Steady growth in an uncertain world:
An Economic Forecast for Nebraska

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Outline

• Macroeconomic Outlook
  – Strengths
  – Challenges
  – The Bottom Line

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

• There is a self-sustaining recovery in the U.S. economy, with improved
  – Consumer spending
  – Business Investments
  – Housing Activity
• Oil prices have dropped sharply
• Interest rates will stay low – an “era” of low interest rates
Macroeconomic Outlook – Challenges

• The aging of the workforce
• Moderate growth in China and an anemic economy in Europe
  – The related issue of a rising dollar
• Uncertainty about the timing and pace of Federal Reserve Bank interest rate increases
• Failure to address 3 critical reforms
  – tax reform
  – entitlement reform
  – immigration reform
Macroeconomic Outlook – Challenges

- Moderate growth
  - The three reforms won’t be addressed
  - Global growth will be a drag, especially in 2015
- Growth will be weak in early 2015 and then accelerate mid-year
- Growth in 2016 and 2017 stronger than in 2015
Growth Will Be Less Robust In Nebraska

- Challenges in the agricultural economy will hurt growth in rural Nebraska

- Limited capacity for job growth given
  - Moderate annual population growth (0.6%)
  - High labor force participation rates
  - Low unemployment rates
Annual Job Growth: U.S. and Nebraska

- United States: 1.8% in 2015, 1.6% in 2016, 1.5% in 2017
- Nebraska: 1.1% in 2015, 1.1% in 2016, 1.1% in 2017

Start Something.
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 – Summary of Findings

Table 1— Key Economic Growth Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Nonfarm Employment</th>
<th>Nonfarm Personal Income (nominal)</th>
<th>Net Farm Income (nominal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.9%</td>
<td>3.7%</td>
<td>-36.7%</td>
</tr>
<tr>
<td>2015</td>
<td>1.1%</td>
<td>3.7%</td>
<td>-7.0%</td>
</tr>
<tr>
<td>2016</td>
<td>1.1%</td>
<td>4.0%</td>
<td>0.3%</td>
</tr>
<tr>
<td>2017</td>
<td>1.1%</td>
<td>3.9%</td>
<td>-2.0%</td>
</tr>
</tbody>
</table>
Nebraska Economic Outlook – Findings
Job Growth will be Broad-Based

<table>
<thead>
<tr>
<th>Industry</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>3.0%</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>0.4%</td>
<td>0.4%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Non-Durable</td>
<td>0.7%</td>
<td>0.6%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Transportation</td>
<td>1.0%</td>
<td>1.5%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>
Nebraska Economic Outlook – Findings
Job Growth will be Broad-Based

<table>
<thead>
<tr>
<th>Industry</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Trade</td>
<td>1.0%</td>
<td>0.8%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Finance</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Services</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.4%</td>
</tr>
<tr>
<td>State &amp; Local</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
## Nebraska Economic Outlook – Findings

### Other Measures

<table>
<thead>
<tr>
<th>Measure</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income</td>
<td>3.7%</td>
<td>4.0%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Taxable Sales</td>
<td>4.8%</td>
<td>4.7%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Inflation</td>
<td>1.7%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Population</td>
<td>0.6%</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
How Can Nebraska Grow Faster?

• Effective Tax Modernization

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