Steady Growth in an Uncertain World

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Eric Thompson
Director, Bureau of Business Research
College of Business Administration
University of Nebraska-Lincoln
ethompson2@unl.edu
www.bbr.unl.edu
Outline

U.S. Economic Outlook

Nebraska Economic Outlook
   The next 3 years
   The next 6 months

The “Skills Gap”
U.S. Economic Outlook

• Strengths
• Weaknesses
• The Bottom Line
U.S. Economic 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
U.S. Economic Outlook – Challenges

• The aging of the workforce
• Surprisingly weak growth in China
  – The related issue of a rising U.S. 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
U.S. Economics Outlook – Bottom Line

• Moderate growth
  – The three reforms won’t be addressed
  – Chinese growth will be a drag, especially in 2015
  – But, the rapid rise in the dollar may be ending

• Growth has been weak in early 2015 but will accelerate mid-year

• Growth in 2016 and 2017 stronger than in 2015
Nebraska Economic Outlook
Next 3 Years

• Key Industries

• Forecast from the Nebraska Business Forecast Council
Key Industries

- Agricultural Industrial Complex
- Transportation
- Insurance
Agricultural Production Cluster
Competitive Position of Nebraska

#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
#7 in hog slaughtering

Source: Nebraska Department of Agriculture
The Other Source of Nebraska’s Advantage
Transportation & Warehousing

• Strong Agricultural Sector
• Rail Industry Center
• Interstate 80 Location
• Skilled Workforce
• Entrepreneurship
Insurance Industry

• Historic Cluster
• Agglomeration – Abundant Industry Labor
• UNL Actuarial Science Programs
### Nebraska Employment Outlook (1000s)

**Nebraska Business Forecast Council**

<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>2014</td>
<td>52.2</td>
<td>72.3</td>
</tr>
<tr>
<td>2015</td>
<td>52.7</td>
<td>73.0</td>
</tr>
<tr>
<td>2016</td>
<td>53.5</td>
<td>73.8</td>
</tr>
<tr>
<td>2017</td>
<td>54.6</td>
<td>74.7</td>
</tr>
</tbody>
</table>

Sources: BLS and UNL Bureau of Business Research
Other Sectors
Construction (2.5% - 3.0% per year)
Other Sectors
Services (1.4% - 1.5% per year)
Other Sectors

Manufacturing (0.4% - 0.6% per year)
Non-Farm Employment Growth Outlook

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Nebraska</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.8%</td>
<td>1.1%</td>
</tr>
<tr>
<td>2016</td>
<td>1.6%</td>
<td>1.1%</td>
</tr>
<tr>
<td>2017</td>
<td>1.5%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>
## Other Growth Indicators

<table>
<thead>
<tr>
<th>Measure</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Farm Personal Income</td>
<td>3.7%</td>
<td>4.0%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Population</td>
<td>0.7%</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
Short-Run Nebraska Economic Outlook
Next 6 Months

• Survey of Nebraska Business

• Leading Economic Indicator – Nebraska
Survey of Nebraska Business

• A survey of 500 businesses each month

• In most months, a 25% to 35% response rate

• A random selection of Nebraska businesses
Survey of Nebraska Business (April 2015)
Outlook for Next Six Months

<table>
<thead>
<tr>
<th></th>
<th>Change Over the Next Six Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales</td>
</tr>
<tr>
<td>Increase</td>
<td>36%</td>
</tr>
<tr>
<td>Stay the Same</td>
<td>51%</td>
</tr>
<tr>
<td>Decrease</td>
<td>13%</td>
</tr>
</tbody>
</table>
### Survey of Nebraska Business (April 2015)

#### Top Business Concerns

<table>
<thead>
<tr>
<th>Concern</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Demand</td>
<td>34%</td>
</tr>
<tr>
<td>Cost of Goods and Services</td>
<td>9%</td>
</tr>
<tr>
<td>Labor Availability and Quality</td>
<td>21%</td>
</tr>
<tr>
<td>Taxes</td>
<td>4%</td>
</tr>
<tr>
<td>Health Care Costs/ACA</td>
<td>2%</td>
</tr>
<tr>
<td>Government Regulation</td>
<td>12%</td>
</tr>
<tr>
<td>Poor Government Policy</td>
<td>8%</td>
</tr>
<tr>
<td>Competition/Improve Business Practices</td>
<td>1%</td>
</tr>
<tr>
<td>Access to or cost of capital</td>
<td>1%</td>
</tr>
<tr>
<td>Weather/Drought</td>
<td>1%</td>
</tr>
<tr>
<td>Minimum Wage</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

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**Graph:**
- The bar chart visualizes the percentage of concerns for each category, with Customer Demand being the highest at 34%.
Survey of Nebraska Business
% Adding Jobs by Region (March/April 2015)
Economic Outlook Next 6 Months
Leading Economic Indicator – Nebraska

Six components:

- Business expectations
- Value of U.S. dollar
- Single-family home building permits
- Airline passenger counts
- Initial claims for unemployment insurance
- Manufacturing hours
Leading Economic Indicator – Nebraska (April)
Value Over Last Six Months

Figure 2: Change in LEI - N
Last 6 Months
Leading Economic Indicator – Nebraska (April) Forecast For Next Six Months

Figure 7: 6-Month Forecast of Coincident Economic Indicator - Nebraska
Skills Gap in Nebraska

• Make It Work For Lincoln Survey
Skills Gap

• A “skills gap” may be limiting growth in Nebraska

• What is the nature of this skills gap?

• Example: Make It Work For Lincoln Survey
Make It Work For Lincoln Survey

• Thank you to ATD - Lincoln Chapter, NDOL and NEDED

• Designed to identify the hiring needs and challenges faced by business as well as training activity

• Mailed to 1,300 Lincoln Metro Area businesses with 20 or more employees

• Responses received from 248 businesses
Hiring Challenges

Is It Difficult to Find Workers?

- Yes: 62.5%
- No: 37.5%
Hiring Challenges By Occupation

• Occupations Most Difficult to Hire
  – Installation, Maintenance and Repair workers
  – Personal Care and Service workers
  – Production workers

• Occupations Least Difficult to Hire
  – Office and Administrative Support workers
  – Food Preparation and Serving workers
  – Sales workers
Hiring Challenges By Occupation

• Occupations where the primary difficulty is a lack of occupation-specific skills
  – Computer and Mathematical workers
  – Installation, Maintenance and Repair workers
  – Production workers
Other Ways To Address the Skills Gap and Growth
Labor Supply

How do we encourage people to work more and upgrade their skills?
- Reduce tax burden on working class households
- Address disincentives from the “Safety Net”
- Provide more opportunities training and education
- Address workers with “poor” work histories
THANK YOU

Any Questions?