



# Nebraska's Merchandise Exports: Current Conditions and Outlook

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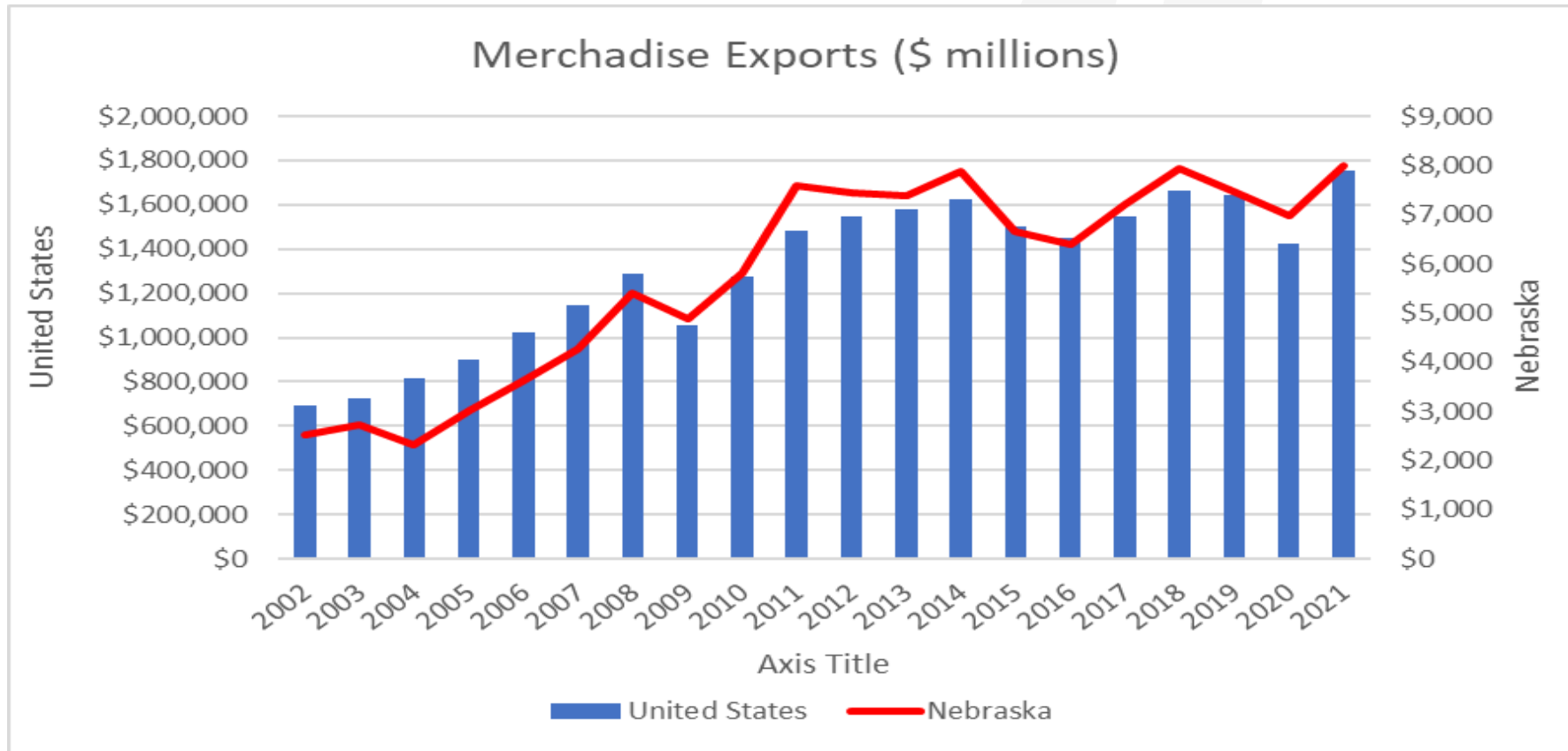
May 18, 2022

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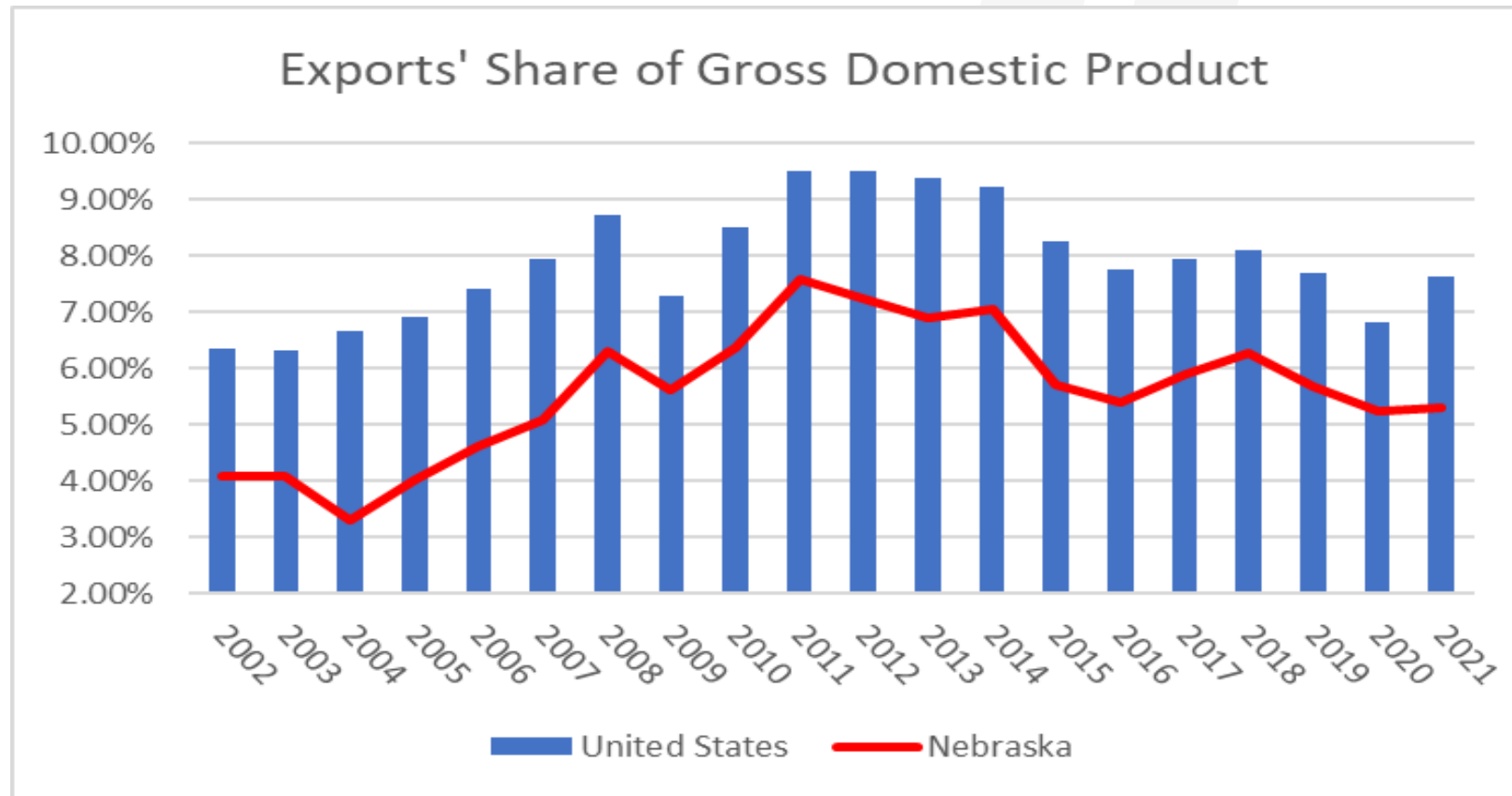
# Nebraska's Merchandise Exports

- Rapid Growth between 2002 and 2011
- Stable between 2012-2021



# Export's Contribution to the Economy

- Growth until 2011
- Decline from 2011 to 2021



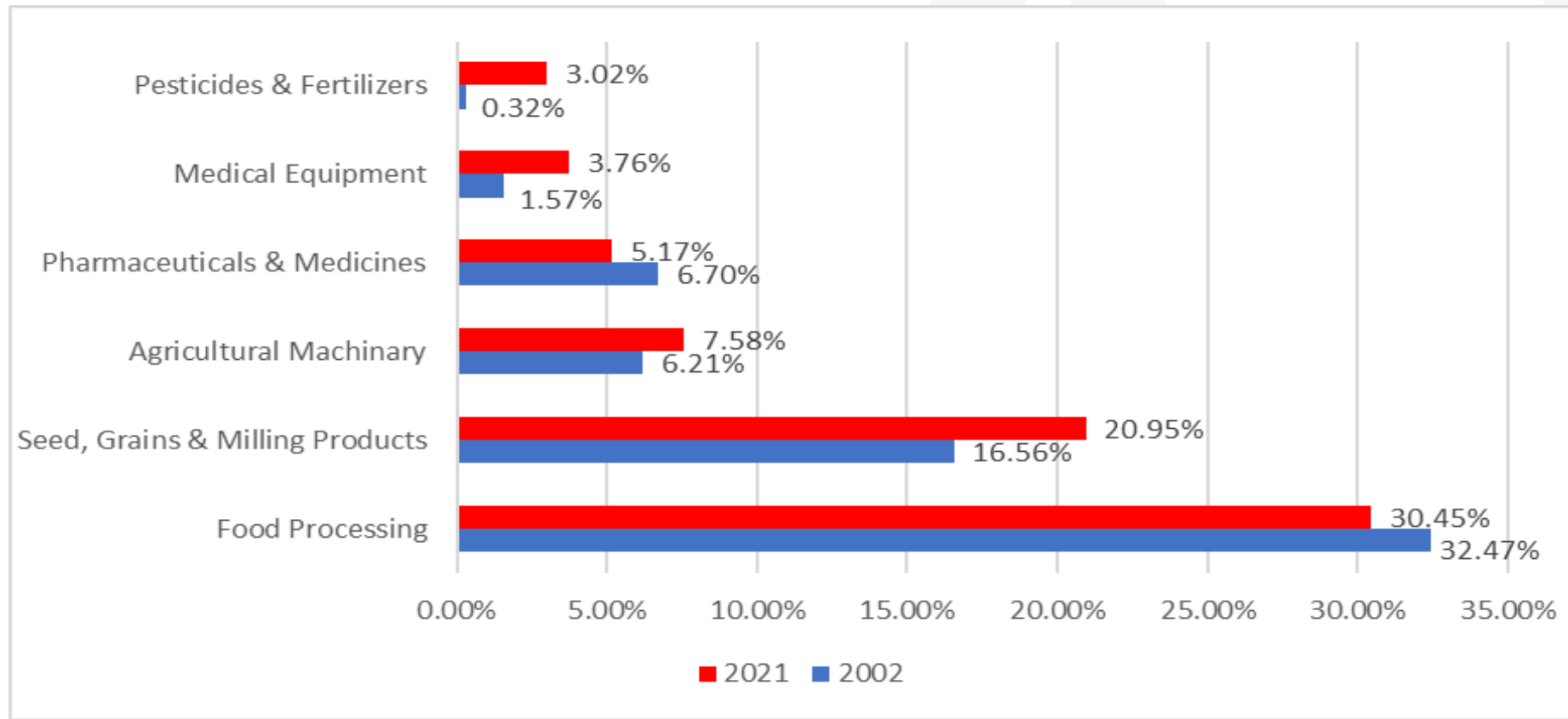
# Nebraska's Exports Business Cycle

- Less impacted by recent recessions
- Slower to grow out of recessions

Recent Recession Experience		
Recession	United States	Nebraska
2009	-17.97	-9.96
2010	21.06	19.46
2020	-13.26	-6.43
2021	23.09	14.60

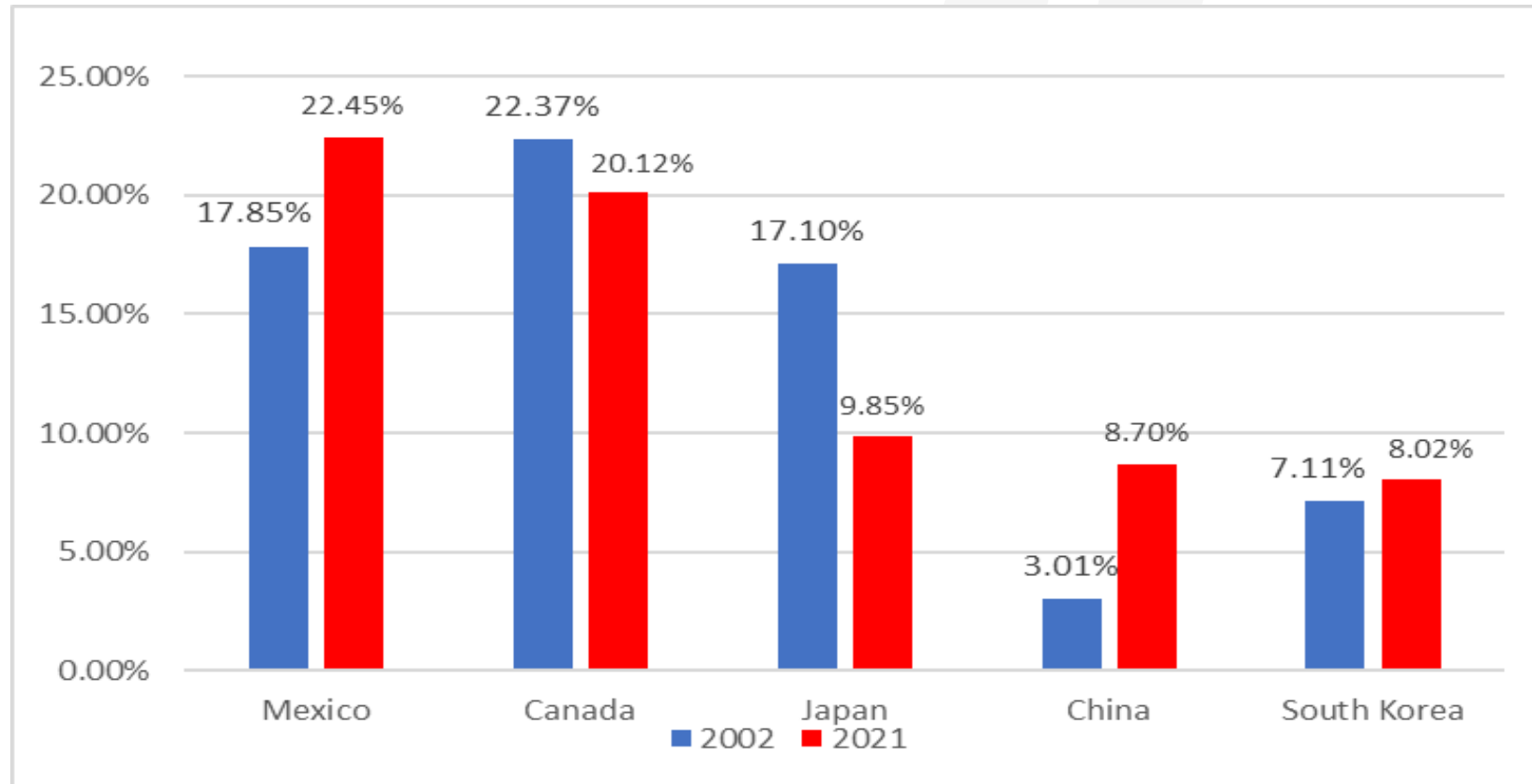
# Nebraska's Largest Export Commodities

- Main commodity exported is Processed and Packaged Food Products
- Gains in Pesticides & Fertilizers, Medical Equipment, & Grains



# Nebraska's Largest Export Destinations

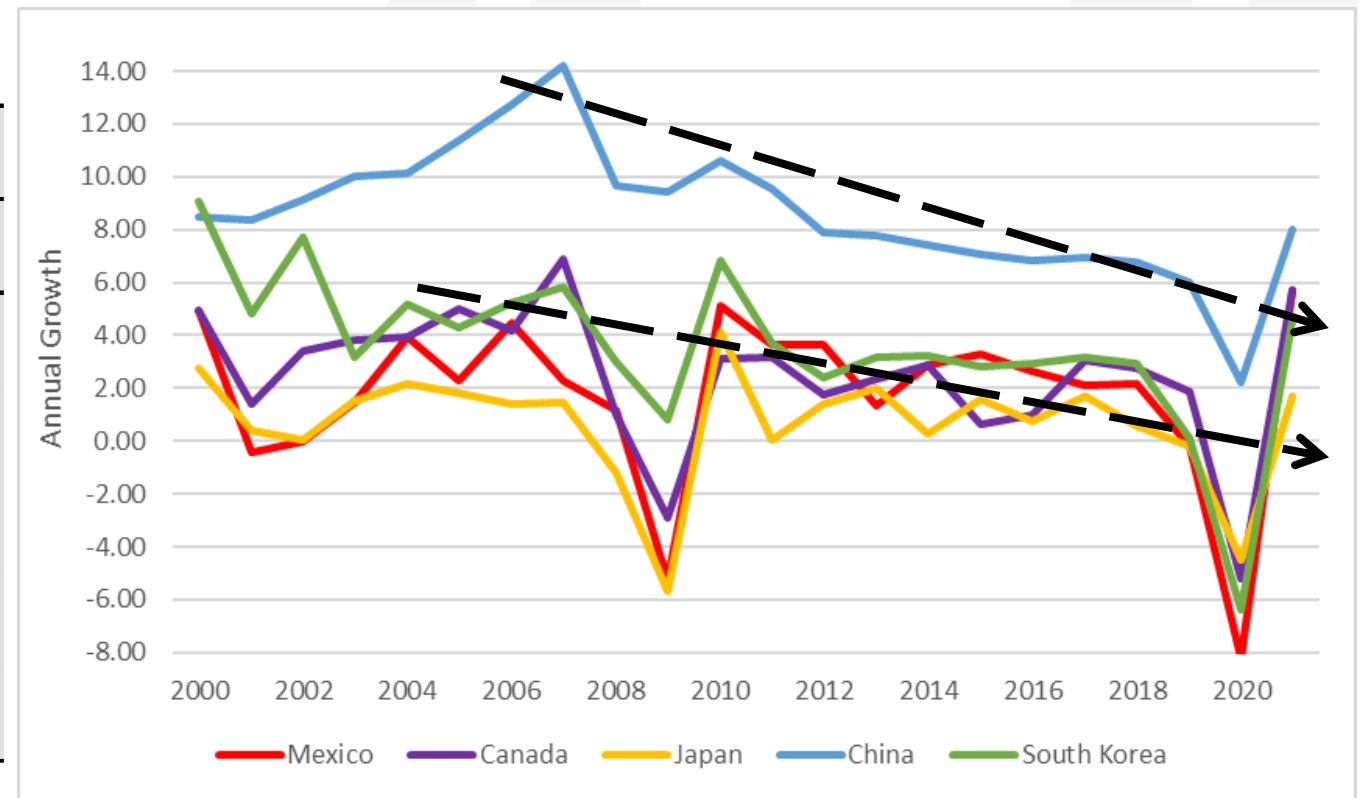
- Mexico and Canada are top destinations
- China's share has grown substantially, Japan's has fallen



# Slowdown in Economic Growth

- Slower inflation-adjusted GDP growth in major trading partners since 2010
- Significant slow-down in China

Average Annual Growth		
	2000-2010	2011-2021
Mexico	1.46	1.47
Canada	2.94	1.64
Japan	0.57	0.51
China	10.55	6.67
South Korea	4.67	1.84



# Challenges Facing Nebraska Businesses

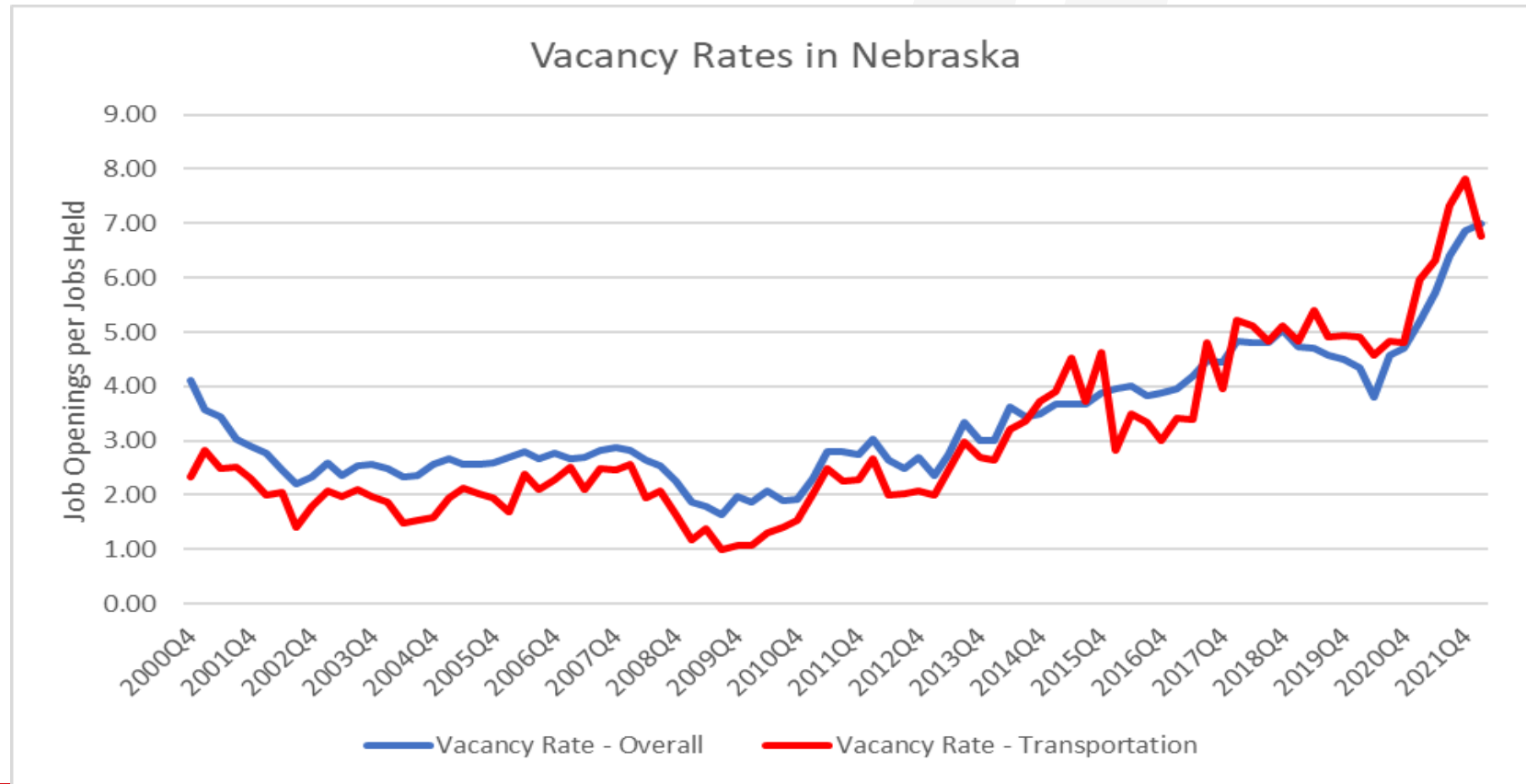
- Labor Force
- Energy (Fuel) prices
- Slower anticipated economic growth of Nebraska's trading partners
- General inflation and risk of recession worldwide





# Job Openings Relative to Jobs Available

- Vacancy Rates have been on the rise statewide since 2010
- Across all sectors...



# Long-term: Skills Demanded in Short Supply

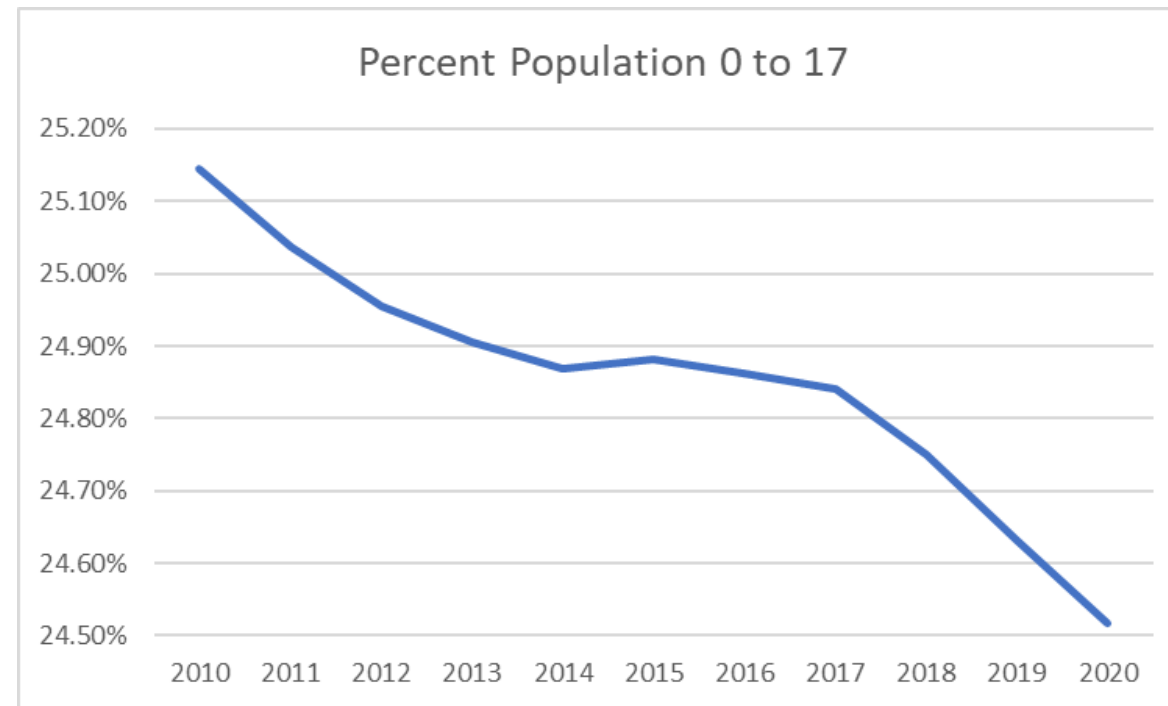
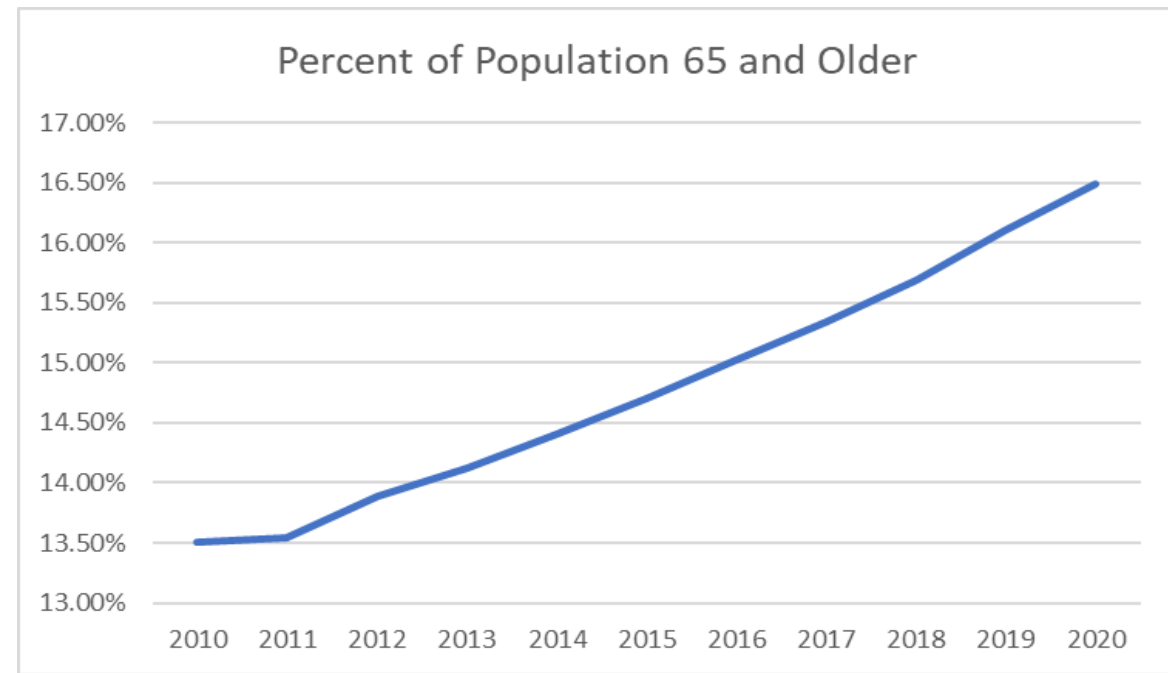
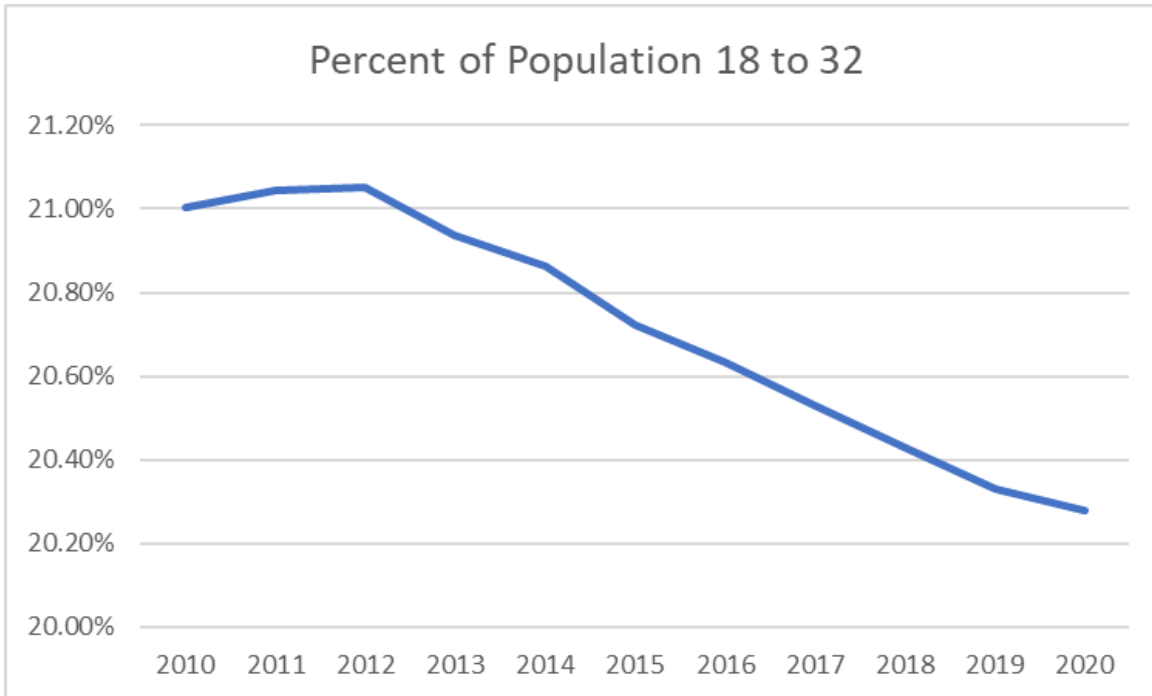
- Skill mismatch is a possible reason why demand for certain skills exceed supply for a long time
- 2009-2022, long duration in
  - Education
  - Financial Services
  - Health Services
  - Durable Goods Manuf.
  - Wholesale
  - Transportation

<b>Sector</b>	<b>Number of Quarters where Openings exceeded Hires by 25% or more</b>
Education	56
Finance and Insurance	49
Health Services	44
Information Services	33
Wholesale Trade	20
Durable Goods Manufacturing	16
Transportation Services	15
Source: BLS Jolt Survey	



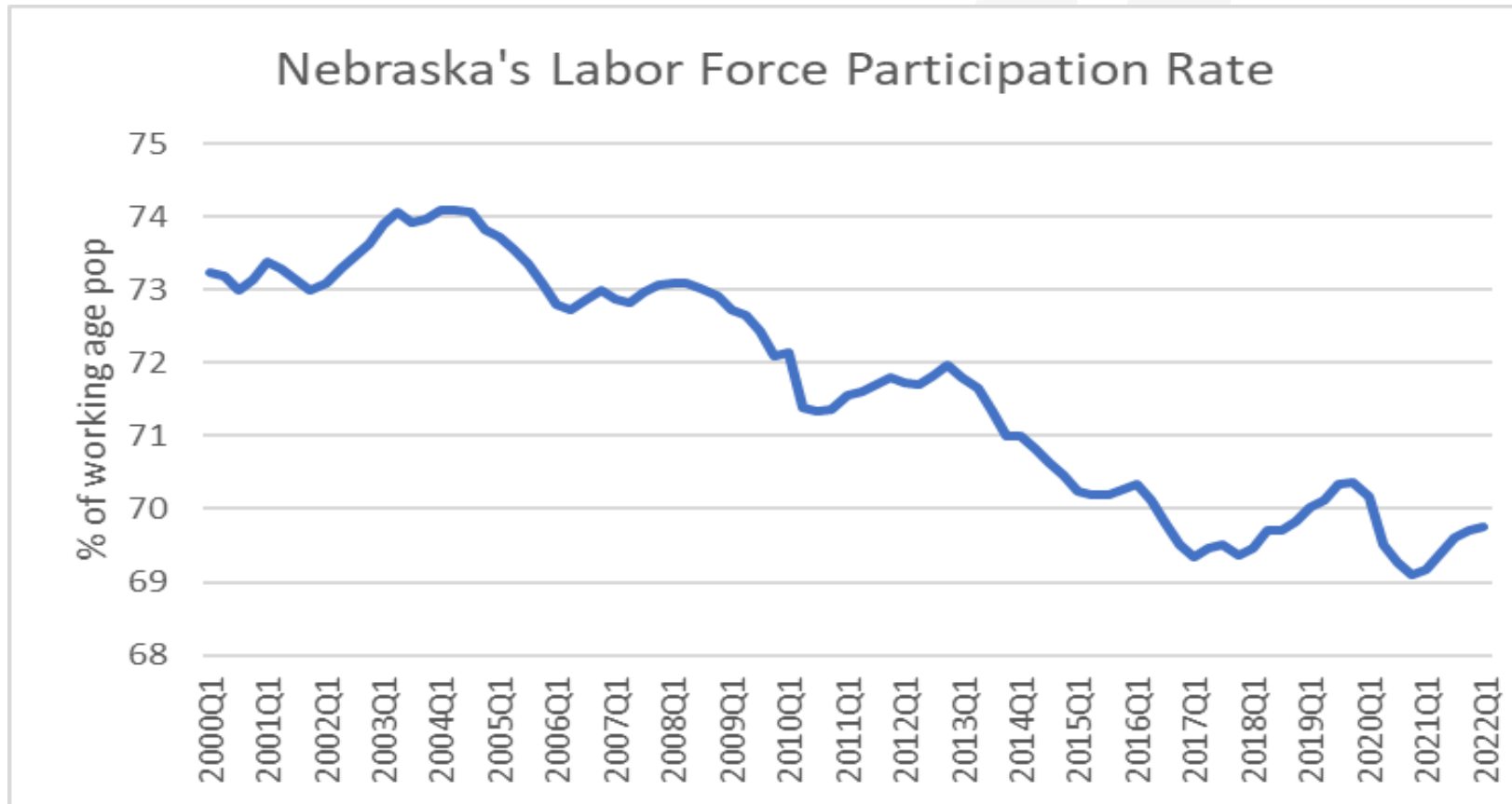
# Nebraska's Challenge: Demographics

- Nebraska's population is aging
- Younger Cohorts are shrinking



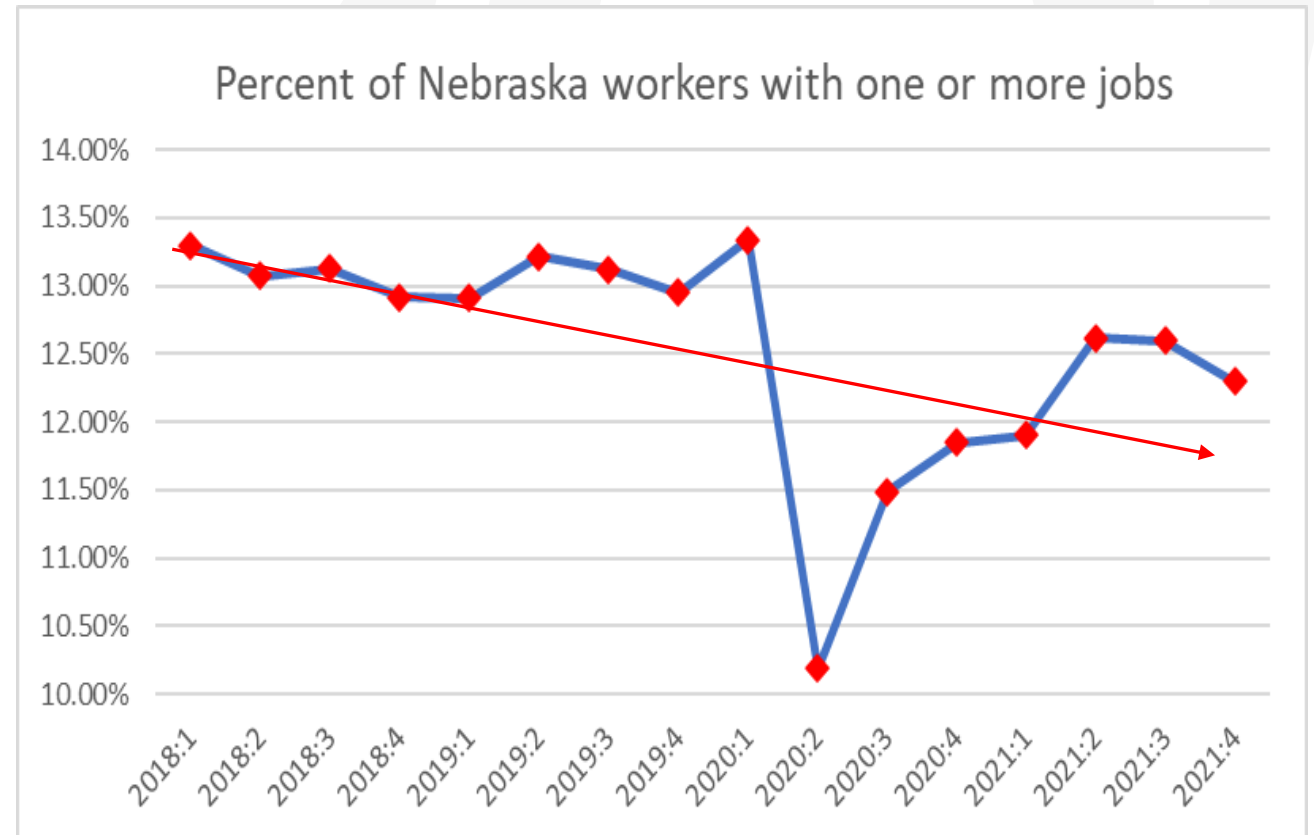
# Labor Force Participation Rate in Decline

- In decline since 2004
- Some rebound since historic low during 2020



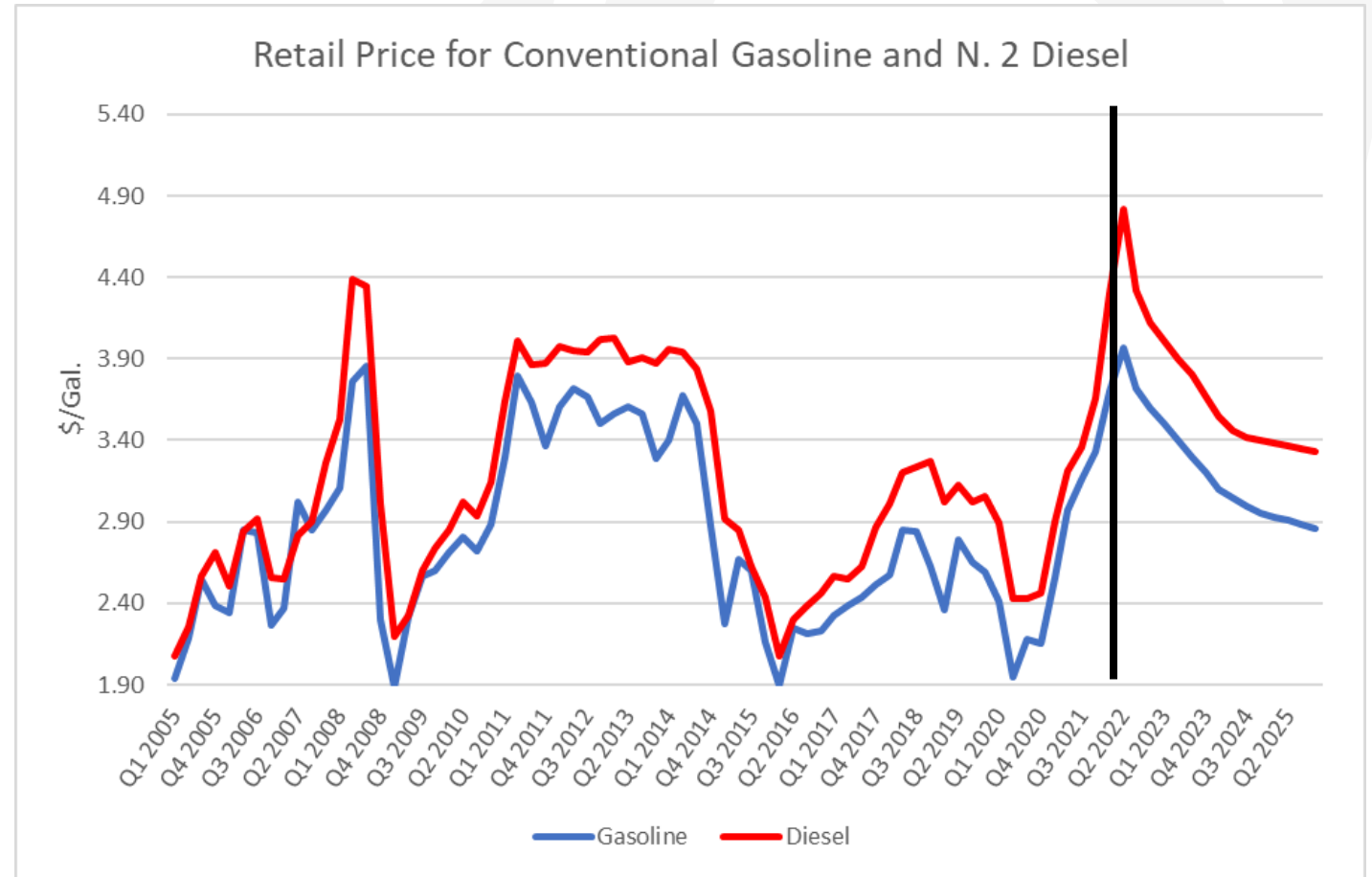
# Possible “short-term?” Reason for Vacancies: Multiple Job holders Perhaps Declining

- Nebraska has a high number of individuals holding more than one job
- This had contributed to the high participation rates
- Since 2019, that percentage has generally declined
- It's unclear if this is a trend

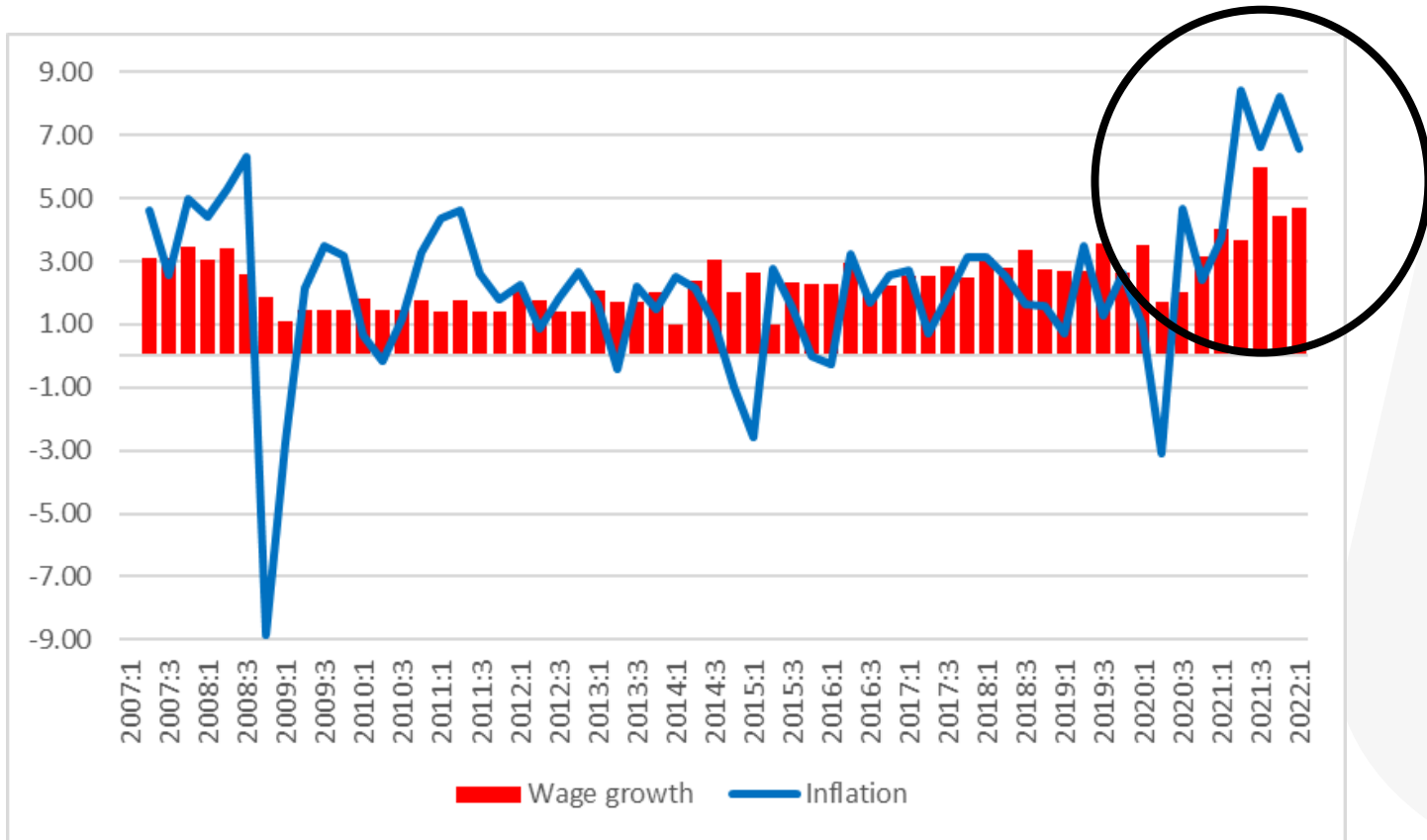


# Fuel Prices Likely to Remain High Short Term

- US Dept. of Energy Forecast\*
- Assuming:
  - Prices peak in 2022:3
  - Economic growth slows
  - Energy markets stabilize around a “new” normal
- If hostilities escalate and world production is disrupted further
  - Prices could stay higher



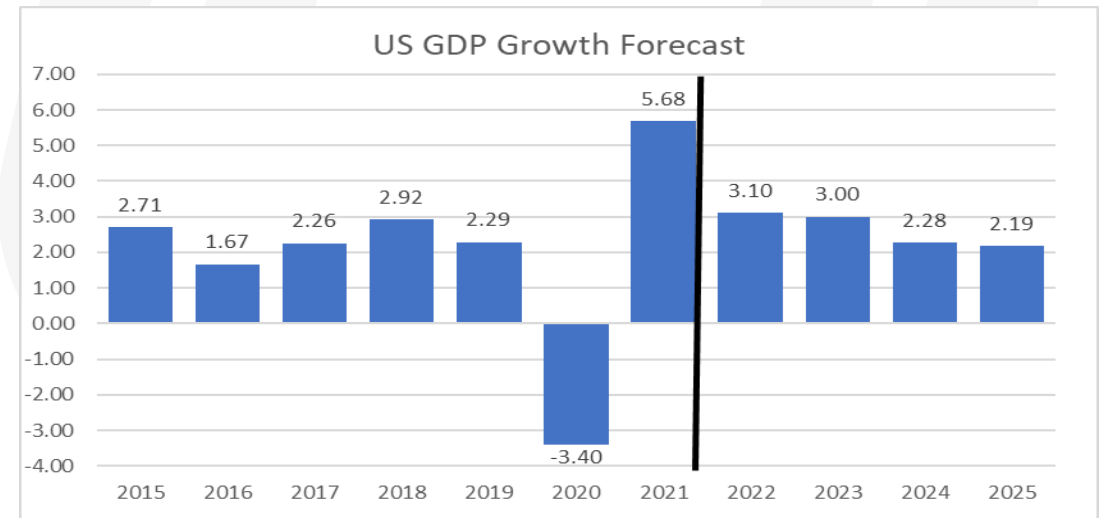
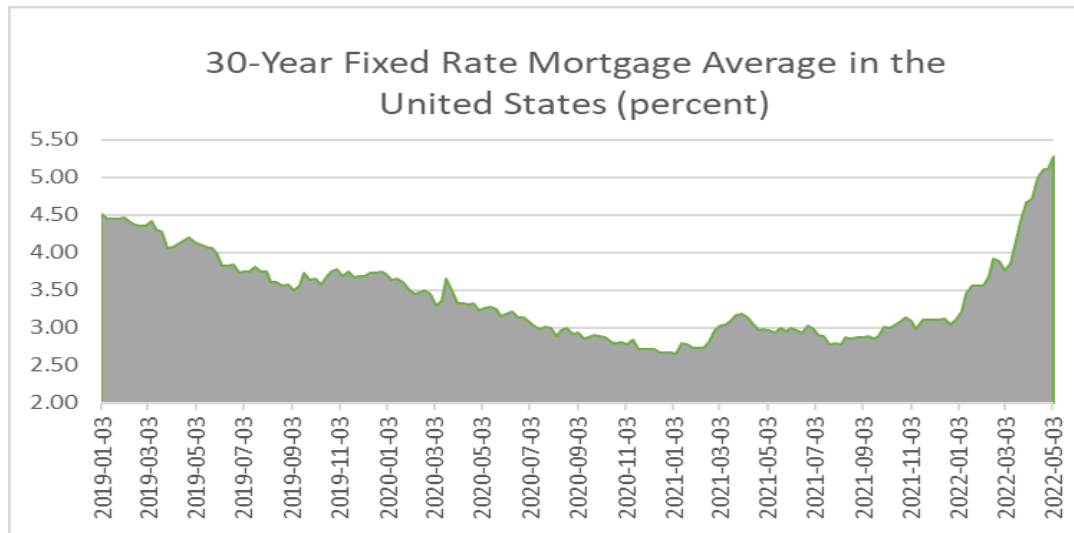
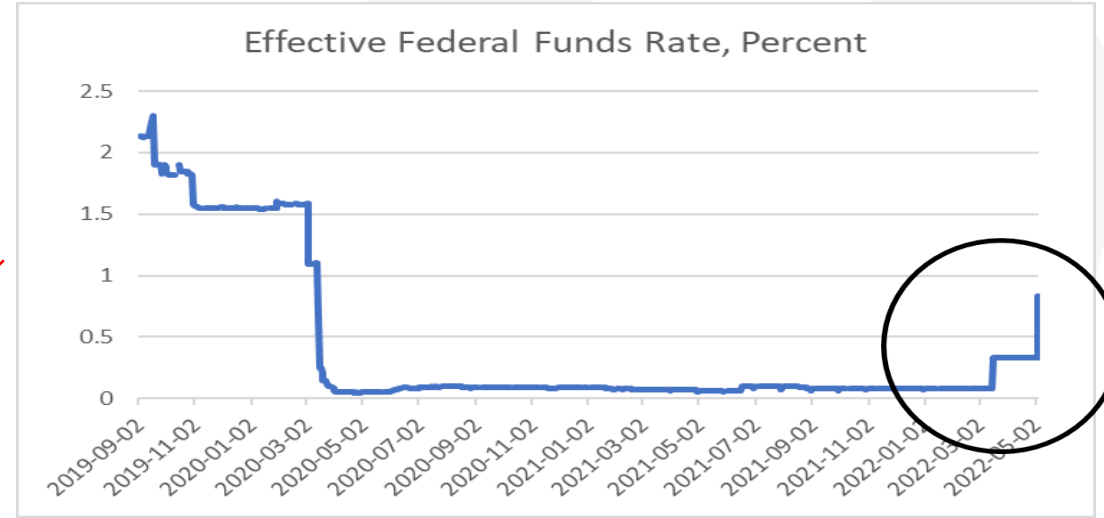
# General Inflationary Concerns



- General inflation **outpacing** wage growth
- Inflation is being driven by supply shocks
  - Supply chain disruption
  - War in Ukraine
- Concern: Consumer spending (66% of GDP) declines

# Monetary Authorities will Act to Slow Inflation

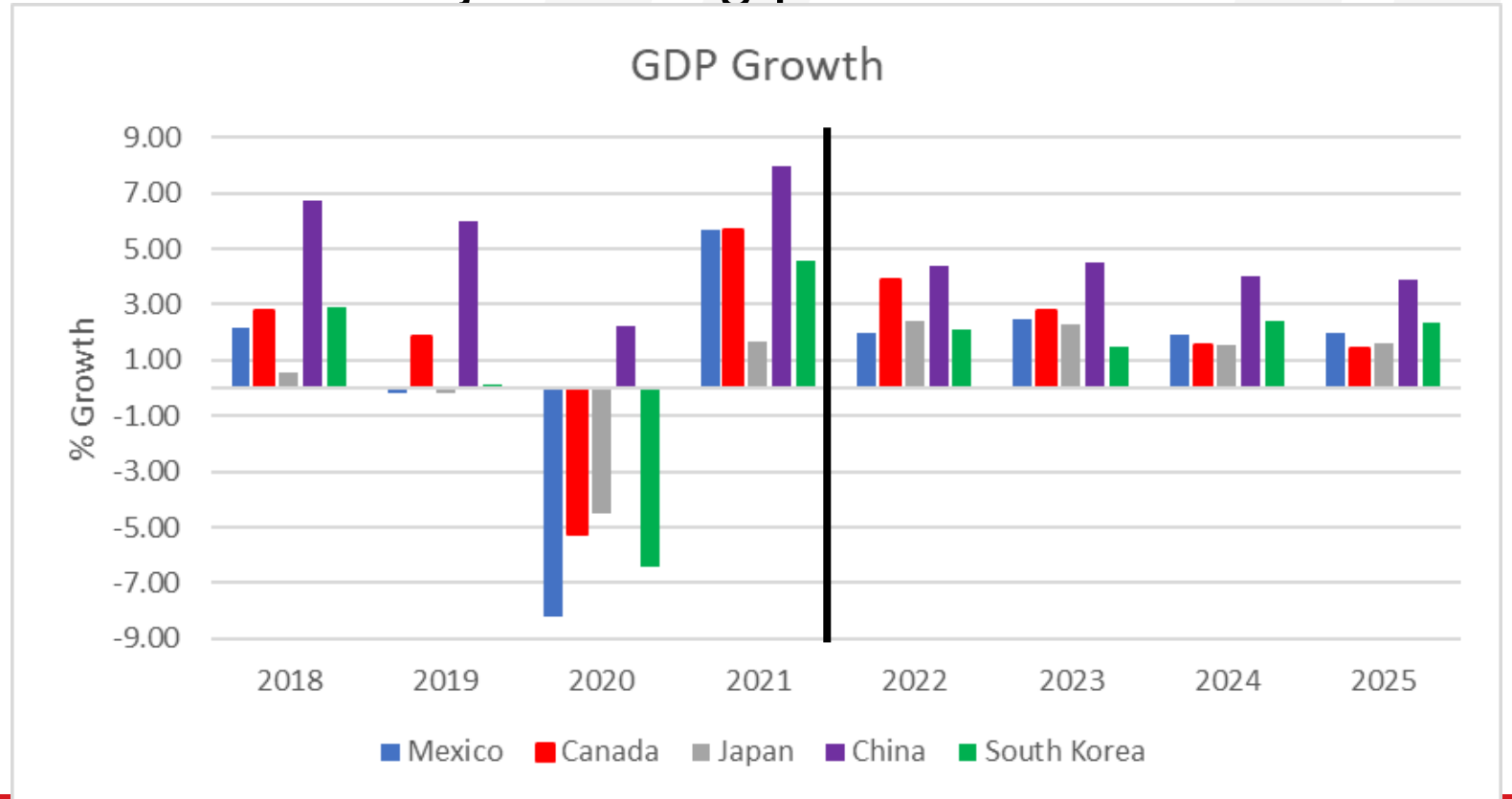
- Increasing interest rates
  - Slows economic growth (reduces demand)
  - Slow housing market, business investment, etc.
- Results in lower inflation but slower overall economic growth





# Economic Growth Forecast for Nebraska's Trading Partners

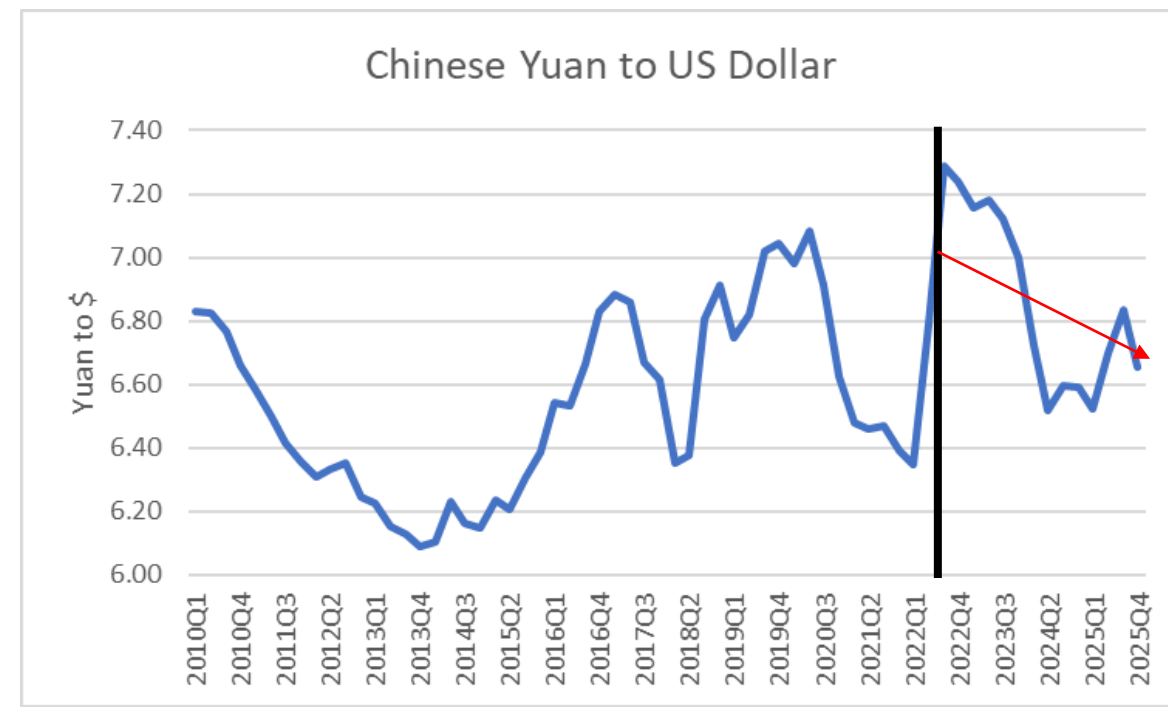
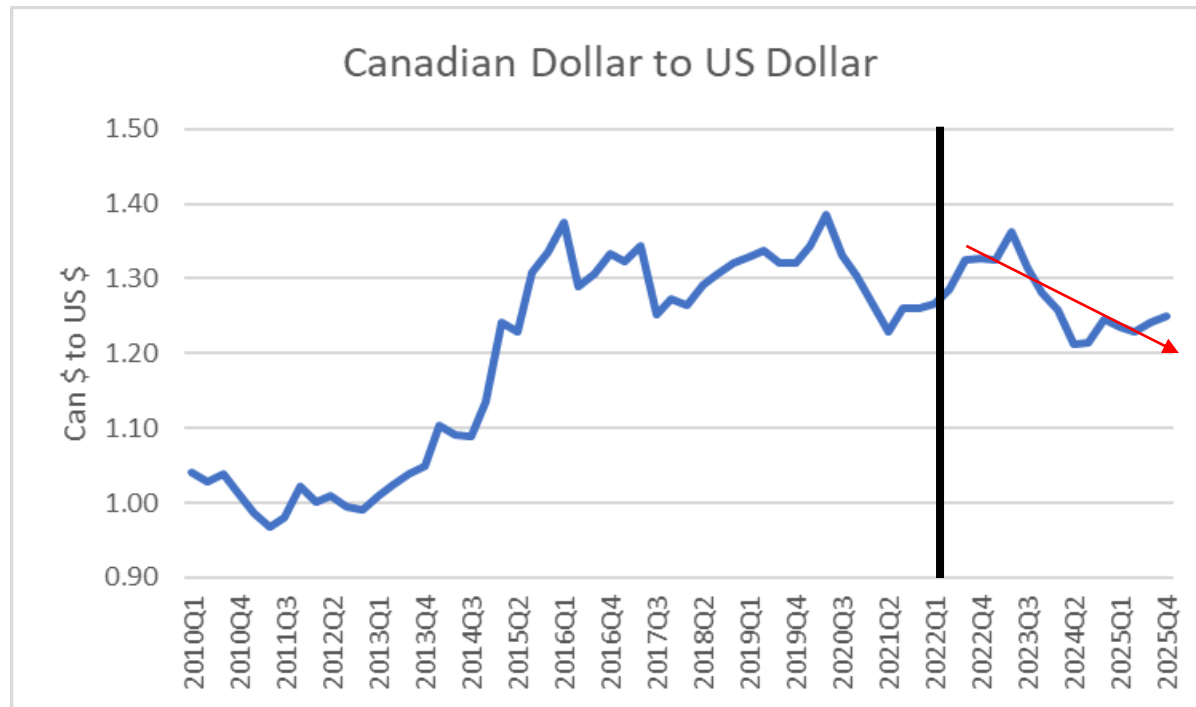
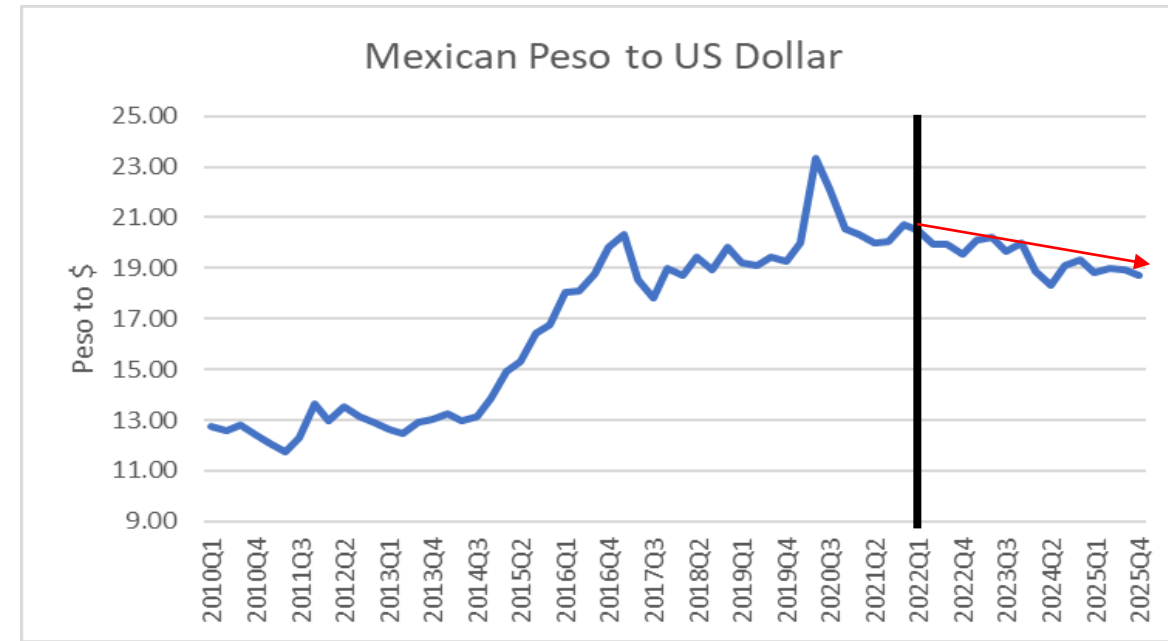
- World Bank Forecasts (January 2022)
- Slower GDP growth expected for all major trading partners
- Pre-Ukraine
- Pre China lockdown
- Growth (particularly in China) will likely be lower





# Exchange Rates Should Help US Exports

- US exports should be a little bit cheaper
  - The Economy Forecast Agency (EFA)



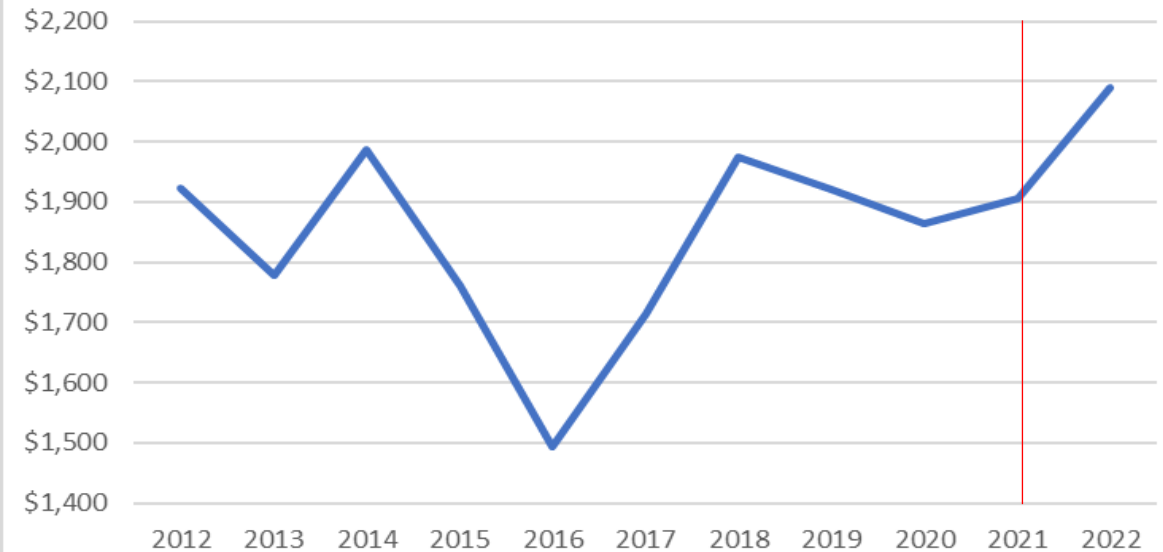
# Nebraska's Export Year-to-Date, Through March

## Nebraska Year-to-Date Merchandise Trade Exports (through March)

Partner	Annual change 2020-2021	Year-to-date 2020-2021	Year-to-date 2020-2022
World	14.60%	2.31%	9.60%
Canada	20.92%	-1.13%	32.72%
Mexico	9.69%	9.51%	-10.35%
China	54.72%	38.22%	48.21%
South Korea	7.04%	-17.43%	0.61%
Japan	60.83%	40.40%	39.18%

- Year-to-Date Merchandise Trade Looks Good
  - World: up 9.60%
  - Canada: up 33.0%
  - Mexico: down 10.35%
  - China: up 48.21%
- **However, momentum likely to slow**
  - China in lockdown
  - Conflict and Fuel Costs
  - Canada also experiencing inflation

Nebraska Exports, Year-to-Data (through March)



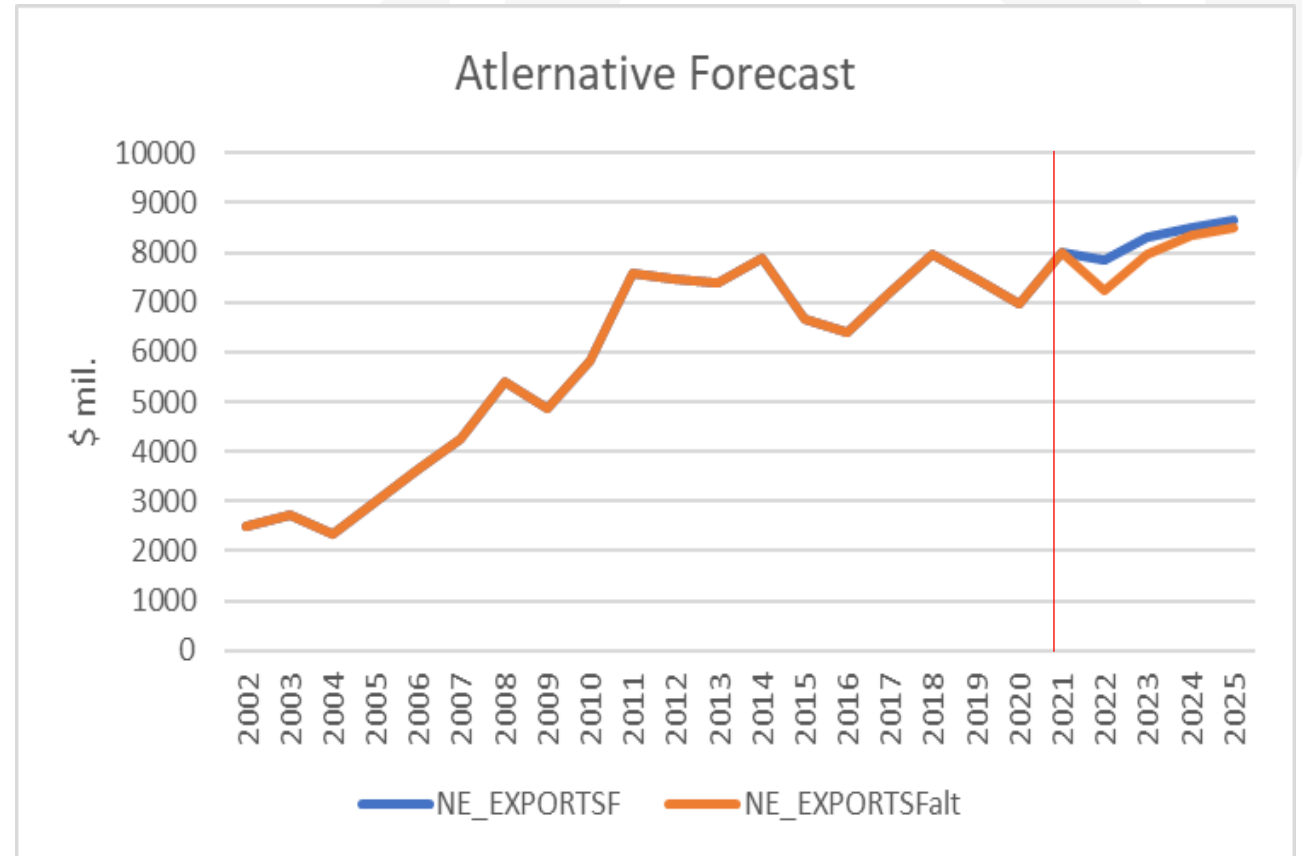
# Nebraska's Export Outlook

- Given slower GDP growth from trading partners:
- Given higher transportation costs:
  - 2022 is likely to fall from \$8 bil. to \$7.8 bil. (2% decline)
  - Grow steadily to \$8.6 bil. by 2025
- Assumes:
  - Inflation is kept under control and recession can be avoided



# Nebraska's Export Outlook - Alternative

- Suppose China's 2022 growth rate slows to 2.2%
  - This is its 2020 growth
- Suppose Canada and Mexico enter a recession due to inflationary pressure
  - Each falling about 1% in 2022
- Nebraska's exports could
  - Decline to \$7.2 bil. (9% decline)
  - Will recover to long term trend by 2024



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