

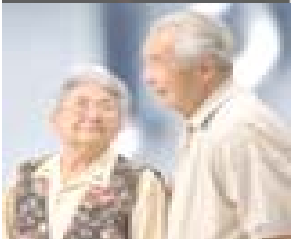


Growing Up and Getting Older: A New Nebraska Economy



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Omaha Branch Executive
Federal Reserve Bank of Kansas City
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Nebraska Economic Forums
September 2008



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.

Growing Up and Getting Older



- **Today's Outline:**

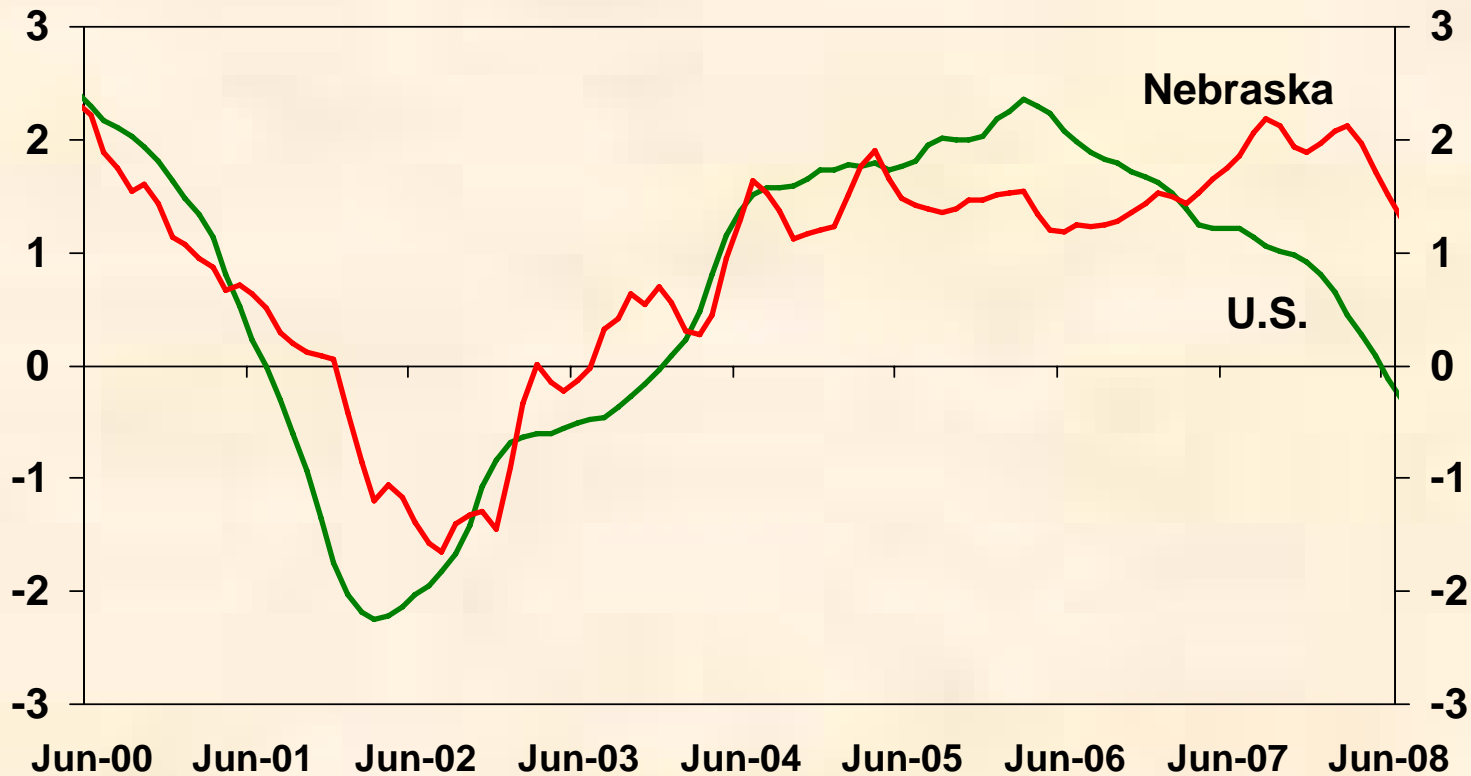
- **A Resilient Nebraska Economy**
- **An Aging Population**
 - **Baby boomers retire**
 - **Migration patterns**
- **The Impact on the Nebraska Economy**



Employment Growth Remains Solid.

Employment Growth

Annual percent change (3-month moving average)



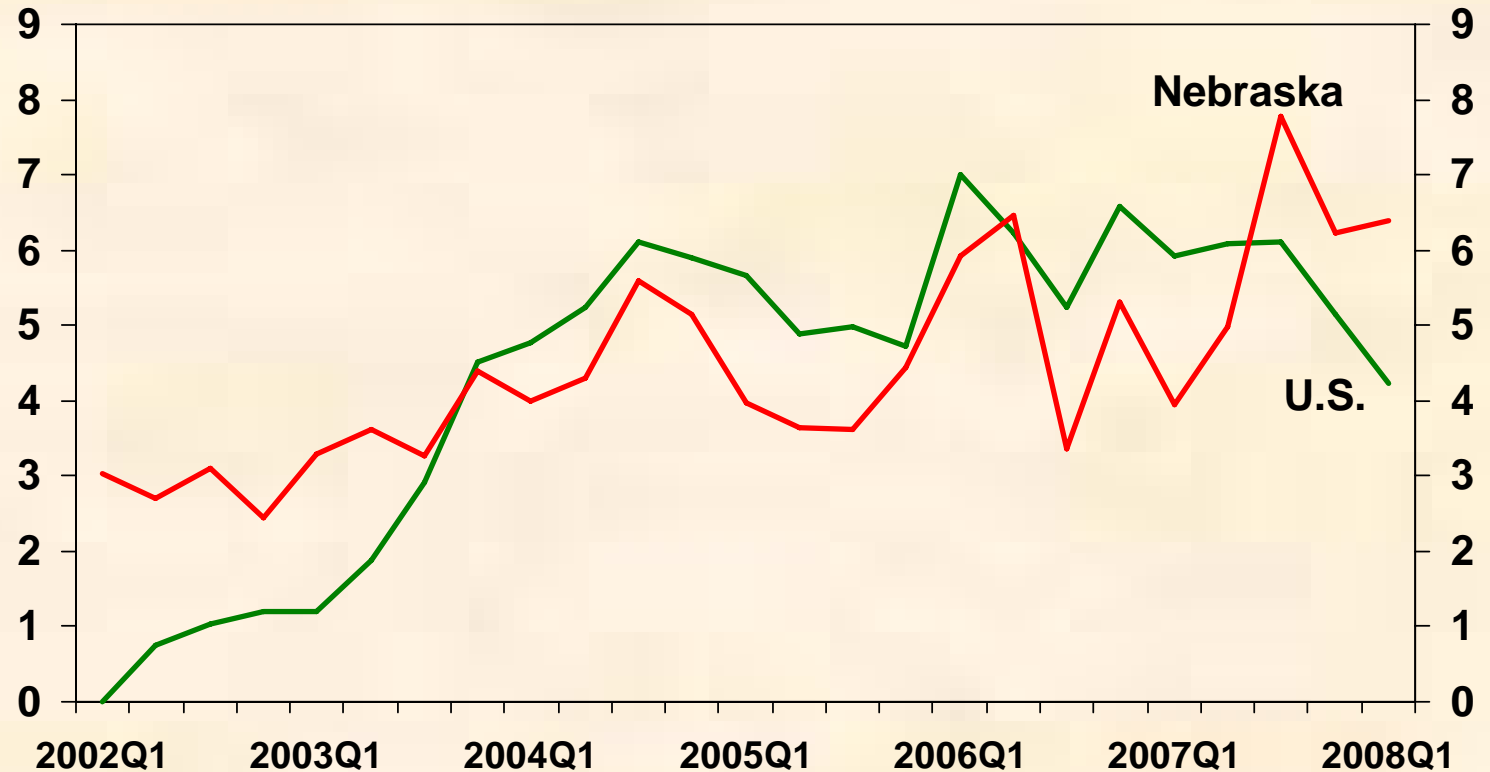
Sources: Bureau of Labor Statistics



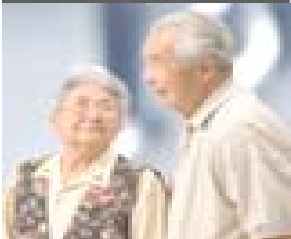
Nebraska's Income Gains Outpace the Nation.

Wage and Salary Growth

Annual percent change



Calculations based on BEA data





Stronger Construction Activity in Nebraska.



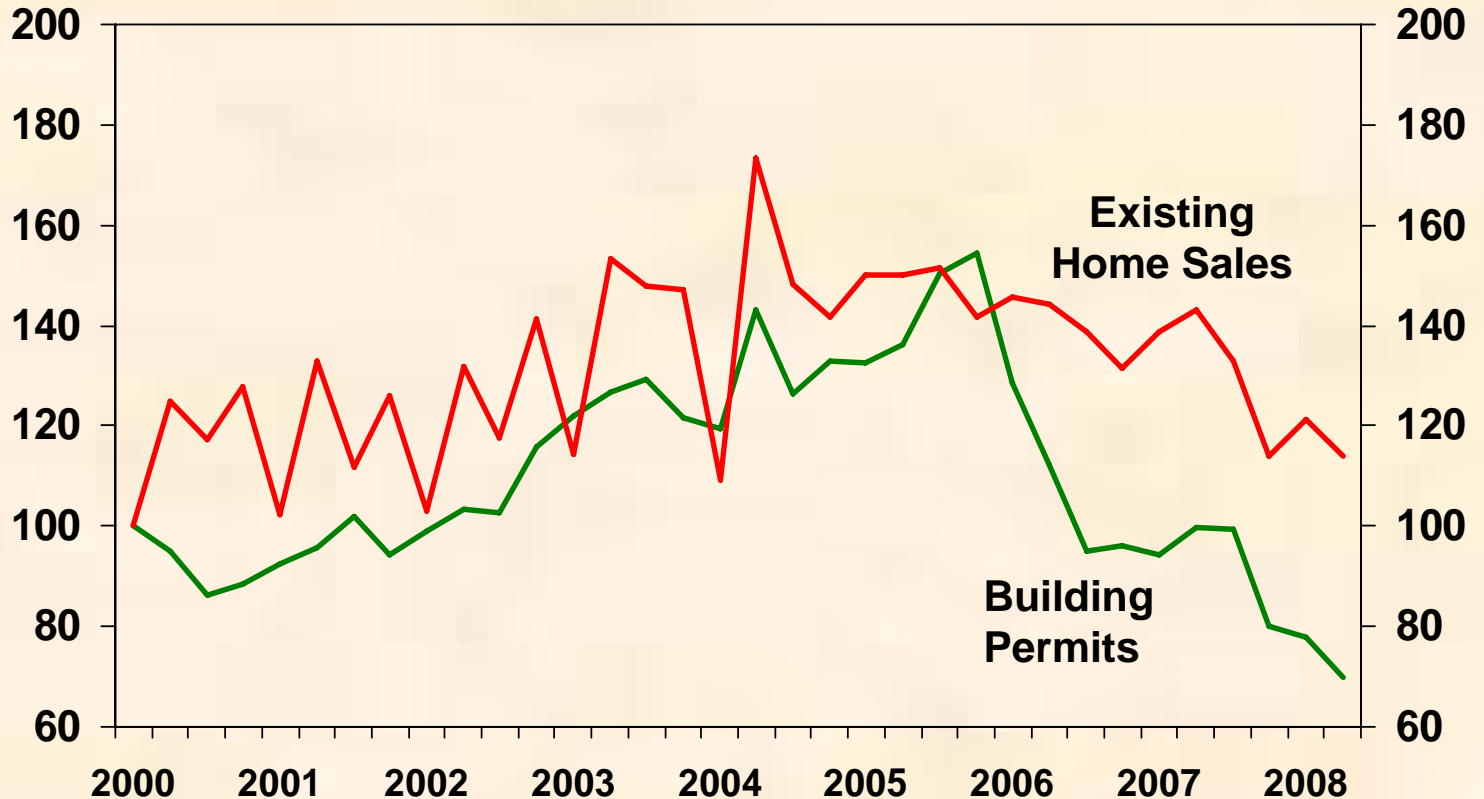
	U.S.	NE
Construction employment (Percent change July 07 to July 08)	-6.1	-0.2
Single-family housing permits (Percent change July 07 to July 08)	-38.0	-18.0
Existing home sales year-to-date (Percent change June 07 to June 08)	-19.3	-16.3
Repeat sales home prices (Percent change 2 nd Qtr 07 to 2 nd Qtr 08)		
Purchase only	-4.8	-2.0
Including refinanced	-1.7	1.4
Foreclosure rates (Percent of loans serviced 1 st Qtr 08)	2.47	1.56

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

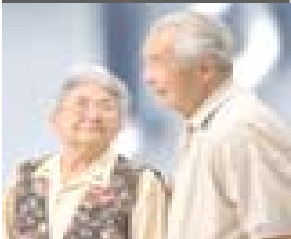
Sales Must Remain Stronger Than Building Permits to Trim Inventories.

Nebraska Home Sales and Building Permits

Index (2000 Q1=100)



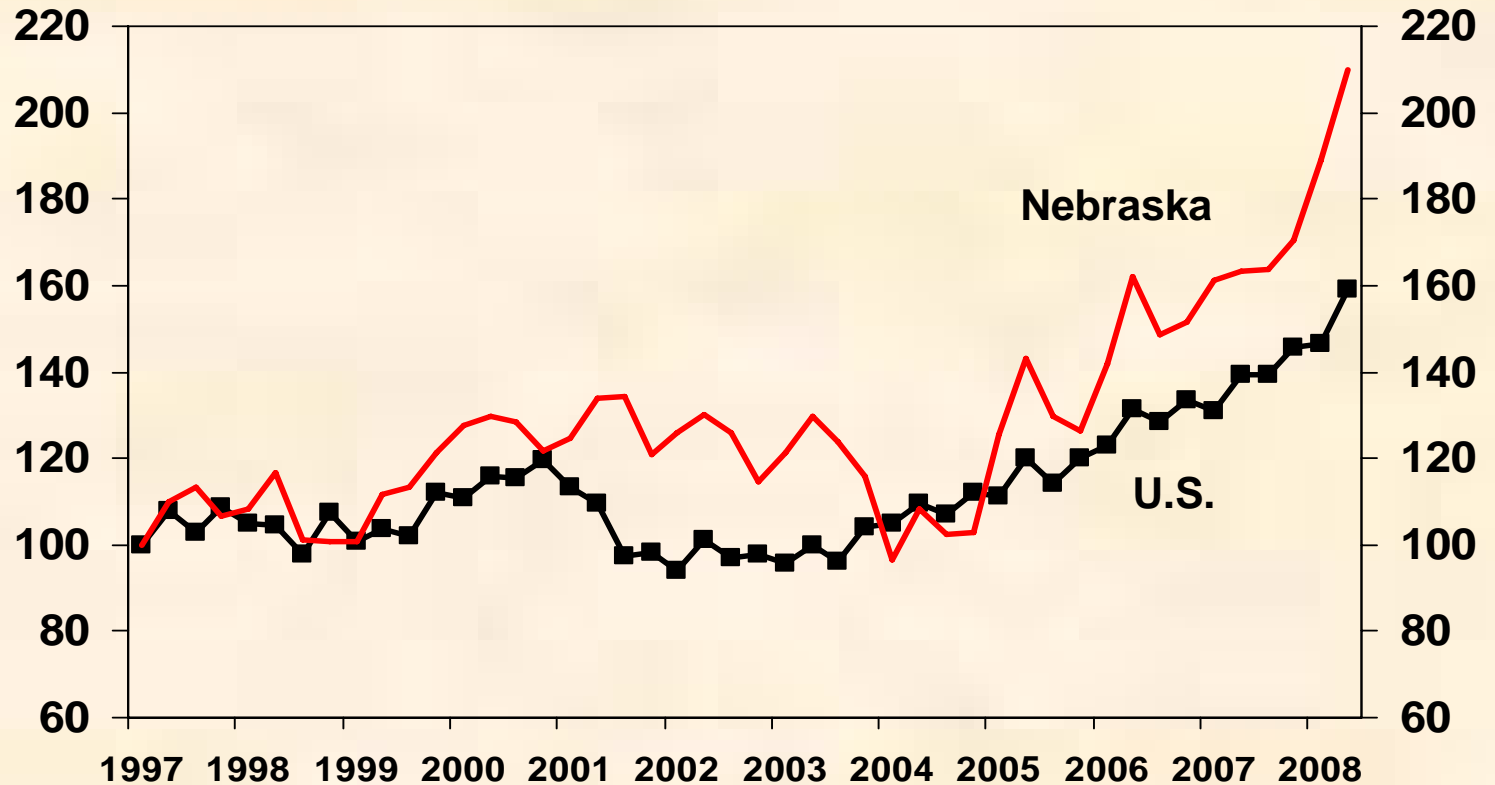
Sources: U.S. Census Bureau and National Association of Realtors



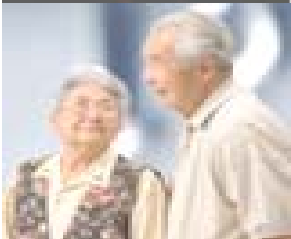
Nebraska is Enjoying a Surge in Manufactured Exports.

Manufactured Export Shipments

Index (1997 Q1 = 100)



Source: WISERTrade





Nebraska is Enjoying Stronger Growth in Business Services.

Service Sector Employment Growth

Percent change July 07 to July 08,
(3-month moving average)

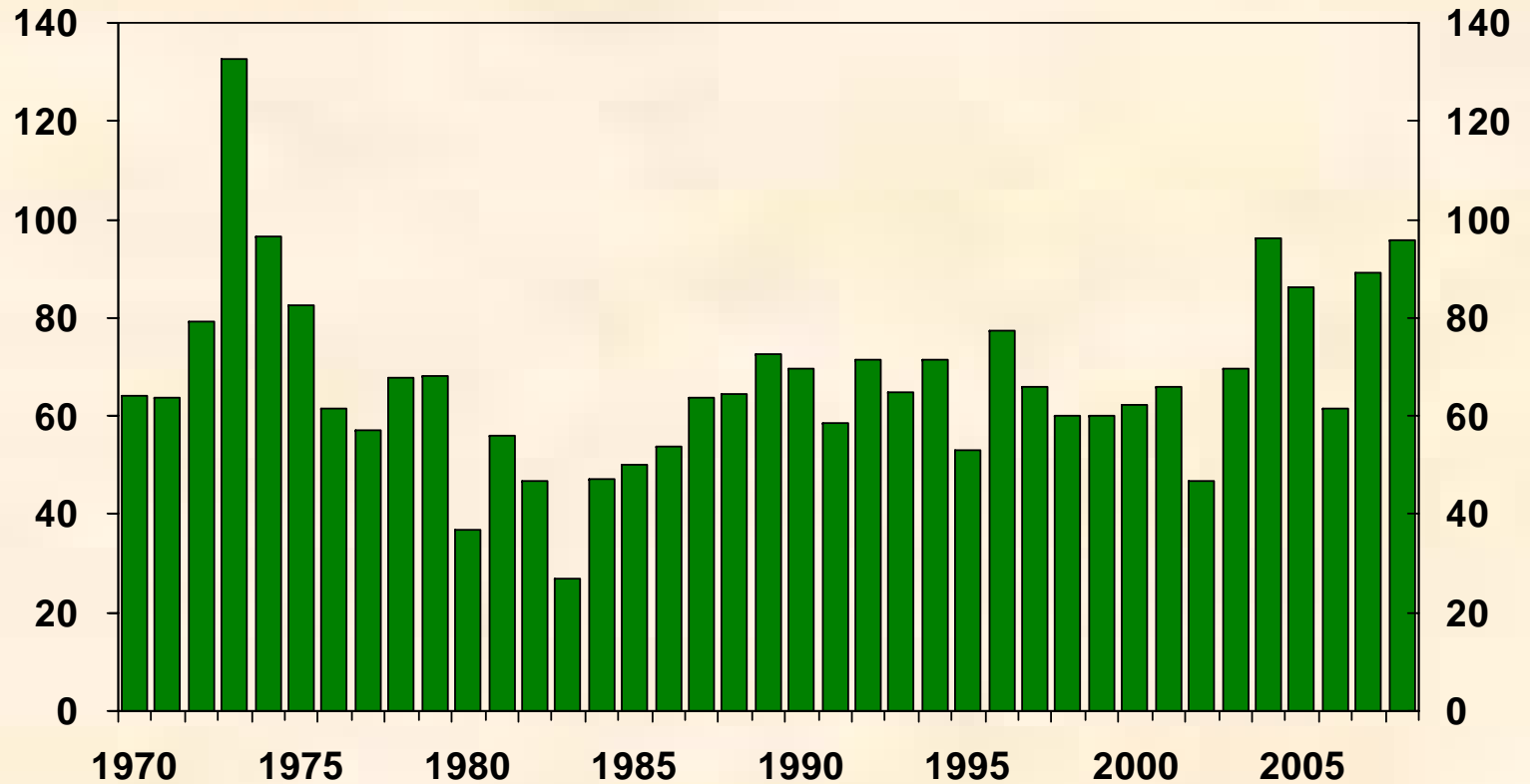
	U.S.	NE
Professional and Business Services	-0.1	3.9
Education and Health Services	3.0	2.1
Leisure and Hospitality Services	1.5	1.7
Other Services	0.5	0.9
Financial Activities and Information Services	-1.3	0.6

Source: Bureau of Labor Statistics

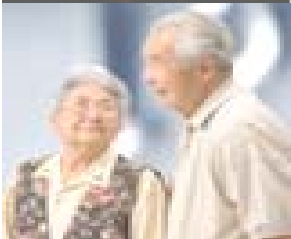
The Farm Economy is Booming.

U.S. Real Net Farm Income

Billions of Dollars (2008=100)



Source: USDA

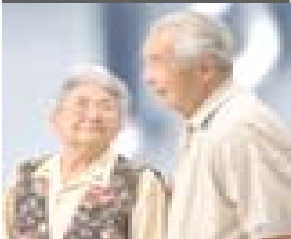




Photos courtesy of USDA

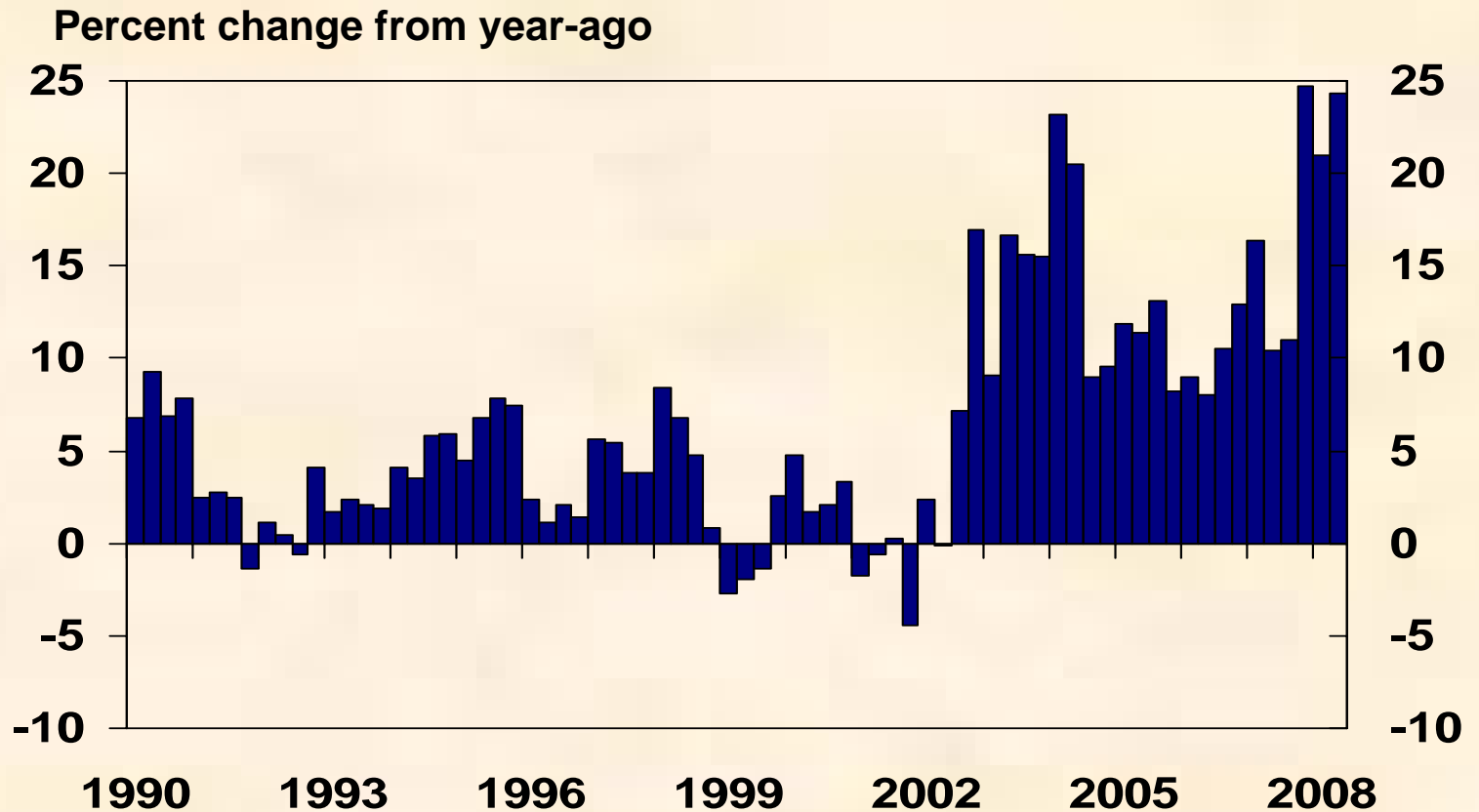


Photos courtesy of USDA



Farmland Values Surge.

Nebraska Non-irrigated Cropland Value Gains



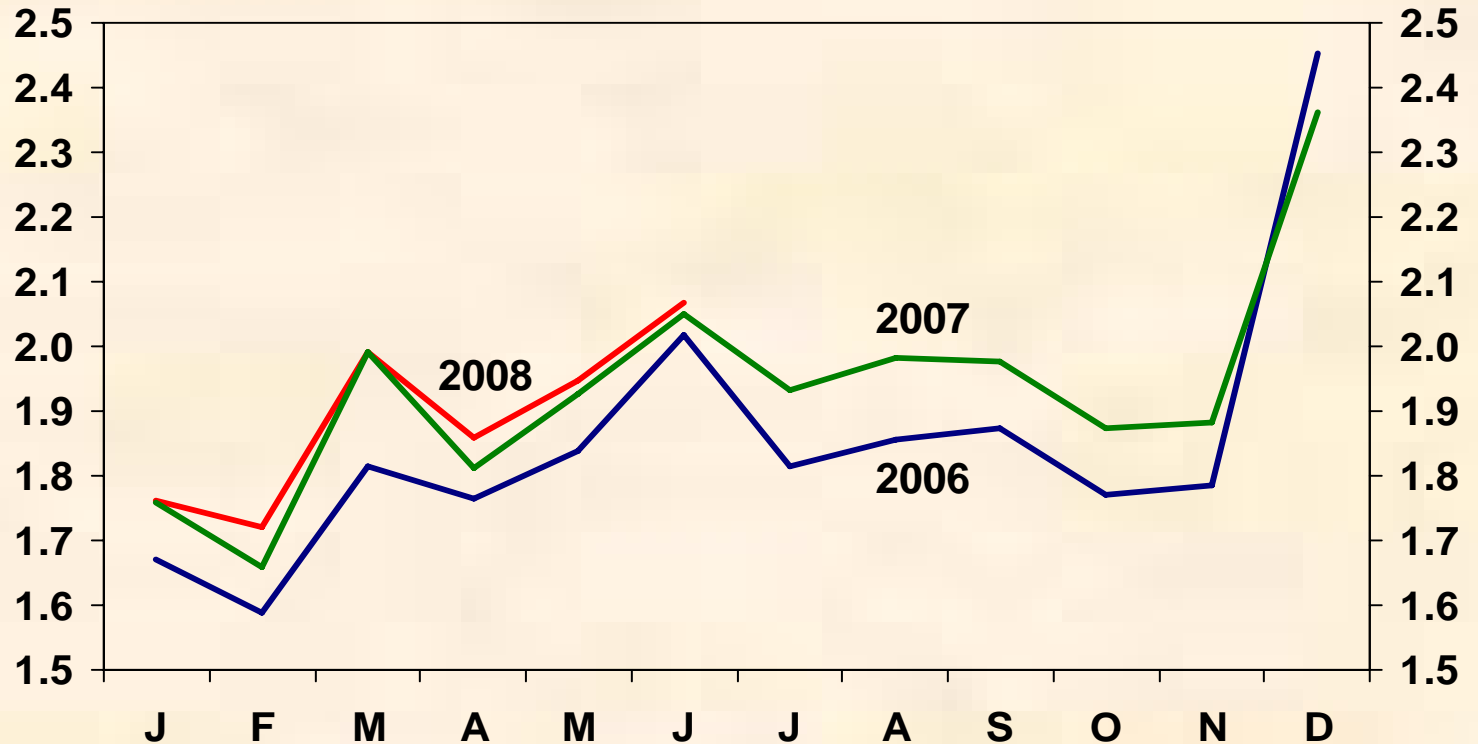
Source: Federal Reserve Bank of Kansas City



Based on Tax Receipts, Retail Sales are Flat Compared to a Year Ago.

Nebraska Net Taxable Retail Sales

Billion dollars



Source: Nebraska Dept of Revenue



Growing Up and Getting Older.

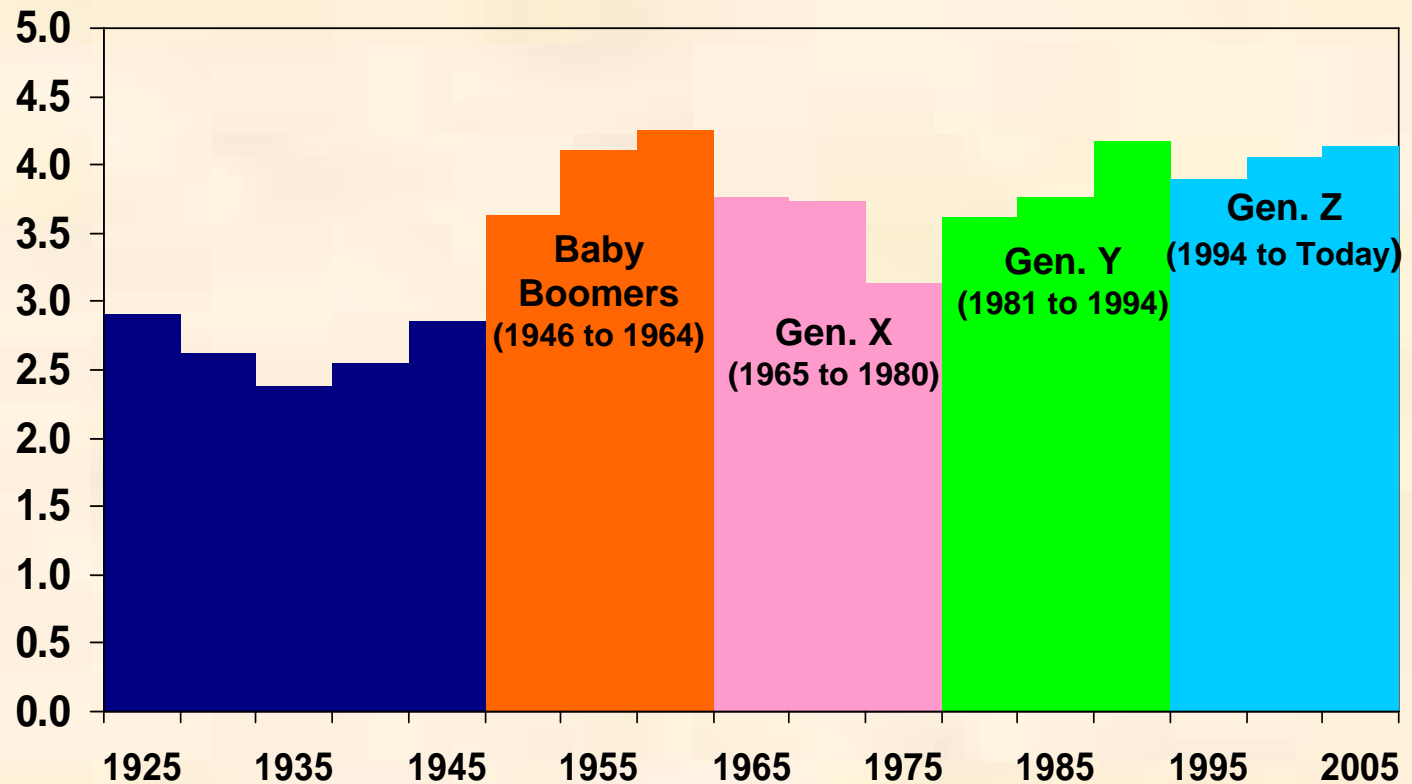


- **Today's Outline:**
 - **A Resilient Nebraska Economy**
 - **An Aging Population**
 - **Baby boomers reach retirement**
 - **Nebraska's migration patterns**

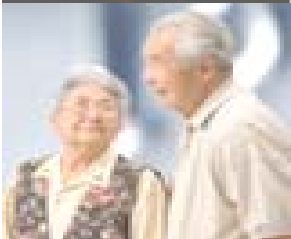
The Baby Boomers are Set to Retire.

U.S. Births

Million people



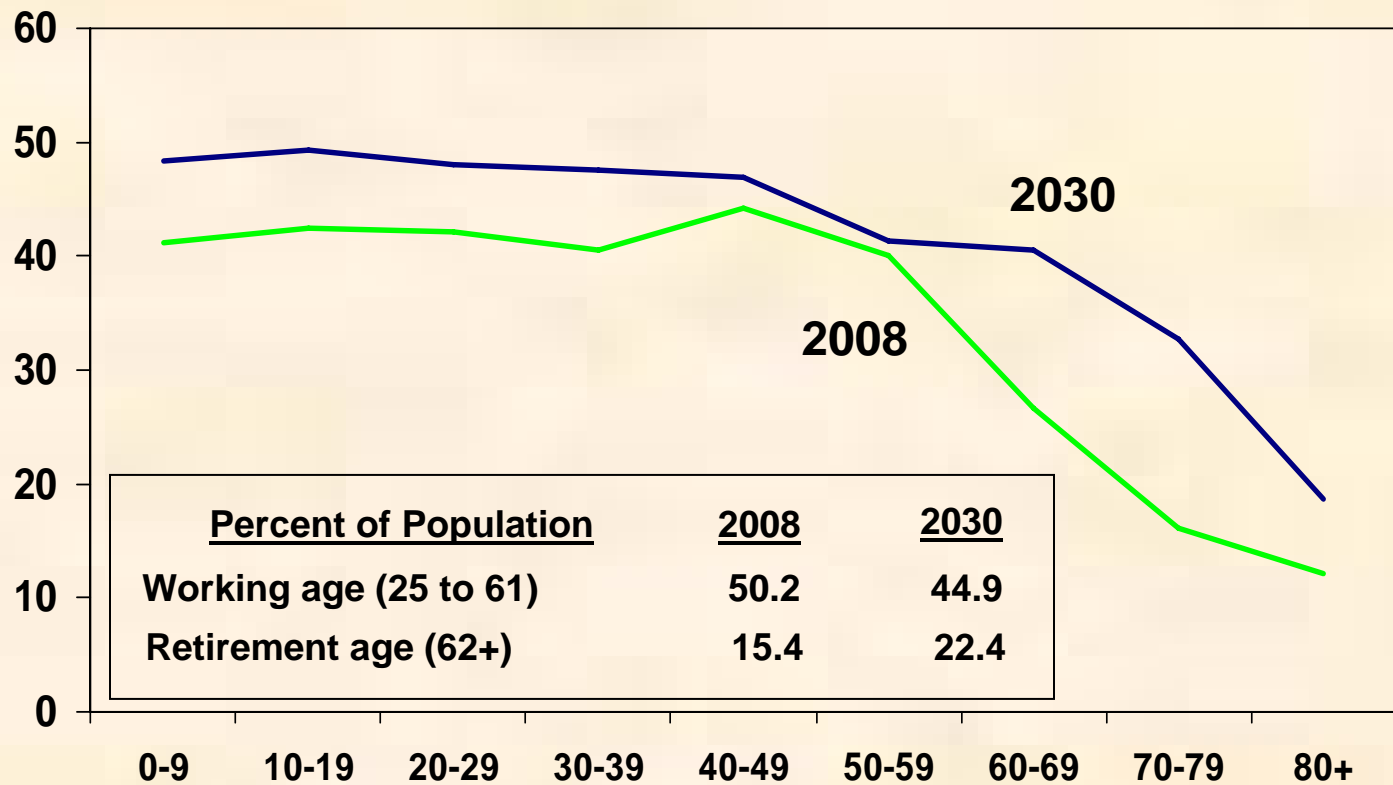
Source: U.S. National Center for Health Statistics



Retirees will Account for a Larger Share of the Population.

U.S. Population by Age

Millions



<u>Percent of Population</u>	<u>2008</u>	<u>2030</u>
Working age (25 to 61)	50.2	44.9
Retirement age (62+)	15.4	22.4

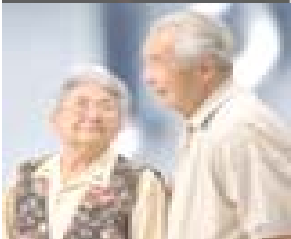
Source: U.S. Census Bureau



Photos courtesy of USDA

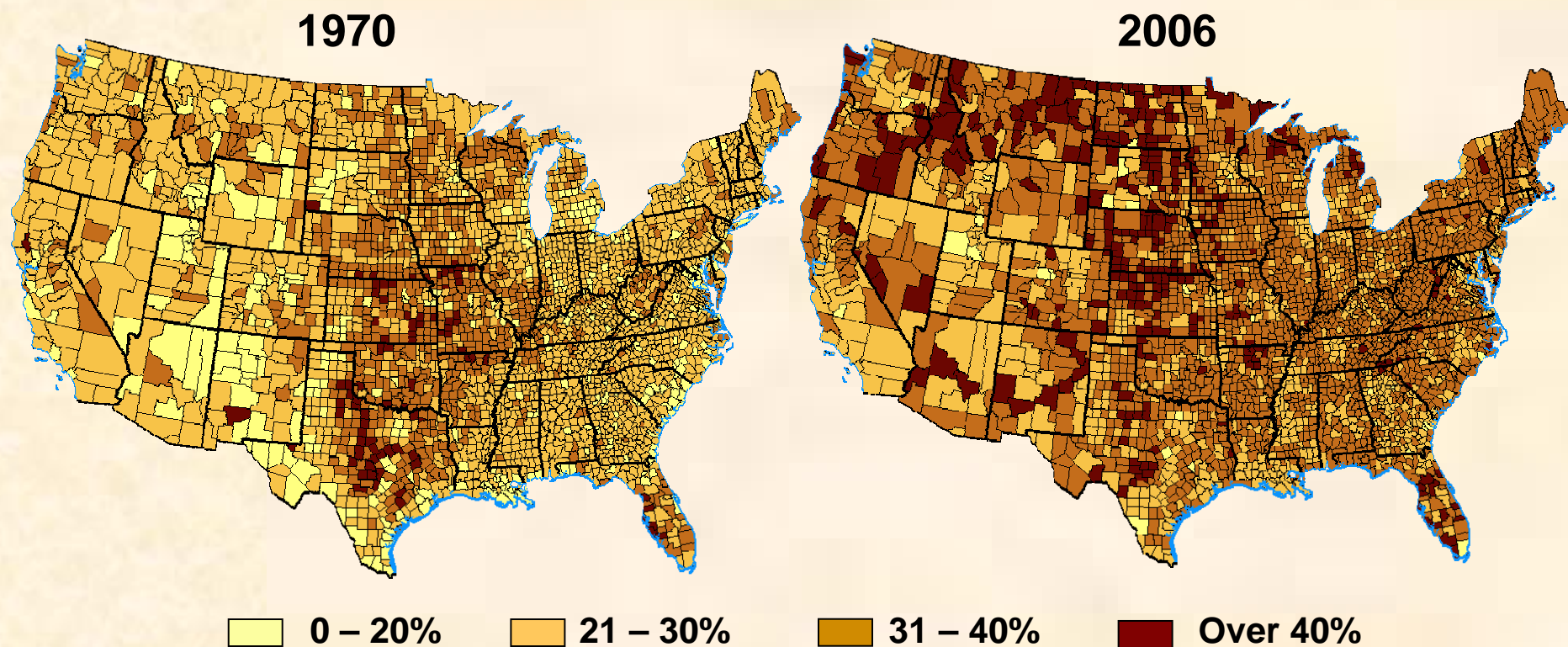


Photos courtesy of USDA



The Great Plains will Still Have an Older Population Base.

U.S. Population over the Age of 50



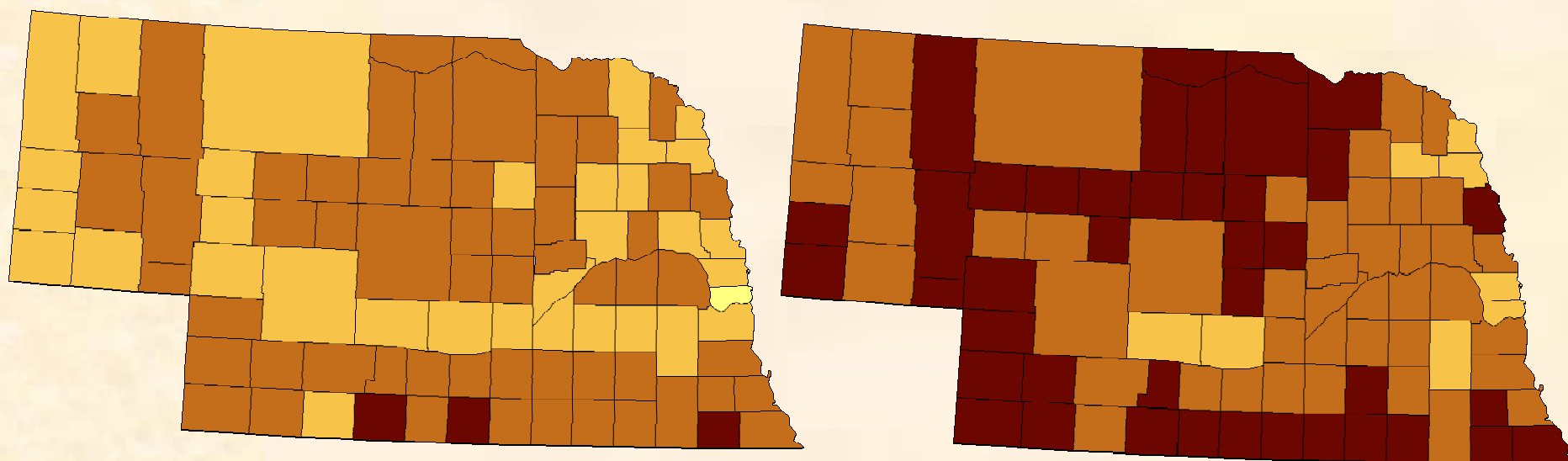
Source: U.S. Census Bureau

Nebraska Will Age, But Some Regions Will Age Faster Than Others.

Nebraska Population over the Age of 50

1970

2006



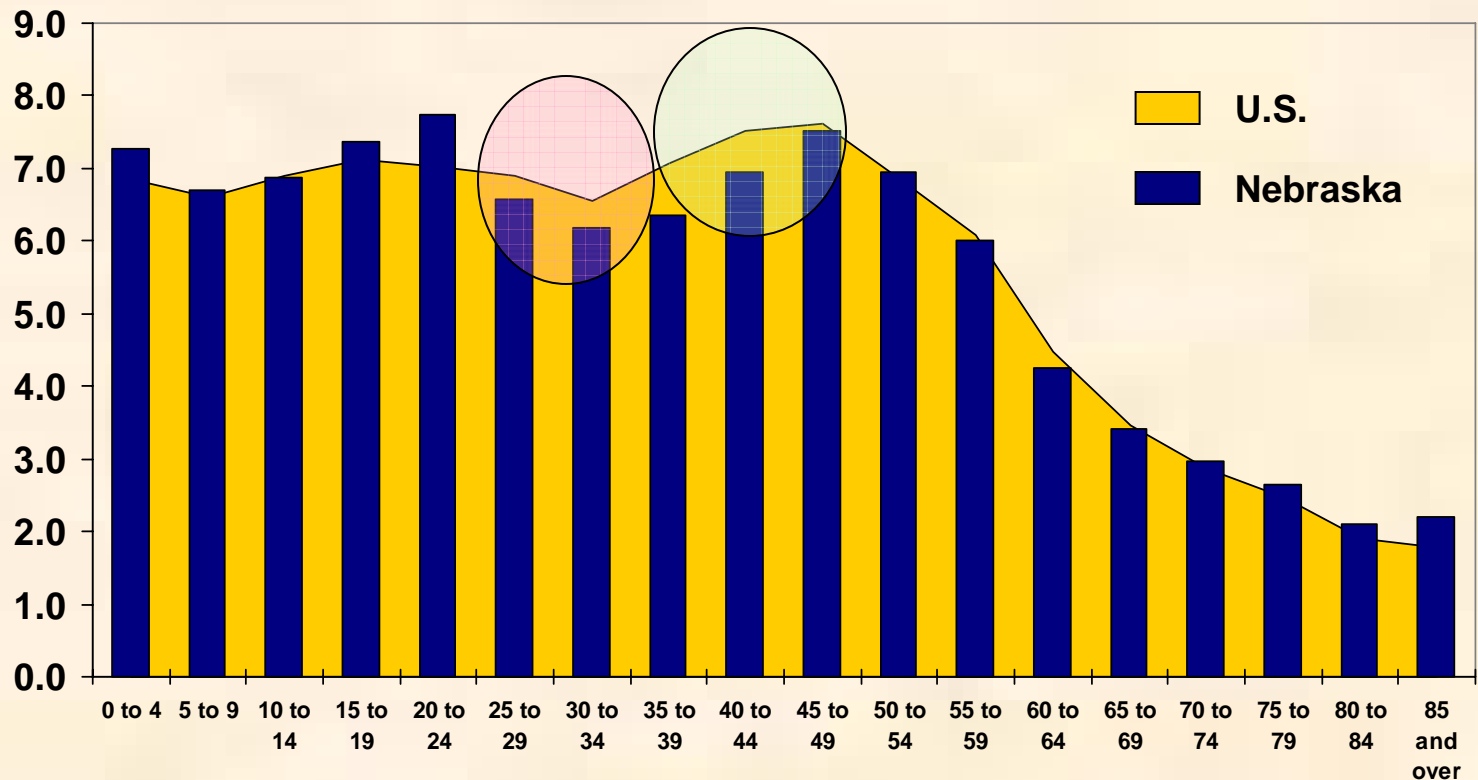
0 – 20% 21 – 30% 31 – 40% Over 40%

Source: U.S. Census Bureau

Migration Patterns Affect Nebraska's Population.

Population by Age (2006)

Percent of Total Population



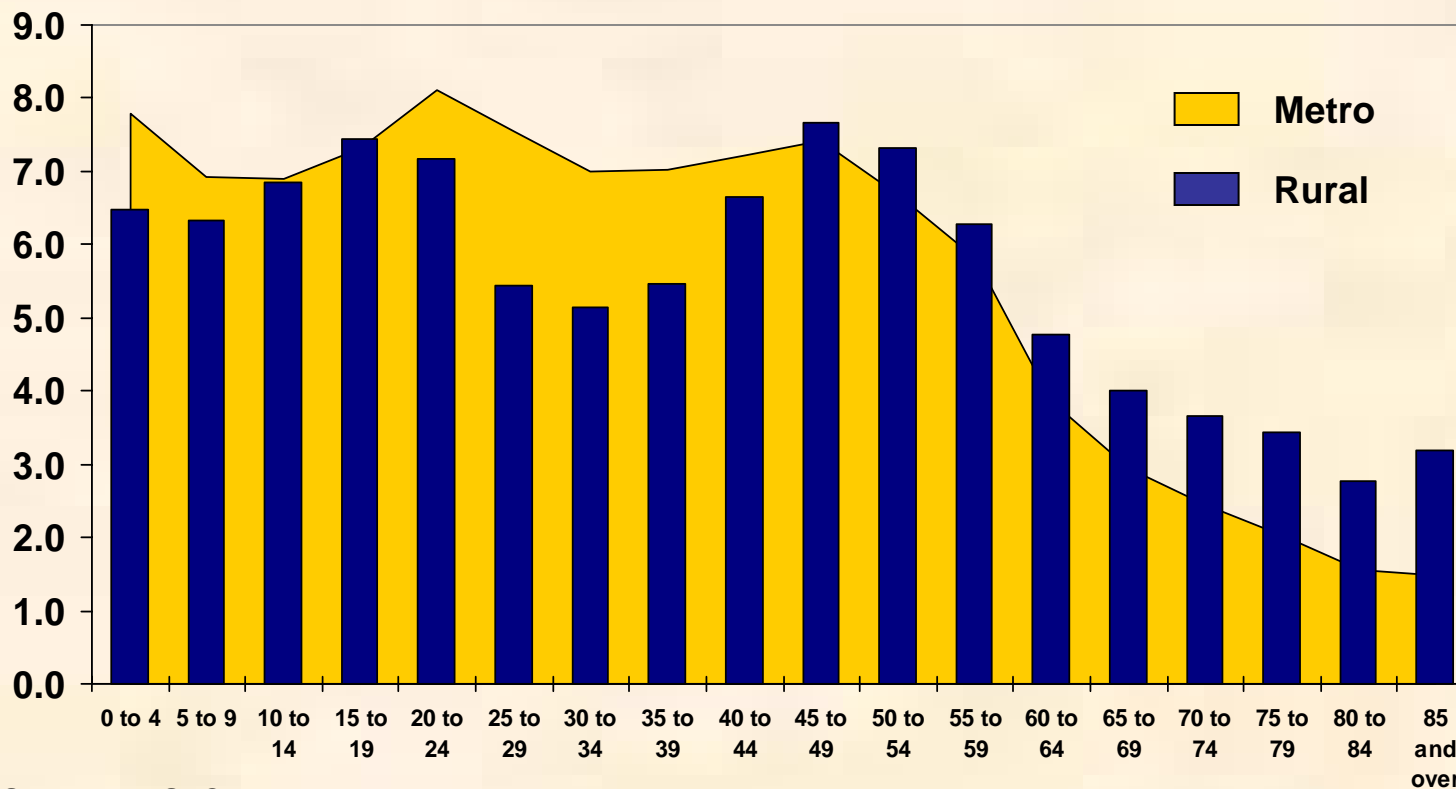
Source: U.S. Census Bureau



Rural Migration Patterns May Be Driving the Cycle.

Nebraska Population by Age (2006)

Percent of Category



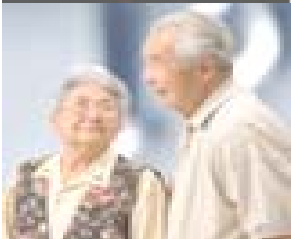
Source: U.S. Census Bureau



Growing Up and Getting Older.

- **Today's Outline:**

- **A Resilient Nebraska Economy**
- **An Aging Population**
 - Baby boomers reach retirement
 - Nebraska's migration patterns
- **The Impact on Nebraska's Economy**
 - Labor
 - Health care
 - Fads and trends
 - Technology
 - Wealth Transfer





Declining Labor Force Participation and Slower Population Growth Leads to Weaker Growth.

GDP Decomposition, 1990 to 2028

Percent changes, annual rate per year

	1990 - 2006	2007 - 2017	2018 - 2028
Population	1.24	0.91	0.83
+ Labor Force Participation Rate	-0.03	-0.25	-0.40
+ Productivity	1.82	1.82	1.82
= Real GDP	3.0	2.5	2.2

Source: Federal Reserve Bank of St. Louis

Note: LFP rate projections based on cost assumptions used in the Social Security Administration's 2007 Trustees Report.

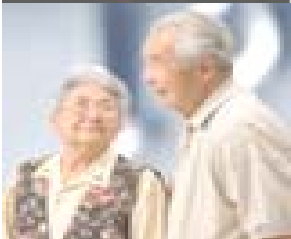




Photos courtesy of USDA



Photos courtesy of USDA



Labor is One of the Biggest Challenges Facing Nebraska Businesses.

Workforce Aging Issues in Fortune 1000 Companies

Percent of Respondents in agreement with statement

Workforce Issue	2006	2007
Retaining key employees and maintaining intellectual capital is a major concern.	38 %	68 %
Retirements will cause a talent gap or brain drain.	62 %	62 %
Middle and senior management will be the levels most affected by the brain drain.	48 %	70 %

Source: Ernst & Young LLP's 2007 Aging U.S. Workforce Survey



An Aging Population Opens Up New Employment Opportunities, Especially in Health Care.

Occupations with the Largest Employment Increases (Projected 2006-16)

- 1) **Registered Nurses**
- 2) Retail Salespersons
- 3) Customer Service Representatives
- 4) Food prep and serving workers
- 5) General office clerks
- 6) **Personal and home care aides**
- 7) **Home health aides**
- 8) Postsecondary teachers
- 9) Janitors and cleaners
- 10) **Nursing aides, orderlies, and attendants**



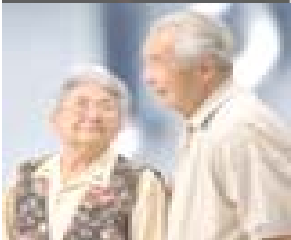
Source: U.S. Census Bureau Occupational Outlook Handbook



Photos courtesy of USDA

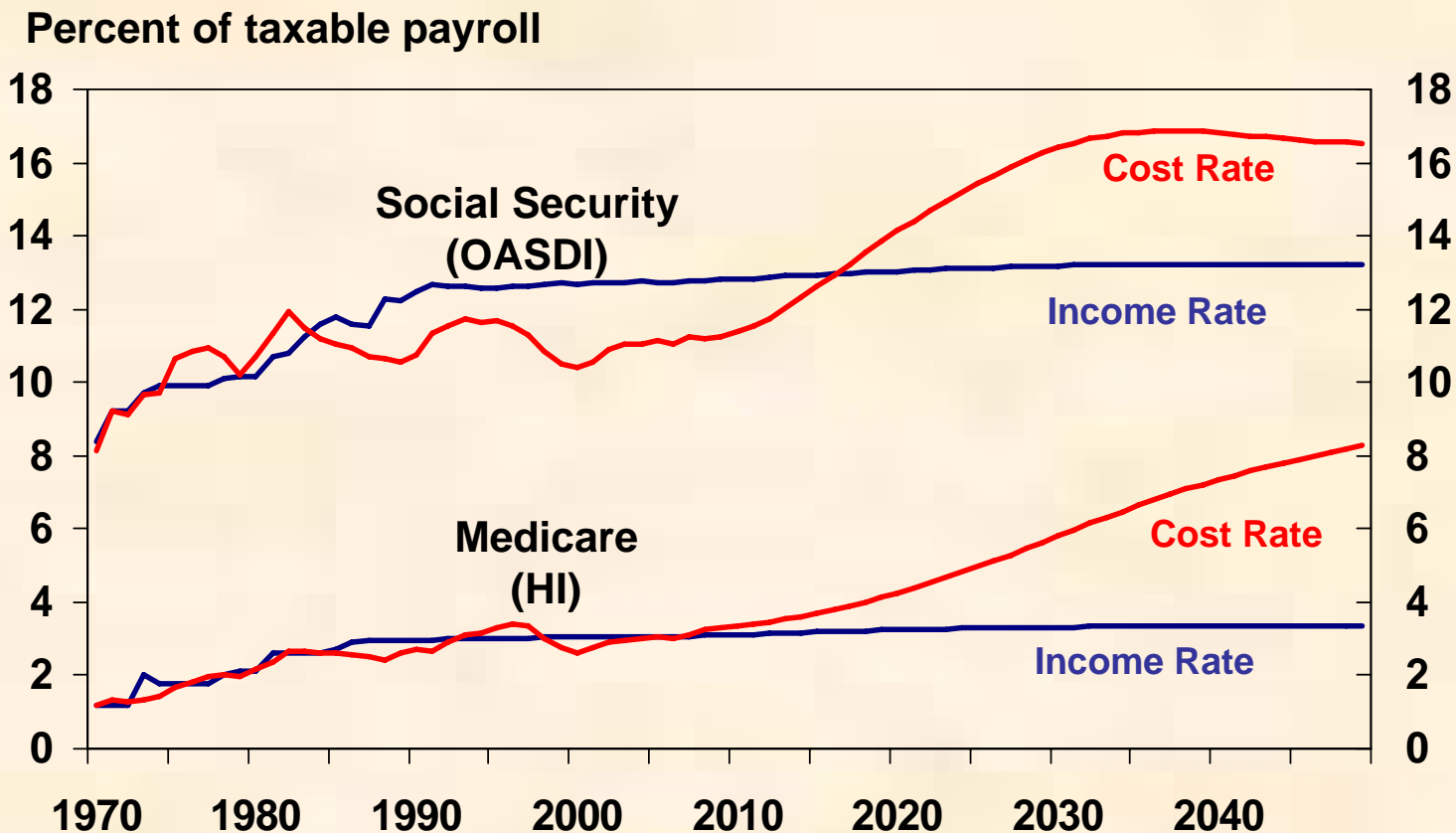


Photos courtesy of USDA



No Matter How Hard We Try, We Cannot Ignore the Pending Fiscal Challenges.

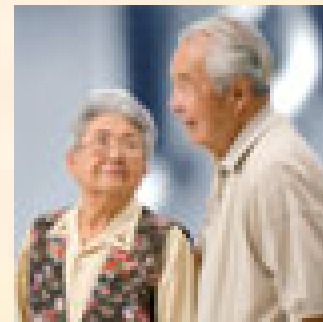
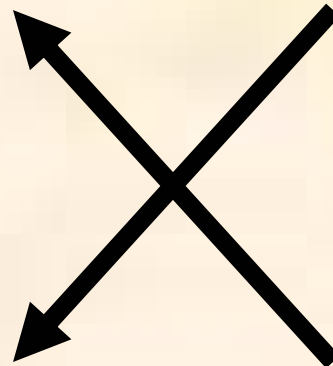
Social Security and Medicare Income and Cost Rates



Source: A Summary of the 2008 Annual Reports, Social Security and Medicare Board of Trustees
<http://www.ssa.gov/OACT/TRSUM/trsummary.html>

How Will Boomers Impact the U.S. Housing Stock?

Which House is More Attractive to People age 70 and older?

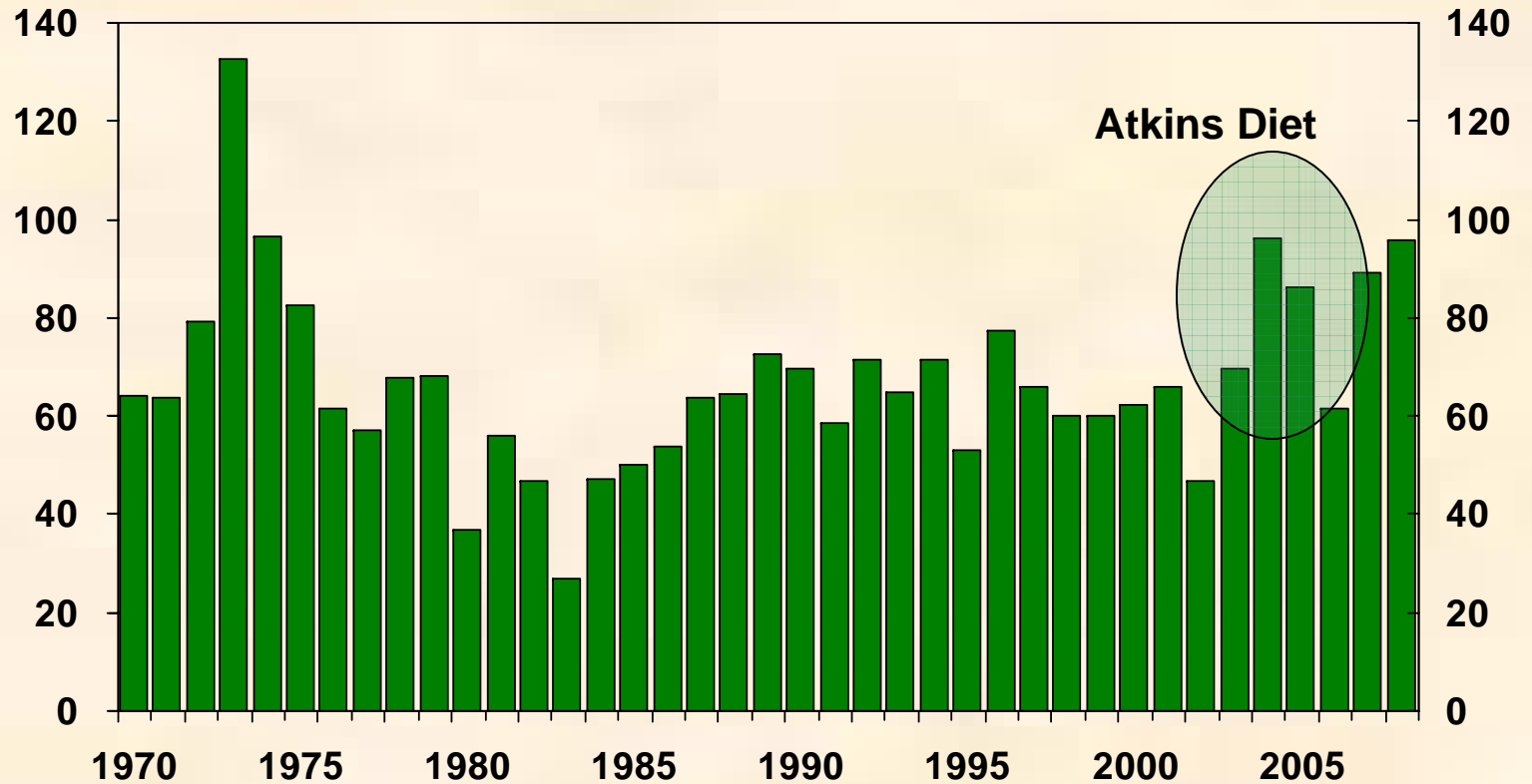




What is the Next Fad?

U.S. Real Net Farm Income

Billions of Dollars (2008=100)



Source: USDA





Declining Labor Force Participation and Slower Population Growth Leads to Weaker GDP Growth.

GDP Decomposition, 1990 to 2028

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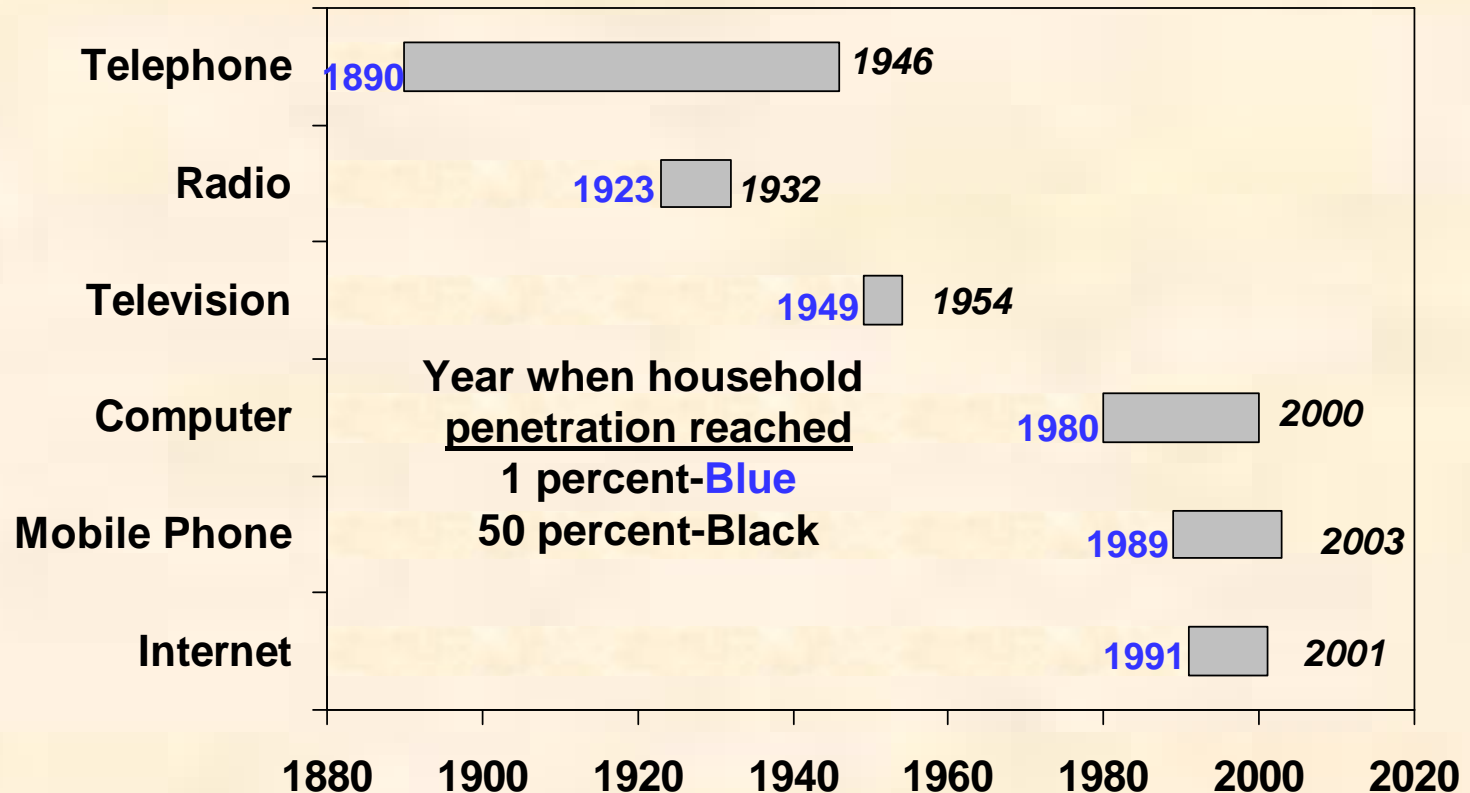


Source: Federal Reserve Bank of St. Louis

Note: LFP rate projections based on cost assumptions used in the Social Security Administration's 2007 Trustees Report.

Technology Will be Key to Future Growth.

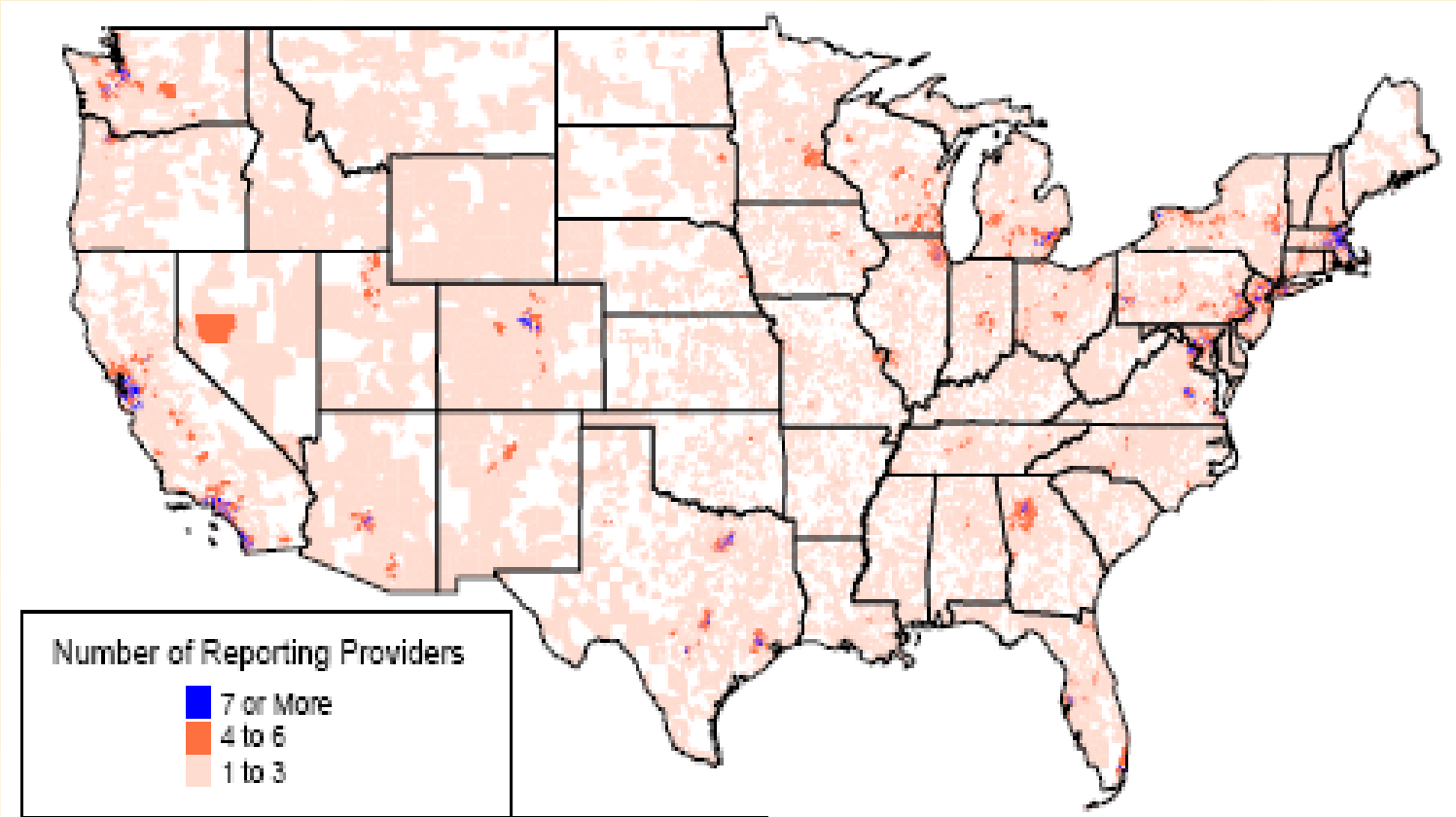
Adoption of Electronic Communications



Source: Goldman Sachs Economic Research calculations based on Dept of Commerce data.
US Economics Analyst, Iss. 05/06 Feb. 11, 2005

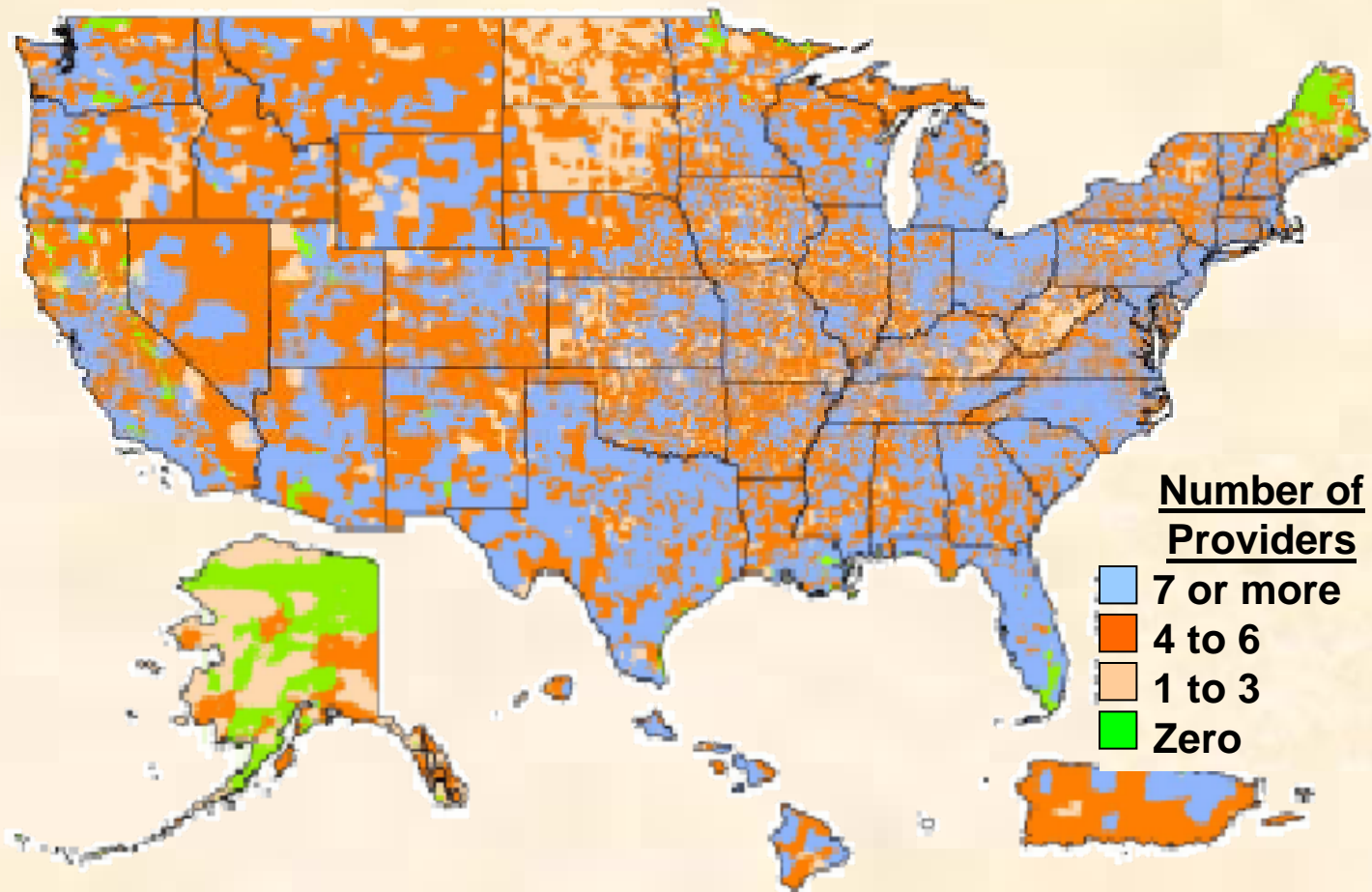


High Speed Internet Coverage June 2000



Source: FCC

High Speed Internet Coverage June 2007



Source: FCC

Prepared by Federal Communications Commission
Wireless Competition Bureau, Policy, Analysis and Technology Division

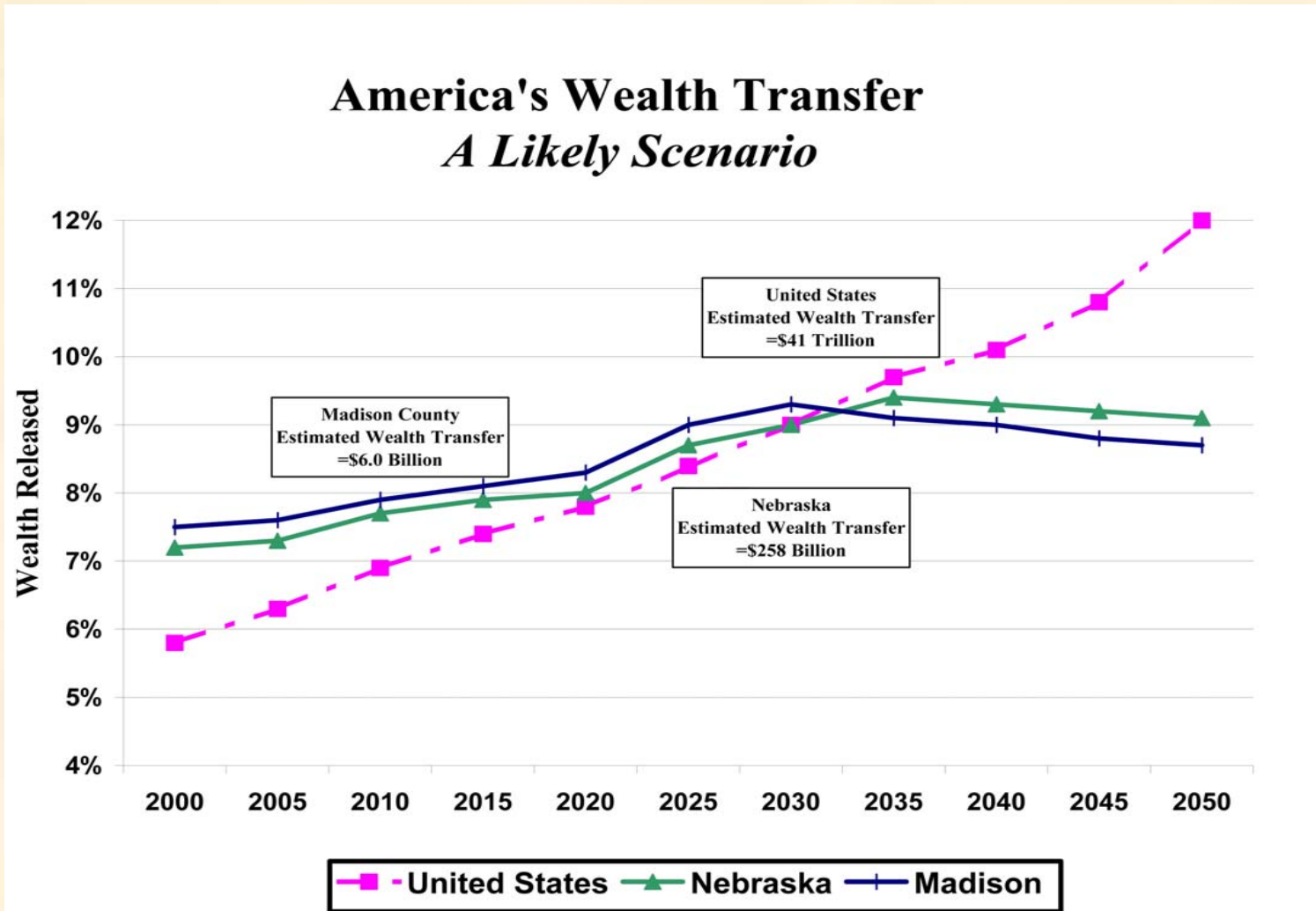
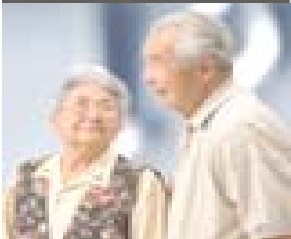
Technology and Innovation is Emerging in Nebraska.



	Computer System Design	Scientific R&D Services
Establishments		
1998	376	37
2006	538	66
Employment		
1998	5216	298
2006	6158	3510
Annual Payroll per worker		
2006	\$66,000	\$63,500

Source: County Business Patterns data

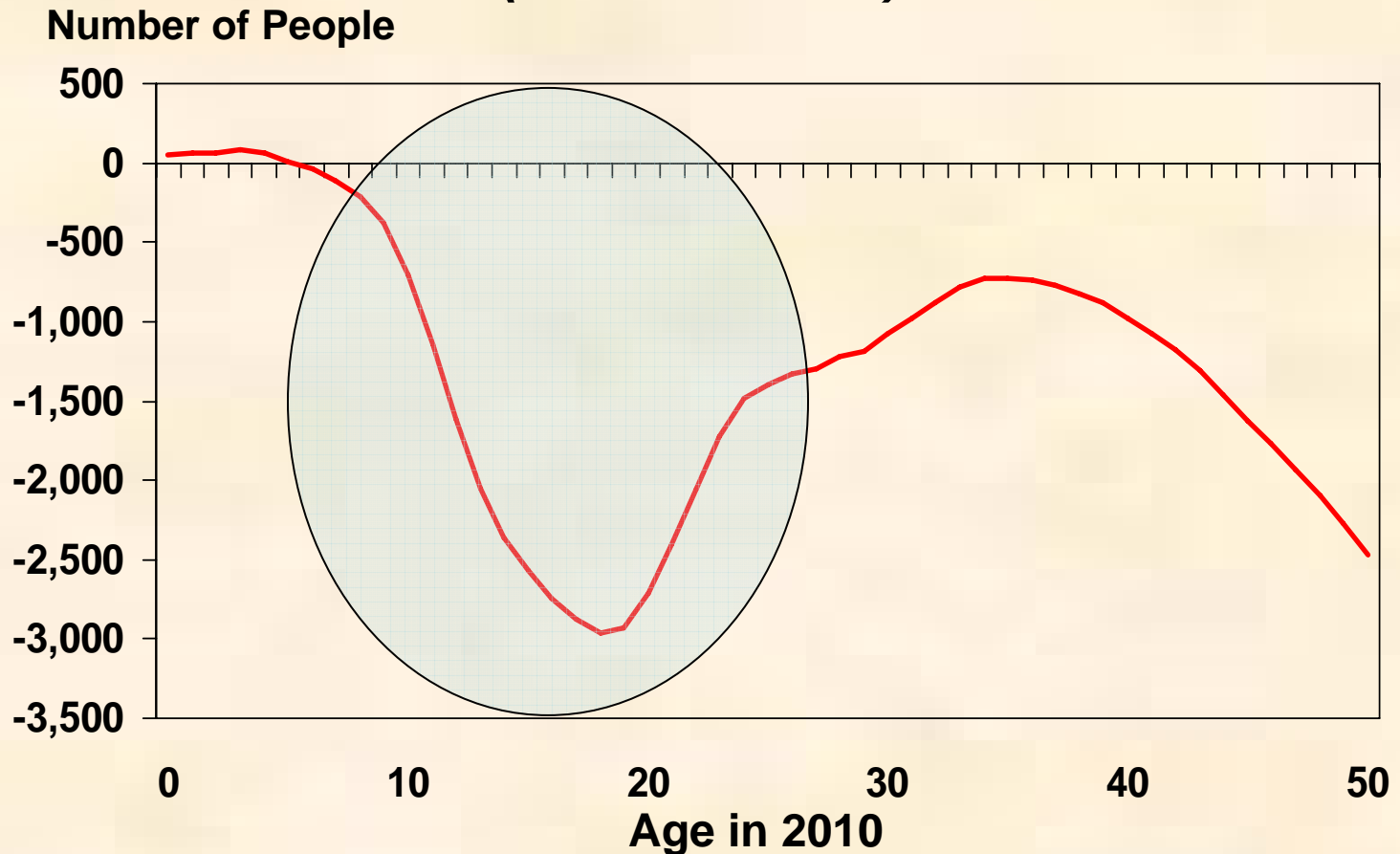
Financing a New Nebraska Economy?



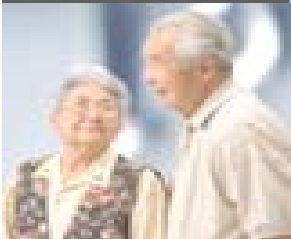
Source: Nebraska Community Foundation

Where Will Our Teenagers Go? How Do We Get Them Back?

Nebraska Population Change (2010 to 2020)



Calculations based on Census Bureau data





Appealing Communities ...

- **Improve and leverage local amenities**
- **Invest in your people**
- **Invest in 21st century infrastructure**
- **Tap new technologies**
- **Be entrepreneurial**
- **Enrich equity capital sources**
- **Think regionally to leverage scarce resources.**
- **Partner and collaborate**



Source: "Top Ten Ways to Reinvent Rural Regions" Main Street Economist,
Federal Reserve Bank of Kansas City, November 2003

Conclusions

- **Nebraska's economy is posting solid gains, despite recent weakness.**
- **Going forward, demographics will shape the Nebraska economy.**
- **Aging populations will bring forth challenges, but also opportunities.**
- **New investments are needed for a new Nebraska economy.**
- **What makes your community a "great" place to live?**

