

## **Results of the October Survey of Nebraska Business: November 7, 2014**

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***Summary:** Respondents to the October 2014 Survey of Nebraska Business regained an optimistic outlook for sales and employment. October respondents were much more likely to expect sales to rise (30%) than fall (18%) at their business over the next six months and more likely to plan to increase employment (11%) than to reduce it (7%). This outlook was much more optimistic than the mixed outlook reported in September. Within the state, respondents from the Omaha area were the most optimistic in their outlook for sales and employment over the next six months. Respondents from Southeast and Central Nebraska were only somewhat optimistic. Respondents in Northeast Nebraska and West Nebraska had a neutral outlook. When asked about the most important issue facing their business, customer demand was the top issue named by 31 percent of respondents. Respondents in Southeast Nebraska and Central Nebraska were much more likely to name the availability and quality of labor as their top concern, hinting at labor supply issues in these regions. West Nebraska respondents were much more likely to list taxes as their top concern. It will be interesting to see if Nebraska businesses remain optimistic in their responses to the November 2014 Survey of Nebraska Business.*

### **Survey of Nebraska Business**

The *Survey of Nebraska Business* is sent to 500 Nebraska business establishments each month. The survey asks business owners and managers whether they expect to expand sales and employment over the next 6 months. The survey also asks “What is the most important issue facing your business today?” Individual responses to that question fall into one dozen categories of business and public policy issues. Surveyed businesses are randomly selected from all industries, including agriculture. Businesses of all sizes are surveyed. In October, responses were received from 152 of the 500 surveyed businesses. This 30% response rate is sufficient for analysis of the results.

As seen in Table 1 below, respondents to the October 2014 *Survey of Nebraska Business* are optimistic in their outlook for sales and employment. This is the eighth month in the last nine in which businesses indicated a positive outlook for both sales and employment. Results had been mixed in September. Looking at specific numbers, while just under half of October respondents expect no change in sales, 30 percent expect sales to increase in the next 6 months and 18 percent sales to decline. This is a positive 12 percent gap. For employment, 11 percent of October respondents expect to add jobs over the next 6 months while 7 percent expect to reduce employment, for a positive 4 percent gap.

Table 1: Business Expectations for the Next Six Months, October 2014

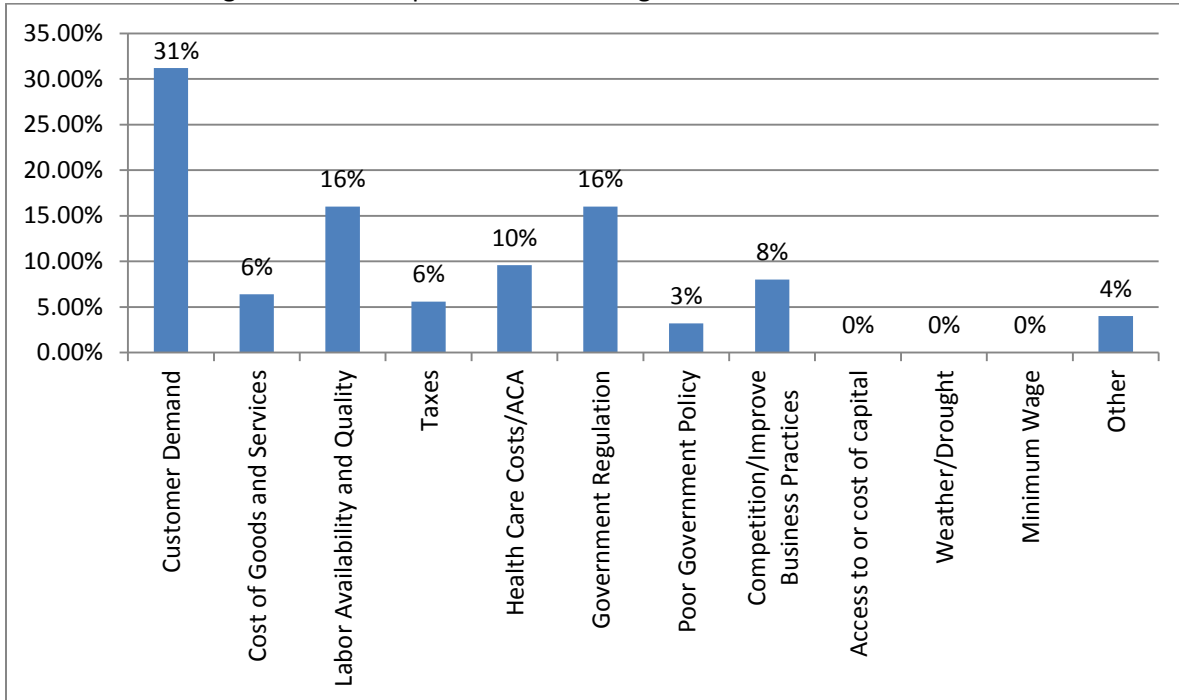
	Change Over the Next Six Months	
	Sales	Employment
Increase	30%	11%
Stay the Same	52%	82%
Decrease	18%	7%

Note: Column totals may not sum to 100% due to rounding.

Results in Figure 1 show the top concerns of responding business owners and managers. Nearly two-thirds of responses were related to business operations issues such as customer demand for business products or services, the cost of supplies (goods and services), labor availability and quality, competition with other businesses, and improved business practices. Customer demand was the most common top concern, named by 31 percent of respondents. For the second consecutive month, the quality and availability of labor was the second most cited top concern, chosen by one in six respondents. Few respondents were concerned about increases in the price of goods and services, reflecting low inflation and falling fuel prices. Roughly 8 percent of respondents mentioned competition with other businesses as their top concern. As the economy has improved in recent month, a larger share of businesses has been selecting competition and labor availability as their top concern.

Approximately one-third of businesses listed public policy issues as their top concern. One in six chose government regulation as the top concern while one in ten chose health care costs and the Affordable Care Act. Taxes were mentioned by 6 percent of respondents. Interestingly, no respondents named the minimum wage as their top concern.

Figure 1: Most Important Issue Facing Each Business October 2014



Note: Percentages may not sum to 100% due to rounding

## Omaha Area Responses to the Survey of Nebraska Business

Table 2 and Figure 2 summarize responses from Omaha Metropolitan Area businesses (Nebraska portion only).<sup>1</sup> The responses are combined from the September and October 2014 surveys. Responses were combined from the last two months in order to generate a sufficient sample size. There were a combined 77 responses from Omaha Metropolitan Area businesses during September and October.

As seen in Table 2, Omaha Metropolitan Area businesses (Nebraska portion only) continued to be much more positive in their outlook for sales and employment growth than businesses from other parts of the state. For sales, 32 percent expect sales to increase and just 22 percent sales to decline over the next 6 months. In other words, compared to respondents from other parts of the state, Omaha businesses were 7 percent more likely to foresee an increase in sales. For employment, 17 percent of respondents from the Omaha area expect to add jobs over the next 6 months and 11 percent expect to reduce employment. Omaha remains the most optimistic region in the state.

Table 2: Omaha Metro Area Business Expectations for the Next Six Months, September and October, 2014

	Change Over the Next Six Months		
	Rest of Nebraska	Omaha Area	Difference
	Sales		
Increase	25%	32%	7%
Stay the Same	53%	45%	-8%
Decrease	22%	22%	0%
	Employment		
Increase	8%	17%	9%
Stay the Same	87%	72%	-14%
Decrease	6%	11%	5%

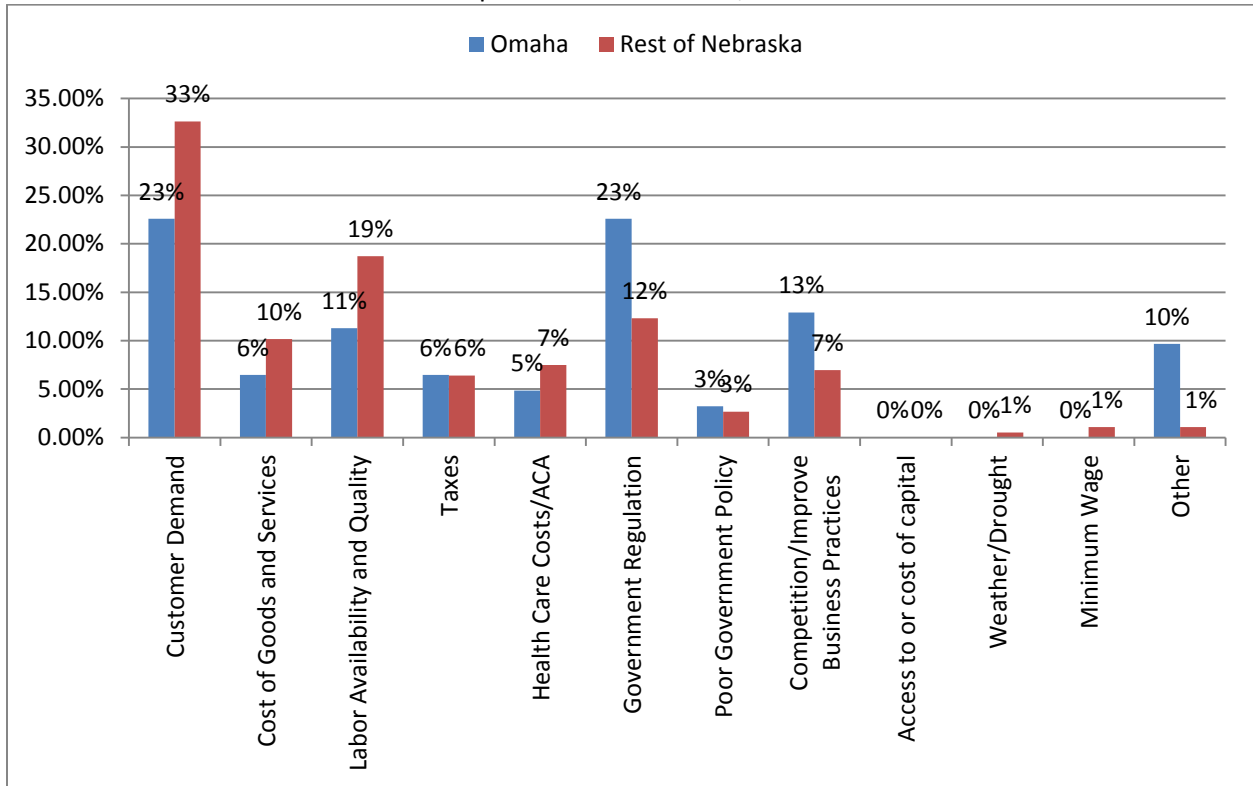
Note: Percentages may not sum to 100% or 0% due to rounding.

Figure 2 compares the top business concerns of Omaha Metropolitan Area respondents (Nebraska portion only) from September and October with those from businesses located in other parts of Nebraska. The primary differences are that Omaha area businesses are more likely to be concerned with regulation than businesses located in other parts of the state, but less likely to be concerned about customer demand or the availability of labor. This is a continuation of a trend seen in other recent months. This may be characteristic of a region with a growing economy and population. With demand and labor supply growing, businesses are more focused on policy concerns.

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<sup>1</sup> The region includes Cass, Douglas, Sarpy, Saunders and Washington counties.

Figure 2: Most Important Issue Facing Omaha Metro Area Businesses, September and October, 2014



Note: Percentages may not sum to 100% due to rounding

## Southeast Nebraska Responses to the Survey of Nebraska Business

Table 3 and Figure 3 summarize responses from Southeast Nebraska businesses. Southeast Nebraska includes counties stretching east from York County through Lancaster County to Otoe County and also south to the Nebraska-Kansas border.<sup>2</sup> The responses discussed in Table 3 and Figure 3 are combined from the September and October 2014 surveys, in order to generate a sufficient sample size. There were a combined 86 responses from Southeast Nebraska businesses during September and October.

As seen in Table 3, Southeast Nebraska businesses over the last two months have been modestly optimistic about the outlook for sales. For sales, 30 percent expect sales to increase and 22 percent expect sales to decline in the next 6 months. These figures are slightly more optimistic than the rest of Nebraska. Southeast Nebraska businesses were effectively neutral in their outlook for employment with 6 percent of respondents expecting to increase employment over the next six months and 5 percent expecting to decrease employment. Other parts of the state are slightly more optimistic about the employment outlook. Combining sales and employment, the outlook for Southeast Nebraska is somewhat optimistic and is roughly in line with the outlook in other parts of the state in September and October.

Table 3: Southeast Nebraska Business Expectations for the Next Six Months, September and October, 2014

	Change Over the Next Six Months		
	Rest of Nebraska	Southeast Nebraska	Difference
	Sales		
Increase	26%	30%	5%
Stay the Same	53%	48%	-5%
Decrease	22%	22%	0%
	Employment		
Increase	10%	6%	-4%
Stay the Same	83%	90%	7%
Decrease	7%	5%	-2%

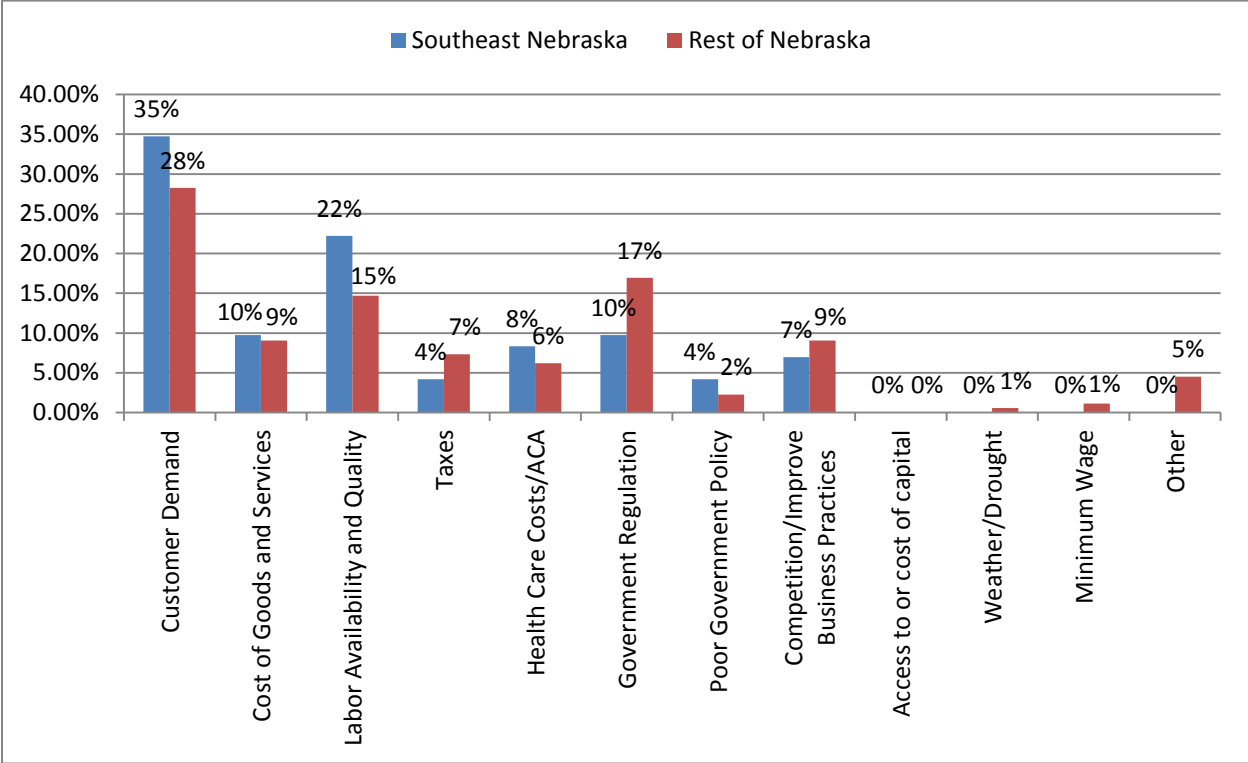
Note: Percentages may not sum to 100% or 0% due to rounding.

Figure 3 compares the top business concerns of Southeast Nebraska respondents from September and October with those from businesses located in other parts of the state. Respondents from Southeast Nebraska are more likely to be concerned about customer demand but less likely to be concerned about public policy (taxes and regulation) than respondents in other parts of the state. Southeast Nebraska respondents also are more likely to be concerned about the availability and quality of labor. This may be related to the smaller share of businesses which expect to expand employment. It will be interesting to follow whether these concerns about labor supply persist in survey responses in future months.

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<sup>2</sup> The regions include Filmore, Gage, Jefferson, Johnson, Lancaster, Nemaha, Otoe, Pawnee, Richardson, Saline, Seward, Thayer, and York counties.

Figure 3: Most Important Issue Facing Southeast Nebraska Businesses, September and October, 2014



Note: Percentages may not sum to 100% due to rounding

## Central Nebraska Responses to the Survey of Nebraska Business

Table 4 and Figure 4 summarize responses from Central Nebraska businesses. Central Nebraska includes Hall County and Buffalo County, counties to the north including Custer County and counties to the south to the Nebraska-Kansas border, including Adams County.<sup>3</sup> The responses discussed in Table 4 and Figure 4 are combined from the September and October 2014 surveys, in order to generate a sufficient sample size. There were a combined 41 responses from Central Nebraska businesses during September and October.

Central Nebraska businesses were slightly optimistic about the outlook for sales and optimistic about the outlook for employment. For sales, 24 percent of Central Nebraska businesses expected sales to increase in the next six months while 22 percent expected sales to decline, as seen in Table 4. This result is slightly less optimistic than in other parts of the state. At the same time, 12 percent of Central Nebraska respondents expected to add employees over the next six months while just 2 percent expected to decrease employees. This positive outlook is more optimistic than in other parts of the state. Combining results for sales and employment, the outlook in Central Nebraska is somewhat optimistic and is in line with the outlook in other parts of the state in September and October.

Table 4: Central Nebraska Business Expectations for the Next Six Months, September and October, 2014

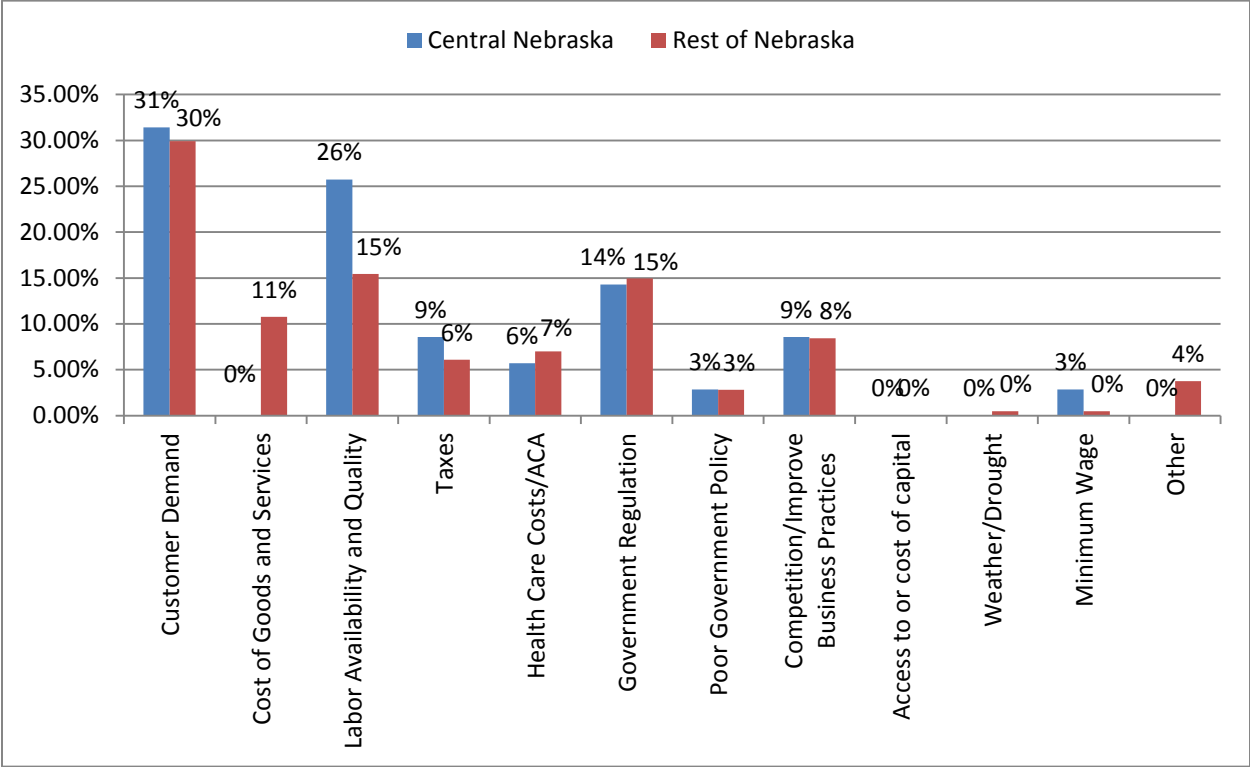
	Change Over the Next Six Months		
	Rest of Nebraska	Central Nebraska	Difference
	Sales		
Increase	27%	24%	-3%
Stay the Same	51%	54%	3%
Decrease	22%	22%	0%
	Employment		
Increase	10%	12%	2%
Stay the Same	82%	85%	3%
Decrease	8%	2%	-5%

Note: Percentages may not sum to 100% or 0% due to rounding.

Figure 4 compares the top business concerns of Central Nebraska respondents from September and October with those from businesses located in other parts of the state. There are two main differences. Central Nebraska respondents did not identify the costs of goods and services as a top concern. At the same time, Central Nebraska businesses were more likely to identify the quality and availability of labor as a top concern.

<sup>3</sup> The region includes Adams, Blaine, Buffalo, Clay, Custer, Franklin, Garfield, Greeley, Hall, Hamilton, Harlan, Howard, Kearney, Loup, Merrick, Nance, Nuckolls, Phelps, Sherman, Valley, Webster, and Wheeler counties.

Figure 4: Most Important Issue Facing Central Nebraska Businesses, September and October, 2014



Note: Percentages may not sum to 100% due to rounding



## Northeast Nebraska Responses to the Survey of Nebraska Business

Table 5 and Figure 5 summarize responses from Northeast Nebraska businesses. Northeast Nebraska includes Platte and Madison Counties, counties to the north and east through to the borders with Iowa and South Dakota.<sup>4</sup> The responses discussed in Table 5 and Figure 5 are combined from the September and October 2014 surveys, in order to generate a sufficient sample size. There were a combined 48 responses from Northeast Nebraska businesses during September and October.

Responding businesses in Northeast Nebraska are somewhat optimistic in their outlook for sales but pessimistic in their outlook for employment. For sales, 26 percent of respondents expect sales to rise over the next six months, while 21 percent expect sales to fall. This outlook was roughly in line with the expectations of businesses in other parts of the state. For employment, just 6 percent of Northeast Nebraska businesses expect to add employees in the next six months while 11 percent expect to reduce employment. Businesses in other parts of the state are positive on net in their outlook for employment. Taking sales and employment as a whole, respondents from Southeast Nebraska have a neutral outlook, positive for sales and negative for employment. This compares to a positive outlook in the rest of the state. The outlook in Northeast Nebraska may reflect weakness in crop prices which is impacting crop producers and agriculture-related manufacturers, despite any benefits for the regions large livestock industry.

Table 5: Northeast Nebraska Business Expectations for the Next Six Months, September and October, 2014

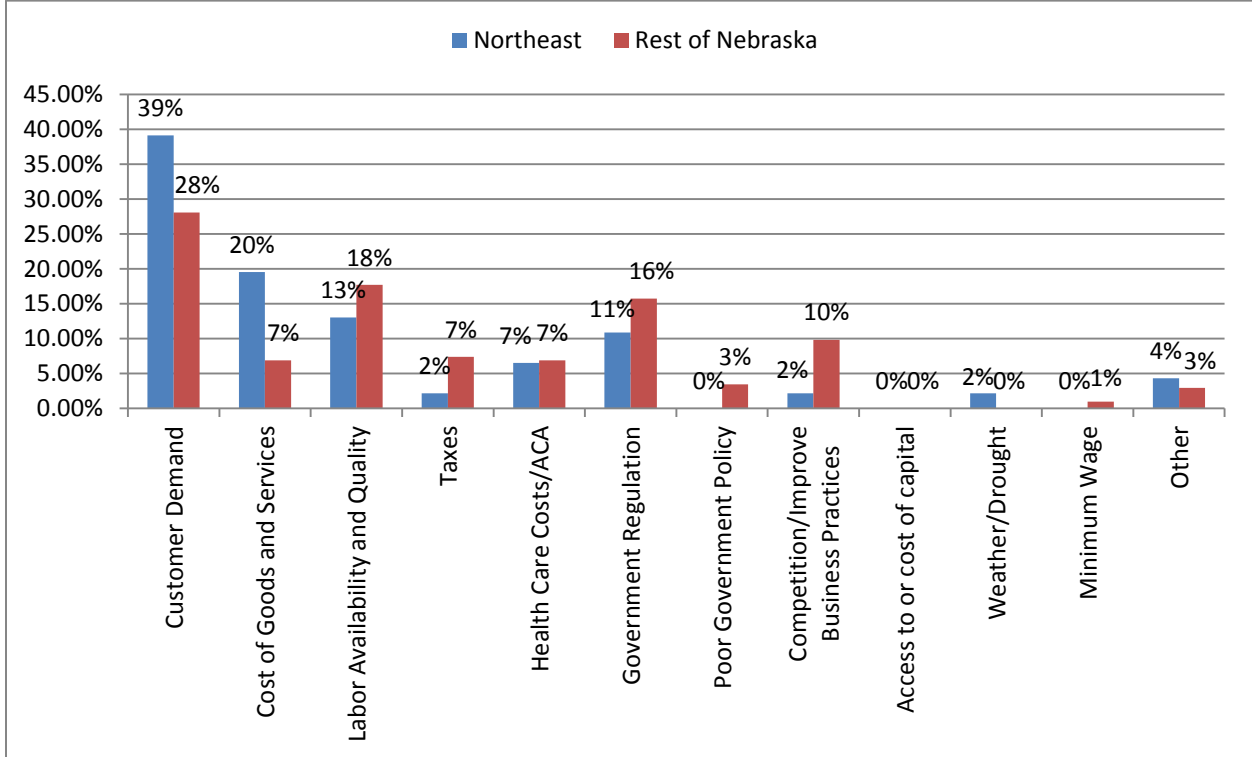
	Change Over the Next Six Months		
	Rest of Nebraska	Northeast Nebraska	Difference
	Sales		
Increase	27%	26%	-2%
Stay the Same	51%	53%	2%
Decrease	22%	21%	-1%
	Employment		
Increase	11%	6%	-5%
Stay the Same	83%	83%	0%
Decrease	6%	11%	4%

Note: Percentages may not sum to 100% or 0% due to rounding.

Figure 5 compares the top business concerns of Northeast Nebraska respondents from September and October with those from businesses located in other parts of the state. Northeast Nebraska businesses were especially concerned about customer demand and the cost of supplies (i.e., goods and services).

<sup>4</sup> The region includes Antelope, Boyd, Boone, Brown, Burt, Butler, Colfax, Cedar, Cuming, Dakota, Dixon, Dodge, Holt, Keya Paha, Knox, Madison, Pierce, Platte, Polk, Rock, Stanton, Thurston and Wayne counties.

Figure 5: Most Important Issue Facing Northeast Nebraska Businesses, September and October, 2014



Note: Percentages may not sum to 100% due to rounding

## West Nebraska Responses to the Survey of Nebraska Business

Table 6 and Figure 6 summarize responses from West Nebraska businesses. West Nebraska includes Dawson and Lincoln Counties, counties north to the Dakota border, south to Kansas border, Scottsbluff County and the rest of the Nebraska Panhandle.<sup>5</sup> The responses discussed in Table 6 and Figure 6 are combined from the September and October 2014 surveys, in order to generate a sufficient sample size. There were a combined 42 responses from West Nebraska businesses during September and October.

Responding businesses in West Nebraska were negative in their outlook for sales and positive in their outlook for employment over the next 6 months. Just 14 percent of West Nebraska respondents from September and October expect to sales to increase at their business over the next six months while 21 percent expected sales to decrease. For employment, 10 percent expect to increase employment while 5 percent expect to decrease employment. This is in line with the employment outlook in the rest of the state. Taking sales and employment as a whole, respondents from Southeast Nebraska have a neutral outlook, negative for sales and positive for employment. This compares to a positive outlook in the rest of the state.

Table 6: West Nebraska Business Expectations for the Next Six Months, September and October, 2014

	Change Over the Next Six Months		
	Rest of Nebraska	West Nebraska	Difference
	Sales		
Increase	29%	14%	-15%
Stay the Same	49%	64%	15%
Decrease	22%	21%	0%
	Employment		
Increase	10%	10%	-1%
Stay the Same	82%	85%	3%
Decrease	7%	5%	-2%

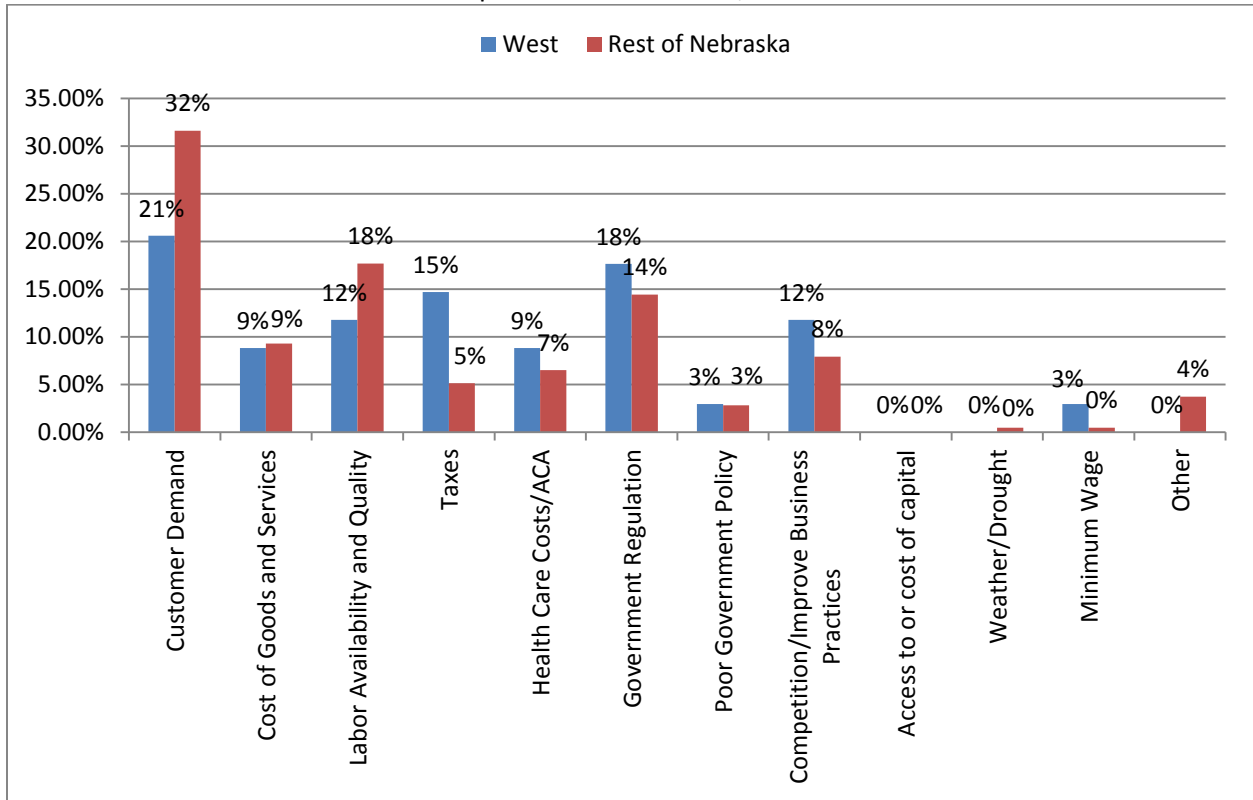
Note: Percentages may not sum to 100% or 0% due to rounding.

Figure 6 compares the top business concerns of West Nebraska respondents from September and October with those from businesses located in other parts of the state. Generally speaking, respondents from West Nebraska were more likely to select public policy issues as their top concern, particularly taxes.

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<sup>5</sup> The region includes Arthur, Banner, Box Butte, Chase, Cherry, Cheyenne, Deuel, Dawes, Dawson, Dundy, Frontier, Furnas, Garden, Gosper, Grant, Hayes, Hitchcock, Hooker, Keith, Kimball, Lincoln, Logan, McPherson, Morrill, Perkins, Red Willow, Scotts Bluff, Sheridan, Sioux and Thomas counties.

Figure 6: Most Important Issue Facing West Nebraska Businesses, September and October, 2014



Note: Percentages may not sum to 100% due to rounding