Outline

• U.S. Economic Forecast
• Nebraska Economic Forecast
• Implications for Commercial Construction
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
- Weak overseas economies and higher value for U.S. dollar
- Planned restrictions on trade and immigration
- No plans for entitlement reform
U.S. Economic Forecast – Bottom Line

• Moderate GDP and job growth due to
  • Domestic workforce issues and weak global economy
  • New policy proposals which are a “mixed bag”
  • A lack of progress on entitlement reform
Nebraska Economic Forecast

• Key Industries

• Forecast Detail
Nebraska Economic Forecast – Key Industries

• Agricultural Production Complex

• Transportation

• Insurance
Agriculture – Production Cluster

• #1 in irrigated acres with nine million acres
• #1 in commercial red meat production
• #1 (tied with Texas) for cattle-on-feed numbers
• #2 in corn-based ethanol production
• #3 in corn for grain production
• #4 in soybean production
• #5 in all hay production
• #6 in all hogs and pigs and hog slaughtering

Source: Nebraska Department of Agriculture
Agriculture – The Aquifer Advantage
### Forecast Detail – Farm Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Billions)</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$4.2B</td>
<td>3.8%</td>
</tr>
<tr>
<td>2018</td>
<td>$4.1B</td>
<td>-2.4%</td>
</tr>
<tr>
<td>2019</td>
<td>$4.3B</td>
<td>4.9%</td>
</tr>
</tbody>
</table>
Transportation – Sources of Advantage

• Strong agricultural sector
• Interstate 80 location
• Rail industry center
• People: Skilled workforce and entrepreneurship
Insurance – Sources of Advantage

• Advantages of a Cluster
  • Qualified Workforce
  • Workforce Training – Actuarial Science programs
• Policies to aid industry
# Nebraska Employment Forecast Forecast (1000s)

<table>
<thead>
<tr>
<th>Year</th>
<th>Transportation &amp; Warehousing</th>
<th>Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>56.2</td>
<td>68.7</td>
</tr>
<tr>
<td>2016</td>
<td>55.4</td>
<td>72.2</td>
</tr>
<tr>
<td>2017</td>
<td>56.1</td>
<td>72.9</td>
</tr>
<tr>
<td>2018</td>
<td>57.0</td>
<td>73.7</td>
</tr>
<tr>
<td>2019</td>
<td>57.8</td>
<td>74.3</td>
</tr>
</tbody>
</table>
Nebraska Employment Forecast (1000s)

<table>
<thead>
<tr>
<th>Year</th>
<th>Construction</th>
<th>Manufacturing</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>50.5</td>
<td>101.4</td>
<td>354.6</td>
</tr>
<tr>
<td>2016</td>
<td>51.7</td>
<td>97.5</td>
<td>398.5</td>
</tr>
<tr>
<td>2017</td>
<td>53.5</td>
<td>98.5</td>
<td>405.2</td>
</tr>
<tr>
<td>2018</td>
<td>55.1</td>
<td>98.8</td>
<td>412.0</td>
</tr>
<tr>
<td>2019</td>
<td>56.8</td>
<td>98.9</td>
<td>418.9</td>
</tr>
</tbody>
</table>
# Non-Farm Employment Forecast (%)

<table>
<thead>
<tr>
<th>Geography</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nebraska</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1.0%</td>
</tr>
<tr>
<td>United States</td>
<td>1.4%</td>
<td>1.3%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>
### Other Growth Indicators (%)

<table>
<thead>
<tr>
<th>Measure</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Farm Personal Income</td>
<td>4.4%</td>
<td>4.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Taxable Sales</td>
<td>2.9%</td>
<td>3.8%</td>
<td>3.8%</td>
</tr>
<tr>
<td>CPI</td>
<td>2.2%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Population</td>
<td>0.7%</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
Implications for Commercial Construction

• Weakness in Agriculture
• Stronger Household Formation
• Other Industry Developments
• Labor Force Quality
Weakness in Agriculture

• A large issue outside of the Lincoln and Omaha areas
  • Creating an urban/rural divide

• Processors of agricultural commodities benefit, which mitigates the overall impact on the non-metropolitan economy

• However, there is weak demand for
  • suppliers to farmers and ranchers
  • retail and service providers
Stronger Household Formation

• Due to improved economy and labor market

• Commercial development in new neighborhoods
  • Service providers (health, financial, personal care, etc.)

• Stores/convenience stores

• Schools, bank branches
Other Industry Developments

• Health Care
  • More doctor’s offices and elder care buildings
  • Hospitals under pressure but investments in buildings needed in a more competitive environment

• Federal infrastructure program has some implications for buildings – airport structures, perhaps others

• Boom to lodging in Nebraska may be waning
## Issues With Labor Quality
(Survey of Business With NDOL)

<table>
<thead>
<tr>
<th>Reason for Difficulty</th>
<th>Omaha</th>
<th>Lincoln</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficult to Hire?</td>
<td>76%</td>
<td>72%</td>
</tr>
<tr>
<td>Lack of Experience</td>
<td>62%</td>
<td>68%</td>
</tr>
<tr>
<td>Lack of Skills</td>
<td>56%</td>
<td>61%</td>
</tr>
<tr>
<td>Poor Work History</td>
<td>42%</td>
<td>58%</td>
</tr>
<tr>
<td>Failed Background Check</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Wage Demands</td>
<td>23%</td>
<td>16%</td>
</tr>
</tbody>
</table>
THANK YOU!

Any Questions?
Connect with BBR

Follow us on social media

- LinkedIn  UNL - Bureau of Business Research
- Facebook  UNL - Bureau of Business Research
- Twitter    @BBR_News

You can also subscribe to our newsletter by sending your preferred e-mail address to: bbr@unl.edu