Nebraska Economic Outlook

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The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
After one of the most severe recessions since the Great Depression, the U.S. economy is starting to recover.

- Housing market conditions have improved, and residential construction activity has picked up.
- Distress in financial markets has eased.
- Manufacturing activity has increased.

However, the U.S. economy faces many challenges over the next few years.

- Although the pace of job losses has slowed, unemployment rates are likely to remain stubbornly high.
- Eventually fiscal and monetary stimulus must be removed.
After four consecutive quarterly declines, real GDP increased in the third quarter.

Source: Bureau of Economic Analysis; FOMC  
Latest release: 1/29/2010
In the past, the rebound in real GDP has been greater after sharp downturns.

**Real GDP During and After Recessions**

Year-over-year

<table>
<thead>
<tr>
<th>Year Range</th>
<th>Percent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-1975</td>
<td>-4.4</td>
<td>-0.2</td>
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<tr>
<td>1981-1982</td>
<td>2.8</td>
<td>8.5</td>
</tr>
<tr>
<td>1990-1991</td>
<td>2.4</td>
<td>6.2</td>
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<tr>
<td>2001</td>
<td>-0.7</td>
<td>-2.4</td>
</tr>
<tr>
<td>2007-2009 Q2</td>
<td>2.1</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Source: BEA
Consumption usually makes the largest contribution to GDP growth in the year following a recession.

Source: BEA
Nebraska Overview

- Nebraska was slow to enter the current recession and even after entering didn’t experience the dramatic deterioration seen in other parts of the country.

- The Nebraska economy is now showing signs of recovery similar to those seen in the national economy.
  - Manufacturing activity is stabilizing.
  - Monthly home sales and residential construction activity is increasing.
Employment has fallen sharply over the past year.
Unemployment rates remain elevated.

Source: Bureau of Labor Statistics
Latest release: 01/22/2010
There are large regional variations in unemployment.
Most industries experienced sharp employment declines over the past year.

Private Job Growth by Industry
Dec-09 over Dec-08

Source: Bureau of Labor Statistics
Latest release: 01/22/2010

Note: Number in parentheses is the industry's share of total private jobs in NE in Dec-09
Hiring expectations remain sluggish.

Source: Manpower Inc.
Home sales have fallen sharply since late 2005, but have since increased.

Sales of Existing Homes
Year-over-year

Source: NAR
The months supply of homes has decreased from its cyclical high.

Months Supply of Homes
Seasonally adjusted

Source: NAR and Local Realtor
Home prices seem to have stabilized.
Home price appreciation has varied widely across the nation.

Source: Federal Housing Finance Agency
Foreclosure rates are up across the nation, but regional variation persists.

Source: Mortgage Bankers Association
Residential construction activity has increased slightly over the past few months.

Value of Residential Construction Contracts
Seasonally adjusted

Source: F.W. Dodge, Inc. Latest release: 01/20/2010
Commercial construction activity remains slow.

Value of Commercial Construction Contracts
Seasonally adjusted, 3-mo. mov. av.

Source: F.W. Dodge, Inc.
Latest release: 01/20/2010
Recent surveys indicate that manufacturing activity is stabilizing.

Note: 10J index is computed on ISM basis (50 = zero change)
Sources: ISM, FRBKC Manufacturing Survey
Latest release: 01/27/2010 for the Manufacturing Survey and 02/01/2010 for ISM
Production levels and new orders are expected to increase in the next 6 months.
Oil prices have been increasing for almost one year.
Natural gas prices have increased sharply over the past two months.
Tenth District drilling activity has edged higher.

Source: Baker-Hughes
Latest release: 01/29/2010
Crop prices have started to increase.
Hog and cattle producers continue to struggle.

Source: USDA and Iowa State University
Farmland values have stabilized.

Tenth District Nonirrigated Cropland Values

Source: Ag Credit Survey
Conclusions

- Most economists expect the U.S. economy to recover gradually over the next couple of years.

- There are several factors that will likely prevent a more robust recovery.
  - Credit conditions remain tighter than pre-recession levels.
  - Consumers remain hesitant to spend as they try to rebuild wealth.
  - Unemployment is likely to remain stubbornly high for some time.