The New Normal: An Economic Forecast for Nebraska

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Outline

• Macroeconomic Outlook
  – The Promise
  – The Problems
  – The Bottom Line

• The Nebraska Economic Outlook
  – Job Growth
  – Income and Population Growth
Macroeconomic Outlook – The Promise

- The housing recovery is underway
- Real wage growth has returned
- Geo-political factors may be waning (oil)
- Europe is growing again
- Progress on spending levels
- The Federal Reserve Bank is staying patient
Macroeconomic Outlook – The Problems

• The aging of the workforce
• The risk of a “manufactured crisis”
• The need to “tighten” monetary policy
• The rising dollar and competitive devaluation
• Failure to address 3 critical reforms
  – tax reform
  – entitlement reform
  – immigration reform
Macroeconomic Outlook – The Bottom Line

• Slow to moderate growth
  – The three reforms won’t be addressed
  – necessary “tightening” of monetary policy

• Some meaningful risks of
  – “tightening” of monetary policy problematic
  – a “mistake” in a future “manufactured crisis”
Nebraska Outlook – The New Normal?

• The Nebraska Economy is by many measures stronger than the U.S. economy
  – Low unemployment rate
  – Budget surplus

• However, job growth has been weaker in Nebraska than nationwide in recent years
  – Why? Is this related to the U.S. bouncing-back?
Annual Job Growth: U.S. and Nebraska

![Bar chart showing annual job growth from 2007 to 2013 for the United States and Nebraska. The chart indicates a decrease in job growth in 2009 and a decrease in growth rates from 2009 onwards. The colors blue and red represent the United States and Nebraska respectively.]
Nebraska Economic Outlook – The New Normal

• The United States needs to “catch up” but how long will this trend continue?
• Is slow growth the “new normal” for Nebraska?
• Absent a “spark” to growth, the answer is yes
Nebraska Economic Outlook – Why The New Normal?

- The housing recovery will not be as sharp in Nebraska since the housing decline was less severe
- Nebraska will not benefit as much as some states from economic recovery in Europe
Nebraska Economic Outlook – Methodology

- UNL Bureau of Business Research develops a 3-year forecast from a statistical model

- Nebraska Business Forecast Council meets to review the preliminary forecast based on
  - industry contacts
  - Council member research

- Final report is developed
Nebraska Economic Outlook – Findings
Annual Job Growth Nebraska vs. U.S.

- 2014: United States 1.7%, Nebraska 1.1%
- 2015: United States 1.4%, Nebraska 1.0%
- 2016: United States 1.4%, Nebraska 1.1%
**Nebraska Economic Outlook – Findings**

**Job Growth will be Broad-Based**

**Rate of Job Growth**

<table>
<thead>
<tr>
<th>Industry</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durable</td>
<td>1.0%</td>
<td>0.3%</td>
<td>0.3%</td>
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<tr>
<td>Non-Durable</td>
<td>0.9%</td>
<td>0.2%</td>
<td>0.2%</td>
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<tr>
<td>Transportation</td>
<td>2.7%</td>
<td>3.3%</td>
<td>3.5%</td>
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</tbody>
</table>
Job Growth will be Broad-Based

Rate of Job Growth

<table>
<thead>
<tr>
<th>Industry</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Trade</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Finance</td>
<td>0.9%</td>
<td>0.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Services</td>
<td>1.6%</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>State &amp; Local</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.4%</td>
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### Nebraska Economic Outlook – Findings

#### Other Measures

<table>
<thead>
<tr>
<th>Measure</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income</td>
<td>4.1%</td>
<td>3.8%</td>
<td>3.7%</td>
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<tr>
<td>Taxable Sales</td>
<td>4.6%</td>
<td>5.0%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Inflation</td>
<td>1.8%</td>
<td>2.0%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Population</td>
<td>0.7%</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
How Can Nebraska Ignite Faster Growth and Avoid The New Normal?

• Effective Tax Modernization

• Pro-Growth Regulations
  – Reduce barriers to housing development
  – Reduce barriers to growth in the livestock industry
  – Efficient water policy