



Nebraska Economist

Update on Nebraska's economy and household finances

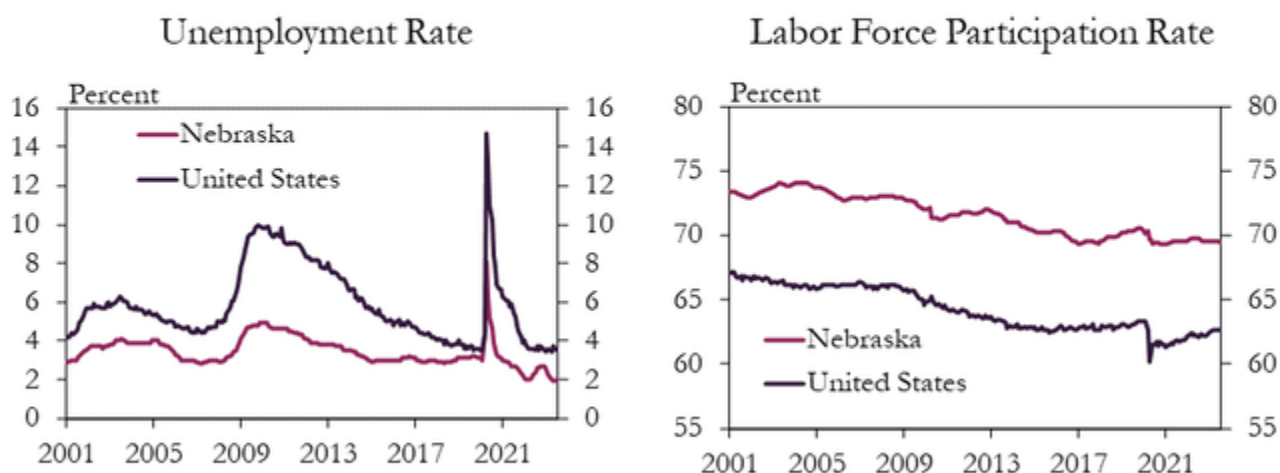
by: Nate Kauffman and John McCoy

October 12, 2023

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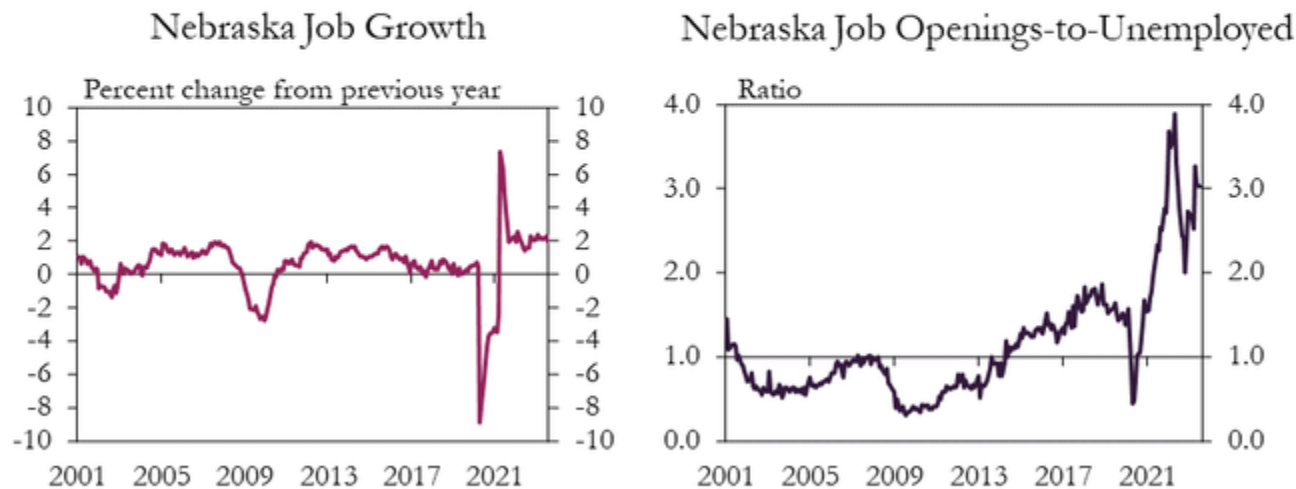
Nebraska households appear to be in a relatively solid financial position with strong job opportunities, increased wages, and robust levels of savings. Large increases in costs associated with housing, however, may significantly constrain the ability of some households to maintain current levels of saving and/or spending.

Unemployment in Nebraska is very low, and labor force participation similar to its pre-pandemic trend.



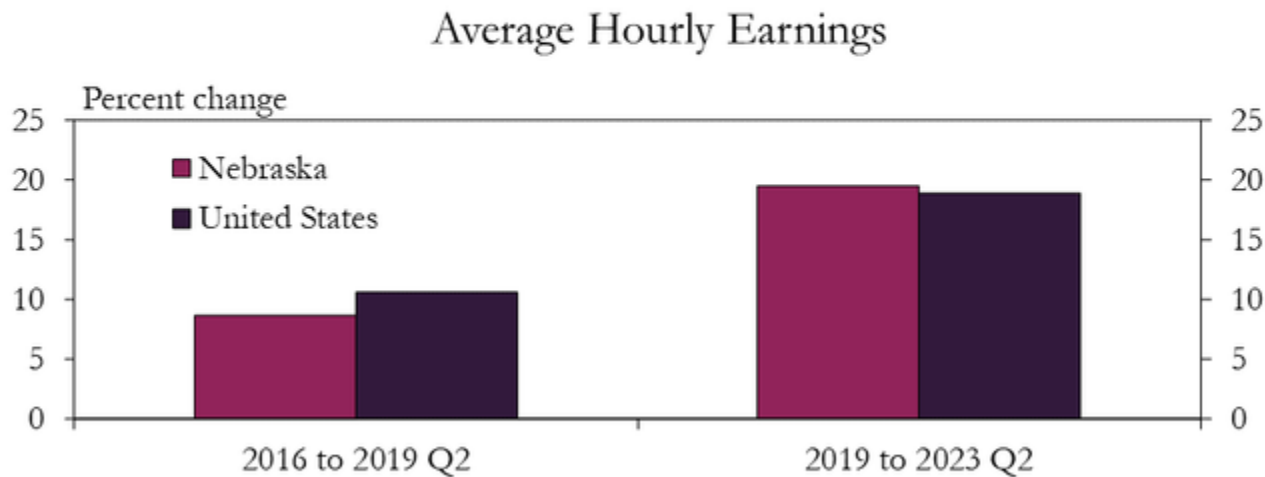
Sources: BLS, Haver Analytics.

Job growth exceeds pre-pandemic rates, and openings still remain elevated.



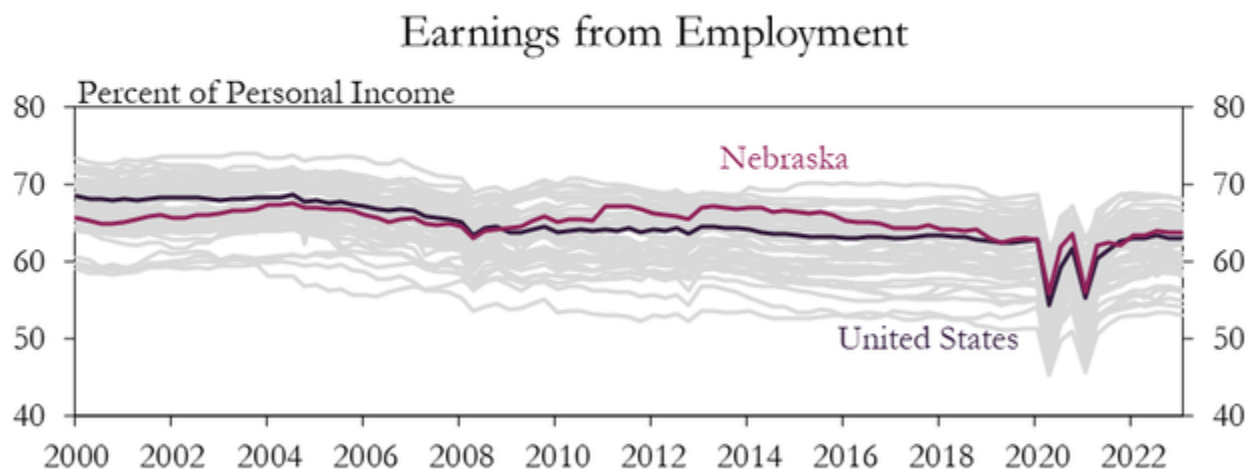
Sources: BLS, Haver Analytics.

Earnings from employment have also increased at sharply higher rates than previous years.



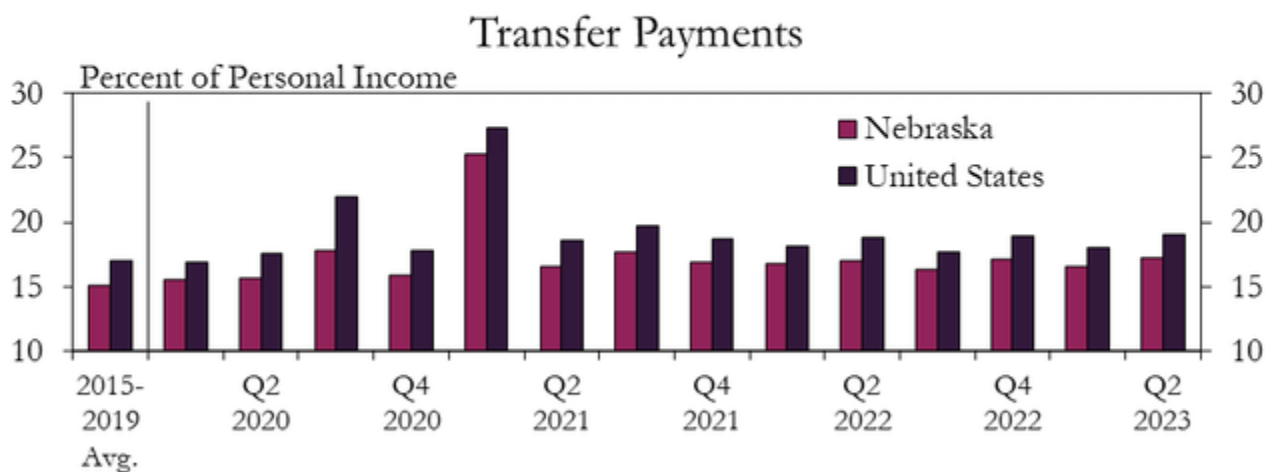
Sources: BLS, Haver Analytics.

Though slightly less than previous decades, earnings from work account for the largest share of income.



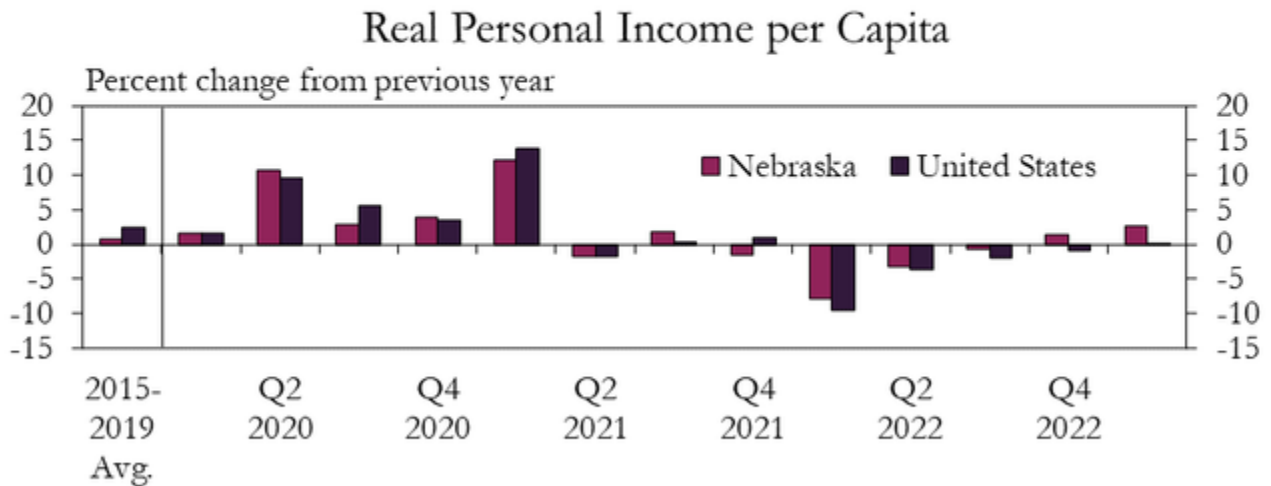
Sources: BEA, Haver Analytics.

Transfer payments surged during the pandemic but have since returned to historical levels.

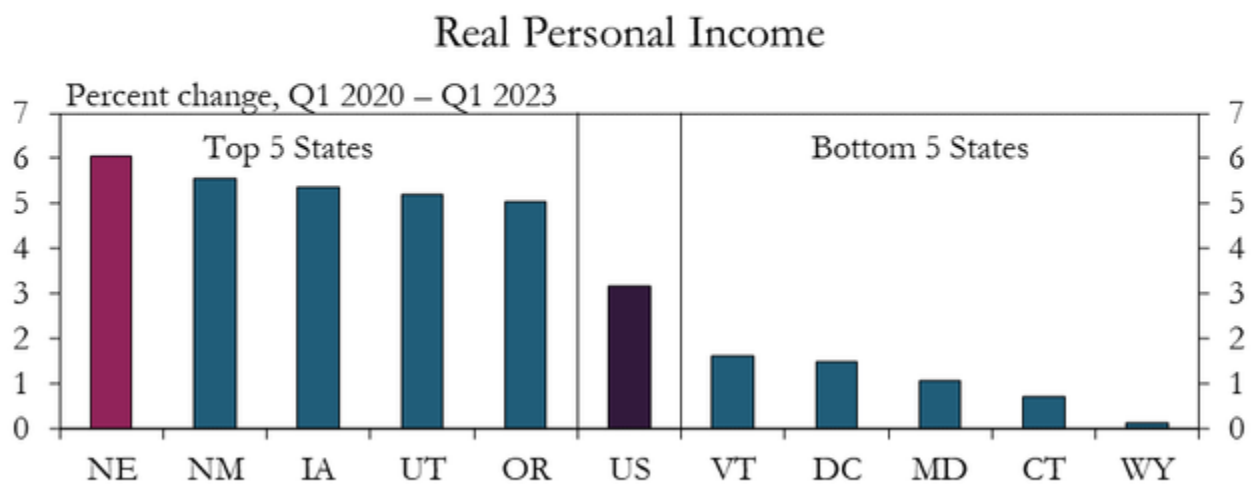


Sources: BEA, Haver Analytics.

Real incomes in Nebraska have begun growing again with increased earnings and lower inflation.

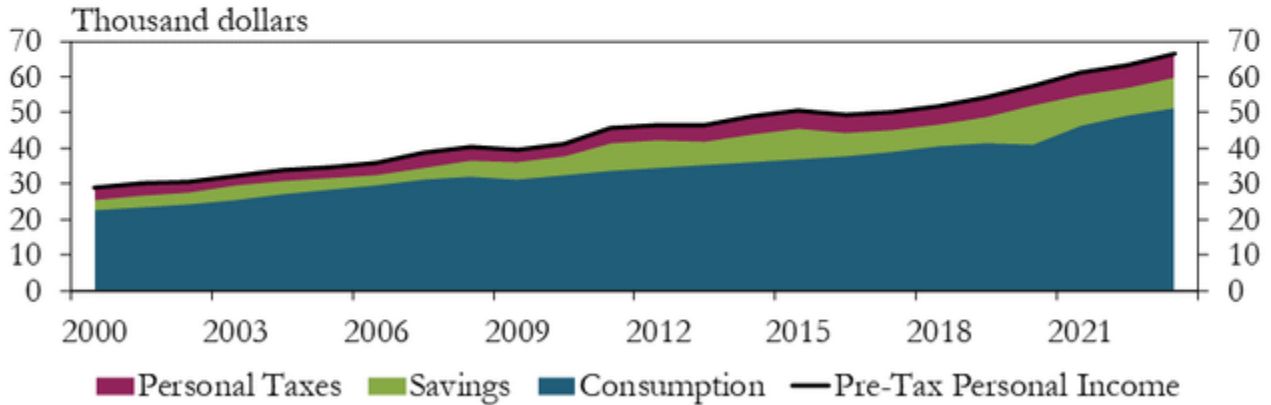


Since the onset of the pandemic, real incomes in Nebraska have grown more than any other state.



On average, Nebraskans have saved about \$9,000 per year since the onset of the pandemic.

Nebraska Per Capita Personal Income & Consumption

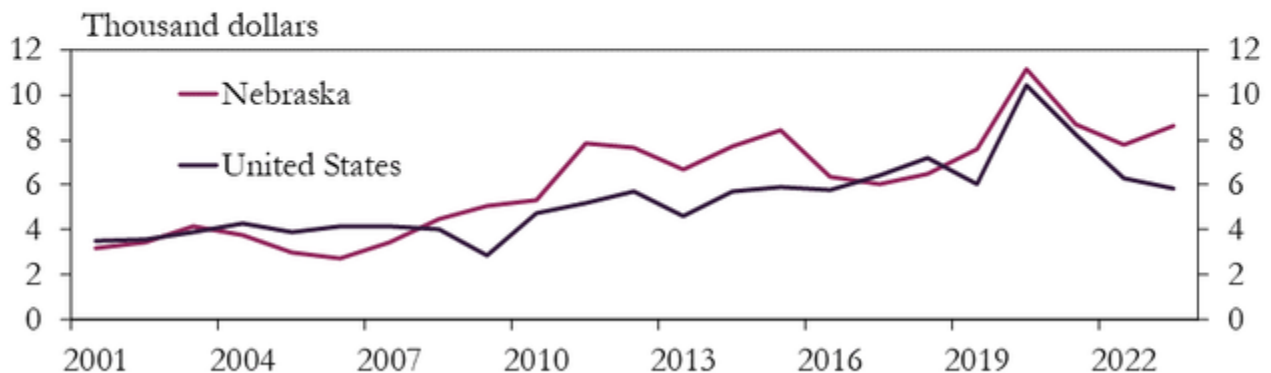


Sources: BEA, Haver Analytics, staff calculations.

Per capita savings in Nebraska have been higher than the nation since the beginning of the pandemic.

Savings per Capita

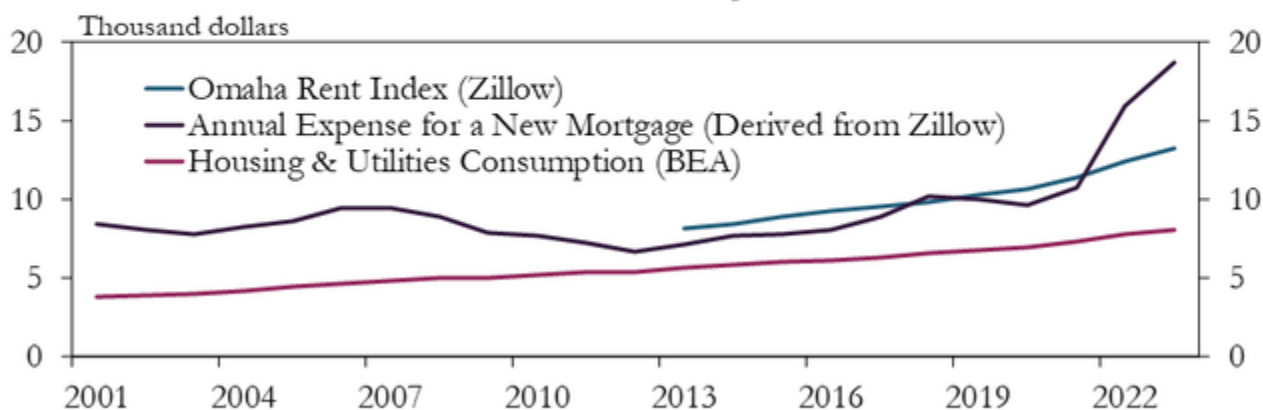
(Disposable Income in Excess of Total Consumption)



Sources: BEA, Haver Analytics, staff calculations.

However, a sharp increase in housing costs is a risk to household saving and future consumption.

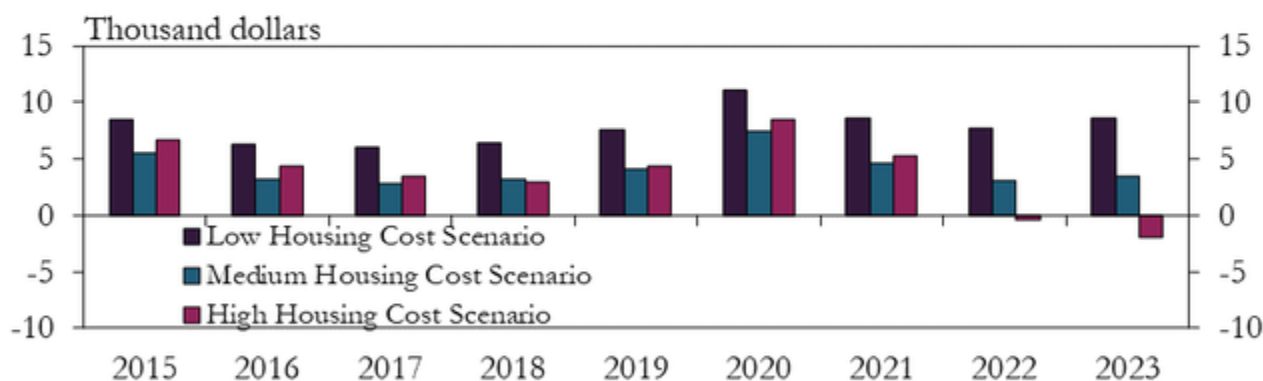
Nebraska Housing Costs



Sources: BEA, Zillow, Federal Reserve Bank of St. Louis, Freddie Mac, Haver Analytics, staff calculations.

Financing a home purchase at current prices and mortgage rates would reduce household savings significantly.

Nebraska Excess Savings Scenarios



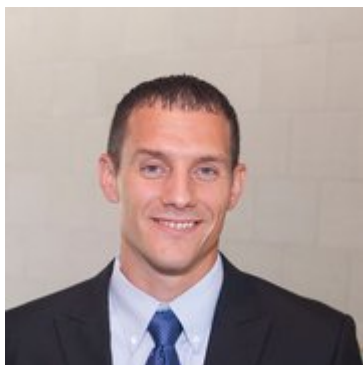
Sources: BEA, Zillow, Federal Reserve Bank of St. Louis, Freddie Mac, Haver Analytics, staff calculations.

Notes: Excess savings are calculated as the difference between disposable income and consumption, including various scenarios of costs associated with housing. The "Low Cost" scenario applies Housing & Utilities expense from the BEA, the "Medium Cost" scenario applies Zillow's rent index, and the "High Cost" scenario applies the average new mortgage payment derived from the average 30-year fixed rate mortgage and median home values provided by Zillow.

Key Takeaways

Strength in the labor market does not appear to be fading much in Nebraska, despite a small reduction in job openings. Real incomes continue to rise as wage gains have recently outpaced inflation, boosting household savings. Sharp increases in housing costs, however, may be an important indicator to monitor when considering the future strength of household finances.

Authors



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Nate Kauffman is Senior Vice President and Omaha Branch Executive at the Federal Reserve Bank of Kansas City. In his role as the Kansas City Fed's lead economist and representative in the state of Nebraska, Nate provides strategic direction and oversight for the Omaha Branch, regional research, and economic outreach throughout the state. He serves as a local connection to the nation's central bank and is responsible for briefing the Kansas City Fed's president – a member of the Federal Open Market Committee – on regional economic and business activity. In addition, Nate is the Kansas City Fed's principal expert in agricultural economics. He is a leading voice on the agricultural economy throughout the seven states of the Tenth Federal Reserve District and the broader Federal Reserve System. Nate oversees several Bank and Federal Reserve efforts to track agricultural economic and financial conditions. He also speaks regularly on the agricultural economy to industry audiences and the news media, including providing testimonies at both U.S. Senate and U.S. House Agriculture Committee hearings. Nate joined the Federal Reserve in 2012. He received his Ph.D. in economics from Iowa State University. Prior to receiving his Ph.D., Nate spent three years in Bosnia and Herzegovina coordinating agricultural economic development projects. Nate lives in Omaha with his wife and four children.



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John McCoy is an associate economist in the Regional Affairs Department at the Omaha Branch of the Federal Reserve Bank of Kansas City. In this role, he supports research and outreach efforts surrounding economic developments in the state of Nebraska. His responsibilities include serving as Board Secretary to the Omaha Branch Board of Directors and co-authoring *The Nebraska Economist*. John joined the Bank in 2017 as a research associate in the Regional Affairs Department at the Omaha Branch. Prior to 2017, he spent two years as an intern with the department. John holds a BA and MA from Creighton University.