



Nebraska Economic Outlook

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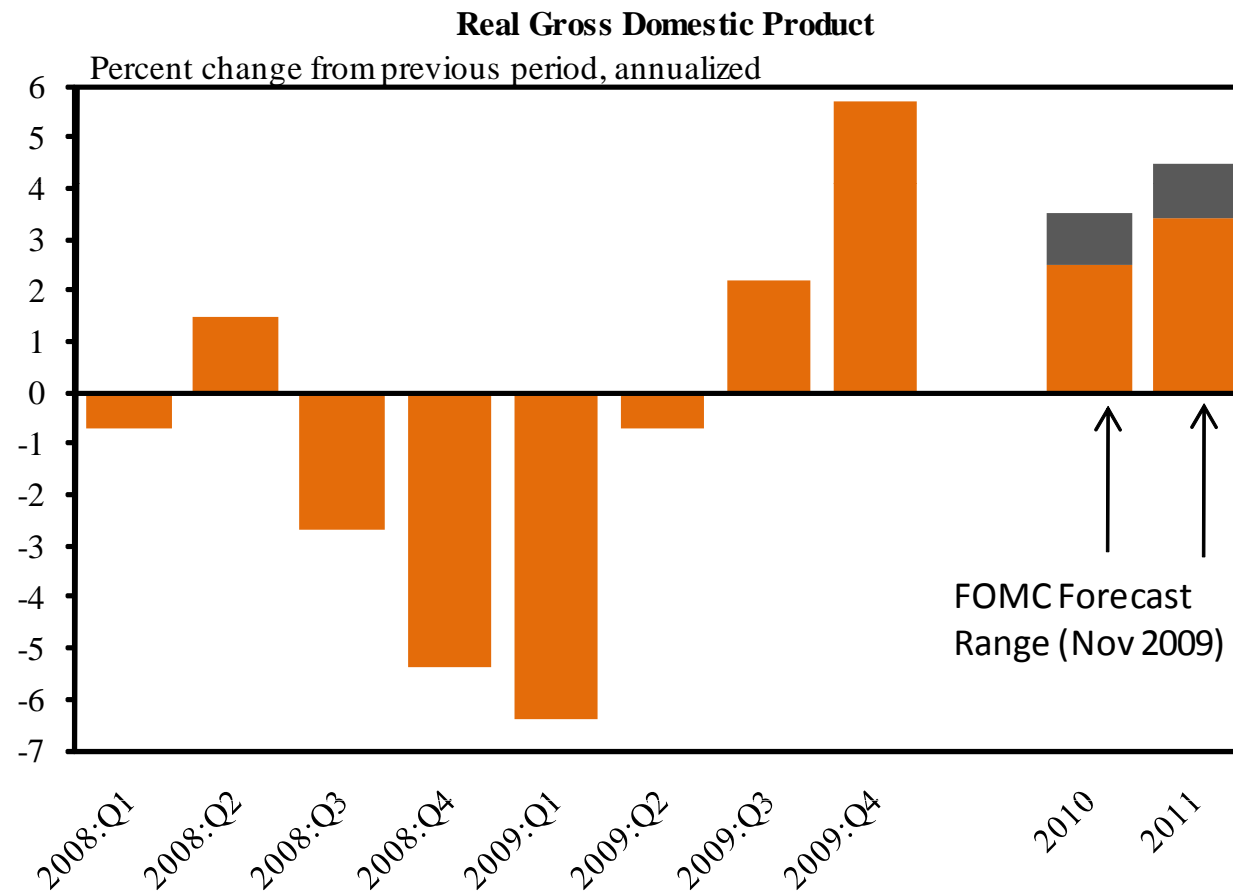
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U.S. Economic Overview

- ⦿ After one of the most severe recessions since the Great Depression, the U.S. economy is starting to recover.
 - Housing market conditions have improved, and residential construction activity has picked up.
 - Distress in financial markets has eased.
 - Manufacturing activity has increased.
- ⦿ However, the U.S. economy faces many challenges over the next few years.
 - Although the pace of job losses has slowed, unemployment rates are likely to remain stubbornly high.
 - Eventually fiscal and monetary stimulus must be removed.



After four consecutive quarterly declines, real GDP increased in the third quarter.

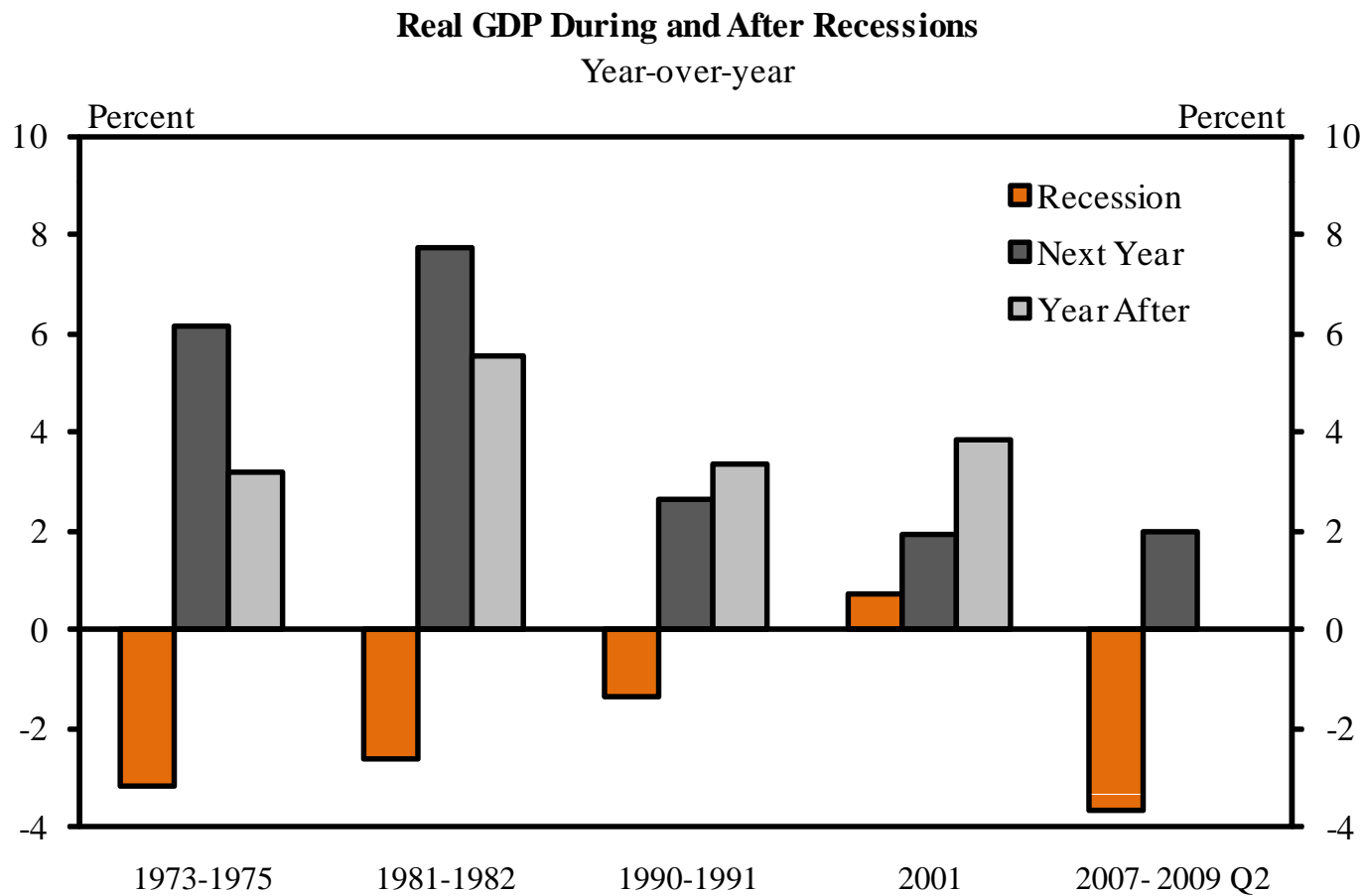


Source: Bureau of Economic Analysis; FOMC

Latest release: 1/29/2010



In the past, the rebound in real GDP has been greater after sharp downturns.

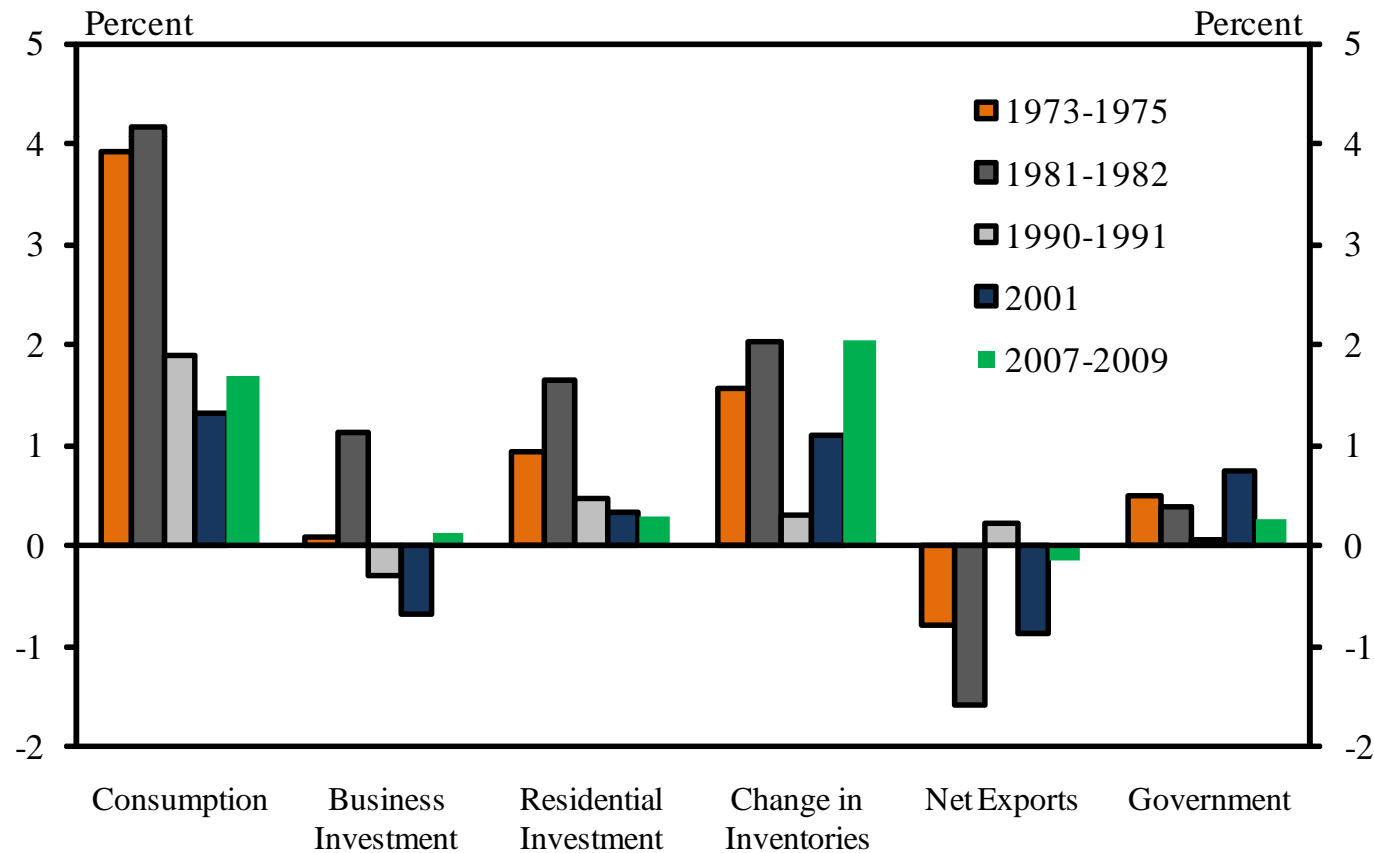


Source: BEA



Consumption usually makes the largest contribution to GDP growth in the year following a recession.

Contributions to Real GDP by Component in the Year Following a Recession
Average quarterly rate (at an annualized rate)



Source: BEA

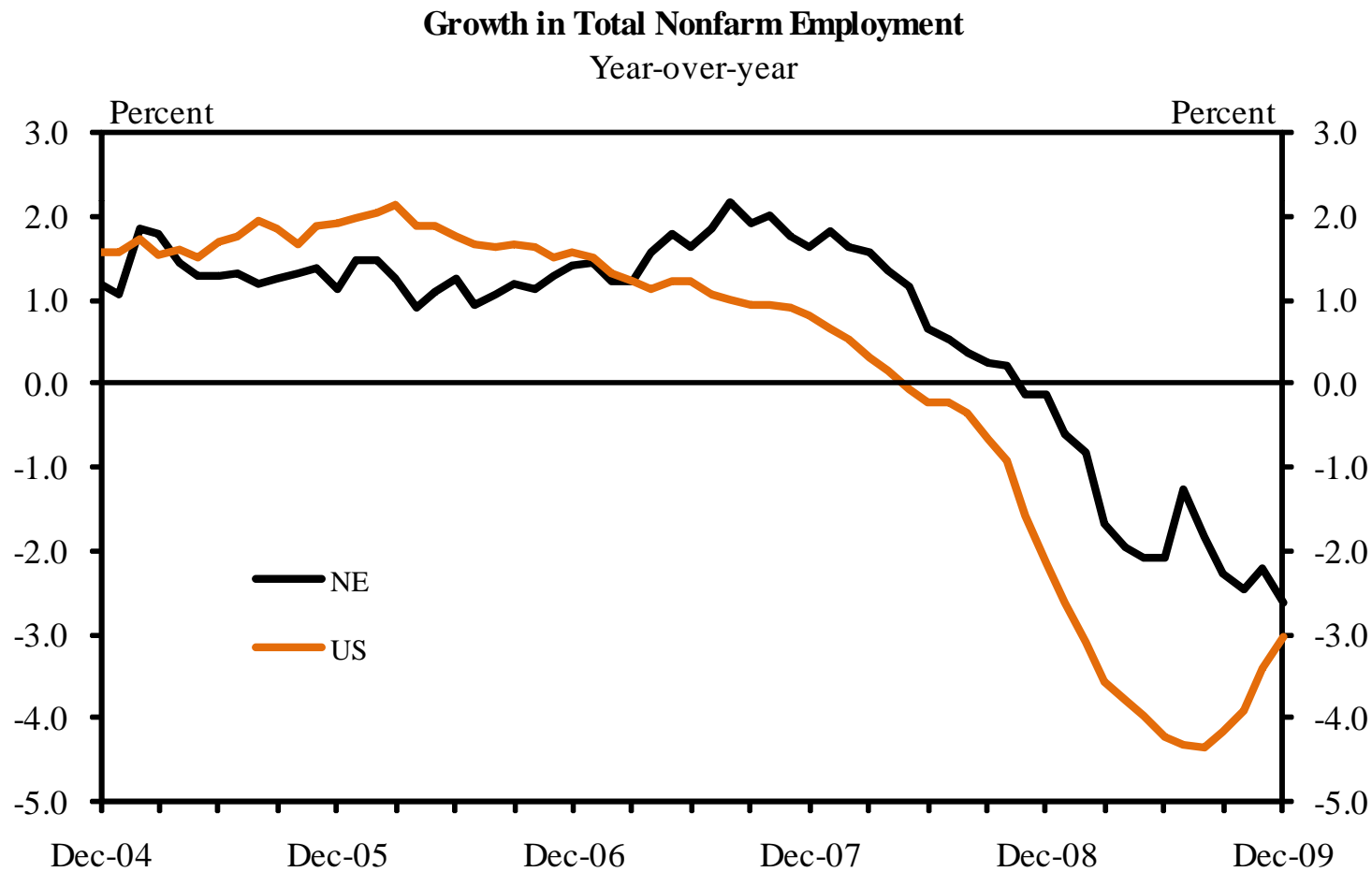


Nebraska Overview

- ◉ Nebraska was slow to enter the current recession and even after entering didn't experience the dramatic deterioration seen in other parts of the country.
- ◉ The Nebraska economy is now showing signs of recovery similar to those seen in the national economy.
 - Manufacturing activity is stabilizing.
 - Monthly home sales and residential construction activity is increasing.



Employment has fallen sharply over the past year.

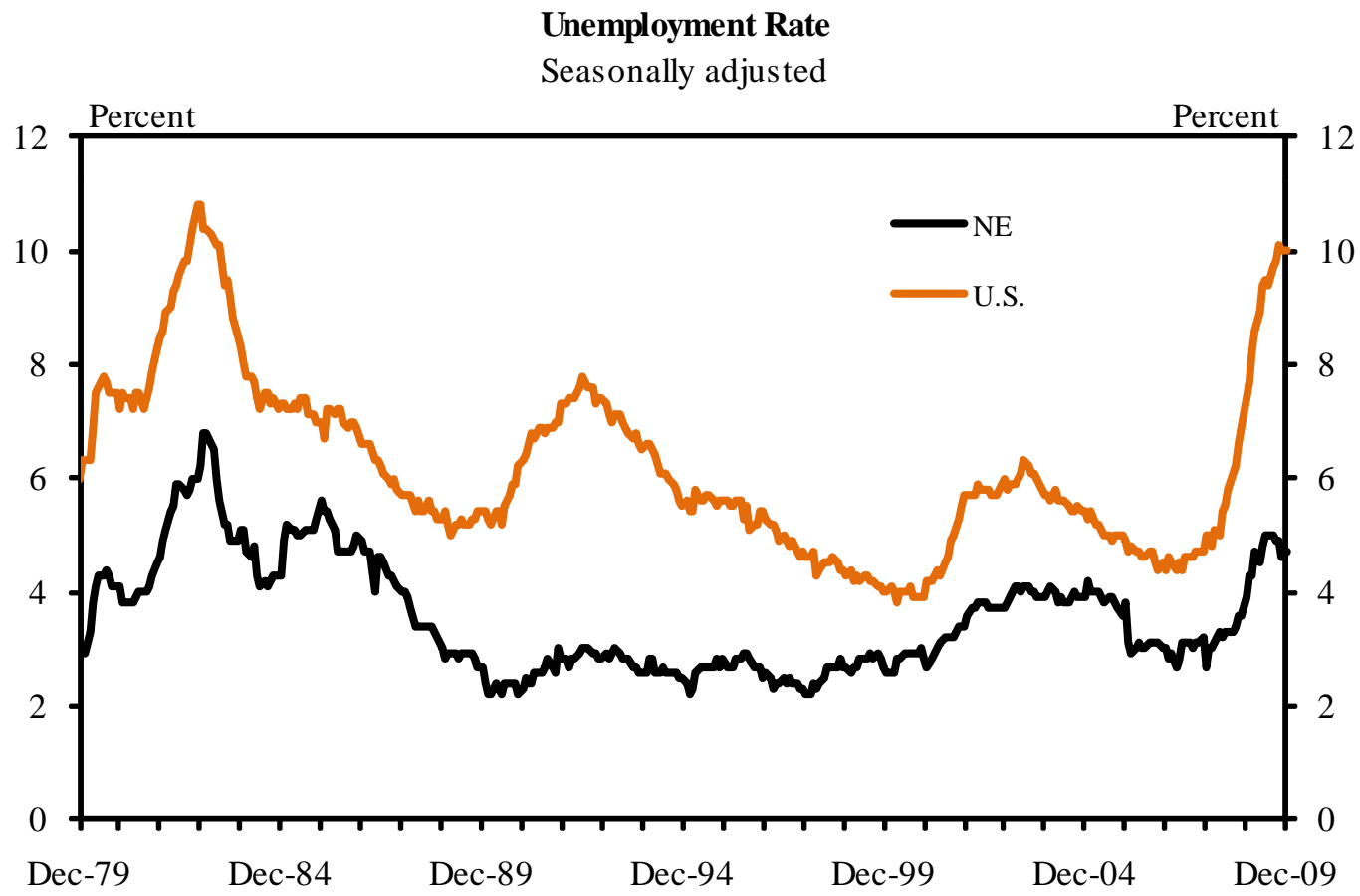


Source: Bureau of Labor Statistics

Latest release: 01/22/2010



Unemployment rates remain elevated.

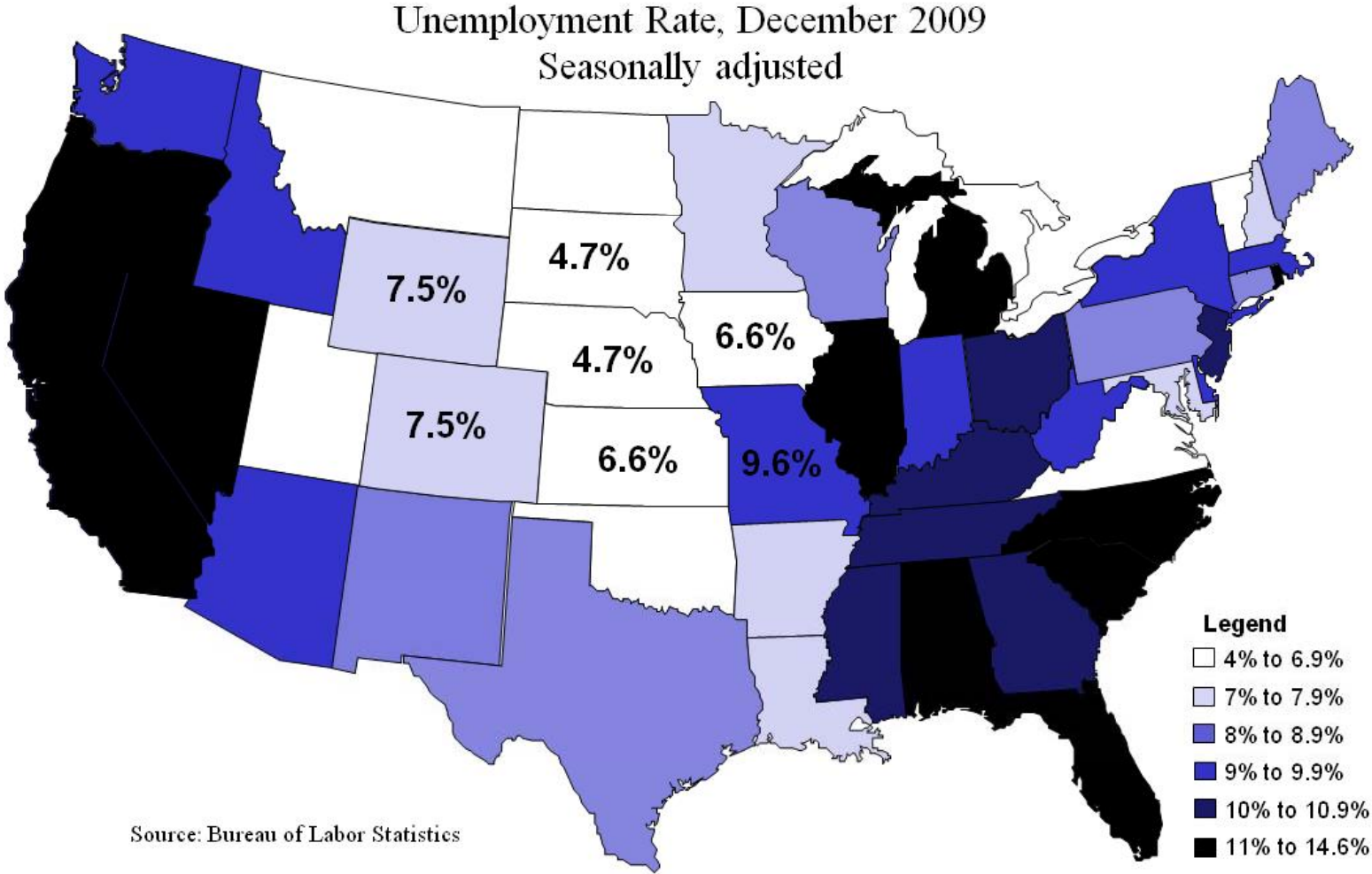


Source: Bureau of Labor Statistics

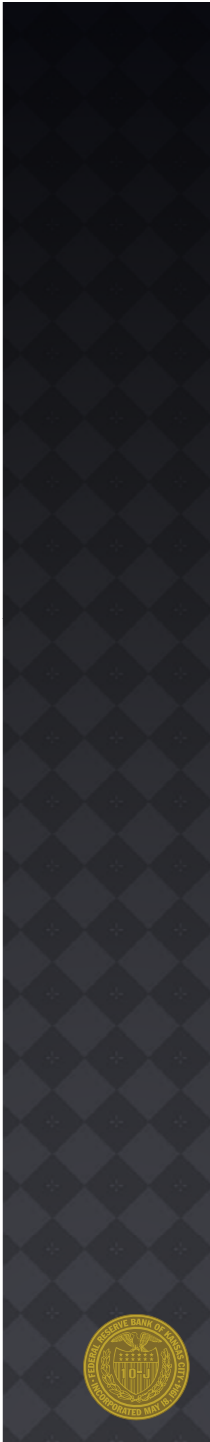
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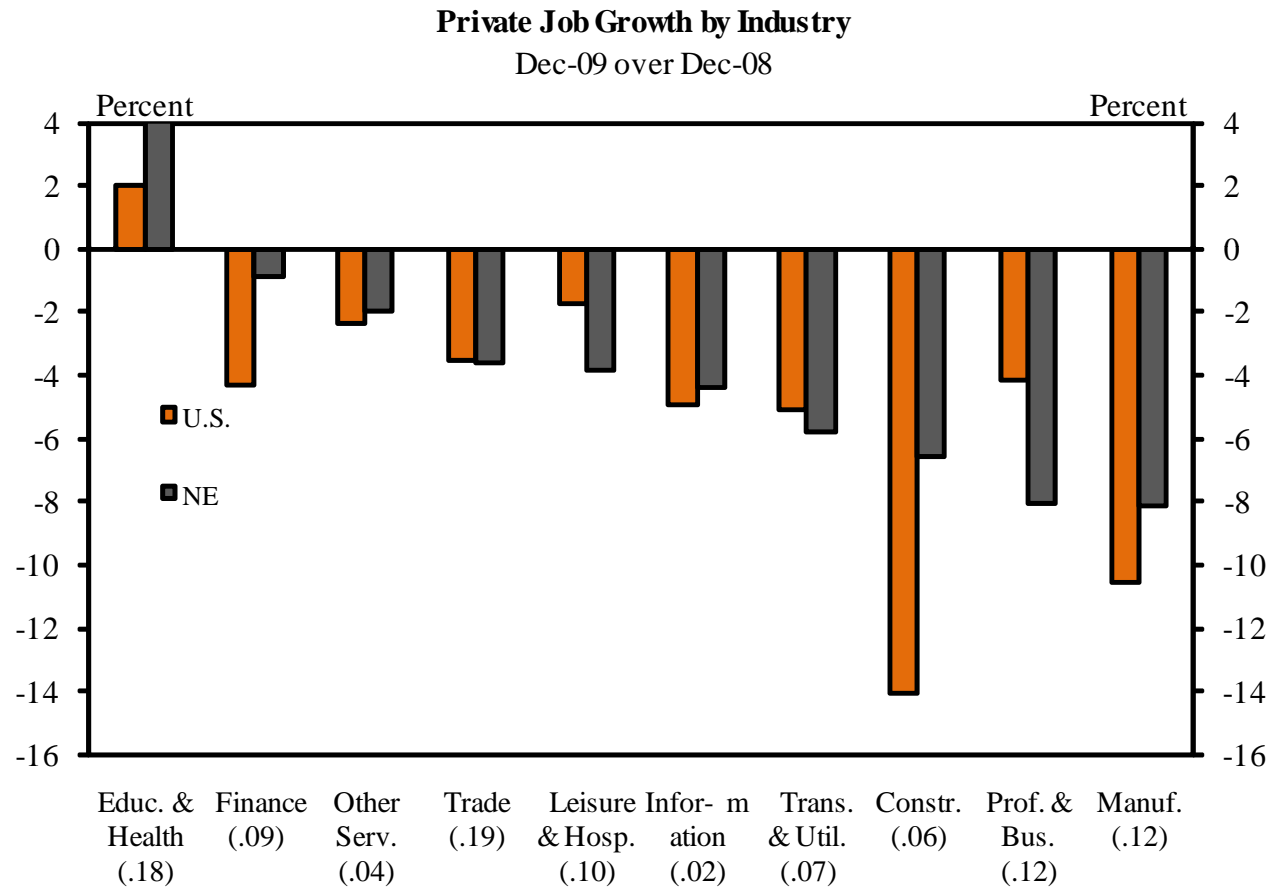
There are large regional variations in unemployment.



Source: Bureau of Labor Statistics



Most industries experienced sharp employment declines over the past year.



Source: Bureau of Labor Statistics

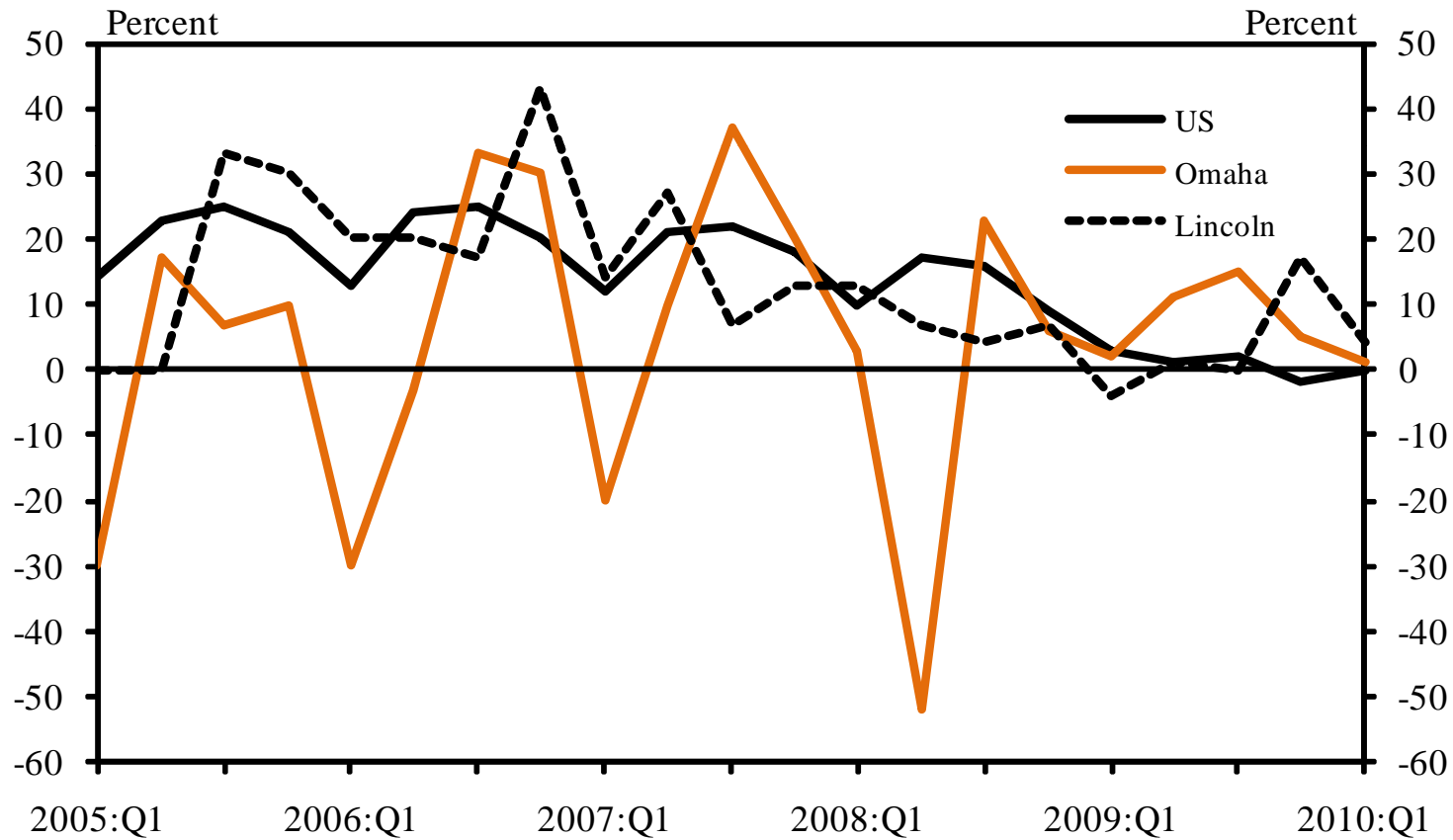
Latest release: 01/22/2010

Note: Number in parentheses is the industry's share of total private jobs in NE in Dec-09



Hiring expectations remain sluggish.

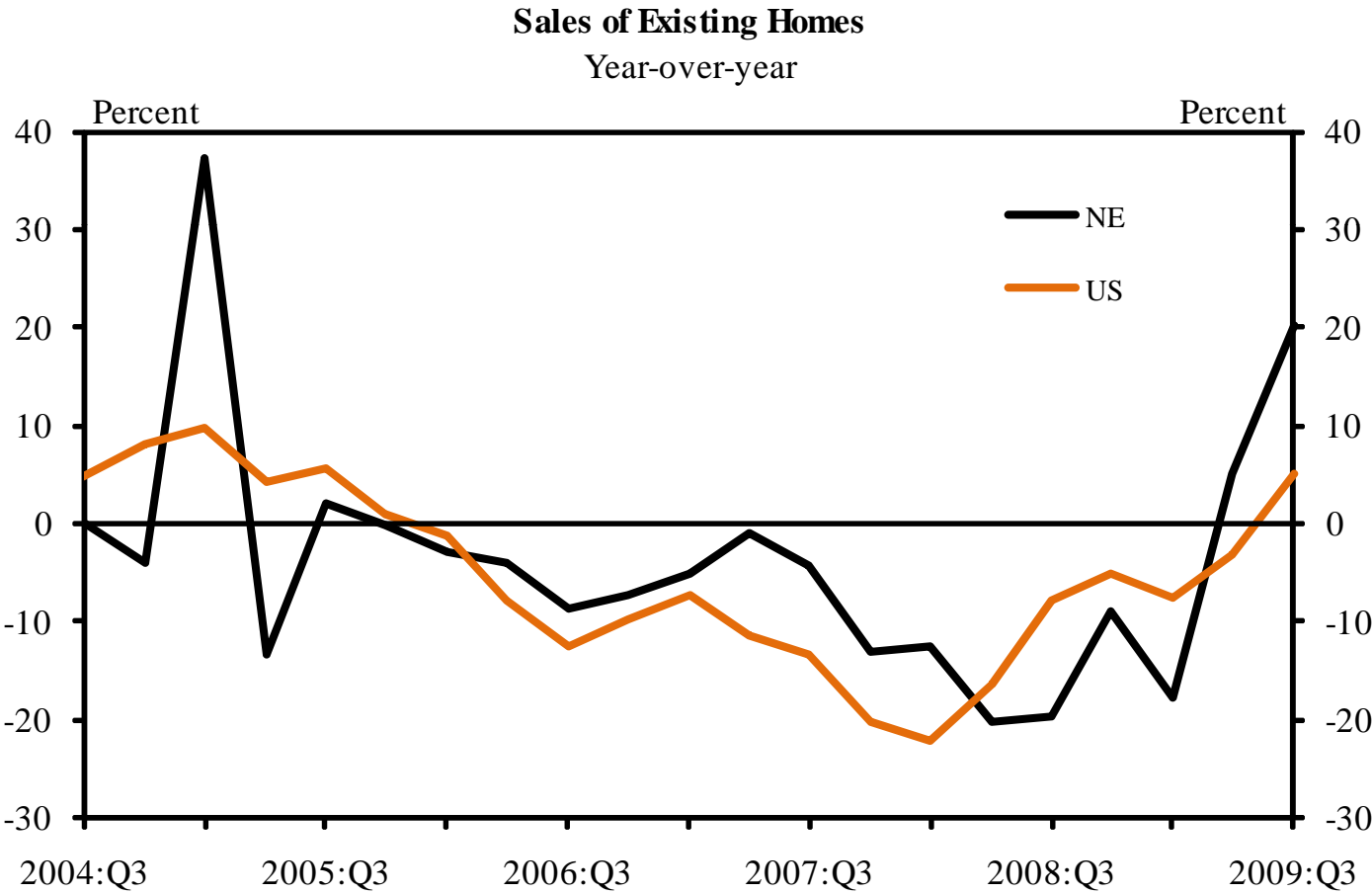
Net Percentage of Firm Expecting to Increase Employment



Source: Manpower Inc.



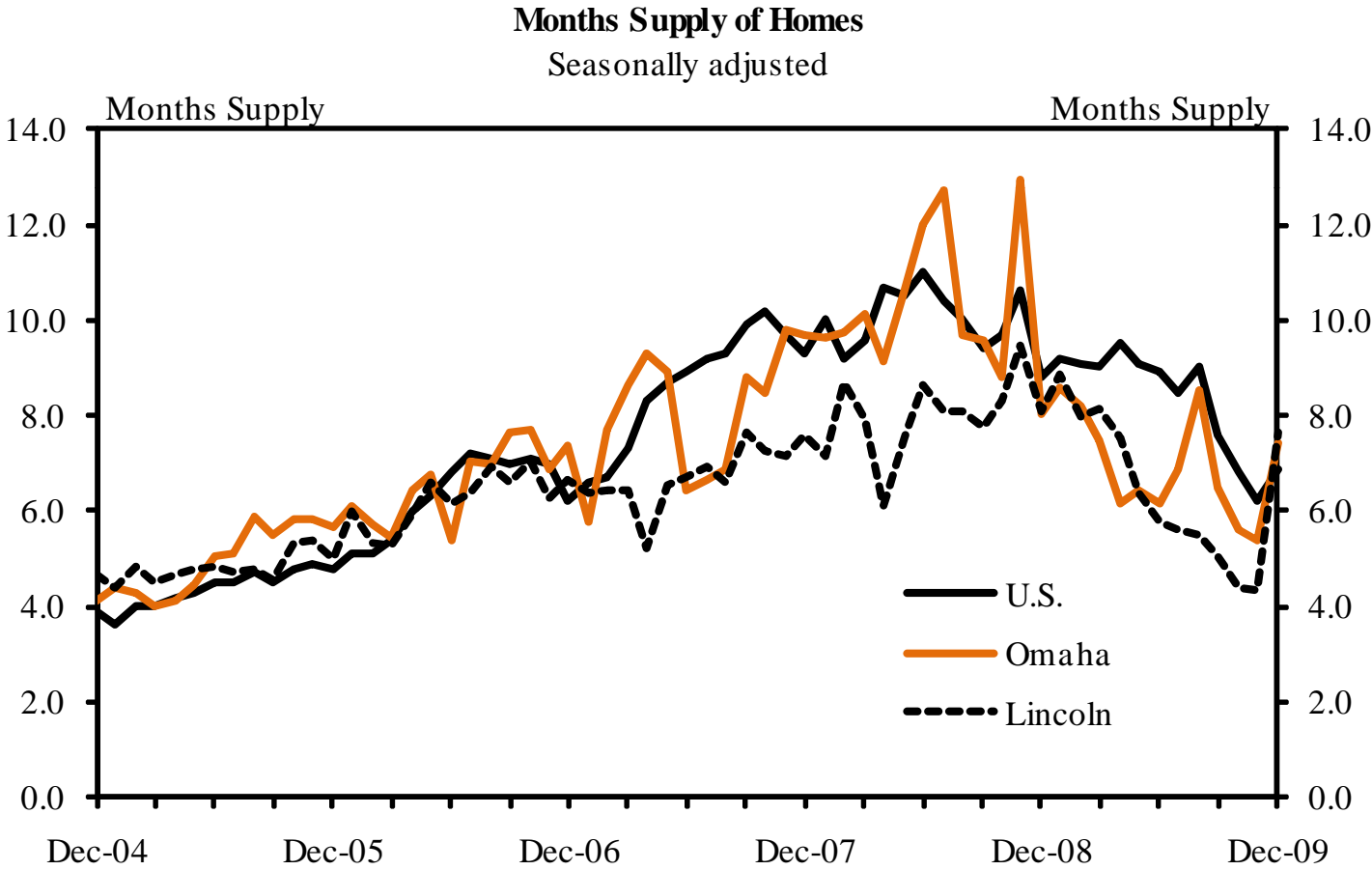
Home sales have fallen sharply since late 2005, but have since increased.



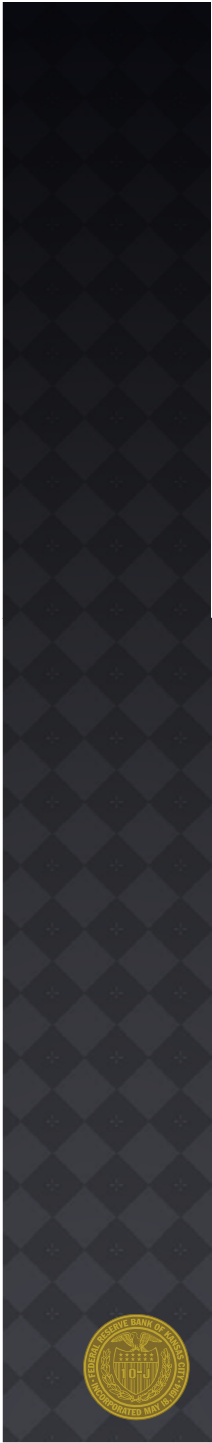
Source: NAR



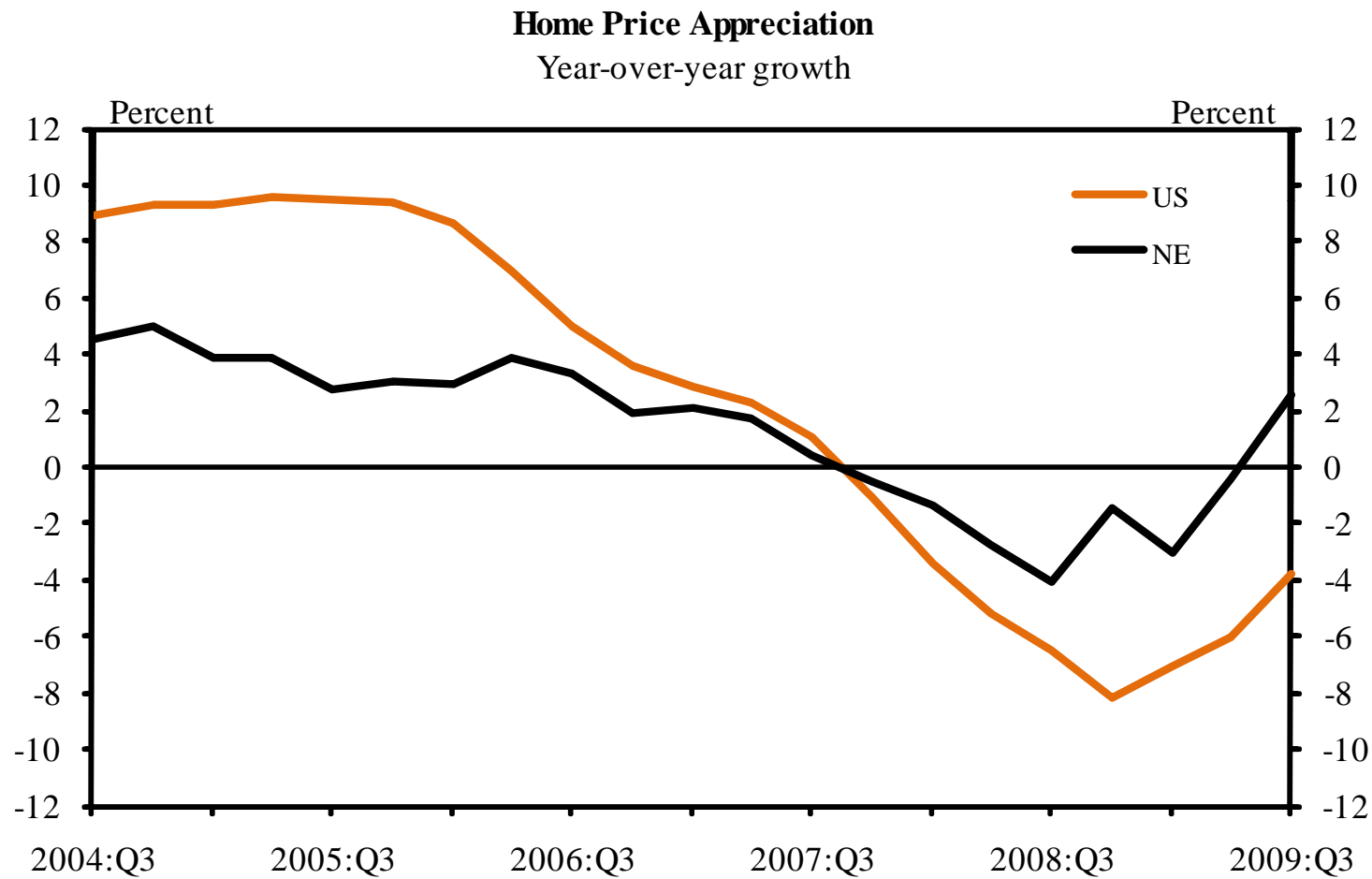
The months supply of homes has decreased from its cyclical high.



Source: NAR and Local Realtor



Home prices seem to have stabilized.



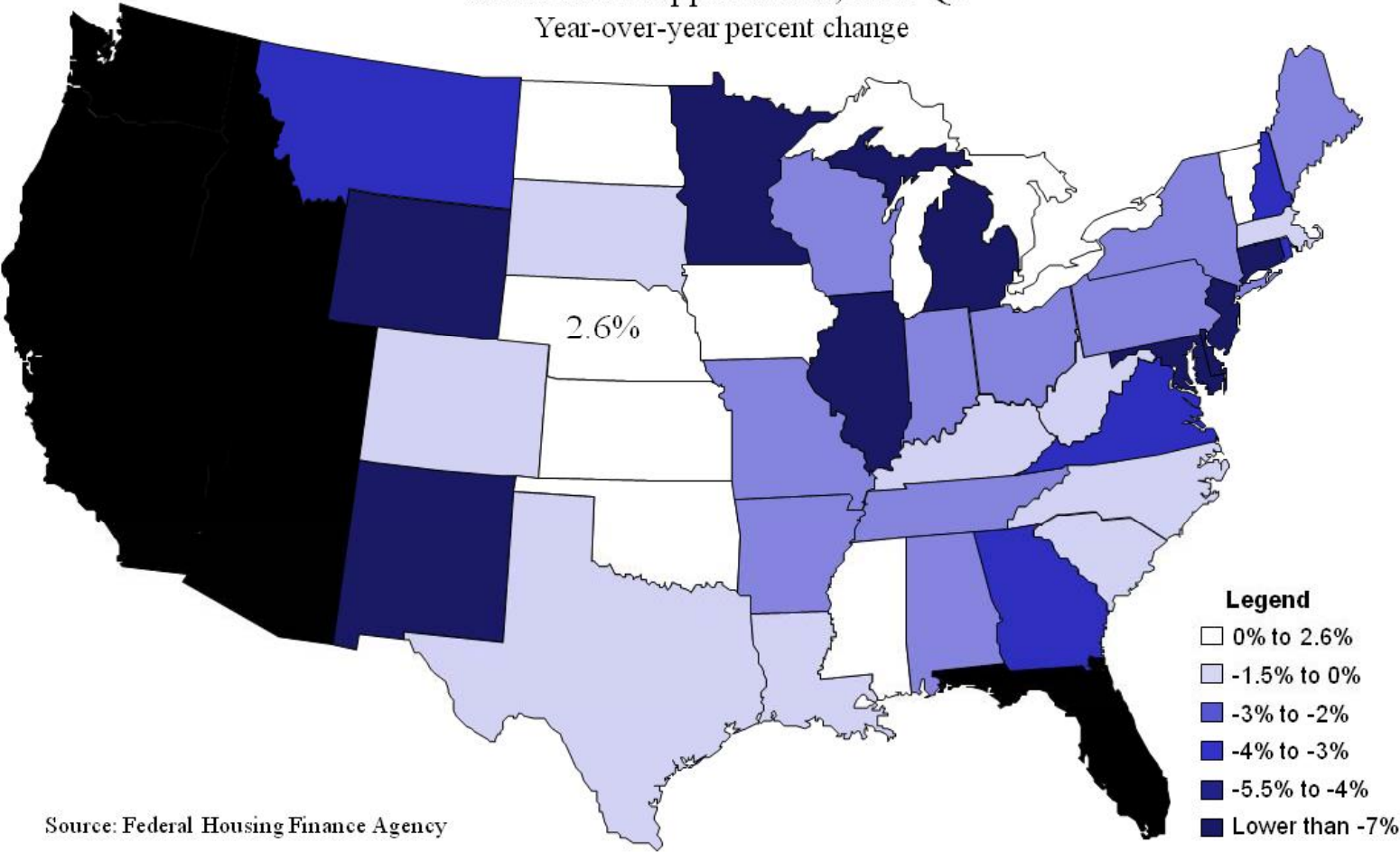
Source: FHFA

Latest release: 11/24/2009



Home price appreciation has varied widely across the nation.

Home Price Appreciation, 2009 Q3
Year-over-year percent change

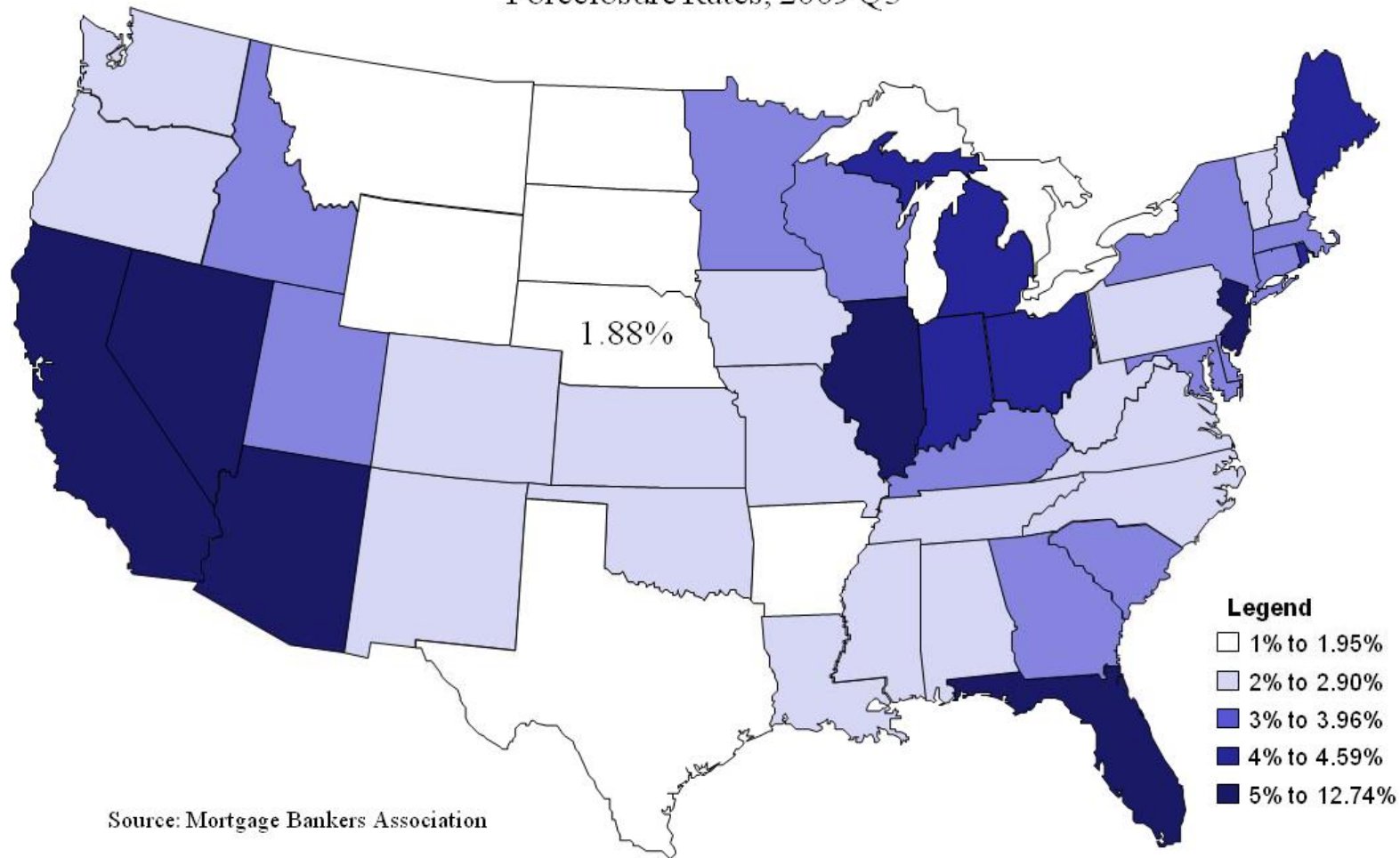


Source: Federal Housing Finance Agency



Foreclosure rates are up across the nation, but regional variation persists.

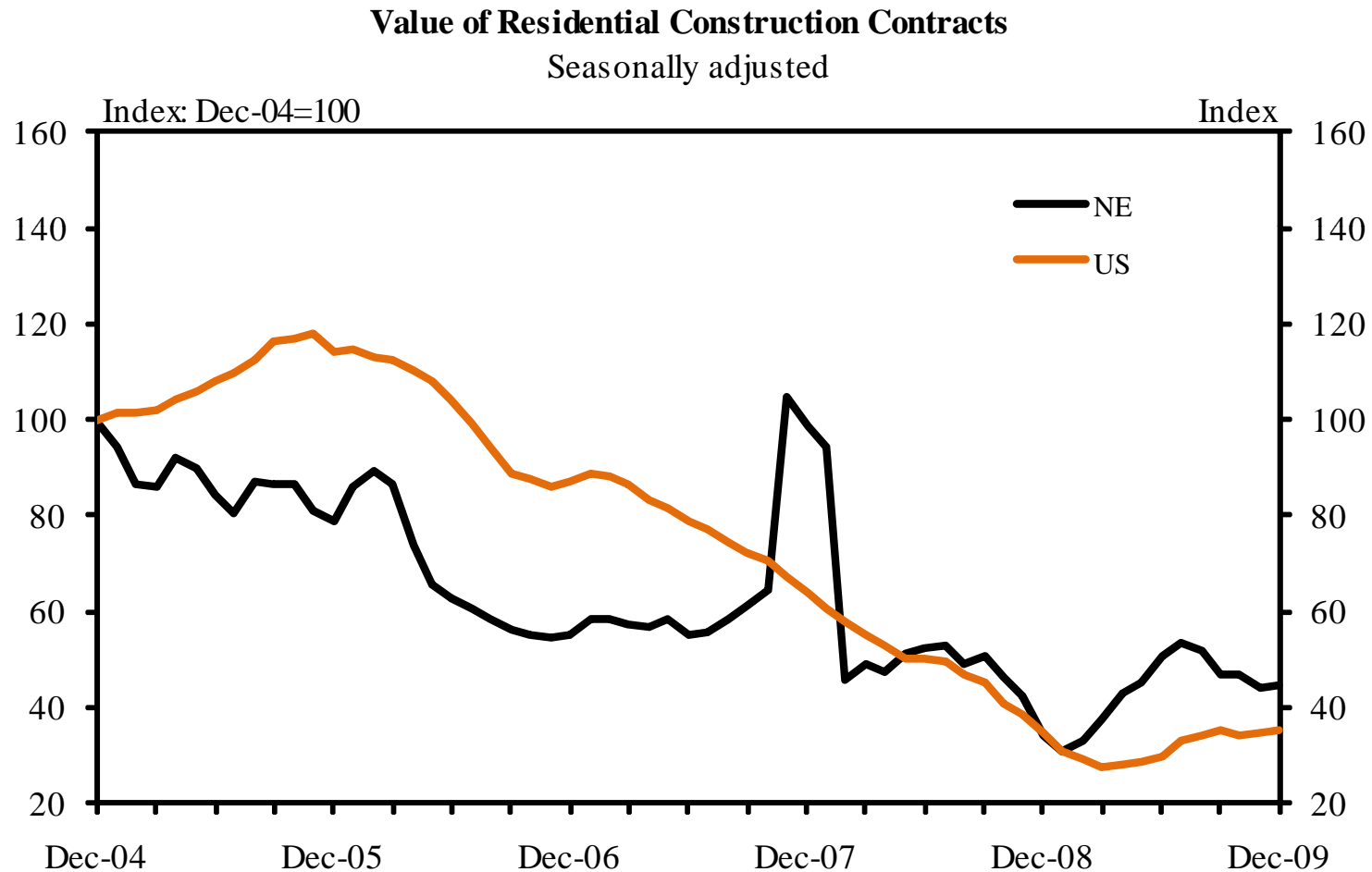
Foreclosure Rates, 2009 Q3



Source: Mortgage Bankers Association



Residential construction activity has increased slightly over the past few months.

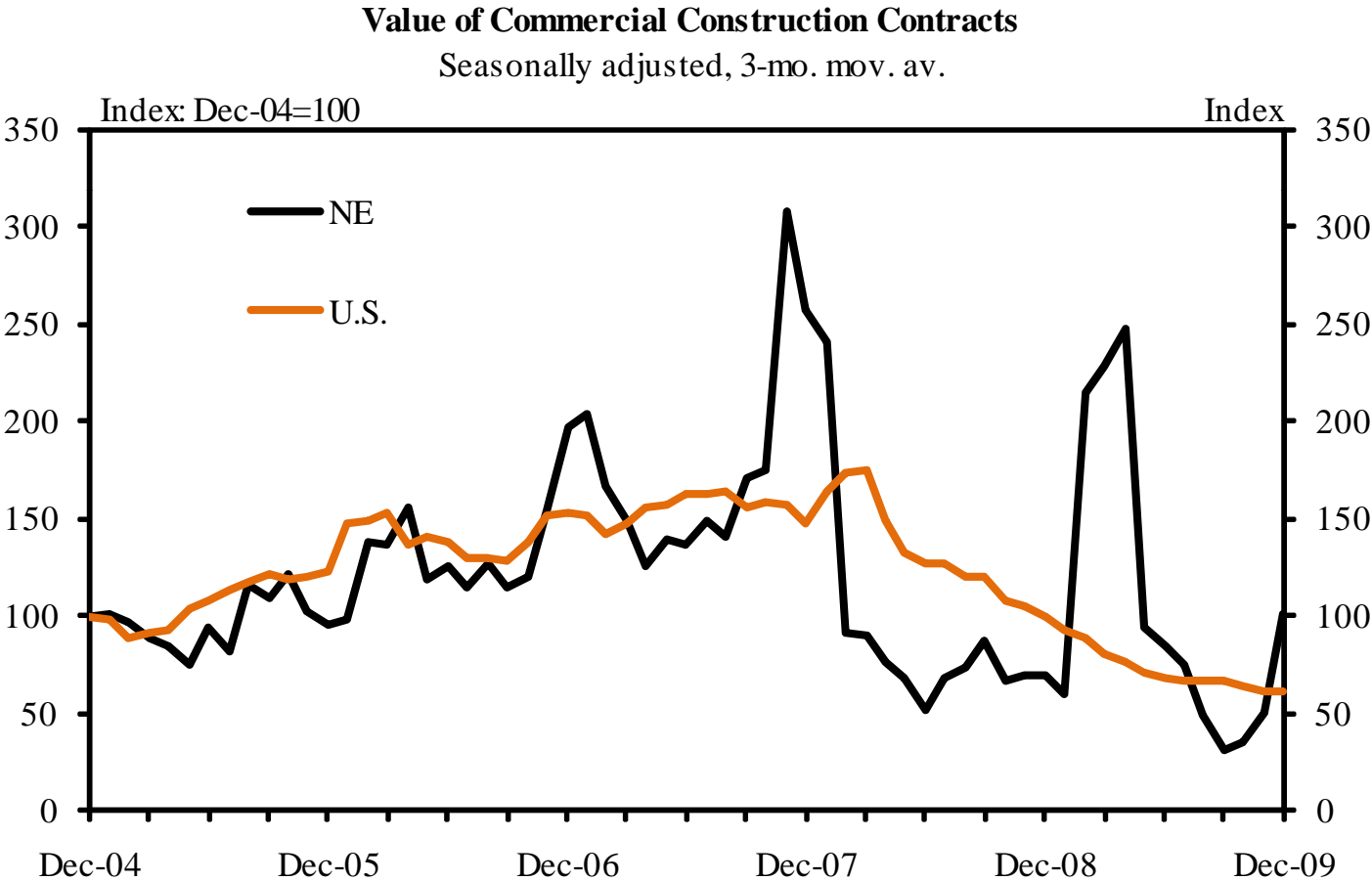


Source: F.W. Dodge, Inc.

Latest release: 01/20/2010



Commercial construction activity remains slow.

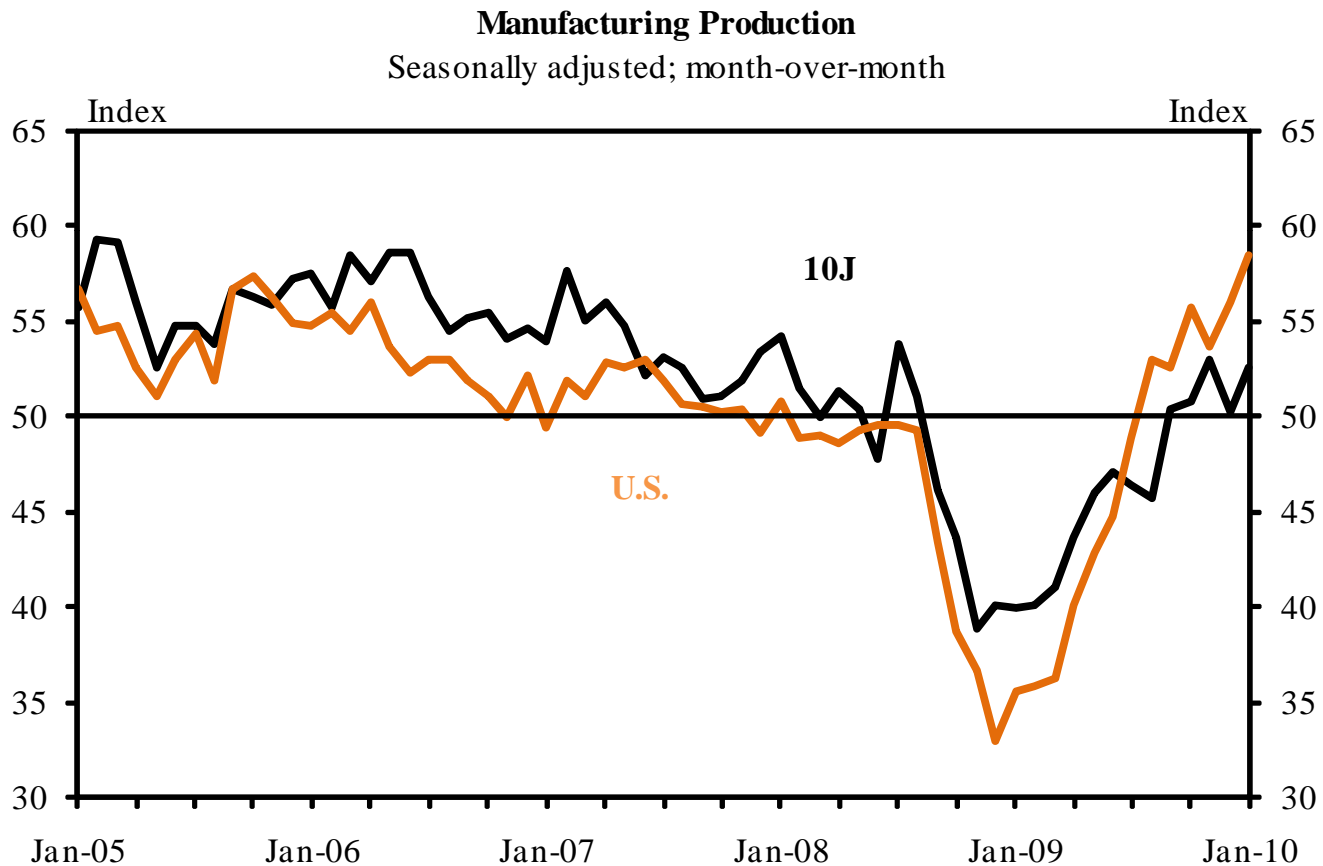


Source: F.W. Dodge, Inc.

Latest release: 01/20/2010



Recent surveys indicate that manufacturing activity is stabilizing.



Note: 10J index is computed on ISM basis (50 = zero change)

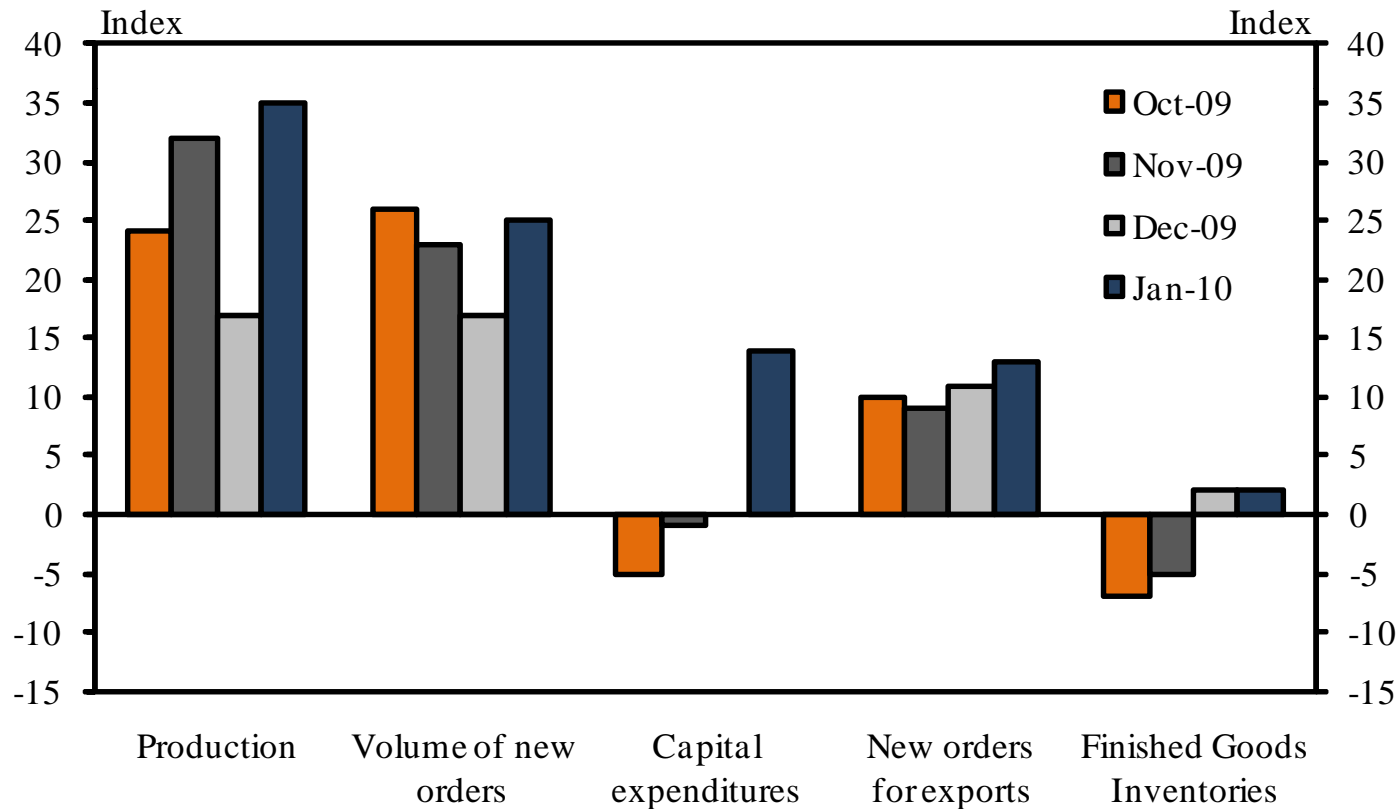
Sources: ISM, FRBKC Manufacturing Survey

Latest release: 01/27/2010 for the Manufacturing Survey and 02/01/2010 for ISM



Production levels and new orders are expected to increase in the next 6 months.

Manufacturing Expectations - Six Months Ahead
Seasonally adjusted

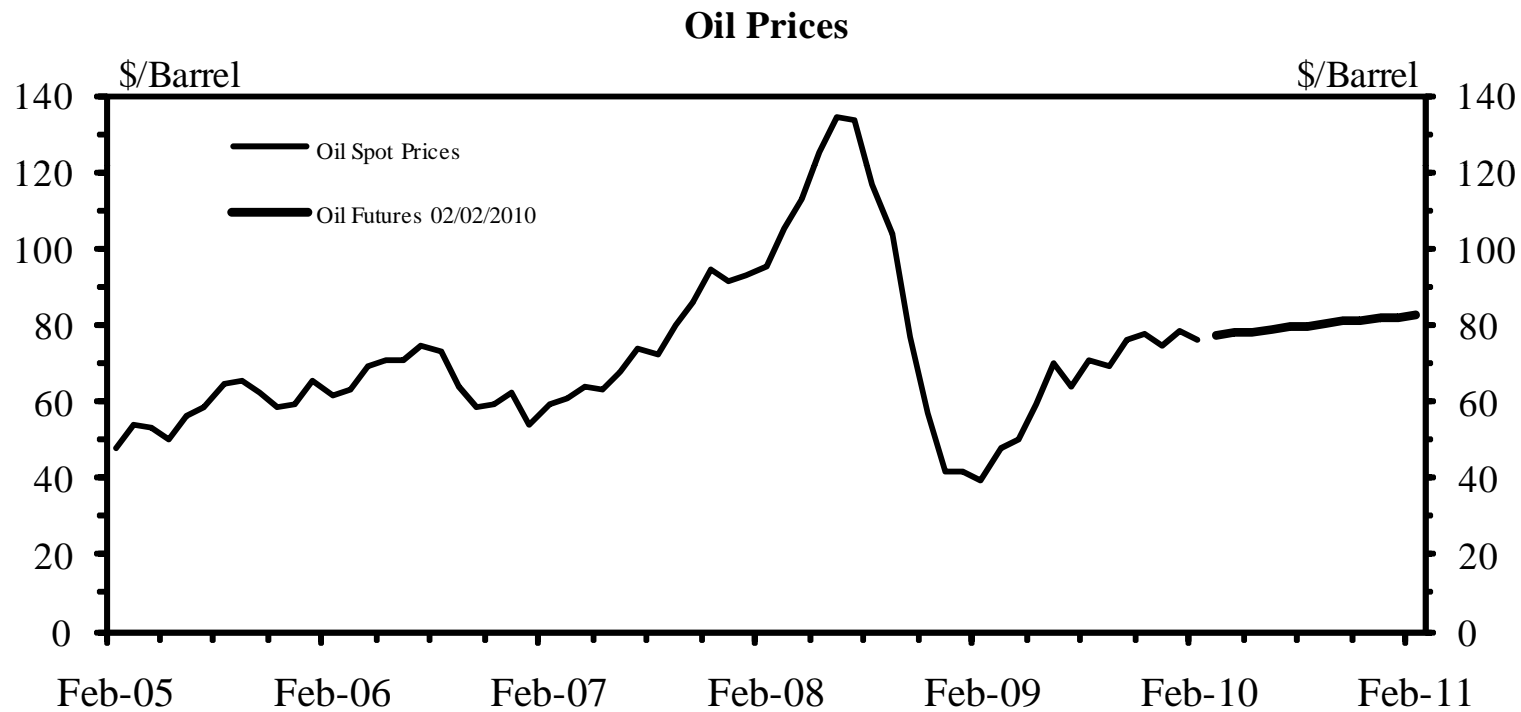


Source: FRBKC Manufacturing Survey

Latest release: 01/27/2010



Oil prices have been increasing for almost one year.

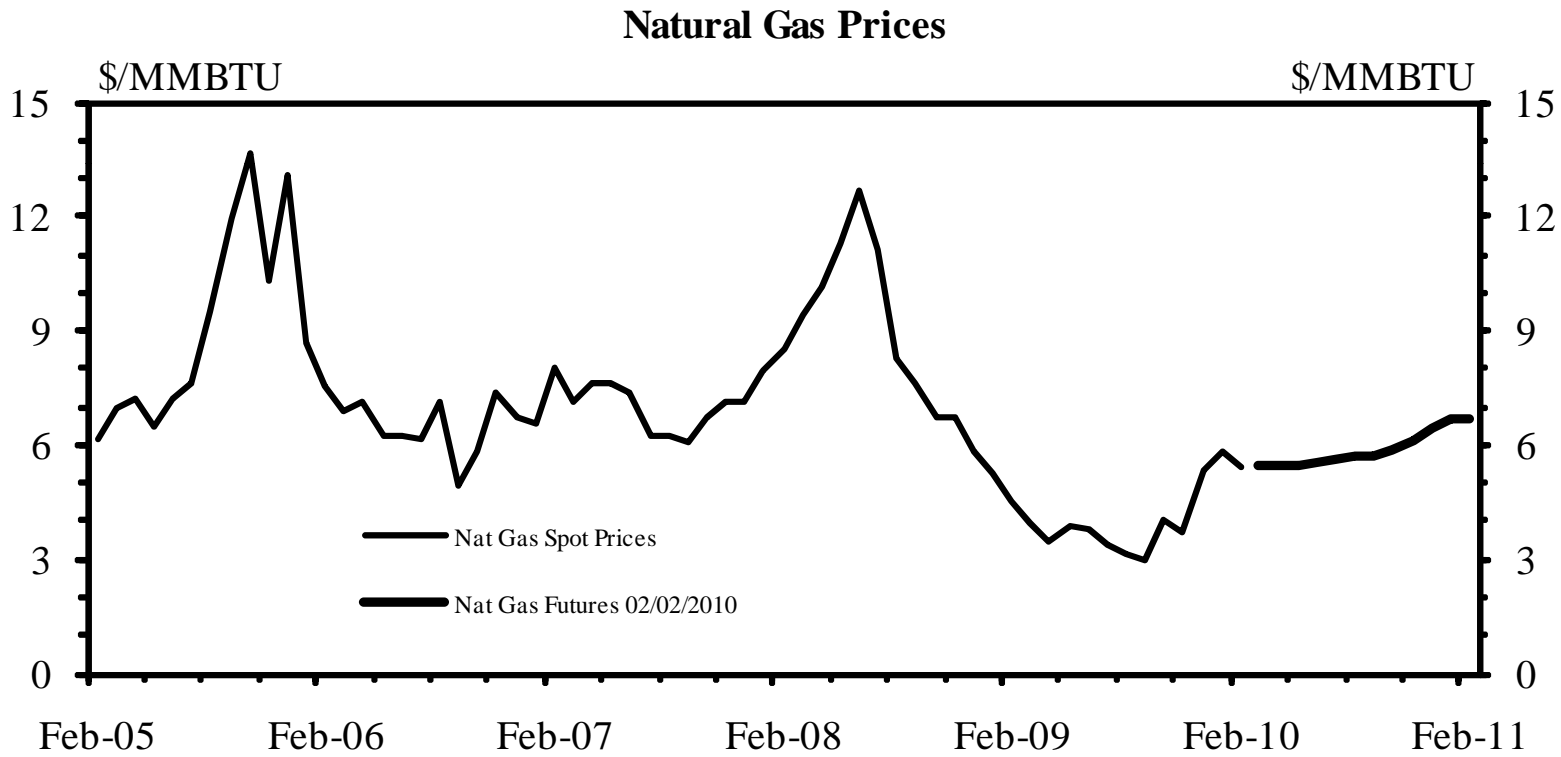


Source: Bloomberg Energy Services

Latest release: 02/03/2010



Natural gas prices have increased sharply over the past two months.

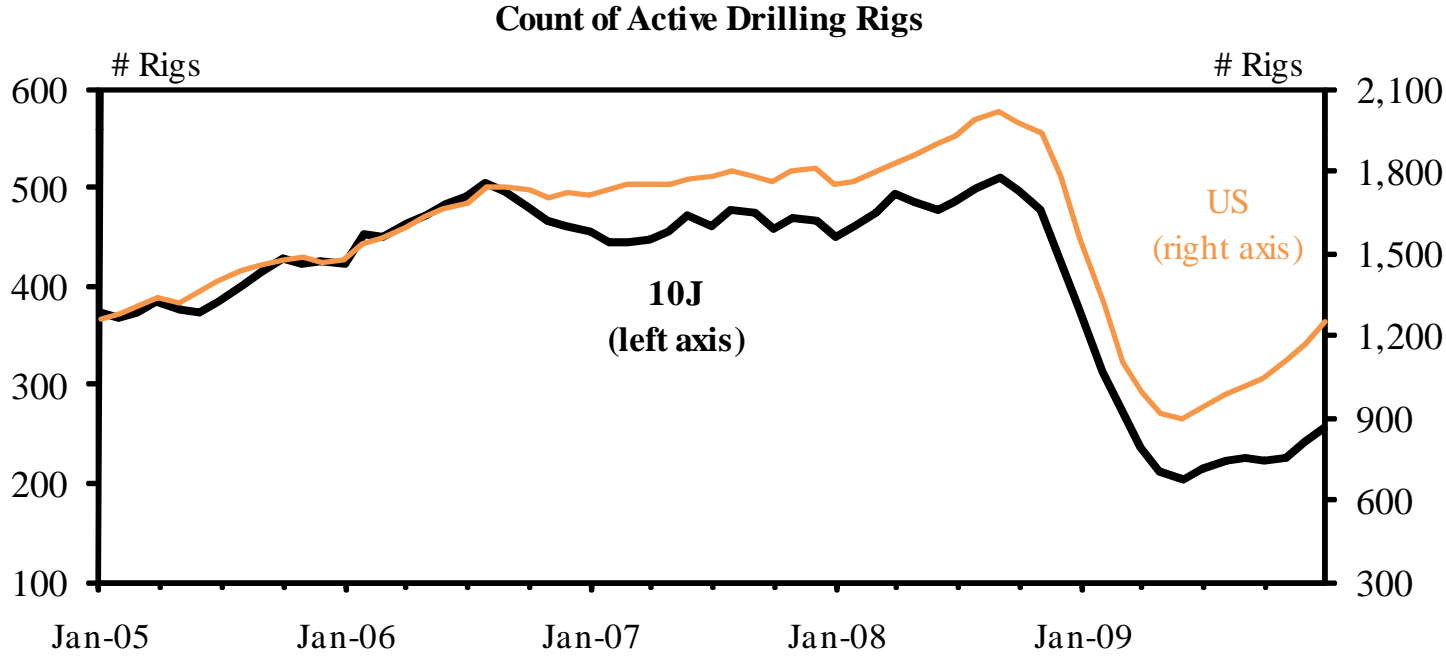


Source: Bloomberg Energy Services

Latest release: 02/03/2010



Tenth District drilling activity has edged higher.

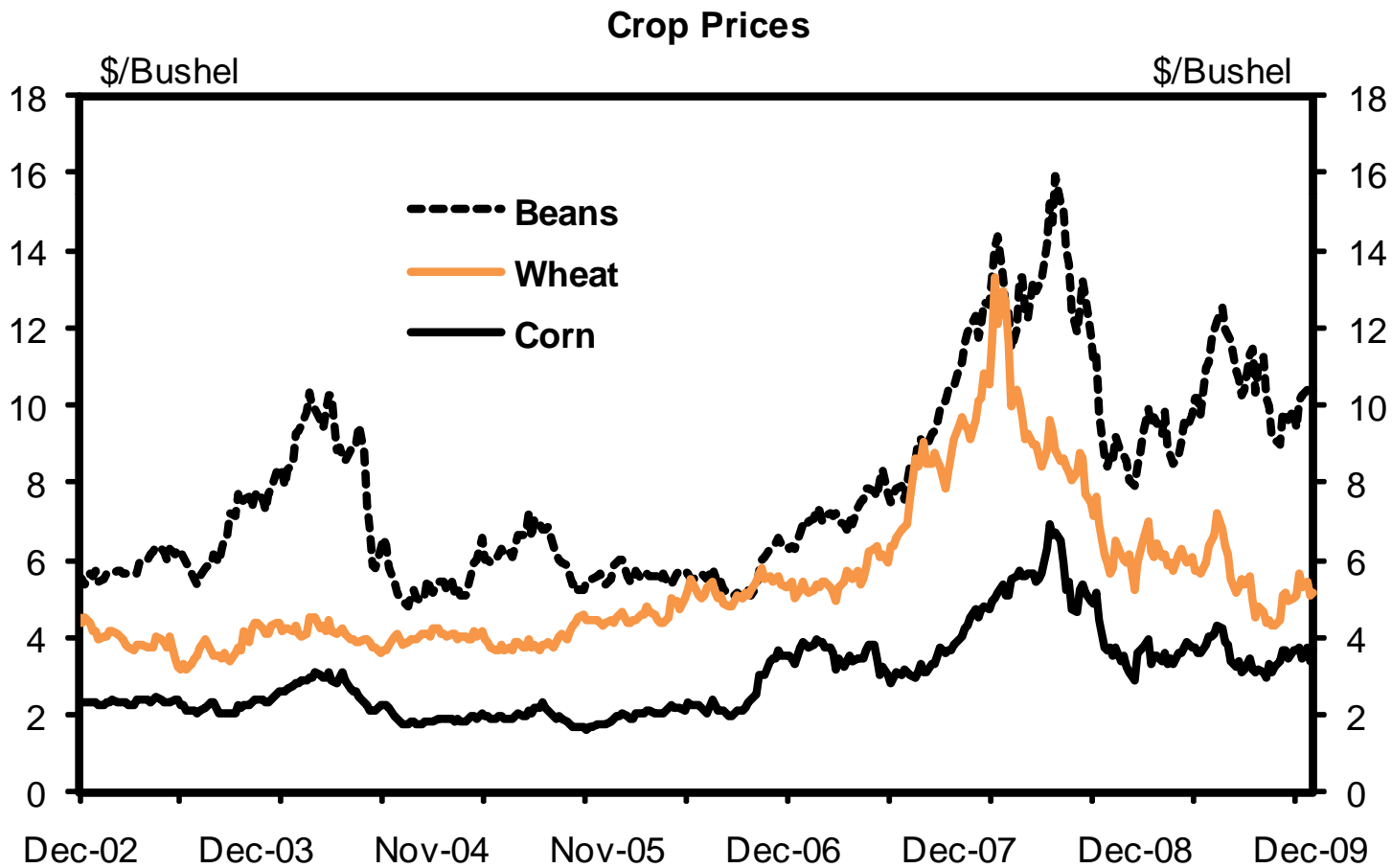


Source: Baker-Hughes

Latest release: 01/29/2010



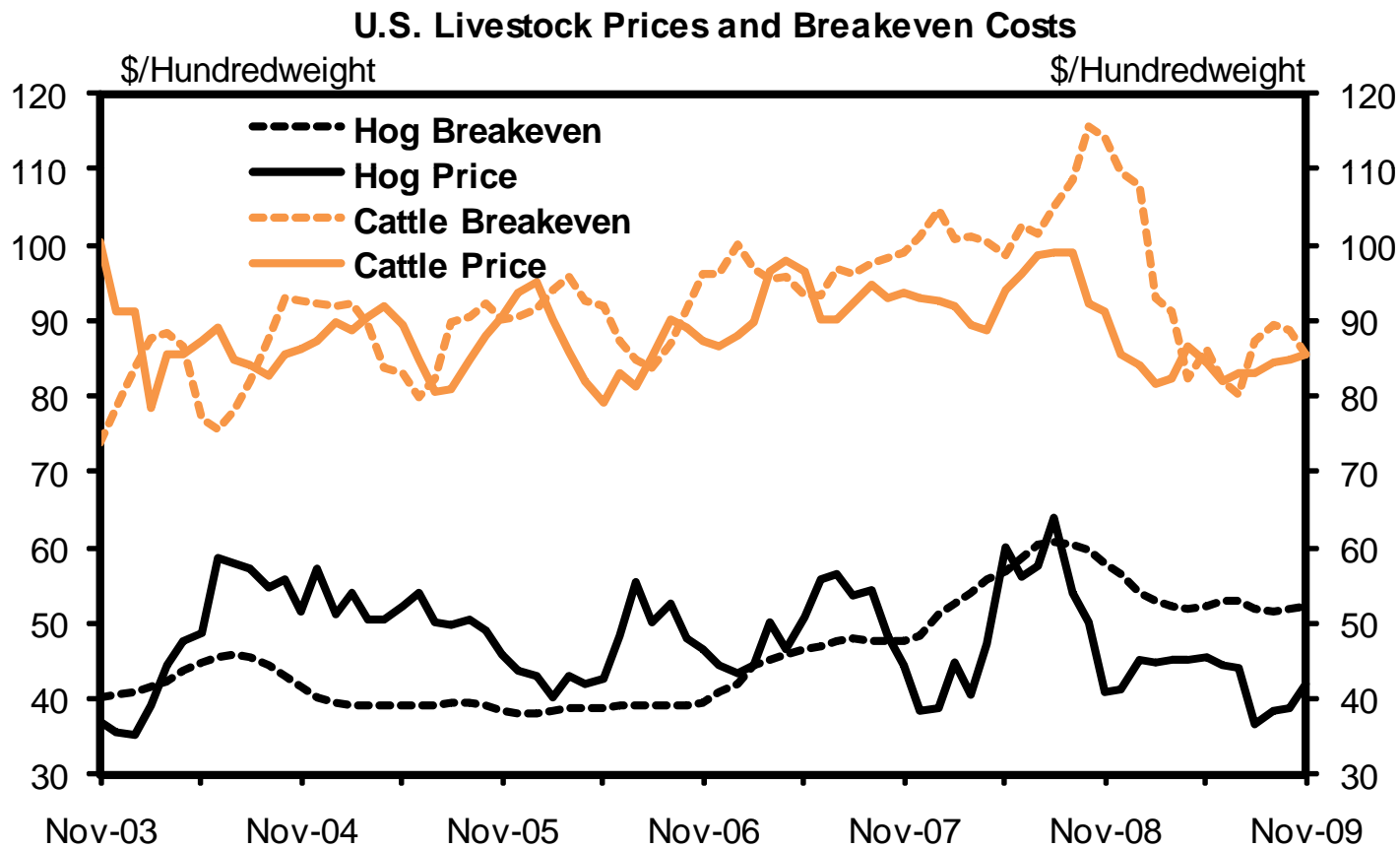
Crop prices have started to increase.



Source: Commodity Research Bureau



Hog and cattle producers continue to struggle.

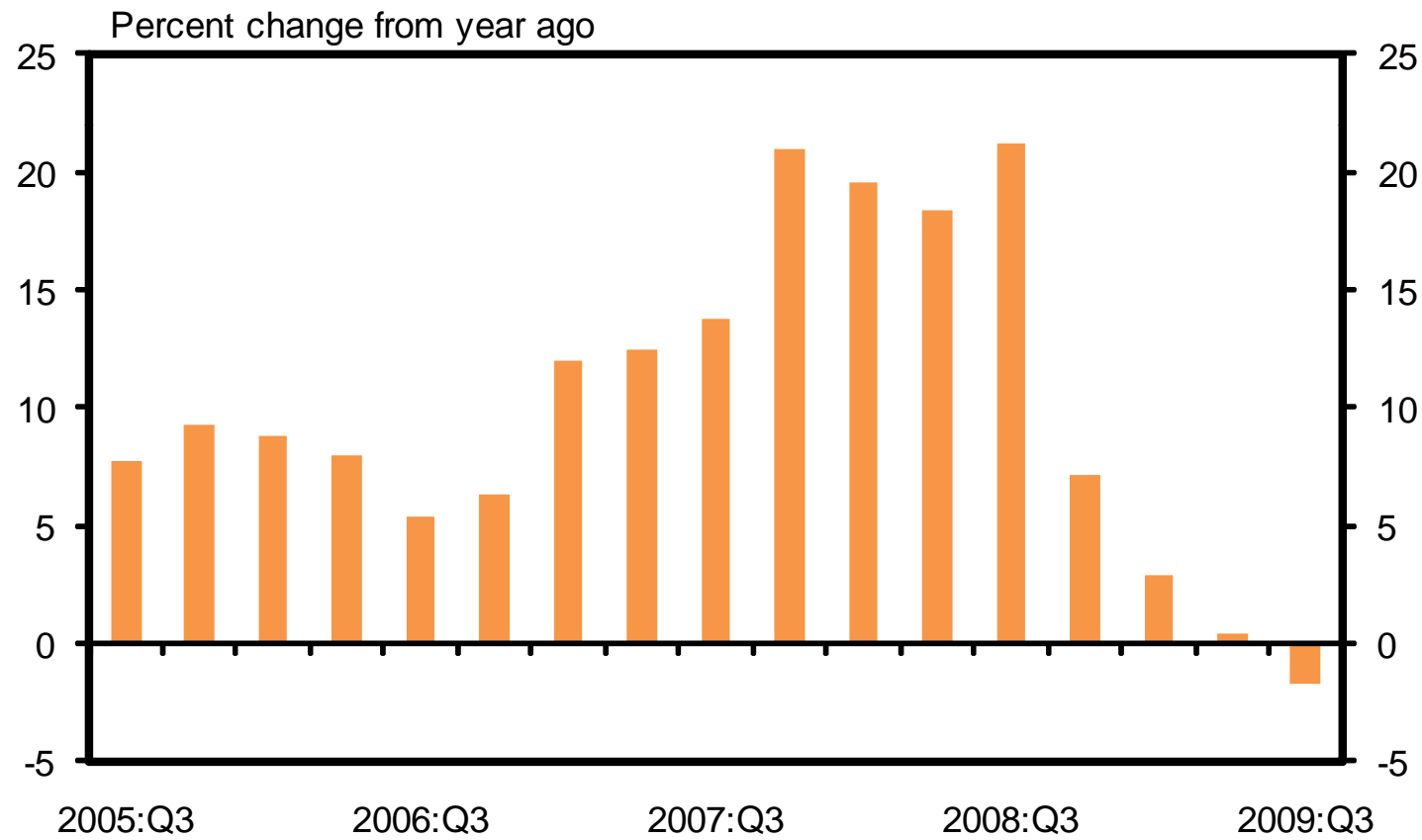


Source: USDA and Iowa State University



Farmland values have stabilized.

Tenth District Nonirrigated Cropland Values



Source: Ag Credit Survey



Conclusions

- ⦿ Most economists expect the U.S. economy to recover gradually over the next couple of years.
- ⦿ There are several factors that will likely prevent a more robust recovery.
 - Credit conditions remain tighter than pre-recession levels.
 - Consumers remain hesitant to spend as they try to rebuild wealth.
 - Unemployment is likely to remain stubbornly high for some time.

