Outline

• U.S. Economic Outlook (briefly)

• Nebraska Economic Outlook, including income and taxable sales
U.S. Economic Forecast

• The Covid-19 Pandemic has upended the U.S. economy and pushed it into recession

• The recession has been characterized as a deep decline in industries which:
  • Require face-to-face interaction between customers and workers
  • Serve travelers or
  • Serve crowds of customers
U.S. Economic Forecast

• While the impact has spread to the broader economy, monetary and fiscal policy have helped and a strong recovery can begin in May or early-June

• GDP and employment decline by 4.0% to 6.0% in 2020

• GDP will rise by 4.0% to 5.0% in 2021 and 2.5% in 2022

• Employment will bounce back as well
Nebraska Economic Forecast

• While Nebraska has been hard-hit too, the contraction should be less sharp
• Smaller share of economy in some heavily impacted sectors
  • Travel and tourism, including major tourism attractions and entertainment centers
  • Automobile parts and assembly
  • Oil production and support industries
Nebraska Economic Forecast

• A larger share of the Nebraska economy is in less heavily impacted sectors
  • Food production and processing
  • While there are challenges, demand is stable for “necessities”

• Finance and insurance - more potential to work from home
Hardest-Hit Nebraska Sectors in 2020

• Retail trade employment is expected to decline by 3.9%
• Services employment is expected to decline by 3.6%
• Manufacturing employment to decline by 2% to 3%
## Non-Farm Employment Forecast (%)

<table>
<thead>
<tr>
<th>Geography</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nebraska</td>
<td>-2.4%</td>
<td>2.0%</td>
<td>1.4%</td>
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</tbody>
</table>
Non-Farm Income

• A sharp decline in income from
  • Wages and salaries (and benefits)
  • Proprietor income
  • Dividends, interest and rent

• A sharp increase in transfer payments
  • Economic impact payments (one-time checks; not taxable)
  • Unemployment insurance benefits
Taxable Sales

• Declining nominal non-farm and farm income

• Key taxable sectors severely impacted
  • Rotation from taxed restaurants to untaxed groceries

• Automobile sales down

• Taxable sales for calendar year 2020 will fall (somewhat) more rapidly than in Great Recession
### Other Measures of Growth

<table>
<thead>
<tr>
<th>Measure</th>
<th>Rate of Growth</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Income</td>
<td></td>
<td>-22.6%</td>
<td>2.1%</td>
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<tr>
<td>Non-Farm Personal Income</td>
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<td>-0.8%</td>
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<tr>
<td>“Taxable” Non-Farm Income</td>
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<td>-2.4%</td>
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<td>3.7%</td>
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<tr>
<td>Taxable Sales</td>
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<td>6.4%</td>
<td>3.7%</td>
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<tr>
<td>CPI</td>
<td></td>
<td>0.5%</td>
<td>1.8%</td>
<td>1.8%</td>
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</tbody>
</table>
THANK YOU