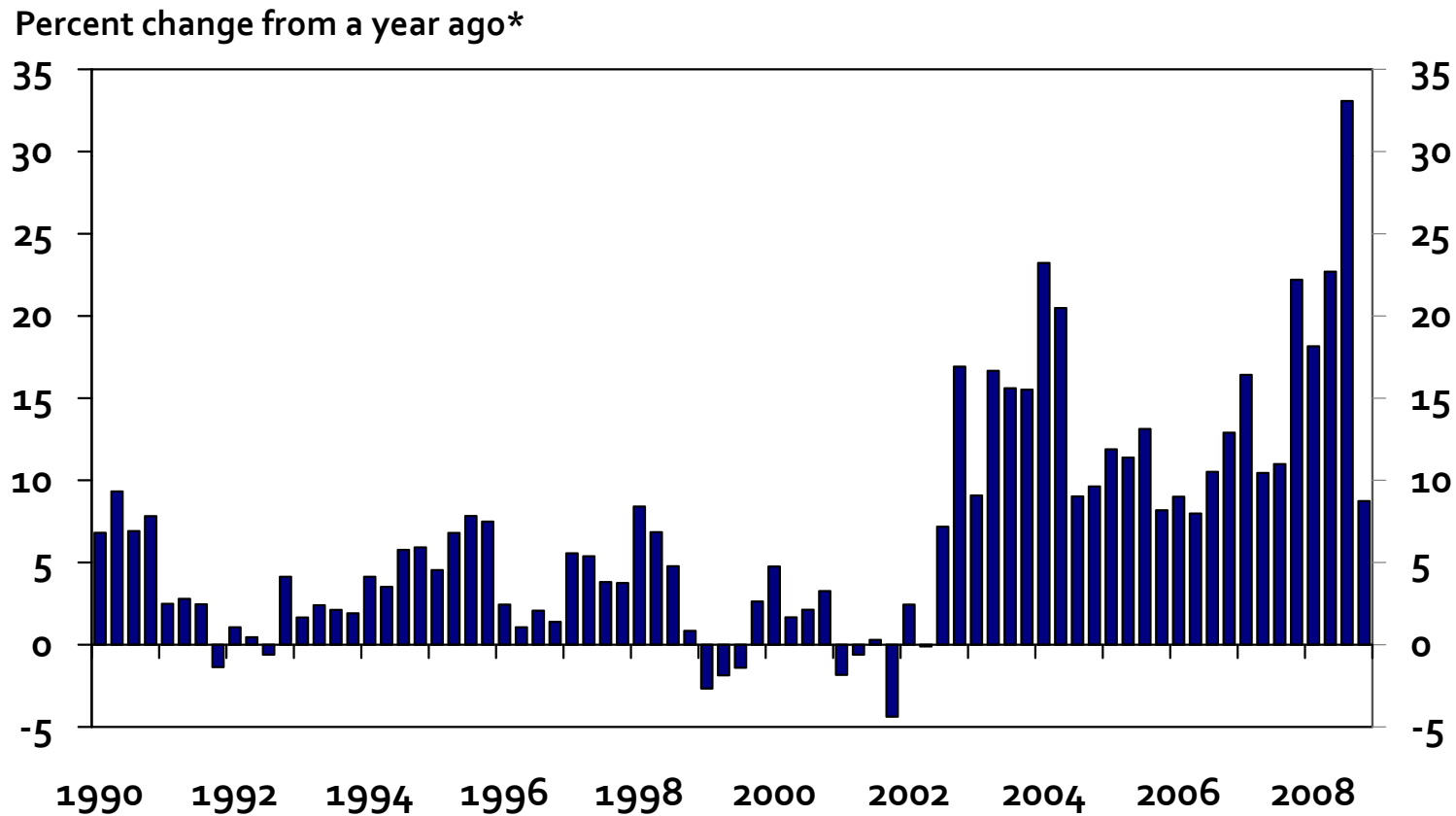


Calculations based on USDA cost and returns and futures price data.



Farmland Values Ease with Weaker Farm Incomes and Softer Nonfarm Demand.

Nebraska Nonirrigated Cropland Values



Source: Federal Reserve Bank of Kansas City

*Percent changes are calculated using average values from banks reporting that quarter.



Conclusions

- Nebraska was Insulated, but Not Immune to the Recession.
- Steeper Contractions in 2009.
- Nebraska Fairing Better than Rest of U.S.
- The Farm Boom Fades.

***Economic Prosperity Depends
on a Demand Rebound.***

