



Bureau of Business Research

Outlook for Nebraska Construction | January 2020

Presented to

Associated General Constructors – Nebraska Building Chapter

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Outline

- U.S. and Nebraska Economic Outlook
- Implications for Nebraska Construction



U.S. Economic Forecast

- Strengths – growing real wages, deregulation and tax reform, low interest rates and energy prices
- Weaknesses – weaker global economy, slow growing population and labor force, labor force quality, unresolved trade conflicts



U.S. Economic Forecast— Bottom Line

- GDP growth 2.0% to 2.5
- Solid job growth
 - Wage growth limited by labor quality issues



Nebraska Economic Forecast

- Struggles for agriculture, manufacturing and retail
- Service sector strength



Nebraska Agriculture

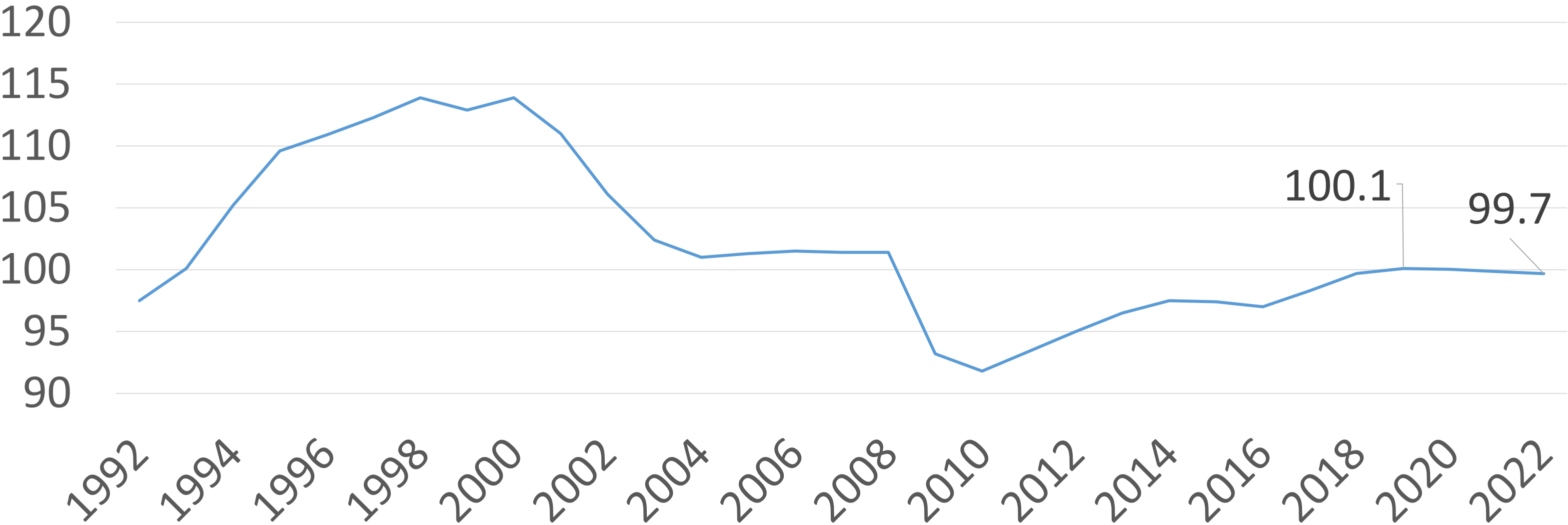
- Farm income “bottomed out” in 2018
- There are ongoing challenges but also.....
 - Modest higher commodity prices
 - Government payments
 - Stability in input prices
- Nebraska annual farm income should stabilize in the range of \$3.0 to \$3.5 billion.

Manufacturing

- Challenges for ag supplying industries
- Good conditions in ag processing industries
- National weakness in non ag-related portions of industry



Manufacturing Employment (1000s of Jobs)



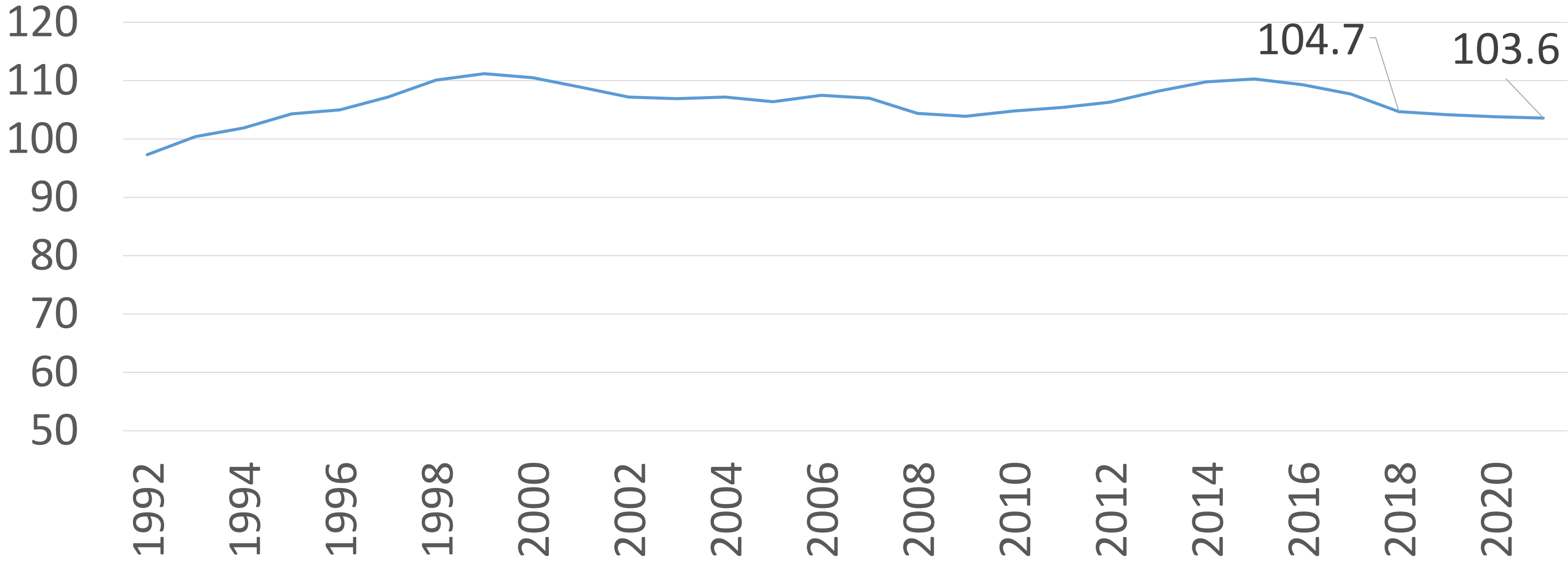


Retail Trade

- Retail Trade - job loss due to
 - on-line competition and
 - labor saving investments



Retail Trade (1000s of Jobs)



Growing Sectors

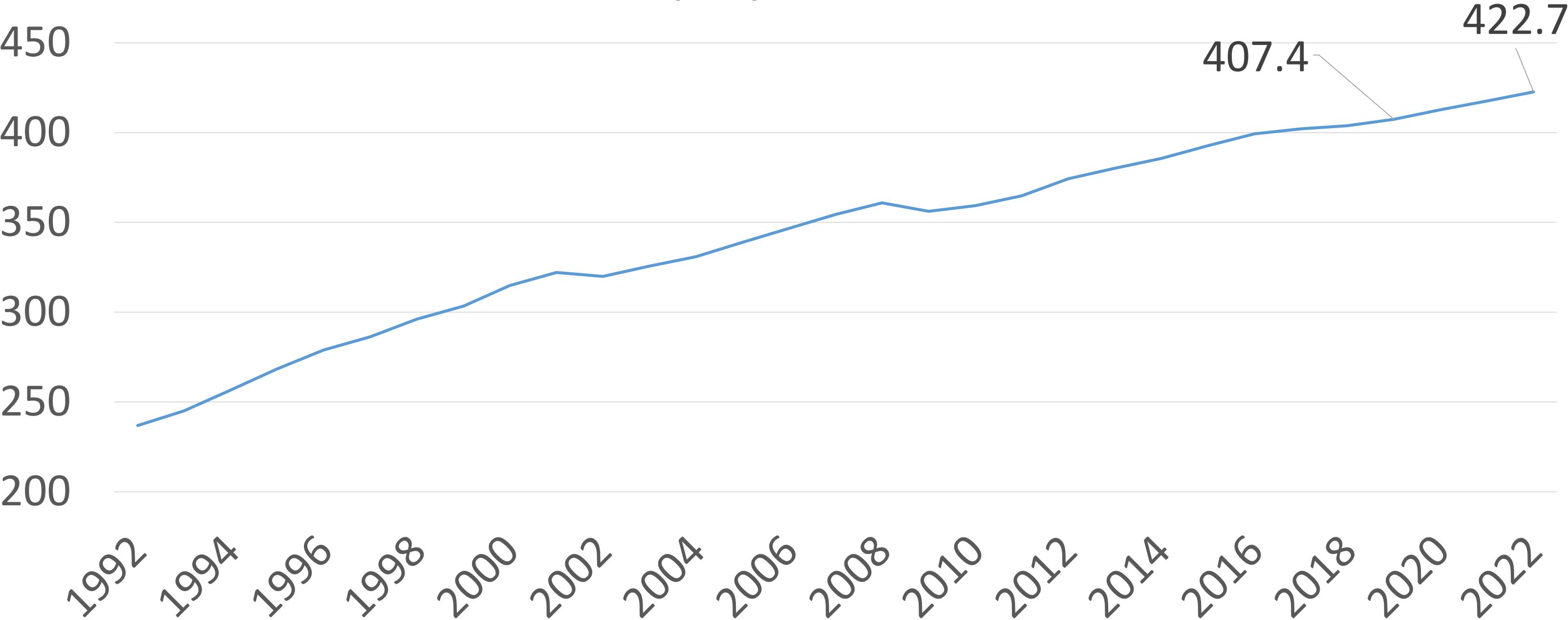
- Service related sectors are growing nationally
- Nebraska also benefits from higher birth rates (4th highest among U.S. states)
 - Nebraska has matched U.S. population in recent years

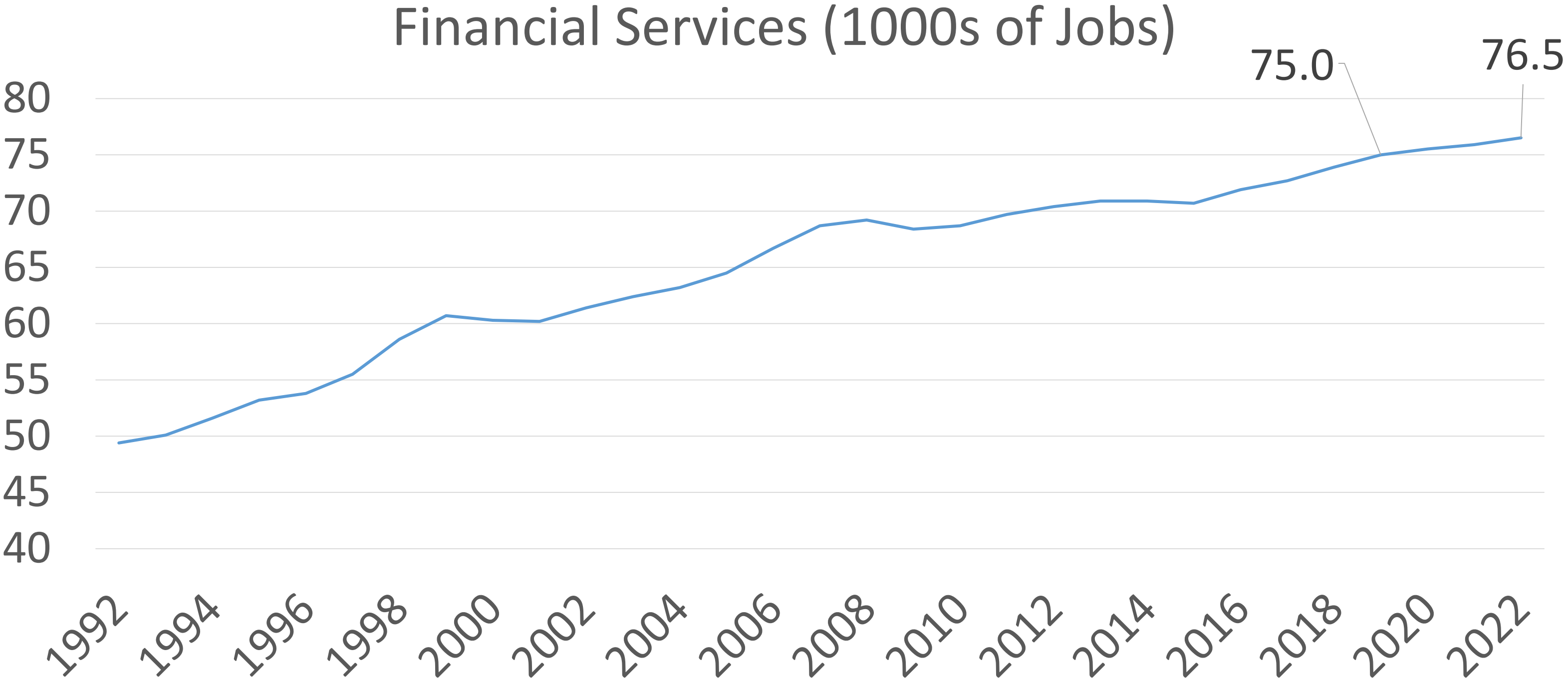
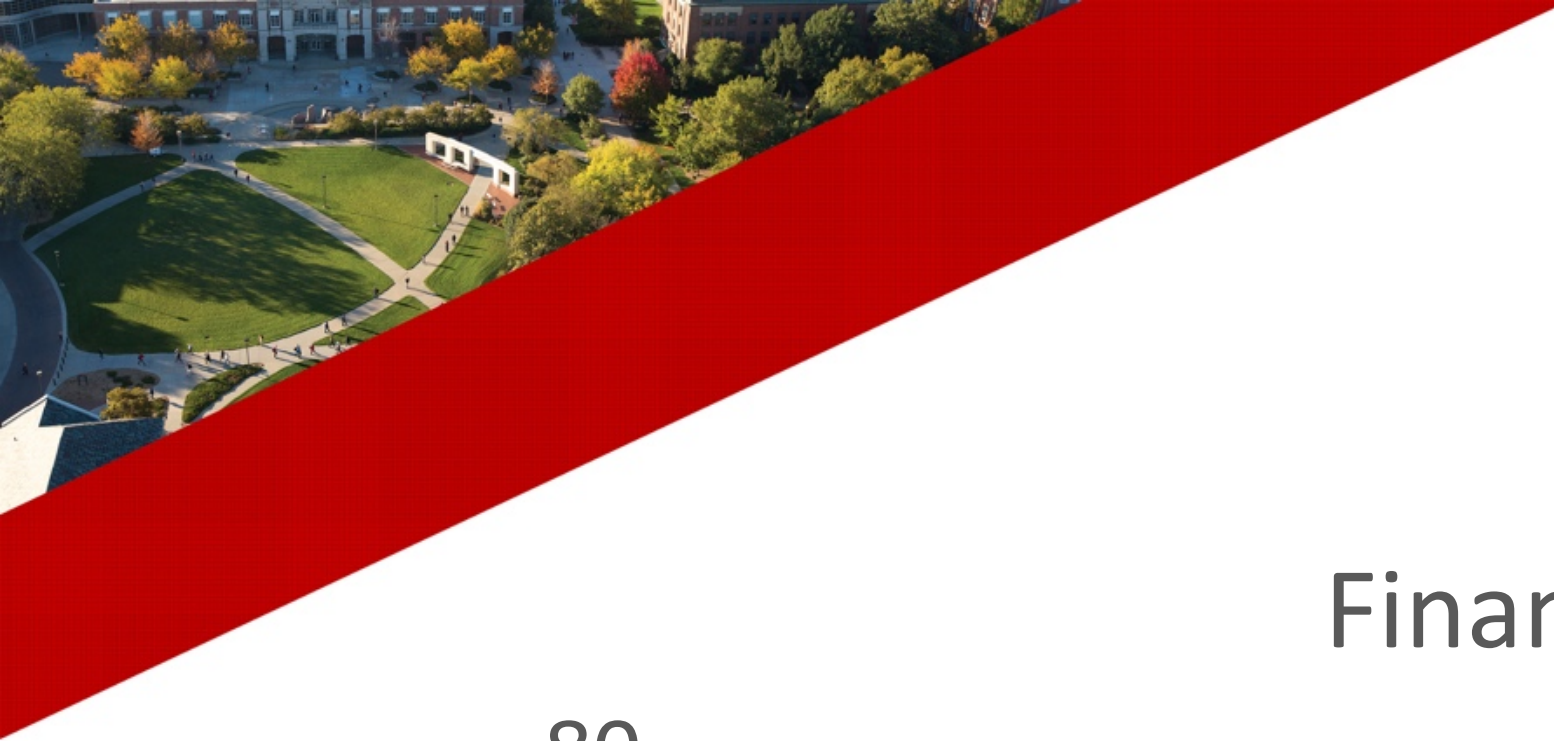
Growing Sectors

- Services - Broad-based growth in health care, business services and leisure and hospitality
- Financial Services – growth in bank and real estate employment
- Construction – Broad-based growth



All Services Employment (1000s of Jobs)





Non-Farm Employment

- Nebraska job growth rate will lag U.S. growth
 - Nebraska has a smaller pool of “discouraged” worker
 - Weak agricultural sector



Non-Farm Employment Forecast (%)

Geography	Rate of Growth		
	2020	2021	2022
Nebraska	0.8%	0.6%	0.7%
United States	0.9%	0.8%	0.8%

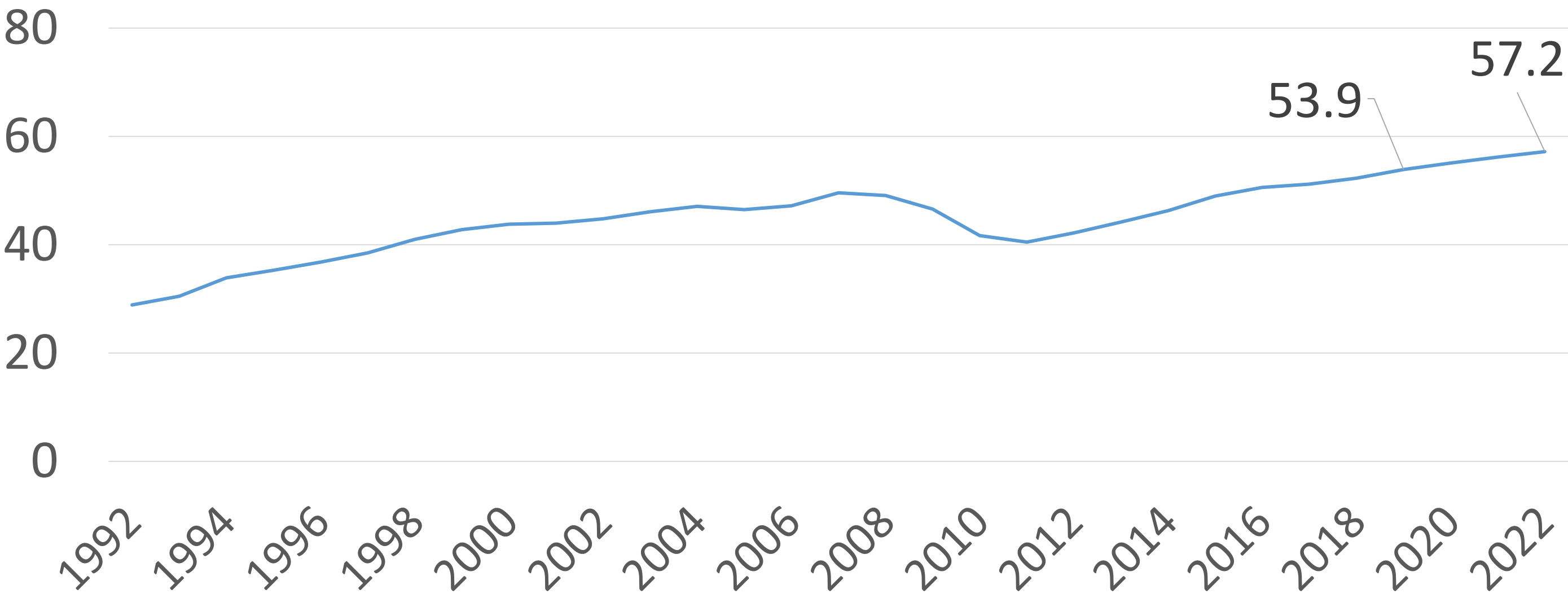


Measures of Income Growth

Measure	Rate of Growth		
	2019	2020	2021
Non-Farm Personal Income	3.8%	3.7%	3.7%
Taxable Sales	4.3%	3.2%	3.3%
CPI	1.8%	1.8%	2.0%
Population	0.5%	0.5%	0.5%



Construction and Mining Employment
(1000s of Jobs)



Population and Construction

- The slowdown in U.S. (and Nebraska) population growth to 0.5% (from 1% not long ago in the U.S.) is a challenge for commercial construction
- Not much can be done about the aging of baby-boomers
- But, commercial construction would benefit from finding ways to encourage faster growth in legal immigration.

Faster Growing Cities - Construction

- Residential growth in Omaha and Lincoln – local population growth of 1% (from 1.25% to 1.5% in the recent past)
- Commercial development in new neighborhoods
 - Service providers (health care, personal care)
 - Leisure and hospitality (restaurant, hotels)
 - Schools, bank branches
 - Office space

Faster Growing Cities - Construction

- Opportunities for Major Projects
 - Wholesale facilities
 - Fulfillment facilities
 - Other – server farms, performing arts, headquarters



Construction - Challenges

- Skilled labor shortages
- High material costs
- Slower population growth and household formation



Sub-state Economies

- Omaha and Lincoln (and Kearney) “can’t lose”
- Non-metro areas struggle – weak farm income impacts demand, non-metro to metro migration weakens supply



Sub-state Economies

- Within non-metro, slow growth in micropolitan areas, decline in rural
- Micro advantages over rural (one issue: big box stores closing)
 - Rural to micropolitan migration
 - Agricultural processing located in micropolitan areas
 - Health care clustered in micropolitan areas



THANK YOU!

Any Questions?