



ECONOMIC FORECAST FOR 1977

SUMMARY

National Economy

In 1977:

- Gross National Product will increase 5 to 6 percent in constant dollars.
- Inflation will approximate 5 to 6 percent.
- Interest rates will be rather stable.
- Employment will increase, surpassing the 90 million mark.
- Unemployment will remain high by historic standards. An unemployment rate of 7 percent is anticipated.
- An increasing number of persons seeking jobs will aggravate attempts to reduce unemployment.

Nebraska Economy

In 1977:

- Nonagricultural employment will increase to 607,800 by the fourth quarter.
- Personal income will rise 8 to 10 percent in current dollars, 2 to 4 percent in real dollars (deflated for price change). Personal income will fall within the range of 12 to 13 billion dollars.
- Unemployment will drop below 4 percent.
- Lincoln and outstate labor markets will be the strongest labor areas with the lowest rates of unemployment.

The first and second quarters of 1976 will undoubtedly turn out to be the best of the year. After a torrid pace in the first quarter of 1976 (Gross National Product [GNP]¹ up 9.2% in real terms), growth slowed to the modest rate of approximately 4.5% in the second quarter. Despite this slowdown in the second quarter, real growth (adjusted for price increases) exceeded 6% during the first six months of 1976.

Recovery from the 1973-75 recession began to slow considerably in the second half of 1976. Real economic growth continued to decline in the third and fourth quarters. Third-quarter GNP was \$12 billion (1972 dollars) ahead of second quarter, 1976. The rate of real expansion in GNP was down to 3.6% (per annum). Labor disputes and a rather flat consumer-expenditures sector contributed to the slowdown in the last half of the year. The long awaited boom in capital spending failed to materialize.

Fourth-quarter results are not available as this is written, but little improvement over the third quarter is expected. Real GNP is expected to be about 3.6 to 3.7% (annual rate) above the third quarter as the year closes. The 1976 record of the economy is summarized in Table 1.

As 1977 begins, the economy will appear stronger than it did in the last half of 1976. Employment reached a record peak in the fourth quarter of 1976, and consumer spending at Christmas will be another record. With unemployment above 8% and with inflation running at nearly 5%, pressure will build for a tax rebate or tax cut, despite the apparent strength at the first of the year.

At this time, it appears that debate will be centered about whether the tax reduction is to be permanent, that is, a tax cut, or temporary, a tax rebate, and not whether tax relief is

necessary. Proponents of a tax cut, a reduction of tax rates, note that the stimulative effects of a permanent reduction in taxes are greater than the temporary impact of a tax rebate. Consumers view a rebate as a "one-shot injection," and historically have reacted to rebates by saving a large proportion of the amount received. Those arguing for a tax rebate feel that preservation of the current tax rates is important for building the revenue required to fund new programs and expand others endorsed by the incoming administration.

Table 1
GROSS NATIONAL PRODUCT 1976, 1977
IN CURRENT AND CONSTANT (1972) DOLLARS

	1st Q	2nd Q	3rd Q	4th Q
	(billions of dollars)			
	1976			
GNP (current dollars)	1,636	1,675	1,713*	1,760*
GNP (1972 dollars)	1,246	1,260	1,272*	1,285*
	1977 Forecast			
	current dollars			
GNP (no tax rebate)	1,801	1,849	1,890	1,934
GNP (with tax rebate)	1,801	1,860	1,904	1,949
	constant (1972) dollars			
GNP (no tax rebate)	1,308	1,327	1,340	1,353
GNP (with tax rebate)	1,308	1,335	1,350	1,364

*Estimated. Based on preliminary data subject to revision.

Source: Bureau of Business Research, University of Nebraska-Lincoln.

Regardless of the form, tax relief seems likely to stimulate spending and, it is hoped, to reduce unemployment. The odds apparently favor a tax rebate, which will be easier to pass Congress than a tax cut. For forecasting purposes it is assumed that in the first quarter of the year Congress will approve a \$15 billion tax rebate. The rebate will begin (Continued on page 2)

¹Gross National Product (GNP) measures the total amounts of goods and services produced in a given time period, usually a year.

(Continued from page 1) to stimulate the economy in the second quarter, with its most significant impact in the third quarter.

The economy may be able to avoid recession in 1977 and 1978 if fiscal and monetary policies are skillfully applied. The money supply must expand to accommodate fiscal stimulus. Capital spending in 1977 will have to increase well above the 1976 level if a recession in 1977-78 is to be avoided, and consumers will have to maintain a spending pace similar to that of the first half of 1976 if economic expansion is to be maintained. Prosperity depends upon several conditions, but it is quite attainable with adroit management of the economy.

The expected tax rebate is forecast to raise GNP in the fourth quarter of 1977 \$15 billion (in current dollars) over and above what it would have been had tax relief not occurred. In real terms, GNP is forecast \$11 billion higher with the rebate, as opposed to no tax action. For 1977, GNP will be up about 11% in current dollars, 5 to 6% in real terms.

Gross National Product is projected to rise to \$1,801 billion in the first quarter of 1977. Assuming a tax cut, GNP in the second quarter is projected to \$1,860 billion, to \$1,904 billion in the third quarter, and \$1,949 billion in the fourth quarter. These forecasts are summarized in Table 1, and are based upon computer simulations of the economy.

In real terms, allowing for inflation, GNP will increase to \$1,308 billion in the first quarter of 1977 (1972 dollars). It is forecast to continue rising throughout the year, assuming tax relief, to \$1,364 billion in the fourth quarter of 1977.

Before proceeding, a word of caution is in order. Forecasting is a precarious undertaking. Seldom do forecasts predict economic events with precision; there are simply too many uncontrollable and unforeseen factors. This forecast was prepared as a rough guide to economic activity in 1977. It is unreasonable to expect, and beyond the ability of most forecasters to predict, all forecast values exactly in agreement with the actual 1977 results. The limitations of forecasting are even greater when state variables are being forecast.²

INFLATION

Price stability seems more attainable now than it did one or two years ago. Compounded consumer price increases achieved an annual rate of 5.5% through the first three quarters of 1976. This rate compares very favorably with inflation rates of 9.1% in 1975 and 11% in 1974.³ Quarterly inflation rates (as measured by the Consumer Price Index) for 1974-76 are summarized in Table 2.

The year 1976 was better for the consumer, in terms of price increases, than either 1975 or 1974. The rate of inflation (compounded) dropped to 4% per year in the first quarter, then picked up slightly to 5% in the second quarter (annual rate) and to 6.5% in the third quarter. Partial fourth-quarter results indicate a decline in the rate of inflation from the third-quarter pace.

Consumer price increases are definitely slowing, compared with 1974 and 1975. Food price increases have declined to less than 4% a year (1976). Service prices have risen at about 6% a

²This is because a state has far less influence over its economy than does the nation. Events throughout the country, events over which a state has no control, will have a bearing upon the state's economy.

³These 1974 and 1975 compounded inflation rates differ from the totals of Table 2. The compounded rates allow for continuous price changes, while the quarterly averages do not.

year, and other commodities have risen at approximately 5% a year, midway into the fourth quarter.

Food prices seem to be the key to price stability in the Consumer Price Index (CPI). If all prices are to remain reasonably level, food prices must increase at less than 4% a year. This requires stable farm prices.

A case can be made for price increases below 5% or for consumer price increases up to 7 or 8% in 1977. Those arguing that the CPI will advance by 7% or more base their case on rising food prices, higher fuel prices, and increased pollution-control costs.

The assumption of higher food prices rests upon anticipated shortages in foodstuffs in Western Europe. The drought in Western Europe and a Soviet grain harvest of less than 210 million metric tons are important factors contributing to pressure on food prices. European shortfalls could be expected to boost food prices an average of 0.5% per month in the United States, or about 6% a year.

Oil price increases, with a large impact upon consumer prices, are another cause for pessimism. It was commonly assumed, until a few weeks ago, that the oil cartel would increase prices by 20%. Along with oil price hikes, the cost of controlling and eliminating pollution is expected to contribute substantially to the rise in consumer prices. Increases in the price of natural gas is another factor which is expected to interfere with the quest for price stability.

Other variables which seem likely to maintain the pressure on prices include increased rents, transportation costs, and higher prices for medical services. Rent increases have been modest in the past few years as a large supply of rental housing has been slowly absorbed. Transportation price increases, for everything from the cost of vehicles to higher gasoline prices, are expected to contribute to increased consumer prices.

There are several reasons, however, for suggesting that prices will not be subject to all of the pressures cited above. Food prices appear reasonably stable, and farm prices are falling. Large harvests in North America and the Soviet Union seem destined to hold food price increases to less than 5%, perhaps to below 4%. The uncertainties and variegations of crop production can quickly alter this situation.

Oil price increases may be restricted to 10% in 1977.⁴ Consumer resistance to higher auto prices may encourage rebates and price-shaving on vehicles. The permanence of the November-announced increase in steel prices will depend in large measure upon demand at the higher price.

Combining these factors, it seems that a case can be made for moderate optimism with respect to prices. Hence, look for price increases of 5 to 6% in 1977, as measured by the CPI. Look for food price increases of 3 to 4%, with service prices and the prices of other commodities increasing at 6 to 8% in 1977. In short, the price index will rise about as much in 1977 as it did in 1976. A resurgence of double-digit inflation seems unlikely in 1977. Equally unlikely is an inflation rate of 2 to 4%, as recorded in the early 1960s. The rate of price change is likely to be higher at the end of 1977 than at the beginning, as the impact of an increasingly stimulative fiscal and monetary policy begins to take effect. Quarterly inflation rates for 1974-76, along with the forecast rates for 1977, are summarized in Table 2.

⁴Forecast inflation is based upon an oil price increase of 10% or less in 1977.

Table 2
 QUARTERLY RATE OF INCREASE IN
 THE CONSUMER PRICE INDEX¹

Quarter	1974	1975	1976	1977 ²
	(percent)			
First	2.6	1.8	1.0	1.2
Second	2.8	1.6	1.2	1.2
Third	3.1	2.1	1.5	1.3
Fourth	2.9	1.6	1.5 ³	1.4
	Consumer Price Index, October, 1975 = 164.6 ⁴			
	Consumer Price Index, October, 1976 = 173.7			
	Consumer Price Index, October, 1977 ² = 183.2			

¹ Quarterly average compared with previous quarter.

² Forecast.

³ Estimated.

⁴ The Consumer Price Index (CPI) measures prices of goods and services used by consumers. A CPI of 164.6 means that a typical market basket of goods and services cost \$16.46 in October, 1975. This same basket cost \$17.37 in October, 1976. If the CPI rises by 5.5%, as forecast, the same basket of goods would cost \$18.32 in October, 1977.

Source: Calculated from *Monthly Labor Review*, various issues, Table 23.

INTEREST RATES

Some observers are expecting interest rates to rise sharply in 1977. This view seems to be based upon the belief that inflation will accelerate. Others base their forecast upon larger than anticipated money-supply increases. The Federal Reserve increased the money supply by approximately 11% in 1976. A similar increase in 1977, it is argued, would raise the rate of inflation to an intolerable level.

Certainly, the November, 1976, reduction in the discount rate (the rate charged banks by the Federal Reserve) surprised many money-market observers. Another interpretation of the discount rate reduction is that it was a sign that the Federal Reserve is willing to move toward a more expansive monetary policy. Reduction in the discount rate has frequently signaled changes in Federal Reserve policy.

With unemployment near 8% and the rate of inflation below 6%, it appears that interest rates will change little in 1977. The discount rate is likely to be near its present level at the end of 1977. This suggests a prime rate at year-end (1977) of 6½ to 7% or thereabouts. This forecast is based upon the assumption that the Federal Reserve will accommodate the efforts of the new administration to stimulate the economy.

EMPLOYMENT AND UNEMPLOYMENT

The civilian labor force increased by 2.6 million in 1976. Final figures are not available, but the additional 2.6 million job seekers of 1976 will likely rank as the largest absolute and relative increase in the labor force since the end of World War II.

The civilian labor force increased by 2.3 million in 1974 (prior to 1976 the largest increase since 1945), then slowed to 1.6 million in 1975 as economic hardship gripped the country. Over six million persons (6.3 million) will have been added to the labor force in three years, 1973-76 (midpoint averages). This expansion of the labor force follows a similar increase from 1967 to 1973. From 1967 to 1970 (midpoints), 5.4 million were added to the civilian labor force. Another six million were added in 1970 to 1973, bringing the nine-year total (1967-1976) to 17.7 million new job seekers.⁵ This is an astounding development which will be examined, studied, and reexamined for years to come. This

⁵ U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, October, 1976, Vol. 23, No. 4, Table A1, p. 19.

nine-year expansion represents, perhaps, the last sharp upsurge in the labor force resulting from the baby boom following World War II and the concomitant increase in female participation rates.⁶

Quarterly increases in the civilian labor force suggest that if additional employment opportunities are created, workers are available to fill those positions. During 1975, quarterly increases in the civilian labor force were 0.15, 0.81, 0.65, and 0.02 percent, first through fourth quarter, respectively. For 1976, increases in the first three quarters were 0.43, 1.06, and 0.84 percent.⁷ The largest increase, occurring in the second quarter, appears to be in response to the sharp expansion in the number of available jobs that opened during the quarter.

Employment also expanded sharply in 1976, but employment increases have been overshadowed by the high level of unemployment. Part of the unemployment problem is related to a rapidly expanding labor force. Preliminary employment estimates show an increase of 3 million people working during the fourth quarter of 1976 as compared with the fourth quarter of 1973.⁸ This will rank as one of the largest gains in employment ever recorded during a 12-month period. Employment (seasonally adjusted) increased each month during 1976, with the exception of a slight pause in June and September. A large increase in employment of nearly 700,000 (0.8%) was recorded in April. After modest increases during July and August and a decline in September, employment increased to 88.7 million in November, 1976.⁹ The April, 1976, increase in employment was one of the largest recorded in any one month following the 1973-75 recession.

Because of a large expansion in the labor force, sharp increases in employment in 1976 had only a limited impact upon unemployment. Among young persons unemployment was extremely acute. From the fourth quarter of 1975 to the fourth quarter of 1976, unemployment dropped an estimated 400,000. The November, 1976, unemployment rate of 8.1% was down from the 8.9% peak of 1975, but above the average for the first three quarters of 1976.

The labor force and employment will climb to record levels in 1977. Employment should increase to 90.6 million by the fourth quarter of 1977. This would mean a gain over the fourth quarter, 1976, of 2.5 million. Unemployment is estimated to decrease by about 400,000 as growth of the civilian labor force slows to 2.1 million. The unemployment rate by year-end should be around 7%.

The expected tax rebate will contribute toward expanded employment and should decrease unemployment. The rebate is expected to be about \$15 billion, which will reduce unemployment from approximately 8.0% to 7.0% (average for the year).¹⁰ Any reduction in unemployment below 7% (Continued on page 4)

⁶ Female labor-force participation rates were expected to rise during this interval, 1967-1976, but few expected the dramatic increases during the past decade. Female increases are attributable to the last of the post-World War II babies leaving home, to higher educational attainment among women, and to women's rising career aspirations.

⁷ U.S. Department of Labor, op. cit., p. 49.

⁸ Deborah P. Klein, "Employment and Unemployment in the First Half of 1976," *Monthly Labor Review*, Vol. 99, No. 8, August, 1976, pp. 9-12, and U.S. Department of Commerce, *Employment and Earnings*, Vol. 23, No. 5, November, 1976, Table A-1.

⁹ Department of Commerce, op. cit., Table A-1.

¹⁰ Without the tax rebate, unemployment is expected to decline to about 7.2% by year-end.

(The Review and Outlook column, which usually appears in this space, will be resumed in the next issue.)

(continued from page 3) will require increased stimulus, for instance, tax relief beyond \$15 billion or a pronounced upturn in capital spending.

NEBRASKA EMPLOYMENT AND UNEMPLOYMENT

It is extremely difficult to make a sensible statement regarding the impact of increased national employment on employment in Nebraska. Employment will increase in Nebraska in 1977, but it does not follow that unemployment will decrease. The labor force is the key variable which will influence the magnitude of Nebraska unemployment. If the labor force expands more rapidly than employment, unemployment will rise despite the increase in employment. If expansion of the labor force is below the rise in

employment, unemployment will decline.

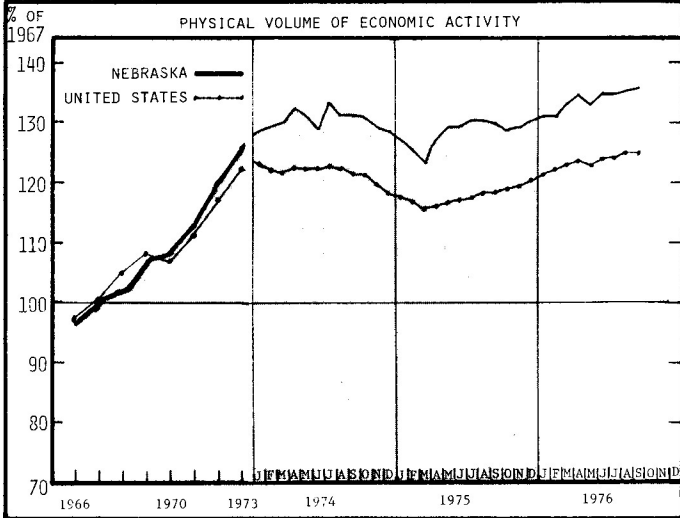
A case can be made for either point of view. A substantial rise in the Nebraska labor force could be expected because of its decline during the 1973-75 recession. The contraction of the labor force was sharp and substantial in some Nebraska communities. Many of these discouraged workers may return to seek employment as job openings expand. Recent experience at the national level indicates that more jobs are likely to encourage entry into the labor force.

On the other hand, a case could be made for labor force expansion equal to or less than the expansion in employment. Fewer new entrants and an (Continued on page 5)

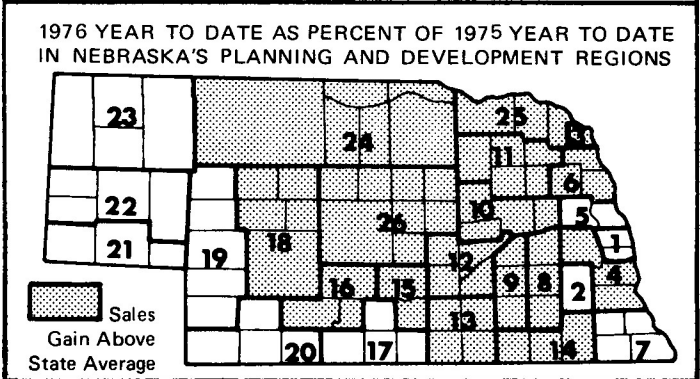
Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume indicator and its components adjusted for price changes using appropriate price indexes—see Table 5, page 5.

ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES				
1. CHANGE FROM PREVIOUS YEAR				
September, 1976	Current Month as Percent of Same Month Previous Year		1976 Year to Date as Percent of 1975 Year to Date	
	Nebraska	U.S.	Nebraska	U.S.
Indicator				
Dollar Volume	106.4	110.7	109.6	111.2
Agricultural	91.6	97.0	103.9	109.7
Nonagricultural	109.5	111.2	110.8	111.3
Construction	102.4	109.6	92.0	111.2
Manufacturing	110.7	114.0	109.3	113.2
Distributive	109.0	110.8	112.9	111.1
Government	112.5	107.8	110.8	108.6
Physical Volume	104.4	105.4	104.3	105.4
Agricultural	112.4	102.9	104.2	107.0
Nonagricultural	103.0	105.5	104.4	105.4
Construction	95.8	102.6	87.9	106.3
Manufacturing	108.3	109.1	106.1	108.1
Distributive	103.3	105.0	106.5	104.8
Government	96.5	101.5	98.0	102.4
2. CHANGE FROM 1967				
Indicator	Percent of 1967 Average			
	Nebraska	U.S.		
Dollar Volume	238.7	218.8		
Agricultural	245.9	222.2		
Nonagricultural	237.4	218.7		
Construction	198.5	186.2		
Manufacturing	257.4	208.3		
Distributive	233.1	224.5		
Government	242.3	231.3		
Physical Volume	135.1	124.5		
Agricultural	143.3	121.6		
Nonagricultural	133.6	124.6		
Construction	97.8	91.7		
Manufacturing	141.4	115.2		
Distributive	135.1	130.1		
Government	130.0	136.5		

3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES (Adjusted for Price Changes)			
Region Number ¹ and City	City Sales ²	Sales in Region ²	
	Sept., 1976 as percent of Sept., 1975	Sept., 1976 as percent of Sept., 1975	Year to date '76 as percent of Year to date '75
<i>The State</i>	98.2	99.8	111.0
1 Omaha	95.6	97.5	108.0
Bellevue	84.0		
2 Lincoln	100.0	102.5	109.2
3 So. Sioux City	111.9	108.5	111.5
4 Nebraska City	115.0	104.5	111.2
5 Fremont	94.4	94.7	109.6
Blair	103.1		
6 West Point	82.8	84.8	114.9
7 Falls City	85.1	93.8	105.8
8 Seward	90.5	91.9	113.8
9 York	97.9	100.8	115.1
10 Columbus	99.3	99.4	117.9
11 Norfolk	95.3	98.3	117.6
12 Grand Island	103.9	100.7	112.3
13 Hastings	100.0	97.0	111.2
14 Beatrice	98.4	99.6	114.3
Fairbury	99.4		
15 Kearney	101.5	103.2	117.8
16 Lexington	98.1	99.8	115.5
17 Holdrege	94.9	94.3	107.1
18 North Platte	119.2	121.3	117.5
19 Ogallala	102.5	96.1	104.5
20 McCook	101.4	95.7	107.7
21 Sidney	101.8	89.7	102.3
Kimball	70.1		
22 Scottsbluff/Gering	99.6	96.9	106.9
23 Alliance	96.4	99.4	109.1
Chadron	99.8		
24 O'Neill	116.7	115.3	124.6
25 Hartington	92.3	134.1	120.5
26 Broken Bow	93.7	99.2	118.6



¹ See region map below.
² Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales; city totals exclude motor vehicle sales.
 Compiled from data provided by Nebraska Department of Revenue.



(Continued from page 4) expected slowdown in the rate of increase of female entrants could dampen expansion of the labor force to levels below that observed in the last few years.

At the national level, employment is forecast to increase by more than two million, and unemployment is expected to decrease. These factors will influence employment and unemployment in Nebraska, driving unemployment down and employment up in the state. Employment is forecast to increase to 607,800 by the fourth quarter of 1977. Unemployment will drop below 4% during 1977; the final annual average will be determined as much by the expansion of the labor force as by the increase in employment. Unemployment in Nebraska will remain at about half the national average during 1977.

The strongest labor markets in Nebraska are Lincoln and the out-state labor markets. Unemployment in Lincoln was down 3.2% in September, 1976, and seems headed slightly lower. The Lincoln labor market will continue to be one of the tightest labor markets in the state. Stability is a key element, with government and services employing a large proportion of the Lincoln labor market. According to preliminary reports from central and western Nebraska, these labor markets are extremely tight. Vacancies exceed available employees by a considerable margin. The Omaha labor market has been relatively weak during much of 1976. Unemployment here has exceeded 6% during 1976. In August and September, the Omaha labor market began to improve, and there are indications that this trend will continue into 1977. Unemployment dropped from 7.3% to 6.7% in Omaha from August to September, 1976. A two-month period does not constitute a trend, but, based upon preliminary information, further declines are anticipated in unemployment in Omaha.

In 1977, it appears that unemployment will experience further declines in Nebraska. An improvement in the unemployment rate in Omaha is expected, with unemployment moving below 6% during the second quarter of 1977. For the year, unemployment should decline to about 3.8% in Nebraska, perhaps dropping as low as 3.5% at some point. This is about as low a rate of unemployment as possible without economic strain.

NEBRASKA EMPLOYMENT BY SECTOR

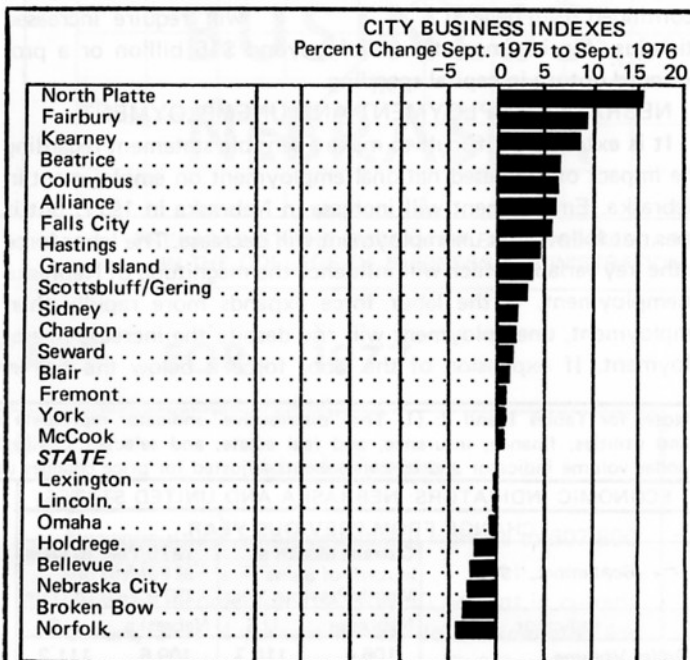
A sector employment forecast for Nebraska is summarized in Table 3, page 6. Preliminary employment data, which are subject to revision, were used in preparing the forecast. The sector employment forecast is subject to the largest margin of error because of uncertainties in the data base.¹¹

Total nonagriculture employment (Continued on page 6)

¹¹Sector employment forecasts for Nebraska were developed by Charles Bare, Bureau of Business Research, University of Nebraska-Lincoln. The estimating equations are shown on page 6.

5. PRICE INDEXES			
September, 1976	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	172.6	105.5	106.0
Commodity component	167.0	103.9	104.6
Wholesale Prices	184.7	103.9	104.8
Agricultural Prices			
United States	182.8	94.2	102.6
Nebraska	171.6	81.5	100.3

*Using arithmetic average of monthly indexes.
Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.



Source: Table 4 below.

4. SEPTEMBER CITY BUSINESS INDICATORS			
The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Banking Activity ¹ (Adjusted for Price Changes) ⁴	Building Activity ²	Power Consumption ³
<i>The State</i>	101.7	128.4	89.5
Alliance	97.6	718.0	95.2
Beatrice	114.2	138.8	93.9
Bellevue	106.8	108.6	103.3*
Blair	104.7	75.5	93.0
Broken Bow	93.2	210.1	84.9
Chadron	102.2	125.4	101.1
Columbus	121.7	70.4	89.1
Fairbury	108.7	260.7	111.8*
Falls City	119.8	127.5	124.4
Fremont	106.1	112.5	101.3*
Grand Island	103.9	95.5	112.0
Hastings	109.6	142.6	95.5
Holdrege	93.2	143.9	104.2
Kearney	114.3	133.7	104.6
Lexington	80.7	383.9	125.1
Lincoln	99.3	129.5	87.1
McCook	99.5	135.4	89.5
Nebraska City	80.0	97.3	89.9
Norfolk	87.3	166.0	103.1
North Platte	111.0	229.1	94.6
Omaha	98.0	81.7	124.7*
Scottsbluff (Gering)	100.0	132.6	125.0
Seward	106.5	204.2	97.7
Sidney	98.7	155.0	98.9
So. Sioux City	NA	NA	NA
York	113.0	58.4	88.0

¹Banking Activity is the dollar volume of bank debits.
²Building Activity is the value of building permits issued as spread over an appropriate time period of construction.
³Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.
⁴Banking Activity is adjusted by a combination of the Wholesale Price Index and the Consumer Price Index, each weighted appropriately for each city.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

(Continued from page 5) is forecast to rise 5.7% (fourth quarter 1977 compared with fourth quarter 1976) to 607,800 by the fourth quarter of 1977. Larger employment gains will be recorded in the first two quarters than in the last two quarters of 1977. Additional stimulus, from capital spending, increased consumer spending, or a permanent tax cut, will be required to maintain employment expansion in the last half of 1977 at the same rate anticipated for the first half.

Table 3
NEBRASKA EMPLOYMENT FORECAST
BY SECTOR, BY QUARTER, 1977
(in thousands)

	1st Q	2nd Q	3rd Q	4th Q	Average for the year*
Manufacturing	90.6	91.6	92.0	92.4	91.6
Construction	29.7	30.5	31.1	31.5	30.7
Distribution	343.4	346.7	350.1	352.6	348.2
Government	126.8	127.6	129.6	131.3	128.8
Total:	590.5	596.4	602.8	607.8	599.4

*Average of four quarters. Totals may not add due to rounding.
Source: Forecast by the Bureau of Business Research, College of Business Administration, University of Nebraska-Lincoln.

Employment is expected to make the largest percentage gains in Nebraska's construction sector. A 10% increase is forecast, fourth quarter 1977 compared to fourth quarter 1976.

Manufacturing employment is forecast to expand by less than 3%. Estimated fourth-quarter employment in this sector is 92,400, about 2,600 above 1976 fourth-quarter levels (Table 3).

The distributive sector (retail and wholesale trade, finance, insurance, real estate, and services), the largest employment sector in Nebraska, is forecast to show a 5.5% increase in 1977. Employment is anticipated at 352,600, fourth quarter 1977.

Government employment is forecast to rise to 131,600 by the first quarter of 1977. Fourth-quarter 1977 employment in the government sector should be about 7% above that of the same quarter 1976. Recent data revisions in this sector have made forecasting more hazardous than usual.

NEBRASKA PERSONAL INCOME

Not all of the economic statistics are turning out to be bad news. Personal income in Nebraska, for instance, increased sharply in the second quarter of 1976. Nebraska personal income, as estimated by the Department of Commerce, Bureau of Economic

Analysis, increased to \$10.4 billion (in current dollars) in the second quarter, up 11% over a year earlier. Second-quarter gains were \$500 million (current dollars) over first quarter of 1976. Personal income in Nebraska has been increasing at a rate of 15% a year.

Continued gains for the balance of 1976 are expected. Increases for the remaining portion of the year, however, are likely to be somewhat less than those experienced in the first half of 1976. The slowdown, or pause, which has affected the national economy, has affected Nebraska as well. Lagging farm prices probably will reduce the rate of increase in personal income.

Continued gains in personal income are likely in 1977, with possible increases of 8 to 10%. Income increases will be below previous years, but, nevertheless, should allow for a 2 to 4% increase in real income. The one depressing area, as far as Nebraska personal income is concerned, is the farm sector. Declining commodity prices represent an area of considerable concern. It is hoped that the trough has been reached on commodity prices. Stable to slightly higher commodity prices in the first and second quarters of 1977 would be extremely reassuring toward continued prosperity in Nebraska.

DONALD E. PURSELL*

*The author wishes to acknowledge the helpful comments of Bureau staff in preparing this forecast.

EMPLOYMENT EQUATIONS

Quarterly

A. Manufacturing

$$\begin{aligned} \ln MEM = & .31557 + .33426 \ln MEMU + .47649 \ln MEM_{-1} \\ & (5.14) \quad (7.92) \\ & + .19592 \ln IPI \\ & (6.27) \end{aligned}$$

B. Distributive

$$\ln DEM = -12.26341 - .08329 \ln RSU + 1.48118 \ln DEMU \\ (-2.42) \quad (13.95)$$

C. Construction

$$\ln CEM = 5.65837 + .43473 \ln CEM_{-1} + .64637 \ln IPI \\ (3.95) \quad (5.19)$$

D. Government

$$\ln GEM = 6.21074 + .45990 \ln GEM_{-1} + .00574T \\ (2.32) \quad (2.60)$$

E. Total

$$EM = MEM + DEM + CEM + GEM$$

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