

U.S. & Nebraska Economic Update

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May 22, 2019



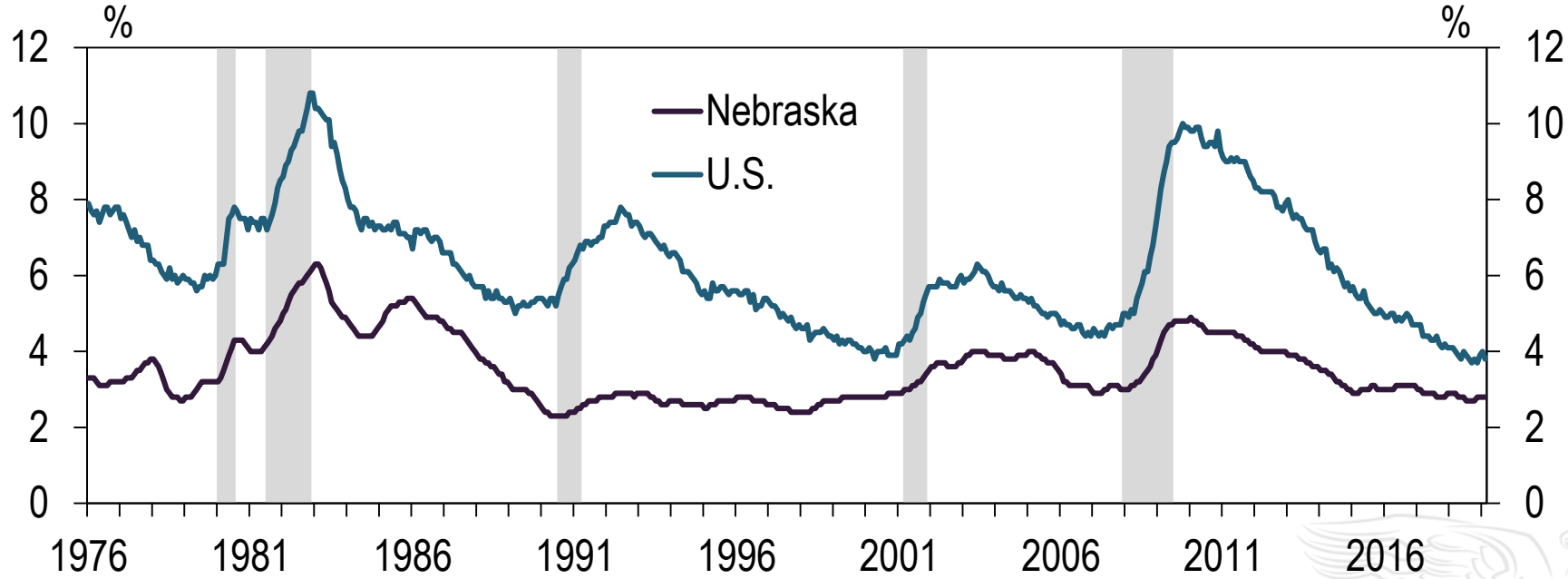
Outlook Themes

- Nebraska's economy has generally remained strong despite:
 - Slower job growth
 - Ongoing challenges in agriculture
 - Some signs of slower growth globally
- Trade disturbances have weighed on export activity in recent months, particularly in agriculture.



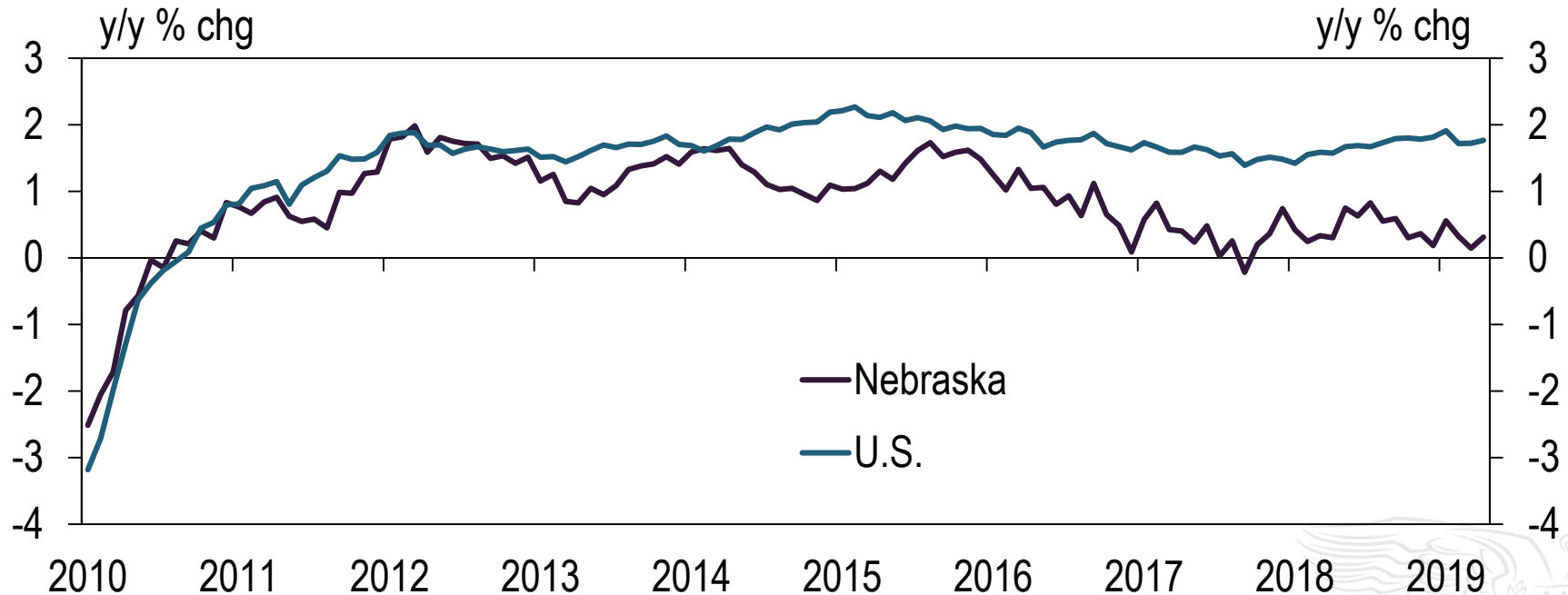
Unemployment in Nebraska is historically low.

Unemployment Rates



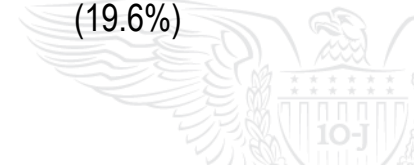
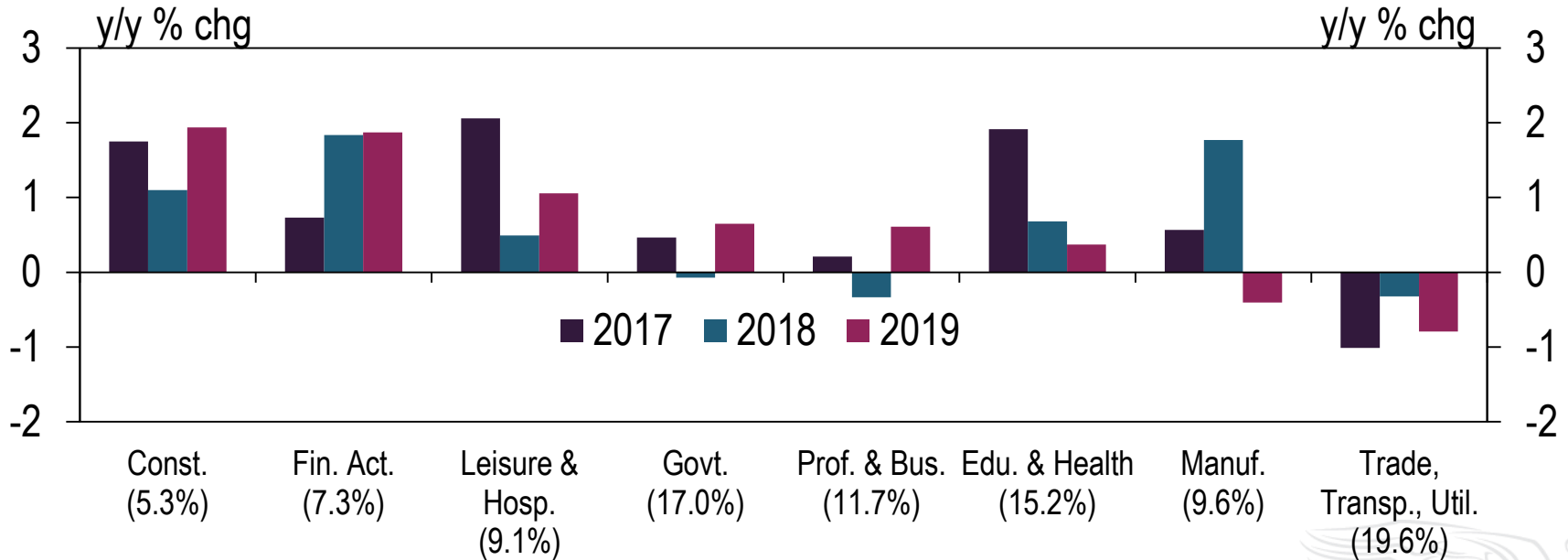
Employment gains have remained positive, but the pace of growth has softened.

Employment Growth



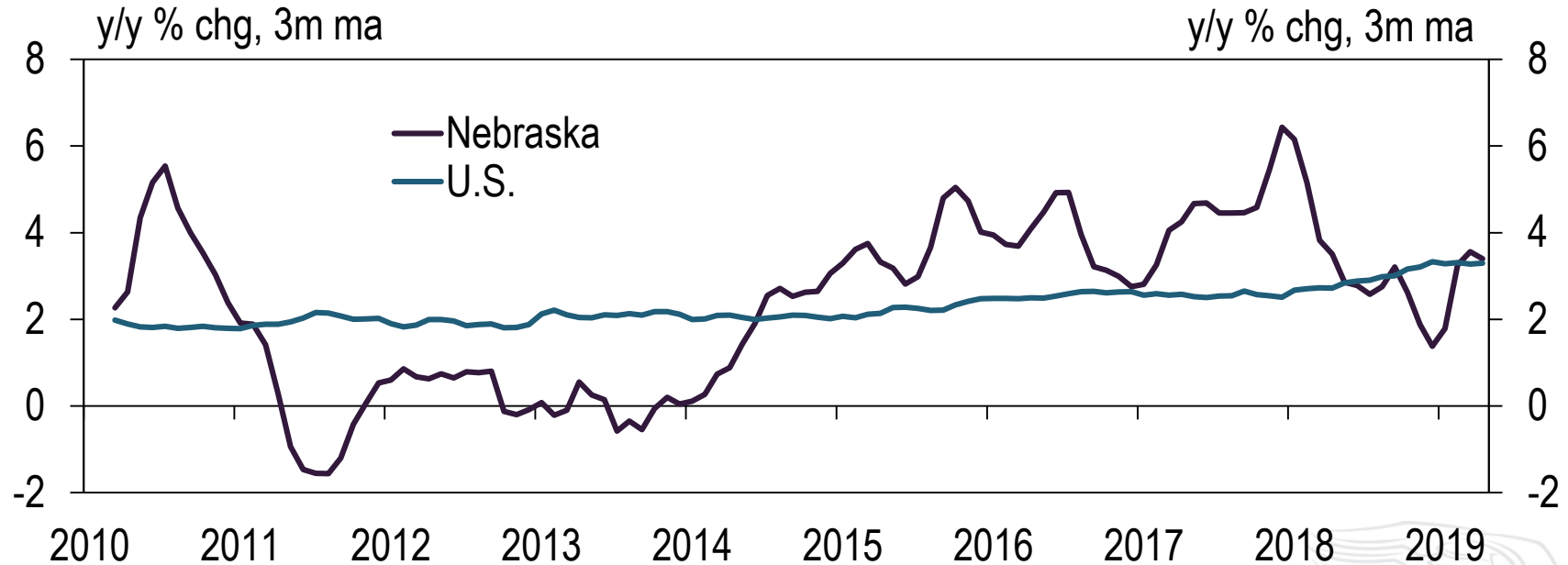
Several key industries have increased the pace of hiring compared with a year ago.

Employment Growth by Industry, YTD



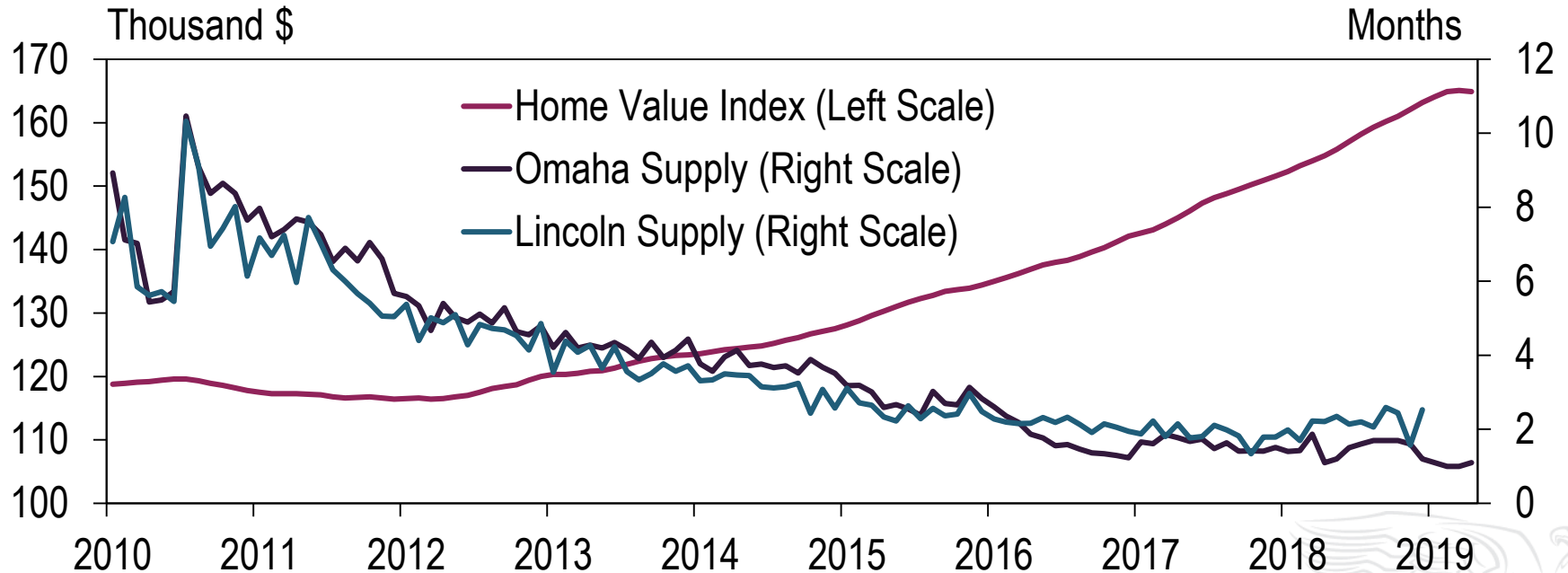
Wage growth softened slightly in the fourth quarter, but remains near the pace of the U.S.

Average Hourly Earnings



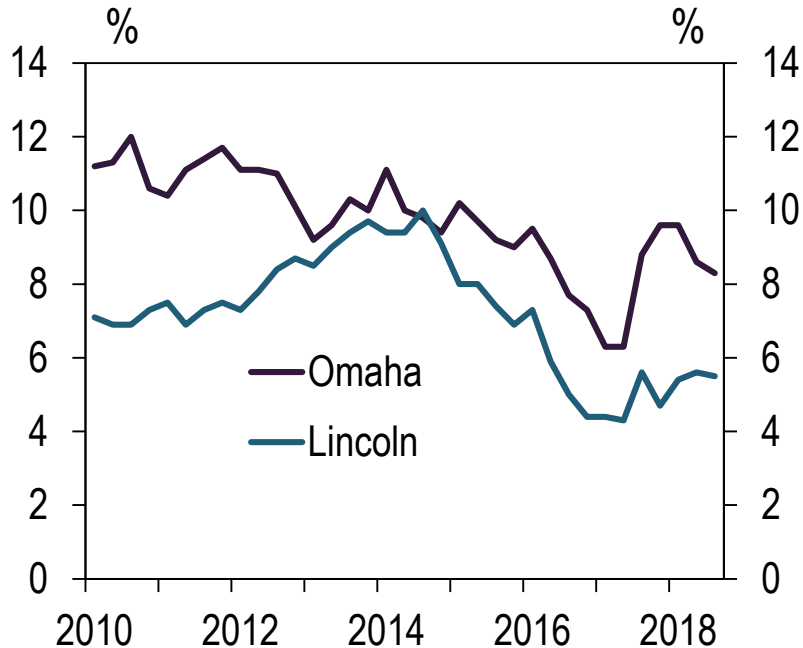
In addition to ongoing strength in labor markets, residential real estate markets still appear to be quite strong.

Nebraska Residential Real Estate Markets

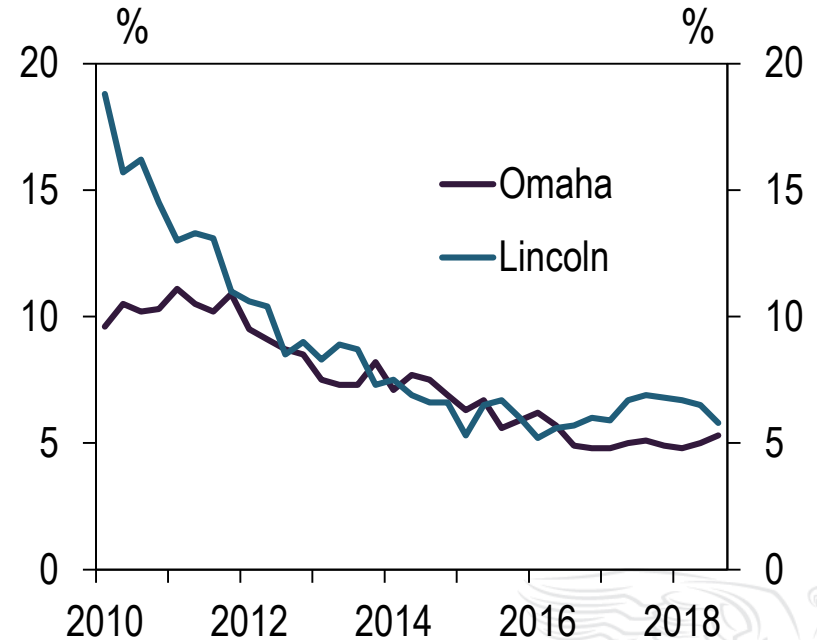


Commercial real estate markets in Omaha and Lincoln also remain firm as vacancy rates have edged lower.

Office Vacancy Rate

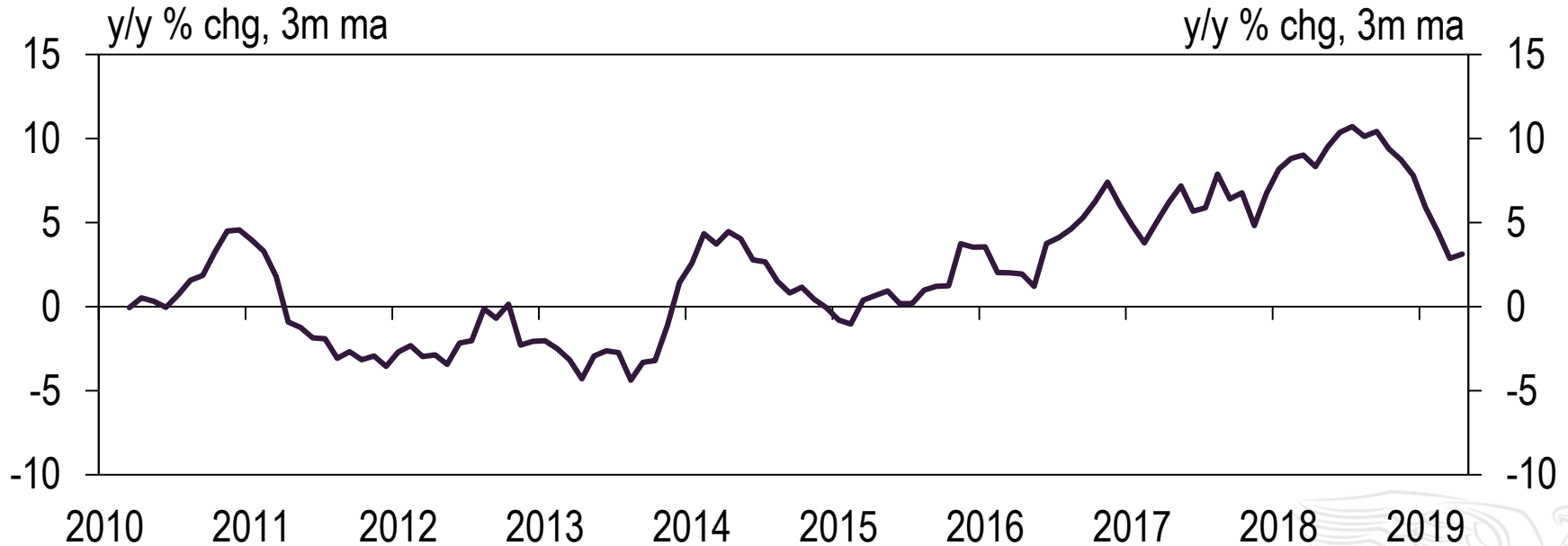


Industrial Vacancy Rate



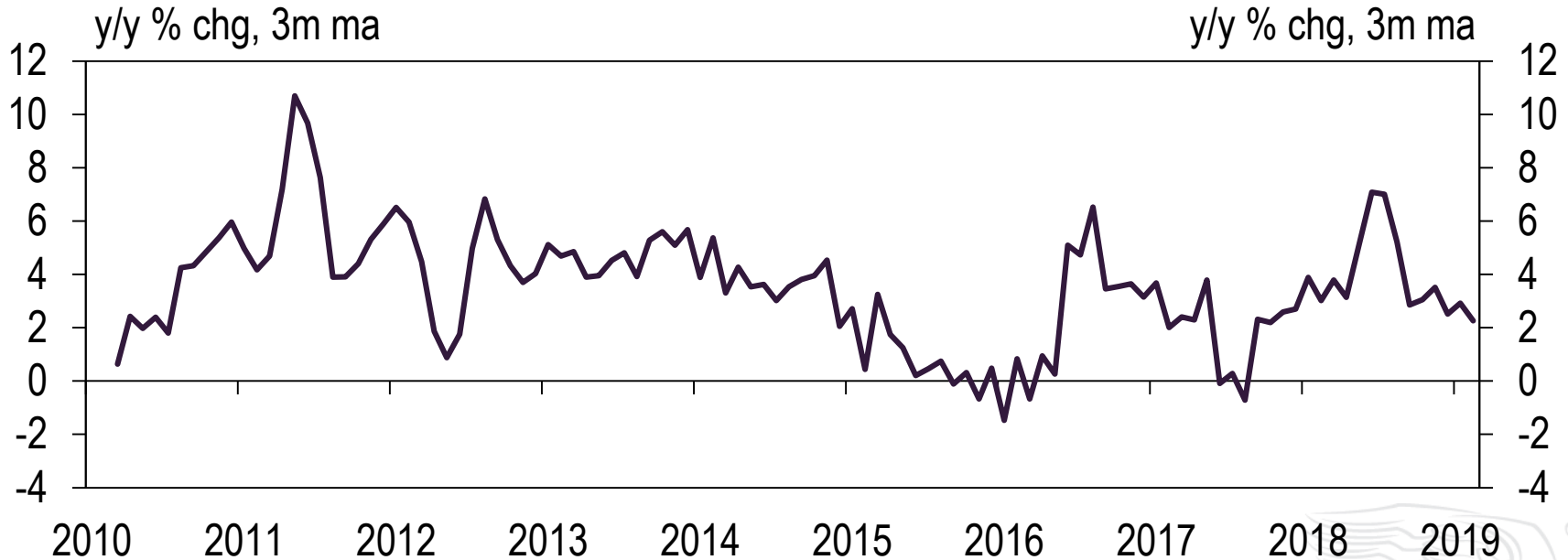
Airport passenger traffic in Omaha has continued to increase, but at a slightly slower pace in recent months.

Eppley Airfield Passenger Traffic



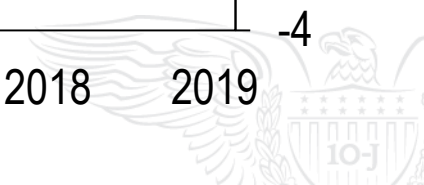
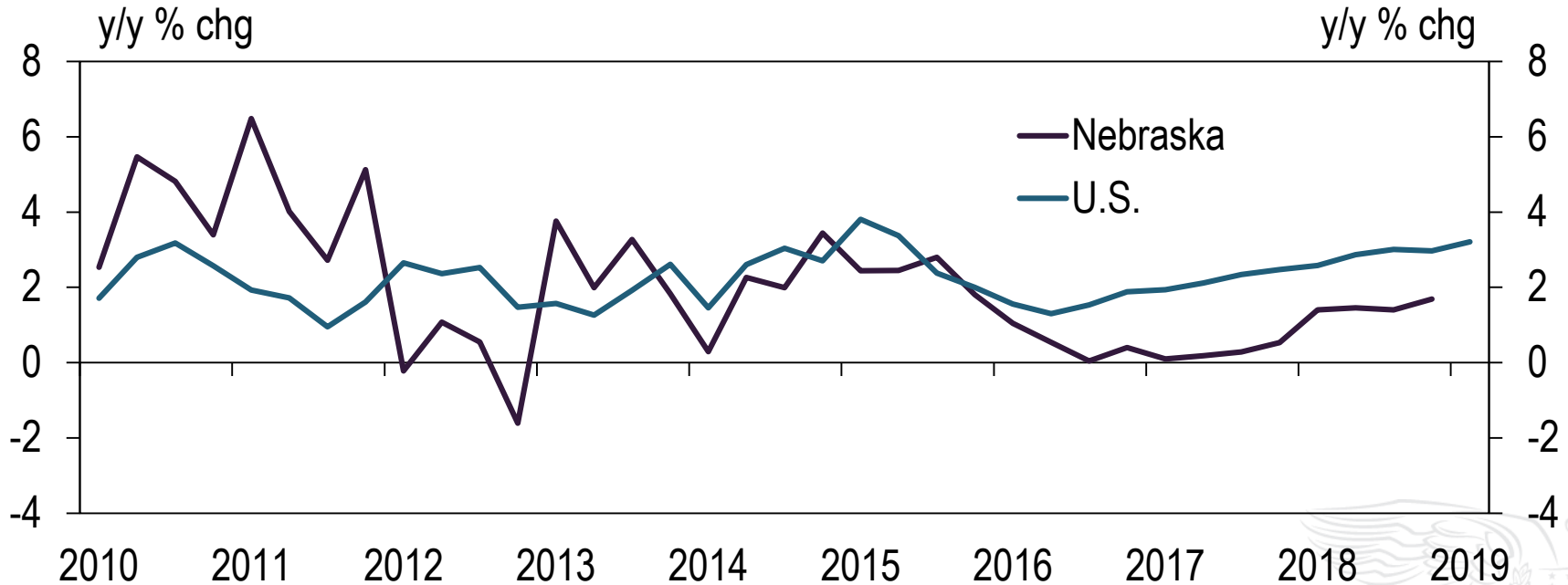
Consumer spending increased modestly in 2018 alongside a strong labor market.

Nebraska Net Taxable Retail Sales



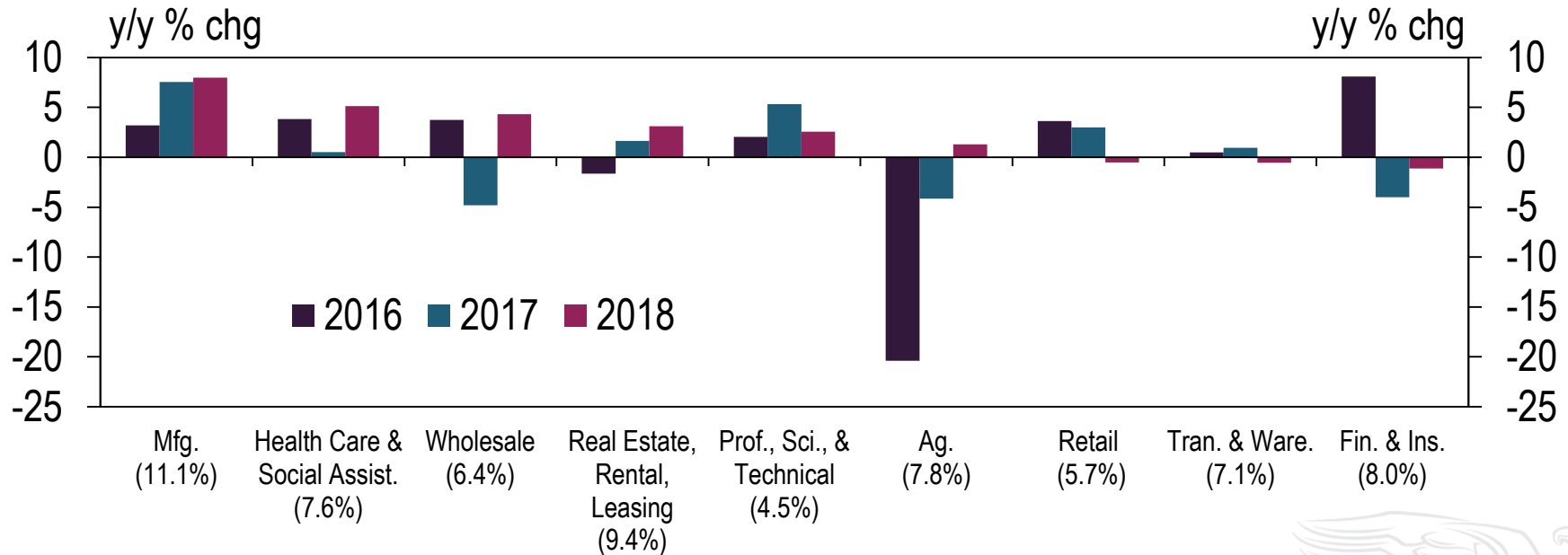
Despite overall strength, economic growth in Nebraska has remained less than the nation.

Real GDP Growth



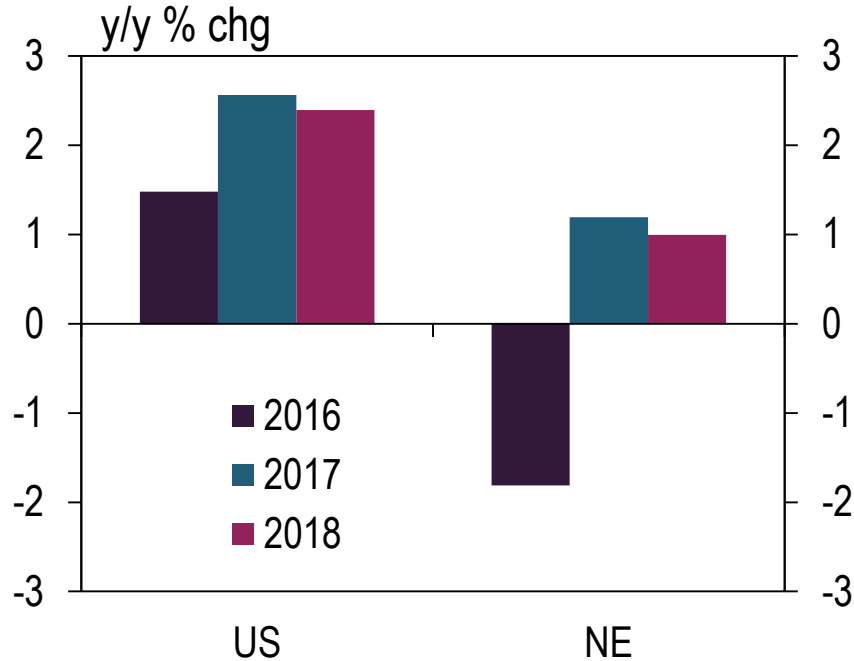
Ongoing challenges in the farm sector have weighed on economic growth in recent years.

Nebraska Real GDP by Major Industry, Q4

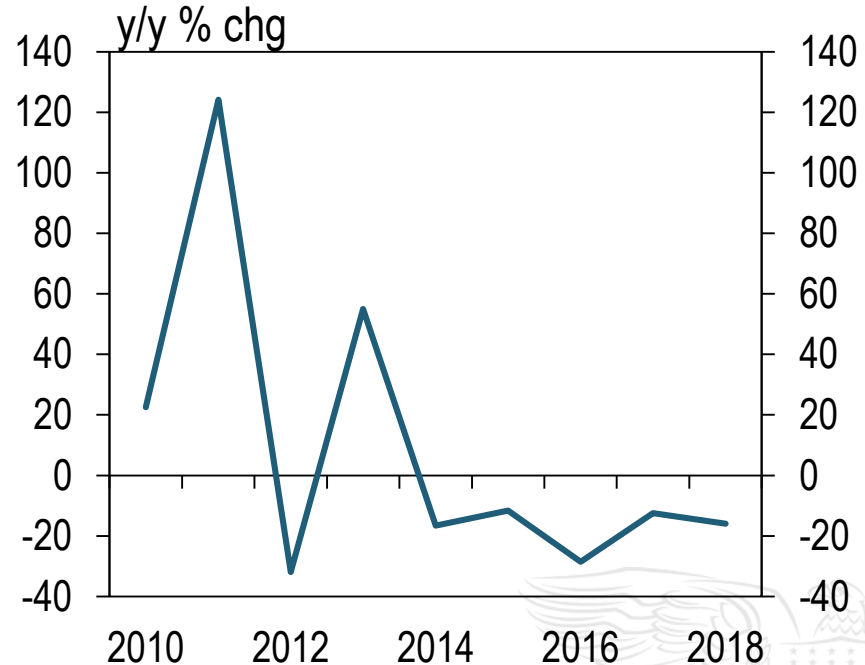


Persistent declines in farm earnings have also limited income growth in Nebraska.

Real Personal Income

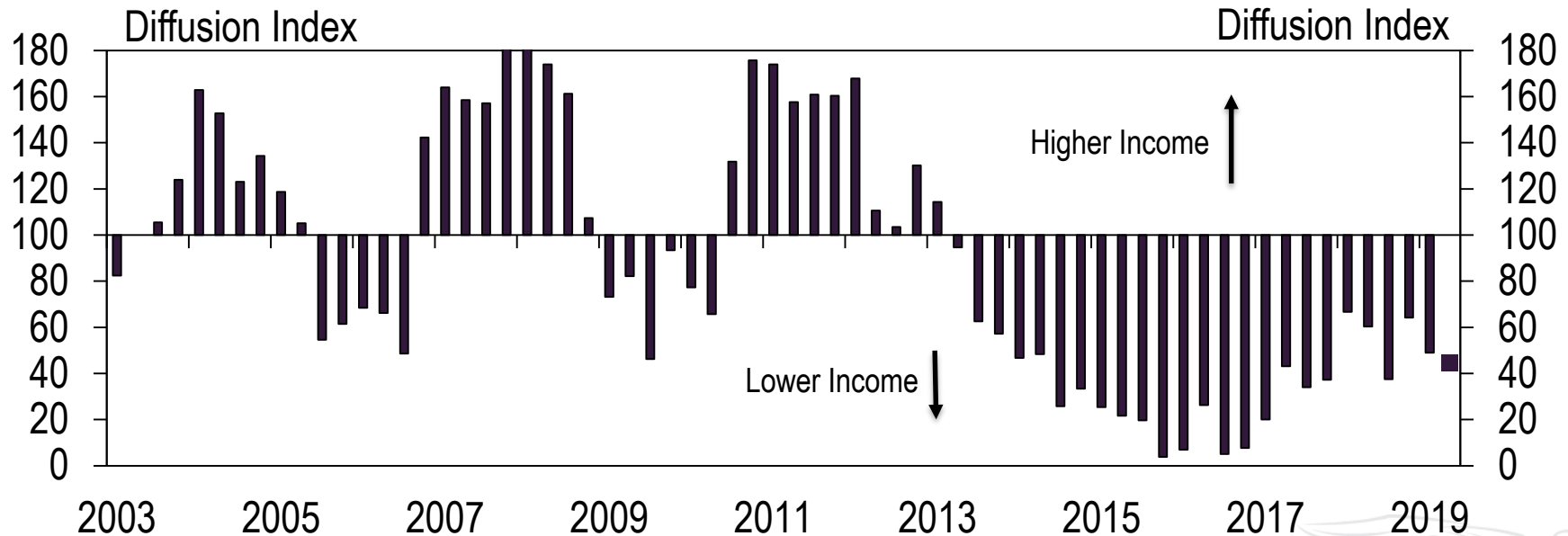


Nebraska Farm Earnings



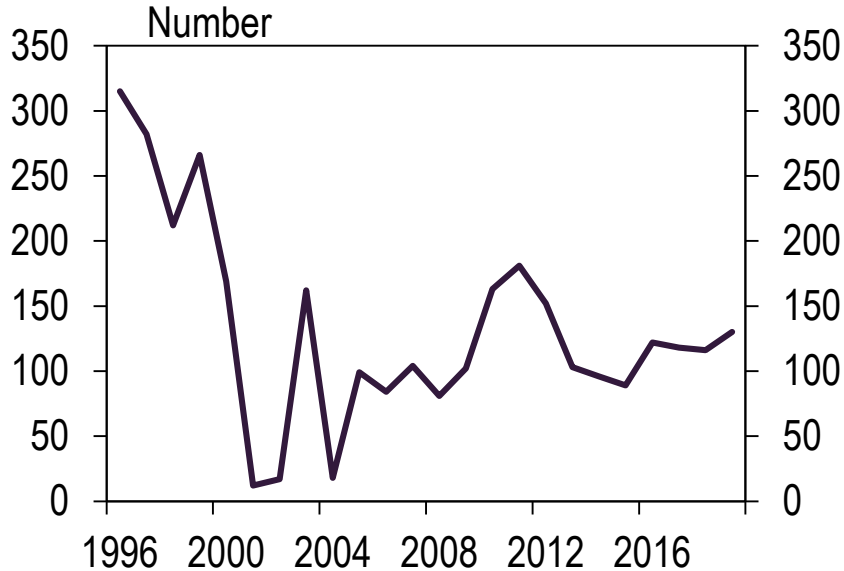
Farm income is expected to continue to decline in 2019 for a sixth consecutive year.

Nebraska Farm Income

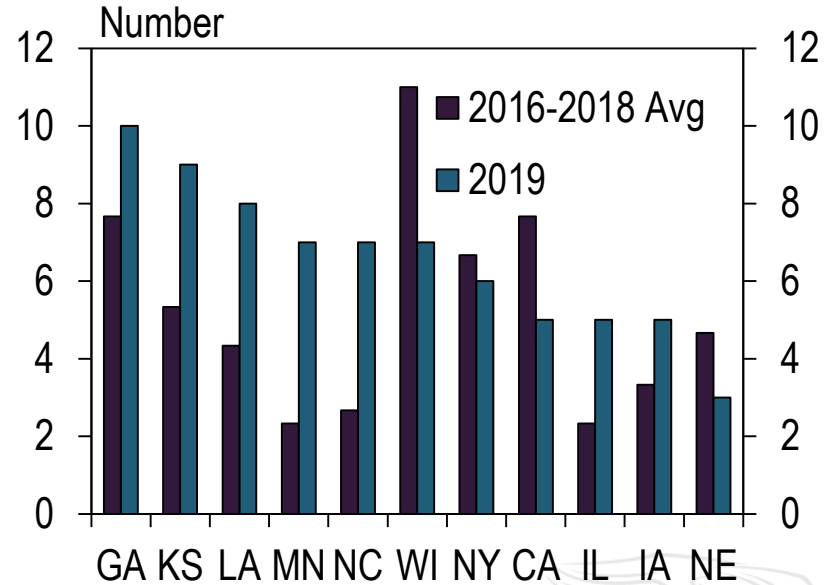


Farm bankruptcies have increased over the past few years, but only slightly.

U.S. Farm Bankruptcies, Q1



Most Farm Bankruptcies by State, Q1



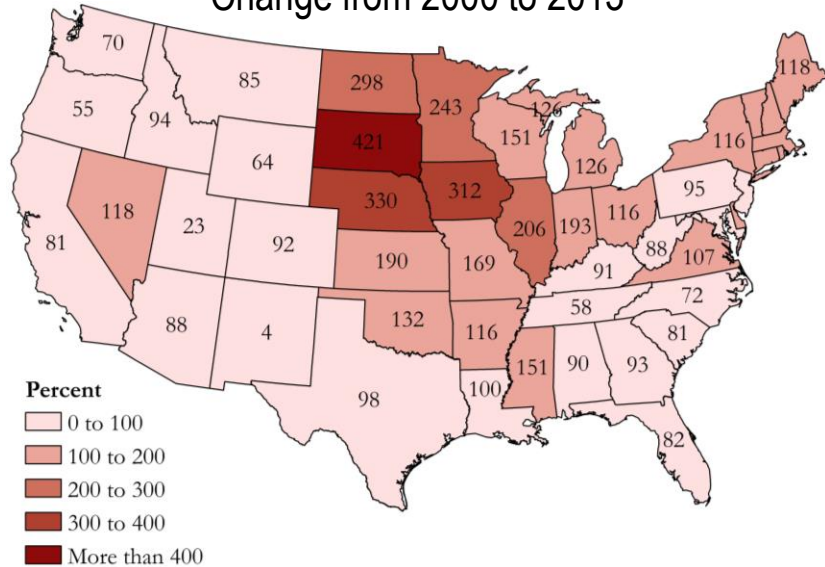
* Includes all chapter 12 filings which are defined as “family farmers” and “family fishermen” with “regular annual income”.

Source: United States Courts

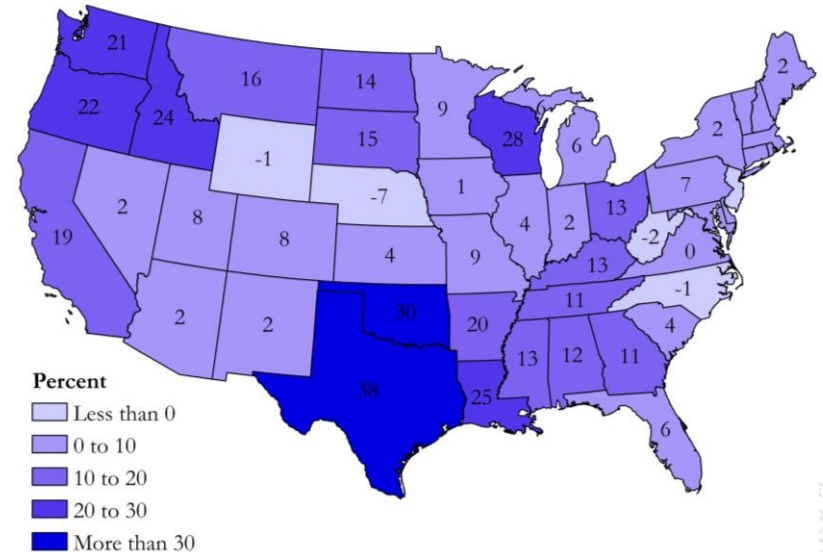


Farmland values have remained relatively stable, despite modest declines in some states.

U.S. Farmland Values
Change from 2000 to 2013



U.S. Farmland Values
Change from 2013 to 2018

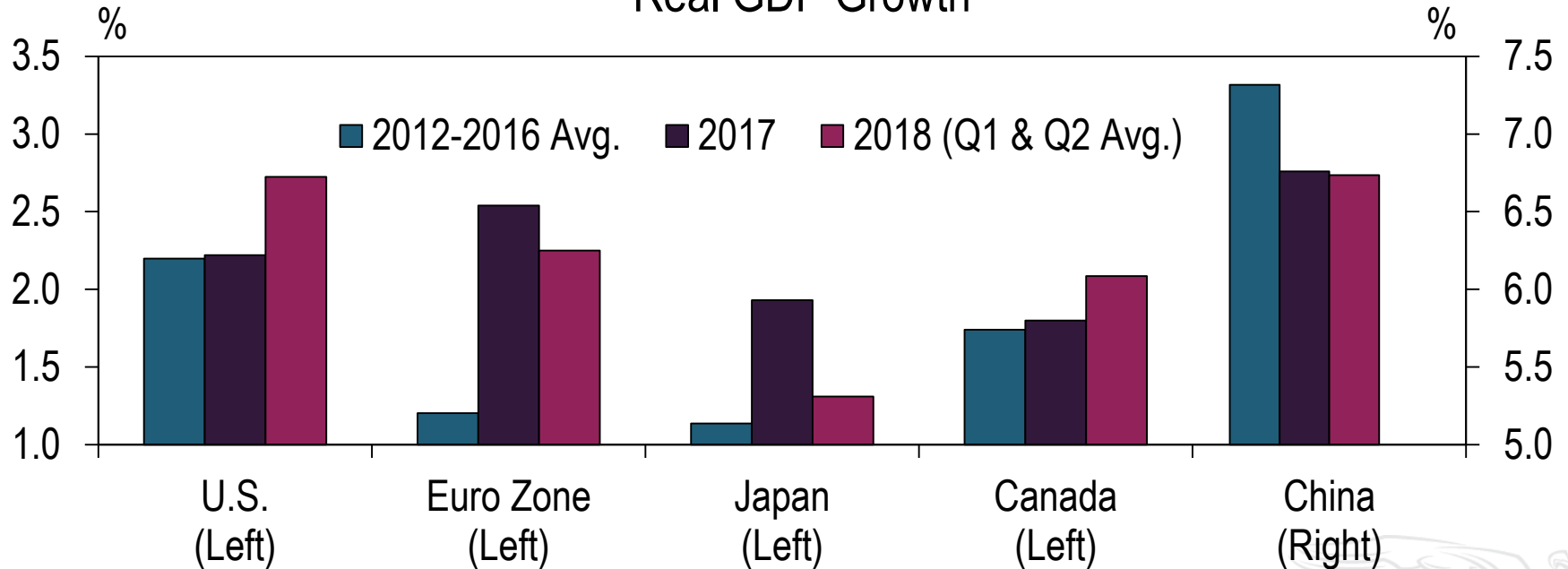


Global Economics, Trade and Monetary Policy



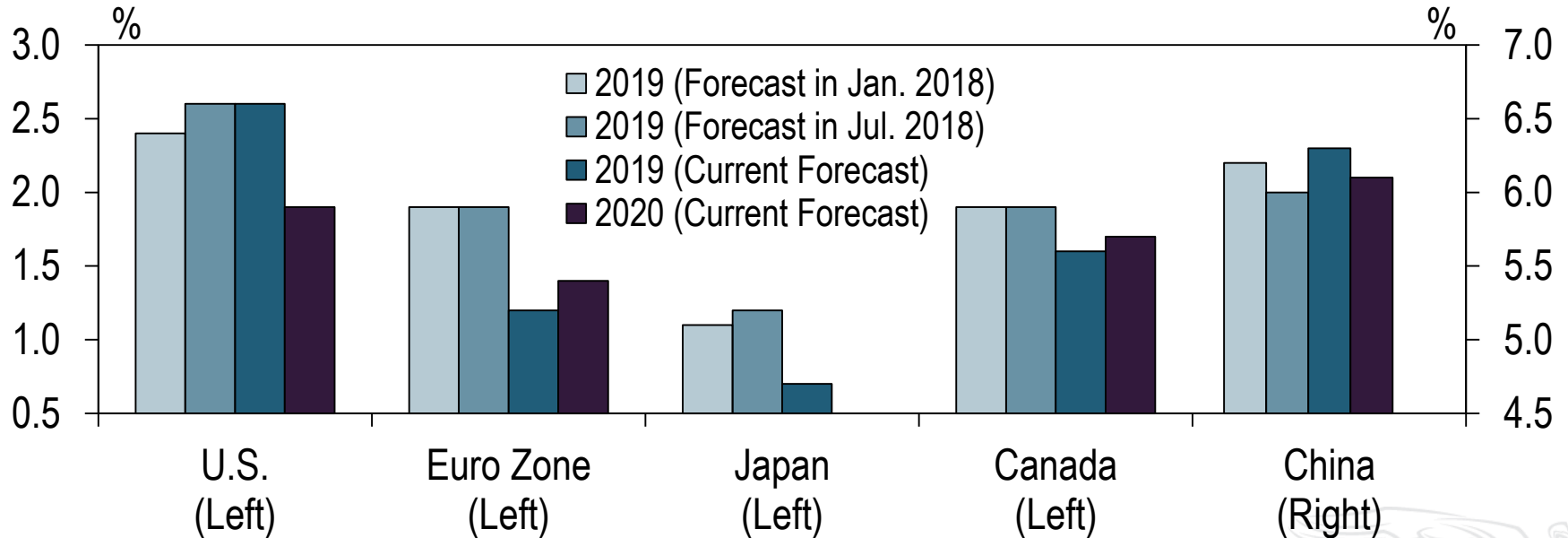
In 2017 and early 2018, a relatively strong global economy supported robust demand for food and ag products.

Real GDP Growth



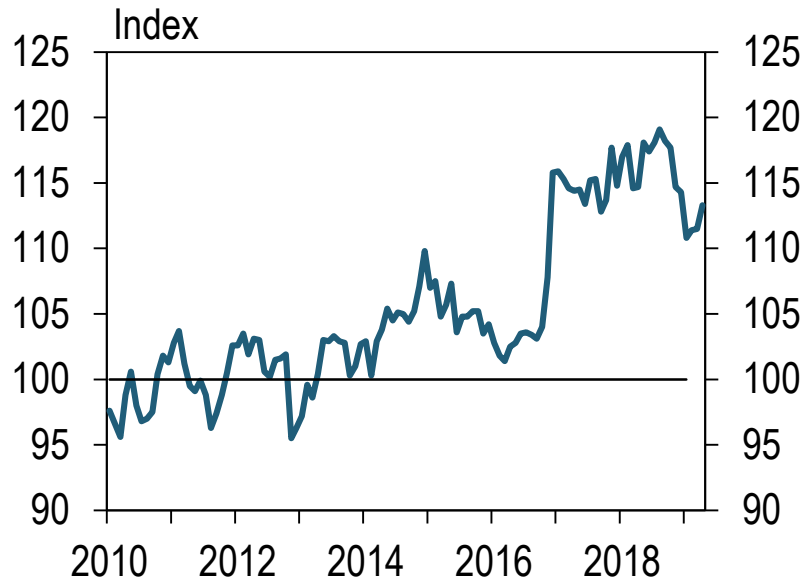
Over the past year, however, growth projections have been revised lower.

Real GDP Growth Forecasts

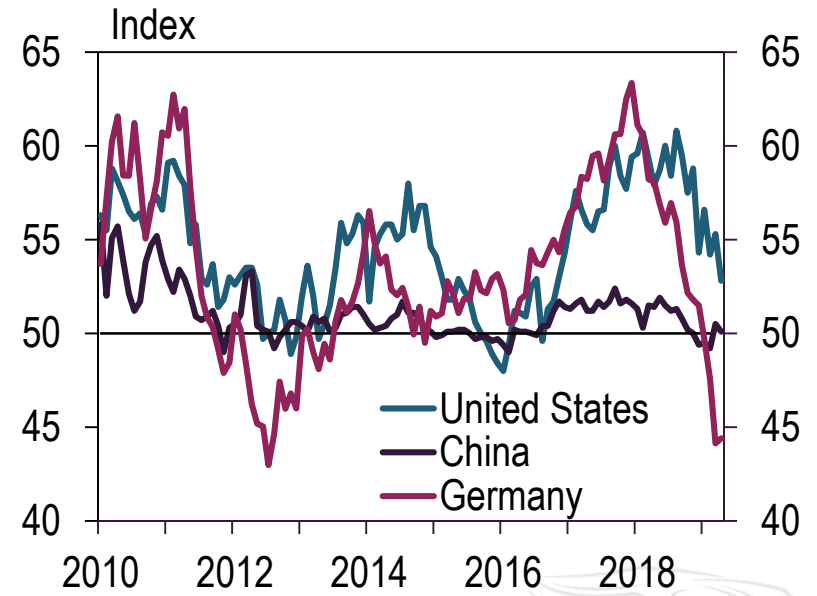


Business optimism has slowed recently and the pace of manufacturing activity has softened.

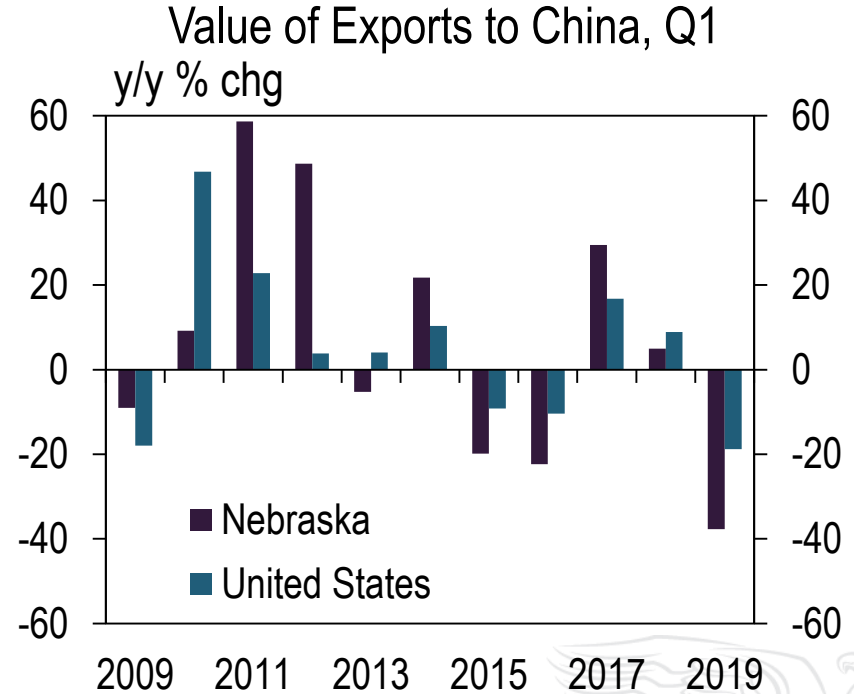
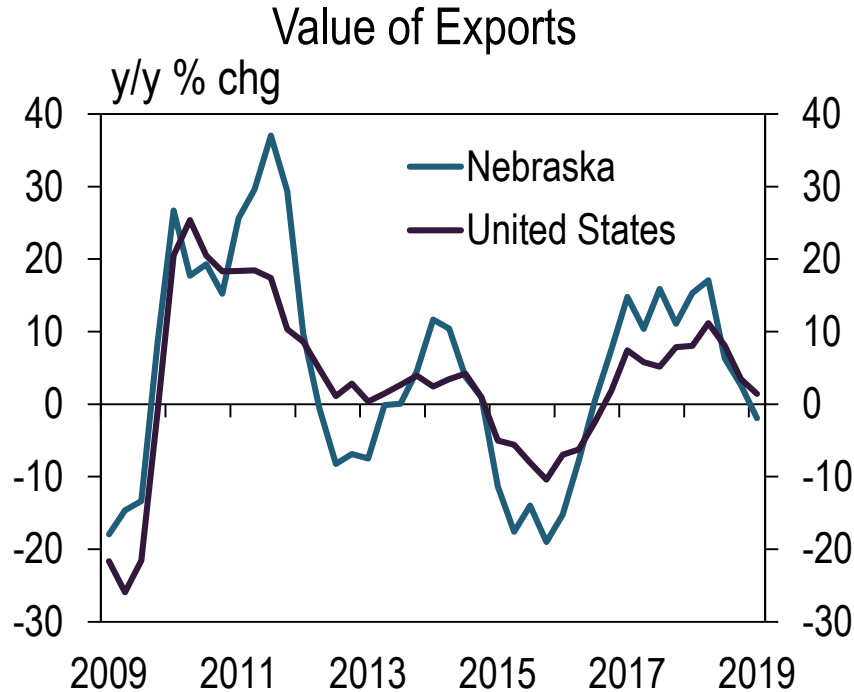
Small Business Optimism



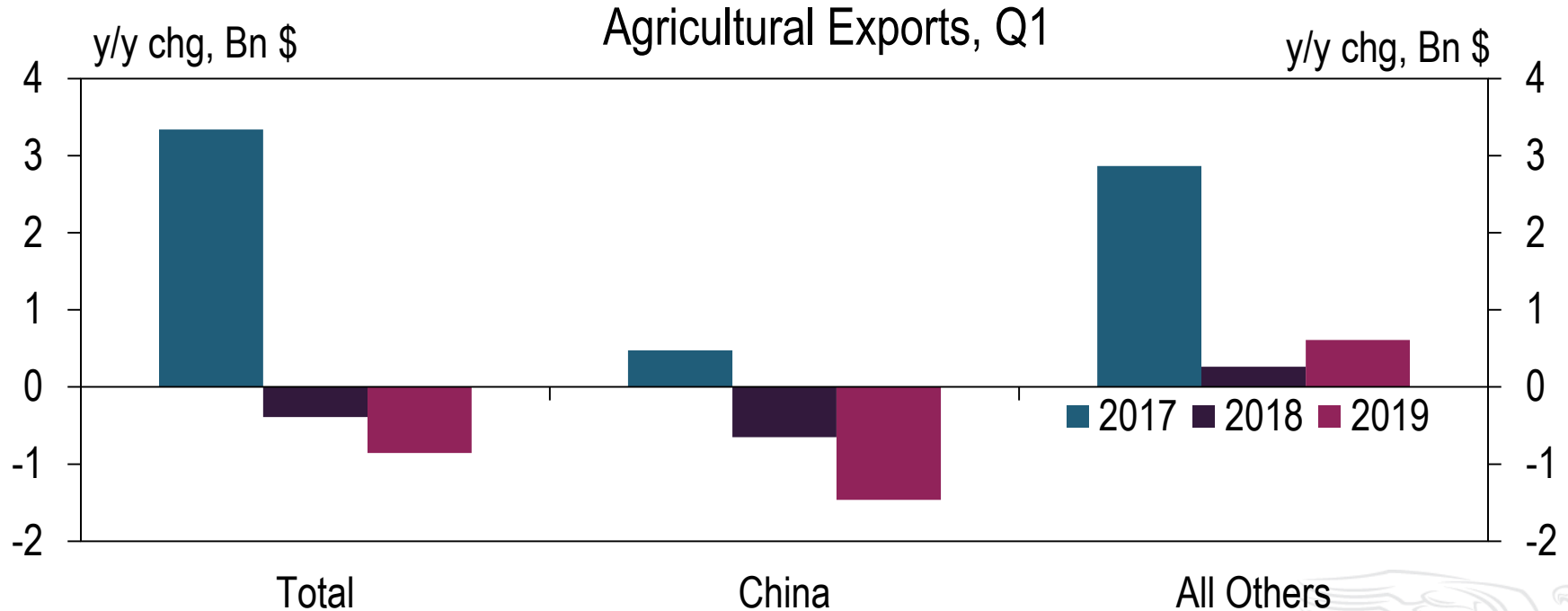
Manufacturing Activity



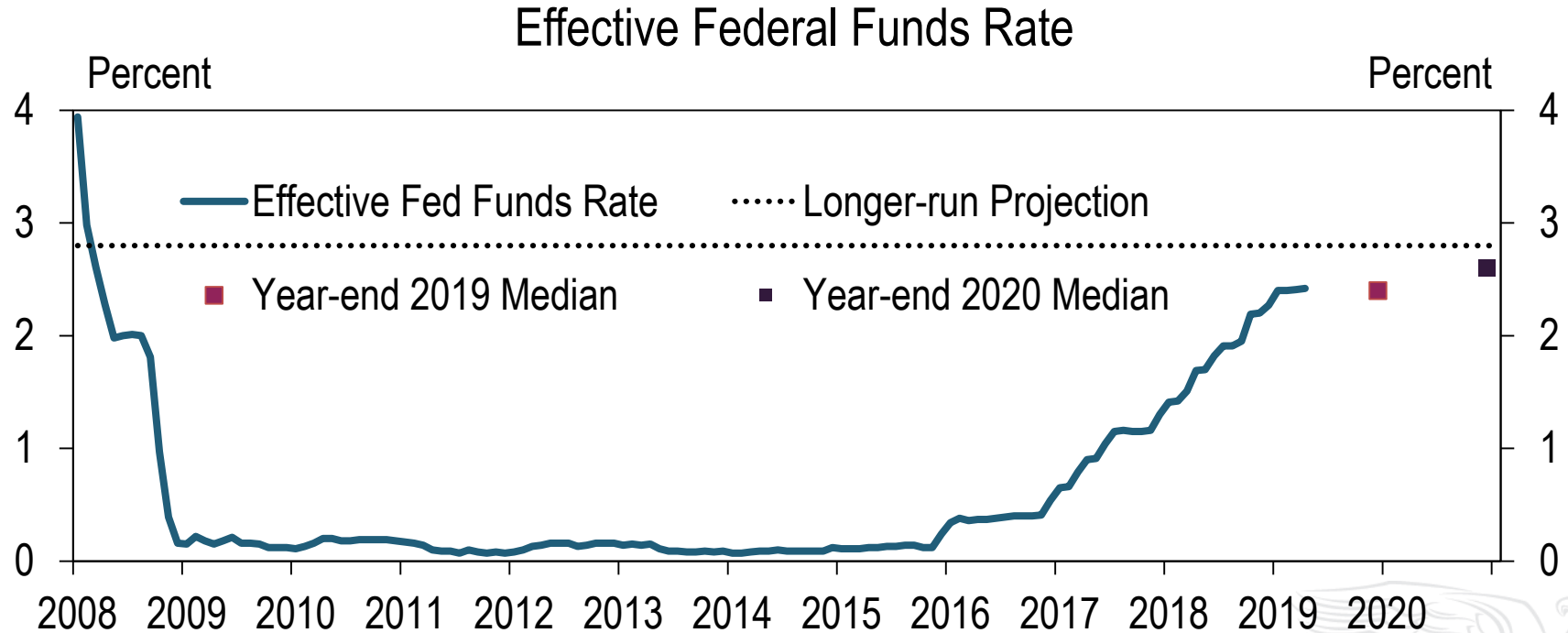
Export growth has also slowed as trade disputes intensified in 2018 and again in recent weeks.



Ag exports to other regions have increased despite a sharp drop in exports to China.

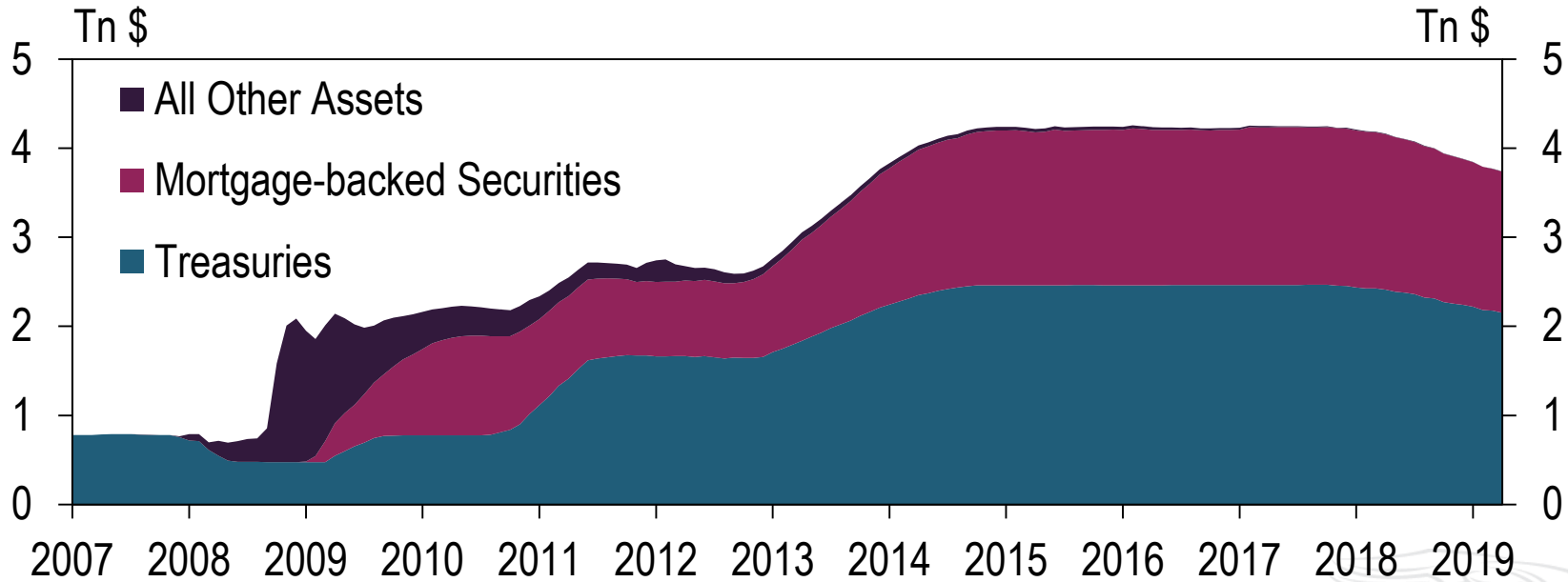


Benchmark interest rates increased modestly in 2018.



The size of the Fed's balance sheet has declined slightly, but remains elevated.

Federal Reserve Balance Sheet



Concluding Thoughts

- Challenges in agriculture appear likely to persist in 2019 alongside low commodity prices and ongoing trade disputes.
- Despite the challenges in rural areas of the state, growth in metro areas seems likely to continue, albeit modestly, alongside strong labor markets.



Questions?

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