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.
Today’s Roadmap

- Slow, but Stronger Growth in Nebraska
  - Job and Income Losses not as Steep.
  - A New Balance in the Housing Sector?
  - Relative Economic Strength is Broad Based.
  - The Farm Boom Fades.
Initial Claims for Unemployment Insurance

Source: Bureau of Labor Statistics
Nebraska is faring better than the rest of the nation.

Private Non-Farm Employment Growth

Percent change year-over-year (three-month moving average)

Source: Bureau of Labor Statistics
Wage and Salary Growth is also Stronger.

Wage and Salary Growth

Annual percent change

Source: Bureau of Economic Analysis
Today’s Roadmap

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## Stronger Construction Activity in Nebraska

<table>
<thead>
<tr>
<th>Metric</th>
<th>U.S.</th>
<th>NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction employment</td>
<td>-8.8</td>
<td>-2.7</td>
</tr>
<tr>
<td>(Percent change Dec. 07 to Dec. 08)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single-family housing permits</td>
<td>-47.5</td>
<td>-27.7</td>
</tr>
<tr>
<td>(Percent change Dec. 07 to Dec. 08)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing home sales year-to-date</td>
<td>-30.3</td>
<td>-28.2</td>
</tr>
<tr>
<td>(Percent change 3rd Qtr 05 to 3rd Qtr 08)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repeat sales home prices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Percent change 3rd Qtr 07 to 3rd Qtr 08)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase only</td>
<td>-6.0</td>
<td>-3.6</td>
</tr>
<tr>
<td>Including refinanced</td>
<td>-4.0</td>
<td>-0.3</td>
</tr>
<tr>
<td>Foreclosure rates</td>
<td>2.97</td>
<td>1.55</td>
</tr>
<tr>
<td>(Percent of loans serviced 3rd Qtr 08)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Sources: Bureau of Labor Statistics, Census Bureau, National Association of Realtors, FHFA, Mortgage Bankers Assoc.*
Home Sales Need to Outpace Building Activity

Nebraska Building Permits and Existing Home Sales

Index (2003 Q3 = 100)

Source: U.S. Census Bureau and National Association of Realtors

Federal Reserve Bank of Kansas City – Omaha Branch
Regional, Public and Community Affairs Division
Today’s Roadmap

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Manufacturing and Distribution Firms Post Fewer Job Losses.

Manufacturing and Distribution Industry Employment Growth

Percent change from year ago (December 2008)

<table>
<thead>
<tr>
<th>Industry</th>
<th>U.S.</th>
<th>Nebraska</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Trade</td>
<td>-3.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-6.0</td>
<td>-3.4</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>-3.4</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Source: BLS
Export Activity Remained Strong, but is Expected to Ease.

U.S. and Nebraska Manufactured Exports

Source: WISERTrade
Financial Institutions Expand Payrolls.

Financial Activities Employment Growth

Percent change year-over-year (three-month moving average)

Source: Bureau of Labor Statistics
Trade and Service Jobs Changes Stronger than National Levels.

U.S. and Nebraska Trade and Service Employment Growth

Percent change from year ago (December 2008)

- Retail Trade:
  - Nebraska: 1.0%
  - U.S.: -3.4%

- Education & Health:
  - Nebraska: 1.4%
  - U.S.: -0.8%

- Professional & Business Services:
  - Nebraska: 2.7%
  - U.S.: -3.9%

- Leisure & Hospitality:
  - Nebraska: 1.6%
  - U.S.: -1.7%

- Information:
  - Nebraska: -1.6%
  - U.S.: -2.8%

Source: BLS
Aggregate demand will need to rebound.

Nebraska Net Taxable Retail Sales

Billion dollars

Source: Nebraska Department of Revenue
Today’s Roadmap

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Falling Demand for Farm Products.

- Rising at-home consumption of food.¹
  - Grocery store sales rose 0.4 % annually by December 2008
  - Restaurant sales slid 1.7 % annually by December 2008

- Shift in meat demand to lower-priced poultry²
  - Beef demand fell 4% in 2008.
  - Pork demand fell 5.6% in 2008.
  - Poultry demand rose 0.7% in 2008.

- Agricultural exports forecasted to fall 17.3 % in 2009.³

- Projections for 2008/09 ethanol corn use fell 2.7% in January.⁴

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¹ U.S. Census, Advanced Monthly Retail Sales
² Kansas State University and University of Missouri
³ USDA, Outlook for Agricultural Trade
⁴ USDA, World Agricultural Supply and Demand Estimates
The Crop Price Boom Goes Bust.

U.S. Crop Prices

Dollars per bushel

Jan-05 Jan-06 Jan-07 Jan-08 Jan-09

Soybeans
Wheat
Corn Price

Source: Commodity Research Bureau
Falling Demand and High Feed Costs Cut Livestock Profits.

Livestock Prices and Breakeven Costs

Source: USDA and Iowa State University
Crop Profits are Expected to Decline

Net Returns to Land From Crop Production

Dollars per acre

Corn  
Soybeans  
Wheat

Calculations based on USDA cost and returns and futures price data.
Farmland Values Ease with Weaker Farm Incomes and Softer Nonfarm Demand.

Nebraska Nonirrigated Cropland Values

Percent change from a year ago*

Source: Federal Reserve Bank of Kansas City
*Percent changes are calculated using average values from banks reporting that quarter.
Conclusions

- Nebraska was Insulated, but Not Immune to the Recession.
- Steeper Contractions in 2009.
- Nebraska Fairing Better than Rest of U.S.
- The Farm Boom Fades.

*Economic Prosperity Depends on a Demand Rebound.*