Growing Up and Getting Older: A New Nebraska Economy

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Nebraska Economic Forums
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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.
Growing Up and Getting Older

• Today’s Outline:
  – A Resilient Nebraska Economy
  – An Aging Population
    • Baby boomers retire
    • Migration patterns
  – The Impact on the Nebraska Economy
Employment Growth Remains Solid.

**Employment Growth**

Annual percent change (3-month moving average)

Sources: Bureau of Labor Statistics
Nebraska’s Income Gains Outpace the Nation.

Wage and Salary Growth

Annual percent change

Calculations based on BEA data
Stronger Construction Activity in Nebraska.

<table>
<thead>
<tr>
<th>Category</th>
<th>U.S.</th>
<th>NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction employment</td>
<td>-6.1</td>
<td>-0.2</td>
</tr>
<tr>
<td>(Percent change July 07 to July 08)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single-family housing permits</td>
<td>-38.0</td>
<td>-18.0</td>
</tr>
<tr>
<td>(Percent change July 07 to July 08)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing home sales year-to-date</td>
<td>-19.3</td>
<td>-16.3</td>
</tr>
<tr>
<td>(Percent change June 07 to June 08)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repeat sales home prices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Percent change 2\textsuperscript{nd} Qtr 07 to 2\textsuperscript{nd} Qtr 08)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase only</td>
<td>-4.8</td>
<td>-2.0</td>
</tr>
<tr>
<td>Including refinanced</td>
<td>-1.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Foreclosure rates</td>
<td>2.47</td>
<td>1.56</td>
</tr>
<tr>
<td>(Percent of loans serviced 1\textsuperscript{st} Qtr 08)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Bureau of Labor Statistics, Census Bureau, National Association of Realtors, OFHEO, Mortgage Bankers Assoc.
Sales Must Remain Stronger Than Building Permits to Trim Inventories.

** Nebraska Home Sales and Building Permits **

Index (2000 Q1=100)

Sources: U.S. Census Bureau and National Association of Realtors
Nebraska is Enjoying a Surge in Manufactured Exports.

Manufactured Export Shipments

Index (1997 Q1 = 100)

Source: WISERTrade
Nebraska is Enjoying Stronger Growth in Business Services.

### Service Sector Employment Growth

<table>
<thead>
<tr>
<th>Service Sector</th>
<th>U.S.</th>
<th>NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional and Business Services</td>
<td>-0.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Education and Health Services</td>
<td>3.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Leisure and Hospitality Services</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Other Services</td>
<td>0.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Financial Activities and Information Services</td>
<td>-1.3</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
The Farm Economy is Booming.

U.S. Real Net Farm Income

Billions of Dollars (2008=100)

Source: USDA
Farmland Values Surge.

Nebraska Non-irrigated Cropland Value Gains

Percent change from year-ago

Source: Federal Reserve Bank of Kansas City
Based on Tax Receipts, Retail Sales are Flat Compared to a Year Ago.

**Nebraska Net Taxable Retail Sales**

Source: Nebraska Dept of Revenue
Growing Up and Getting Older.

• Today’s Outline:
  – A Resilient Nebraska Economy
  – An Aging Population
    • Baby boomers reach retirement
    • Nebraska’s migration patterns
The Baby Boomers are Set to Retire.

**U.S. Births**

Million people

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>1925</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1935</td>
<td></td>
<td></td>
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<td>1945</td>
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<td>1955</td>
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<td>1965</td>
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<td>1975</td>
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<td>1985</td>
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<td>1995</td>
<td></td>
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</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Source: U.S. National Center for Health Statistics
Retirees will Account for a Larger Share of the Population.

U.S. Population by Age

<table>
<thead>
<tr>
<th>Percent of Population</th>
<th>2008</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working age (25 to 61)</td>
<td>50.2</td>
<td>44.9</td>
</tr>
<tr>
<td>Retirement age (62+)</td>
<td>15.4</td>
<td>22.4</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau
The Great Plains will Still Have an Older Population Base.

*U.S. Population over the Age of 50*

Source: U.S. Census Bureau
Nebraska Will Age, But Some Regions Will Age Faster Than Others.

Nebraska Population over the Age of 50

1970 - 2006

Source: U.S. Census Bureau
Migration Patterns Affect Nebraska’s Population.

Population by Age (2006)

Percent of Total Population

Source: U.S. Census Bureau
Rural Migration Patterns May Be Driving the Cycle.

Nebraska Population by Age (2006)

Source: U.S. Census Bureau
Growing Up and Getting Older.

• Today’s Outline:
  – A Resilient Nebraska Economy
  – An Aging Population
    • Baby boomers reach retirement
    • Nebraska’s migration patterns
  – The Impact on Nebraska’s Economy
    • Labor
    • Health care
    • Fads and trends
    • Technology
    • Wealth Transfer

**GDP Decomposition, 1990 to 2028**

<table>
<thead>
<tr>
<th>Percent changes, annual rate per year</th>
<th>1990 - 2006</th>
<th>2007 - 2017</th>
<th>2018 - 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>1.24</td>
<td>0.91</td>
<td>0.83</td>
</tr>
<tr>
<td>+ Labor Force Participation Rate</td>
<td>-0.03</td>
<td>-0.25</td>
<td>-0.40</td>
</tr>
<tr>
<td>+ Productivity</td>
<td>1.82</td>
<td>1.82</td>
<td>1.82</td>
</tr>
<tr>
<td>= Real GDP</td>
<td>3.0</td>
<td>2.5</td>
<td>2.2</td>
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</table>

Source: Federal Reserve Bank of St. Louis

Note: LFP rate projections based on cost assumptions used in the Social Security Administration’s 2007 Trustees Report.
Labor is One of the Biggest Challenges Facing Nebraska Businesses.

### Workforce Aging Issues in Fortune 1000 Companies

<table>
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<tr>
<th>Workforce Issue</th>
<th>Percent of Respondents in agreement with statement</th>
</tr>
</thead>
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<tr>
<td>Retaining key employees and maintaining intellectual capital is a major concern.</td>
<td>38 %</td>
</tr>
<tr>
<td>Retirements will cause a talent gap or brain drain.</td>
<td>62 %</td>
</tr>
<tr>
<td>Middle and senior management will be the levels most affected by the brain drain.</td>
<td>48 %</td>
</tr>
</tbody>
</table>

Source: Ernst & Young LLP’s 2007 Aging U.S. Workforce Survey

**Occupations with the Largest Employment Increases (Projected 2006-16)**

1) Registered Nurses  
2) Retail Salespersons  
3) Customer Service Representatives  
4) Food prep and serving workers  
5) General office clerks  
6) Personal and home care aides  
7) Home health aides  
8) Postsecondary teachers  
9) Janitors and cleaners  
10) Nursing aides, orderlies, and attendants

Source: U.S. Census Bureau Occupational Outlook Handbook
No Matter How Hard We Try, We Cannot Ignore the Pending Fiscal Challenges.

Social Security and Medicare Income and Cost Rates

Percent of taxable payroll

Source: A Summary of the 2008 Annual Reports, Social Security and Medicare Board of Trustees
http://www.ssa.gov/OACT/TRSUM/trsummary.html
How Will Boomers Impact the U.S. Housing Stock?

Which House is More Attractive to People age 70 and older?
What is the Next Fad?

U.S. Real Net Farm Income

Billions of Dollars (2008=100)

Source: USDA

Atkins Diet

**GDP Decomposition, 1990 to 2028**

Percent changes, annual rate per year

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Source: Federal Reserve Bank of St. Louis
Note: LFP rate projections based on cost assumptions used in the Social Security Administration’s 2007 Trustees Report.
Technology Will be Key to Future Growth.

Adoption of Electronic Communications

- **Telephone**: 1890 to 1946
- **Radio**: 1923 to 1932
- **Television**: 1949 to 1954
- **Computer**: Year when household penetration reached 1 percent—Blue, 1980; 50 percent—Black, 1989 to 2000
- **Mobile Phone**: 1989 to 2003
- **Internet**: 1991 to 2001

Source: Goldman Sachs Economic Research calculations based on Dept of Commerce data.

*US Economics Analyst, Iss. 05/06 Feb. 11, 2005*
High Speed Internet Coverage
June 2007

Number of Providers

- 7 or more
- 4 to 6
- 1 to 3
- Zero

Source: FCC
Technology and Innovation is Emerging in Nebraska.

<table>
<thead>
<tr>
<th></th>
<th>Computer System Design</th>
<th>Scientific R&amp;D Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Establishments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>376</td>
<td>37</td>
</tr>
<tr>
<td>2006</td>
<td>538</td>
<td>66</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>5216</td>
<td>298</td>
</tr>
<tr>
<td>2006</td>
<td>6158</td>
<td>3510</td>
</tr>
<tr>
<td><strong>Annual Payroll per worker</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$66,000</td>
<td>$63,500</td>
</tr>
</tbody>
</table>

Source: County Business Patterns data
Financing a New Nebraska Economy?

America's Wealth Transfer: A Likely Scenario

Source: Nebraska Community Foundation
Where Will Our Teenagers Go? How Do We Get Them Back?

*Nebraska Population Change (2010 to 2020)*

Number of People

Calculations based on Census Bureau data
Appealing Communities …

- Improve and leverage local amenities
- Invest in your people
- Invest in 21st century infrastructure
- Tap new technologies
- Be entrepreneurial
- Enrich equity capital sources
- Think regionally to leverage scarce resources.
- Partner and collaborate

Source: “Top Ten Ways to Reinvent Rural Regions” Main Street Economist, Federal Reserve Bank of Kansas City, November 2003
Conclusions

• Nebraska’s economy is posting solid gains, despite recent weakness.
• Going forward, demographics will shape the Nebraska economy.
• Aging populations will bring forth challenges, but also opportunities.
• New investments are needed for a new Nebraska economy.
• What makes your community a “great” place to live?