

Nebraska's Opportunity Economy

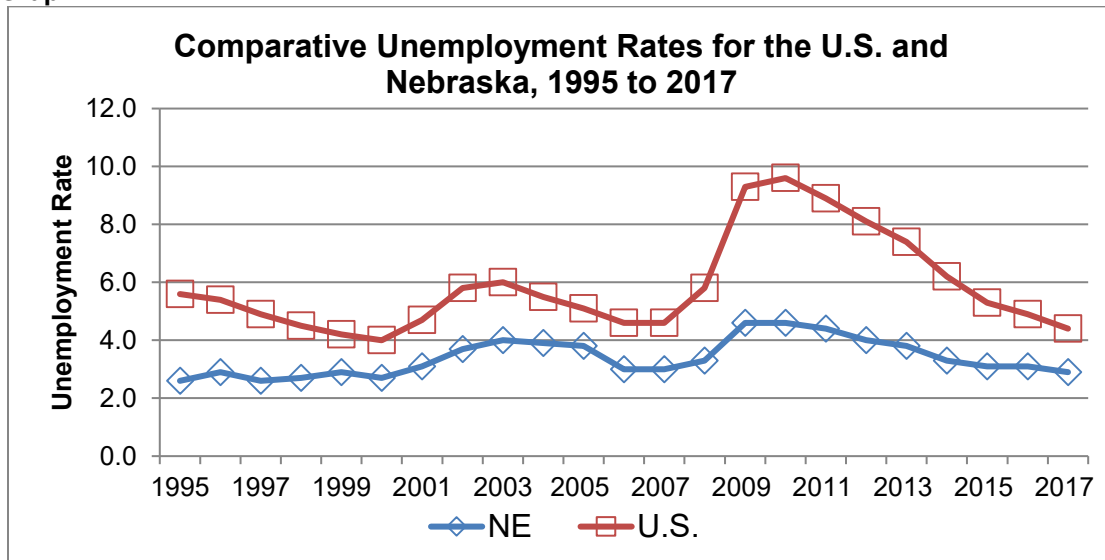
By
Research Staff
Nebraska Department of Economic Development
June 2018

This paper presents a profile of economic trends for the State of Nebraska for the period 1995-2017. Although the discussion focuses on the Nebraska economy, it also compares the Nebraska economy to the U.S. economy – explaining how it mirrors the larger U.S. economy, while highlighting differences between the two. Graphs and tables to illustrate the discussion.

Labor Force & Manufacturing Employment

Historically, a prominent feature of the Nebraska economy is its comparatively low unemployment rate. Graph 1 shows the state unemployment rate going up and down with the national rate but always at a lower level and with less extreme movements. The state unemployment rate has been below the national rate since, at least, 1995. Thus, a principal feature of the Nebraska economy is that it follows the U.S. economy with some lag and without the extreme fluctuations.

Graph 1



Largely, because of the state's low unemployment rate, many businesses considering expanding or moving to the state worry there is a worker shortage in Nebraska. But, overall, between 1995 and 2017, nonfarm jobs (work force employment) increased by 24.6 percent in Nebraska (Table 1). Between 2005 and 2008, annual nonfarm job numbers grew, although growth turned negative after 2008, but then turned positive again between 2011 and 2017.

On the other hand, Nebraska manufacturing jobs declined steadily throughout the 2000s. They have rebounded some recently, and index numbers indicate that the number of manufacturing jobs has been more stable in the state than nationally (Graph 2). So, the comparatively steady manufacturing employment and the growth in total nonfarm jobs suggest the Nebraska labor and work forces can expand to cover the employment needs of new or expanding businesses. There might be some initial gaps in the geographic distribution of workers or of worker skills, but the work and labor forces in an area can cover gaps over time. (For a discussion of labor force mobility, see these Nebraska Department of Economic Development [NDED] and Department of Labor (NDOL) studies, *Northeast Nebraska Labor Availability Study*, 2014 and NDED & NDOL, *Lincoln Labor Availability Study*, Released December 2014).

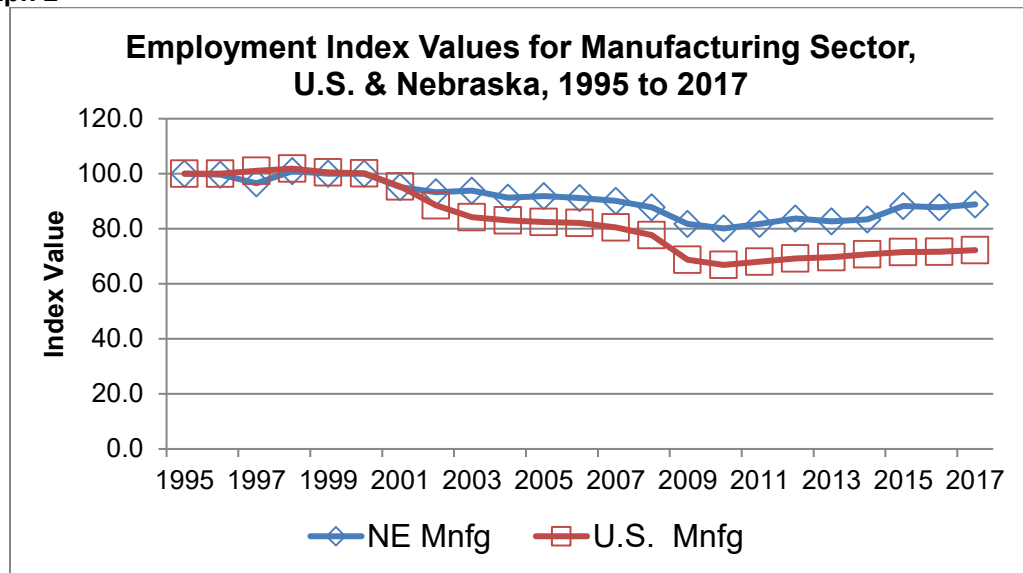
To identify Nebraska’s major industries, we calculated the location quotients (LQs) for all 3-digit NAICS industries that comprise the state’s nonfarm work force. When evaluating LQs, a value greater than one indicates a higher concentration of employment or income in an industry in a local area than in the reference area (usually, the U.S.). High LQ values, indicate export industries; i.e., industries that draw income and jobs into a state. For Nebraska, 32 of 86 three-digit NAICS industries had LQs values of one or greater. Most, however, had comparatively low LQ values, indicating they served local markets. Table 2 shows that the industries having the highest LQ values, included “animal production; “food manufacturing;” and “truck transportation.”¹ Interestingly, Data processing had the fifth largest LQ. The results indicate that agriculture and the processing and manufacture of food products are principal industries in the state.

Table 1 - Total Nonfarm Payroll and Manufacturing Jobs, Nebraska, Selected Years, 1995 to 2017

Year	Manufacturing	Work Force
1995	110,400	816,367
2000	110,380	908,893
2005	101,380	930,200
2010	88,456	945,100
2015	97,300	1,006,300
2017	98,100	1,017,600

Source: USDOL, Bureau of Labor Statistics, June 2018

Graph 2



Source: Calculations by NDED

¹ Being in the middle of the country, Nebraska has to ship its products long distances to markets. So, it has comparatively well-developed truck and rail transportation systems.

Table 2 - Nebraska's Top Industries for Location Quotients, 2017

NAICS Code/Industry Description	Nebraska
NAICS 112 Animal production and aquaculture	4.22
NAICS 311 Food manufacturing	3.43
NAICS 484 Truck transportation	2.50
NAICS 491 Postal service	2.26
NAICS 518 Data processing	2.20
NAICS 316 Leather and allied product manufacturing	2.19
NAICS 524 Insurance carriers and related activities	1.66
NAICS 447 Gasoline stations	1.58
NAICS 515 Broadcasting, except Internet	1.40
NAICS 522 Credit intermediation and related activities	1.40
NAICS 551 Management of companies	1.40

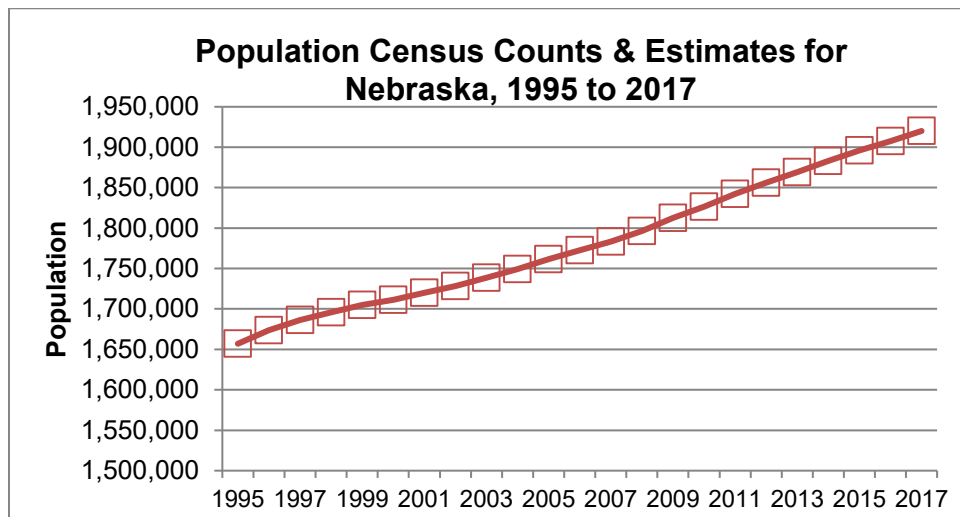
Source: USDOL, BLS, 2018

Population

The 2010 Census counted 1,826,341 Nebraskans, which ranked 38th among the 50 states; the Census Bureau estimated the 2017 state population at 1,920,076, a 15.9 percent increase that moved the state up one place to 37th. That compares to a national increase of 23.9 percent between 2010 and 2017. So, over the last 20 years, the Nebraska population growth rate has been less than the national rate but the state rate has been positive, showing steadily increasing growth (Graph 3).

The biggest contributor to Nebraska population change is its natural increase – births exceeding deaths. But, since 1990, Nebraska's population has also grown because of international and domestic immigration (see Table 3), especially when the Nebraska economy is producing jobs and other states are not. Admittedly, most of the population growth occurs in metropolitan Nebraska – census-to-census population loss is still a major issue in rural Nebraska. Most of the state's population growth has occurred in counties along the I-80 corridor, especially in Sarpy and Lancaster counties.

Graph 3



Source: USDOC, *Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: 2010 to 2017*

Table 3

Components of Population Change, Nebraska, 1980-1990, 1990-2000, 2000-2010, and 2010-2017

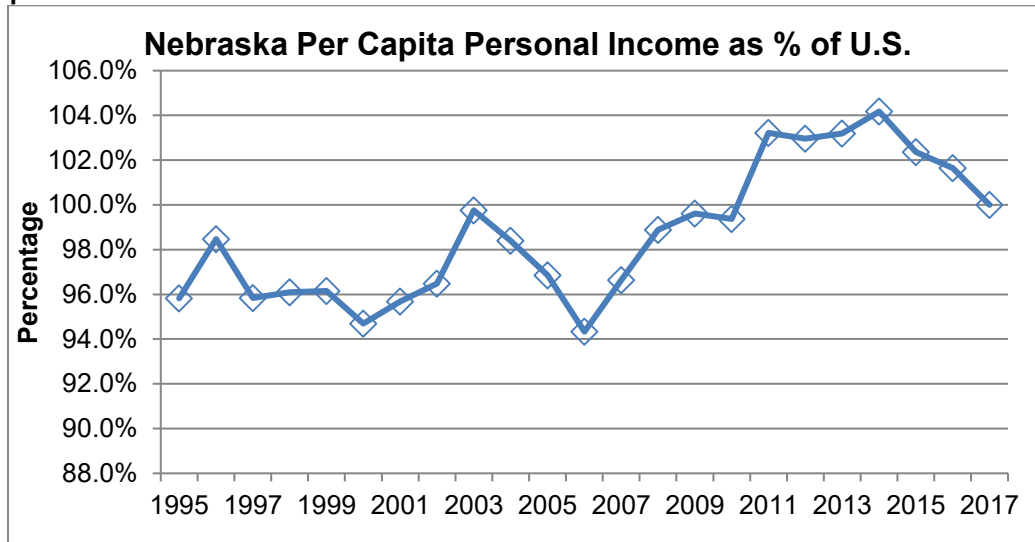
Period	End-Year Population	Population Change	Births	Deaths	Natural Change	Net Migration
2010-2017	1,920,076	93,735	183,737	110,946	72,791	20,944
2000-2010	1,826,341	115,078	261,868	151,574	110,294	4,784
1990-2000	1,711,263	132,846	235,210	150,599	84,611	48,234
1980-1990	1,578,417	8,592	255,191	147,680	107,511	-98,947
1980	1,569,825					

Source: U.S. Bureau of the Census, American Factfinder, 2018

Income and Earnings

Per capita income and earnings in Nebraska have historically been below national averages but, in recent years, those indicators of Nebraska’s economic well-being have generally kept pace with national trends. Per capita personal income (PCPI) is a measure of the economic well-being of an area rather than the income of individuals. In 1995, Nebraska’s PCPI was \$22,583, which was 95.8 percent of the national average. The state’s PCPI as a percentage of the U.S. PCPI remained in the 90’s until 2009. From 2011 through 2017, Nebraska PCPI was greater than the national average, largely because those were good years for agriculture income (Graph 4).

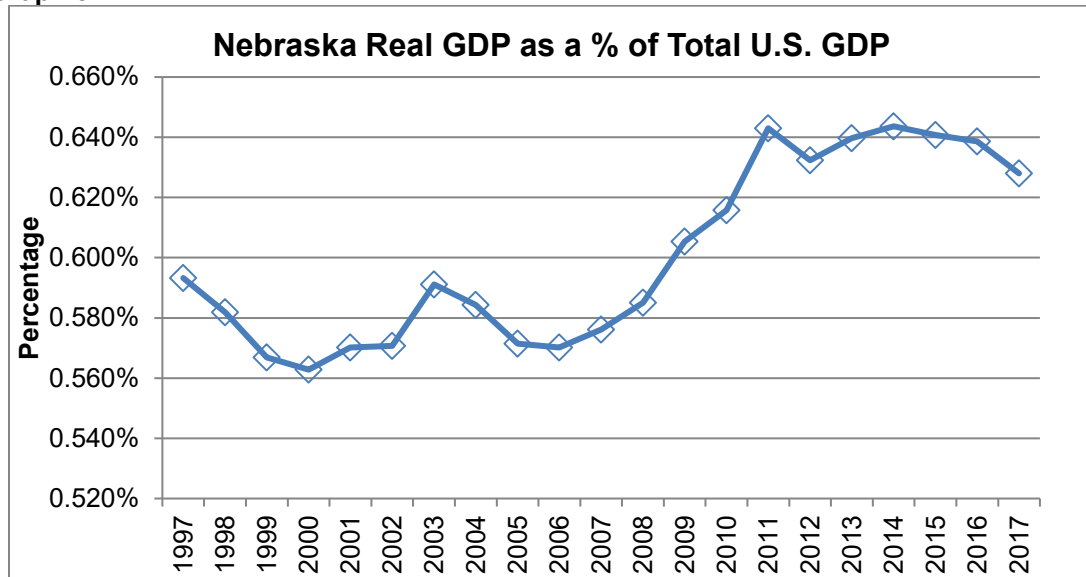
Graph 4



Source: USDOC, Bureau of Economic Analysis, 2018

Graph 5 shows Nebraska’s real gross domestic product (GDP) as the percentage of total annual U.S. real GDP. Nebraska GDP represented 0.628 percent of the total U.S. GDP in 2017. It began dropping in 2015 after rising steadily from 2012 to 2014. Those percentages are admittedly small, but if you look at how the state’s GDP has changed since 1997, the Nebraska numbers look better. Between 1997 and 2017, the state’s GDP increased 240.1 percent compared to a 226.8 percent increase for the U.S. If you look at “real” per capita GDP numbers, Nebraska is also doing comparatively well. The state first exceeded the national real per capita GDP value in 2009, and continued that trend into 2017. So, Nebraska’s economy represents a small part of the much larger U.S. economy but as Graph 5 illustrates, in recent years, it has been a solid, increasing portion of that economy.

Graph 5



Source: USDOC, BEA, 2018

Exports, Imports, and Foreign Markets

Nebraska's exported goods valued at \$7.2 billion dollars in 2017 (Table 4). That was 13.0 percent higher than total state exports in 2016. The most common commodity Nebraska exports is, not surprisingly, "food and kindred products" – 39.1 percent of total exports in 2017 and, at least, 32 percent of total exports going back to 2010. If we broaden that food export category to include raw agricultural commodities (corn, wheat, soybeans, etc.) and livestock products, food products comprised 51.9 percent of Nebraska exports in 2017. In 2016, the state ranked fifth among the states in total agricultural exports (see data from the U.S. Census Bureau, U.S. Department of Commerce; and the USDA's Economic Research Service). In 2016, Nebraska ranked third in the export of animal products and first in hide exports. The state ranked fourth overall in plant product exports, including third in corn and fourth in soybean exports. Nebraska also imports goods from the world – its monthly imports equal about half the value of its exports (Graph 6). That's not too surprising given that the state exports to the whole world and, presumably, imports for only 1.8 million people.² In 2017, the leading Nebraska imports were NAICS 333 Machinery and NAICS 325 Chemicals.

Although the state exported to 171 exports markets (countries) in 2017, it exported 80 percent of its total exports to ten markets and 42.9 percent went to just two markets -- Canada and Mexico (Table 5). That two-market percentage has been dropping – it was 50 percent in 2010, whereas the ten-market percentage remained virtually constant. In 2017, the state imported from 124 markets -- a slightly different group than it exports to. China was the top country from which Nebraska imported with \$876.8 million, followed by Canada (\$824.0 million), Germany (\$271.6 million), Switzerland (\$251.4 million); Japan (\$248.9 million); and Mexico (\$229.8 million).

² The Department of Commerce does not know the ultimate destination of the imports it reports going to a particular state, so those exports could move on to another state after landing in an initial state. Thus, like exports, the total import values reported for an individual state are estimates. So, imports "Measures the total physical arrivals of merchandise from foreign countries, whether such merchandise enters consumption channels immediately or is entered into bonded warehouses or Foreign Trade Zones under CBP custody" (USDOC, Trade definitions, 2018).

Table 4 – Nebraska Exports to the World by NAICS Commodity, 2014 to 2017

Commodity	2014	2015	2016	2017
All Commodities	\$7,861,262,613	\$6,559,947,906	\$6,380,353,314	\$7,208,362,887
111 Agricultural Products	770,510,917	617,263,970	772,496,830	920,130,969
112 Livestock & Livestock Products	1,077,982	2,754,580	2,219,847	1,482,875
113 Forestry Products, Nesoi	390,731	365,880	221,301	177,546
114 Fish, Fresh/chi/froz & Oth Marine Pro	554,740	300,404	391,103	5,135,110
211 Oil & Gas	476,523,565	173,597,573	99,053,329	210,784,246
212 Minerals & Ores	36,329,056	53,329,773	58,060,911	69,692,170
311 Food & Kindred Products	2,782,947,344	2,371,221,929	2,535,036,053	2,820,283,086
312 Beverages & Tobacco Prods	102,740,912	69,904,201	46,757,565	27,652,547
313 Textiles & Fabrics	12,430,486	12,890,671	13,814,430	12,756,201
314 Textile Mill Products	2,372,332	3,799,365	1,530,411	2,023,809
315 Apparel & Accessories	7,831,220	8,401,054	3,030,261	2,462,004
316 Leather & Allied Products	221,558,652	161,797,130	124,297,236	99,433,908
321 Wood Products	2,571,915	3,268,823	2,623,102	3,492,401
322 Paper	22,945,764	21,468,504	12,175,332	10,674,567
323 Printed Matter & Relate Prods, Nesoi	5,252,815	3,517,238	3,353,387	4,253,182
324 Petroleum & Coal Products	3,554,620	8,284,165	9,810,365	18,093,007
325 Chemicals	695,490,075	612,839,396	587,586,137	683,957,580
326 Plastics & Rubber Products	68,924,704	64,576,505	77,058,152	91,834,362
327 Nonmetallic Mineral Products	10,029,660	10,144,236	8,278,861	9,232,041
331 Primary Metal Mfg	76,276,291	58,955,859	55,012,525	71,087,305
332 Fabricated Metal Products, Nesoi	209,269,135	205,358,845	133,435,984	152,340,086
333 Machinery, Except Electrical	1,106,605,187	838,632,974	845,898,898	975,828,118
334 Computer & Electronic Prods	244,173,043	244,792,753	207,515,372	215,815,944
335 Electrical Equip., Applis & Comps	280,252,671	434,682,169	244,912,243	189,570,090
336 Transportation Equipment	406,578,129	323,323,745	266,248,047	318,647,425
337 Furniture & Fixtures	38,723,495	15,210,372	15,004,806	14,967,400
339 Misc. Manufactured Commodities	187,144,416	179,624,013	203,608,424	217,302,272
910 Waste And Scrap	14,801,903	12,037,303	9,633,543	11,407,256
930 Used Or Second-hand Merchandise	47,306,942	28,251,222	26,244,642	31,490,348
980 Goods Returned (exps For Canada)	124,648	162,566	55,490	1,002,285
990 Other Special Classification Provs	25,969,263	19,190,688	14,988,727	15,352,747

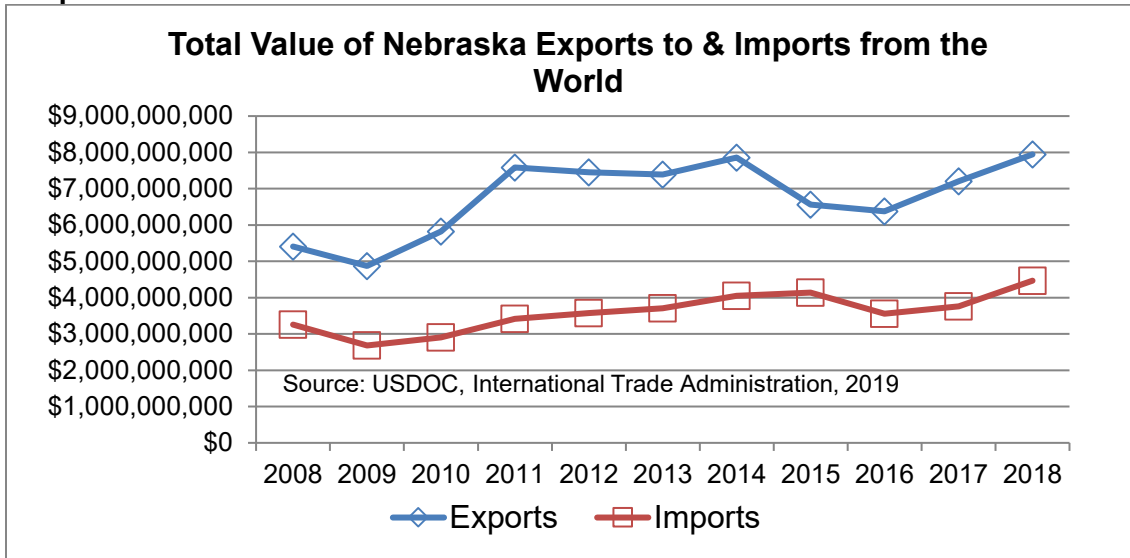
Sources: U.S. Census Bureau: Economic Indicators Division, USA Trade Online, U.S. Import & Export Merchandise trade statistics, 2018

Table 5 - Top Ten Markets for Nebraska Exports, 2014 to 2017

Country	2014	2015	2016	2017
	\$7,861,262,613	\$6,559,947,906	\$6,380,353,314	\$7,208,362,887
Canada	2,173,297,437	1,466,640,819	1,219,133,127	1,583,364,002
Mexico	1,353,162,036	1,261,446,601	1,459,835,029	1,511,836,528
Japan	733,284,401	793,275,829	695,405,403	775,232,314
China	609,530,324	483,875,398	470,365,779	483,177,284
Korea, So.	357,388,323	349,887,791	412,900,054	441,729,483
Australia	199,727,064	182,640,133	201,194,855	253,965,055
Hong Kong	302,273,747	237,221,411	191,005,655	188,691,052
Netherlands	168,759,341	204,532,922	127,611,398	170,099,579
Belgium	100,950,524	93,041,077	151,597,828	138,996,431
Germany	153,920,083	164,476,505	135,427,701	135,673,352

Source: U.S. Census Bureau, USA Trade Online, 2018

Graph 6



Summary

The major feature of the Nebraska economy is that it reflects the U.S. economy – where the nation goes, Nebraska follows but in its own way and at its own pace. A second feature of Nebraska’s economy is that it is based on agriculture both in the production of raw materials and in the processing/manufacture of food products. That provides some stability to the Nebraska economy because people have to eat so, there will always be a market, national or international, for what Nebraska produces/manufactures.