Spurring Nebraska’s Economy

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.
Nebraska’s economy continues to perform better than the nation as a whole.

Real Personal Income Growth
(Percent change year ago – 2012:Q2)
7th highest - 2.3%

Calculations based on BEA and BLS data

Nebraska’s total income held up better during the recession and expanded faster in the recovery.
Agriculture is a driving factor.

Nebraska farm incomes are almost 90 percent higher than 2009/2010.

Nebraska’s crop revenues rose twice as fast as U.S. revenues.

Nebraska’s livestock sector has more exposure to ranching and less exposure to dairy and poultry.

Calculations based on BEA and BLS data.
Farmland value gains are on par with the 1970s farm boom.

Nebraska farmland value gains 2011:Q2 to 2012:Q2

- Irrigated cropland: 35.3%
- Nonirrigated cropland: 36.5%
- Ranchland: 26.7%

Source: Federal Reserve Bank of Kansas City
Nebraska’s nonfarm economy is also generating stronger incomes.

Nebraska’s stronger nonfarm incomes are being driven by ...

1) Wage and salaries
2) Employer contributions to pensions, insurance, & government social insurance
3) Proprietors’ incomes

Calculations based on BEA and BLS data
Incomes are rising faster than employment.

Nebraska Nonfarm Income and Employment Gains

Percent change from year ago

- Real Nonfarm Income
- Employment

Calculations based on BEA and BLS data
Are Nebraska’s employment numbers stronger than surveys indicate?

• CES is a monthly survey of businesses to estimate employment. The survey is based on the QCEW.  
  2012:Q1  0.3% growth

• QCEW is the quarterly census of workers based on unemployment insurance claims. 
  2012:Q1  1.8% growth

• Annually the CES is benchmarked to match the QCEW.

• In short, the CES will be adjusted to match the QCEW.

Calculations based on BEA and BLS data
Omaha is enjoying strong economic gains.

### Employment Growth
(Percent change from year ago)

<table>
<thead>
<tr>
<th>Region</th>
<th>2011</th>
<th>2012:Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nebraska</td>
<td>0.5%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Cass County</td>
<td>0.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Douglas County</td>
<td>0.3%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Sarpy County</td>
<td>1.2%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Saunders County</td>
<td>-1.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Washington County</td>
<td>-0.4%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Iowa</td>
<td>1.1%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Harrison County</td>
<td>1.8%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Mills County</td>
<td>-0.6%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Pottawattamie County</td>
<td>-0.2%</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

Source: BLS, QCEW

### Average Weekly Wages, 2012:Q1
(Percent change from year ago)

- **Harrison County**: 6.7%
- **Washington County**: 7.1%
- **Pottawattamie County**: 6.2%
- **Saunders County**: 6.3%
- **Douglas County**: 5.2%
- **Sarpy County**: 9.1%
- **Cass County**: 8.1%
- **Mills County**: 6.7%

Source: BLS, QCEW
Real estate and construction markets appear to have hit bottom.

During 2012:Q1, mild winter weather sparked a construction rebound.

2012 Construction Growth
Annual earnings growth
Q2: 4.4 percent

Annual job growth
Q2: 7.7 percent
Q3: 10.8 percent

Source: BEA and BLS
Note: Industry employment data from BLS based on mining and construction, where construction jobs account for most of the sectors jobs.
Omaha’s construction market is on the mend.

Multi-family construction is strong.
Single-family construction edged up.
Home prices have climbed above year ago levels.

Omaha Housing Units Authorized

Omaha Construction Employment

Source: Census Bureau

Source: Bureau of Labor Statistics
Renewed strength in manufacturing.

**Fueled by durable goods:**
- Fabricated metals
- Machinery
- Transportation equip.
- Computers and electronics

The rebound was shaped by ag-related manufacturing.

In 2012, Nebraska’s manufacturing jobs and earnings growth slowed heading into third quarter.

**Omaha Manufacturing Employment Growth**

Source: Bureau of Labor Statistics
Nebraska’s manufacturers tap global markets.

After falling sharply during the recession, Nebraska’s manufactured exports rise 50%.

Top 5 Destinations of NE exports (2012, year-to-date)

<table>
<thead>
<tr>
<th>Nation</th>
<th>Million dollars</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>$935.5</td>
<td>3.4%</td>
</tr>
<tr>
<td>EU-27</td>
<td>$447.4</td>
<td>-7.3%</td>
</tr>
<tr>
<td>Mexico</td>
<td>$369.5</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Japan</td>
<td>$274.5</td>
<td>-10.5%</td>
</tr>
<tr>
<td>China</td>
<td>$251.7</td>
<td>28.4%</td>
</tr>
</tbody>
</table>

Source: WISERTrade
Note: Data through July 2012

Nebraska Manufactured Exports

Source: WISERTrade
After weakening in 2011, private service sectors are rising faster.

- In Nebraska, private service earnings also rose 3.6% from 2011:Q2 to 2012:Q2
- Solid gains in business-related services
  - Wholesale trade
  - Professional and business services
- After a strong 2011, job contractions in ...
  - Information and financial services
  - Transportation and warehousing

![Graph showing Service-producing Sector Job Growth](source: Bureau of Labor Statistics)
Personal services are driving the gains.

- Personal services held up better during the recession and are rebounding faster.
  - Leisure and hospitality
  - Health services
  - Education services
  - Retail trade

- Wages and earnings are rising in both Nebraska and Omaha

Source: Bureau of Labor Statistics

Omaha Service-producing Sector Job Growth
With stronger incomes, Nebraska consumers are increasing their spending.

Automobile sales rise faster than total retail sales.

In 2012, Retail sales rising faster outside of Douglas County
The largest contrast with the national economy is government jobs.

**Government:**
- 20% of Nebraska’s total compensation
- 17% of Nebraska’s nonfarm jobs.

Source: Bureau of Labor Statistics

- Nebraska’s government jobs are up 0.5%, led by state employment gains.
- State governments - rising incomes
- Local governments – retail sales vs real estate prices
- Federal spending?
Nebraska’s economic performance varies with the business cycle.

Since World War II, Nebraska’s economy ...

1) Holds up better during recessions
2) Expands quicker in the recovery
3) Lags as the expansion matures

U.S. and Nebraska Real Per Capita Income Growth (1949 to 2012)

Average annual percent change

- Recessions
- First 6 Months Expansions
- First Year
- First 2 Years

Calculations based on quarterly BEA data
How can Nebraska build new sources of growth?
How does Nebraska and Omaha attract and retain, high-skilled people?

• In advanced nations, the returns to an additional year of schooling is 12%.
  Barro and Jong-Wha (2010)

• Does the U.S. have a competitive advantage in high-skilled people?

**Educational Attainment: Secondary Education**

(55-59 Year olds)

- U.S.
- Germany
- S. Korea
- China

**H.S. Educational Attainment**

(Population 25 and older)

- Douglas County 90%

5% of the Douglas County population lives in a Census Tract with H.S. educational attainment below 60%
Entrepreneurs are a driving force behind economic growth.

- Communities, states, and nations with more entrepreneurial activity have stronger economic growth. (Henderson 2002)

- The benefits of entrepreneurship grow over time. (Henderson and Weiler, 2010)

- Entrepreneurship is creative destruction – the reallocation of resources to their highest and best use.

U.S. and Nebraska Private Establishment Growth

Source: Bureau of Labor Statistics
Ultimately, community leadership shapes economic success.

Economic development strategies are shifting in the 21st century.

<table>
<thead>
<tr>
<th>Rural Development Strategy Typologies</th>
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<tbody>
<tr>
<td>Traditional</td>
<td>Nontraditional</td>
</tr>
<tr>
<td>Industrial recruitment</td>
<td>Small Business Entrepreneurship</td>
</tr>
<tr>
<td>Regional Center</td>
<td>Cluster-based</td>
</tr>
<tr>
<td>Bedroom Community</td>
<td>Innovation and Knowledge</td>
</tr>
<tr>
<td>Amenity-based</td>
<td>Creative Class</td>
</tr>
</tbody>
</table>


**Fundamental Questions**
- Who will be the champions for change?
- Who will facilitate innovation in key institutions?
- What constituencies will support innovative leaders and institutions?
Conclusions

- Agriculture, manufacturing, and construction are leading stronger economic gains in Nebraska.
- Omaha is enjoying strong job and income gains.
- Historically, as economic recoveries strengthen, Nebraska’s economy loses some steam.

*If Omaha wants to reach the next tier of great American cities, how will it attract and retain, the people needed to start new businesses, fill new jobs, and create a new economic vision?*