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Business In Nebraska

In This Issue

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A Common Sense Guide for Surviving the Next Recession Some Do's and Don'ts

John S. Austin, Research Associate, Bureau of Business Research

Given the possibility of higher inflation, higher long-term interest rates, and a recession by the end of the year, it is reasonable to ask what can be done to protect investments or make money during a downturn. This article offers some basic do's and don'ts.

These recommendations are predicated on the idea that we will see higher rates of inflation and higher long-term interest rates. If these two trends do not materialize, such recommendations would need to be revised considerably.

Do's and Don'ts

1. Don't quit your current job. Quitting a job on the speculation that another one will be found soon is poor strategy in any circumstance, especially when a recession is near. If you insist on job-hopping, do it from a basis of being employed rather than being unemployed.

2. Don't buy long-term bonds. Oddly enough, some consultants are advising investors to buy long-term bonds. These consultants must not believe that inflation will increase over the next few quarters; consequently, they do not believe that long-term interest rates will rise.

How they reached such a conclusion in the face of roller coaster oil prices is difficult to understand. I foresee round after round of inflation ensuing from increases in wholesale prices. An immediate settlement of the Middle Eastern crisis could void my forecast. The probability of an early settlement, unfortunately, is small.

3. Do look for bargains. The time to jump into low priced investments is near. You first need to get your portfolio into a fairly liquid state. When things look most bleak or when the stock market is testing new lows is the best time for long-term investors to enter the stock market. Entering the stock market when the market is establishing new highs is a difficult way to make money unless one has particularly specialized knowledge.

4. Buy real assets? Many economists encourage investors to buy real assets when inflation is increasing. Today's dollars will buy relatively cheap assets that can be sold for a gain after inflation. Such a move is a correct course of action when faced with hyperinflation such as we saw in Germany before World War II, in China after World War II, or in Brazil in more recent days. But what real assets should we buy?

State Economic Scoreboard

Change from same month one year ago
See Review and Outlook on page 3 for more details

	State	Metro+	Nonmetro
Motor Vehicle Sales (July) Constant $	16.5%	14.4%	18.4%
Nonmotor Vehicle Sales (July) Constant $	0.4%	-3.9%	5.2%
Building Activity (July) Constant $	4.2%	8.3%	-1.1%
Employment (September)	2.8%	1.0%	4.7%
Unemployment Rate* (September)	2.1%	2.3%	2.0%

+Omaha and Lincoln. *Unemployment is this month's rate, not a percent change from year ago

Let's look at two major areas: real estate and other real assets. Real estate investment requires specialized knowledge. It is possible for real estate prices to fall rather than rise. Examples of this phenomenon are Texas in the mid 1980s or Midwestern agricultural land in the same time period.

Real estate is a good investment when you are sure of the location. Renovation has been a fairly hot investment area, but it is fraught with danger. Typically, renovated neighborhoods that have had the greatest return have been those that were formerly low income areas. Who is to say that a specific renovated neighborhood will see increases in value? Just because one or two investors are willing to try a specific neighborhood is no guarantee that the critical mass needed to move that neighborhood into a high rent area will be reached.

Real estate investors should know that construction costs form a floor for value and should be sure that construction costs are increasing. In Nebraska, real estate price inflation has been only moderate in the last decade. This trend contrasts sharply with real estate price trends on either coast. In Nebraska, there is plenty of available land for building. We do not have the rarity value that characterizes building lots in densely crowded areas such as California and New Jersey. Further, Nebraska residential construction laborers are generally paid less than their counterparts on either coast.

If you are in a stable job situation that will not be vulnerable to an economic downturn and are considering purchase of a new residence within a year, you should consider buying earlier than planned. If the long-term interest rate forecast is correct, mortgage rates will rise over the next several months. The trend of long-term interest rates must be balanced against Nebraska's generally firm real estate market. When the economy turns down, housing activity and housing prices could deteriorate. The buy now advice does not necessarily apply to the speculator, but may work for someone committed to an area and a job for the long term.

Advice on the question of what other real assets to buy is often fuzzy, silly, or fraudulent. It is imperative that investors avoid oddball investments, especially when they do not know the market underlying these investments. Even well-known assets such as gold or gold coins, art, or real estate have unique markets. There is no quicker way to lose your money than to invest in something with which you are unfamiliar or to deal with persons whose trustworthiness is not guaranteed. There is no free lunch.

5. Don't increase your debt. I cannot recommend that American consumers increase their debt for consumer purchases. Some economists have argued that if you are facing future inflation, you should buy now and increase your indebtedness to the maximum. The value of goods may increase in hyperinflation faster than will credit costs. But in the U.S. economy, it is difficult to encourage debt. Too many persons have paid a high price for overextending their personal credit. Furthermore, there is no guarantee that inflation will outpace credit costs. Instead, I expect to see inflation ratchet upward in the near term as we digest the oil price inflation. Then inflation should taper. Long-term interest rates tend to follow inflation levels.

6. Skilled investors should consider the options market. If you are a skilled options player, big bucks are available on the options market. It is critical to repeat that the underlying assumption is that inflation will increase and long-term interest rates will increase. The options market provides a legal way to bet that long-term interest rates will increase. This bet can be made with a put option on long-term bonds. The options market is a gamble. If you are not familiar with the options market, I strongly suggest that you should not consider it. If you do know about the options market, then review your own long-term interest rate forecast before jumping in.

Review and Outlook

John S. Austin, Research Associate
UNL Bureau of Business Research

National Outlook

The Budget Compromise—One More Time

Perhaps no other topic has consumed as much political capital and has bored, amused, interested, and frustrated the American public as much as the budget compromise of 1990. The budget compromise was (is) an important economic issue. We will summarize the results and then retire the subject.

In contrast to the initial compromise that was rejected by Congress, the new compromise allows a heavier dependence on a change in the income tax system and a smaller dependence on some of the regressive tax features of the original compromise.

The income tax bubble has been lanced. A new marginal tax rate of 31 percent for the richest taxpayers has been established. As a compromise, a capital gains tax rate of 28 percent also was set.

Furthermore, deductions are more limited for incomes above $100,000. The Medicare payroll tax was extended to wages up to $125,000. Federal gasoline taxes will increase a total of $5 billion a year, reflecting an increase from nine cents a gallon to 14 cents a gallon.

The tobacco tax was raised four cents per pack next year and an additional four cents in 1993. Alcohol tax will increase revenues $8.8 billion over the coming five year period. An air travel tax will raise nearly $12 billion. A luxury goods tax will raise $1.5 billion. Other tax increases will raise nearly $45 billion over the period.

In addition, two sets of tax breaks were given, one an earned income tax credit for the working poor and another for the nearly rich who had a reduction in their income tax marginal rate from 33 percent to 31 percent.

Medicare provisions of the first compromise were reduced sharply and now show an increase of $42.4 billion over the five year period. Defense reductions have been locked in at $182 billion over the five year period. The reduction in subsidies to farmers remains at $15 billion. Government employees will not be allowed to withdraw lump sums from their pension plan. Tighter rules will be applied to the Veterans Administration. User fees will be increased nearly $19 billion.

The budget compromise was essential. The actual deficit in fiscal year 1989 was $220 billion. The 1990 deficit was to increase beyond that–well over twice the Gramm-Rudman target of $100 billion. The largest single item that drove the budget deficit upward was the bailout of the thrift institutions.

Compared to the size of the deficit (or, more importantly, to the size of the total national debt), the corrections in the budget compromise are small. Nevertheless, they are symbolic and they are targeted to address the issue of declining confidence in government.

Consumer confidence plummeted in August. It also dropped in September. With nearly universal agreement that the economy was on the brink of a recession, it was imperative to reverse the drop in consumer confidence as rapidly as possible.

Recent Evidence and the Outlook

The third quarter Gross National Product (GNP) advance report increase of 1.8 percent in GNP was a surprise to many. This increase contrasted sharply with the anemic 0.4 percent increase in the second quarter. We need to break down the figures to understand where the increase originates.

The primary source of the increase was consumer spending. Total personal consumption expenditures in real terms increased 3.6 percent at annual rates in the third quarter. Advances in nonresidential investment were offset by decreases in residential investment combined with the change in business inventories. Net exports were negative for the third quarter. The government sector saw a small increase, primarily from additional state and local government expenditures.

GNP figures are some of the most frequently revised numbers. A major flaw in the advance third quarter release is that it shows a decrease in inflation. The implicit GNP deflator dropped from 4.7 percent in the second quarter to 3.4 percent in the third quarter. This decrease was reported despite rapid increases in oil prices in August and September.

The outlook for the fourth quarter is dismal. Consumer confidence is an overwhelming problem. Consumer spending accounts for two-thirds of total GNP. Although we have seen some recent moderation in oil costs, the gyrations of wholesale oil prices will drive a forecaster crazy. Wholesale oil prices momentarily went below $30 per barrel in October. Wholesale oil prices per barrel now stand in the mid $30s. The impact of these increased oil prices have yet to work their way through the economy.

The Producer Price Index increased 1.6 percent in September, equal to an annual rate of 20.9 percent. Gasoline prices rose 20.6 percent for September alone. A 1.6 percent increase in the Producer Price Index in September contrasted to a 1.3 percent increase in August. Consumer prices did not respond as sharply.

The Consumer Price Index rose 0.8 percent, approximately 9.6 percent at annual rates. Most of the increases came from the oil sector. If we exclude energy, the Consumer Price Index gained 0.4 percent.

A consensus of economic forecasters calls for a recession starting in the fourth quarter and running through the first quarter of next year. The sizes of projected decreases are small. The forthcoming recession is characterized as one that is shallow and short.

Similarly, the recovery from the recession will be one characterized by weak growth rates. This contrasts with the usual postrecession behavior where the strongest rates of increase over a business cycle are exhibited in the early stages of recovery. Thus, 1991 can be characterized as a *go nowhere* year for the national economy.

There is a small possibility that the shallow short recession will be echoed by another recession within a year. The theory is that the cleansing aspects of a recession will not occur because the recession was not long enough or deep enough. Thus, inflation will still run rampant, and characteristic problems of a weak economy will continue. Once that echo recession is over, the possibility for strong growth rates emerges.

The Return to Normal Growth

One may ask what is needed for a return to more rapid growth rates. The primary need is a settlement of the Middle East crisis. The relief from military involvement along with a resolution of the oil crisis could reduce prices.

Another element badly needed is the overall restoration of confidence in the U.S. economy. Perhaps a key element would be implementation of a deficit reduction resolution. Greater progress on deficit reduction would be a strong plus for restoring confidence. To make further progress would require spending cuts. All areas must be available for cutting. The Congress needs to find a way to establish and stick to an overall spending ceiling consistent with deficit reduction.

One other area for returning to high growth rates is the investment tax credit. I do not favor the capital gains tax as a way to stimulate investment. The capital gains tax favors those persons who make money by trading assets. What is needed is the creation of new assets. The investment tax credit is tied to the creation of new assets.

When a businessman or businesswoman invests in new plant and equipment, then a credit can be applied against his or her federal income tax liability. Trading of credits could be allowed so that investors could take advantage of investment spending whatever their tax position. Investment spending is key to rebuilding the strength of U.S. commercial and industrial structure.

Perhaps the last element in the list of things needed for a turnaround in growth rates is steady monetary policy. Flexibility can be allowed, but changes made by the Federal Reserve must be slow and predictable. A steady but flexible monetary policy will allow financial and business persons to anticipate changes in policy.

As an example, the Federal Reserve dropped the federal funds rate in mid-October from 8.25 percent to 8.0 percent. This reduction had been promised by the Federal Reserve if a reasonable budget compromise were reached. Whether the rate should have been dropped is a dilemma for the Fed.

Although it is desirable to fight recession, inflation is on the rise. There should be pressure to increase the federal funds rate within a fairly short period of time. We are losing foreign investors because of the relatively low interest rates paid on short-term securities in this country. Part of the dollar drop of recent days is related to the relative position of U.S. interest rates.

More Evidence on the Fragile Economy

The national unemployment rate rose to 5.7 percent in September versus 5.6 percent in August. The unemployment rate remained at 5.7 percent in October. These figures contrast to the 5.3 percent level that was sustained for nearly a year starting in April 1989.

Retail sales grew 1.1 percent in September after a meager increase of 0.4 percent in August. Industrial production advanced 0.2 percent in September. Housing starts dropped 0.6 percent, a level of 1,135,000 units at annual rates.

Table I
Income and Earnings in Nebraska*
($ Millions)

	Second Quarter 1988	Third Quarter 1988	Fourth Quarter 1988	First Quarter 1989	Second Quarter 1989	Third Quarter 1989	Fourth Quarter 1989	First Quarter 1990	Second Quarter 1990	% Change 1990:II vs. Year Ago
Income										
Total Personal Income	23,891	22,704	23,734	24,818	24,875	24,554	25,294	26,685	26,584	6.9
Nonfarm	21,260	21,548	22,003	22,543	22,990	23,366	23,799	24,182	24,493	6.5
Farm	2,631	1,156	1,732	2,275	2,885	1,188	1,495	2,503	2,091	10.9
Earnings by Industry**										
Ag. Services, Forestry & Fisheries	137	134	139	136	143	149	147	155	154	7.7
Mining	58	59	58	56	54	53	55	56	58	7.4
Construction	919	905	945	915	934	919	923	974	910	-2.6
Manufacturing	2,362	2,410	2,438	2,484	2,482	2,495	2,483	2,542	2,604	4.9
Nondurable	1,176	1,194	1,208	1,212	1,234	1,242	1,238	1,211	1,277	3.5
Durable	1,186	1,216	1,230	1,272	1,248	1,253	1,246	1,331	1,327	6.3
TCU	1,657	1,686	1,675	1,734	1,730	1,723	1,738	1,745	1,785	3.2
Wholesale Trade	1,243	1,273	1,295	1,310	1,327	1,334	1,350	1,424	1,441	8.6
Retail Trade	1,608	1,645	1,675	1,694	1,699	1,731	1,749	1,781	1,778	4.6
Finance, Ins. & Real Estate	1,245	1,216	1,211	1,242	1,254	1,262	1,314	1,322	1,342	7.0
Services	3,585	3,682	3,792	3,887	3,968	4,075	4,160	4,206	4,323	8.9
Government	3,036	3,048	3,133	3,185	3,256	3,264	3,354	3,392	3,484	7.0
Federal, Civilian	472	480	486	501	506	511	516	528	560	10.7
Military	403	404	404	420	417	415	412	421	421	1.0
State & Local	2,160	2,165	2,243	2,264	2,333	2,338	2,426	2,442	2,503	7.3

* All data are seasonally adjusted at annual rates
** Earnings is the sum of wages and salaries, other labor income, and income earned by sole proprietors
*** Transportation, Communication, & Utilities
**** Finance, Insurance, & Real Estate
Source: Bureau of Economic Analysis, U.S. Department of Commerce

Automobile manufacturers are having difficulties. The Big Three auto manufacturers idled six plants in October. GM and Ford recently announced production cuts at 20 plants in early November affecting 44,000 workers.

Automobile sales numbers may start to look good for the remainder of this year when compared to last year, a form of analysis common in the business press. These automobile sales numbers will be in contrast to weak 1989 numbers for October and November and for the early December reporting periods. The issue is not how strong automobile sales are in contrast to the year ago figures, but how strong they are in contrast to figures earlier this year.

Nebraska Outlook

The personal income figures for the second quarter in Nebraska are found in Table I. Nebraska's personal income increased 6.9 percent in the second quarter versus a year ago. Nonfarm income increased 6.5 percent, while farm income increased 10.9 percent.

The biggest single nonfarm increase was in the federal government sector, which showed a gain of 10.7 percent versus a year ago. This jump was largely for temporary census workers. The next category to show a large increase was services, followed by wholesale trade.

Only the construction sector was negative in the second quarter–this figure makes no sense, given what we have seen in contracting for construction in Nebraska as reported by F.W. Dodge.

Although Nebraska's personal income grew 6.9 percent from a year ago in the second quarter, the second quarter's personal income was 0.4 percent below the first quarter level. In this sense, the glass is either half full or half empty. Perhaps the best way to characterize the second quarter is that growth was so rapid in the first quarter (5.5 percent ahead of the fourth quarter 1989, 5.9 percent ahead of the first quarter 1989) that it was difficult to maintain.

In the second quarter, the Plains region, the Far West, and the Southeast contributed to a slowdown in the nation's growth rate in personal income. All three regions showed a sharp drop in personal income growth rates compared to those in the first quarter. The Plains region grew only 0.3 percent in the second quarter versus 1.9 percent in the first quarter.

In the Plains region, only Iowa and Nebraska showed decreases in the second quarter from the first quarter and were the only two states in the nation to show decreases in the second quarter. In both cases, the first quarter advances were rapid when compared to fourth quarter 1989, 4.5 percent for Iowa and 5.5 percent for Nebraska.

Construction in Nebraska finally has showed some weakness. This weakness is in residential construction. According to F.W. Dodge, September housing starts were below a year ago levels. On a year-to-date basis through September, however, September housing starts remained 11 percent ahead of a year ago. Overall construction numbers were strong.

On a year-to-date basis, total contracts let increased 19 percent versus a year ago in dollar terms. The biggest subarea is nonbuilding construction, especially work on streets and highways. Other than residential construction, there are few areas where Nebraska's construction is lagging behind year ago levels.

The unemployment rate in Nebraska remains at 2.1 percent, compared to 2.9 percent a year ago–both figures are for September. Lincoln's unemployment rate in September reached 1.7 percent. This may be the low for the nation again.

Job growth continues with no apparent softening. September showed an increase of 2.6 percent, in line with increases we have reported for the last year and a half. Leading areas are construction at 5.5 percent, government at 4.4 percent, and nondurable manufacturing at 4.0 percent. (See Table II.) Weak areas are finance,

Table II
Employment in Nebraska

	Revised August 1990	Preliminary September 1990	September % Change vs. Year Ago
Place of Work			
Nonfarm	720,496	727,205	2.6
Manufacturing	97,403	97,513	2.3
Durables	47,063	46,784	0.6
Nondurables	50,340	50,729	4.0
Mining	1,729	1,662	1.9
Construction	26,934	25,977	5.5
TCU*	46,860	47,115	1.9
Trade	186,939	185,359	1.1
Wholesale	55,347	54,850	2.3
Retail	131,592	130,509	0.6
FIRE**	48,357	48,006	-0.8
Services	173,429	174,505	3.6
Government	138,845	147,068	4.4
Place of Residence			
Civilian Labor Force	838,581	824,073	2.0
Unemployment Rate	2.3%	2.1%	

* Transportation, Communication, and Utilities
**Finance, Insurance, and Real Estate

Source: Nebraska Department of Labor

Table III
Price Indices

	September 1990	% Change vs. Year Ago	YTD % Change vs. Year Ago
Consumer Price Index - U* (1982-84 = 100)			
All Items	132.7	6.2	5.1
Commodities	124.6	6.2	4.7
Services	141.4	6.0	5.4
Producer Price Index (1982 = 100)			
Finished Goods	120.3	6.0	4.4
Intermediate Materials	116.3	3.5	1.3
Crude Materials	115.1	12.8	3.0
Ag Index of Prices Received (1977 = 100)			
Nebraska	156	3.3	3.5
Crops	111	-12.6	-7.7
Livestock	185	10.8	9.0
United States	148	3.5	3.1
Crops	123	-2.4	-3.9
Livestock	173	8.1	8.8

U* = All urban consumers
Source: U.S. Bureau of Labor Statistics, Nebraska Department of Agriculture

insurance, and real estate; retail trade; and durable manufacturing. All have growth rates of 0.6 percent or less from a year ago and have decreased from August levels.

Retail sales in Nebraska increased 7.5 percent in July versus a year ago, 6.4 percent on a year-to-date basis through July. The peak in retail sales for this year was January. July figures fell from their first half averages. It is too early to say that the one month retail sales figures are a sign of weakness for the Nebraska economy.

Our comments on the agriculture sector remain unchanged. Although 1990 has been a good year to Nebraska farmers overall, we expect to see a decrease in net farm income in 1991 of 15 percent to 20 percent, due mainly to increases in oil prices. In addition, Nebraska farmers will start to see a pinch from a reduction in federal support payments.

Correction

In the October *Business in Nebraska*, net taxable city sales for Scottsbluff/Gering was shown as $15,530,000 for June 1990. This number should have been $18,788,000, and the percent change from a year ago should have been a 4.0 percent increase not a 14.0 percent decrease. This correction also changes the Scottsbluff/Gering index number in the City Business Index from -4.9 percent to +2.8 percent.

David DeFruiter

Marketing Opportunities in Korea and Taiwan

The U.S. Department of Commerce is planning to conduct a series of seminars around the country on marketing opportunities in Korea and Taiwan. These seminars will be designed especially for small and medium sized businesses.

These seminars are being arranged by the Commerce Department's Office of the Pacific Basin. For more information, contact the Korea/Taiwan Section of the U.S. Department of Commerce:

U.S. Department of Commerce
14th Street and
Pennsylvania Avenue N.W.
Korea/Taiwan Section
Room 2308
Washington, D.C. 20230

F. Charles Lamphear

Table IV
City Business Indicators
July 1990 Percent Change from Year Ago

The State and Its Trading Centers	Employment (1)	Building Activity (2)
NEBRASKA	6.4	6.9
Alliance	4.2	312.9
Beatrice	5.5	107.7
Bellevue	4.8	-40.8
Blair	4.8	-23.6
Broken Bow	4.7	705.4
Chadron	17.1	-57.4
Columbus	7.7	1.3
Fairbury	3.4	396.9
Falls City	9.8	-11.2
Fremont	8.6	14.5
Grand Island	7.1	14.2
Hastings	7.5	-2.8
Holdrege	4.4	15.4
Kearney	6.9	24.9
Lexington	9.8	-72.8
Lincoln	4.6	8.4
McCook	4.0	-4.0
Nebraska City	0.5	-13.5
Norfolk	11.0	-43.5
North Platte	11.3	117.2
Ogallala	10.8	66.5
Omaha	4.8	17.9
Scottsbluff/Gering	5.7	11.1
Seward	7.7	137.9
Sidney	6.7	-45.9
South Sioux City	3.0	-55.4
York	11.4	6.2

(1)As a proxy for city employment, total employment (labor force basis) for the county in which a city is located is used

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

Sources: Nebraska Department of Labor and reports from private and public agencies

Figure I
City Business Index
July 1990 Percent Change from Year Ago

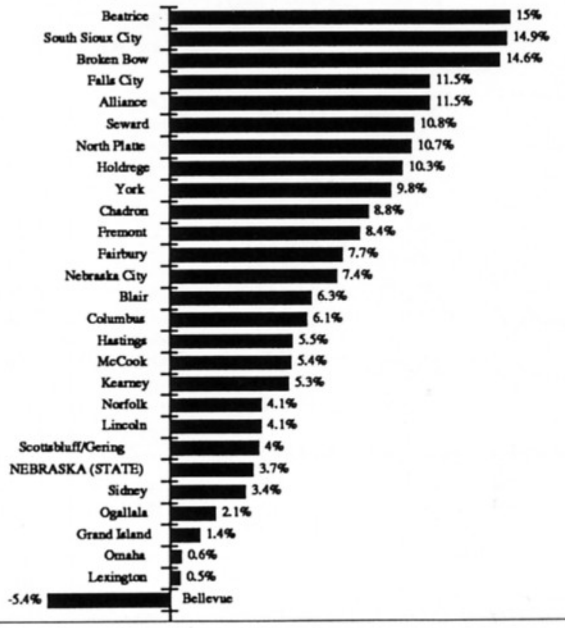
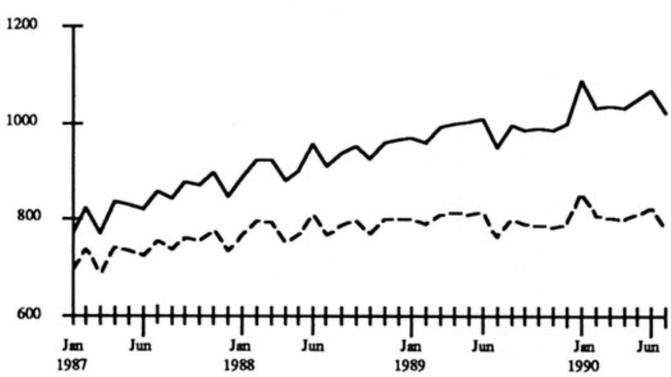


Table V
Net Taxable Retail Sales of Nebraska Regions and Cities

Region Number and City (1)	City Sales (2) July 1990 (000s)	City Sales (2) % Change vs. Year Ago	Region Sales (2) July 1990 (000s)	Region Sales (2) % Change vs. Year Ago	YTD % Change vs. Year Ago
NEBRASKA	$863,958	5.3	$1,018,696	7.5	6.4
1 Omaha	290,986	-1.6	373,354	1.3	3.9
Bellevue	11,494	-7.7	*	*	*
Blair	4,603	16.6	*	*	*
2 Lincoln	116,439	7.8	138,603	8.9	6.4
3 South Sioux City	6,802	44.8	8,966	36.7	30.4
4 Nebraska City	3,918	22.3	19,507	15.6	9.6
6 Fremont	17,355	13.1	31,051	15.0	9.1
West Point	2,583	12.3	*	*	*
7 Falls City	2,062	21.9	8,951	13.9	7.3
8 Seward	3,989	11.3	15,031	13.5	8.4
9 York	6,721	14.4	16,693	15.1	3.8
10 Columbus	15,118	9.9	27,093	12.6	7.8
11 Norfolk	18,912	8.5	35,568	12.8	7.0
Wayne	3,275	48.7	*	*	*
12 Grand Island	31,399	-1.7	46,383	1.9	3.2
13 Hastings	16,170	9.3	26,578	9.5	3.4
14 Beatrice	8,217	25.1	19,267	20.8	12.7
Fairbury	2,804	0.4	*	*	*
15 Kearney	19,911	6.7	29,466	11.2	5.5
16 Lexington	6,127	9.6	17,452	12.0	5.3
17 Holdrege	4,665	21.8	9,363	19.9	7.5
18 North Platte	16,920	8.5	22,123	12.5	8.3
19 Ogallala	6,050	-8.0	13,147	5.9	4.9
20 McCook	8,028	12.9	12,097	20.6	8.4
21 Sidney	4,246	11.8	8,740	12.3	5.0
Kimball	2,038	18.6	*	*	*
22 Scottsbluff/Gering	18,037	6.3	25,533	6.8	5.2
23 Alliance	5,447	10.4	14,752	15.1	4.5
Chadron	2,926	16.3	*	*	*
24 O'Neill	4,696	5.0	15,841	12.3	8.6
Valentine	2,948	16.1	*	*	*
25 Hartington	1,558	17.3	9,081	19.6	7.3
26 Broken Bow	3,539	9.7	12,082	8.4	3.8

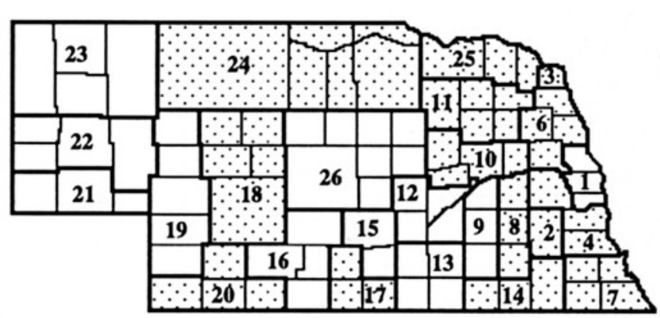
(1) See region map
(2) Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales
*Within an already designated region
Compiled from data provided by the Nebraska Department of Revenue

Figure II
Nebraska Net Taxable Retail Sales
(Seasonally Adjusted, $ Millions)



(1) The Consumer Price Index (1982-84 = 100) is used to deflate current dollars into constant dollars. Solid line indicates current dollars; broken line indicates constant dollars

Figure III
Region Sales Pattern
YTD as Percent Change from Year Ago



Shaded areas are those with sales gains above the state average. See Table V for corresponding regions and cities

Available soon from the Bureau of Business Research

1991 Annual Economic Outlook Report for Nebraska

This publication is a must-have for everyone involved with the Nebraska economy--whether your business is large or small, rural or urban, established or just beginning, you will find a wealth of information in this volume that will help your business steer a course for the 1990s and beyond.

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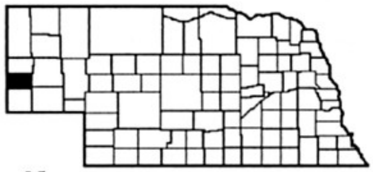
County of the Month

Banner



Harrisburg--County Seat

License plate prefix number: 85
Size of county: 738 square miles, ranks 32nd in the state
Population: 1,000 (estimated) in 1988, a change of +6.2 percent from 1980
Median age: 33.4 years in Banner County, 29.7 years in Nebraska in 1980
Per capita personal income: $15,398 in 1988, ranks 20th in the state
Net taxable retail sales ($000): $1,178 in 1989, a change of -18.0 percent from 1988; $780 during January-July 1990, a change of +22.6 percent from the same period one year ago
Number of business and service establishments: 5 in 1988; 80 percent had less than five employees
Unemployment rate: 2.3 percent in Banner County, 3.1 percent in Nebraska for 1989
Nonfarm employment (1989):

	State	Banner County
Wage & salary workers	705,672	109
	(percent of total)	
Manufacturing	13.4%	*
Construction and Mining	3.6	2.8%
TCU	6.5	*
Retail Trade	18.5	*
Wholesale Trade	7.6	*
FIRE	6.8	*
Services	23.7	*
Government	19.9	73.4
Total	100.0%	100.0%

*Data not available because of disclosure suppression.

Agriculture:

Number of farms: 212 in 1987, 200 in 1982
Average farm size: 1,942 acres in 1987
Market value of farm products sold: $16.3 million in 1987 ($76,962 average per farm)

Sources: U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, Nebraska Department of Labor, Nebraska Department of Revenue

Merlin W. Erickson

Business in Nebraska

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