

Nebraska Economic Update

An Unsteady Path to Reclaiming the Summit

Nate Kauffman – Omaha Branch Executive

July 16, 2020

The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

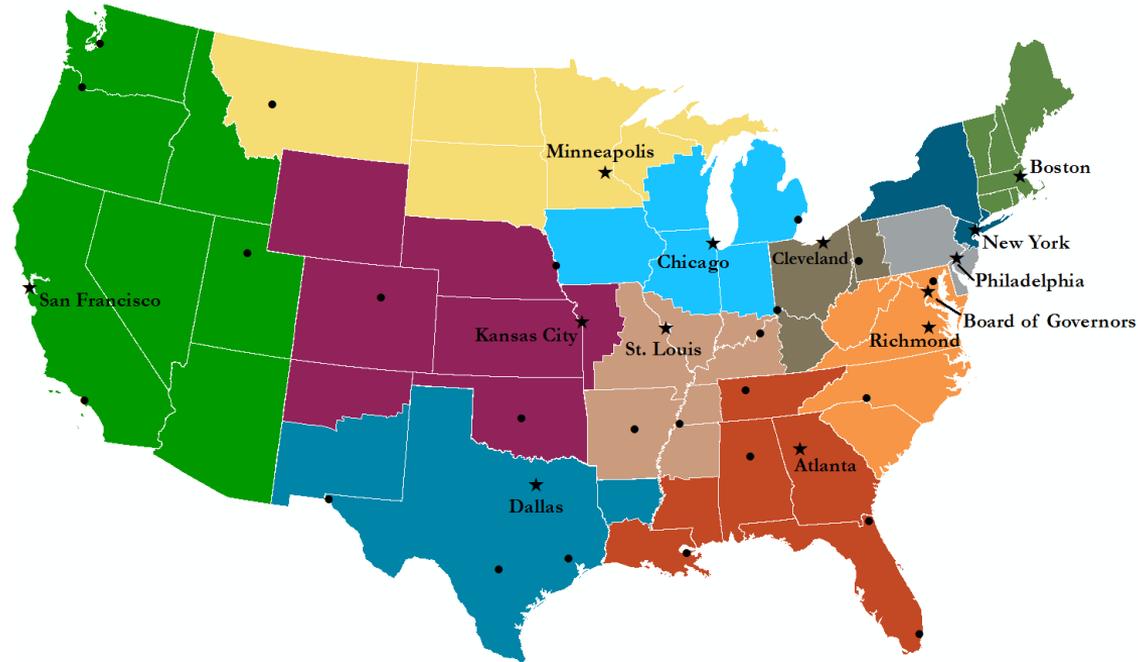


Outline

- Following a long economic expansion, COVID-19 has led to a severe decline in economic activity.
- The crisis appears to have been most severe in mid-April, but there is still a tremendous amount of uncertainty.
- The economic effects of COVID-19 have been significant in Nebraska, but less than in most other states.



Regional Reserve Banks are important to the structure of the Federal Reserve System.



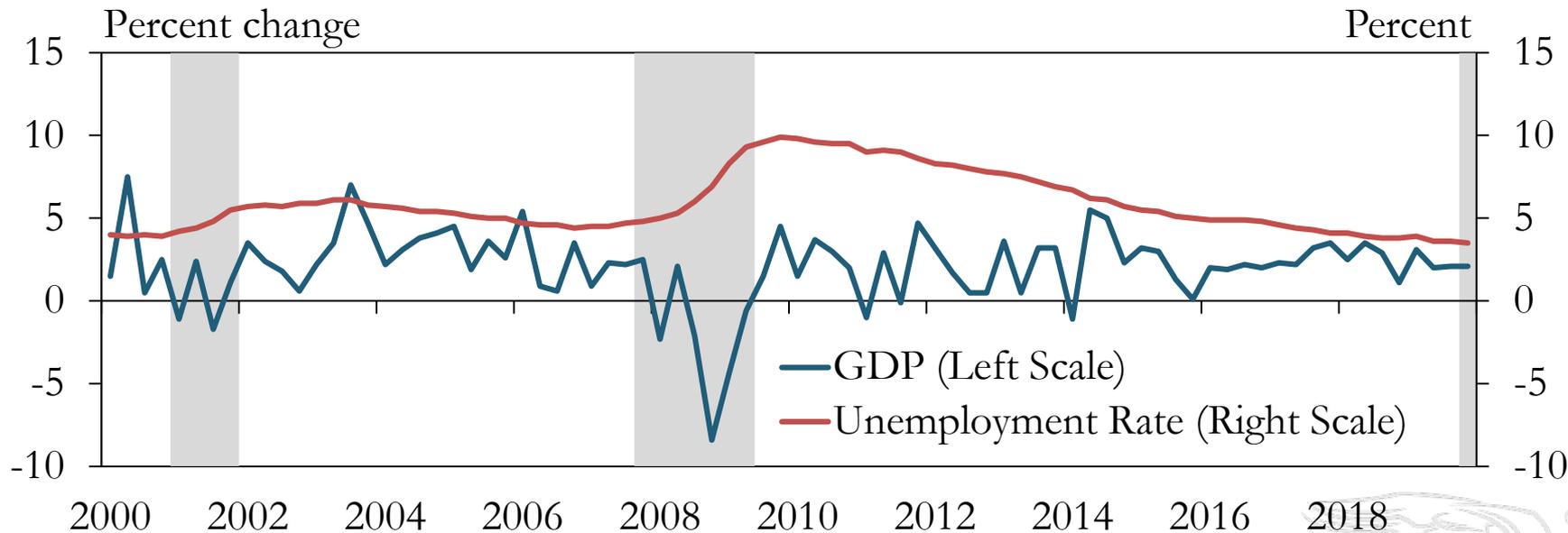
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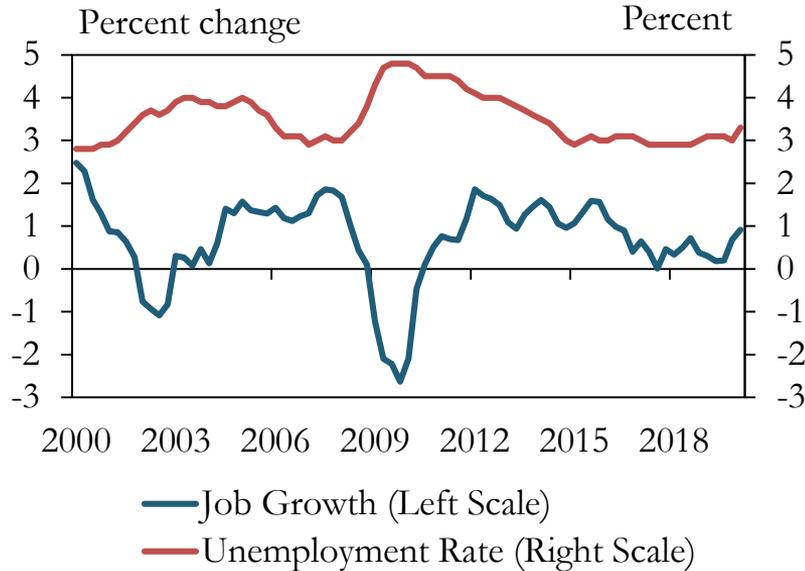
Prior to COVID-19, the U.S. economy was in the midst of its longest expansion on record.

U.S. GDP Growth & Unemployment Rate

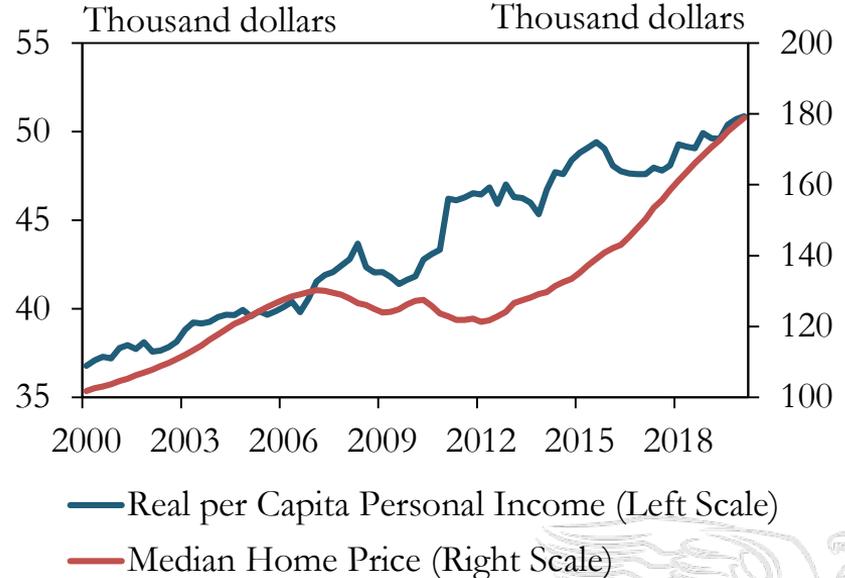


Nebraska's economy also experienced more than a decade of growth.

Nebraska Employment

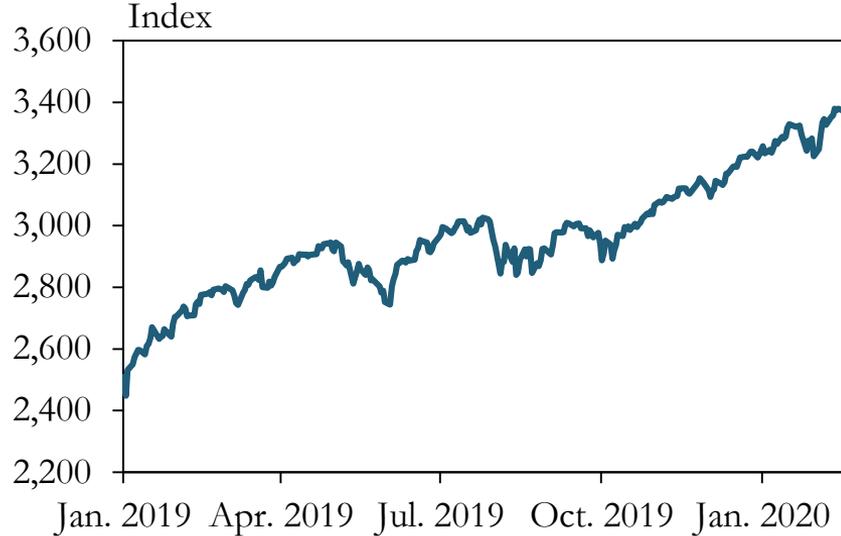


Nebraska Personal Income & Home Prices

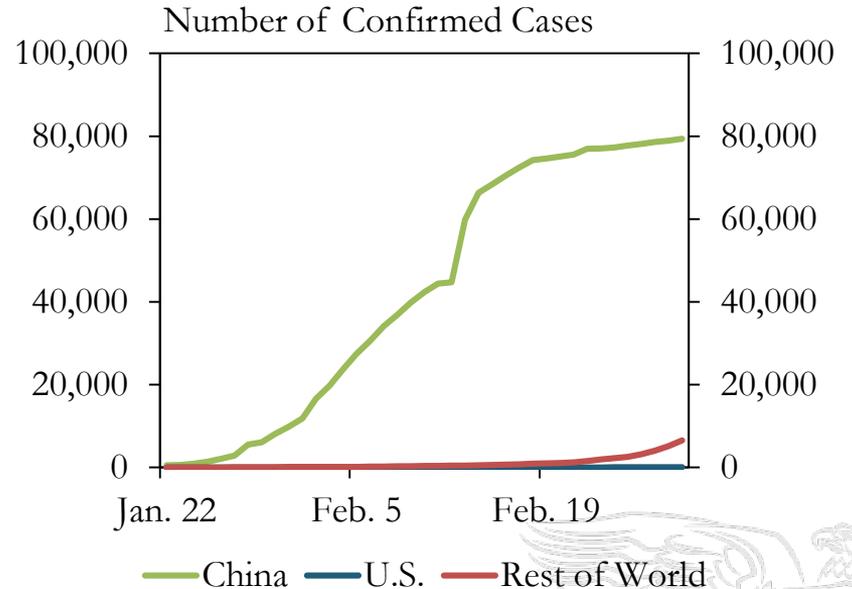


The economy started the year strong, even as detections of the new coronavirus began to emerge.

U.S. Stock Market: S&P 500 Index

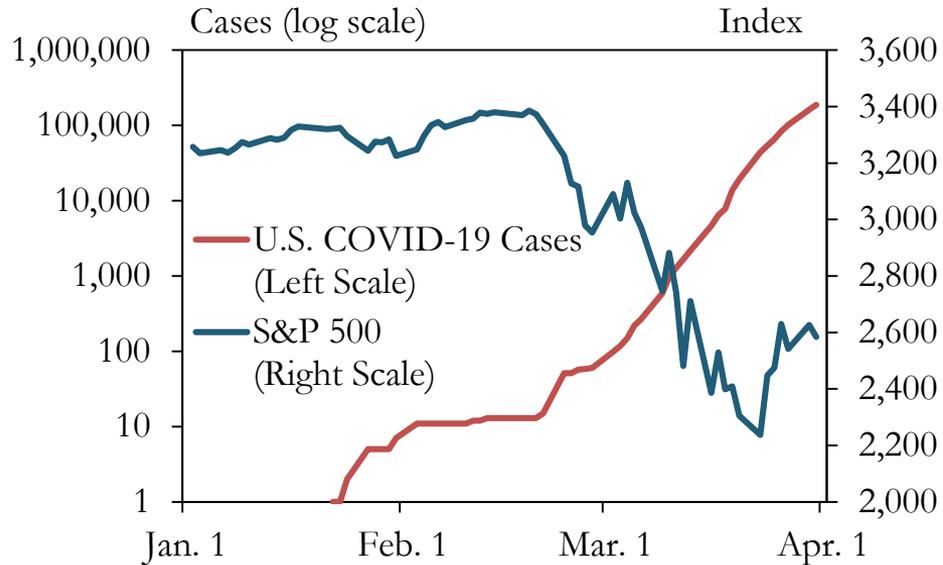


COVID-19 Cases

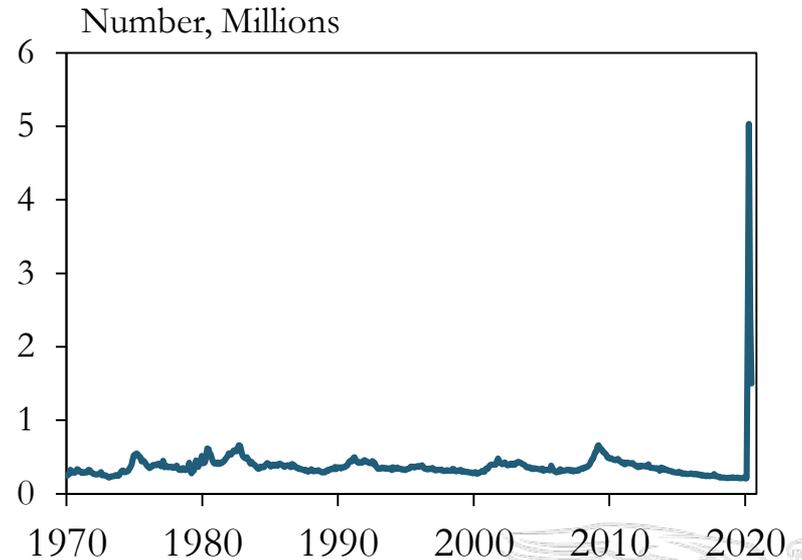


By the end of March, however, the economy was facing extreme pressure.

U.S. Equity Market & COVID-19

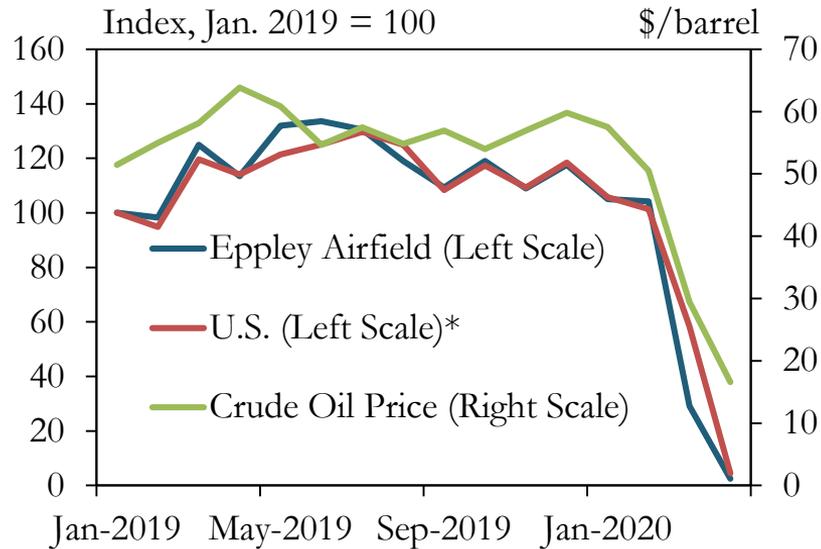


U.S. Initial Unemployment Insurance Claims

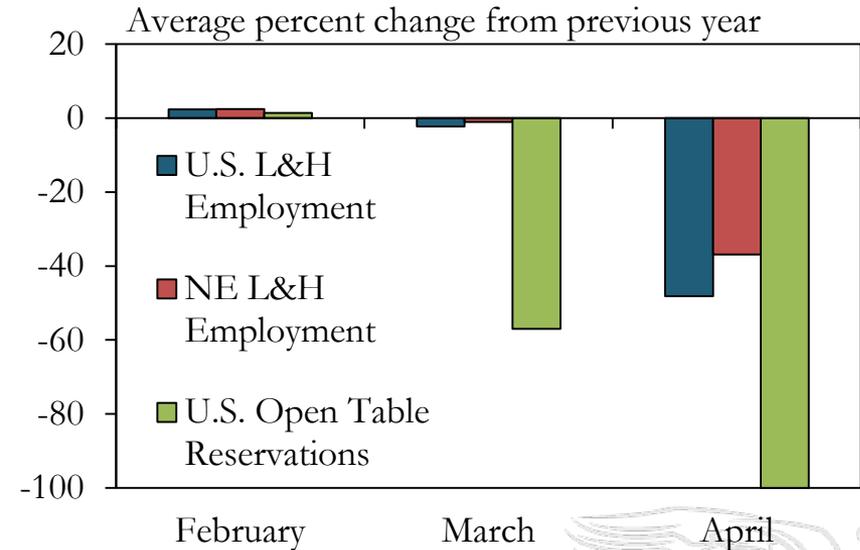


Businesses dependent on travel and in-person gatherings were hit particularly hard.

Air Passenger Enplanements & Crude Oil Prices

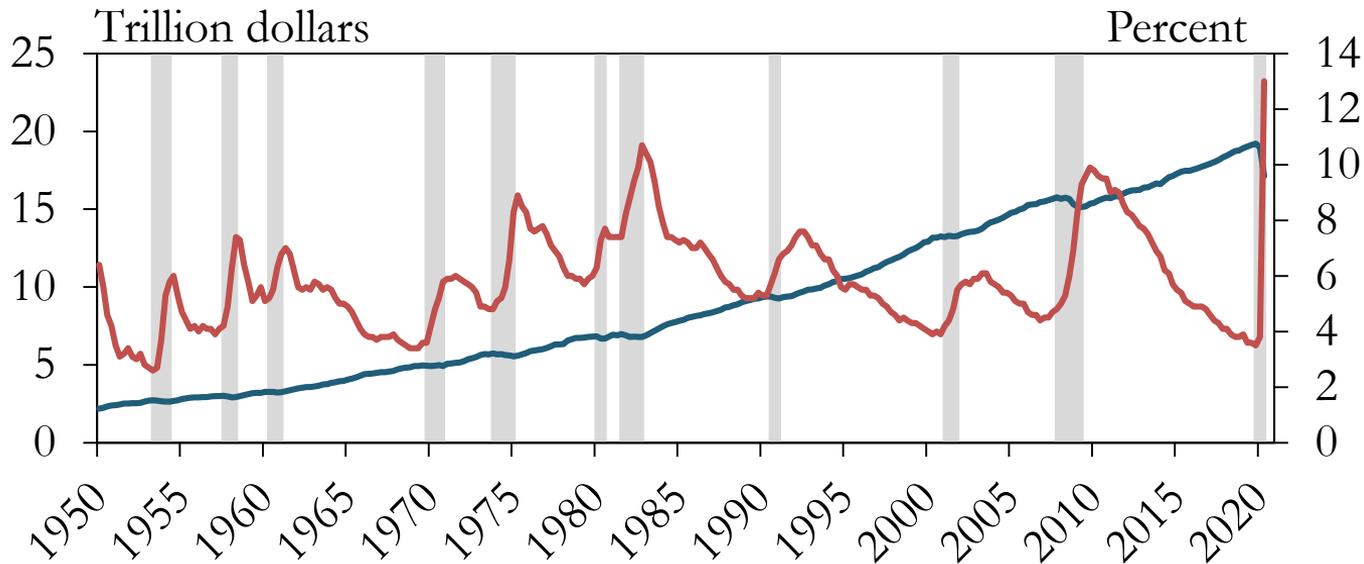


U.S. Leisure & Hospitality Sector Indicators



What began as a health crisis, has turned into a sharp recession.

U.S. GDP & Unemployment Rate



Peak-to-Trough Change in GDP

- Q4, 2007 – Q2, 2009
-4.0%
- Q4, 2019 – Q2, 2020*
-10.9%

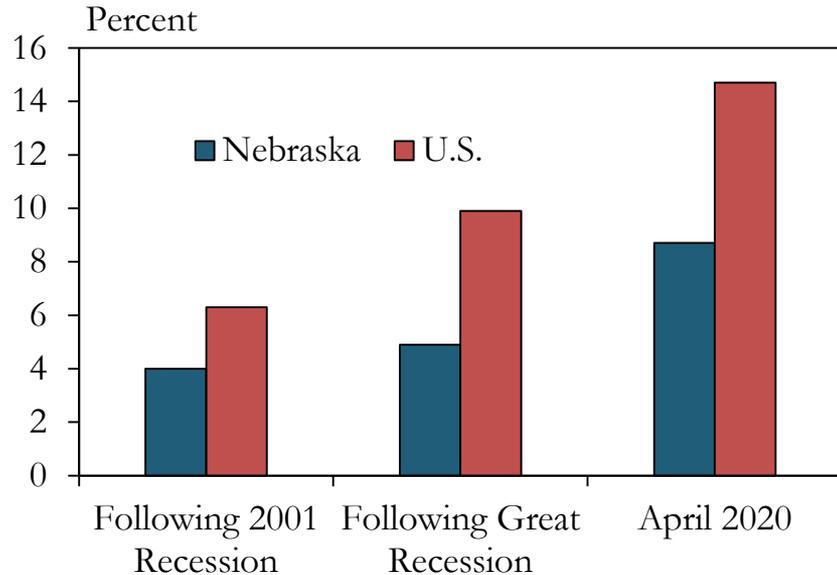
Sources: BEA, BLS, and Haver Analytics.

*GDP for 2020, Q2 is a forecast. In the peak-to-trough calculation, this reflects current consensus that Q2 2020 will be the trough of the current recession.

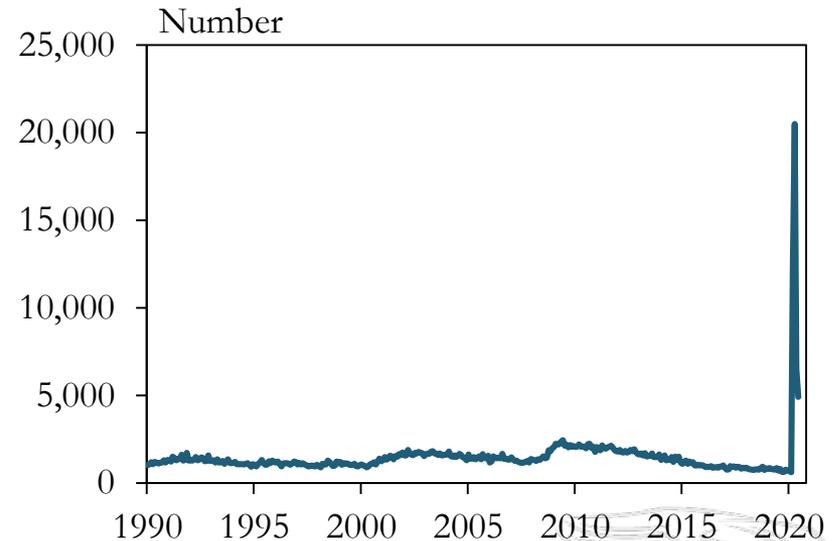


The recession has had a tremendous economic effect everywhere, even in Nebraska.

Peak Unemployment Rates

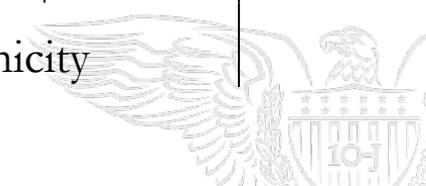
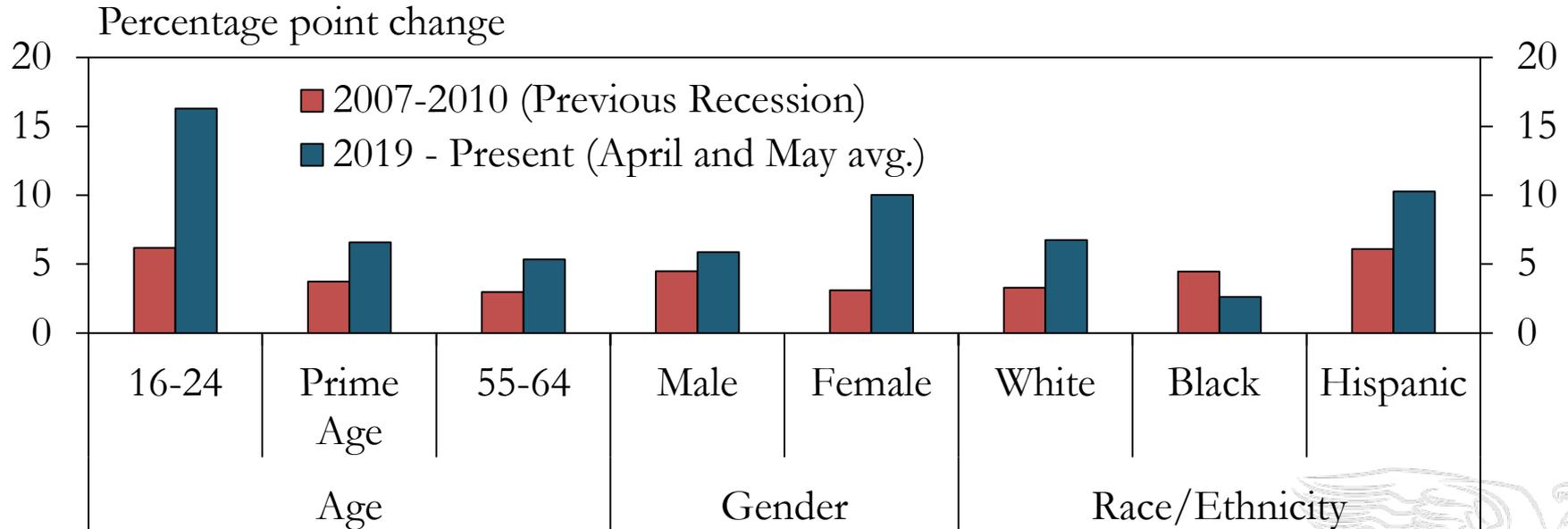


Initial Unemployment Insurance Claims in Nebraska



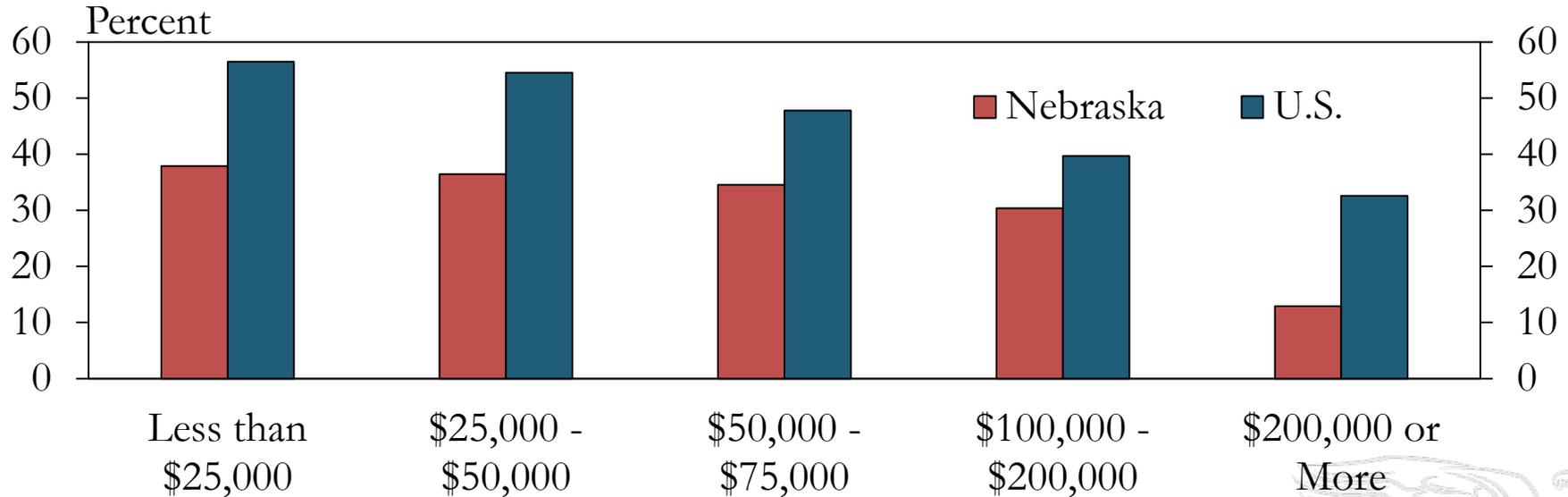
Some demographic groups have been more affected by the crisis than others.

Change in Unemployment Rate by Demographic KC Fed District



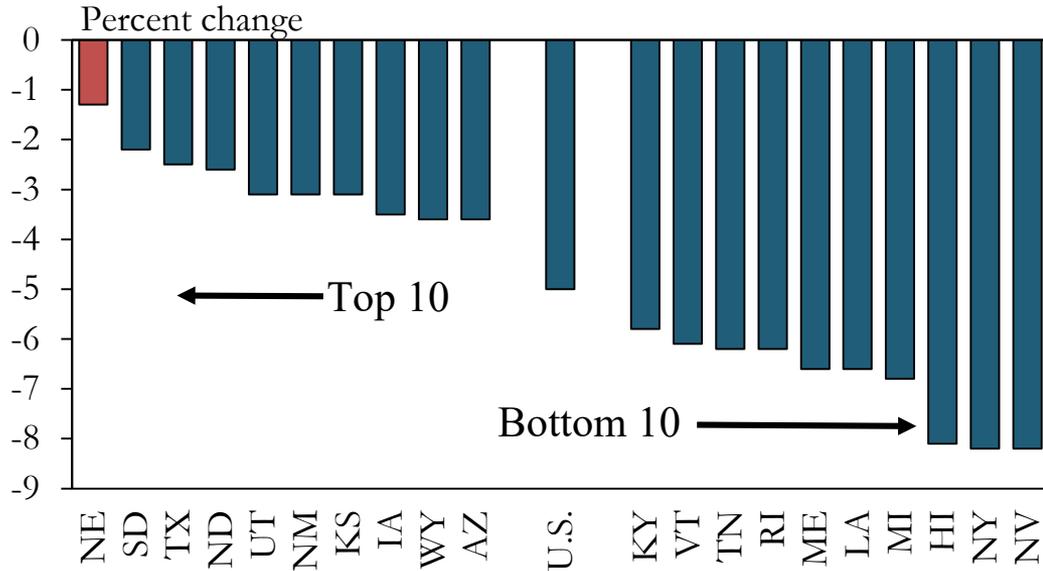
Low income groups have also been affected disproportionately.

Effect of Pandemic on Employment Income by Level of Household Income, Week of May 21-26

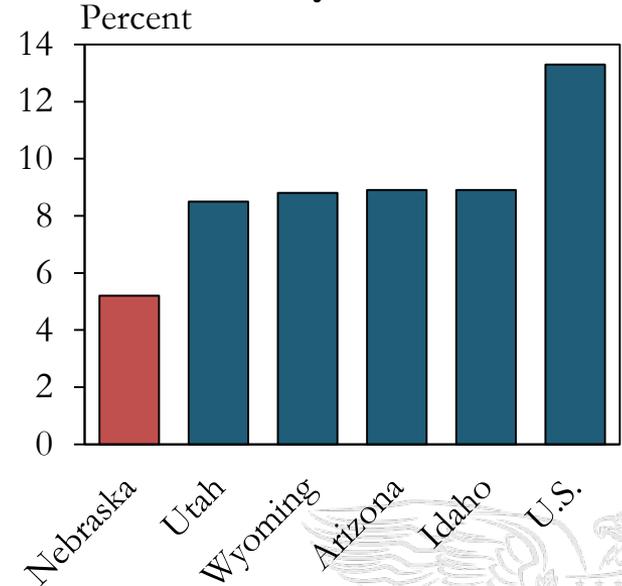


However, Nebraska's headline economic indicators have led the nation by a wide margin.

Real GDP by State – 2020, Q1 (seasonally adj. at annual rate)

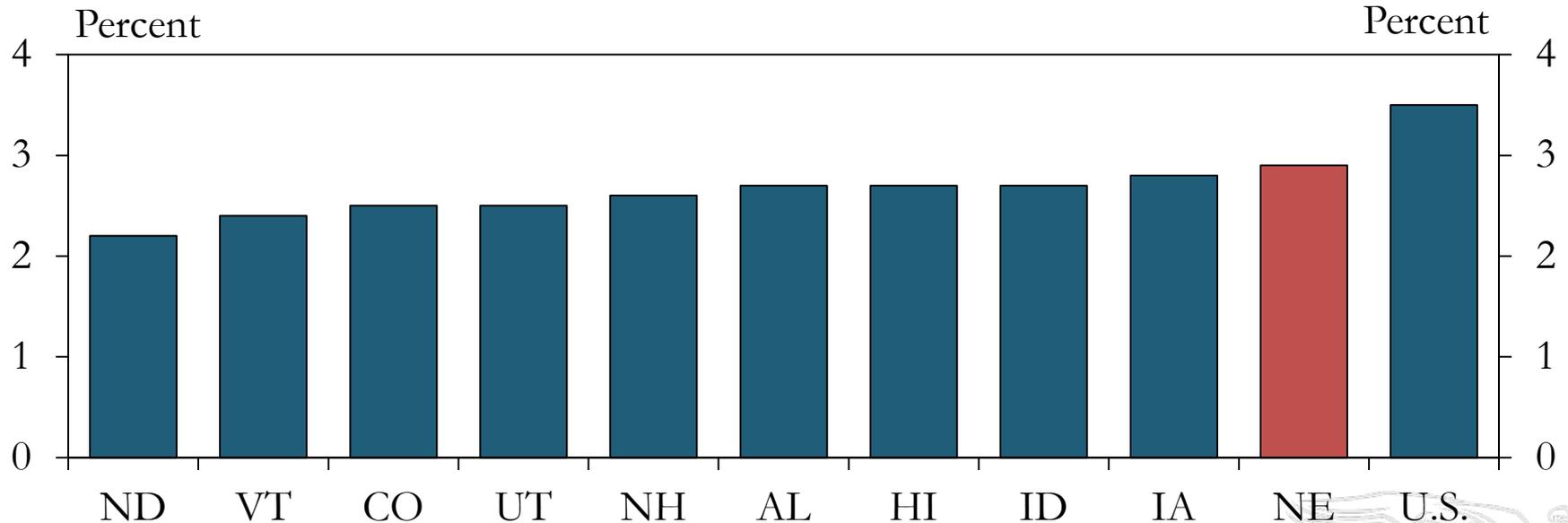


States with Lowest Unemployment Rates, May 2020



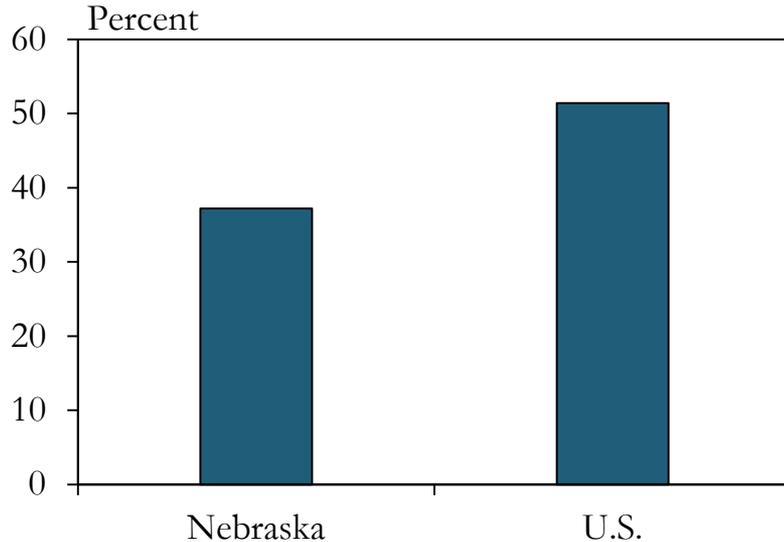
Prior to COVID-19, Nebraska had one of the lowest unemployment rates in the country.

States with Lowest Unemployment Rates, Feb. 2020

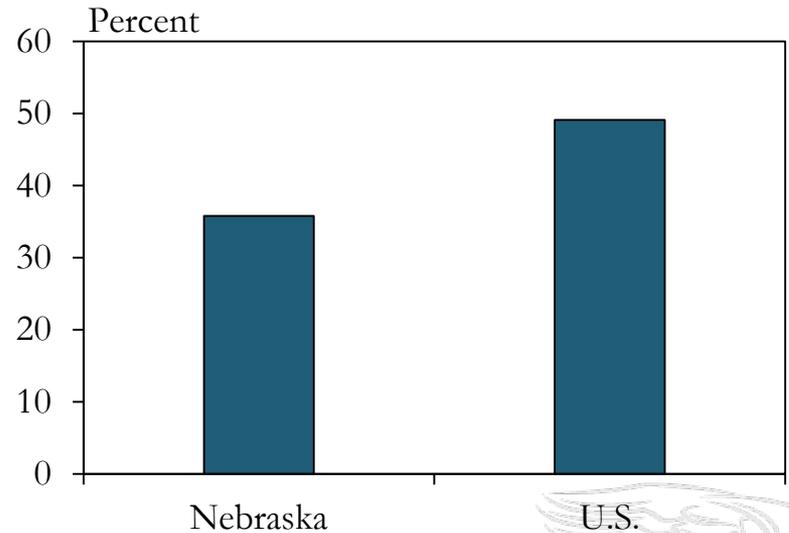


Nebraska businesses and households were initially affected by COVID-19 slightly less than in other states.

**Small Businesses with
“Large Negative Impacts”,
Week Ending May 2**

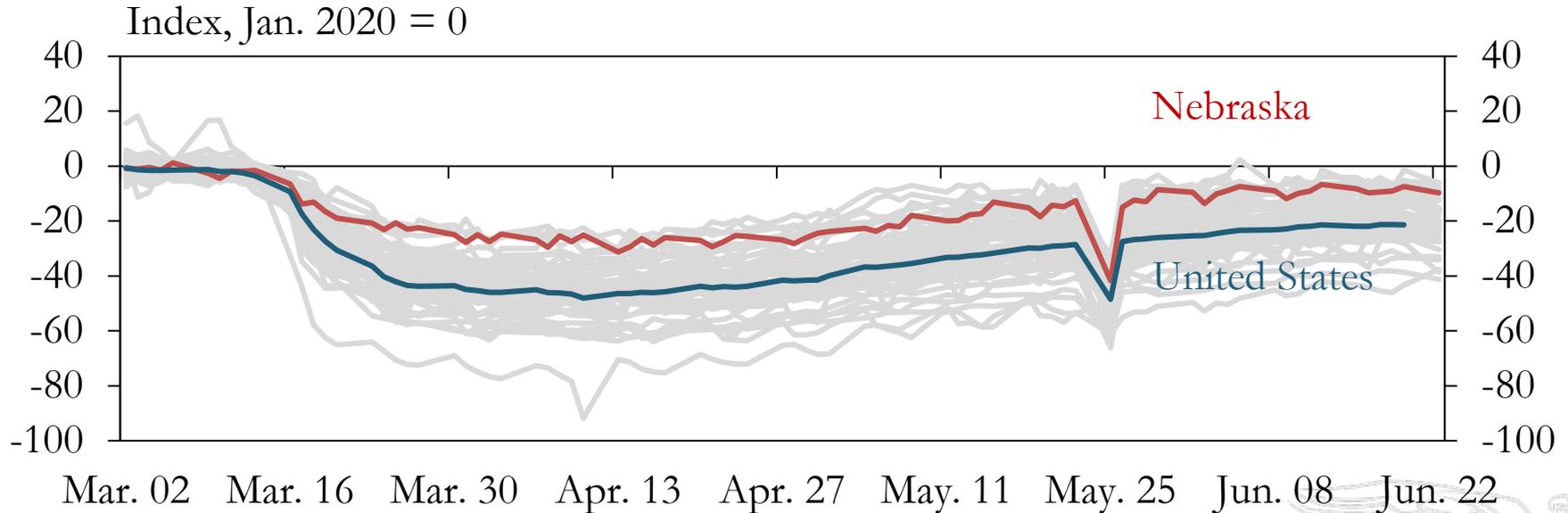


**Households with Loss of
Employment Income,
Week Ending May 5**



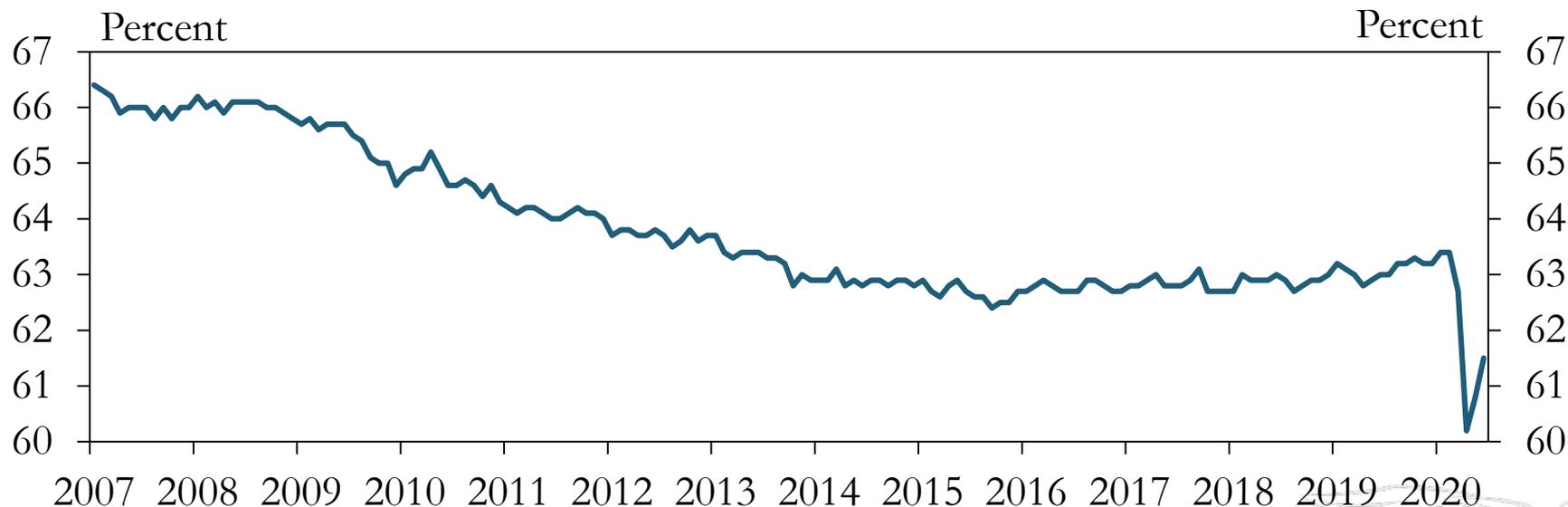
Businesses in Nebraska did not close as rapidly as other states, and most have reopened.

Number of Businesses Open



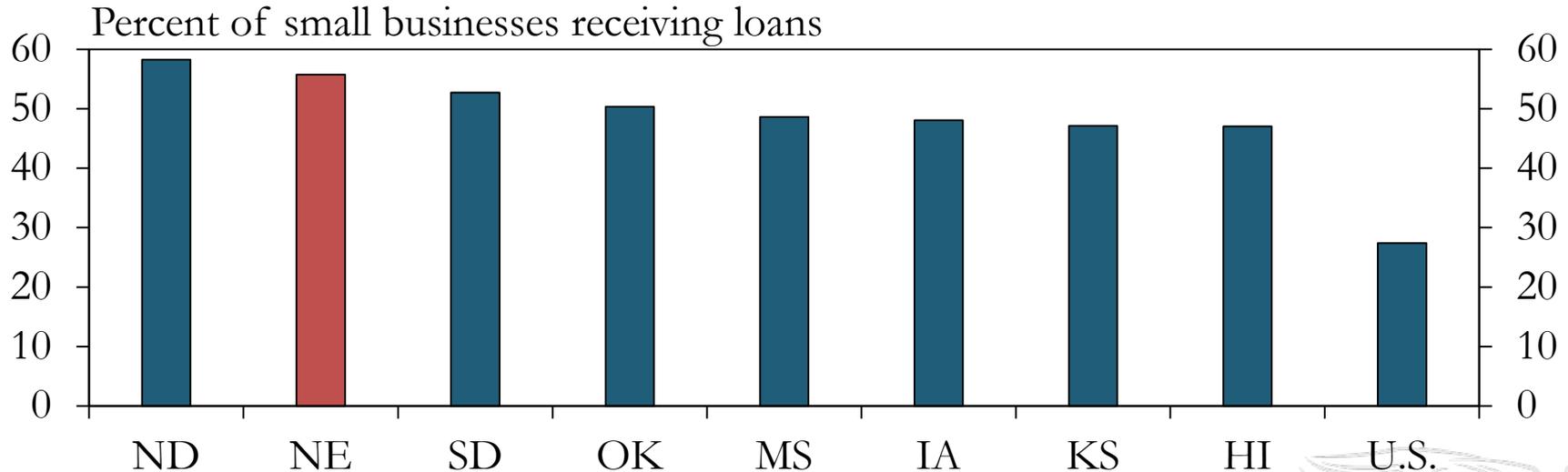
Some people, however, may have given up looking for jobs, and are not counting as “unemployed.”

U.S. Labor Force Participation Rate



Government support programs have provided short-term relief.

States with Highest Share of Small Businesses Receiving PPP Loans, Through April 16



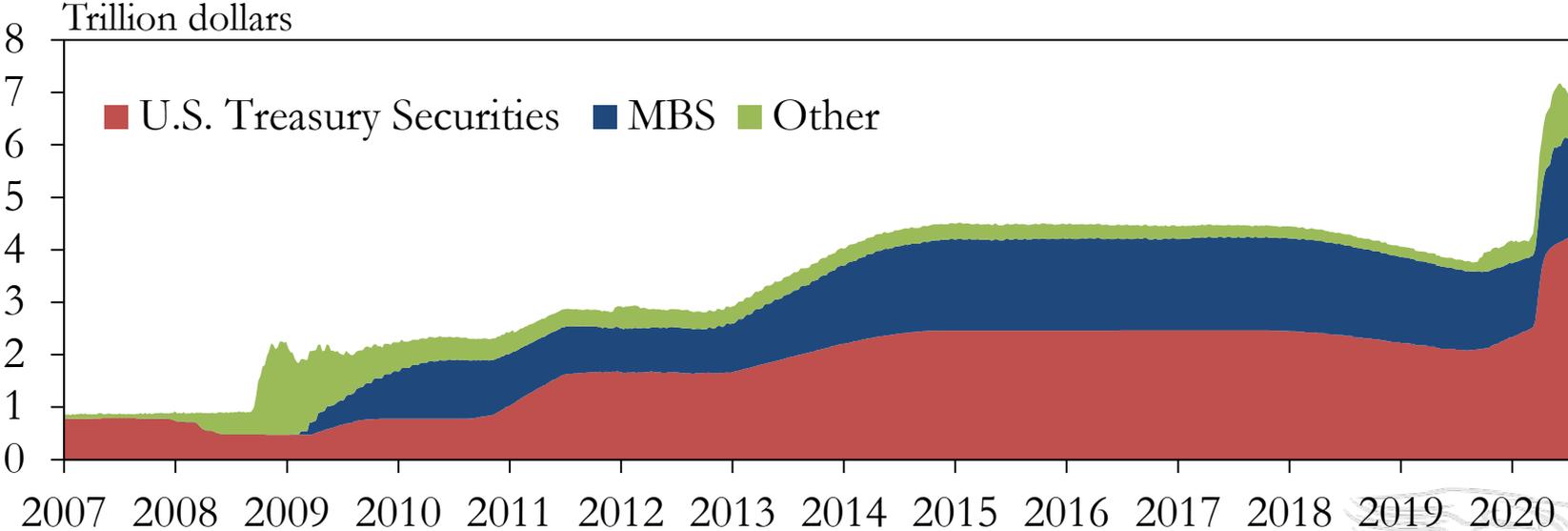
Sources: SBA, Census Bureau, Staff Calculations.

Note: Share of small businesses receiving PPP loans is calculated by dividing the number of loans by the number businesses with 500 employees or less (Census Bureau SUSB tables, 2017).



The Federal Reserve has also provided significant stimulus through various credit programs.

Federal Reserve Balance Sheet

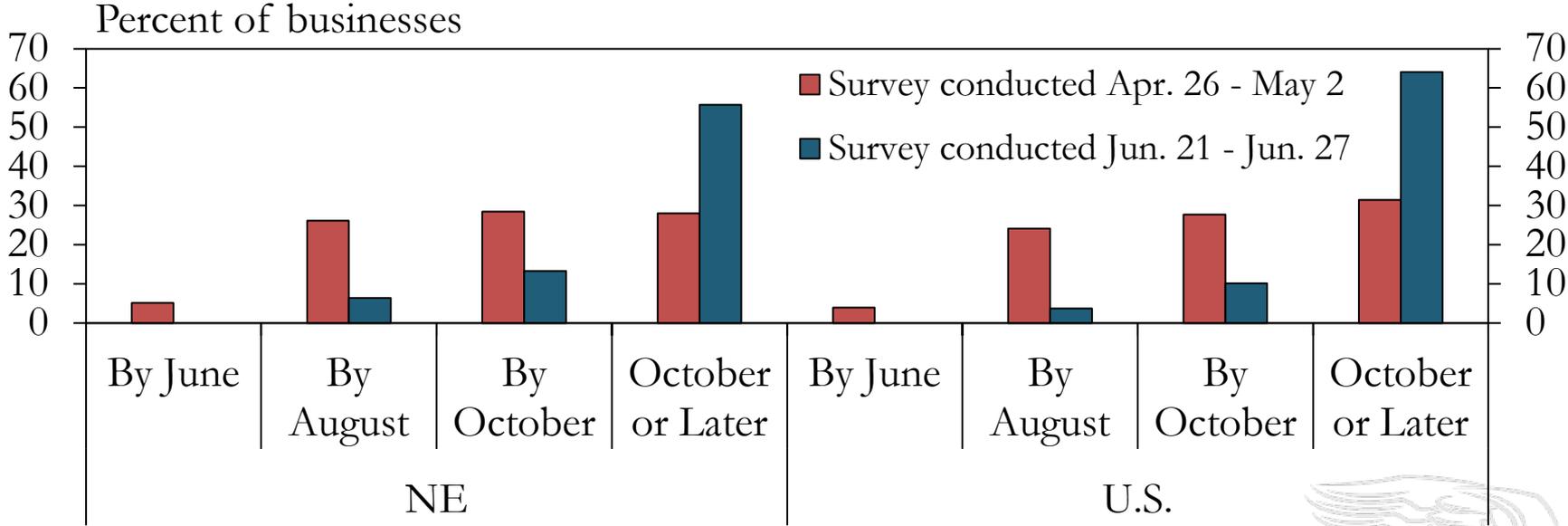


Source: Federal Reserve Bank of St. Louis.

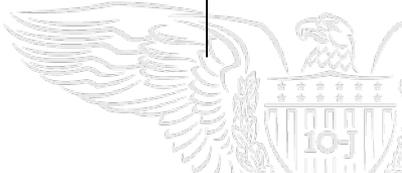


The road to full recovery may, however, still be arduous.

Expected Time Until Return to Normal

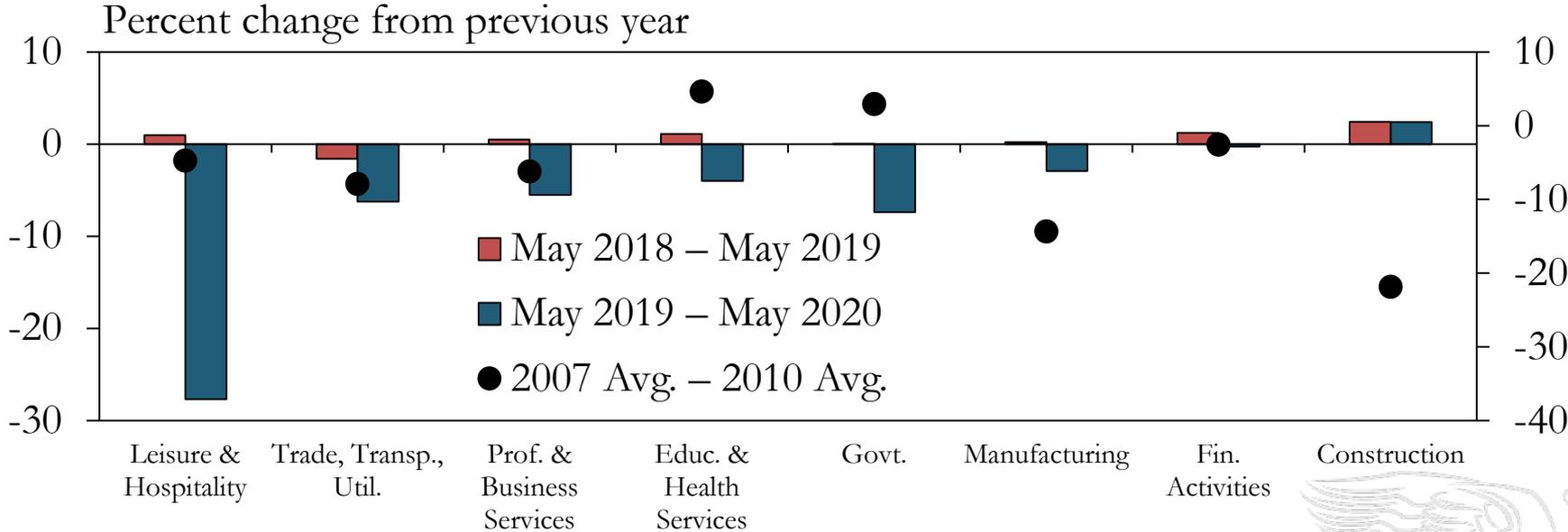


Sources: Census Bureau and Haver Analytics.



The Leisure & Hospitality sector likely faces the most significant challenges in the coming months.

Nebraska Job Growth by Industry

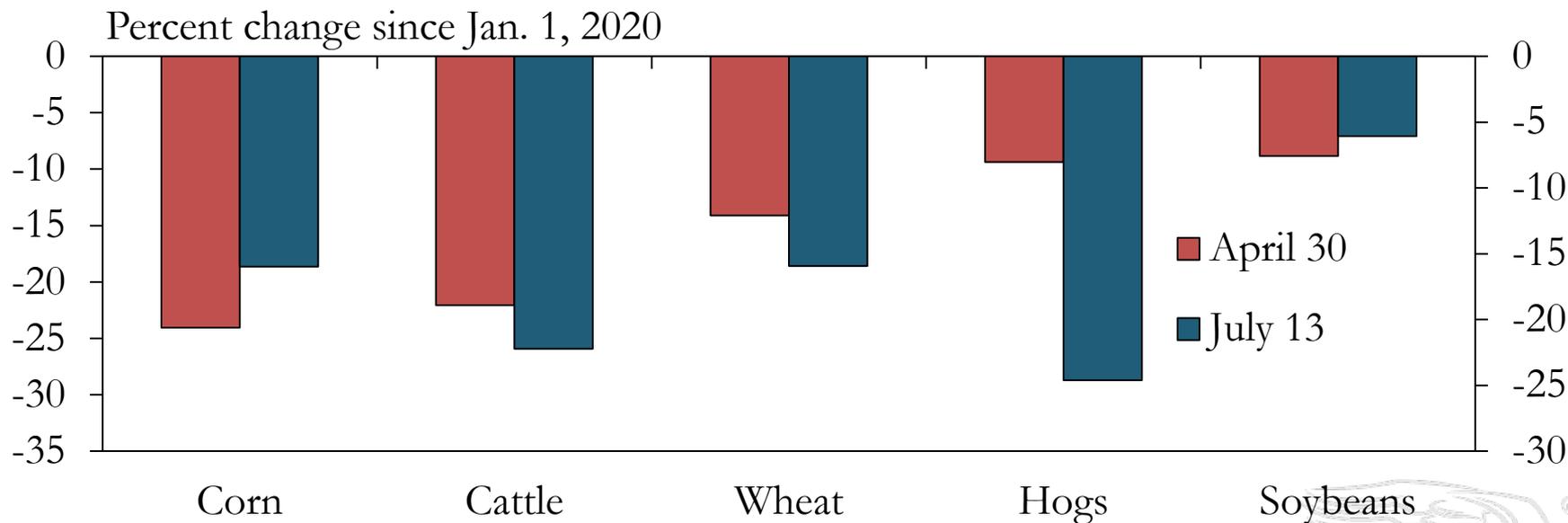


Sources: BLS, and Haver Analytics.



The agricultural sector, already pressured before COVID-19, likely will also face ongoing risks.

Agricultural Commodity Prices



Concluding remarks

- The virus, and associated risks, will shape the path for the economy back to the summit.
- The path to reclaim the summit, however, may be unsteady, longer than expected, filled with surprises... And tiring.
- We may also find that we have arrived at a very different mountaintop.



For more information...

- Visit our Omaha Branch Website: <https://www.kansascityfed.org/omaha>
- Latest issue of the Nebraska Economist



Nebraska's Economy Shocked by COVID-19

By Nathan Kauffman and John McCoy

June 30, 2020

Nebraska's economy began 2020 on what appeared to be solid footing, but has been shocked in ways bearing little resemblance to anything experienced in modern times.

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