U.S. & Nebraska Economic Outlook

The views expressed are those of the presenter and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
What is the Federal Reserve?

The Nation’s Central Bank
(formed in 1913)

Functions

• Conduct monetary policy
• Supervise and regulate banks
• Maintain stability of financial system
• Operate the nation’s payment system
The Balancing Act of Monetary Policy

Sustainable Economic Growth

Price Stability
U.S. Economic Outlook
U.S. economic growth rebounded in the second quarter.

U.S. Real GDP Growth

Source: Bureau of Economic Analysis and Blue Chip Forecast September 2014
Steady job gains have helped push down the U.S. unemployment rate.

U.S. Non-farm Payroll Employment

Change from previous month (thousands)  Percent

Jan-07  Jan-08  Jan-09  Jan-10  Jan-11  Jan-12  Jan-13  Jan-14

Job Gain or Loss (left scale)

Unemployment Rate (right scale)

Source: Bureau of Labor Statistics
Yet, some labor market indicators highlight concerns.

U.S. Labor Force Participation Rate and Part-time Workers
(Seasonally Adjusted)

Source: Bureau of Labor Statistics
On the other side of the Fed’s mandate, inflation has remained relatively low.

Personal Consumption Expenditures Price Index

Percent change from previous year

Source: Bureau of Economic Analysis
Monetary Policy
Interest rates remain at historic lows.

Mortgage and Car Loan Rates

Source: The Wall Street Journal
But short-term interest rates are expected to move higher.

Source: Federal Reserve Board, Summary of Economic Projections, September 2014
How does Nebraska’s economy compare?
Job growth in Nebraska has lagged the nation, but employment has long surpassed pre-recession levels.

U.S. and Nebraska Nonfarm Employment Growth
(Seasonally Adjusted)

Nebraska’s unemployment rate is also one of the lowest in the country.
Labor force participation in Nebraska has remained relatively high.

U.S. and Nebraska Labor Force Participation Rate
Seasonally Adjusted

Source: Bureau of Labor Statistics, through August 2014
In fact, Nebraska has one of the highest labor force participation rates in the country.

**Labor Force Participation Rates**
(Seasonally Adjusted)

<table>
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<tr>
<th>Rank</th>
<th>State</th>
<th>Percent</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>North Dakota</td>
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<tr>
<td>2</td>
<td>Nebraska</td>
<td>70.9</td>
</tr>
<tr>
<td>3</td>
<td>Iowa</td>
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<td>4</td>
<td>Minnesota</td>
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<tr>
<td></td>
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</tr>
</tbody>
</table>

Job growth has been mixed by sector, with recent strength in wholesale and retail trade.

Nebraska Nonfarm Employment Growth by Sector
(Seasonally Adjusted)

Percent change from previous year

- Wholesale Trade (4.5)
- Retail Trade (11.1)
- Logging & Const (4.9)
- Leisure and Hospitality (9.1)
- Educ & Health Services (14.9)
- Financial Activities (7.4)
- Manufacturing (9.9)
- Prof & Bus. Services (11.1)
- Trans Warehouse & Util (5.3)

Source: Bureau of Labor Statistics
Note: Number in parentheses is industry share of total nonfarm employment in Nebraska for August 2014.
Though manufacturing employment growth has slowed, manufactured exports remain strong.

**Nebraska Manufactured Exports**

- **Billion Dollars**
  - Source: WISERtrade

- **Million Dollars**
  - 2012 Q2
  - 2013 Q2
  - 2014 Q2

- **Categories:**
  - Food/Beverage
  - Machinery
  - Chemicals
  - Transp. Equip.
  - Fabricated Metal
Rural vs. Metro Nebraska
Employment and Economy
Job growth in Nebraska has recently been driven by metro areas.

Nebraska Nonfarm Employment Growth

Percent change from previous year

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics
Job growth in the panhandle mirrors that of rural Nebraska.

U.S. and Nebraska Nonfarm Employment Growth
(Seasonally Adjusted)

Yet, unemployment rates tend to be lower in much of rural Nebraska.

Nebraska Unemployment Rates
(Seasonally Adjusted)

Source: Bureau of Labor Statistics, August 2014
On the economic front, rural Nebraska has also slowed by some measures.

Nebraska Real Net Taxable Retail and Motor Vehicle Sales Growth

Percent change from previous year

Source: Nebraska Department of Revenue
Some of the weak spending in rural areas could be due to weaker farm income.

Nebraska Farm Income and Spending

Source: Federal Reserve Bank of Kansas City
* Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Concluding Points

• The U.S. economy has been steadily improving.
  • Declining unemployment, rising GDP growth.

• Job growth in Nebraska has been modest, but unemployment is low.

• Job gains in rural Nebraska have been sluggish.
  • Concerns surround the farm economy.
For More Information on The Midwestern Economy and Rural America

www.kansascityfed.org/omaha