

Jason Henderson
Vice President and Branch Executive
Federal Reserve Bank of Kansas City – Omaha Branch
www.kansascityfed.org/omaha
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Transforming Nebraska's Economy: Building on the Recovery



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.

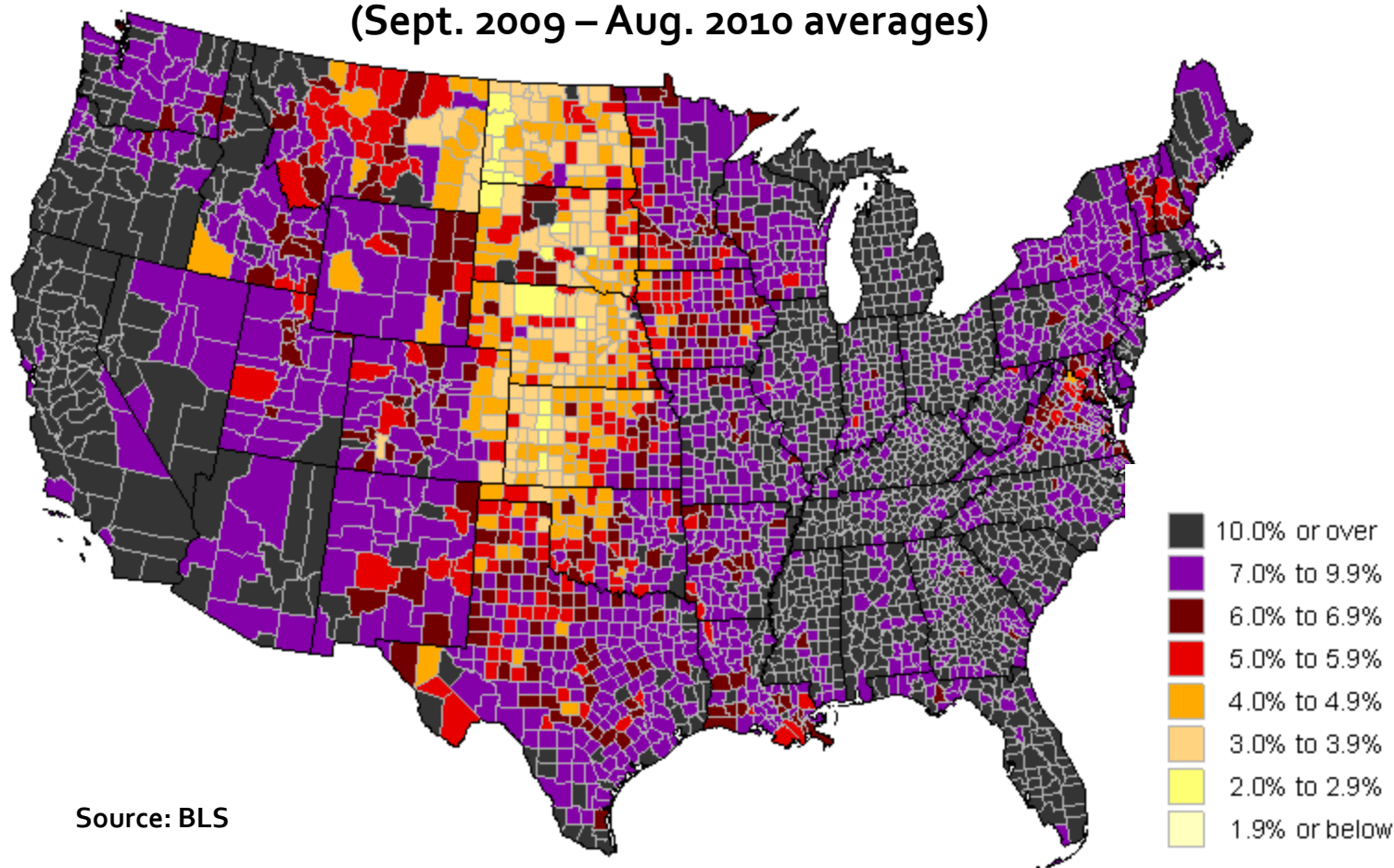
Today's Roadmap

- Nebraska's economy shakes off the summer lull.
- Agriculture rebounds with strong demand and lean supplies.
- Seizing opportunities in the recovery.



The Great Plains has withstood the recession better than the rest of the nation.

Unemployment Rates
(Sept. 2009 – Aug. 2010 averages)

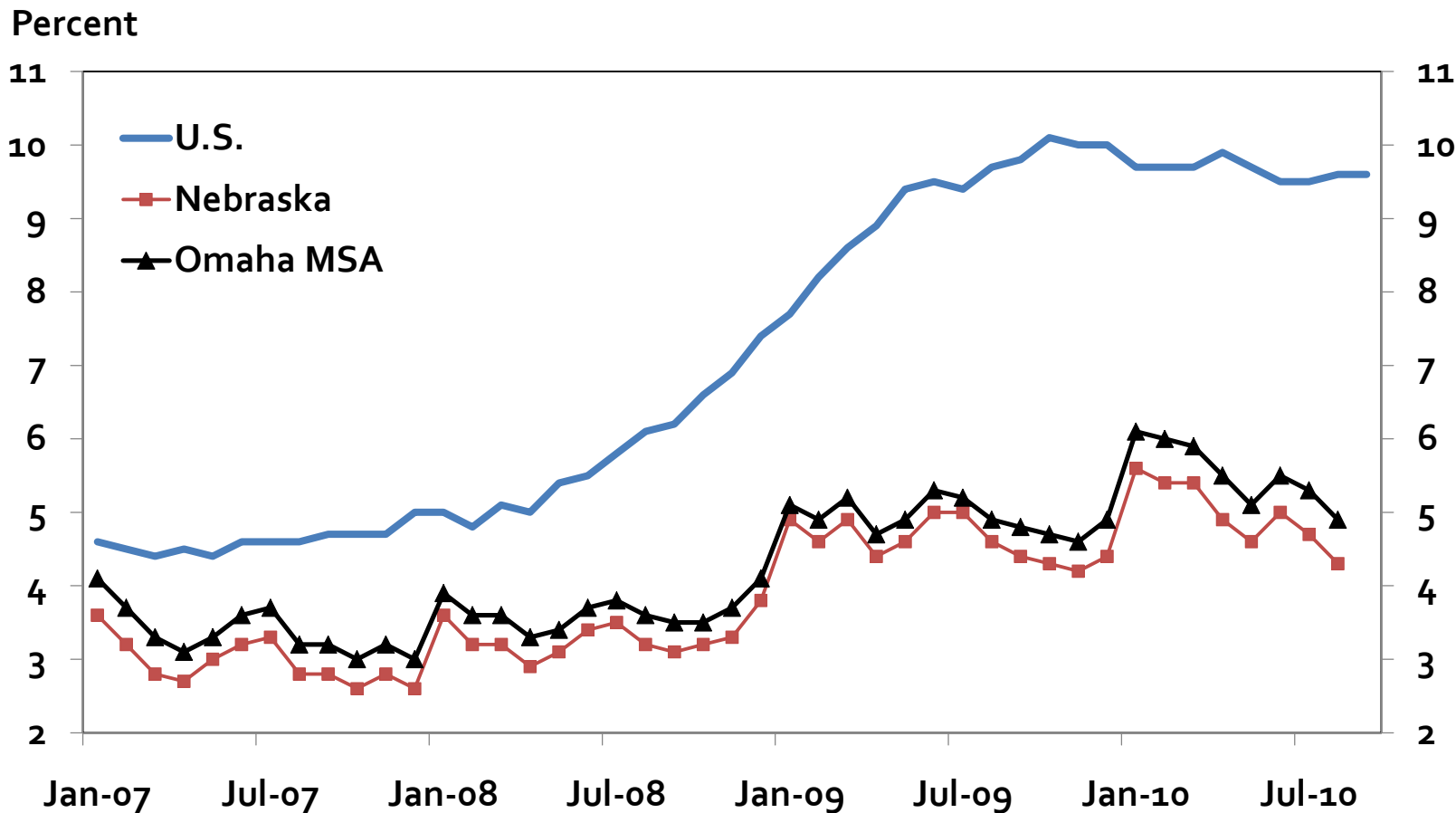


Source: BLS



Job losses have not been as sharp as the nation as a whole.

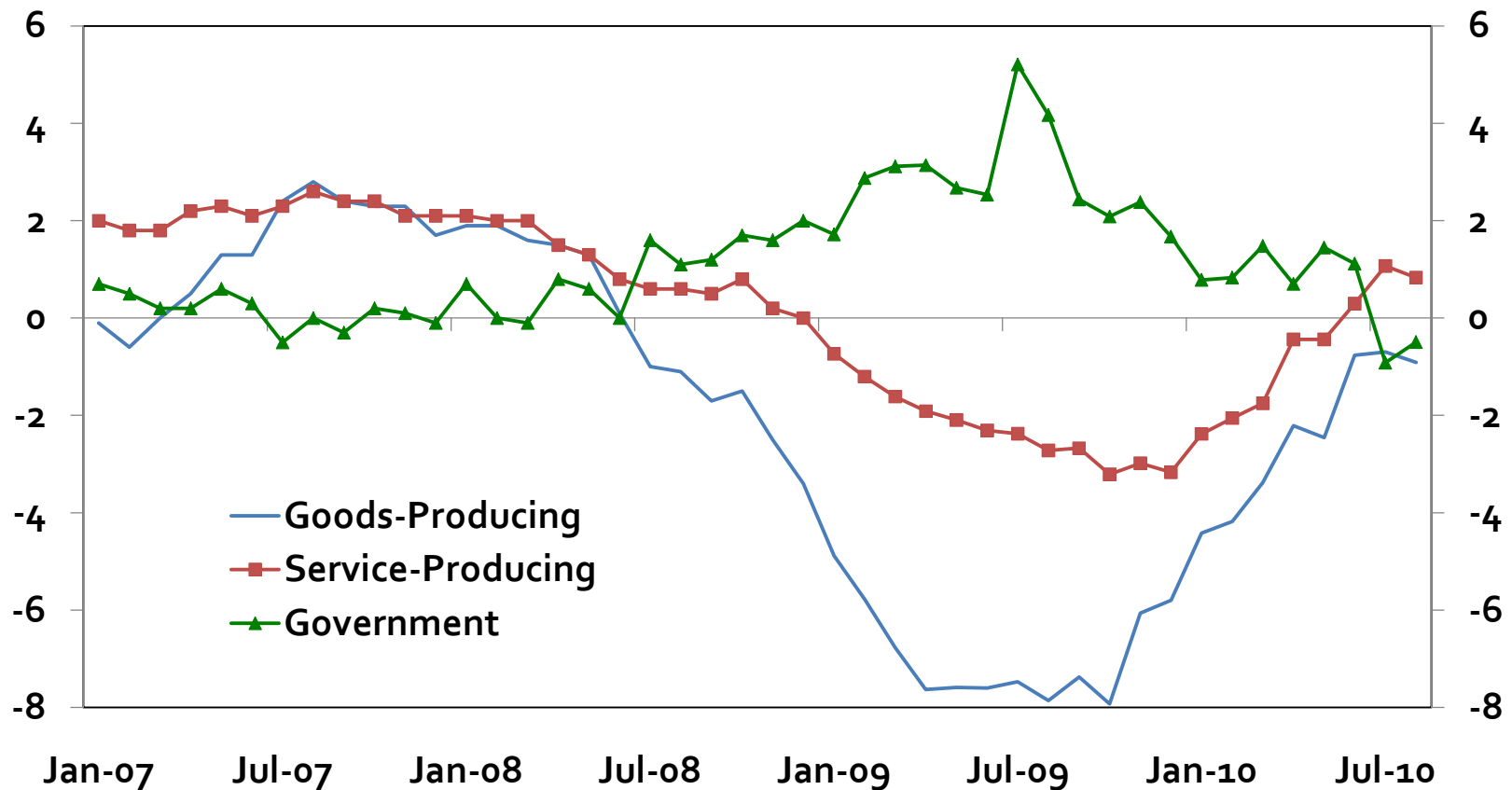
U.S. and Nebraska Unemployment Rates



Private-sector service jobs pace the recovery with stabilizing goods-producing sectors.

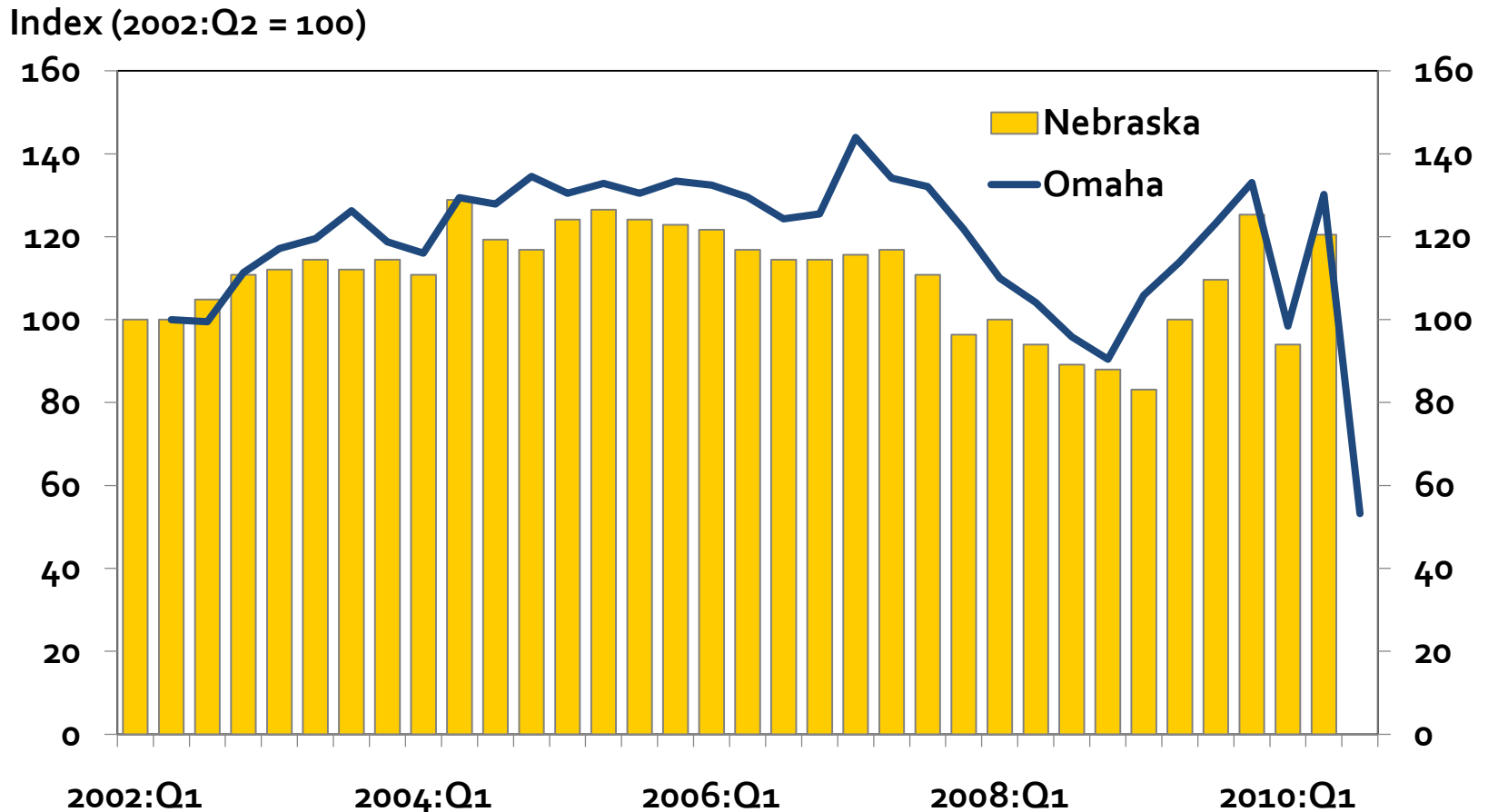
Nebraska Job Growth by Sector

Percent change from year ago



Home sales plummet after the end of the tax credit.

Nebraska and Omaha Home Sales

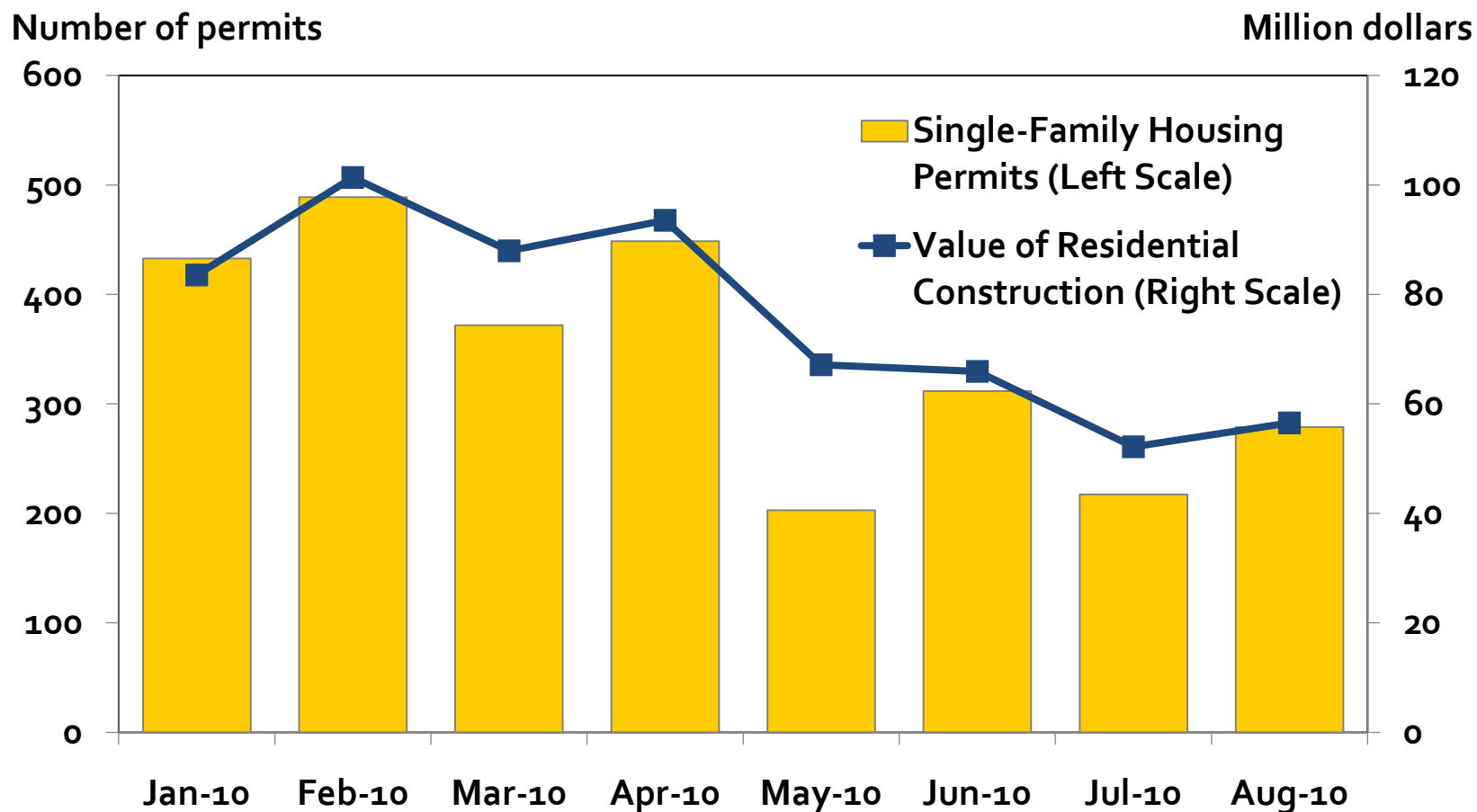


Source: National Association of Realtors and local realtors association



Has housing construction activity hit bottom?

Nebraska Housing Permits and Value of Residential Construction



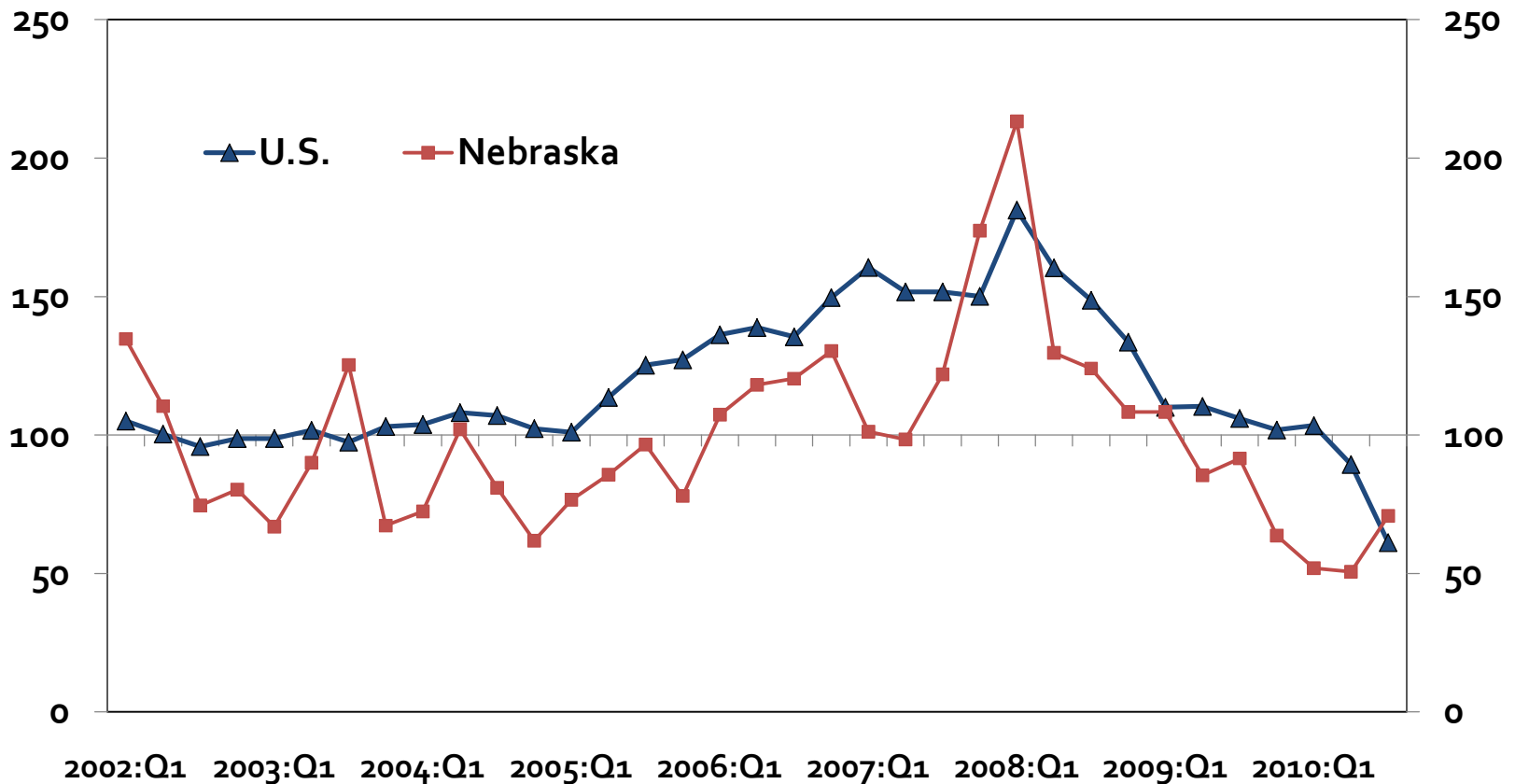
Source: National Association of Realtors and local realtors association



Is the uptick in commercial construction sustainable?

U.S. and Nebraska Non-residential Construction

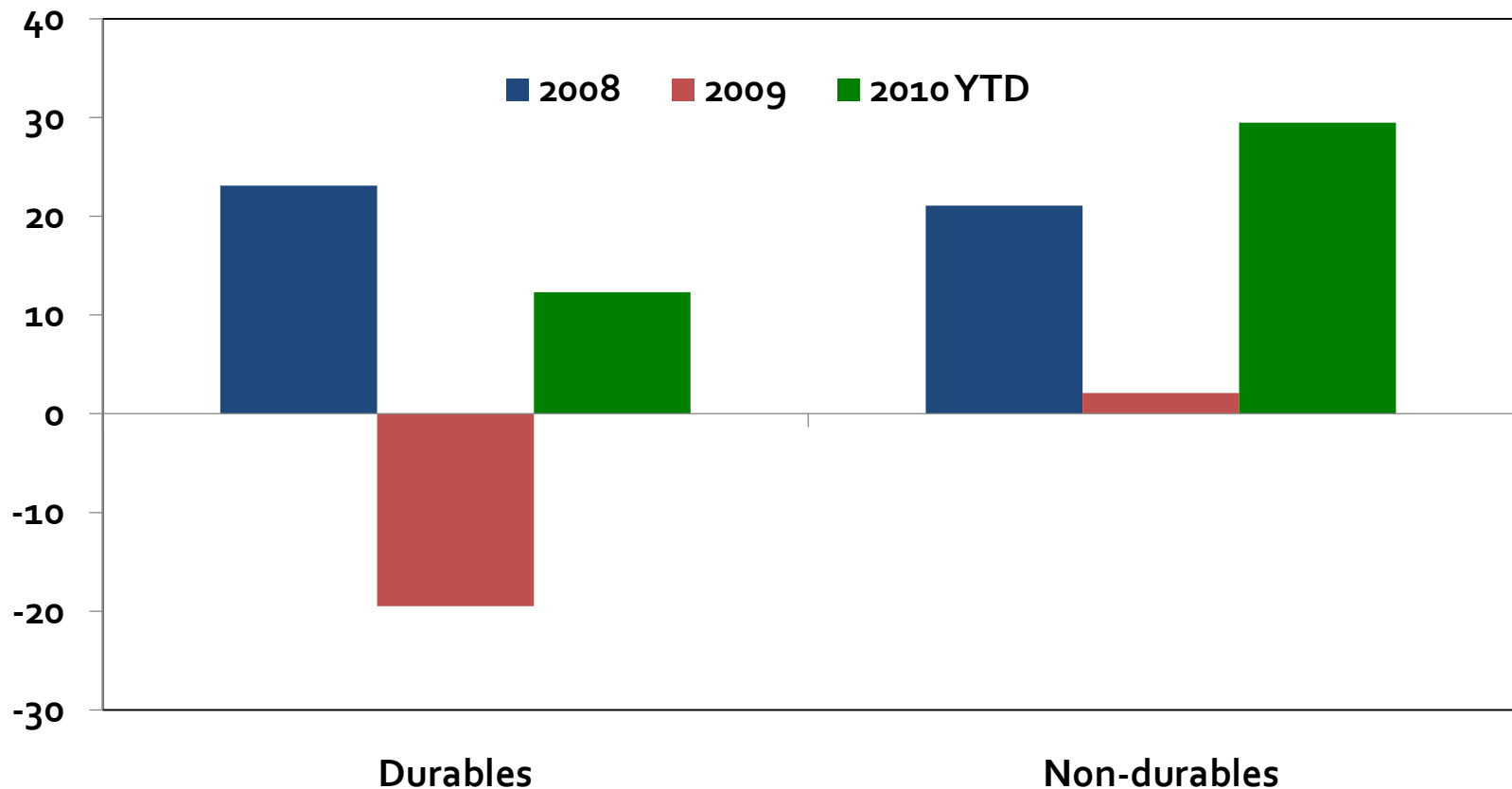
Index (2002= 100)



Manufactured exports rebound led by ag-related firms.

Nebraska Manufactured Export Growth

Percent change from year ago



Today's Roadmap

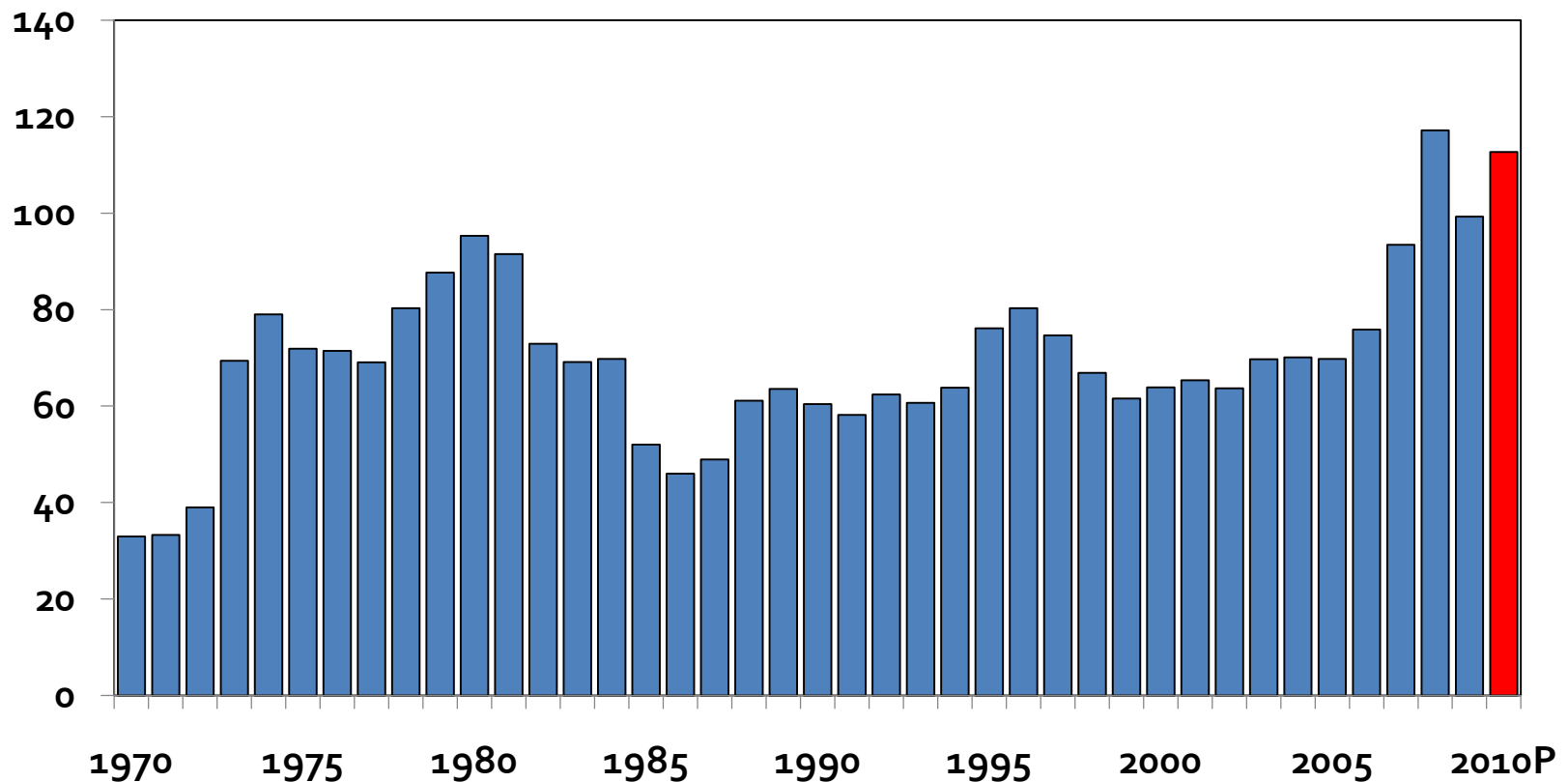
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U.S. agricultural exports have rebounded.

Real U.S. Agricultural Exports

Billion dollars (constant 2010=100 dollars)



Source: USDA

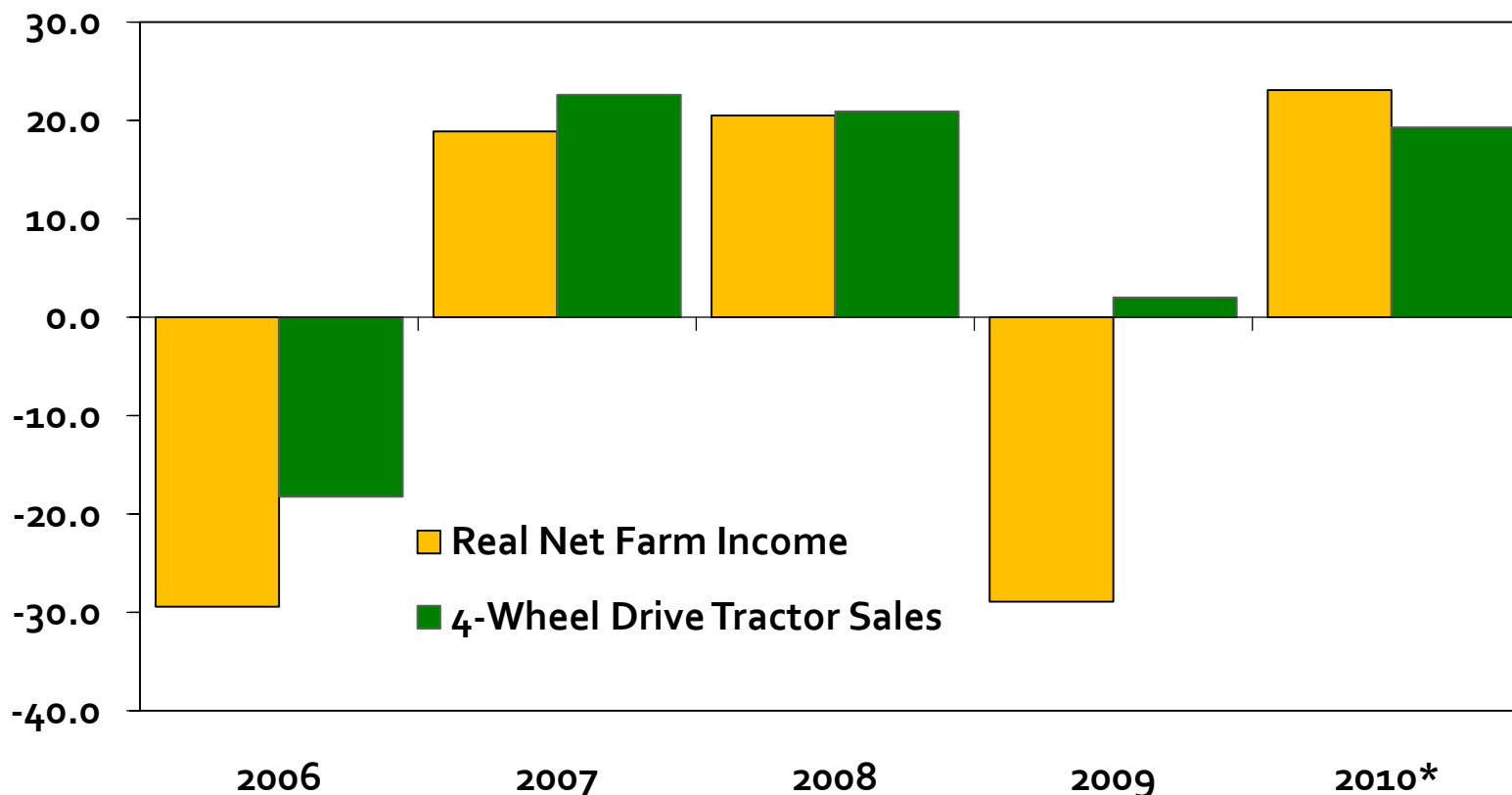
* 2010 projection based on export growth through July 2010



Stronger farm incomes boost agricultural equipment sales.

U.S. Real Net Farm Income and Agricultural Equipment Sales

Percent change from previous year



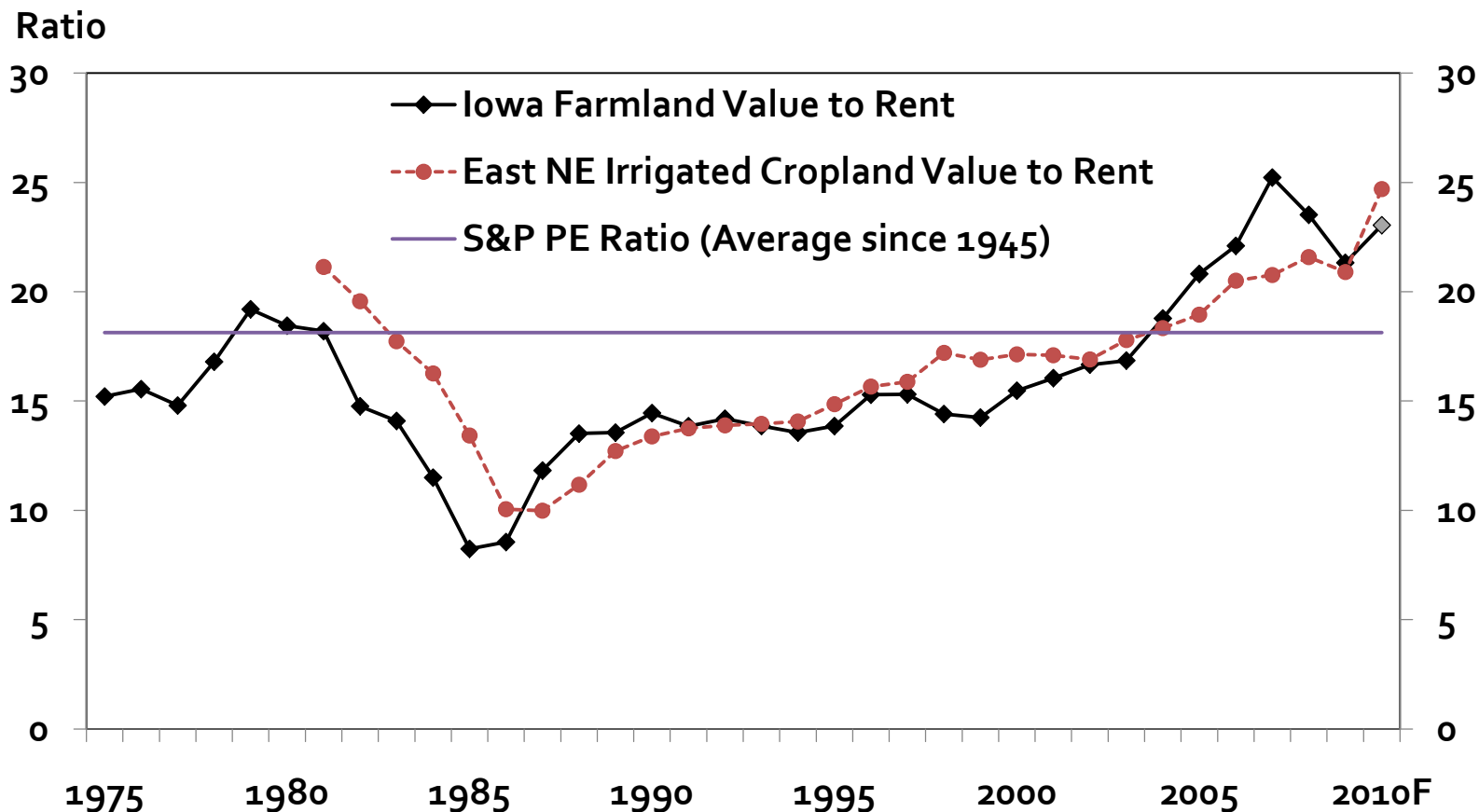
Source: Association of Equipment Manufacturers and USDA

* Tractor Sales data are year-to-date through July and Net Farm Income forecast for 2010 dated August 31, 2010.



Is a farmland bubble brewing? Are farmland values too high or rents too low?

Farmland Values to Rent Ratio



Calculations based on Iowa State University and University of Nebraska data



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1) Recognize that the Consumer is King.

Rising demand lifts all boats.

From where will demand emerge?

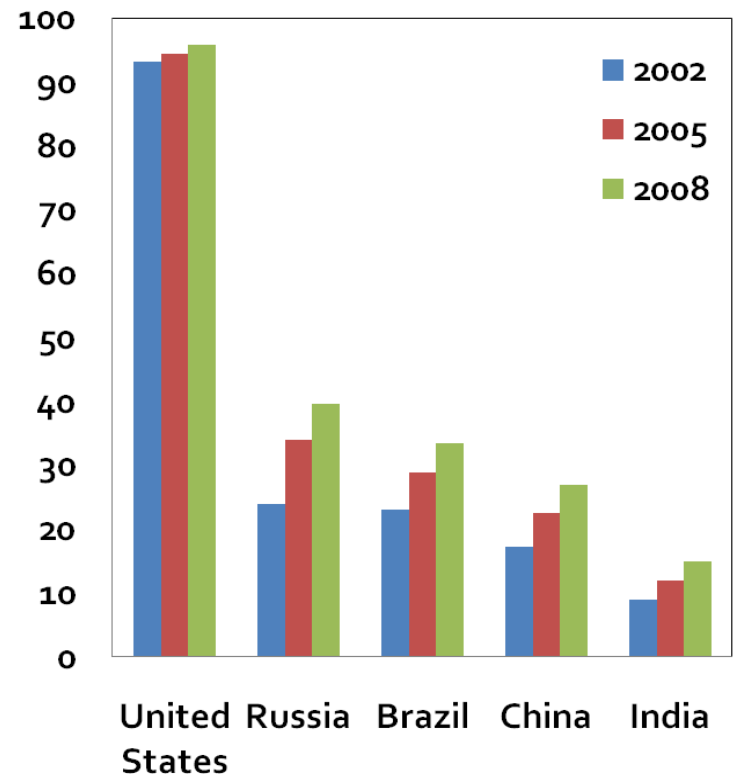
What types of products do they want?

The Example of Food

- In 2008, almost half of the world's population earns less than \$2.50 per day.
- At \$2.50 per day, most hunger problems are solved and people start incorporating proteins into their diet.
- Household amenities, such as microwave ovens, also shift food demand.

Households Owning a Microwave Oven

Percent



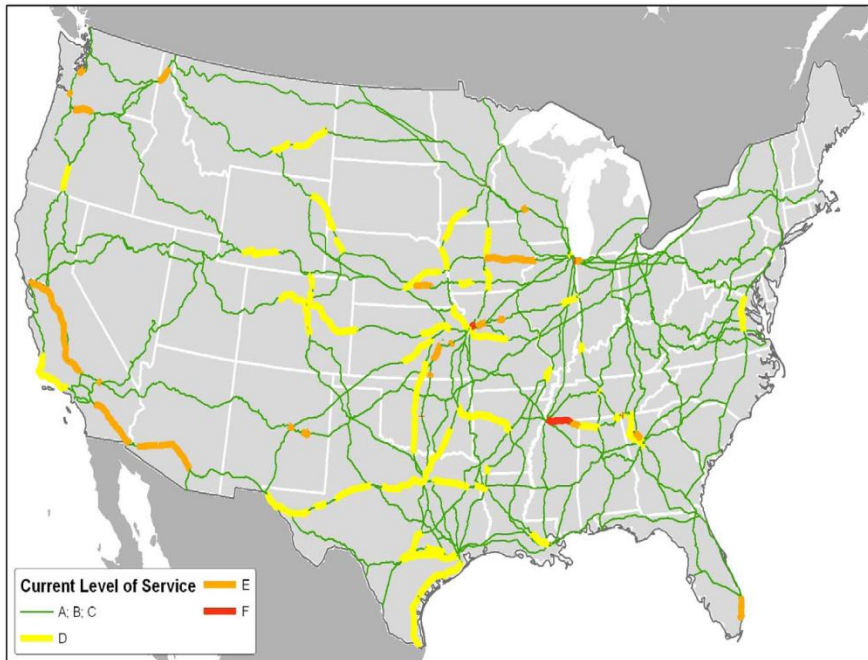
Source: USDA



2) Infrastructure investments are needed to connect Nebraska to the global economy.

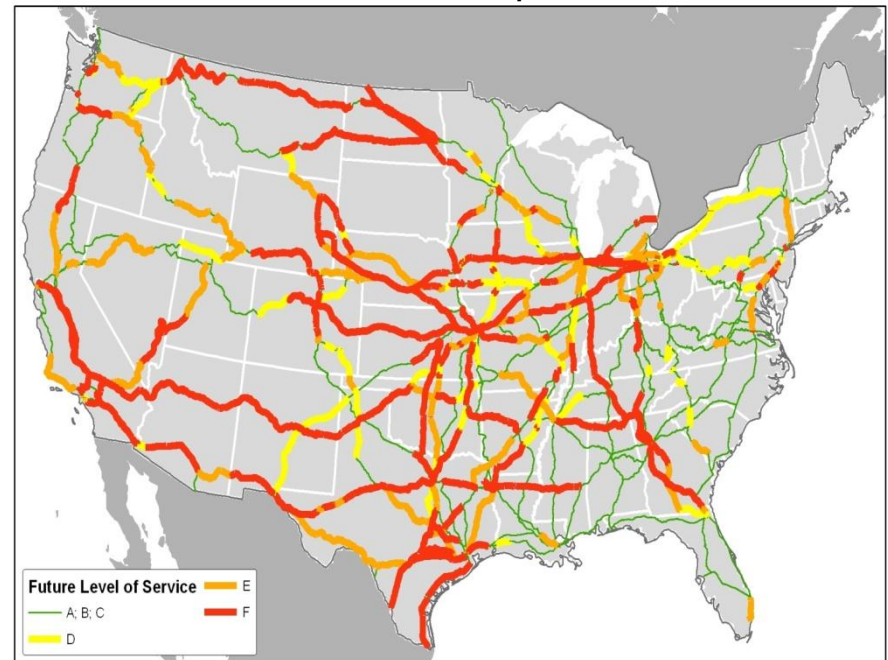
Railroad Capacity

2007



Below capacity Near capacity

2035 – without improvements



At capacity Above capacity



3) *Entrepreneurs are the foundations for revitalization.*

- Communities with stronger entrepreneurial activity have stronger economic growth.
- The benefits of entrepreneurship spill over to neighboring communities.
- The benefits of entrepreneurship build over time.
- Entrepreneurship is “creative destruction”. A business closing is not a failure, if it is replaced by a new business.

Entrepreneurship Index – 2008

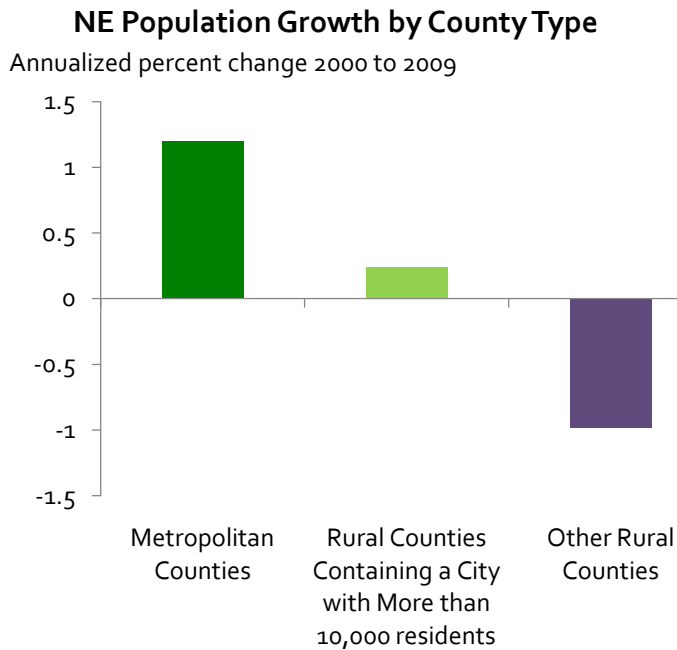
<u>State</u>	<u>Rank</u>
Wyoming	7
Kansas	17
Colorado	18
Minnesota	23
Nebraska	24
South Dakota	36
Iowa	46

Source: Bureau of Business Research, U. of Nebraska-Lincoln
Index is composed of employer establishment growth, business formation rate, patents, and gross receipts of sole proprietorships and partnerships.



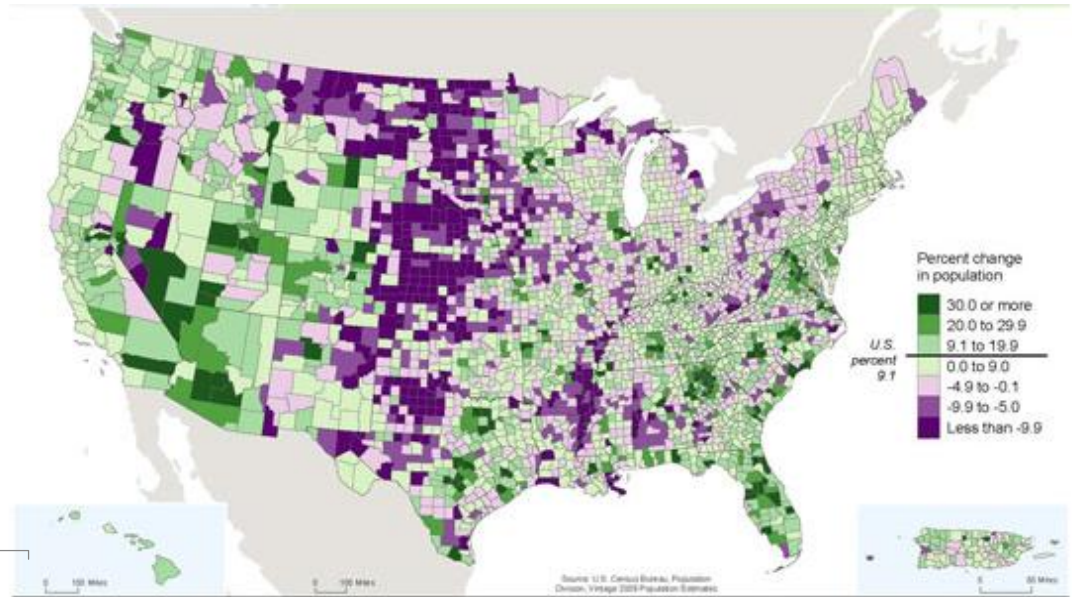
4) Attracting and retaining labor is key.

- Many Nebraska counties struggle to maintain population levels, which limits labor availability and local demand.



Calculations based on U.S. Census data

U.S. Population Growth: 2000 to 2009

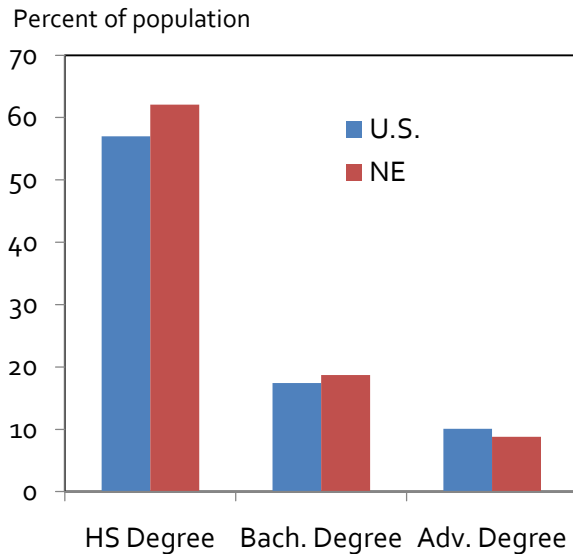


- The quality of local labor pools is also a concern.
- How do Nebraska's communities attract and retain the best and brightest?



5) High-quality labor is imperative for global competitiveness

U.S. and Nebraska Educational Attainment

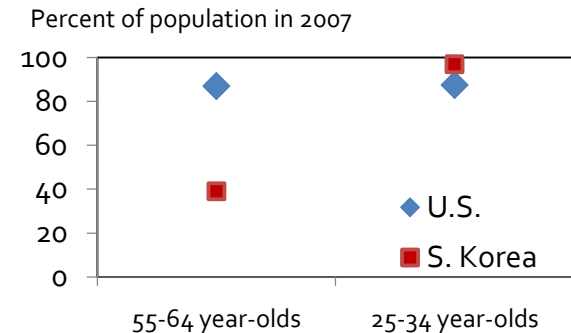


Source: Census Bureau

- *The rest of the world is closing the education gap – in secondary and college education.*
- *As the quantity gap closes, we need to focus on quality.*
- *But what does quality mean?*

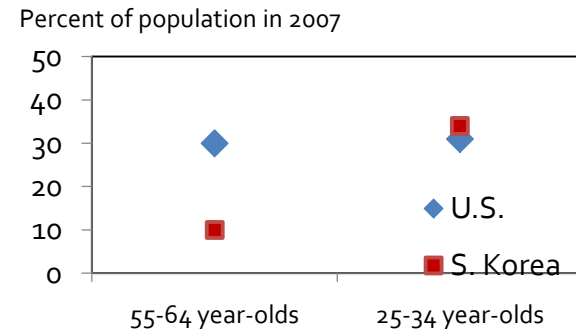
Educational Attainment by Age Group

Secondary Education



Source: OECD, Brookings Institution

4-year College Degree

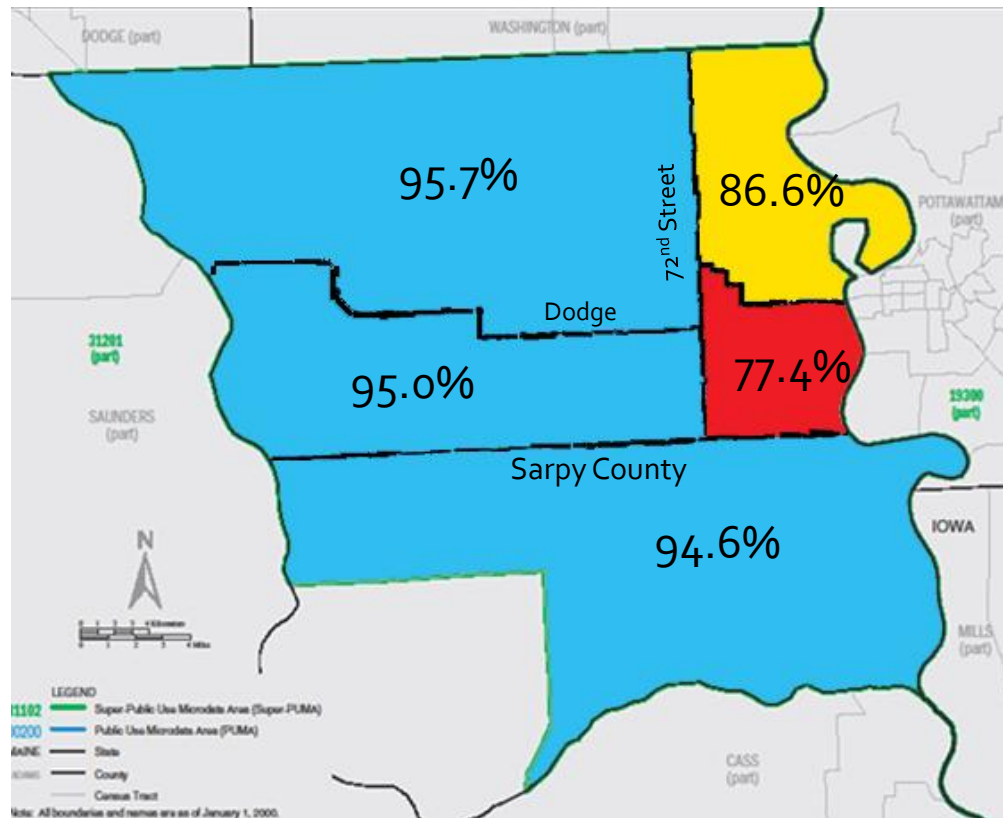


Source: OECD, Brookings Institution



Educational attainment varies across the city.

Educational Attainment (Percent of Population 25 years or older who completed high school)



Source: American Community Survey, 2009



Conclusions

- The recovery is underway in Nebraska, led by agriculture.
 - Modest job gains and low unemployment.
 - Stronger export activity offers opportunities in a global market.
- To compete globally, Nebraska must ...
 - Be entrepreneurial and innovative,
 - Provide the infrastructure for businesses to thrive, and
 - Contain great communities where people want to live, work, and play.

"It is not the strongest of the species that will survive, nor the most intelligent, but the most responsive to change."

Charles Darwin



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For additional information on
the Nebraska economy

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