



# Bureau of Business Research

## Outlook for Nebraska Construction | January 2019

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*Presented to*  
Associated General Constructors – Nebraska Building Chapter

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# Outline

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



# U.S. Economic Forecast - Weaknesses

- Strengths – growing real wages, deregulation and tax reform, low interest rates and energy prices
- Weaknesses – labor force growth and quality, tariffs and the cost of inputs

# U.S. Economic Forecast— Bottom Line

- GDP growth 2.0% to 3.0%
  - No new major spending increases
  - Limited trade restrictions (a quick settlement)
- Solid job growth
  - Wage growth limited by labor quality issues





# Nebraska Economic Forecast

- Struggles for agricultural
- Manufacturing rebound
- Rural versus urban divide

# Nebraska Agriculture

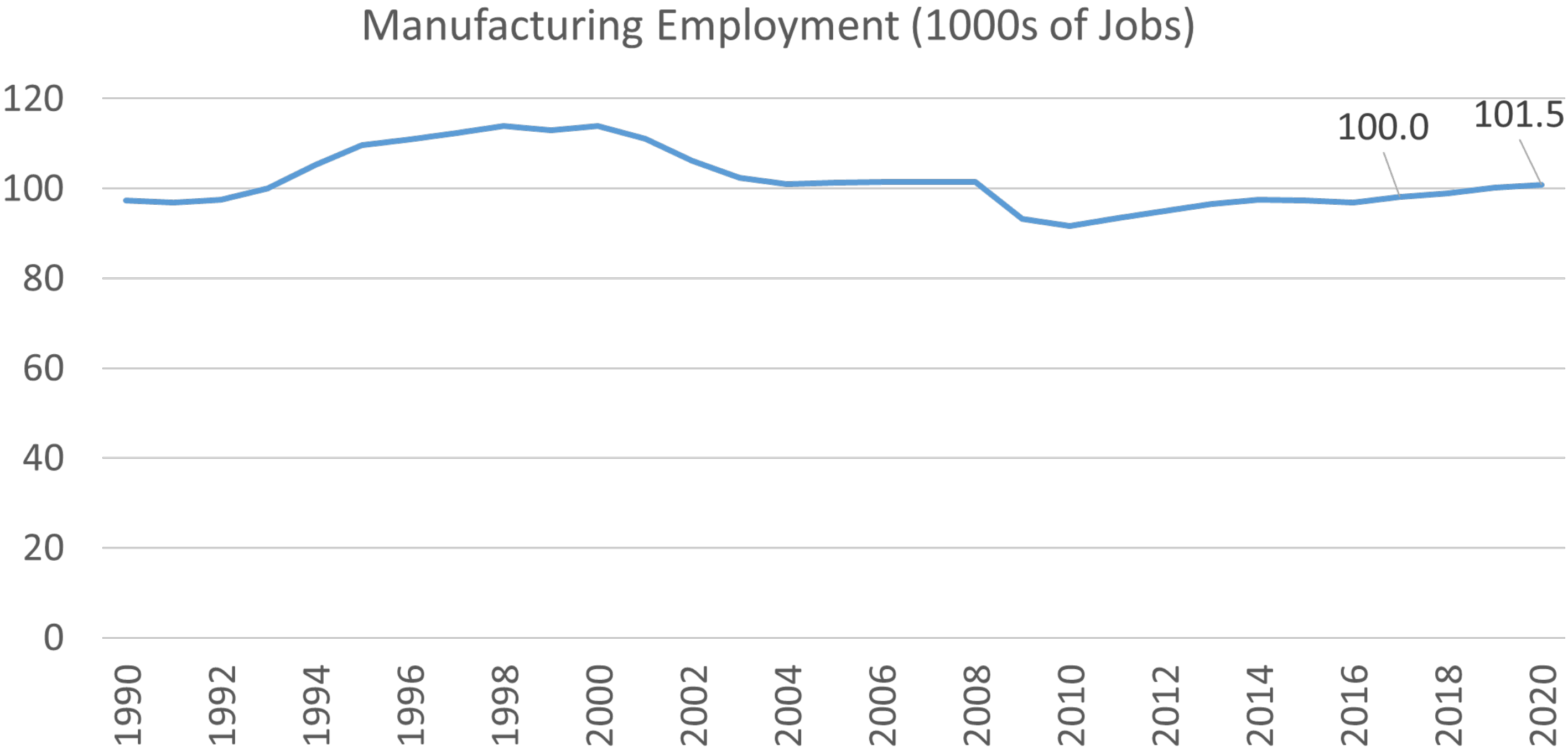
- Agricultural incomes have fallen back to \$2-\$3 billion range
- Potential further damage from trade conflicts
- Long-run strength remains
- For the Nebraska economy, ag production matters as well as ag income.



# Manufacturing

- Manufacturing
  - Growth in most sectors, including machinery manufacturing
  - Especially good conditions for growth in ag processing jobs



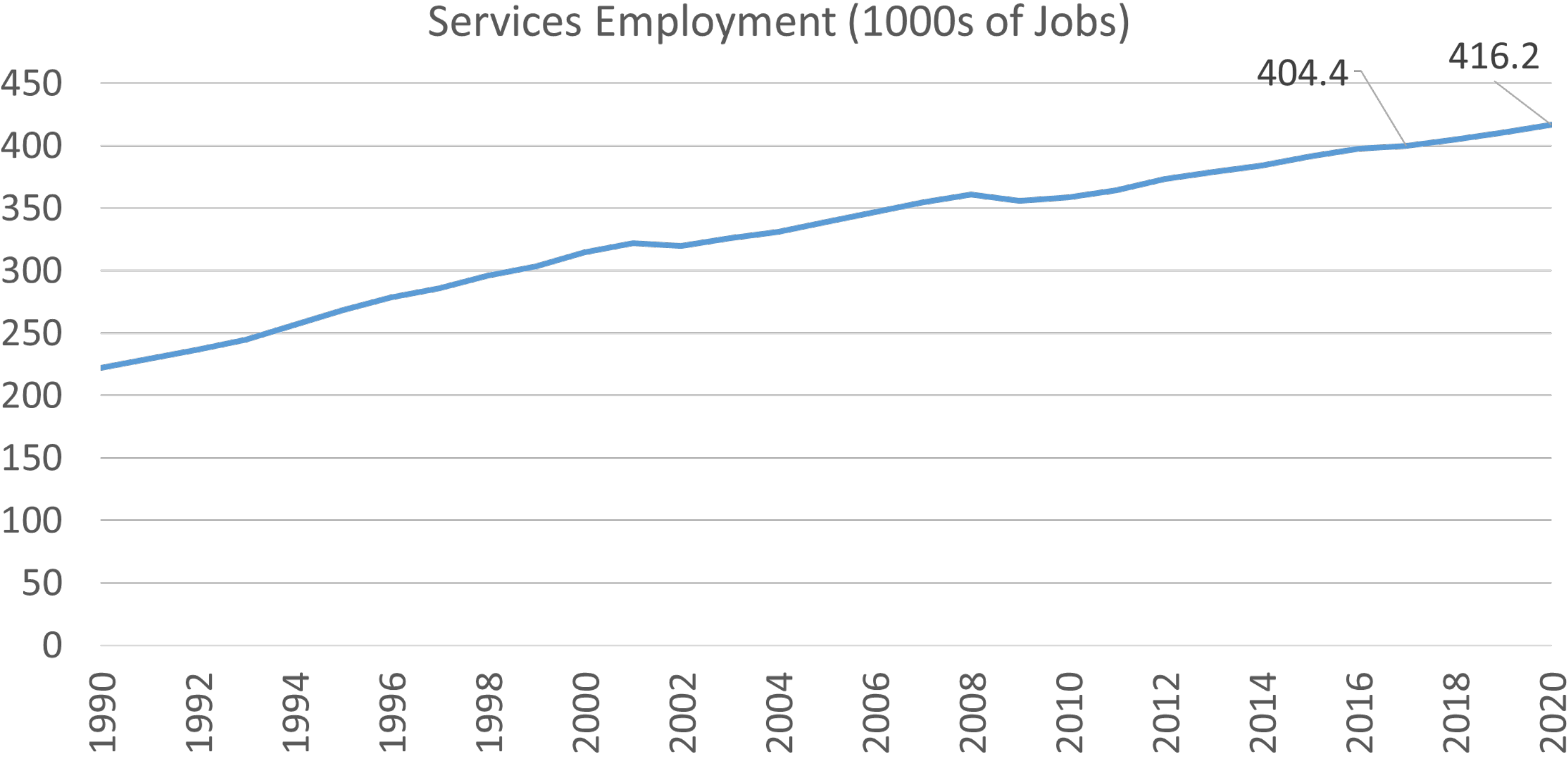
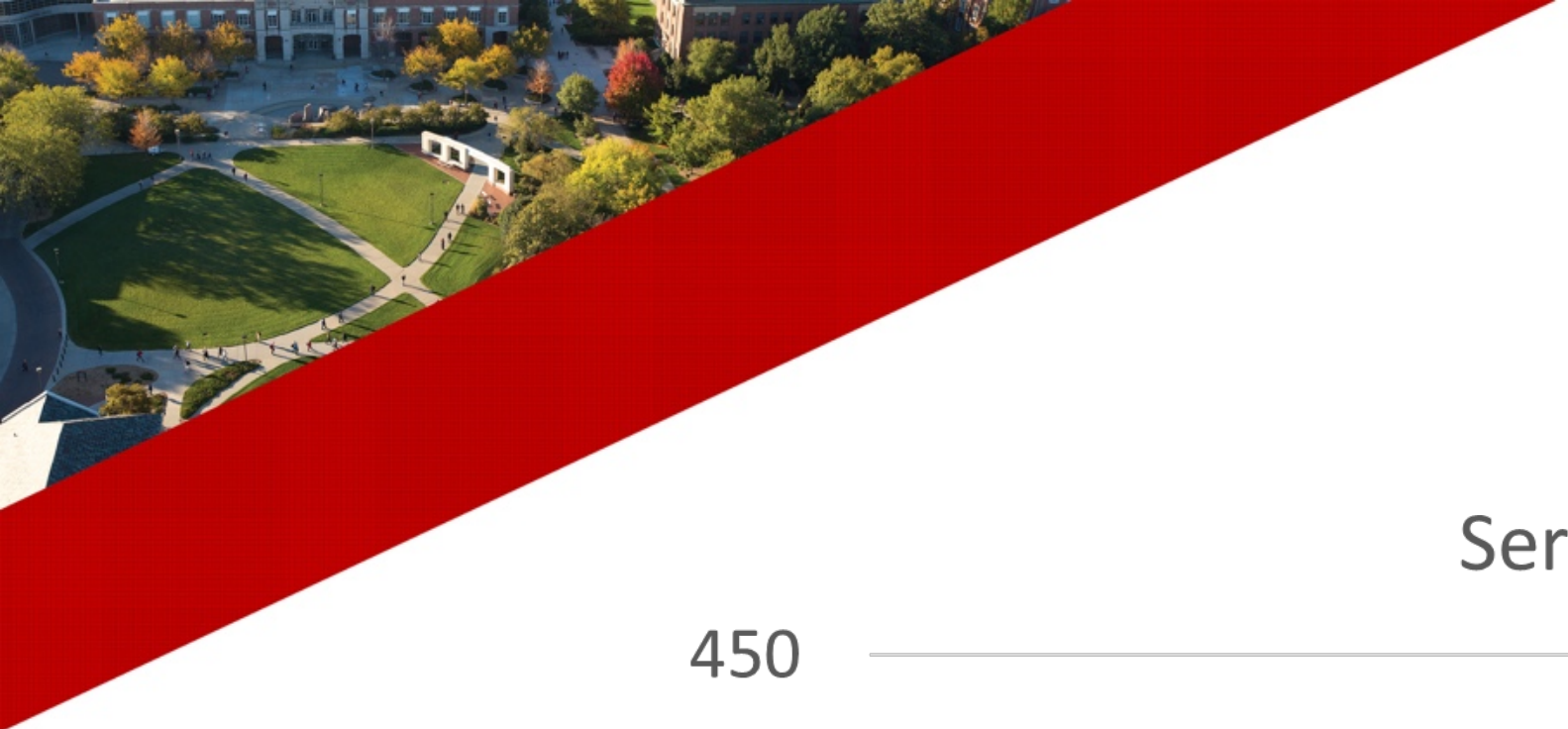




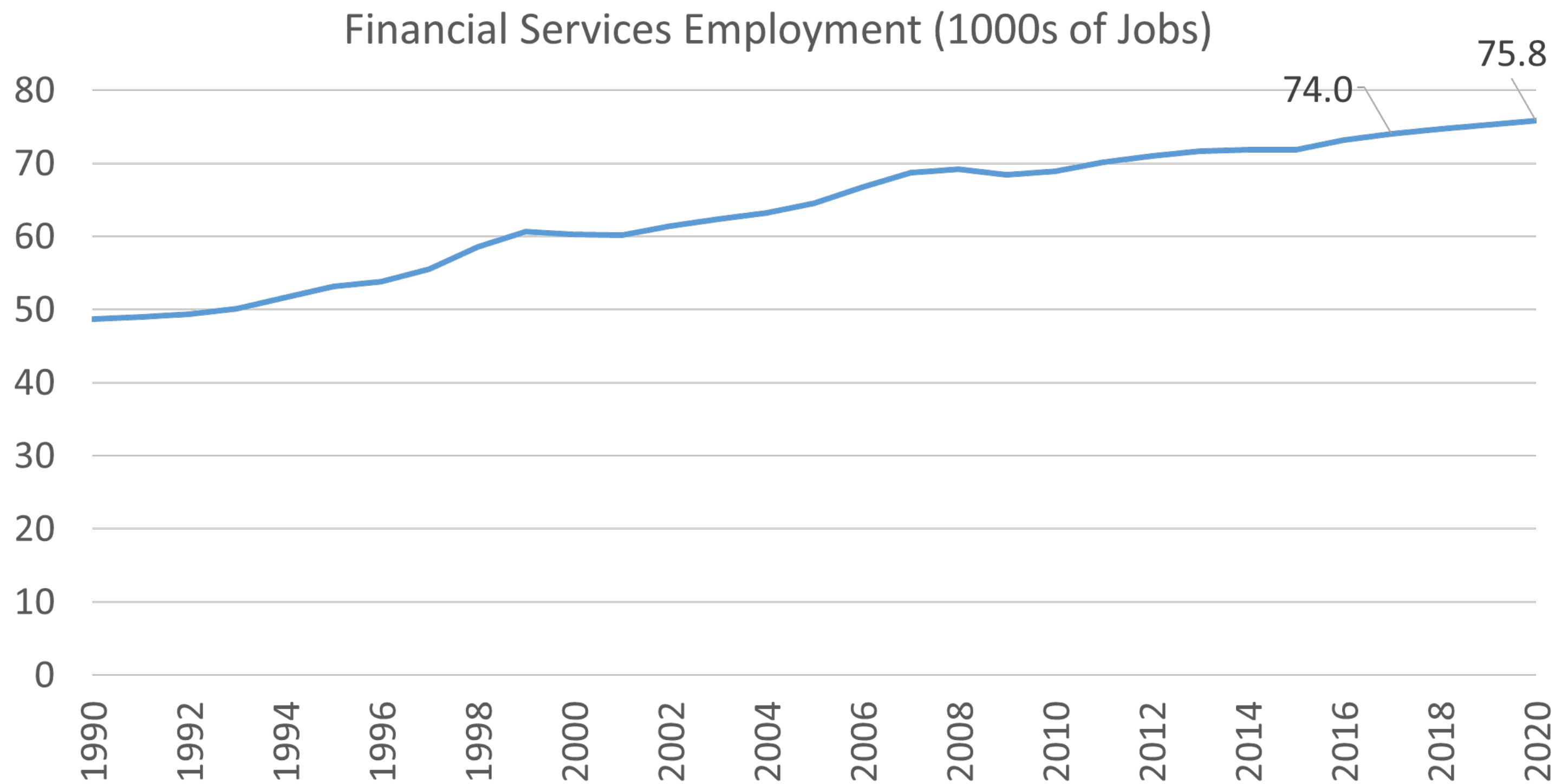
## Other Sectors

- Services - Broad-based growth in health care, business services and leisure and hospitality
- Retail Trade - drop in employment (500 jobs) given on-line competition, labor saving investments
- Financial Services – growth in bank and real estate employment











# Non-Farm Employment

- Nebraska job growth rate will lag U.S. growth
  - Nebraska population growth slightly lower
  - Smaller pool of “discouraged” worker
  - Weak agricultural sector
- Job growth improves in 2019 relative to 2018





# Non-Farm Employment Forecast (%)

Geography	Rate of Growth	
	2019	2020
Nebraska	0.9%	0.8%
United States	1.4%	1.0%





# Measures of Income Growth

Measure	Rate of Growth	
	2019	2020
Non-Farm Personal Income	4.5%	4.4%
Taxable Sales	3.1%	3.2%
CPI	2.0%	1.8%
Population	0.7%	0.7%





# Rural versus Urban Divide

- Broad-based challenges for the agriculture industry are part of the divide
- The other part is the genuine strength of urban Nebraska





# Weakness in Agriculture – Construction

- Processors of agricultural commodities benefit, which mitigates the overall impact on the non-metropolitan economy
- However, there is weak demand for
  - suppliers to farmers and ranchers
  - retail and service providers



# Faster Growing Cities - Construction

- Residential growth in Omaha and Lincoln – local population growth of 1% to 1.5%
- Commercial development in new neighborhoods
  - Service providers (health care, personal care)
  - Schools, bank branches
  - Office space



# Faster Growing Cities - Construction

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



# Construction - Advantages

- Low Interest Rates are Here to Stay
  - Its more than just Central Banks
  - Global “Price of Money” low due to economic factors
  - Falling demand – can start large companies with little borrowing
  - Rising supply – income inequality, growth in developing world

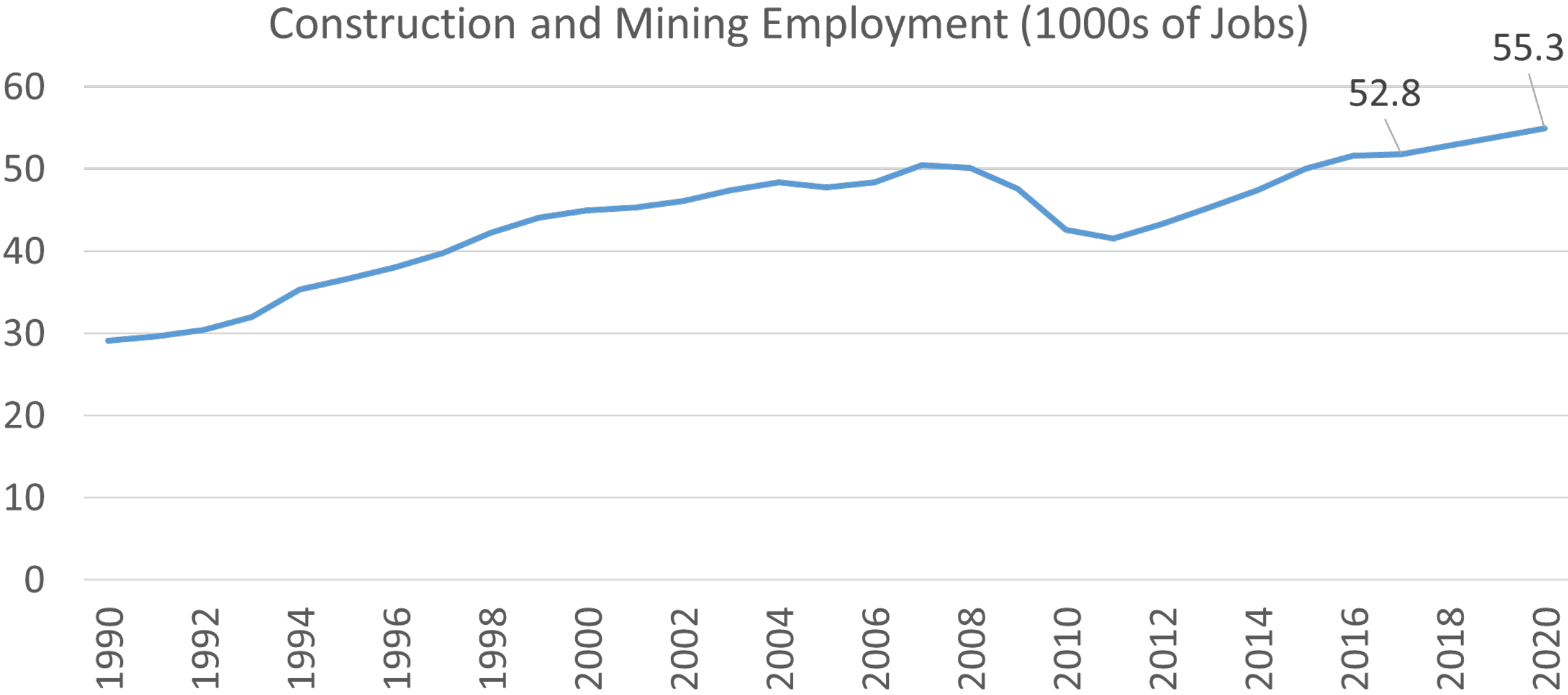


# Construction - Challenges

- Rising materials costs and challenges with hiring
- Employer Survey (hiring carpenters)

	Lincoln	Omaha
% “Difficult to Hire”	100%	91%
% “Poor Work History”	40.5%	45.9%
% “Failed Background Check”	35.4%	35.8%







# THANK YOU!

## Any Questions?