Nebraska’s Economic Outlook

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 had strong income gains through the third quarter of 2011.

<table>
<thead>
<tr>
<th>State</th>
<th>Personal Income Growth 2010:YTD to 2011:YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) North Dakota</td>
<td>10.5</td>
</tr>
<tr>
<td>(2) Texas</td>
<td>6.8</td>
</tr>
<tr>
<td>(3) Oklahoma</td>
<td>6.5</td>
</tr>
<tr>
<td>(4) South Dakota</td>
<td>6.4</td>
</tr>
<tr>
<td>(5) Minnesota</td>
<td>6.1</td>
</tr>
<tr>
<td>(5) Nebraska</td>
<td>6.1</td>
</tr>
<tr>
<td>(7) Iowa</td>
<td>5.8</td>
</tr>
<tr>
<td>(7) California</td>
<td>5.8</td>
</tr>
<tr>
<td>(9) Colorado</td>
<td>5.7</td>
</tr>
<tr>
<td>(9) Idaho</td>
<td>5.7</td>
</tr>
<tr>
<td>U.S. Average</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis
Note: Year-to-Date information through third quarter

- Farming
- Mining
- Durable Good Manufacturing
The private sector posts solid job gains.

Nebraska Job Growth by Sector

Percent change from year ago

-10 -8 -6 -4 -2 0 2 4 6

2003 2004 2005 2006 2007 2008 2009 2010 2011

Government
Goods-Producing
Service-Producing

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

Nebraska Manufactured Exports and Manufacturing Employment

Percent change from year ago

- Manufactured Exports (Left Scale)
- Manufacturing Employment (Right Scale)

Source: Bureau of Labor Statistics and WISERTrade

Federal Reserve Bank of Kansas City – Omaha Branch
Regional, Public, Community Affairs Division
Retail sales were strong after a summer soft spot.

Nebraska Retail Sales and Retail Employment

Source: BLS and Nebraska Department of Revenue
Note: 2011 retail sales data is through November
Nebraska’s housing market appears to have hit a bottom.

Seriously Delinquent Mortgage Loans
(percent of all mortgage loans serviced, Q3 2011)

U.S. average 7.9%

Source: Mortgage Bankers Association

Federal Reserve Bank of Kansas City – Omaha Branch
Regional, Public, Community Affairs Division

Nebraska Housing Permits and Existing Home Sales

Thousands

Source: U.S. Census Bureau
Can Agriculture Fuel the Nebraska Economy?
U.S. agricultural exports and farm prices

Billion dollars (2005 constant dollars)

- Agricultural Exports (Left Scale)
- Prices Received by Farmers (Right Scale)

Exports Double During WWI
Exports More than Double During WWII
Exports Double in 1970s
Exports Double Between 2006 and 2011

Calculations based on U.S. Census Bureau and U.S. Department of Agriculture data deflated with consumer price index from the Federal Reserve Bank of Minneapolis.
Is this a farm bubble?

Tenth District Farmland Value Gains

Percent change from year ago

Source: Federal Reserve Bank of Kansas City

Federal Reserve Bank of Kansas City – Omaha Branch
Regional, Public, Community Affairs Division
What will farmers do if margins narrow?

U.S. Corn Production Costs and Prices

- Corn production costs are up more than 70%

U.S. Wheat Production Costs and Prices

- Wheat production costs are up more than 25%

Source: USDA
Note: 2012 and 2013 costs of production is based on a 150 yield average.

Source: USDA
Note: 2012 and 2013 cost of production is based on a 45 bushel yield.
High feed costs strain livestock profits.

Livestock Breakeven Costs and Prices

Dollars per hundredweight

Dec-06  Dec-07  Dec-08  Dec-09  Dec-10  Dec-11

Breakeven Costs

Cattle Price

Hog Price

Source: USDA and Iowa State University
What are the Risks?
Economic forecasts have rebounded, but sluggish activity is expected.

Source: Blue Chip Economic Indicators
What are the implications of tight commodity supplies on Midwestern economies?

World Crude Oil Production and Consumption

Source: Energy Information Administration
EIA Forecasts for 2012 and 2013 data.
Will export demand continue to grow?

China’s GDP Growth and Ag Imports from U.S.

Billion dollars

Source: USDA
How does federal government debt affect economic conditions?

Federal Government Debt as a Percent of GDP

Percent of GDP


- Actual
- Extended Baseline
- Alternative Scenarios

Source: Congressional Budget Office
How will financial market stress shape the dollar, commodity prices, and exports?

Commodity Prices and the Value of the Dollar

Index (Jan 2005 = 100)

- Commodity Prices (Left Scale)
- Real Dollar Value (Right Scale)

Source: Commodity Research Bureau and Federal Reserve Board of Governors
To stimulate or not to stimulate: the FOMC debate

Federal Reserve Balance Sheet: Assets

Source: Federal Reserve Bank of Cleveland
When will interest rates turn higher?

Overview of Federal Open Market Committee (FOMC) Participants Assessments of Appropriate Monetary Policy (Appropriate Timing of Policy Firming)

Number of Participants

<table>
<thead>
<tr>
<th>Year</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3</td>
</tr>
<tr>
<td>2013</td>
<td>3</td>
</tr>
<tr>
<td>2014</td>
<td>5</td>
</tr>
<tr>
<td>2015</td>
<td>4</td>
</tr>
<tr>
<td>2016</td>
<td>2</td>
</tr>
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</table>

Source: Federal Reserve Board of Governors
After another summer soft spot, recent economic data suggest modest growth ahead.

A rebound in commodity markets and manufacturing have underpinned stronger gains in the Nebraska economy.

Financial markets will shape economic activity in the near term.

Agriculture could underpin the Nebraska economy again in 2012.