The New Normal: An Economic Forecast for Nebraska (and Lincoln)
presented at the Lincoln Chamber of Commerce

Eric Thompson
Director, Bureau of Business Research
ethompson2@unl.edu
www.bbr.unl.edu
Outline

• Macroeconomic Outlook
  – The Promise
  – The Problems
  – The Bottom Line
• The Nebraska Economic Outlook
• The Lincoln Outlook
• How to Ignite Faster 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 is staying patient
Macroeconomic Outlook – The Problems

• The aging of the workforce
• The rising dollar and competitive devaluation
• Failure to address 3 critical reforms
  – tax reform
  – entitlement reform
  – immigration reform

• Things I’m no longer worried about:
  – The risk of a “manufactured crisis”
  – The need to “tighten” monetary policy
Macroeconomic Outlook – The Bottom Line

• Slow to moderate growth
  – The three reforms won’t be addressed
  – A rising dollar later in the year
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

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Nebraska</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1.0%</td>
<td>1.5%</td>
</tr>
<tr>
<td>2008</td>
<td>-1.0%</td>
<td>0.5%</td>
</tr>
<tr>
<td>2009</td>
<td>-4.0%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>2010</td>
<td>-3.0%</td>
<td>-2.5%</td>
</tr>
<tr>
<td>2011</td>
<td>0.0%</td>
<td>0.5%</td>
</tr>
<tr>
<td>2012</td>
<td>1.0%</td>
<td>1.5%</td>
</tr>
<tr>
<td>2013</td>
<td>2.0%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
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?

• The answer is YES
  – Absent a “spark” to growth
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.
- Both of these concerns also apply to Lincoln.
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 Growth Nebraska vs. U.S.

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Nebraska</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.7%</td>
<td>1.1%</td>
</tr>
<tr>
<td>2015</td>
<td>1.4%</td>
<td>1.0%</td>
</tr>
<tr>
<td>2016</td>
<td>1.4%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>
Nebraska Economic Outlook – Findings

• Jobs in some industries have dropped and may not come

• Jobs in other industries have been surprisingly stagnant
Nebraska Economic Outlook – Findings
Construction Employment

1000s of Jobs

Nebraska Economic Outlook – Findings
Manufacturing Employment

[Graph showing the trend of manufacturing employment from 2000 to 2016. The x-axis represents years from 2000 to 2016, and the y-axis represents thousands of jobs, ranging from 80 to 120.]
Nebraska Economic Outlook – Findings
Retail Employment

2000s of Jobs

Nebraska Economic Outlook – Findings
State and Local Government Employment

1000s of Jobs

Nebraska Economic Outlook – Findings

• Jobs in some industries are bouncing back

• Jobs in other industries just keep growing
Nebraska Economic Outlook – Findings
Transportation and Warehousing

1000s of Jobs


Start Something.
Nebraska Economic Outlook – Findings
Services

1000s of Jobs

### 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>
</tr>
<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>
Lincoln Economic Outlook – Findings
Annual Job Growth Lincoln MSA vs. Nebraska

- 2014: Lincoln MSA 1.1%, Nebraska 1.0%
- 2015: Lincoln MSA 1.1%, Nebraska 1.1%
- 2016: Lincoln MSA 1.2%, Nebraska 1.0%
Lincoln Economics Growth – Findings
Reasons Improving the Lincoln MSA Forecast

- Population growth
- Strength in the financial sector
- Strength in health care
Lincoln Economics Growth – Findings
Reasons Limiting the Lincoln MSA Forecast

• Limited state government job growth in 2014 and 2015

• Limited “bounce-back” in housing and associated commercial development

• Ongoing problems with professional, scientific and technical services industries
By Place in Wage Distribution

Lincoln Wage Growth

<table>
<thead>
<tr>
<th>Percent Growth 2003-2012</th>
<th>CPI</th>
<th>10th Percentile</th>
<th>25th Percentile</th>
<th>50th Percentile</th>
<th>75th Percentile</th>
<th>90th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24.8%</td>
<td>20.4%</td>
<td>15.3%</td>
<td>24.8%</td>
<td>24.2%</td>
<td>25.3%</td>
</tr>
</tbody>
</table>
How Can Nebraska and Lincoln 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