

ECONOMIC FORECAST FOR 1981

SUMMARY

National Economy

In 1981:

- Gross National Product will increase 1 percent in real terms.
- Inflation, as measured by the CPI, will average 11 percent.
- Unemployment rate will average 8 percent.
- Prime interest rate will average 13 percent.

Nebraska Economy

In 1981:

- Gross State Product will increase 4.0 percent in real terms.
- Unemployment rate will average 4.1 percent.
- Personal income will rise 11 percent in current dollars, 1 to 3 percent in real terms.

THE NATIONAL ECONOMY

The past year contained a varied menu of economic events and trends, few of which were encouraging. High inflation rates continued to plague the U.S. economy, with the rate reaching 14.7 percent in March and April when calculated from the Consumer Price Index on a year-to-year basis. Although the rate had declined to 12.6 percent by October, double-digit inflation (based on the CPI) was still present and the prospects for lowering inflation to the single-digit range look bleak over the short term. Oscillating interest rates also characterized 1980, with the prime rate on bank loans attaining 20 percent in the first part of the year. Rates then fell back rather dramatically as economic activity slowed in the second quarter. By the fourth quarter of the year, rates began a steady climb upward, with the prime rate again reaching 20 percent in the second week of December.

The long-awaited decline in economic activity occurred during 1980. Real Gross National Product decreased by a substantial 2.5 percent from the first quarter to the second quarter of the year. However, recently published figures for the third quarter of 1980 indicate that real Gross National Product increased very slightly from the second quarter. Thus, a dilemma has been created for recession pundits since the technical definition of a recession is two or more successive quarters of declines in real Gross National Product. This conflict between characterization and definition of a time span as a recession points out probable deficiencies in the definition. A 2.5 percent drop in real output (10 percent on an annualized basis) is indeed a major one-quarter drop, but technically it does not satisfy the reigning definition. Compare this state

of affairs with a second case in which real output declines in two successive quarters but does so by only, say, 0.1 percent in each quarter. Obviously, the former situation is worse in terms of economic growth and performance. Thus, some deviation from the current definition is justified.

Speculation has also arisen concerning the possibility of a "double-dip" recession, that is, a significant decline in real Gross National Product during the fourth quarter of 1980 and/or the first quarter of 1981. Belief in the double-dip recession has been spurred by the renewed surge of interest rates and the continued high inflation during the final months of 1980. Even though this second decline in real output may occur, it would not be as severe as that experienced during the second quarter of 1980.

On balance, the new year can be expected to be one of modest recovery from the recession for the U.S. economy. The consensus opinion of analysts suggests that the economy will not attain its pre-recession level of real output until the third or fourth quarter of 1981. The year as a whole should find real output at only 1 percent above the level posted in 1980. Sudden spurts or declines in economic activity are not anticipated, even in the face of fiscal policy revisions, such as federal tax cuts, which are almost certain to be enacted. Several factors contribute to this rather pessimistic forecast for the national economy. First, the high level of interest rates will be a negative influence upon economic growth, particularly in the areas of housing and construction. The growth of consumer expenditures is also adversely affected by high interest rates. At the present time, consumer debt is quite high and additions to debt for

(Continued on page 2)

(Continued from page 1) financing expenditures may proceed at a slow rate. Interest rates should eventually fall back during 1981, with the prime rate receding to the 13 percent range. This will encourage some recovery of consumer and business spending. Second, the anticipated tax cut in 1981 will probably not come until the second quarter of the year. Lags in response to the cut will delay its effects. Even then, the net stimulus of the cut will be reduced because of hikes in Social Security taxes. Third, continued inflation rates in double digits will cause a flat performance for real personal income during the year. It is uncertain whether consumers will resort to cutting their saving rates in order to increase real expenditures. The saving rate is already at a historically low level for the end of a recessionary period. An oil price shock, predicted by some analysts as a result of current circumstances in the Middle East, would cause further deterioration in the real income situation.

THE NEBRASKA ECONOMY

The new year of 1981 is expected to be a year of recovery from the recession for the state economy, with the pace of recovery for the majority of Nebraska sectors being moderate. When searching for a definition of a recession at the state level, it is most convenient to adapt the national definition (two or more successive quarterly declines in real Gross National Product) to the total Gross State Product (GSP) of the state. Unfortunately, there is a relatively long time lag before GSP can be calculated. For example, the most current GSP values available for Nebraska are for 1979, and even those figures are preliminary at the time of this writing. However, examination of Table 1 indicates that total GSP in real terms for Nebraska declined very slightly from the third quarter to the fourth quarter of 1979, signaling Nebraska's apparent entry into the recession. It is interesting to note that the Nebraska economy probably entered the recession before the national economy. The latter fell into the recession sometime during March 1980, although on a quarterly accounting basis the

signaling drop in real Gross National Product did not occur until the second quarter of 1980. As noted, there is no GSP information for Nebraska in 1980 as of yet, but the eventual reporting of those figures is expected to show real declines in at least the first two quarters of 1980. Several factors contribute to this belief, but the most support for it comes from the fact that real personal income in Nebraska declined from the third quarter of 1979 through the second quarter of 1980. Farm income during that time span was down significantly, having sustained a drop in real terms of 34 percent. Extreme variation over time in the farm income situation has been a characteristic of the Nebraska economy for some time.

To examine in more detail Nebraska's apparent lead of the national economy into the recession, it is useful to look at the growth rates of GSP, total and by industry, for the state during the fourth quarter of 1979. These rates are found toward the bottom of Table 1. The decline in total GSP was slight in that quarter, but the composition of that decline should be noted. Gross product in the agriculture sector declined by a substantial 10.3 percent, while the gross product of all other sectors of the state economy grew at a combined rate of 1.5 percent. The poor showing of the agriculture sector was severe enough to outweigh the combined gain of the other sectors. As the state economy entered 1980, the influence of a slowing national economy began to be felt, particularly in the manufacturing and construction sectors. Thus, Nebraska's lead of the national economy into recession was the result of a weakening in the agriculture sector which occurred shortly in advance of the more broadly based decline.

The extreme variation in the gross product of the agriculture sector in Nebraska has led the entire state economy on a roller coaster ride for the past several years. Table 1 lists the quarterly growth rates of gross product by industry, of total GSP, and of U.S. Gross National Product over 1977 through 1979. An index of the variation in the growth rates of these respective aggregates,

Table 1
PERCENTAGE RATES OF GROWTH BY QUARTER, 1977-1979
REAL U.S. GROSS NATIONAL PRODUCT AND NEBRASKA REAL GROSS STATE PRODUCT ACCOUNTS

Quarter	Total U.S. GNP	Total Nebr. GSP	Total Nebr. Non-Ag. GSP	Ag.	Manuf.	Constr.	Govt.	F.I.R. ¹	T.C.U. ²	Serv. ³	Trade	Mining
1977-I	2.1	2.6	1.4	11.5	4.2	2.6	1.2	-0.8	0.7	-0.4	2.1	10.0
1977-II	1.2	0.3	0.5	-0.6	0.6	0.4	-0.3	2.5	-1.0	-0.1	0.4	-8.8
1977-III	1.7	2.4	1.5	8.3	1.2	-1.0	0.9	1.0	3.4	0.5	2.8	3.6
1977-IV	0.5	6.2	0.1	44.1	-0.5	-3.2	2.4	3.0	1.9	1.3	-4.3	-3.2
1978-I	0.5	-9.9	-2.5	-42.1	-4.5	-7.5	-1.7	-3.3	-2.7	2.1	-1.7	7.9
1978-II	2.0	6.3	4.7	18.3	10.0	13.7	0.7	3.6	2.8	2.1	4.4	-6.8
1978-III	0.9	-0.01	2.3	-15.4	2.6	1.7	2.6	2.6	2.1	1.9	2.1	-0.9
1978-IV	1.4	6.5	1.5	45.6	1.7	0.4	2.7	0.4	4.8	0.3	0.3	3.5
1979-I*	0.3	-4.8	-0.7	-27.2	-1.8	-19.9	-1.7	-3.4	9.8	0.8	0.9	-12.1
1979-II*	-0.6	3.0	0.7	20.1	1.7	2.9	-0.1	2.4	-3.9	-1.7	2.9	4.5
1979-III*	0.8	0.4	1.7	-7.3	2.2	0.3	-0.4	1.3	3.3	3.1	1.4	-5.5
1979-IV*	0.5	-0.02	1.5	-10.3	-0.3	-3.3	0.5	3.6	3.3	2.6	0.9	7.7
Standard Deviation of Growth Rates	0.8	4.8	1.7	26.5	3.5	7.8	1.5	2.4	3.6	1.4	2.3	7.3

*Gross State Product figures are preliminary.

¹ Finance, Insurance, Real Estate.

² Transportation, Communication, Utilities.

³ Services.

known as the standard deviation, was calculated and appears on the bottom line of the table. The greater the standard deviation of the aggregate's growth rate, the more variation it has. For example, total GSP has been much more variable than its U.S. counterpart of Gross National Product during the time span. Thus, the Nebraska economy in total has been less stable than the national economy. However, if the agriculture sector is excluded from total GSP, the nonagriculture component of the state economy has been subject to much less variation. The standard deviation of nonagriculture GSP is comparable to that of U.S. Gross National Product. Next, focusing exclusively upon the agriculture sector, we see that its standard deviation of growth rates is extremely high. This crude analysis suggests that indeed it is the agriculture sector which accounts for a major part of the growth

rate variation in the state economy as a whole. Table 2 contains forecasts of selected economic variables for Nebraska in 1981. Forecasts are given for the four quarters of the year and for the year in total. The yearly value is calculated as either the average of the four quarters or as the sum of the four quarters, depending upon the manner in which the variable is measured. For example, the quarterly GSP items, the employment items, and personal income are measured in terms of annual rates so the yearly values of those items are averages of quarterly values. In contrast, sales and housing units are reported as quarterly flows so their yearly totals are obtained as sums. The 1979 totals for the variables are also reported in the table, along with the implied growth rates over the two-year period, 1979-1981. The year of 1979 was chosen for comparison with (Continued on page 6)

Table 2
NEBRASKA ECONOMIC FORECASTS
QUARTERLY, 1981:1 - 1981:4

	1981:1	1981:2	1981:3	1981:4	1981 Total	1979 Total	1979-1981 Growth Rate (percent)
Real Gross State Product - Total (millions of 1972 dollars, SAAR ¹)	10,717.1	10,791.6	10,825.3	10,965.6	10,824.6	10,407.6	4.0
Real GSP - Durables Manufacturing (millions of 1972 dollars, SAAR)	776.0	781.1	789.8	797.6	786.1	804.2	-2.3
Real GSP - Nondurables Manufacturing (millions of 1972 dollars, SAAR)	885.2	883.1	883.8	888.0	885.0	877.9	0.8
Real GSP - Agriculture (millions of 1972 dollars, SAAR)	1,410.1	1,448.8	1,436.8	1,530.3	1,456.5	1,301.8	11.9
Real GSP - Finance, Insurance, Real Estate (millions of 1972 dollars, SAAR)	1,754.1	1,767.4	1,782.0	1,790.7	1,773.6	1,683.6	5.3
Real GSP - Services (millions of 1972 dollars, SAAR)	1,034.8	1,038.0	1,041.7	1,047.0	1,040.4	985.9	5.5
Real GSP - Trade (millions of 1972 dollars, SAAR)	1,909.4	1,912.5	1,917.0	1,925.3	1,916.1	1,854.8	3.3
Unemployment Rate, NSA ²	4.6	4.0	3.8	3.9	4.1	3.1	---
Employment - Durables Manufacturing (thousands, NSA)	47.6	48.0	48.1	47.8	47.9	52.7	-9.1
Employment - Nondurables Manufacturing (thousands, NSA)	46.1	46.0	46.5	47.1	46.4	46.4	0.0
Employment - Construction (thousands, NSA)	25.1	31.1	33.0	29.8	29.8	33.5	-11.0
Employment - Finance, Insurance, Real Estate (thousands, NSA)	42.8	43.4	43.8	43.6	43.4	40.9	6.1
Employment - Services (thousands, NSA)	119.0	122.5	122.7	122.7	121.7	114.3	6.5
Employment - Trade (thousands, NSA)	167.1	171.6	172.8	174.0	171.4	164.0	4.5
Nebraska Personal Income (billions, SAAR)	15,347	15,829	16,248	16,866	16,073	13,668	17.6
Net Taxable Retail Sales (millions, NSA)	2,310.5	2,566.9	2,647.8	2,780.7	10,305.9	8,736.3	17.9
Housing Units Authorized for Construction (number, NSA)	1,142	2,600	2,212	1,829	7,783	9,117	-14.6

¹ SAAR - Seasonally adjusted at annual rates.

² NSA - Not seasonally adjusted.

Review and Outlook

Nebraska's real output declined in September compared to August. The physical volume index of the Nebraska economy slipped 1.1% in September. Nebraska's economy remains below peak 1979 levels and has now slipped somewhat from the July recovery levels.

The September decrease was attributable to a decline in agriculture resulting from reduced cash farm marketing receipts. The nonagriculture sector of the Nebraska economy also declined, but the decrease was much smaller than that of the agriculture sector.

The agriculture sector recorded a September-to-August output decrease of 5.6%. On a seasonally adjusted basis, cash receipts were down more than \$105 million when compared with August,

a 17.4% decrease. The September decline in agriculture cash receipts may not be representative of more extended trends, since receipts on a year-to-year basis are up \$16 million or 3.6%. Nationally, cash farm marketing receipts were down more than \$1.1 billion on a month-to-month basis, but up approximately \$300 million or 2.6% on a year-to-year comparison. Agriculture prices received continue to lag behind prices paid, with prices received increasing 8.8% on a year-to-year basis while prices paid are up 11.8%.

The nonagriculture sector of the Nebraska economy declined 0.4% in September. These sectors presented a mixed pattern in September, with construction and manufacturing recording increases and the distributive trade

(Continued on page 5)

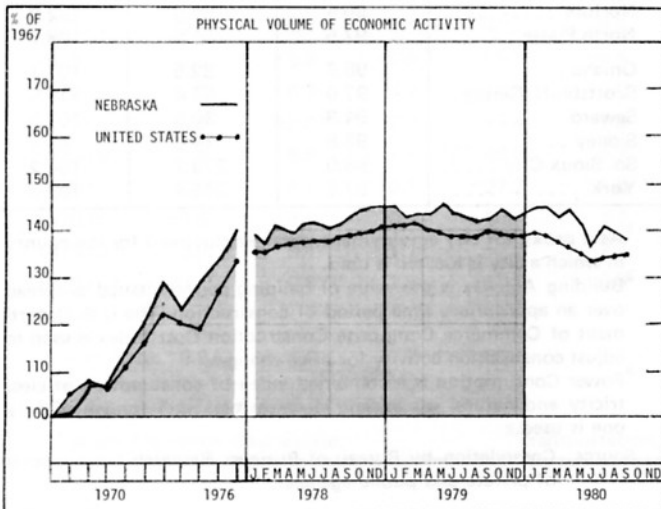
Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume 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 1980	Current Month as Percent of Same Month Previous Year		1980 Year to Date as Percent of 1979 Year to Date	
	Nebraska	U.S.	Nebraska	U.S.
Indicator	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	107.4	106.8	108.3	108.8
Agricultural	121.7	102.6	117.1	106.6
Nonagricultural	105.4	106.9	107.1	108.8
Construction	79.7	94.3	74.9	102.2
Manufacturing	111.1	106.7	112.7	109.6
Distributive	105.7	108.1	108.5	109.5
Government	105.6	107.0	105.2	106.8
Physical Volume	96.5	95.8	97.7	96.9
Agricultural	111.8	94.4	117.4	107.8
Nonagricultural	94.7	95.8	95.4	96.6
Construction	72.6	85.9	67.3	91.8
Manufacturing	98.5	94.6	99.5	95.5
Distributive	93.9	96.0	95.3	96.2
Government	98.8	100.9	98.1	101.8

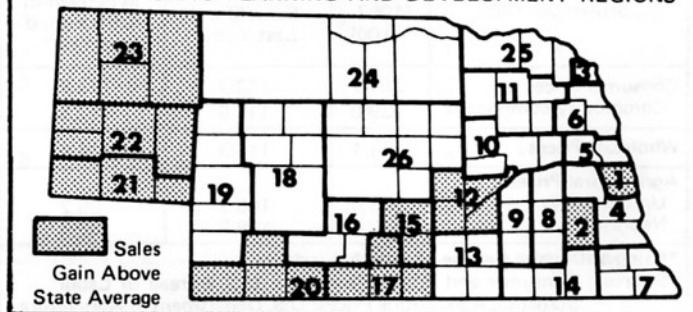
2. CHANGE FROM 1967		
Indicator	Percent of 1967 Average	
	Nebraska	U.S.
Dollar Volume	342.4	322.1
Agricultural	355.3	312.8
Nonagricultural	340.2	322.4
Construction	236.1	295.6
Manufacturing	354.9	288.5
Distributive	351.1	347.1
Government	330.2	308.4
Physical Volume	138.0	134.5
Agricultural	130.6	118.9
Nonagricultural	139.0	135.0
Construction	77.9	97.6
Manufacturing	160.2	129.7
Distributive	139.5	137.9
Government	138.2	150.0

3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES (Adjusted for Price Changes)			
Region Number and City	City Sales*	Sales in Region*	
	Sept. 1980 as percent of Sept. 1979	Sept. 1980 as percent of Sept. 1979	Year to date '80 as percent of Year to date '79
<i>The State</i>	92.0	91.0	90.0
1 Omaha	96.4	95.1	90.9
Bellevue	90.9		
2 Lincoln	93.2	92.5	91.1
3 So. Sioux City	84.3	81.9	87.8
4 Nebraska City	108.1	88.2	83.3
5 Fremont	91.5	92.2	85.9
Blair	104.9		
6 West Point	101.9	82.8	80.3
7 Falls City	97.7	85.0	84.8
8 Seward	106.2	91.5	85.9
9 York	98.5	92.2	87.9
10 Columbus	90.0	85.7	86.1
11 Norfolk	92.2	84.5	83.5
Wayne	68.8		
12 Grand Island	101.3	101.1	91.4
13 Hastings	90.9	92.2	88.1
14 Beatrice	81.9	85.4	86.7
Fairbury	87.1		
15 Kearney	94.7	97.3	89.1
16 Lexington	94.0	93.0	88.5
17 Holdrege	99.0	93.7	89.0
18 North Platte	89.4	87.8	84.0
19 Ogallala	100.7	104.1	88.2
20 McCook	99.4	101.9	91.7
21 Sidney	86.0	87.7	95.2
Kimball	98.1		
22 Scottsbluff/Gering	97.3	96.3	91.0
23 Alliance	87.5	89.8	91.0
Chadron	96.7		
24 O'Neill	100.6	90.8	84.2
25 Hartington	96.5	86.1	81.3
26 Broken Bow	94.9	95.0	86.8

*State totals include sales not allocated to cities or regions. The year-to-year ratios for city and region sales may be misleading because of changes in the portion of unallocated sales. Region totals include, and city totals exclude, motor vehicle sales. Sales are those on which sales taxes are collected by retailers located in the state. Compiled from data provided by Nebraska Department of Revenue.



1980 YEAR TO DATE AS PERCENT OF 1979 YEAR TO DATE IN NEBRASKA'S PLANNING AND DEVELOPMENT REGIONS



(Continued from page 4) and government recording decreases. Construction in September was 2.3% above the August level. Activity in the construction sector remains below year-previous levels, but is up more than 10% from the low point recorded in June 1980.

The manufacturing sector of Nebraska's economy recorded a slight increase in output, with the index increasing 0.5% in September. The index of manufacturing activity in Nebraska now stands higher than it has since May of 1980. On a year-to-year basis, manufacturing activity was little changed from September 1979. Over the course of the past year, output in the manufacturing sector expanded through February 1980 and then declined. The decline in manufacturing activity extended through August 1980, with the September increase being the first monthly increase in this sector since February. For purposes of comparison, the manufacturing index stood at 157.2 in September 1978, 162.6 in the 1979, and 160.2 in 1980.

Economic activity in the distributive trade sector declined in September from August levels by 0.9%. After recording a substantial increase in July 1980, the distributive trade index has drifted downward during the past two months. Output in this sector is below that recorded in September 1979 by more than 6%.

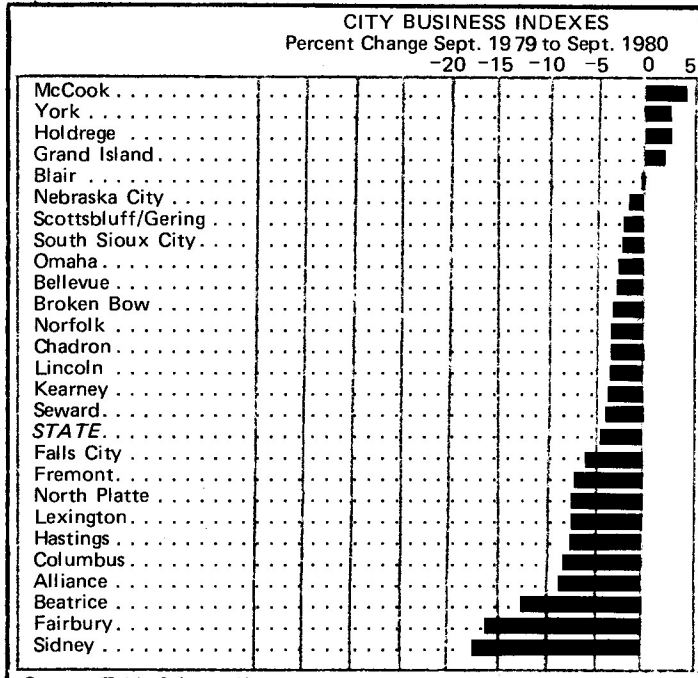
The index of activity in the government sector declined 0.3% in September compared with August. This index has changed very little during the past year and stands 1.2% below September 1979 levels.

A summary of the state's economy in September 1980 suggests an economy operating below year-previous levels, having made some modest comeback from the first and second quarter 1980 declines. The Nebraska economy in September could be characterized as sluggish.

September retail sales increased 1.5% on a dollar volume basis compared with year-previous levels. Dollar volume nonmotor vehicle sales were up 2.7%, while motor vehicle sales were down 8.7%. Since prices increased more than 12% over that interval, real retail sales were down 8% in September. The Consumer Price Index on a September-to-September basis recorded a 13.8% increase, with the commodity component of consumer prices increasing 12.5%. Wholesale prices were up even more over this same interval, recording a 14.4% increase.

Substantial gains in retail sales in September were recorded in Nebraska City and Seward, where real retail sales were up 8.1% and 6.2%, respectively. Real gains in retail sales were also recorded in Blair, up 4.9%; West Point, up 1.9%; Grand Island, up 1.3%; Ogallala, up 0.7%; and O'Neill, up 0.6%. Dollar volume gains nearly matching the rate of inflation were recorded in McCook, Holdrege, York, Kimball, and Scottsbluff/Gering.

D. E. P.



Source: Table 3 (page 4) and Table 4 below.

The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Employment ¹	Building Activity ²	Power Consumption ³
<i>The State</i>	97.7	79.2	103.8
Alliance	96.8	58.5	98.3
Beatrice	98.5	56.0	79.7
Bellevue	98.6	137.1	99.1
Blair	95.4	79.3	108.1
Broken Bow	97.5	58.0	122.3
Chadron	96.6	116.2	83.8
Columbus	95.9	37.0	116.7
Fairbury	97.1	18.9	74.3
Falls City	98.6	28.0	113.3
Fremont	100.1	59.4	84.1*
Grand Island	97.3	142.1	109.5
Hastings	97.6	54.4	95.9
Holdrege	97.0	48.2	170.6
Kearney	97.8	76.2	104.1
Lexington	96.1	43.5	100.9
Lincoln	98.5	77.9	107.3
McCook	96.6	85.6	165.2
Nebraska City	96.9	46.2	101.9
Norfolk	96.4	58.9	132.8
North Platte	97.5	51.5	108.7
Omaha	98.6	82.5	101.1
Scottsbluff/Gering	97.0	83.4	111.9
Seward	94.8	30.5	107.9
Sidney	95.8	14.0	86.4
So. Sioux City	98.0	279.7	104.2
York	97.0	245.4	102.5

¹As a proxy for city employment, total employment for the county in which a city is located is used.

²Building Activity is the value of building permits issued as spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Construction Cost Index is used to adjust construction activity for price changes.

³Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.

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

September 1980	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	251.7	112.7	113.8
Commodity component	239.0	111.6	112.5
Wholesale Prices	274.1	113.3	114.4
Agricultural Prices			
United States	263.0	108.7	99.2
Nebraska	272.0	108.8	99.9

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

(Continued from page 3) 1981 because data on the variables is not available for the full year of 1980.

All of the forecasts in Table 2 were generated from the Nebraska Quarterly Econometric Model-I, which was recently developed by the author under the auspices of a grant to the Bureau of Business Research. The model is a mathematical and statistical description of major economic variables of Nebraska and their interactions. Currently, the model is capable of forecasting approximately forty economic variables in the state.

The forecast for total GSP in 1981 indicates that the state economy will resume growth and finish the year with a 4 percent gain over 1979 in real terms. This anticipated performance would represent a healthy recovery from the recession of 1980. All industries will not share equally in this resumption of state growth. (Please note that all Nebraska sectors are not separately listed in Table 2.) The gross product of the durables manufacturing industry is not expected to reach its 1979 level, although there will be modest real growth in the industry throughout the year. This industry was hit relatively hard by the recession and recovery will be slow. Nondurables manufacturing is in a somewhat similar situation of slow real growth. However, the gross product of nondurables in 1981 will be slightly higher in real terms for 1981 than it was in 1979. The recession apparently did not hit nondurables as hard as durables manufacturing.

The gross product of the agriculture sector is forecasted to grow at a healthy rate during 1981 and post an 11.9 percent gain over 1979 in real terms. Several items support this contention, including the prospective strength of grain prices into 1981 and partial recovery of beef prices as the nation moves slowly out of the recession. The services sector and the finance, insurance, real estate sector are also expected to post percentage gains in their gross products which are above the average growth rate for the state total. Both of these industries have been fairly steady in their performance over time. Finally, the trade industry is forecasted to show real growth in 1981, but its rate of growth with respect to 1979 will be a bit lower than the state average.

The unemployment rate on a labor force basis during 1981 is expected to be highest (4.6 percent) in the first quarter, with rates in succeeding quarters being significantly lower. Two important characteristics of the unemployment rate should be noted. First, the rate is typically higher in the first quarter due to

standard seasonal factors. Second, unemployment can lag a business slowdown to some degree. However, the forecast of 4.6 percent for the rate in the first quarter may seem a bit high and a rate closer to 4 percent would come as no surprise. As in the case of gross product, some sectors will experience employment gains while some will have losses.

Employment in durables manufacturing during 1981 is expected to be 9.1 percent below the level of 1979 due to the impact of the slowdown in 1980 and the modest pace of recovery in the sector during 1981. However, employment in nondurables manufacturing will attain the level posted in 1979. The employment situation in construction is not expected to show any improvement, with an average of 29,800 workers on the job in 1981 compared to an average of 33,500 in 1979. Volatile interest rates and the resulting scheduling problems for construction projects introduces instability in the construction employment situation. But employment in the trade sector, the services sector, and the finance, insurance, real estate sector will show gains in 1981 over 1979. Growth in these sectors will serve to offset the employment declines in durables manufacturing and construction and keep the Nebraska unemployment rate at characteristically low levels.

Personal income, after declines during 1980, is forecasted to grow at a healthy pace in 1981 and show a gain of 17.6 percent over 1979 in current dollar terms. After adjustment for inflation, the real growth rate over the two years will be in the 0 to 2 percent range. The upward movement of personal income over the quarters of 1981 should be fairly constant, with perhaps a slight slowing of the trend between the second and third quarters of the year. Net taxable retail sales are expected to grow at about the same rate as personal income, finishing 1981 at a level that is 17.9 percent above sales in 1979. Sales during the first six months of 1980 were extremely sluggish, with the motor vehicle component of total sales showing substantial drops. Thus, the relatively optimistic forecast of total sales for 1981 depends upon a partial rebound of motor vehicle sales.

Finally, the number of housing units authorized for construction in Nebraska during 1981 will remain below their 1979 total. There were 9,117 units authorized in 1979, but roughly 7,800 are expected for 1981. However, the 1981 forecast does represent an improvement over 1980 when only 2,721 units were authorized during the first six months.

J. R. S.

-6-

UNL News

BUSINESS IN NEBRASKA

PREPARED BY BUREAU OF BUSINESS RESEARCH

Member, Association for University Business & Economic Research

Business in Nebraska is issued monthly as a public service and mailed free within the State upon request to 200 CBA, University of Nebraska-Lincoln 68588. Material herein may be reproduced with proper credit.

No. 436 January 1981

UNIVERSITY OF NEBRASKA LINCOLN

Robert H. Rutford, *Interim Chancellor*

COLLEGE OF BUSINESS ADMINISTRATION

Gary Schwendman, *Dean*

BUREAU OF BUSINESS RESEARCH

Donald E. Pursell, *Director*

Charles L. Bare, *Statistician*

Jerome A. Deichert, *Research Associate*

Anne M. Ralston, *Research Associate*

James R. Schmidt, *Research Associate*

Jean T. Keefe, *Editorial Assistant*

Publications Services & Control
University of Nebraska-Lincoln
Nebraska Hall—City Campus
Lincoln, Nebraska 68588

The University of Nebraska-Lincoln does not discriminate in its academic, admissions, or employment programs and abides by all federal regulations pertaining to same.