Nebraska Economic Outlook and Issues

Presented at
Nebraska’s Economic Outlook: A Business Summit
Trends and Challenges Facing Nebraska

December 3, 2014

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

Nebraska Economic Outlook

- The next 6 months
- The next 2 years

How to Ignite Faster Growth In Nebraska?
Economic Outlook Next 6 Months
Leading Economic Indicator – Nebraska from the UNL Bureau of Business Research

Six components:
- Business expectations
- Value of U.S. dollar
- Single-family home building permits
- Airline passenger counts
- Initial claims for unemployment insurance
- Manufacturing hours
Economic Outlook Next 6 Months
Leading Economic Indicator - Nebraska

Figure 2: Change in LEI - N
Last 6 Months

<table>
<thead>
<tr>
<th>Month</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 14</td>
<td>0.69%</td>
</tr>
<tr>
<td>Jun 14</td>
<td>0.92%</td>
</tr>
<tr>
<td>Jul 14</td>
<td>0.04%</td>
</tr>
<tr>
<td>Aug 14</td>
<td>1.55%</td>
</tr>
<tr>
<td>Sep 14</td>
<td>-0.55%</td>
</tr>
<tr>
<td>Oct 14</td>
<td>-0.10%</td>
</tr>
</tbody>
</table>
Economic Outlook Next 6 Months

Leading Economic Indicator - Nebraska

Figure 7: 6-Month Forecast of Coincident Economic Indicator - Nebraska
Moderate job growth outlook in most key industries yields moderate income and population growth in Nebraska in 2015 and 2016

Strong growth: construction
Moderate growth: services, transportation
Modest growth: retail, manufacturing
Limited growth: agriculture (but a bright future)
Economic Outlook Next 2 Years
Longer-Run Forecast for Construction (2% - 2.5%)
Economic Outlook Next 2 Years
Longer-Run Forecast for Services (1.5% - 1.8%)
Economic Outlook Next 2 Years

Longer-Run Forecast for Manufacturing (0.3% - 0.7%)
Economic Outlook Next 2 Years
Longer-run forecast for total non-farm jobs

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Nebraska</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.8%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2015</td>
<td>1.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>2016</td>
<td>1.4%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>
Economic Outlook Next 2 Years
Longer-Run Forecast for Income and Population

<table>
<thead>
<tr>
<th>Measure</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Farm Personal Income</td>
<td>4.3%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Farm Income</td>
<td>-3.1%</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Population</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
How To Ignite Faster Growth in Nebraska?

Effective Tax Modernization

Pro-Growth Regulations
- Reduce barriers to housing development
- Reduce barriers to livestock industry and develop more efficient water policy

Address Skills Gap and Labor Supply Issues
How to Address The Skills Gap and 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?