

# BUSINESS IN NEBRASKA

Prepared by the Bureau of Business Research, 200 College of Business Administration, University of Nebraska, Lincoln, NE 68588-0406, 402/472-2334

## PROFILE OF OMAHA MSA PERSONAL INCOME

This article profiles the Omaha Metropolitan Statistical Area (MSA) in terms of personal income growth and composition. Omaha's income structure, as characterized by primary sources and industry sources, is compared to the income structures for Nebraska as a whole and the United States. Most of the analysis is conducted for selected years during the twenty year period from 1965 to 1984. Income data used in this article are the latest available data (April 1986) published by the Bureau of Economic Analysis of the U.S. Department of Commerce. In the following narrative, any reference to Omaha income refers to Omaha MSA income.

The Omaha MSA includes the Nebraska counties of Douglas, Sarpy, and Washington, together with Pottawattamie County in Iowa. Omaha consists of metropolitan areas bordering both banks of the Missouri River, which form a unique geographic and socio-economic entity with economic characteristics often at variance with stereotyped perceptions of farm belt economies. Stated differently, Iowa and Nebraska are agricultural states whose overall economies are influenced to a great extent by the fortunes and/or misfortunes of the farm sector. (The current farm crisis underlines the importance of agriculture to the economies of Iowa and Nebraska.) The foregoing description, however, is not necessarily an accurate description of Omaha, whose economy more closely resembles the national economy in terms of income growth and composition. Specifically, farm earnings accounted for only 1.4 percent of total Omaha earnings in 1984. This presentation does not intend to downplay the importance of agriculture to the Omaha economy, but to clarify the importance of agriculture relative to Omaha and the state.

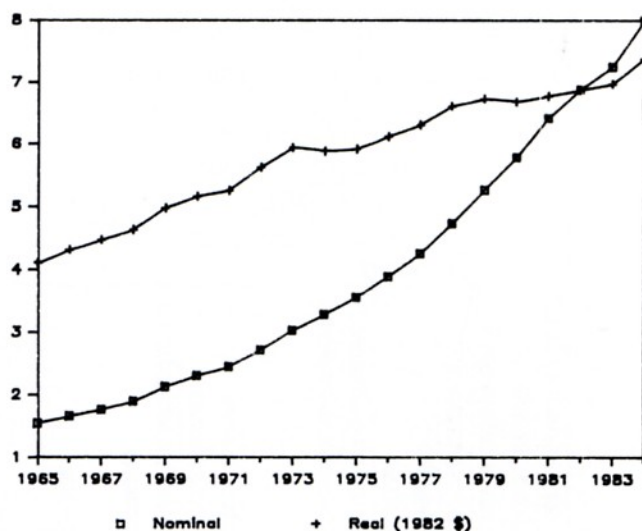
In this article, income differences and similarities between the Omaha economy and the Nebraska and U.S. economies will be presented and analyzed. The main objective is to provide an overview of the Omaha area with respect to income changes and to identify sources and sectors where such changes have occurred.

### INCOME GROWTH 1965-1984

Nominal personal income for the Omaha MSA was estimated at \$8.0 billion in 1984, up 416 percent from the \$1.5 billion reported during 1965. In real terms (1982 dollars), the corresponding income gain was 80 percent. Figure 1 illustrates the growth of nominal and real income for Omaha during the 1965-1984 period. Omaha personal income has ranged between 37.4 percent and 41.6 percent of Nebraska income. From 1965 to 1984, Omaha income averaged 40.2 percent of Nebraska personal income.

During the period studied, real income growth for the Omaha area lagged behind that of Nebraska and the United States. From

FIGURE 1  
Omaha Personal Income  
(billions of dollars)



1965 to 1984, annual changes in U.S. personal income exceeded Omaha income growth on 14 occasions. The average annual percentage change in personal income was 3.16 percent for Omaha, while the nation realized a 3.63 percent average yearly income gain from 1965 to 1984.

With an average annual increase of 3.34 percent, real income movement for Nebraska exceeded Omaha's growth rates during 10 of the 19 annual periods of change (Figure 2). Income growth rates for Omaha, however, are more stable than Nebraska income changes.

From 1965 to 1984, no declines in real personal income were realized at the national level, although income growth slowed dramatically during the 1974-1975 and 1980 recessions. Although U.S. income gains have outpaced Omaha income changes, the patterns of income growth for the two regions are similar. With only two declines occurring over the period, real Omaha personal income tracked national income growth more closely than it tracked Nebraska income growth (Figure 3).

Compared to Omaha and the United States, Nebraska exhibited more volatility in real income movement, registering five declines in real personal income since 1965. The largest drops in Nebraska personal income correspond to the recessions of 1974-1975 and 1980. The farm income component, which tends to fluctuate more than nonfarm income, is the culprit usually responsible for wide swings in the annual growth rate of Nebraska personal income. During the 1965-1984 period, estimated farm income for the state ranged from a low of \$0.4 billion in 1980 to

FIGURE 2

% Changes in Real Personal Income

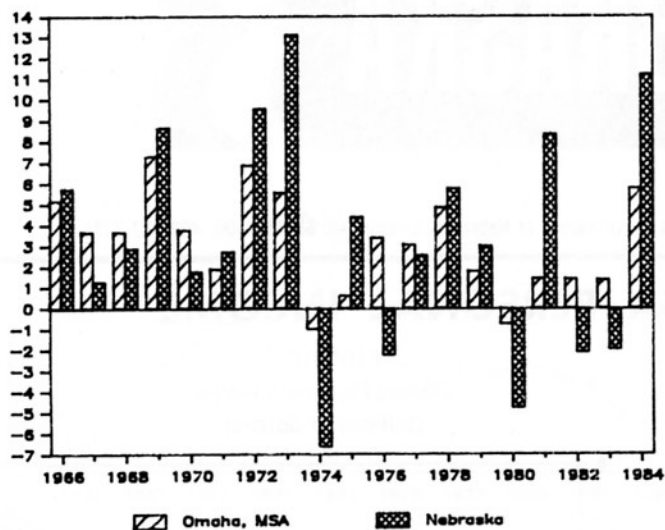
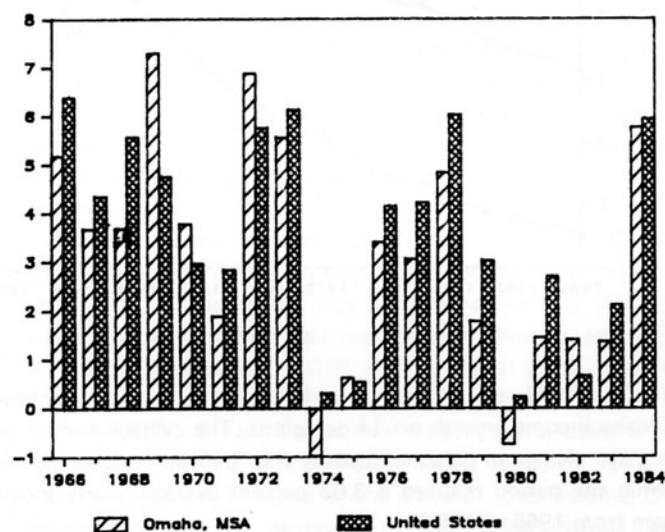


FIGURE 3

% Changes in Real Personal Income



a high of \$1.6 billion in 1984, a 324 percent change. Drastic changes (both increases and decreases) in farm income can occur at any time due to the nature of the industry.

PRIMARY INCOME SOURCES FOR THE UNITED STATES

Primary sources of personal income include the following: 1. wages and salaries plus other labor income (henceforth referred to as "labor income"), 2. proprietors' income, 3. transfer payments, and 4. dividends, interest, and rent (henceforth referred to as "DIR income").

The largest income source historically has been labor income. The primary components of labor income are wages and salaries. "Other labor income" largely consists of employer contributions to private pension and welfare plans. In 1965, U.S. labor income accounted for 68.3 percent of total personal income (Figure 4). By 1984, the labor income share declined to 63.7 percent.

Proprietors' income is the income, including income-in-kind, of proprietorships and partnerships and of tax exempt cooperatives. Proprietors' income as a share of personal income dropped sharply over the period, plummeting from 10.3 percent of 1965 income to a 4.9 percent share in 1984. The largest (and only) gains in the share of total personal income were realized in transfer payments and DIR income. Transfer payments are income payments to persons for which they do not render current services and include payments to individuals by government and business. The share for combined transfer payments and DIR income increased from 21.4 percent in 1965 to 31.4 percent of 1984 total income.

PRIMARY INCOME SOURCES FOR NEBRASKA AND OMAHA

For the Omaha MSA, the percentage composition of primary income sources is similar to the national breakdown, but differs considerably from the income composition for Nebraska as a whole. As illustrated in Figure 4, the Omaha economy is more labor intensive than the state. In 1965, Omaha labor income accounted for 68.7 percent of total personal income. Over the twenty year period from 1965 to 1984, this share declined only slightly to 67.4 percent, reflecting the stability of the Omaha labor market. At the state level, labor income represents a smaller portion of total income than it does for Omaha. The 1965 labor income share for Nebraska was 54.5 percent, increasing to 54.8 percent in 1984 (Figure 4).

Combined transfer payments and DIR income accounted for 25.4 percent of Nebraska income in 1965; this share increased to 33.0 percent by 1984, surpassing the national share by a slim margin. For Omaha, the transfer payments--DIR share of personal income moved upward from 20.0 percent in 1965 to 26.3 percent in 1984, remaining well below the state share.

Mirroring the national trend, Omaha proprietors' income fell in share value, moving downward from 11.3 percent in 1965 to a 1984 value of 6.3 percent. Because of Nebraska's agricultural sector, proprietors' income accounts for a larger share of total income than it does for either Omaha or the United States. Proprietors' income represented 20.1 percent of Nebraska income in 1965, dropping sharply to 12.2 percent by 1984. The fall in state proprietors' income can be attributed, in part, to the historical decline in the number of farm proprietors.

OMAHA INCOME BY INDUSTRY SOURCE

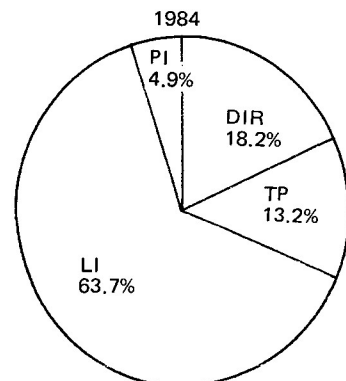
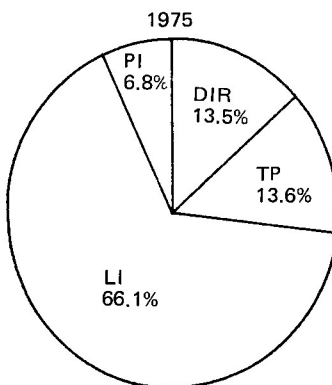
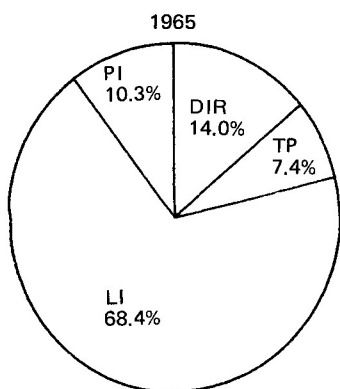
In this section, income by industrial sector is presented as a share of total earnings. Sector income (or earnings) consists of labor and proprietors' income. Around 1974, Omaha began the transition from a goods-producing economy to a services-oriented economy. As indicated by Figure 5, services income, measured as a percent of nonfarm income, exceeded manufacturing income from 1975 onward. The move away from a goods-producing economy toward services is a nationwide trend. The evidence presented in Figure 5 indicates that the income share gap between manufacturing and services may continue to increase for some time to come.

Omaha income by industry source for selected years is presented in Figure 6. The manufacturing, construction, and farm sectors of the Omaha economy have realized significant declines in their shares of total earnings since 1965. The manufacturing sector registered the largest decrease in the share of earnings, falling below 14 percent in 1984. Other sectors have either remained relatively stable or increased in terms of income shares.

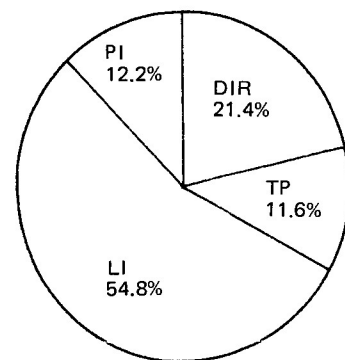
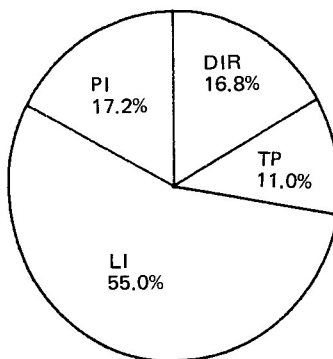
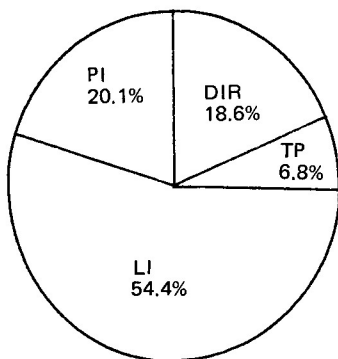
The most notable change over the period is the reversal in magnitudes of the income shares for the manufacturing and services sectors. Although the trade sector has remained fairly stable over the years, the retail trade share of nonfarm income surprisingly has declined from 11.0 percent in 1965 to 9.4 percent in 1984. The wholesale trade sector's share of nonfarm income, however, has increased slightly from 1965-1984.

FIGURE 4  
Primary Income Sources

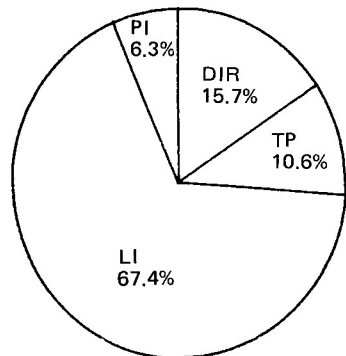
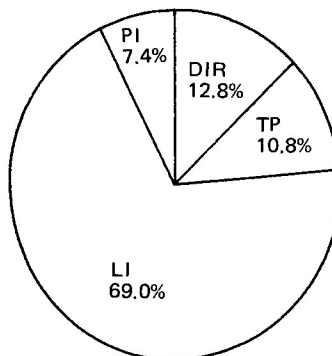
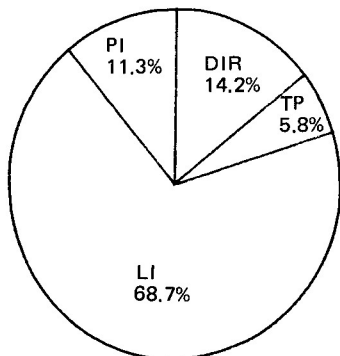
United States



Nebraska



Omaha MSA



PI = Proprietors' Income, DIR = Dividends, Interest, and Rent, TP = Transfer Payments, LI = Labor Income

## Review and Outlook

The Nebraska composite index of leading economic indicators jumped 0.8 percent during April 1986, the largest increase in the leading index since December 1985. Additionally, the revised March index rose 0.5 percent after being reported virtually flat in the June 1986 issue of *Business in Nebraska*. The March and April gains in the leading index follow a two month slowdown occurring at the beginning of 1986. (See Figure A.)

The April increase in the Nebraska composite leading index is the result of advances in four of the five seasonally adjusted component indicators of the Nebraska composite index of leading economic indicators. The only component indicator to decline

during April was the index of prices received by Nebraska farmers for all agricultural products, down 2.3 percent from the previous month. Table A lists the component indicators and the March-April symmetric percentage changes in the seasonally adjusted components.

Increases in the Nebraska leading index during the first half of 1986, in conjunction with no recent downturns, indicate the strong likelihood of continued improvement for the Nebraska economy until at least the end of 1986. Advanced data received for May point to another increase in the Nebraska leading index. It should be noted, however, that much of the upswing in economic activity has occurred in the metro areas of the state. The

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				
March 1986	Current Month as Percent of Same Month Previous Year		1986 to date as percent of 1985 to date	
	Nebraska	U.S.	Nebraska	U.S.
Indicator	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	na	na	na	na
Agricultural	na	na	na	na
Nonagricultural	102.7	104.4	102.7	104.9
Construction	98.2	106.3	95.4	105.9
Manufacturing	95.8	96.6	95.3	97.7
Distributive	103.3	106.6	103.5	107.0
Government	111.6	106.2	111.8	106.2
Physical Volume	na	na	na	na
Agricultural	na	na	na	na
Nonagricultural	100.3	102.5	99.6	102.3
Construction	94.4	102.2	92.0	102.1
Manufacturing	97.6	98.5	96.1	98.6
Distributive	101.0	104.3	100.4	103.8
Government	103.2	102.5	103.2	102.6

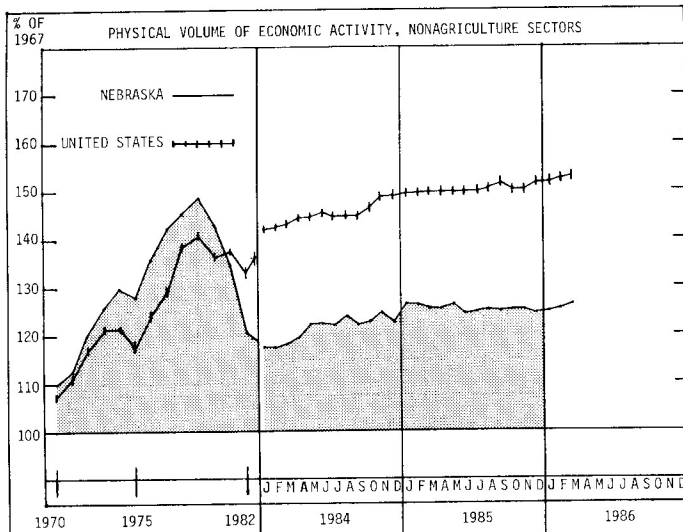
2. March 1986 CHANGE FROM 1967		
Indicator	Percent of 1967 Average	
	Nebraska	U.S.
Dollar Volume	na	na
Agricultural	na	na
Nonagricultural	378.7	468.6
Construction	271.0	472.2
Manufacturing	357.8	312.2
Distributive	390.5	554.2
Government	418.4	473.7
Physical Volume	na	na
Agricultural	na	na
Nonagricultural	126.2	152.7
Construction	73.8	128.7
Manufacturing	146.8	125.3
Distributive	119.8	170.0
Government	153.1	153.9

3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES				
Region Number <sup>1</sup> and City	City Sales <sup>2</sup>		Sales in Region <sup>2</sup>	
	March 1986 as percent of March 1987	March 1986 as percent of March 1987	1986 to date as percent of 1985 to date	1986 to date as percent of 1985 to date
<i>The State</i>	107.6	107.1	104.4	
1 Omaha	112.2	110.6	109.0	
Bellevue	107.7			
Blair	105.6			
2 Lincoln	110.7	109.0	108.1	
3 So. Sioux City	109.6	103.4	101.6	
4 Nebraska City	105.5	110.8	105.5	
6 Fremont	106.1	108.9	108.0	
West Point	107.7			
7 Falls City	106.6	114.3	105.0	
8 Seward	113.8	112.4	109.1	
9 York	119.3	114.7	107.4	
10 Columbus	113.5	110.5	104.6	
11 Norfolk	100.3	102.2	101.2	
Wayne	113.9			
12 Grand Island	101.0	103.6	100.8	
13 Hastings	109.4	110.8	104.4	
14 Beatrice	103.9	102.9	104.8	
Fairbury	97.3			
15 Kearney	102.9	104.4	103.4	
16 Lexington	86.2	96.0	95.5	
17 Holdrege	90.0	96.1	98.2	
18 North Platte	103.6	105.1	104.5	
19 Ogallala	108.6	102.2	97.1	
20 McCook	110.0	106.8	101.9	
21 Sidney	103.8	80.0	91.9	
Kimball	53.5			
22 Scottsbluff/Gering	110.8	112.0	103.5	
23 Alliance	107.2	106.5	97.9	
Chadron	109.2			
24 O'Neill	108.7	104.2	100.9	
25 Hartington	112.7	125.1	107.9	
26 Broken Bow	108.6	105.9	102.8	

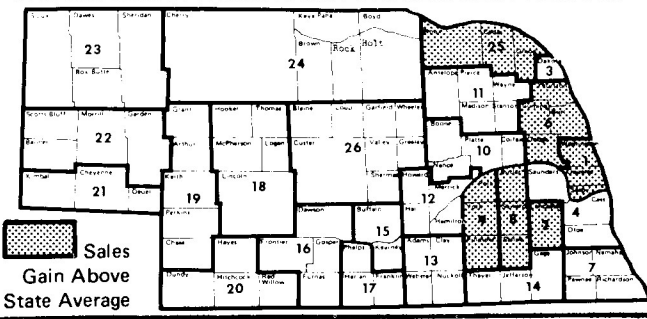
<sup>1</sup> See region map below.

<sup>2</sup> 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.



1986 YEAR TO DATE AS PERCENT OF 1985 YEAR TO DATE IN NEBRASKA'S PLANNING AND DEVELOPMENT REGIONS



impact of the agriculture crisis on the overall Nebraska economy should not be downplayed.

TABLE A

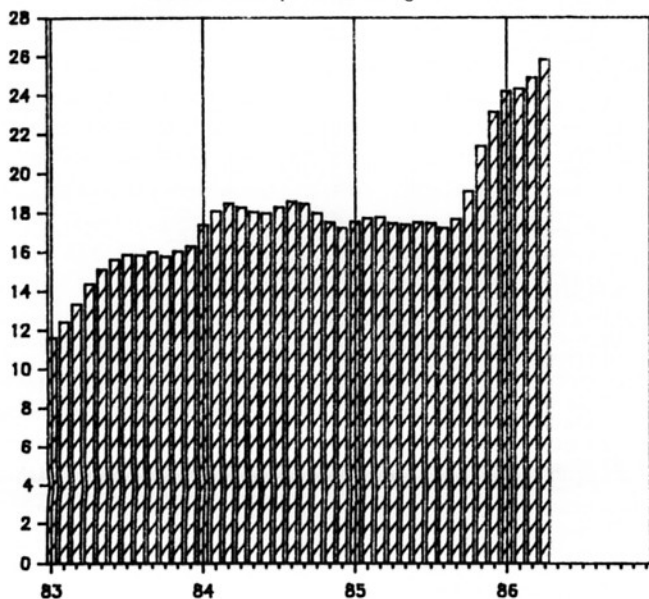
Percentage Changes\* in Seasonally Adjusted Component Indicators of the Nebraska Composite Index of Leading Economic Indicators

Component indicators	April 1986
Initial claims for unemployment insurance (inverted)**, Nebraska Department of Labor	+4.5
Number of residential dwelling units--new construction contracts**, F.W. Dodge of McGraw Hill	+29.5
500 common stocks Standard and Poor's Corporation	+2.4
Prices received for all farm products, Nebraska Crop and Livestock Reporting Service	-2.3
Average weekly earnings in manufacturing, Nebraska Department of Labor	+2.3

\*Percentage changes are computed to assure symmetrical treatment of positive and negative changes in the component indicators.

\*\*Claims and dwelling units are smoothed using an unweighted 3 month moving average. Percentage changes in claims are inverted by multiplying by -1.

FIGURE A  
Nebraska Composite Leading Index



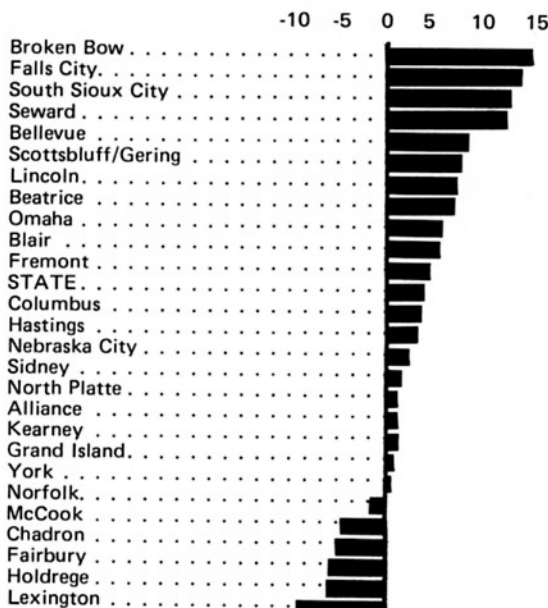
CHARLES L. BARE

5. PRICE INDEXES

March 1986	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices . . . . .	326.0	102.3	103.1
Commodity component	283.7	99.4	101.1
Wholesale Prices . . . . .	300.3	97.3	98.6
Agricultural Prices			
United States . . . . .	223.0	90.3	90.8
Nebraska . . . . .	218.0	92.4	91.2

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

CITY BUSINESS INDEX  
Percent Change March 1985 to March 1986



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

4. March 1986

CITY BUSINESS INDICATORS

The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Employment <sup>1</sup>	Building Activity <sup>2</sup>	Power Consumption <sup>3</sup>
<i>The State</i> . . . . .	101.3	88.9	101.6
Alliance . . . . .	98.5	66.4	103.3
Beatrice . . . . .	99.9	231.5	104.5
Bellevue . . . . .	101.7	204.7	105.4
Blair . . . . .	101.7	141.0	112.6*
Broken Bow . . . . .	100.5	885.7	98.4
Chadron . . . . .	103.3	10.7	89.2
Columbus . . . . .	99.9	56.2	109.7
Fairbury . . . . .	101.8	31.1	109.0
Falls City . . . . .	100.8	728.3	88.0
Fremont . . . . .	102.5	101.7	104.5*
Grand Island . . . . .	101.4	83.0	94.4
Hastings . . . . .	101.5	64.9	75.8
Holdrege . . . . .	99.3	75.4	93.0
Kearney . . . . .	101.1	77.2	86.7
Lexington . . . . .	100.5	53.0	91.7
Lincoln . . . . .	101.1	116.2	103.3
McCook . . . . .	101.8	12.8	87.8
Nebraska City . . . . .	100.1	93.6	106.7
Norfolk . . . . .	101.3	60.9	100.9
North Platte . . . . .	100.7	76.3	99.3
Omaha . . . . .	101.7	78.3	111.3
Scottsbluff/Gering . . . . .	101.3	127.1	80.3
Seward . . . . .	100.8	273.0	108.1
Sidney . . . . .	101.4	75.1	88.2
So. Sioux City . . . . .	105.4	287.8	120.2
York . . . . .	99.7	17.1	97.9

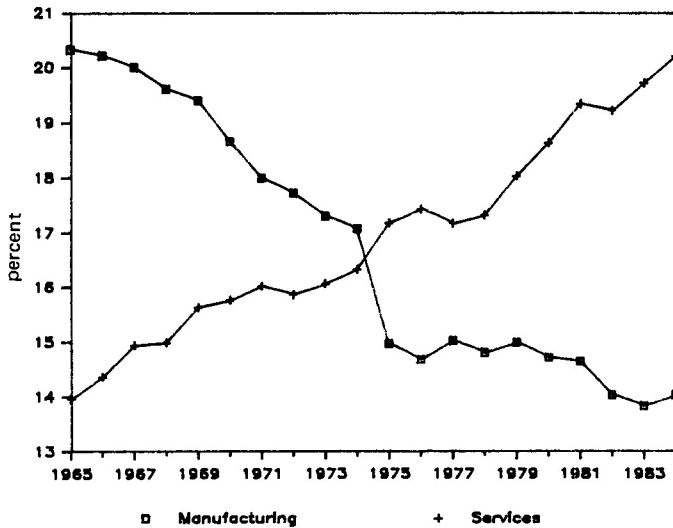
<sup>1</sup> As a proxy for city employment, total employment for the county in which a city is located is used.

<sup>2</sup> Building 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.

<sup>3</sup> Power 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.

FIGURE 5  
Sector Income Shares--Omaha



CONCLUSIONS

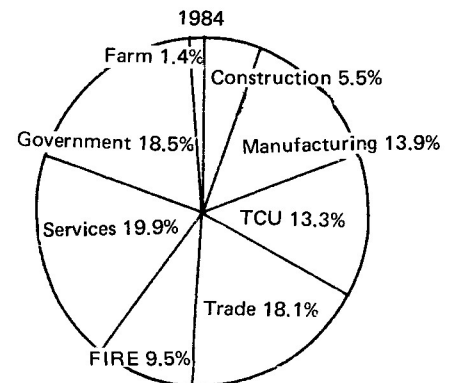
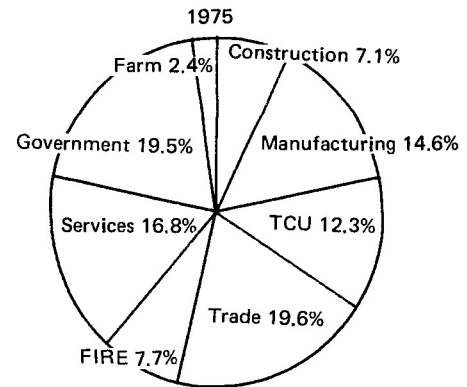
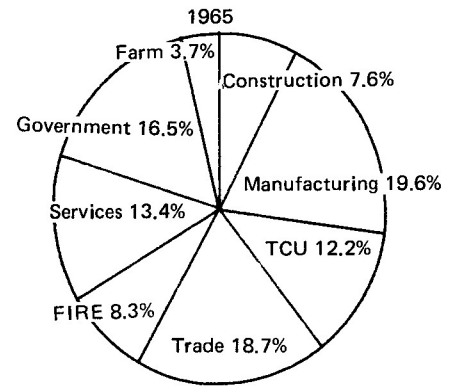
During the past twenty years, income growth for the Omaha MSA overall has lagged behind both Nebraska and the U.S. Annual income changes for Omaha, however, have tracked more closely the U.S. growth rates, indicating that Omaha behaves economically more like the nation than the state. Nebraska income growth exhibits a great deal of volatility due to the farm income component.

Primary income sources for Omaha resemble U.S. income sources in terms of the percentage composition over time. With respect to income shares, the Omaha economy is more labor intensive than Nebraska, but realizes a considerably smaller share of transfer payments and DIR income. At all levels, proprietors' income as a share of total income continues to decline.

Since 1974, Omaha has moved steadily from being a goods-producing economy to a services-oriented economy, reflecting a nationwide trend. In terms of the share of total income, Omaha services income has surpassed manufacturing income, and it appears that the gap will continue to increase.

CHARLES L. BARE

FIGURE 6  
Income by Industry Source--Omaha MSA



TCU = Transportation, Communication, Utilities  
FIRE = Finance, Insurance, and Real Estate

**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, Lincoln, NE 68588-0406. Material herein may be reproduced with proper credit.

Address correction requested.

Non-Profit Org.  
U.S. Postage  
**PAID**  
Lincoln, Nebraska  
Permit No. 46

July 1986 Vol. 41 No. 502

BUREAU OF BUSINESS RESEARCH

UNIVERSITY OF NEBRASKA-LINCOLN  
Martin A. Messengale, Chancellor  
COLLEGE OF BUSINESS ADMINISTRATION  
Gary Schwendiman, Dean

Donald E. Pursell, Director  
Charles L. Bare, Research Associate  
Jerome A. Deichert, Research Associate  
Douglas O. Love, Research Associate  
Margo Young, Editorial Assistant

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