Outlook for the Upper Midwest Economy

Presented by
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Outline

• U.S. Economic Forecast

• Outlook for the IA, NE, ND and SD Economies
U.S. Economic Forecast

• Strengths
• Weaknesses
• Bottom Line
U.S. Economic Forecast - Strengths

- Self-sustaining recovery
  - Growing real wages and consumer spending
  - Improving housing activity
- Low oil prices and interest rates
- Planned deregulation and tax reform
U.S. Economic Forecast - Weaknesses

• Aging of the workforce
• Challenges with workforce quality
• Tepid overseas economies and higher value for U.S. dollar
• Planned restrictions on trade and immigration
  • These would be significant new regulations on the economy, and in the case of tariffs, tax increases
  • Bilateral trade agreements – think “tax loopholes”
• No plans for entitlement reform
U.S. Economic Forecast—Bottom Line

• Moderate GDP and job growth due to

  • Domestic workforce issues and a tepid global economy
  • New policy proposals which are a “mixed bag”
  • A lack of progress on entitlement reform
Forecast for Upper Midwest Economy

• Key Industries

• State Forecasts
Key Industries

- Agricultural Production Complex
- Transportation
- Insurance
- Oil
Agriculture – Production Cluster

- Irrigated acres
- Commercial red meat production
- Cattle-on-feed numbers
- Hogs and pigs
- Corn-based ethanol production
- Corn for grain production
- Soybean production
- Hay production
Agriculture – The Aquifer Advantage
Farm Income

- “Bottomed Out” in 2016 with the decline in beef prices and the further decline in crop prices
- Slow growth going forward under stable prices
- Withdrawal of “price supports through crop insurance” during 2018
Mining (oil and gas)

- This commodity industry also “bottomed out” in 2016
- Less regulation and some improvement in the global economy should help production and related employment grow
- Price growth will be modest, however
  - U.S. shale now helps set the global price of oil, and production can rise sharply with modest price increases
- A strong dollar will limit price growth
Transportation – Sources of Advantage

• Strong agricultural sector

• Interstate 80 location (Iowa and Nebraska)

• Rail industry center and oil by rail

• People: Skilled workforce and entrepreneurship
Insurance – Sources of Advantage

• Advantages of a Cluster
  • Qualified workforce
  • Workforce Training – Actuarial Science programs
  • Policies to aid industry
Bottom Line of State Forecasts

• Key Industries
  • Resource based industries (ag, oil) – slow recovery
  • Moderate growth in transportation and insurance
• Demographics – slower population and labor force growth than nationwide
  • Economies already recovered from Great Recession
  • Long-term pattern
<table>
<thead>
<tr>
<th>State</th>
<th>Rate of Growth</th>
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<tbody>
<tr>
<td>Geography</td>
<td>2017</td>
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<tr>
<td>Iowa</td>
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<tr>
<td>Nebraska</td>
<td>1.1%</td>
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<tr>
<td>North Dakota</td>
<td>1.3%</td>
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<tr>
<td>South Dakota</td>
<td>1.3%</td>
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## Personal Income Forecast (%)

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<th>Rate of Growth</th>
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<tr>
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<tr>
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<tr>
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<td>North Dakota</td>
<td>3.8%</td>
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THANK YOU!

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