



Economics Group

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Nebraska Payrolls Decline Amid Historic Flooding

Total nonfarm payrolls declined by 3,100 in March. Historic flooding was responsible for much of the job loss last month but hiring had moderated earlier, however, amid lower agricultural prices and trade concerns.

Floods Take a Toll on Nebraska’s Labor Market

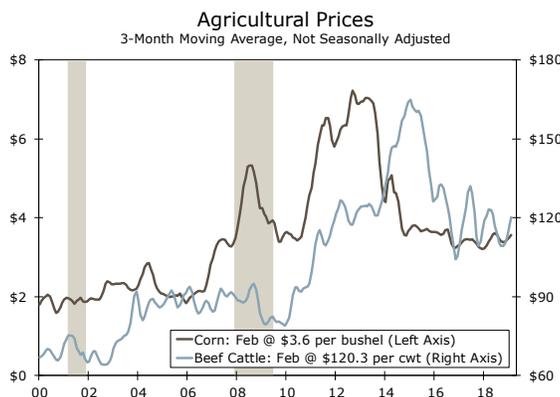
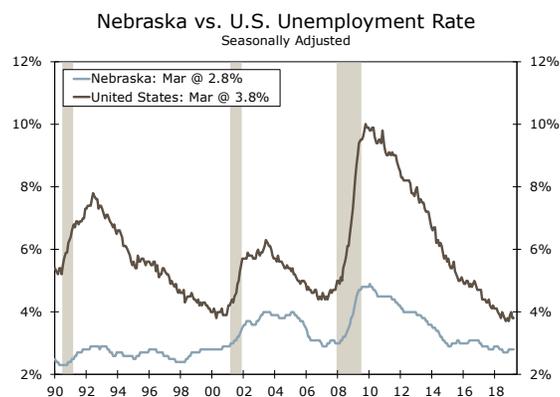
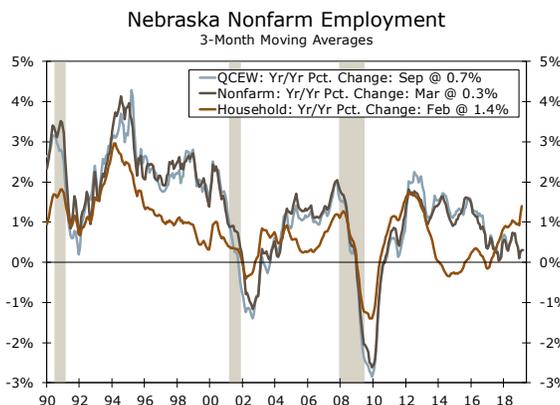
Floods resulting from the unusually harsh early March blizzard led to a significant pullback in nonfarm employment during March. The storm battered western Nebraska with heavy winds and dumped more than a foot of snow in many areas and was then followed by significantly warmer temperatures, which led to massive flooding. The floods inflicted significant damage to infrastructure, crops and livestock. At least 2,000 homes were damaged or destroyed, and business was disrupted significantly around mid-month, which includes the survey period for the employment data.

Nebraska boasts one of the country’s tightest labor markets. The unemployment rate in the state remains incredibly low at 2.8%. The state is no stranger to low unemployment. Going back to when data was first compiled, the highest the unemployment rate ever reached was 6.3% in 1983. Labor force participation is also the third highest among the states.

Natural disasters tend to have the greatest employment impact on industries employing large numbers of hourly workers, as the BLS only counts workers as employed if they earn compensation in the survey period. That appears to have once again been the case in Nebraska, as the bulk of the 3,100 jobs lost in March were in leisure & hospitality, construction and retailing. While employment was interrupted for many, the jobs were not truly lost, which should lead to a rebound in coming months.

Of course employment is only a tiny part of the losses incurred by the state’s residents. Flooding of the Missouri, Platte and Elkhorn Rivers impacted many areas of Nebraska as well as neighboring Iowa. While the effects to nonfarm payrolls are likely transitory, the more lasting impact will be felt on the regional infrastructure, as many roads, bridges and other transportation infrastructure incurred widespread damage. Damage from floods tends to linger. The state will receive federal disaster assistance, which will help, as relatively few Nebraskans have flood insurance. An estimated 10,000 policies were in effect across the state for nearly two million residents.

The loss of livestock and crops represents another set-back, as it hit in the midst of calving season. The floods may hamper farmers’ ability to plant feed crops, which may reduce future production. The sector has been under enormous pressure from lower agriculture prices and retaliatory tariffs placed on several key exports. The most recent data show real GDP rose 1.5% year-over-year in the third quarter of 2018. Output in the agriculture, forestry and fishing sector, however, fell 6.5% and has been declining since 2016. There may be room for some cautious optimism, as trade negotiations have progressed and a new deal with China appears imminent. Farmers have also received some temporary relief from the USDA Trade Retaliation Mitigation Program. On a sequential basis, personal incomes surged 10.8% annualized in the fourth quarter of 2018, the third fastest rise in the country, propelled in large part by a jump in farm income.



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