Bureau of Business Research

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Economic Update 2024

Bureau of Business Research
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Outline

- Macroeconomic Conditions

- Nebraska Outlook

Macroeconomic Conditions

- Inflation has moderated but remains stubbornly high
- The Federal Reserve Bank will need to keep interest rates high, and possibly even increase rates, to bring inflation down further

Macroeconomic Conditions

- High rates limit growth in consumption
  - Higher interest rates on loans
  - Higher-interest rate payments on credit cards

- Higher interest rates reduce business investment
  - Investments in buildings, equipment and intellectual property

Macroeconomic Conditions

- Dissipating Pandemic savings, rising consumer debt, and renewed student loan payments are also risks to consumer spending

- Higher interest rates keep the value of the U.S. dollar high
  - A challenge for businesses like manufacturing and agriculture that compete in international markets

Macroeconomic Conditions

- Policy mistakes may make it more difficult than necessary to reduce the rate of inflation
    - Excess government spending
    - Embrace of the "shortage economy" – regulation of labor and energy markets, limits on immigration and trade

Macroeconomic Conditions

- Any positives?
  - Normalization of immigration
  - Return to real (inflation-adjusted) wage and income growth
  - New technologies stoking business investment

Macroeconomic Conditions – Bottom Line

- The expectation (most likely scenario) is that the economy will grow at a moderate rate in 2024 and 2025, with growth accelerating in 2026
  - There is an elevated risk of recession in 2024 and 2025, meaning a much higher risk than during most years
  - There is also a "risk" that growth will be stronger in 2024 and 2025 as well

The Nebraska Outlook

- The national outlook implies a similar expectation for Nebraska

- Nebraska economy will grow at a moderate pace in 2024 and 2025 with growth accelerating in 2026
  - There is an elevated risk of recession in Nebraska in 2024 and 2025
  - The also may be stronger than expected growth in 2024 and 2025

The Nebraska Outlook

- Growth in Nebraska will lag national growth
  - Nebraska is a commodity State and the commodity “boom” is ending
  - Nebraska struggles to compete with states such as Texas, Colorado, Georgia, Florida, and Washington

The Nebraska Outlook

	% Employment Change	
Year	Nebraska	United States
2024	0.6%	1.0%
2025	0.7%	1.0%
2026	0.9%	1.5%

The Nebraska Outlook

- Sectors
  - Goods-Producing: Construction, Manufacturing, Agriculture
  - Select Service-Producing: Retail, Finance, and Services

The Nebraska Outlook

Year	% Employment Change: Construction	% Employment Change: Manufacturing
2024	1.7%	0.1%
2025	1.8%	0.0%
2026	2.0%	0.1%

The Nebraska Outlook

- Near record Nebraska farm income around $8 billion in 2023
  - Crop and livestock prices will moderate during the 2024 to 2026 period but so will input costs
  - Generous crop insurance payments in 2023 will end in 2024, leading to a $1 billion drop in annual farm income

- Nebraska farm income will be near $7 billion from 2024 through 2026

The Nebraska Outlook

- With an aging and slower growing workforce, industries with moderate pay will have trouble adding labor – retail and wholesale trade and portions of financial services as well as the public sector
- Some service sectors will add employment
  - Business services - competition demands efficiency
  - Health care – growing/aging population, valuable innovation
  - Leisure and hospitality – growing upper middle class

The Nebraska Outlook

	% Employment Change			
Year	Retail Trade	Finance	Services	Government
2024	-0.2%	0.5%	1.2%	0.3%
2025	0.2%	0.5%	1.3%	0.3%
2026	0.3%	0.5%	1.5%	0.2%

The Nebraska Outlook

- Non-farm income will grow faster than inflation in 2023 as inflation continues to moderate and employment expands

The Nebraska Outlook

	% Change	
Year	Non-Farm Income	Consumer Price Index
2024	3.6%	3.0%
2025	3.6%	2.5%
2026	3.8%	2.0%

Summary

- The expectation (most likely outcome) is that the U.S. and Nebraska economy will grow at a moderate pace in 2024 and 2025 and accelerate in 2026
  - There is an elevated risk of recession in 2024 and 2025
  - Nebraska growth will lag U.S. growth

THANK YOU!

Any Questions?